

DEUTSCHE BANK AKTIENGESELLSCHAFT
Form 424B2
April 02, 2018

Pricing Supplement No. 3070B

To underlying supplement No. 1 dated August 17, 2015,

Registration Statement No. 333-206013

product supplement B dated July 31, 2015,

Rule 424(b)(2)

prospectus supplement dated July 31, 2015 and

prospectus dated April 27, 2016

The information in this preliminary pricing supplement is not complete and may be changed. This preliminary pricing supplement and the accompanying underlying supplement, product supplement, prospectus supplement and prospectus do not constitute an offer to sell nor do they seek an offer to buy the securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion. Dated April 2, 2018

Deutsche Bank AG

\$ Trigger Return Enhanced Securities Linked to the Lesser Performing of the iShares[®] MSCI EAFE ETF and the EURO STOXX 50[®] Index due May 3, 2023

General

The Trigger Return Enhanced Securities Linked to the Lesser Performing of the iShares[®] MSCI EAFE ETF and the EURO STOXX 50[®] Index due May 3, 2023 (the “**securities**”) are designed for investors who seek a return at maturity of at least 350.00% (to be determined on the Trade Date) of any increase in the price or level, as applicable, of the lesser performing of the iShares[®] MSCI EAFE ETF (the “**Fund**”) and the EURO STOXX 50[®] Index (the “**Index**,” and each of the Fund and the Index, an “**Underlying**”). If the Final Level of the lesser performing Underlying, which we refer to as the “**Laggard Underlying**,” is less than its Initial Level but greater than or equal to its Trigger Level (equal to 50.00% of its Initial Level), investors will receive a cash payment per \$1,000 Face Amount of securities at maturity equal to the Face Amount. However, if the Final Level of the Laggard Underlying is less than its Trigger Level, for each \$1,000 Face Amount of securities, investors will lose 1.00% of the Face Amount for every 1.00% by which the Final Level of the Laggard Underlying is less than its Initial Level. The securities do not pay any coupons or dividends and investors should be willing to lose a significant portion or all of their investment if the Final Level of *either* Underlying is less than its Trigger Level. Any payment on the securities is subject to the credit of the Issuer.

Senior unsecured obligations of Deutsche Bank AG due May 3, 2023

Minimum purchase of \$1,000. Minimum denominations of \$1,000 (the “**Face Amount**”) and integral multiples thereof.

The securities are expected to price on or about April 30, 2018 (the “**Trade Date**”) and are expected to settle on or about May 3, 2018 (the “**Settlement Date**”).

Key Terms

Issuer: Deutsche Bank AG, London Branch

Issue Price: 100% of the Face Amount

Underlyings: **Underlying** **Ticker Symbol** **Initial Level**[‡]**Trigger Level**[‡]

iShares[®] MSCI EAFE ETF EFA \$ \$

EURO STOXX 50[®] Index SX5E

[‡] The Initial Level and Trigger Level for each Underlying will be determined on the Trade Date.

(Key Terms continued on next page)

Investing in the securities involves a number of risks. See “Risk Factors” beginning on page 7 of the accompanying product supplement, page PS-5 of the accompanying prospectus supplement and page 13 of the accompanying prospectus and “Selected Risk Considerations” beginning on page PS-10 of this pricing supplement.

The Issuer’s estimated value of the securities on the Trade Date is approximately \$953.10 to \$973.10 per \$1,000 Face Amount of securities, which is less than the Issue Price. Please see “Issuer’s Estimated Value of the Securities” on page PS-3 of this pricing supplement for additional information.

By acquiring the securities, you will be bound by and deemed irrevocably to consent to the imposition of any Resolution Measure (as defined below) by the competent resolution authority, which may include the write down of all, or a portion, of any payment on the securities or the conversion of the securities into ordinary shares or other instruments of ownership. If any Resolution Measure becomes applicable to us, you may lose some or all of your investment in the securities. Please see “Resolution Measures and Deemed Agreement” on page PS-4 of this pricing supplement for more information.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities or passed upon the accuracy or the adequacy of this pricing supplement or the accompanying underlying supplement, product supplement, prospectus supplement or prospectus. Any representation to the contrary is a criminal offense.

| | Price to Public Discounts and Commissions⁽¹⁾ | Proceeds to Us |
|---------------------|--|-----------------------|
| Per Security | \$1,000.00 | \$986.25 |
| Total | \$ | \$ |

For more detailed information about discounts and commissions, please see “Supplemental Plan of Distribution (Conflicts of Interest)” in this pricing supplement. The securities will be sold with varying underwriting discounts and commissions in an amount not to exceed \$13.75 per \$1,000 Face Amount of securities. Deutsche Bank (1)Securities Inc. (“**DBSI**”) may pay a fee of up to \$7.50 per \$1,000 Face Amount of securities to a referring broker dealer. If the referring broker dealer forgoes some of the fees it receives from DBSI with respect to sales of the securities into certain fee-based advisory accounts, the Issue Price of such securities will be less than 100% of the Face Amount.

The agent for this offering is our affiliate. For more information, please see “Supplemental Plan of Distribution (Conflicts of Interest)” in this pricing supplement.

The securities are not deposits or savings accounts and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other U.S. or foreign governmental agency or instrumentality.

Deutsche Bank Securities

April , 2018

(Key Terms continued from previous page)

- **If the Final Level of the Laggard Underlying is greater than or equal to its Initial Level**, you will receive a cash payment per \$1,000 Face Amount of securities at maturity calculated as follows:

$$\$1,000 + (\$1,000 \times \text{Underlying Return of the Laggard Underlying} \times \text{Upside Leverage Factor})$$

- **If the Final Level of the Laggard Underlying is less than its Initial Level but greater than or equal to its Trigger Level**, you will receive a cash payment per \$1,000 Face Amount of securities at maturity equal to the Face Amount.

Payment at
Maturity:

- **If the Final Level of the Laggard Underlying is less than its Trigger Level**, you will receive a cash payment per \$1,000 Face Amount of securities at maturity calculated as follows:

$$\$1,000 + (\$1,000 \times \text{Underlying Return of the Laggard Underlying})$$

If the Final Level of the Laggard Underlying is less than its Trigger Level, you will be fully exposed to the negative Underlying Return of the Laggard Underlying and, for each \$1,000 Face Amount of securities, you will lose 1.00% of the Face Amount for every 1.00% by which the Final Level of the Laggard Underlying is less than its Initial Level. In this circumstance, you will lose a significant portion or all of your investment at maturity. Any payment at maturity is subject to the credit of the Issuer.

Trigger Level: For each Underlying, 50.00% of the Initial Level of such Underlying, as set forth in the table under "Underlyings" above

Laggard Underlying: The Underlying with the lower Underlying Return. If the calculation agent determines that the two Underlyings have equal Underlying Returns, then the calculation agent will, in its sole discretion, designate either of the Underlyings as the Laggard Underlying.

Underlying Return: For each Underlying, the performance of such Underlying from its Initial Level to its Final Level, calculated as follows:

Final Level – Initial Level

Initial Level

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The Underlying Return for each Underlying may be positive, zero or negative.

Upside
Leverage Factor: At least 350.00% (to be determined on the Trade Date)

Initial Level: For each Underlying, the Closing Level of such Underlying on the Trade Date, as set forth in the table under “Underlyings” above

Final Level: For each Underlying, the Closing Level of such Underlying on the Final Valuation Date
For the Fund, the closing price of one share of the Fund on the relevant date of calculation *multiplied* by the then-current Share Adjustment Factor, as determined by the calculation agent.

Closing Level:

For the Index, the closing level of the Index on the relevant date of calculation.

Share Adjustment Factor: Initially 1.0, subject to adjustment for certain actions affecting the Fund. See “Description of Securities — Anti-Dilution Adjustments for Funds” in the accompanying product supplement.

Trade Date²: April 30, 2018

Settlement Date²: May 3, 2018

Final Valuation Date^{1, 2}: April 28, 2023

Maturity Date^{1, 2}: May 3, 2023

Listing: The securities will not be listed on any securities exchange.
CUSIP / ISIN: 25155MKQ3 / US25155MKQ32

¹ Subject to adjustment as described under “Description of Securities — Adjustments to Valuation Dates and Payment Dates” in the accompanying product supplement.

² In the event that we make any changes to the expected Trade Date or Settlement Date, the Final Valuation Date and Maturity Date may be changed so that the stated term of the securities remains the same.

Issuer's Estimated Value of the Securities

The Issuer's estimated value of the securities is equal to the sum of our valuations of the following two components of the securities: (i) a bond and (ii) an embedded derivative(s). The value of the bond component of the securities is calculated based on the present value of the stream of cash payments associated with a conventional bond with a principal amount equal to the Face Amount of securities, discounted at an internal funding rate, which is determined primarily based on our market-based yield curve, adjusted to account for our funding needs and objectives for the period matching the term of the securities. The internal funding rate is typically lower than the rate we would pay when we issue conventional debt securities on equivalent terms. This difference in funding rate, as well as the agent's commissions, if any, and the estimated cost of hedging our obligations under the securities, reduces the economic terms of the securities to you and is expected to adversely affect the price at which you may be able to sell the securities in any secondary market. The value of the embedded derivative(s) is calculated based on our internal pricing models using relevant parameter inputs such as expected interest and dividend rates and mid-market levels of price and volatility of the assets underlying the securities or any futures, options or swaps related to such underlying assets. Our internal pricing models are proprietary and rely in part on certain assumptions about future events, which may prove to be incorrect.

The Issuer's estimated value of the securities on the Trade Date (as disclosed on the cover of this pricing supplement) is less than the Issue Price of the securities. The difference between the Issue Price and the Issuer's estimated value of the securities on the Trade Date is due to the inclusion in the Issue Price of the agent's commissions, if any, and the cost of hedging our obligations under the securities through one or more of our affiliates. Such hedging cost includes our or our affiliates' expected cost of providing such hedge, as well as the profit we or our affiliates expect to realize in consideration for assuming the risks inherent in providing such hedge.

The Issuer's estimated value of the securities on the Trade Date does not represent the price at which we or any of our affiliates would be willing to purchase your securities in the secondary market at any time. Assuming no changes in market conditions or our creditworthiness and other relevant factors, the price, if any, at which we or our affiliates would be willing to purchase the securities from you in secondary market transactions, if at all, would generally be lower than both the Issue Price and the Issuer's estimated value of the securities on the Trade Date. Our purchase price, if any, in secondary market transactions will be based on the estimated value of the securities determined by reference to (i) the then-prevailing internal funding rate (adjusted by a spread) or another appropriate measure of our cost of funds and (ii) our pricing models at that time, less a bid spread determined after taking into account the size of the repurchase, the nature of the assets underlying the securities and then-prevailing market conditions. The price we report to financial reporting services and to distributors of our securities for use on customer account statements would generally be determined on the same basis. However, during the period of approximately six months beginning from the Trade Date, we or our affiliates may, in our sole discretion, increase the purchase price determined as described above by an amount equal to the declining differential between the Issue Price and the Issuer's estimated value of the securities on the Trade Date, prorated over such period on a straight-line basis, for transactions that are individually and in the aggregate of the expected size for ordinary secondary market repurchases.

Resolution Measures and Deemed Agreement

On May 15, 2014, the European Parliament and the Council of the European Union adopted a directive establishing a framework for the recovery and resolution of credit institutions and investment firms (commonly referred to as the “**Bank Recovery and Resolution Directive**”). The Bank Recovery and Resolution Directive required each member state of the European Union to adopt and publish by December 31, 2014 the laws, regulations and administrative provisions necessary to comply with the Bank Recovery and Resolution Directive. Germany adopted the Recovery and Resolution Act (*Sanierungs- und Abwicklungsgesetz*, or the “**Resolution Act**”), which became effective on January 1, 2015. The Bank Recovery and Resolution Directive and the Resolution Act provided national resolution authorities with a set of resolution powers to intervene in the event that a bank is failing or likely to fail and certain other conditions are met. From January 1, 2016, the power to initiate resolution measures applicable to significant banking groups (such as Deutsche Bank Group) in the European Banking Union has been transferred to the European Single Resolution Board which, based on the European Union regulation establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund (the “**SRM Regulation**”), works in close cooperation with the European Central Bank, the European Commission and the national resolution authorities. Pursuant to the SRM Regulation, the Resolution Act and other applicable rules and regulations, the securities may be subject to any Resolution Measure by the competent resolution authority if we become, or are deemed by the competent supervisory authority to have become, “non-viable” (as defined under the then applicable law) and are unable to continue our regulated banking activities without a Resolution Measure becoming applicable to us. By acquiring the securities, you will be bound by and deemed irrevocably to consent to the provisions set forth in the accompanying prospectus, which we have summarized below.

By acquiring the securities, you will be bound by and deemed irrevocably to consent to the imposition of any Resolution Measure by the competent resolution authority. Under the relevant resolution laws and regulations as applicable to us from time to time, the securities may be subject to the powers exercised by the competent resolution authority to: (i) write down, including to zero, any payment (or delivery obligations) on the securities; (ii) convert the securities into ordinary shares of (a) the Issuer, (b) any group entity or (c) any bridge bank or other instruments of ownership of such entities qualifying as common equity tier 1 capital; and/or (iii) apply any other resolution measure including, but not limited to, any transfer of the securities to another entity, the amendment, modification or variation of the terms and conditions of the securities or the cancellation of the securities. We refer to each of these measures as a “**Resolution Measure**.” A “group entity” refers to an entity that is included in the corporate group subject to a Resolution Measure. A “bridge bank” refers to a newly chartered German bank that would receive some or all of our assets, liabilities and material contracts, including those attributable to our branches and subsidiaries, in a resolution proceeding.

Furthermore, by acquiring the securities, you:

are deemed irrevocably to have agreed, and you will agree: (i) to be bound by, to acknowledge and to accept any Resolution Measure and any amendment, modification or variation of the terms and conditions of the securities to give effect to any Resolution Measure; (ii) that you will have no claim or other right against us arising out of any

Resolution Measure; and (iii) that the imposition of any Resolution Measure will not constitute a default or an event of default under the securities, under the senior indenture dated November 22, 2006 among us, Law Debenture Trust Company of New York, as trustee, and Deutsche Bank Trust Company Americas, as issuing agent, paying agent, authenticating agent and registrar, as amended and supplemented from time to time (the “**Indenture**”), or for the purposes of, but only to the fullest extent permitted by, the Trust Indenture Act of 1939, as amended (the “**Trust Indenture Act**”);

waive, to the fullest extent permitted by the Trust Indenture Act and applicable law, any and all claims against the trustee and the paying agent, the issuing agent and the registrar (each, an “**indenture agent**”) for, agree not to initiate a suit against the trustee or the indenture agents in respect of, and agree that the trustee and the indenture agents will not be liable for, any action that the trustee or the indenture agents take, or abstain from taking, in either case in accordance with the imposition of a Resolution Measure by the competent resolution authority with respect to the securities; and

- will be deemed irrevocably to have: (i) consented to the imposition of any Resolution Measure as it may be imposed without any prior notice by the competent resolution authority of its decision to exercise such power with respect to the securities; (ii) authorized, directed and requested The Depository Trust

PS-4

Company (“**DTC**”) and any direct participant in DTC or other intermediary through which you hold such securities to take any and all necessary action, if required, to implement the imposition of any Resolution Measure with respect to the securities as it may be imposed, without any further action or direction on your part or on the part of the trustee or the indenture agents; and (iii) acknowledged and accepted that the Resolution Measure provisions described herein and in the “Resolution Measures” section of the accompanying prospectus are exhaustive on the matters described herein and therein to the exclusion of any other agreements, arrangements or understandings between you and the Issuer relating to the terms and conditions of the securities.

This is only a summary, for more information please see the accompanying prospectus dated April 27, 2016, including the risk factors beginning on page 13 of such prospectus.

PS-5

Additional Terms Specific to the Securities

You should read this pricing supplement together with underlying supplement No. 1 dated August 17, 2015, product supplement B dated July 31, 2015, the prospectus supplement dated July 31, 2015 relating to our Series A global notes of which these securities are a part and the prospectus dated April 27, 2016. Delaware Trust Company, which acquired the corporate trust business of Law Debenture Trust Company of New York, is the successor trustee of the securities. When you read the accompanying underlying supplement, product supplement and prospectus supplement, please note that all references in such supplements to the prospectus dated July 31, 2015, or to any sections therein, should refer instead to the accompanying prospectus dated April 27, 2016 or to the corresponding sections of such prospectus, as applicable, unless otherwise specified or the context otherwise requires. You may access these documents on the website of the Securities and Exchange Commission (the “SEC”) at www.sec.gov as follows (or if such address has changed, by reviewing our filings for the relevant date on the SEC website):

- Underlying supplement No. 1 dated August 17, 2015:

https://www.sec.gov/Archives/edgar/data/1159508/000095010315006546/crt_dp58829-424b2.pdf

- Product supplement B dated July 31, 2015:

https://www.sec.gov/Archives/edgar/data/1159508/000095010315006059/crt_dp58181-424b2.pdf

- Prospectus supplement dated July 31, 2015:

https://www.sec.gov/Archives/edgar/data/1159508/000095010315006048/crt-dp58161_424b2.pdf

- Prospectus dated April 27, 2016:

<https://www.sec.gov/Archives/edgar/data/1159508/000119312516559607/d181910d424b21.pdf>

Our Central Index Key, or CIK, on the SEC website is 0001159508. As used in this pricing supplement, “we,” “us” or “our” refers to Deutsche Bank AG, including, as the context requires, acting through one of its branches.

This pricing supplement, together with the documents listed above, contains the terms of the securities and supersedes all other prior or contemporaneous oral statements as well as any other written materials including preliminary or indicative pricing terms, correspondence, trade ideas, structures for implementation, sample structures, brochures or

other educational materials of ours. You should carefully consider, among other things, the matters set forth in this pricing supplement and in “Risk Factors” in the accompanying product supplement, prospectus supplement and prospectus, as the securities involve risks not associated with conventional debt securities. We urge you to consult your investment, legal, tax, accounting and other advisers before deciding to invest in the securities.

You may revoke your offer to purchase the securities at any time prior to the time at which we accept such offer by notifying the applicable agent. We reserve the right to change the terms of, or reject any offer to purchase, the securities prior to their issuance. We will notify you in the event of any changes to the terms of the securities and you will be asked to accept such changes in connection with your purchase of any securities. You may choose to reject such changes, in which case we may reject your offer to purchase the securities.

PS-6

Hypothetical Examples

The following table illustrates a range of hypothetical Payments at Maturity on the securities. The table and the hypothetical examples set forth below assume an Upside Leverage Factor of 350.00% and reflect the Trigger Level for each Underlying equal to 50.00% of its Initial Level. The actual Upside Leverage Factor and the actual Initial Level and Trigger Level for each Underlying will be determined on the Trade Date. The table and hypothetical examples set forth below are for illustrative purposes only. The actual return applicable to a purchaser of the securities will be based on the Underlying Return of the Laggard Underlying, determined using the Closing Level of the Laggard Underlying on the Final Valuation Date. You should consider carefully whether the securities are suitable to your investment goals. The numbers appearing in the table and hypothetical examples below may have been rounded for ease of analysis and it has been assumed that no event affecting the Fund has occurred during the term of the securities that would cause the calculation agent to adjust the Share Adjustment Factor. We make no representation or warranty as to which of the Underlyings will be the Laggard Underlying for purposes of calculating the Payment at Maturity.

| <i>Hypothetical Underlying Return of the Laggard Underlying (%)</i> | <i>Hypothetical Payment at Maturity (\$)</i> | <i>Hypothetical Return on the Securities (%)</i> |
|---|--|--|
| 100.00% | \$4,500.00 | 350.00% |
| 75.00% | \$3,625.00 | 262.50% |
| 50.00% | \$2,750.00 | 175.00% |
| 40.00% | \$2,400.00 | 140.00% |
| 30.00% | \$2,050.00 | 105.00% |
| 20.00% | \$1,700.00 | 70.00% |
| 10.00% | \$1,350.00 | 35.00% |
| 5.00% | \$1,175.00 | 17.50% |
| 0.00% | \$1,000.00 | 0.00% |
| -5.00% | \$1,000.00 | 0.00% |
| -10.00% | \$1,000.00 | 0.00% |
| -20.00% | \$1,000.00 | 0.00% |
| -30.00% | \$1,000.00 | 0.00% |
| -40.00% | \$1,000.00 | 0.00% |
| -50.00% | \$1,000.00 | 0.00% |
| -51.00% | \$490.00 | -51.00% |
| -60.00% | \$400.00 | -60.00% |
| -70.00% | \$300.00 | -70.00% |
| -80.00% | \$200.00 | -80.00% |
| -90.00% | \$100.00 | -90.00% |
| -100.00% | \$0.00 | -100.00% |

Hypothetical Examples of Amounts Payable at Maturity

The following hypothetical examples illustrate how the payments on the securities at maturity set forth in the table above are calculated.

Example 1: The Final Level of the Laggard Underlying is *greater than* its Initial Level, resulting in an Underlying Return of the Laggard Underlying of 30.00%. Because the Final Level of the Laggard Underlying is greater than its Initial Level, the investor receives a Payment at Maturity of \$2,050.00 per \$1,000 Face Amount of securities, calculated as follows:

$$\$1,000 + (\$1,000 \times \text{Underlying Return of the Laggard Underlying} \times \text{Upside Leverage Factor})$$

$$\$1,000 + (\$1,000 \times 30.00\% \times 350.00\%) = \$2,050.00$$

Example 2: The Final Level of the Laggard Underlying is *less than* its Initial Level but *greater than* its Trigger Level, resulting in an Underlying Return of the Laggard Underlying of -5.00%. Because the Final Level of the Laggard Underlying is less than its Initial Level but greater than its Trigger Level, the investor receives a Payment at Maturity of \$1,000.00 per \$1,000 Face Amount of securities.

PS-7

Example 3: While the Final Level of one Underlying is greater than its Initial Level, the Final Level of the Laggard Underlying is less than its Trigger Level, resulting in an Underlying Return of the Laggard Underlying of -70.00%. Even though the Final Level of one Underlying is greater than its Initial Level, because the Payment at Maturity is determined by reference to the Final Level of the Laggard Underlying and the Final Level of the Laggard Underlying is less than its Trigger Level, the investor receives a Payment at Maturity of \$300.00 per \$1,000 Face Amount of securities, calculated as follows:

$\$1,000 + (\$1,000 \times \text{Underlying Return of the Laggard Underlying})$

$\$1,000 + (\$1,000 \times -70.00\%) = \300.00

Selected Purchase Considerations

UNCAPPED APPRECIATION POTENTIAL — The securities provide the opportunity to receive enhanced returns by *multiplying* a positive Underlying Return of the Laggard Underlying by the Upside Leverage Factor of at least 350.00% (to be determined on the Trade Date). **Any payment on the securities is subject to our ability to satisfy our obligations as they become due.**

LIMITED PROTECTION AGAINST LOSS — If the Final Level of the Laggard Underlying is less than its Initial Level but greater than or equal to its Trigger Level, you will receive a cash payment per \$1,000 Face Amount of securities at maturity equal to the Face Amount. However, if the Final Level of the Laggard Underlying is less than its Trigger Level, for each \$1,000 Face Amount of securities, you will lose 1.00% of the Face Amount for every 1.00% by which the Final Level of the Laggard Underlying is less than its Initial Level. In this circumstance, you will lose a significant portion or all of your investment in the securities at maturity.

RETURN LINKED TO THE LESSER PERFORMING OF THE TWO UNDERLYINGS — The return on the securities, which may be positive, zero or negative, is linked to the lesser performing of the iShares[®] MSCI EAFE ETF and the EURO STOXX 50[®] Index as described herein.

iShares[®] MSCI EAFE ETF

The iShares[®] MSCI EAFE ETF is an exchange-traded fund managed by iShares[®] Trust, a registered investment company. The iShares[®] Trust consists of numerous separate investment portfolios, including the iShares[®] MSCI EAFE ETF. The iShares[®] MSCI EAFE ETF seeks to provide investment results that correspond generally to the price and yield performance, before fees and expenses, of publicly traded securities in the European, Australasian and Far Eastern markets, as measured by the MSCI EAFE[®] Index (the “**Tracked Index**”). The iShares[®] MSCI EAFE ETF trades on the NYSE Arca under the ticker symbol “EFA.” The investment advisor to the iShares[®] MSCI EAFE ETF is Blackrock Fund Advisors (the “**Fund Advisor**”). *This is only a summary of the iShares[®] MSCI EAFE ETF. For more*

information on the iShares® MSCI EAFE ETF, including information concerning its composition, calculation methodology and adjustment policy, please see the section entitled “The iShares Exchange Traded Funds — iShares MSCI EAFE ETF” in the accompanying underlying supplement No. 1 dated August 17, 2015. For more information on the MSCI EAFE® Index, please see the section entitled “The MSCI Indices — The MSCI EAFE Index” in the accompanying underlying supplement No. 1 dated August 17, 2015.

EURO STOXX 50® Index

The EURO STOXX 50® Index is composed of the stocks of 50 major companies in the Eurozone. These companies include market sector leaders from within the 19 EURO STOXX® Supersector indices, which represent the Eurozone portion of the STOXX Europe 600® Supersector indices. The STOXX Europe 600® Supersector indices contain the 600 largest stocks traded on the major exchanges of 18 European countries. *This is only a summary of the EURO STOXX 50® Index. For more information on the EURO STOXX 50® Index, including information concerning its composition, calculation methodology and adjustment policy, please see the section entitled “The STOXX Indices — The EURO STOXX 50® Index” in the accompanying underlying supplement No. 1 dated August 17, 2015.*

TAX CONSEQUENCES — In the opinion of our special tax counsel, Davis Polk & Wardwell LLP, which is based on prevailing market conditions, it is more likely than not that the securities will be treated for U.S. federal income tax purposes as prepaid financial contracts that are not debt. Generally, if this treatment is respected, (i) you should not recognize taxable income or loss prior to the maturity or other taxable disposition of your securities and (ii) subject to the potential application of the “constructive ownership”

regime discussed below, the gain or loss on your securities should be capital gain or loss and should be long-term capital gain or loss if you have held the securities for more than one year. The Internal Revenue Service (the “**IRS**”) or a court might not agree with this treatment, however, in which case the timing and character of income or loss on your securities could be materially and adversely affected.

Even if the treatment of the securities as prepaid financial contracts is respected, purchasing a security could be treated as entering into a “constructive ownership transaction” within the meaning of Section 1260 of the Internal Revenue Code (“**Section 1260**”). In that case, all or a portion of any long-term capital gain you would otherwise recognize upon the taxable disposition of the security would be recharacterized as ordinary income to the extent such gain exceeded the “net underlying long-term capital gain” as defined in Section 1260. Any long-term capital gain recharacterized as ordinary income would be treated as accruing at a constant rate over the period you held the security, and you would be subject to a notional interest charge in respect of the deemed tax liability on the income treated as accruing in prior tax years. Due to the lack of direct legal authority, our special tax counsel is unable to opine as to whether or how Section 1260 applies to the securities.

In 2007, the U.S. Treasury Department and the IRS released a notice requesting comments on various issues regarding the U.S. federal income tax treatment of “prepaid forward contracts” and similar instruments. The notice focuses in particular on whether beneficial owners of these instruments should be required to accrue income over the term of their investment. It also asks for comments on a number of related topics, including the character of income or loss with respect to these instruments; the relevance of factors such as the nature of the underlying property to which the instruments are linked; the degree, if any, to which income (including any mandated accruals) realized by non-U.S. persons should be subject to withholding tax; and whether these instruments are or should be subject to the “constructive ownership” regime discussed above. While the notice requests comments on appropriate transition rules and effective dates, any Treasury regulations or other guidance promulgated after consideration of these issues could materially and adversely affect the tax consequences of an investment in the securities, possibly with retroactive effect.

Withholding under legislation commonly referred to as “FATCA” might (if the securities were recharacterized as debt instruments) apply to amounts treated as interest paid with respect to the securities, as well as to the payment of gross proceeds of a taxable disposition, including redemption at maturity, of a security. However, under a recent IRS notice, this regime will not apply to payments of gross proceeds (other than any amount treated as interest) with respect to dispositions occurring before January 1, 2019. You should consult your tax adviser regarding the potential application of FATCA to the securities.

Section 871(m) of the Code and Treasury regulations promulgated thereunder (“**Section 871(m)**”) generally impose a 30% withholding tax (unless an income tax treaty applies) on dividend equivalents paid or deemed paid to non-U.S. holders with respect to certain financial instruments linked to U.S. equities or indices that include U.S. equities. Section 871(m) provides certain exceptions to this withholding regime, including for instruments linked to certain broad-based indices that meet requirements set forth in the applicable Treasury regulations (such an index, a “**Qualified Index**”). Additionally, a recent IRS notice excludes from the scope of Section 871(m) instruments issued prior to January 1, 2019 that do not have a delta of one with respect to underlying securities that could pay

U.S.-source dividends for U.S. federal income tax purposes (each, an “**Underlying Security**”). Based on certain determinations made by us, we expect that Section 871(m) will not apply to the securities with regard to non-U.S. holders. Our determination is not binding on the IRS, and the IRS may disagree with this determination. Section 871(m) is complex and its application may depend on your particular circumstances, including whether you enter into other transactions with respect to an Underlying Security. If necessary, further information regarding the potential application of Section 871(m) will be provided in the pricing supplement for the securities. You should consult your tax adviser regarding the potential application of Section 871(m) to the securities.

You should review carefully the section of the accompanying product supplement entitled “U.S. Federal Income Tax Consequences.” The preceding discussion, when read in combination with that section, constitutes the full opinion of our special tax counsel regarding the material U.S. federal income tax consequences of owning and disposing of the securities.

Under current law, the United Kingdom will not impose withholding tax on payments made with respect to the securities.

PS-9

For a discussion of certain German tax considerations relating to the securities, you should refer to the section in the accompanying prospectus supplement entitled “Taxation by Germany of Non-Resident Holders.”

You should consult your tax adviser regarding the U.S. federal tax consequences of an investment in the securities (including possible alternative treatments, the potential application of the “constructive ownership” regime and the issues presented by the 2007 notice), as well as tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.

Selected Risk Considerations

An investment in the securities involves significant risks. Investing in the securities is not equivalent to investing directly in the Underlyings or in any of the components of the Underlyings. In addition to these selected risk considerations, you should review the “Risk Factors” sections of the accompanying product supplement, prospectus supplement and prospectus.

YOUR INVESTMENT IN THE SECURITIES MAY RESULT IN A LOSS — The securities do not guarantee any return of your investment. The return on the securities at maturity is linked to the performance of the Laggard Underlying and will depend on whether, and the extent to which, the Underlying Return of the Laggard Underlying is positive, zero or negative. If the Final Level of the Laggard Underlying is less than its Trigger Level, for each \$1,000 Face Amount of securities, you will lose 1.00% of the Face Amount for every 1.00% by which the Final Level of the Laggard Underlying is less than its Initial Level. **In this circumstance, you will lose a significant portion or all of your investment at maturity. Any payment on the securities is subject to our ability to satisfy our obligations as they become due.**

THE SECURITIES DO NOT PAY ANY COUPONS — Unlike ordinary debt securities, the securities do not pay any coupons and do not guarantee any return of your investment at maturity.

YOUR PAYMENT AT MATURITY WILL BE DETERMINED BY THE FINAL LEVEL OF THE LAGGARD UNDERLYING — The Payment at Maturity will be determined by reference to the Final Level of the Laggard Underlying, without taking into consideration the performance of the other Underlying.

THE SECURITIES ARE SUBJECT TO THE CREDIT OF DEUTSCHE BANK AG — The securities are senior unsecured obligations of Deutsche Bank AG and are not, either directly or indirectly, an obligation of any third party. Any payment(s) to be made on the securities depends on the ability of Deutsche Bank AG to satisfy its obligations as they become due. An actual or anticipated downgrade in Deutsche Bank AG’s credit rating or increase in the credit spreads charged by the market for taking Deutsche Bank AG’s credit risk will likely have an adverse effect on the value of the securities. As a result, the actual and perceived creditworthiness of Deutsche Bank AG will affect the value of the securities and, in the event Deutsche Bank AG were to default on its obligations or become subject to a

Resolution Measure, you might not receive any amount(s) owed to you under the terms of the securities and you could lose your entire investment.

THE SECURITIES MAY BE WRITTEN DOWN, BE CONVERTED INTO ORDINARY SHARES OR OTHER INSTRUMENTS OF OWNERSHIP OR BECOME SUBJECT TO OTHER RESOLUTION MEASURES. YOU MAY LOSE SOME OR ALL OF YOUR INVESTMENT IF ANY SUCH MEASURE BECOMES APPLICABLE TO US — Pursuant to the SRM Regulation, the Resolution Act and other applicable rules and regulations described above under “Resolution Measures and Deemed Agreement,” the securities are subject to the powers exercised by the competent resolution authority to impose Resolution Measures on us, which may include: writing down, including to zero, any claim for payment on the securities; converting the securities into ordinary shares of (i) the Issuer, (ii) any group entity or (iii) any bridge bank or other instruments of ownership of such entities qualifying as common equity tier 1 capital; or applying any other resolution measure including, but not limited to, transferring the securities to another entity, amending, modifying or varying the terms and conditions of the securities or cancelling the securities. The competent resolution authority may apply Resolution Measures individually or in any combination.

The German law on the mechanism for the resolution of banks of November 2, 2015 (*Abwicklungsmechanismusgesetz*, or the “**Resolution Mechanism Act**”) provides that, in a German

PS-10

insolvency proceeding of the Issuer, certain specifically defined senior unsecured debt instruments would rank junior to, without constituting subordinated debt, all other outstanding unsecured unsubordinated obligations of the Issuer and be satisfied only if all such other senior unsecured obligations of the Issuer have been paid in full. This prioritization would also be given effect if Resolution Measures are imposed on the Issuer, so that obligations under debt instruments that rank junior in insolvency as described above would be written down or converted into common equity tier 1 instruments before any other senior unsecured obligations of the Issuer are written down or converted. A large portion of our liabilities consist of senior unsecured obligations that either fall outside the statutory definition of debt instruments that rank junior to other senior unsecured obligations according to the Resolution Mechanism Act or are expressly exempted from such definition.

Among those unsecured unsubordinated obligations that are expressly exempted are money market instruments and senior unsecured debt instruments whose terms provide that (i) the repayment or the amount of the repayment depends on the occurrence or non-occurrence of an event which is uncertain at the point in time when the senior unsecured debt instruments are issued or is settled in a way other than by monetary payment, or (ii) the payment of interest or the amount of the interest payments depends on the occurrence or non-occurrence of an event which is uncertain at the point in time when the senior unsecured debt instruments are issued unless the payment of interest or the amount of the interest payments solely depends on a fixed or floating reference interest rate and is settled by monetary payment. This order of priority introduced by the Resolution Mechanism Act would apply in German insolvency proceedings instituted, or when Resolution Measures are imposed, on or after January 1, 2017 with effect for debt instruments of the Issuer outstanding at that time. In a German insolvency proceeding or in the event of the imposition of Resolution Measures with respect to the Issuer, the competent regulatory authority or court would determine which of our senior debt securities issued under the prospectus have the terms described in clauses (i) or (ii) above, referred to herein as the “**Structured Debt Securities**,” and which do not, referred to herein as the “**Non-Structured Debt Securities**.” We expect the securities offered herein to be classified as Structured Debt Securities, but the competent regulatory authority or court may classify the securities differently. In a German insolvency proceeding or in the event of the imposition of Resolution Measures with respect to the Issuer, the Structured Debt Securities are expected to be among the unsecured unsubordinated obligations that would bear losses after the Non-Structured Debt Securities as described above. **Nevertheless, you may lose some or all of your investment in the securities if a Resolution Measure becomes applicable to us.** Imposition of a Resolution Measure would likely occur if we become, or are deemed by the competent supervisory authority to have become, “non-viable” (as defined under the then applicable law) and are unable to continue our regulated banking activities without a Resolution Measure becoming applicable to us. The Bank Recovery and Resolution Directive and the Resolution Act are intended to eliminate the need for public support of troubled banks, and you should be aware that public support, if any, would only potentially be used by the competent supervisory authority as a last resort after having assessed and exploited, to the maximum extent practicable, the resolution tools, including the bail-in tool.

By acquiring the securities, you would have no claim or other right against us arising out of any Resolution Measure and we would have no obligation to make payments under the securities following the imposition of a Resolution Measure. In particular, the imposition of any Resolution Measure will not constitute a default or an event of default under the securities, under the Indenture or for the purposes of, but only to the fullest extent permitted by, the Trust Indenture Act. Furthermore, because the securities are subject to any Resolution Measure, secondary market trading in the securities may not follow the trading behavior associated with similar types of securities issued by other financial institutions which may be or have been subject to a Resolution Measure.

In addition, by your acquisition of the securities, you waive, to the fullest extent permitted by the Trust Indenture Act and applicable law, any and all claims against the trustee and the indenture agents for, agree not to initiate a suit against the trustee or the indenture agents in respect of, and agree that the trustee and the indenture agents will not be liable for, any action that the trustee or the indenture agents take, or abstain from taking, in either case in accordance with the imposition of a Resolution Measure by the competent resolution authority with respect to the securities.

Accordingly, you may have limited or circumscribed rights to challenge any decision of the competent resolution authority to impose any Resolution Measure.

THE ISSUER'S ESTIMATED VALUE OF THE SECURITIES ON THE TRADE DATE WILL BE LESS THAN THE ISSUE PRICE OF THE SECURITIES — The Issuer's estimated value of the securities on the

PS-11

Trade Date (as disclosed on the cover of this pricing supplement) is less than the Issue Price of the securities. The difference between the Issue Price and the Issuer's estimated value of the securities on the Trade Date is due to the inclusion in the Issue Price of the agent's commissions, if any, and the cost of hedging our obligations under the securities through one or more of our affiliates. Such hedging cost includes our or our affiliates' expected cost of providing such hedge, as well as the profit we or our affiliates expect to realize in consideration for assuming the risks inherent in providing such hedge. The Issuer's estimated value of the securities is determined by reference to an internal funding rate and our pricing models. The internal funding rate is typically lower than the rate we would pay when we issue conventional debt securities on equivalent terms. This difference in funding rate, as well as the agent's commissions, if any, and the estimated cost of hedging our obligations under the securities, reduces the economic terms of the securities to you and is expected to adversely affect the price at which you may be able to sell the securities in any secondary market. In addition, our internal pricing models are proprietary and rely in part on certain assumptions about future events, which may prove to be incorrect. If at any time a third party dealer were to quote a price to purchase your securities or otherwise value your securities, that price or value may differ materially from the estimated value of the securities determined by reference to our internal funding rate and pricing models. This difference is due to, among other things, any difference in funding rates, pricing models or assumptions used by any dealer who may purchase the securities in the secondary market.

INVESTING IN THE SECURITIES IS NOT THE SAME AS INVESTING IN THE UNDERLYINGS OR THE SECURITIES COMPOSING THE UNDERLYINGS — The return on the securities may not reflect the return you would have realized if you had directly invested in the Underlyings or the securities composing the Underlyings. For instance, any Payment at Maturity on the securities is dependent on the performance of the Laggard Underlying, and you will not participate in any potential increase in the price or level, as applicable, of the other Underlying, which could be significant.

IF THE PRICES OR LEVELS, AS APPLICABLE, OF THE UNDERLYINGS CHANGE, THE VALUE OF YOUR SECURITIES MAY NOT CHANGE IN THE SAME MANNER — Your securities may trade quite differently from the prices or levels, as applicable, of the Underlyings. Changes in the prices or levels, as applicable, of the Underlyings may not result in comparable changes in the value of your securities.

NO DIVIDEND PAYMENTS OR VOTING RIGHTS — As a holder of the securities, you will not have any voting rights or rights to receive cash dividends or other distributions or other rights that holders of the shares of the Fund or the securities composing the Underlyings would have.

YOUR INVESTMENT IS EXPOSED TO A DECLINE IN THE PRICE OR LEVEL, AS APPLICABLE, OF EACH UNDERLYING — Your return on the securities, if any, is not linked to a basket consisting of the Underlyings. Rather, any Payment at Maturity will be determined by reference to the performance of *each* individual Underlying. Unlike an instrument with a return linked to a basket, in which risk is mitigated and diversified among all of the basket components, you will be exposed equally to the risks related to each Underlying and your return will be based on the performance of the Laggard Underlying, as measured on the Final Valuation Date. Poor performance by either Underlying over the term of the securities may adversely affect your return on the securities and will not be offset or mitigated by a positive performance by the other Underlying.

BECAUSE THE SECURITIES ARE LINKED TO THE LESSER PERFORMING OF THE TWO UNDERLYINGS, YOU ARE EXPOSED TO A GREATER RISK OF LOSING SOME OR ALL OF YOUR INVESTMENT THAN IF THE SECURITIES WERE LINKED TO JUST ONE UNDERLYING — The risk that you will lose a significant portion or all of your investment in the securities is greater than in substantially similar securities that are linked to the performance of just one of the Underlyings. With two Underlyings, it is more likely that the Final Level of at least one Underlying will be less than its Trigger Level than if the securities were linked to only one Underlying, and therefore, it is more likely that you will receive a Payment at Maturity that is significantly less than your investment. In addition, the performance of the Underlyings may not be correlated. If the performance of the Underlyings is not correlated, or is negatively correlated, the potential for the Final Level of at least one Underlying to be less than its Trigger Level is even greater. Although the correlation of the Underlyings' performance may change over the term of the securities, the Trigger Levels are determined, in part, based on the correlation of the Underlyings' performance at the time when the terms of the securities are finalized. A lower Trigger Level for an Underlying is generally associated with a lower correlation of the Underlyings, which reflects a greater potential for loss on your investment at maturity.

PS-12

THE INDEX REFLECTS THE PRICE RETURN OF THE STOCKS COMPOSING THE INDEX, NOT THEIR TOTAL RETURN INCLUDING ALL DIVIDENDS AND OTHER DISTRIBUTIONS — The Index reflects the changes in the market prices of its component stocks. The Index is not, however, a “total return” index, which, in addition to reflecting those price returns, would also reflect the reinvestment of all dividends and other distributions paid on the stocks composing the Index.

THE SPONSOR OF THE INDEX MAY ADJUST THE INDEX IN WAYS THAT AFFECT THE LEVEL OF THE INDEX AND HAS NO OBLIGATION TO CONSIDER YOUR INTERESTS — The sponsor of the Index (the “**Index Sponsor**”) is responsible for calculating and maintaining the Index. The Index Sponsor can add, delete or substitute the components of the Index or make other methodological changes that could change the level of the Index. You should realize that the changing of such Index components may affect the Index, as a newly added component may perform significantly better or worse than the component it replaces. Additionally, the Index Sponsor may alter, discontinue or suspend calculation or dissemination of the Index. Any of these actions could adversely affect the level of the Index and, thus, the value of, and your return on, the securities. The Index Sponsor has no obligation to consider your interests in calculating or revising the Index.

THERE ARE RISKS ASSOCIATED WITH INVESTMENTS LINKED TO THE VALUES OF EQUITY SECURITIES ISSUED BY NON-U.S. COMPANIES — Both Underlyings include component stocks that are issued by companies incorporated outside of the U.S. Because the component stocks also trade outside the U.S., the securities are subject to the risks associated with non-U.S. securities markets. Generally, non-U.S. securities markets may be less liquid and more volatile than U.S. securities markets and market developments may affect non-U.S. securities markets differently than U.S. securities markets, which may adversely affect the price or level, as applicable, of one or both Underlyings, and thus, the value of your securities. Furthermore, there are risks associated with investments linked to the values of equity securities issued by non-U.S. companies. There is generally less publicly available information about non-U.S. companies than about those U.S. companies that are subject to the reporting requirements of the SEC, and non-U.S. companies are subject to accounting, auditing and financial reporting standards and requirements that differ from those applicable to U.S. reporting companies. In addition, the prices of equity securities issued by non-U.S. companies may be adversely affected by political, economic, financial and social factors that may be unique to the particular countries in which the non-U.S. companies are incorporated. These factors include the possibility of recent or future changes in a non-U.S. government’s economic and fiscal policies (including any direct or indirect intervention to stabilize the economy and/or securities market of the country of such non-U.S. government), the presence, and extent, of cross shareholdings in non-U.S. companies, the possible imposition of, or changes in, currency exchange laws or other non-U.S. laws or restrictions applicable to non-U.S. companies or investments in non-U.S. securities and the possibility of fluctuations in the rate of exchange between currencies. Moreover, certain aspects of a particular non-U.S. economy may differ favorably or unfavorably from the U.S. economy in important respects, such as growth of gross national product, rate of inflation, capital reinvestment, resources and self-sufficiency. Specifically, the stocks included in the Index are issued by companies located in countries within the Eurozone, some of which are and have been experiencing economic stress.

THE PERFORMANCE OF THE INDEX WILL NOT BE ADJUSTED FOR CHANGES IN THE EURO RELATIVE TO THE U.S. DOLLAR — The Index is composed of stocks denominated in euro. Because the level of the Index is also calculated in euro (and not in U.S. dollars), the performance of the Index will not be adjusted for exchange rate fluctuations between the U.S. dollar and the euro. Therefore, if the euro strengthens or weakens relative to the U.S. dollar over the term of the securities, you will not receive any additional payment or incur any reduction in your return on the securities.

- (4) Above-market earnings credited, but not paid or payable, to the Named Officer during the fiscal year with respect to deferred compensation.
- (5) Reimbursement of local housing expenses.
- (6) Company-matching contribution to the Company's 401(k) plan.
- (7) Includes (a) above-market earnings of \$3,906 credited, but not paid or payable, to Mr. Nahl during 2003 with respect to deferred compensation and (b) \$10,000 of Company contributions to the Company's 401(k) plan.
- (8) Represents tax payments made to various taxing authorities pursuant to the Company's tax-equalization policy. These tax payments relate to liabilities for previous years incurred while Mr. McCarthy was on international assignment, which liabilities were resolved during 2004.

12

- (9) Reimbursement of taxes resulting from international assignment.
- (10) Includes (a) reimbursement of taxes resulting from international assignment (\$127,986), (b) tax payments made on behalf of Mr. Bacon directly to taxing authorities pursuant to the Company's tax equalization policy (\$145,845), and (c) housing expenses resulting from international assignment (\$43,844). (Some of these payments may relate to liabilities incurred for previous years but resolved during the year reported.)
- (11) Includes (a) above-market earnings of \$2,181 in 2003 and \$25,213 in 2002 credited, but not paid or payable, to Mr. Bacon during such year with respect to deferred compensation, (b) international assignment premiums of \$33,810 in 2004, \$33,150 in 2003 and \$30,650 in 2002 and (c) Company contributions to the Company's 401(k) plan of \$9,250 during 2004, \$10,000 during 2003 and \$11,500 during 2002.
- (12) Includes (a) reimbursement of taxes resulting from international assignment (\$69,939), (b) housing expenses resulting from international assignment (\$43,064), and (c) tax payments made on behalf of Mr. Bacon directly to taxing authorities pursuant to the Company's tax equalization policy (\$145,339). (Some of these payments may relate to liabilities incurred for previous years but resolved during the year reported.)
- (13) Includes housing expenses resulting from international assignment (\$32,500) and non-U.S. taxes paid in connection with such expenses (\$23,000).

Option/Restricted Stock Unit Grants in Last Fiscal Year

| Individual Grants(1) | | | | | |
|---|------------------------------------|---------------------|-----------------------------------|-------------------|-----------------------------------|
| Number of Securities Underlying Options/ | % of Total Options/RSUs | | Exercise or Base Price | Expiration | Grant Date Present |
| | Granted to | Employees in | | | |
| | | | | | |

| Name | RSUs Granted | Fiscal Year | (\$/Sh)(1) | Date(2) | Value \$(3) |
|---------------------|-----------------|-------------|------------|------------|-------------|
| Frank R. Schmeler | 25,000 | 17.2% | \$0 | 11/11/2009 | \$ 822,000 |
| Edward Walther | 0 | 0.0% | \$0 | | 0 |
| Michael C. Nahl | 7,500 | 5.2% | \$0 | 11/11/2009 | 246,600 |
| William M. McCarthy | 7,500 | 5.2% | \$0 | 11/11/2009 | 246,600 |
| Michel J. Bacon | 0 | 0.0% | \$0 | | 0 |

- (1) All of the grants referred to in the table were in the form of Restricted Stock Units (RSUs) under the Company s Restricted Stock Unit (RSU) Plan. No stock options were granted during the last fiscal year. Upon vesting, each RSU is paid in full in cash, in an amount equal to the average closing price of one share of the Company s Class A Common Stock during a specified period preceding the vesting/payment date. No shares of Class A Common Stock are issued or issuable under the RSU Plan. There is no exercise price. In lieu of cash dividends, a holder of RSUs is credited with additional RSUs equal to the number of shares of Class A Common Stock having the same value on the dividend payment date as the aggregate dividends that would be payable on shares of Class A Common Stock equal in number to the RSUs held by such holder. (The crediting of such dividend is not reflected in the above table, but the additional RSUs credited as a result are reflected in the table of 2004 RSU payments on page 14.)
- (2) Each RSU award vests (and is immediately paid in cash) as to 20% of the awarded units on each of the first five anniversaries of the date of grant, but only if the holder is then employed by the Company or a subsidiary. In the event of termination of employment, all unvested RSUs terminate without payment, except that, in the case of voluntary termination after age 62, death, disability or involuntary termination, one-half of all unvested RSUs automatically vest and are paid at termination. Holders may generally elect to defer the vesting of RSUs, to the extent permitted by law, until retirement or a date certain by filing an election form prior to grant. None of the listed officers has elected to defer vesting of the listed awards.

13

- (3) Grant date present values of RSU awards are calculated by multiplying the number of units by the closing price of the Company s Class A Common Stock on the date of grant of \$32.88.

RSU Payments During 2004 And Year-End Values

The following table sets forth information with respect to payments upon vesting of RSUs during 2004, as well as the number and value of RSUs held by the Named Officers at December 31, 2004.

| Name | Shares Acquired on Exercise (#)(1) | Value Realized \$(2) | Number of Securities Underlying Unpaid RSUs at December 31, 2004 | Value of Unpaid RSUs at December 31, 2004 \$(3) |
|-------------------|--|----------------------------|---|---|
| Frank R. Schmeler | 5,047 | \$ 149,478 | 45,186 | \$ 1,588,740 |
| Edward Walther | 1,514 | 44,843 | 6,056 | 212,929 |

| | | | | |
|---------------------|-------|--------|--------|---------|
| Michael C. Nahl | | | 15,070 | 529,861 |
| William M. McCarthy | 1,514 | 44,843 | 13,556 | 476,629 |
| Michel J. Bacon | 1,514 | 44,843 | 6,056 | 212,929 |

- (1) While RSUs are denominated in shares, no shares are actually issued or sold. All RSUs settle in cash.
- (2) Actual payment amounts are determined on the basis of the average closing price of the Company's Class A Common Stock during a specified period preceding the vesting/payment date (\$29.62 per vested unit).
- (3) Based on the closing price of the Company's Class A Common Stock on December 31, 2004 (\$35.16 per share).

Option/SAR Exercises During 2004 And Year-End Values

The following table sets forth information with respect to stock option exercises during 2004, as well as stock options held by the Named Officers at December 31, 2004. No stock appreciation rights were held by the Named Officers at that date.

| Name | Shares Acquired on Exercise (#) | Value Realized \$(1) | Number of Securities Underlying Unexercised Options at December 31, 2004 | | Value of Unexercised in-the-Money Options at December 31, 2004 \$(2) | |
|---------------------|--|----------------------------|---|---------------|--|---------------|
| | | | Exercisable | Unexercisable | Exercisable | Unexercisable |
| Frank R. Schmeler | | | 360,000 | 45,000 | \$6,204,689 | \$ 707,068 |
| Edward Walther | 84,600 | \$1,093,465 | 28,200 | 23,200 | 468,835 | 370,752 |
| Michael C. Nahl | | | 350,000 | 250,000 | 6,349,750 | 2,399,375 |
| William M. McCarthy | | | 65,500 | 22,000 | 1,115,228 | 341,235 |
| Michel J. Bacon | 27,000 | 342,603 | 31,000 | 22,000 | 547,958 | 341,235 |

- (1) Represents the difference between (a) the aggregate price for which shares underlying such options were sold in a cashless exercise and (b) the aggregate exercise price for such options.
- (2) Represents the difference between the closing price of the Company's Class A Common Stock on December 31, 2004 (\$35.16 per share) and the exercise price of the options.

Pension Plan Table

The following table shows, as of December 31, 2004, the maximum amounts payable (on a straight life annuity basis) upon retirement at age 65 (or older) under the Company's Pension Plus Plan. The amounts shown are without regard to the impact of the limits on credited earnings prescribed by Section 401 of the Internal Revenue Code and on annual benefits prescribed by Section 415 of the Internal Revenue Code, in each case as described in the Pension Plus Plan.

**Maximum Annual Benefits Upon Retirement
with Years of Service Indicated**

| Credited Earnings(1) | 15 Years | 20 Years | 25 Years | 30 Years | 35 Years | 40 Years |
|---------------------------------|----------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | (rounded to nearest \$500) | | | | | |
| \$125,000 | \$ 25,500 | \$ 34,000 | \$ 42,500 | \$ 51,000 | \$ 52,500 | \$ 54,000 |
| 150,000 | 31,000 | 41,500 | 52,000 | 62,500 | 64,000 | 66,000 |
| 175,000 | 37,000 | 49,000 | 61,500 | 73,500 | 76,000 | 78,000 |
| 200,000 | 42,500 | 56,500 | 70,500 | 85,000 | 87,500 | 90,000 |
| 225,000 | 48,000 | 64,000 | 80,000 | 96,000 | 99,000 | 101,500 |
| 250,000 | 53,500 | 71,500 | 89,500 | 107,500 | 110,500 | 113,500 |
| 300,000 | 65,000 | 86,500 | 108,000 | 130,000 | 133,500 | 137,500 |
| 400,000 | 87,500 | 116,500 | 145,500 | 175,000 | 180,000 | 185,000 |
| 450,000 | 98,500 | 131,500 | 164,500 | 197,500 | 203,000 | 208,500 |
| 500,000 | 110,000 | 146,500 | 183,000 | 220,000 | 226,000 | 232,500 |
| 600,000 | 132,500 | 176,500 | 220,500 | 265,000 | 272,500 | 280,000 |
| 700,000 | 155,000 | 206,500 | 258,000 | 310,000 | 318,500 | 327,500 |
| 800,000 | 177,500 | 236,500 | 295,500 | 355,000 | 365,000 | 375,000 |

- (1) The Company's Pension Plus Plan, applicable to all salaried and most hourly employees in the United States who began employment on or before October 1, 1998, provides generally that an employee who retires at his or her normal retirement age (age 65) will receive a maximum annual pension equal to (a) 1% of his or her average annual base compensation for the three most highly compensated consecutive calendar years in his or her last ten years of employment times his or her years of service (up to 30) plus (b) .5% of the amount by which such average annual base compensation exceeds a Social Security offset (\$34,257 in 2004, increasing thereafter in proportion to the increase in the Social Security Taxable Wage Base) times his or her years of service (up to 30) plus (c) .25% of such average annual base compensation times his or her years of service in excess of 30. Effective April 1, 1994, the aggregate benefit payable pursuant to clauses (a) and (b) above was reduced to 1% of such average annual compensation for years of service (up to 30) earned after March 31, 1994. Effective January 1, 1999, this benefit was reduced further to .75% of such average annual compensation for years of service (up to 30) earned after December 31, 1998. In the case of any plan participant who, at April 1, 1994, had at least 10 years of service and whose age plus years of service totaled 60 or higher, the effect of the foregoing reductions may be limited if necessary to ensure that the reductions do not result in pensions below a certain amount. Each of the Named Officers other than Mr. Walther is eligible for this Rule of 60 limitation. In any event, the numbers in the foregoing table do not reflect any such reductions.

In the case of the Named Officers, base compensation for purposes of the Pension Plan is the amount shown as Salary in the Summary Compensation Table. The number of credited years of service under the Plan for each of the Named Officers are as follows: 41 years for Frank R. Schmeler; 10 years for Edward Walther; 24 years for Michael C. Nahl; 27 years for William M. McCarthy; and 27 years for Michel J. Bacon.

In addition to the benefits described above, certain employees of the Company who were active on June 30, 2002 are entitled to receive additional qualified supplemental retirement (QSERP) benefits under the Pension Plus Plan. Under the QSERP, each covered employee is credited with an initial QSERP account balance in a specified amount. Each such participant has renounced any and all claims to an equal amount of account balances under the Company's deferred compensation plans. Each QSERP account is credited with interest at 8.5% annually until retirement, at which time the QSERP account value is payable in the form of an actuarially equivalent single life annuity or, at the election of the participant, in a single lump sum.

The anticipated annual values of annuitized QSERP benefits to each of the Named Officers upon retirement at age 65, or current age if later, are as follows: \$128,693 for Mr. Bacon, \$122,527 for Mr. McCarthy, \$0 for Mr. Nahl, \$78,116 for Mr. Schmeler and \$139,884 for Mr. Walther. For each of the Named Officers, as well as for any other employees entitled to benefits under the QSERP, aggregate annual payments under the Pension Plus Plan (including QSERP benefits) may not exceed the limits imposed by Section 415 of the Internal Revenue Code.

Section 415 of the Internal Revenue Code places certain limitations on pensions that may be paid under federal income tax qualified plans. Section 401 of the Code also limits the amount of annual compensation that may be used to calculate annual benefits under such plans. The Company has adopted an unfunded Supplemental Executive Retirement Plan pursuant to which the Company will replace any Pension Plus Plan benefits (including QSERP benefits) which a participant is prevented from receiving by reason of these limitations. All employees, including the Named Officers and other executive officers, to whom such limitations become applicable are eligible to receive benefits under the unfunded Supplemental Executive Retirement Plan.

Mr. Schmeler has indicated his intention to retire during 2006. If he were to retire on January 1, 2006, his estimated aggregate annual pension benefit (whether pursuant to the Pension Plus Plan or the Company's unfunded Supplemental Executive Retirement Plan) would be approximately \$327,000. This amount does not include the QSERP benefit described above, which would provide an additional annuitized value of \$78,116 per year.

Compensation Committee Report on Executive Compensation

Decisions with respect to compensation of executive officers and the grant of stock options were made in 2004 by the Compensation Committee of the Board of Directors. The members of the Committee from January 1 until May 6, 2004 were: Thomas R. Beecher, Jr. (Chairman), Francis L. McKone, G. Allan Stenshamn, Christine L. Standish and Charles B. Buchanan. On May 6, 2004, Messrs. Buchanan and Stenshamn ceased to be members upon their retirement as directors. Barbara P. Wright became a member of the Committee on August 12, 2004.

The Compensation Committee has provided the following report:

Compensation of the Executive Officers

During 2004, the Compensation Committee sought to compensate the executive officers of the Company, including the Chief Executive Officer and the other Named Officers, at levels, and in a manner, which would:

- (a) enable the Company to attract and retain talented, well-qualified, experienced and highly-motivated individuals whose performance would substantially enhance the Company's performance; and
- (b) closely align the interests of each executive officer with the interests of the Company's stockholders.

These objectives were pursued during 2004 through base salary, annual cash bonuses and incentive compensation in the form of grants of restricted stock units (RSUs) granted pursuant to the Company's RSU Plan.

Total cash compensation for each executive officer (base salary plus annual cash bonus) for 2004 was intended to be competitive with companies with which the Company competes for executive talent. The Committee believes that such competitors are not limited to companies in the same industry and that comparisons should be made to the compensation practices of a cross-section of U.S. industrial companies with comparable sales volumes and

international complexity. The Committee retains the services of professional compensation consultants to compare the compensation of its executive officers with such a cross section. The consultants carry out such a comparison annually in the case of the Company's senior executive officers and periodically (most recently, during 2004) with respect to all executive officers. In addition, the Committee reviews such published surveys and other materials regarding compensation as are provided from time to time by the Company's Human Resources Department.

In general, the Committee sought to achieve total cash compensation for 2004 for each executive officer, including the Named Officers, that would place it at the median of compensation paid by U.S. industrial companies with comparable sales volumes and international complexity to executives with comparable talents, qualifications, experience and responsibilities. Where positions of a comparable nature could not be identified in comparable companies, total cash compensation was established by reference to other positions within the Company for which comparisons could be identified. The Committee also made such adjustments as it deemed appropriate to reflect the past and anticipated performance of the individual executive officer, to take into account various subjective criteria such as leadership ability, dedication and initiative, and to achieve internal equity in compensation.

Base salaries of executive officers, including the Named Officers, are established as a percentage of targeted cash compensation for each officer, the percentage ranging from 66 ²/₃% in the case of the Chief Executive Officer to approximately 77% in the case of other executive officers. Base salaries are not based on corporate or business unit performance. Annual cash bonuses, on the other hand, are focused on corporate and business unit performance factors identified by the Committee and on the performance of the individual executive officer in the relevant fiscal year. A cash bonus sufficient to bring total cash compensation to the targeted level is paid only if the Committee determines that the performance levels that it considers appropriate for the particular fiscal year have been achieved. Lesser bonuses will be paid if such performance levels are not achieved and larger bonuses will be paid if performance exceeds such levels.

Salaries of executive officers are customarily adjusted in April of each year. In April 2004, the salaries of all executive officers (excluding the Chief Executive Officer) were increased by an average of approximately 4.04% (excluding increases granted in recognition of a substantial change in responsibilities) to reflect the reported rate of increases by comparable companies. Increases actually granted to executive officers for this purpose ranged from 3.5% to 4.5%.

Early in 2004, the Committee determined that cash bonuses for executive officers for the year would be based, as in 2003, on Company performance with respect to operating income, share of market and management of inventories and accounts receivable. To reflect changes in the organization of the management of its global operations, the Committee determined during 2004 that these factors should generally be determined both on a global and (if applicable) a regional level, as well as by business segment. The Committee currently believes that the determination of performance on a global as well as regional or divisional basis provides a clearer incentive for management cooperation across divisions, regions and business lines, when doing so will reap benefits for the Company as a whole despite any impact it may have on divisional, regional or business-line results. The Committee further indicated, however, that it would exercise its discretion, after the close of the fiscal year, as in prior years, to determine to what extent cash bonuses had been earned, and reserved the right to take individual performance factors (including, for example, the possible adverse impact during the year of cost-reduction, plant closings or downsizings and other restructuring-related activities in specific divisions, regions or business lines) into account, and to employ both objective and subjective criteria.

Following the close of 2004, the Committee reviewed Company performance with respect to the factors it had identified. The Committee determined that, as a general matter, the annual bonuses for executive officers for 2004

should be approximately 81% of their target levels, with increases made on the basis of individual performance factors, including those described in the previous paragraph.

Forms of incentive compensation available during 2004 included RSUs and stock options. The Company's RSU Plan is intended to encourage officers and other key employees to remain in the employ of the Company by affording them a greater interest in its success. Each RSU granted under the RSU Plan entitles the grantee to receive the fair market value of a share of Class A Common Stock of the Company at the time the unit vests. The Committee determines when units will vest. Normally, 20% of each grant vests on each anniversary date of the grant. The RSU Plan gives grantees the right to defer receipt of payment for vested units to a date not later than the termination of employment. The Committee made grants of units to officers and key employees in November 2004. The size of awards granted was entirely at the discretion of the Committee. Principal factors influencing the size of individual grants were position, compensation level and internal equity. The Committee also considered the situation of the employee in light of the Plan's purpose of encouraging employment, as well as the individual's specific performance, the number and remaining term of stock options already granted and exercised, and the number of RSU Plan units already held. The Committee does not consider measures of corporate performance when determining grants under the RSU Plan.

17

The Company's 1998 Stock Option Plan was the only stock option plan under which grants could be made during 2004. No stock options were granted during 2004. The Committee regards the RSU Plan as an alternative to the 1998 Stock Option Plan and does not currently expect that it will grant both stock units and stock options to employees as a normal practice.

At the present time, the Committee anticipates that Section 162(m) of the Internal Revenue Code will prevent the Company from deducting a portion of Mr. Schmeler's annual cash compensation for 2005.

In addition, income received by any Named Officer upon the exercise of stock options or the vesting of RSU awards would not be deductible to the extent that such income, when added to cash compensation received by such Named Officer during the same year, exceeds the \$1 million deduction limitation under Section 162(m). During 2004, approximately \$1.3 million of such income was not deductible as the result of the application of Section 162(m). While the Committee intends to consider tax deductibility of proposed compensation when making compensation decisions, the Committee reserves the right to award non-deductible compensation as it deems appropriate in furtherance of the compensation goals described above.

Compensation of Chief Executive Officer

As in the case of the other executive officers, the target total cash compensation of Mr. Schmeler for 2004 was set at a level believed by the Committee to be reasonably competitive with compensation paid by comparable U.S. industrial companies to chief executives with comparable talents, qualifications, experience and responsibility. The Company also took into consideration Mr. Schmeler's many years of outstanding service to the Company, as well as the fact that Mr. Schmeler had, at his request, received no salary increase since April 2002. In April 2004, the Committee granted Mr. Schmeler a salary increase of 12%.

During 2004, the Committee engaged the services of outside consultants to review the 2004 compensation of the Company's executive officers, including cash as well as long-term incentives, and to assess such compensation relative to comparably-sized manufacturing companies. The consultants determined that base salaries and cash bonuses were generally competitive with such companies, but that grants of long-term incentives were below competitive levels. (Grants of long-term incentives during 2003 and 2004 were limited to stock units under the RSU

Plan. See **Option/Restricted Stock Unit Grants in Last Fiscal Year** on page 13.)

The consultants recommended that the Company consider replacing a portion of the time-based, share-denominated grants under the current RSU Plan with performance-based, share-denominated grants of stock units under a new incentive plan. During February 2005, the Committee considered a proposal to adopt the 2005 Incentive Plan, as well as specific 2005 incentive awards to certain senior executive officers pursuant to such plan. During February 2005 the Committee recommended, and a Performance Committee of the Board approved, grants of 2005 performance-based incentive awards to seven senior executives, including Mr. Schmeler and certain of the other Named Officers. Such grants are intended to be in lieu of 2005 grants of stock units under the RSU Plan. (See **2005 INCENTIVE PLAN** on page 23 for a description of this plan and these awards.) The Committee currently intends to grant stock units under the RSU Plan to other executive officers during 2005. Such awards are usually granted in November. The Committee may expand the group of executive officers granted performance-based awards under the 2005 Incentive Plan in lieu of RSU stock units under the RSU Plan during 2006.

The 2005 Incentive Plan has been structured to permit the grant of incentive awards that would be deductible under Section 162(m). Awards granted to Named Officers for 2005 (subject to stockholder approval of the 2005 Incentive Plan), are intended to qualify as deductible compensation under Section 162(m).

In February 2005, the Committee granted Mr. Schmeler a bonus of approximately 71% of target in recognition of his success in meeting goals established for 2004, including completing restructuring activities in the United States and Europe while minimizing adverse customer impact, re-aligning the Company's global R&D and sales and marketing functions in order to simultaneously improve results and efficiency, developing a plan to re-align the responsibilities of top executive officers in order to improve operations, and planning for future growth in the Company's operations in the Asia and Pacific region. In November 2004, Mr. Schmeler was granted 25,000 stock units under the RSU Plan. (See **Option/Restricted Stock Unit Grants in Last Fiscal Year** on page 13.) In making the grant, the Committee took into consideration the importance to the Company of Mr. Schmeler's continued service, especially during the period in which

18

the Company is conducting a search for his successor, the amount of stock options and stock units granted to Mr. Schmeler in prior years, his position of responsibility, his compensation level, and the size of the restricted stock unit grants made to others.

The Compensation Committee
Thomas R. Beecher, Jr., Chairman
Francis L. McKone
Christine L. Standish
Barbara P. Wright

Compensation Committee Interlocks and Insider Participation

During 2004 the members of the Compensation Committee included directors Beecher, McKone, Stenshamn, Wright, C. L. Standish and Buchanan. (Messrs. Buchanan and Stenshamn served only until May 6, 2004; Mrs. Wright joined the Committee on August 12, 2004.)

No member of the Committee was an employee during 2004. Mr. McKone served as Chairman of the Board and Chief Executive Officer of the Company until May 2001. Mr. Buchanan retired as a Vice President and Secretary of the Company in 1997. Ms. C. L. Standish's husband is an employee of the Company, but is not an executive officer.

Her brother, John C. Standish, is a director and employee of the Company and, effective March 1, 2005, an executive officer as well. (See **Certain Business Relationships and Related Transactions** on page 7 for a description of remuneration paid by the Company to Ms. Standish's husband and brother.) Ms. Standish and Mr. Beecher are directors of J. S. Standish Co. Mr. Beecher is also Secretary of that corporation. Mr. Stenshamn is the Chairman of the Board and a director, but not an employee, of five Swedish subsidiaries of the Company: Albany International Holding AB; Albany International AB; Albany Door Systems AB; Nordiska Maskinfilt AB; and DEWA Consulting AB.

Audit Committee Report

The Audit Committee has provided the following report:

The Audit Committee has reviewed, and discussed with management and the independent auditors, PricewaterhouseCoopers LLP (PwC), the financial statements for 2004, including management's report with respect to internal control over financial reporting and PwC's attestation report with respect to management's report. The Audit Committee has also discussed with PwC the written disclosures and the letter from PwC required by Independence Standards Board No. 1 (Independence Discussions with Audit Committees), as modified and supplemented, has discussed with PwC its independence, and has considered whether the provision by PwC of the services referred to below under Independent Auditors, All Other Fees is compatible with maintaining the independence of PwC.

Based on the foregoing discussions, disclosures and letter, the Audit Committee recommended to the Board of Directors that the audited statements for 2004 be included in the Company's Annual Report on Form 10-K for 2004 filed with the Securities and Exchange Commission.

The financial reporting process of the Company, including the system of internal controls and the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, is the responsibility of the Company's management. The Company's independent auditors (PwC) are responsible for auditing the financial statements. The Audit Committee monitors and reviews these processes. As required by the Corporate Governance Rules of the New York Stock Exchange, the Board of Directors has determined that, in their judgment, all of the members of the Audit Committee are financially literate and at least one member of the Committee has accounting or related financial management expertise. The Board has determined that one member of the Committee, Paula H. J. Cholmondeley, is a financial expert as such term is defined in Item 401 of Regulation S-K of the Securities and Exchange Commission. The members of the Audit Committee are not employees of the Company and do not represent themselves as experts in the field of accounting or auditing.

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

The Audit Committee:
Erland E. Kailbourne, Chairman
Joseph G. Morone

Hugh J. Murphy
 Juhani Pakkala
 Paula H. J. Cholmondeley

20

Stock Performance Graph

The following graph compares cumulative total return of the Company's Class A Common Stock during the five years ended December 31, 2004 with the cumulative total return on the S&P 500 Index and the Dow Jones U.S. Paper Index (symbol: PAP).

Albany International Corp. Five Year Cumulative Total Return

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Companies in the Dow Jones U.S. Paper Index are: Bowater Incorporated, Caraustar Industries, Inc., International Paper Co., MeadWestvaco Corp., Neenah Paper, Inc., Pope & Talbot, Inc., Potlatch Corp. and Wausau-MosineePaper Corporation. All are significant customers of the Company in the U.S.

The comparison assumes \$100 was invested on December 31, 1999 in the Company's Class A Common Stock, the S&P 500 Index and the Dow Jones U.S. Paper Index and assumes reinvestment of dividends.

21

Equity Compensation Plan Information

The following table provides information about the Company's equity compensation plans as of December 31, 2004.

| Plan Category | Number of securities to be issued upon exercise of outstanding options, warrants, and rights | Weighted-average exercise price of outstanding options, warrants, and rights | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) |
|---|--|---|---|
| | (a) | (b) | (c) |
| Equity compensation plans approved by security holders | 2,095,500 | \$17.23 | 463,165(1)(2)(3) |
| Equity compensation plans not approved by security holders | 250,000 | \$25.56 | |
| Total | 2,345,500 | \$18.12 | 463,165(1)(2)(3) |

- (1) Reflects only the number of shares for which options may be granted as of January 1, 2005 under the Company's 1998 Stock Option Plan (the 1998 Plan). Additional shares of Class A Common Stock are available for issuance under the 1998 Plan (see note 2 below) as well as under the Directors' Annual Retainer Plan (see note 3 below).
- (2) The 1998 Plan allows the Board to increase the amount of shares available for future option grants, from time to time, provided that it may not be increased by more than 500,000 in any calendar year and that no such increase may cause the total number of shares then available for option to exceed 1,000,000. If options granted under the 1998 Plan expire or are terminated or surrendered without having been exercised, the shares of Class A Common Stock subject thereto may again be optioned. Assuming full exercise by the Board of its power to increase annually the number of shares available for options, the maximum number of additional shares that could yet be issued upon exercise of future option grants pursuant to the 1998 Plan (including those set forth in column (c) above) would be 2,436,615.
- (3) 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 \$60,000. Of this total, \$20,000 is 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 Company has adopted only one equity compensation plan not approved by security holders and required to be disclosed under Item 201(d) of Regulation S-K. In 1997, the Company granted an option exercisable at \$25.56 per share for 250,000 shares of Class A Common Stock to Michael C. Nahl, the Company's Senior Vice President and Chief Financial Officer on December 31, 2004. The option is not exercisable unless the market price of Class A Common Stock reaches \$48 per share while Mr. Nahl is employed by the Company or a subsidiary. When the target price is achieved, the option becomes exercisable as to a number of shares determined by multiplying 25,000 times the number of full years that have elapsed since the grant date. Thereafter, the option becomes exercisable as to an additional 25,000 shares on each anniversary of the grant date while the optionee remains an employee. In the event of termination of the optionee's employment, the option terminates as to all shares as to which it is not then exercisable, except that, in the case of voluntary termination after age 62, death, disability, or involuntary termination, if the target price has been achieved prior to such termination, the option becomes exercisable, immediately prior to such termination.

Corporate Governance Information

The Company's Corporate Governance Guidelines, Business Ethics Policy and Code of Ethics for the Chief Executive Officer, Chief Financial Officer and Controller, and the charters of the Audit, Compensation and Governance Committees of the Board of Directors are available at the Corporate Governance section of the Company's website (www.albint.com). Stockholders may obtain a copy of any of these documents, without charge, from the Company's Investor Relations Department. The Company's Investor Relations Department may be contacted at:

Investor Relations Department
Albany International Corp.
Post Office Box 1907
Albany, New York 12201-1907
Telephone: (518) 445-2284

Fax: (518) 447-6343

E-mail: investor_relations@albint.com

2005 INCENTIVE PLAN

General

The Board of Directors has adopted, subject to stockholder approval, the 2005 Incentive Plan. The purpose of the 2005 Incentive Plan is to enable the Company to promote the interests of the Company and its shareholders by providing the officers and key employees of the Company and its subsidiaries, who collectively are responsible for the management, growth and protection of the business of the Company, with incentives and rewards to align their interests with those of the stockholders and to encourage them to continue in the service of the Company. The 2005 Incentive Plan is designed to meet this purpose by providing a plan pursuant to which such employees may be given such incentives and awards in various forms.

The 2005 Incentive Plan provides for awards that may be payable in cash, stock, or a combination of cash and stock. For stock-based awards, the Plan authorizes the issuance of an aggregate number of shares (Shares) of the Company's Class A Common Stock initially equal to 500,000. In addition, the Plan will allow the Board of Directors to increase this amount from time to time, provided that it may not be increased by more than 500,000 in any calendar year and that no increase may cause the total number of Shares then available for issuance in respect of new awards to exceed 1,000,000.

The closing price of the Company's Class A Common Stock on the New York Stock Exchange on March 1, 2005, was \$33.00.

The Company also maintains the 1998 Stock Option Plan, which currently authorizes the issuance of options exercisable for 464,265 Shares. The 1998 Stock Option Plan similarly includes a mechanism whereby the Board of Directors may increase this amount from time to time, subject to the same annual and aggregate limitations proposed for the 2005 Incentive Plan. If such mechanism were utilized and options were granted, the Company could issue additional options exercisable for an additional 2,000,000 Shares. While the Company has no current intention to recommend grants of options under the 1998 Plan to the Board or Compensation Committee, the Company reserves the right to make such grants in accordance with the terms of the 1998 Plan. Under the 1998 Plan, no options may be granted after 2008.

The material terms of the 2005 Incentive Plan are summarized below. This summary is not intended to be a complete description of the terms of the 2005 Incentive Plan. The full text of the 2005 Incentive Plan is attached hereto as Exhibit A. In the event of any inconsistency between the summary set forth below and the terms of the 2005 Incentive Plan, the terms of the 2005 Incentive Plan will govern.

Eligible Participants and Types of Awards

The 2005 Incentive Plan provides for the grant to officers and key employees of the Company and its subsidiaries of non-qualified stock options (Options), tandem and stand-alone stock appreciation rights (SARs) and other Share-based or cash-based awards (collectively referred to herein as Incentive Awards). Incentive Awards may be settled in cash or in Shares. Some Incentive Awards may be intended to qualify as performance based compensation within the meaning of Section 162(m) of the Internal Revenue Code. While approximately 200 employees of the Company and its subsidiaries would be potentially eligible to participate in the 2005 Incentive Plan, the Company expects initially to

limit Incentive Awards for 2005 to seven senior executive officers of the Company. (A description of the specific initial 2005 Incentive Awards is set forth below under **Incentive Awards to be Granted.**)

Shares Available for Awards and Individual Award Limit

Shares issued under the 2005 Incentive Plan may be either newly issued Shares or treasury Shares. In addition to the limit on the aggregate number of Shares that are authorized to be issued pursuant to the 2005 Incentive Plan described above, the maximum number of Shares that may be covered by Incentive Awards granted to any single participant in the 2005 Incentive Plan (a Participant) in any fiscal year shall not exceed 200,000 Shares, prorated on a daily basis for any fiscal year that is shorter than 365 days.

Shares of Common Stock covered by Incentive Awards shall only be counted as used to the extent they are actually issued and delivered to a Participant (or a Participant's permitted transferees). Accordingly, if an Incentive Award is settled for cash or if Shares are withheld to pay the exercise price of an Option or to satisfy any tax-withholding requirement in connection with an Incentive Award, only the Shares issued (if any), net of the Shares withheld, will be deemed delivered for purposes of determining the number of Shares that remain available for delivery under the 2005 Incentive Plan. If Shares are issued subject to conditions which may result in the forfeiture, cancellation or return of such Shares to the Company, any portion of the Shares forfeited, cancelled or returned shall be treated as not issued pursuant to the 2005 Incentive Plan. If Shares owned by a Participant (or a Participant's permitted transferees) are tendered (either actually or through attestation) to the Company in payment of any obligation in connection with an Incentive Award, the number of Shares tendered shall be added to the number of Shares that are available for delivery under the 2005 Incentive Plan.

In addition, if the Company uses cash received by the Company in payment of the exercise price or purchase price in connection with any Incentive Award to repurchase Shares, the Shares so repurchased will be added to the aggregate number of Shares available under the 2005 Incentive Plan. Shares covered by Incentive Awards granted pursuant to the 2005 Incentive Plan in connection with the assumption, replacement, conversion or adjustment of outstanding equity-based awards in the context of a corporate acquisition or merger will not count as used under the 2005 Incentive Plan for these purposes.

Prohibition on Substitutions and Repricing

In no event will any new Incentive Awards be issued in substitution for outstanding Incentive Awards previously granted to Participants, and no repricings of Incentive Awards are permitted at any time under any circumstances, unless the shareholders of the Company expressly approve such substitution or repricing.

Administration

The 2005 Incentive Plan will be administered by the Compensation Committee of the Company's Board of Directors, or such other committee as the Board of Directors shall appoint from time to time (the Committee). The Committee shall from time to time designate those persons who shall be granted Incentive Awards and the amount, type and other terms and conditions of such Incentive Awards.

Except to the extent described below with respect to performance based compensation, the Committee will have full authority to administer the 2005 Incentive Plan, including authority to interpret and construe any provision of the 2005 Incentive Plan and the terms of any Incentive Award issued under it, and to adopt such rules and regulations for administering the 2005 Incentive Plan as it may deem necessary. On or after the date of grant of an Incentive Award

under the 2005 Incentive Plan, the Committee may (i) accelerate the date on which any Incentive Award becomes vested, exercisable or transferable, (ii) extend the term of any Incentive Award, including, without limitation, extending the period following a termination of a Participant's employment during which any Incentive Award may remain outstanding, (iii) waive any conditions to the vesting, exercisability or transferability of any Incentive Award or (iv) provide for the payment of dividends or dividend equivalents with respect to any Incentive Award. Decisions of the Committee shall be final and binding on all Participants.

With respect to Incentive Awards that are intended to satisfy the requirements of performance based compensation within the meaning of Section 162(m) of the Internal Revenue Code, the exercise of the foregoing powers may be limited to a special committee of the Board composed solely of two or more directors who are outside directors within the meaning of Section 162(m) (a Performance Committee).

Incentive Awards to be Granted

The total number and type of Incentive Awards that will be granted in the future under the 2005 Incentive Plan, or that would have been granted had the 2005 Incentive Plan been in effect during the Company's last fiscal year, are not determinable.

For 2005, grants of Incentive Awards have been approved for seven executive officers of the Company, subject to stockholder approval of the 2005 Incentive Plan. The following table sets forth information regarding such grants to the persons and group listed:

| Name | Dollar Value(\$) | Number of Shares |
|---|------------------|------------------|
| Frank R. Schmeler | \$ 1,386,000 | 42,000 |
| Michael C. Nahl | 462,000 | 14,000 |
| Edward Walther | | |
| William M. McCarthy | 462,000 | 14,000 |
| Michel J. Bacon | | |
| All current executive officers as a group (seven persons) | \$ 3,234,000 | 98,000 |

The foregoing table sets forth Awards granted to the Named Officers (and others) on March 3, 2005, subject to approval of the 2005 Option Plan by the stockholders of the Company. Each award consists of a target amount of Shares, as specified under the column Number of Shares. The amounts under the column Dollar Value are calculated by multiplying these Share amounts by \$33.00, the closing price of a Share on March 1, 2005. Each award will entitle the Participant to receive an amount of Shares equal to from 0% to 200% of such target amount, based upon the extent to which he or she attains certain performance goals during 2005. Success in achieving such goals will be determined during early 2006 by the Compensation Committee (or, with respect to certain awards to certain Named Officers, by a Performance Committee, appointed by the Board for this purpose) and the number of Shares earned by each Participant will be credited to a bonus account. Once in the bonus account, these Awards will be paid out as follows: (1) 25% in early 2006, in cash, (2) 50% in early 2007, half in cash and half in Shares, and (3) the remaining 25% in early 2007, half in cash and half in Shares. With respect to the Incentive Awards listed above, performance goals for the Named Officers consist of one or more of the following: increasing net sales, increasing cash flow, increasing operating income and increasing share of market in certain key markets. (Performance goals relating to future Incentive Awards may be based on one or more of the performance measures specified in the Plan. See **Significant Features of Incentive Awards - Performance Based Compensation** below.)

The Award agreements relating to the foregoing Awards provide that a Participant whose employment terminates for any reason during 2005 will not be entitled to any portion of the foregoing Awards. A Participant who voluntarily terminates employment prior to the payout of the full amount of his bonus account is not entitled to any payments after such termination, except that a Participant who voluntarily terminates employment after January 1 of a year but prior to the payment of an amount due to be paid in that year will be entitled to such amount. A Participant whose employment is terminated by the Company without cause during a year, or who voluntarily terminates employment in a year after attaining age 62, is entitled to 50% of any portion of his or her bonus account not already paid, except that any such Participant whose employment so terminates after January 1 of a year but prior to the payment of an amount due to be paid in that year is entitled to the full amount due in that year plus 50% of the remainder, if any. Any Participant whose employment is terminated by Albany for cause shall forfeit any payments not yet paid, unless the Compensation Committee or, if required, a Performance Committee of the Board determines otherwise in its absolute discretion.

Participants are permitted to defer receipt of the payout under their awards, to the extent permitted by the Internal Revenue Code and applicable IRS regulations, as well as to the extent that deferral does not give rise to adverse tax consequences to the Participant.

The foregoing description applies only to the Incentive Awards approved for 2005. As described above, the Plan permits issuance of awards of various types, and the amount, type, and terms of future Incentive Awards may vary significantly from these Awards.

Significant Features of Incentive Awards

The significant features of the Incentive Awards granted (subject to stockholder approval of the Plan) in 2005 are as described above. Significant features of other potential forms of Incentive Awards permitted under the Plan are as follows:

Options. Each Option shall entitle the holder thereof to purchase a specified number of Shares. The exercise price of each Option will be at least equal to 100% of the fair market value of a Share on the date on which the Option is granted. Options will have terms that do not exceed twenty years and will have vesting periods of at least one year.

Tandem Stock Appreciation Rights. The Committee may grant, in connection with any Option, a tandem SAR (Tandem SAR). The exercise price per Share of any Tandem SAR will be at least 100% of the fair market value of a Share on the date on which the Tandem SAR is granted, except that the exercise price of a Tandem SAR that is granted after the grant of the related Option may be less than such amount if it is at least equal to the exercise price of the related Option. In general, the exercise of a Tandem SAR by a Participant entitles the Participant to an amount (in cash, Shares or a combination of cash and Shares), with respect to each Share subject thereto, equal to the excess of the fair market value of a Share on the exercise date over the exercise price of the Tandem SAR. The exercise of a Tandem SAR with respect to a number of Shares causes the cancellation of its related Option with respect to an equal number of Shares, and the exercise, cancellation or expiration of an Option with respect to a number of Shares causes the cancellation of its related Tandem SAR with respect to an equal number of Shares.

Stand-Alone Stock Appreciation Rights. The Committee may grant SARs that do not relate to Options (Stand-Alone SARs). The exercise price per Share of any Stand-Alone SAR will be at least 100% of the fair market value of a Share on the date on which the Stand-Alone SAR is granted. In general, the exercise of a Stand-Alone SAR by a Participant entitles the Participant to an amount (in cash, Shares or a combination of cash and Shares), with respect to each Share subject thereto, equal to the excess of the fair market value of a Share on the exercise date over the exercise price of

the Stand-Alone SAR.

Other Stock Based Awards. The Committee may grant equity-based or equity-related Incentive Awards other than Options and SARs in such amounts and subject to such terms and conditions as the Committee determines. Each such Incentive Award may (i) involve the transfer of actual Shares, either at the time of grant or thereafter, or payment in cash or otherwise of amounts based on the value of Shares, (ii) be subject to performance-based and/or service-based conditions and (iii) be in the form of phantom stock, restricted stock, restricted stock units, performance shares, or share-denominated performance units. Incentive Awards may vest or otherwise become payable as determined by the Committee at the time of grant.

26

Consequences Upon a Change in Control. The effect of the occurrence of a Change in Control of the Company on any Option, SAR or other Incentive Award shall be determined by the Committee in its discretion.

Performance Based Compensation. The Performance Committee may grant Incentive Awards that are intended to qualify under the requirements of Section 162(m) of the Tax Code as qualified performance-based compensation.

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

In the event that the requirements of Section 162(m) and the regulations thereunder change to permit Performance Committee discretion to alter the performance measures, a Performance Committee of the Board will have discretion to make such changes. Performance periods may be less than, equal to or longer than one fiscal year of the Company and may be overlapping. Within 90 days after the beginning of a performance period, and in any case before 25% of the performance period has elapsed, the Performance Committee shall establish (a) performance goals and objectives for the Company for such performance period, (b) target awards for each Participant, and (c) schedules or other objective methods for determining the applicable performance percentage to be applied to each such target award.

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

General Plan Provisions

Adjustments Upon Changes in Capitalization. The 2005 Incentive Plan provides for an adjustment in the number of Shares available to be issued under the 2005 Incentive Plan, the number of Shares subject to Incentive Awards and the exercise prices of certain Incentive Awards upon a change in the capitalization of the Company, a stock dividend or split, a merger or combination of Shares and certain other similar events.

Tax Withholding. The 2005 Incentive Plan provides that Participants may elect to satisfy certain federal income tax withholding requirements by remitting to the Company cash or, subject to certain conditions, Shares or by instructing the Company to withhold Shares payable to the Participant.

Assignment and Transfer. Options and SARs may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution, except as permitted by the Committee on a general or specific basis.

27

Amendment. The Board of Directors may at any time suspend or discontinue the 2005 Incentive Plan or revise or amend it in any respect whatsoever, except that, in general, no revision or amendment may, without the approval of shareholders of the Company, (i) increase the number of Shares that may be issued under the Plan or (ii) materially modify the requirements as to eligibility for participation in the 2005 Incentive Plan.

Term of the Plan. No grants may be made under the 2005 Incentive Plan after February 18, 2015.

U.S. Federal Income Tax Consequences

Following is a brief summary of the U.S. federal income tax consequences of the issuance and exercise of Options and SARs.

2005 Awards. The Company will generally be entitled to a compensation deduction for U.S. federal income tax purposes in the amount of cash compensation distributed to the Participant or, in the case of that portion of an Awards that is settled in Shares, in an amount equal to the fair market value of the Shares when delivered to the Participant. The Participants will be required to recognize compensation income for U.S. federal income tax purposes upon payment of cash or delivery of Shares.

Options. A Participant will not be deemed to receive any income at the time an Option is granted, nor will the Company be entitled to a deduction at that time. However, when any part of an Option is exercised the Participant will generally be deemed to have received ordinary income in an amount equal to the difference between the exercise price of the Option and the fair market value of the Shares received on the exercise of the Option. The Company will be entitled to a U.S. federal income tax deduction in an amount equal to the amount of ordinary income realized by the Participant.

SARs. A Participant will not be deemed to receive any income at the time an SAR is granted, nor will the Company be entitled to a deduction at that time. However, when any part of the SAR is exercised, the Participant will be deemed to have received compensation taxable as ordinary income in an amount equal to the amount of cash received and the Company will be entitled to a tax deduction in an equal amount.

**YOUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS
A VOTE FOR APPROVAL OF THE 2005 INCENTIVE PLAN.**

28

INDEPENDENT AUDITORS

In August 2004, PwC was appointed as the Company's auditors for 2004 and to perform the reviews of the financial statements to be included in the Company's quarterly reports to the Securities and Exchange Commission on Form 10-Q with respect to the first three quarters of 2005. The Audit Committee does not expect to take action with respect to the appointment of auditors for 2005 until the second half of the year. A representative of PwC will be present at the Annual Meeting, will be given an opportunity to make a statement and will be available to respond to appropriate questions.

As stated above in the Audit Committee Report, the Audit Committee has received the written disclosures and letter from PwC required by the Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), as modified and supplemented, has discussed with PwC its independence, and has considered whether the provision of the services covered by the fees referred to below under "All Other Fees" is compatible with maintaining the independence of PwC.

Audit Fees

The aggregate fees billed by PwC for (a) the audit of the Company's annual financial statements for each of 2003 and 2004, (b) reviews by PwC of the financial statements included in the Company's Forms 10-Q during such periods, and (c) services normally provided by PwC in connection with statutory and regulatory filings or engagements for each such year, was \$1,670,447 during 2003 and \$2,163,467 during 2004.

Audit-Related Fees

The aggregate fees billed by PwC for assurance and related services that are reasonably related to the performance of the audit or review of the Company's annual financial statements, and are not included in the amount reported under the heading "Audit Fees" above, was \$21,075 during 2003 and \$1,771,065 during 2004. Amounts billed during these periods were related to PwC's attestation requirements relating to internal controls and procedures, as well as for oversight of efforts undertaken by the Company in connection with such requirements.

Tax Fees

The aggregate fees billed by PwC for tax compliance, tax advice and tax planning in each of 2003 and 2004 were \$1,225,052 and \$506,615, respectively. Billings during each period were primarily for assistance in the preparation of tax returns and filings, assistance in connection with tax audits, tax advice in connection with corporate and business restructuring activities and general tax advice.

All Other Fees

The aggregate fees billed by PwC for all other products and services not described above were \$166,367 in 2003 and \$79,722 in 2004. Services included in this category consisted principally of audits of certain benefits plans, business and tax education for certain Company employees, advice in connection with benefit plan design, advice relating to global business restructuring activities and review of internal control of information systems.

Pre-Approval Policy

It is the responsibility of the Company's Audit Committee to approve all audit and non-audit services to be performed by the independent auditors, such approval to take place in advance of such services when required by law,

regulation or rule.

The Chairman of the Audit Committee is permitted to pre-approve any engagement of the independent auditor for services that could be properly pre-approved by the Committee, provided that the anticipated fees with respect to the services so pre-approved do not exceed \$100,000. The Chairman is required to report such pre-approvals to the next regular meeting of the Committee.

29

The Audit Committee is required to pre-approve each engagement of the independent auditor not pre-approved by the Chairman of the Committee. Each such pre-approval must describe the particular service to be rendered. No pre-approval may be given for any service that would cause the independent auditor to be considered not independent under applicable laws and regulations.

With respect to the engagement of the independent auditor to render non-project-oriented tax advice in countries in which the Company and its subsidiaries have activities, pre-approval of the Audit Committee may take the form of approval of a schedule of amounts anticipated to be expended during specified periods with respect to each country, local management being authorized to initiate the engagements as needed. The Committee may also authorize specific amounts to be allocated by management for such purpose.

None of the 2003 or 2004 services described above were approved by the Audit Committee or its Chairman pursuant to 17 CFR 210.2-01(c)(7)(i)(C) (which permits the waiver of pre-approval requirements in connection with the provision of certain non-audit services).

30

STOCKHOLDER PROPOSALS

The Company's By Laws provide that proposals of stockholders, including nominations of persons for election to the Board of Directors of the Company, shall not be presented, considered or voted upon at an annual meeting of stockholders, or at any adjournment thereof, unless (i) notice of the proposal has been received by mail directed to the Secretary of the Company at the address set forth in the Notice of Meeting not less than 100 days nor more than 180 days prior to the anniversary date of the last preceding annual meeting of stockholders and (ii) the stockholder giving such notice is a stockholder of record on the date of the giving of such notice and on the record date for the determination of stockholders entitled to vote at such annual meeting. Each such notice shall set forth (i) the proposal desired to be brought before the annual meeting and the reasons for presenting such proposal at the annual meeting, (ii) the name and address, as they appear on the Company's books, of the stockholder making such proposal, (iii) the number and class of shares owned beneficially or of record by such stockholder, (iv) any material interest of such stockholder in the proposal and (v) such other information with respect to the proposal and such stockholder as is required to be disclosed in solicitation of proxies to vote upon such proposal, or is otherwise required, pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the Proxy Rules). In the case of proposed nominations of persons for election to the Board of Directors, each such notice shall also (i) set forth such information with respect to such nominees and the stockholder proposing the nominations as is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, pursuant to the Proxy Rules and (ii) be accompanied by the written consent of each proposed nominee to being named in the Company's proxy statement as a nominee and to serving as a director if elected and by written confirmation by each such nominee of the information relating to such nominee contained in the notice.

Proposals of stockholders that are intended to be presented at the Company's 2006 Annual Meeting of Stockholders must be received by the Company at its principal executive offices at P.O. Box 1907, Albany, New York, 12201-1907 not later than November 16, 2005 in order to be considered for inclusion in the Company's proxy statement and form of proxy. In addition, to be so included, a proposal must otherwise comply with all applicable proxy rules of the Securities and Exchange Commission.

In addition, management proxies for the 2006 Annual Meeting may confer discretionary authority to vote on a stockholder proposal that is not included in the Company's proxy statement and form of proxy if the Company does not receive notice of such proposal by February 6, 2006 or if such proposal has been properly excluded from such proxy statement and form of proxy.

OTHER MATTERS

The Board knows of no other matters to be presented for consideration at the Annual Meeting. Should any other matters properly come before the meeting, the persons named in the accompanying proxy will vote such proxy thereon in accordance with their best judgment.

The cost of soliciting proxies in the accompanying form will be borne by the Company. In addition to solicitation of proxies by use of the mails, regular employees of the Company, without additional compensation, may solicit proxies personally or by telephone.

Thomas H. Hagoort
Secretary

March 23, 2005

31

EXHIBIT A

ALBANY INTERNATIONAL CORP. 2005 INCENTIVE PLAN

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

1. Purpose of the Plan

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

2. Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

A-2

3. Stock Subject to the Plan

(a) In General

Subject to adjustment as provided in Section 10 as well as otherwise in this Section 3, the aggregate number of shares of Common Stock that may be issued pursuant to Incentive Awards granted under this Plan shall be (a) 500,000 plus (b) such additional number of shares as the Board of Directors shall, from time to time subsequent to January 1,

2006 and during the term of the Plan, determine; provided that the number of shares so added by the Board of Directors shall not exceed, in any one calendar year, 500,000; and provided, further, that the total number of shares of Common Stock then available for issuance under this Plan shall not exceed 1,000,000 at any time.

For purposes of the preceding paragraph, shares of Common Stock issuable pursuant to Incentive Awards shall only be counted as used to the extent they are actually issued and delivered to a Participant (or such Participant's permitted transferees as provided in the instrument or agreement evidencing such Incentive Award) pursuant to the Plan. For purposes of clarification, in accordance with the preceding sentence if an Incentive Award is settled for cash or if shares of Common Stock are withheld to pay the exercise price of an Option or to satisfy any tax withholding requirement in connection with an Incentive Award, only the shares issued (if any), net of the shares withheld, will be deemed delivered for purposes of determining the number of shares of Common Stock that are available for issuance under the Plan. In addition, if shares of Common Stock are issued subject to conditions which may result in the forfeiture, cancellation or return of such shares to the Company, any portion of the shares forfeited, cancelled or returned shall be treated as not issued pursuant to the Plan. In addition, if shares of Common Stock owned by a Participant (or such Participant's permitted transferees as provided in the instrument or agreement evidencing such Incentive Award) are tendered (either actually or through attestation) to the Company in payment of any obligation in connection with an Incentive Award, the number of shares tendered shall be added to the number of shares of Common Stock that are available for issuance under the Plan. In addition, if the Company uses cash received by the Company in payment of the exercise price or purchase price in connection with any Incentive Award granted pursuant to the Plan to repurchase shares of Common Stock from any Person, the shares so repurchased will be added to the aggregate number of shares available for delivery under the Plan. For purposes of the preceding sentence, shares of Common Stock repurchased by the Company shall be deemed to have been repurchased using such funds only to the extent that such funds have actually been previously received by the Company and that the Company promptly designates in its books and records that such repurchase was paid for with such funds. Shares of Common Stock covered by Incentive Awards granted pursuant to the Plan in connection with the assumption, replacement, conversion or adjustment of outstanding equity-based awards in the context of a corporate acquisition or merger (within the meaning of Section 303A.08 of the New York Stock Exchange Listed Company Manual) shall not count as used under the Plan for purposes of this Section 3.

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

(b) Prohibition on Substitutions and Repricings

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

A-3

4. Administration of the Plan

The Plan shall be administered by a Committee of the Board of Directors and, to the extent necessary to satisfy the requirements of Section 162(m) of the Code for Performance-Based Compensation, by one or more Performance Committees. Each Performance Committee so appointed shall consist of two or more persons, all of whom qualify as outside directors within the meaning of Section 162(m) of the Code. As used in the Plan, references to the Committee

shall be deemed to refer to a Performance Committee to the extent that the action contemplated by the provision in which such reference occurs would be required to be taken by a Performance Committee in order to satisfy the requirements of Section 162(m) of the Code for Performance-Based Compensation.

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

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

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

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

5. Eligibility

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

6. Options

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

- (a) to determine which of the key employees of the Company and its Subsidiaries shall be granted Options;
- (b) to determine the time or times when Options shall be granted and the number of shares to be subject to each Option;
- (c) to determine the exercise price of the Common Stock subject to each Option, which shall not be less than 100% of the Fair Market Value of the Common Stock on the date of grant;
- (d) to determine the Fair Market Value of the Common Stock on the date of grant of an Option;
- (e) to determine the term of each Option, which shall not continue for more than twenty years from the date of grant of the Option, and to accelerate the expiration of the term of an Option;
- (f) to determine the time or times when each Option shall be exercisable and to accelerate at any time the time or times when an outstanding Option shall be exercisable, provided that no Option may be exercisable before the first anniversary of its date of grant;
- (g) to accept, as full or partial payment of the exercise price and/or any taxes to be withheld by the Company upon exercise of any Option, shares of Common Stock tendered by the Participant or requested by the Participant to be withheld from the shares to be delivered upon such exercise, and to determine the value of the shares so tendered or withheld;
- (h) to determine, to the extent permitted by law, the status under the Internal Revenue Code of any Option granted under the Plan, including, without limitation, whether the option shall be treated as an incentive stock option within the meaning of the Code;
- (i) to determine the effect on any Option of the termination of the employment of the Participant, of any conduct or activity of the Participant, or of any Change in Control;
- (j) to determine the extent to which Options granted under the Plan shall be assignable or transferable; and
- (k) to prescribe from time to time the form or forms of the instruments evidencing Options granted under the Plan.

7. Stock Appreciation Rights

(a) Terms

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

- (i) to determine which of the key employees of the Company and its Subsidiaries shall be granted SARs;
- (ii) to determine whether SARs are granted on a stand-alone basis or in tandem with an Option, whether contemporaneously with or after the grant of the Options to which they relate;

(iii) to determine whether SARs may be settled in shares of Common Stock, in cash, or in some combination of Common Stock or cash;

A-5

(iv) to determine the time or times when SARs shall be granted and the number of shares for which they are exercisable;

(v) to determine the exercise price of each SAR, which shall not be less than 100% of the Fair Market Value of the Common Stock on the date of grant, provided, however that the exercise price of a SAR that is tandem to an Option and that is granted after the grant of such Option may have an exercise price less than 100% of the Fair Market Value of a share of Common Stock on the date on which such SAR is granted provided that such exercise price is at least equal to the exercise price of the related Option;

(vi) to determine the Fair Market Value of the Common Stock on the date of grant of a SAR;

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

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

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

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

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

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

(b) Benefit Upon Exercise

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

(c) Exercise of Tandem SARs

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

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

A-6

8. Other Awards

(a) Other Stock-Based Awards

The Committee may grant equity-based or equity-related awards not otherwise described herein in such amounts and subject to such terms and conditions as the Committee shall determine. Without limiting the generality of the preceding sentence, each such Other Stock-Based Award may (i) involve the transfer of actual shares of Common Stock to Participants, either at the time of grant or thereafter, or payment in cash or otherwise of amounts based on the value of shares of Common Stock, (ii) be subject to performance-based and/or service-based conditions, (iii) be in the form of phantom stock, restricted stock, restricted stock units, performance shares, or share-denominated performance units and (iv) be designed to comply with applicable laws of jurisdictions other than the United States. Other Stock-Based Awards that are intended to qualify as Performance-Based Compensation shall also be subject to Section 9 of the Plan.

(b) Other Incentive Awards

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

9. Performance-Based Compensation

(a) Performance Measures and Periods

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

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

determining the applicable performance percentage to be applied to each such target award.

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

A-7

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

(b) Committee Discretion

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

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

10. Adjustment Upon Changes in Common Stock

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

11. Rights as a Stockholder

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

certificate is issued.

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

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

(b) No person shall have any claim or right to receive an Incentive Award hereunder. The Committee's granting of an Incentive Award to a Participant at any time shall neither require the Committee to grant an Incentive Award to such Participant or any other Participant or other person at any time nor preclude the Committee from making subsequent grants to such Participant or any other Participant or other person.

A-8

13. Securities Matters

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

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

14. Withholding Taxes

(a) Cash Remittance

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

federal, state and local withholding tax requirements, if any, attributable to such exercise or settlement.

15. Amendment or Termination of the Plan

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

16. No Obligation to Exercise

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

A-9

17. Transfers Upon Death

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

18. Expenses and Receipts

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

19. Governing Law

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

20. Effective Date and Term of Plan

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

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Mark this box with an X if you have made changes to your name or address details above.

Annual Meeting Proxy Card

Proposals of the Board of Directors

A. Election of Directors

| | For | Withhold | | For | Withhold | | For | Withhold |
|-----------------------------|--------------------------|--------------------------|----------------------------|--------------------------|--------------------------|------------------------------|--------------------------|--------------------------|
| 01 - Frank R. Schmeler | <input type="checkbox"/> | <input type="checkbox"/> | 04 - Joseph G. Morone | <input type="checkbox"/> | <input type="checkbox"/> | 07 - John C. Standish | <input type="checkbox"/> | <input type="checkbox"/> |
| 02 - Thomas R. Beecher, Jr. | <input type="checkbox"/> | <input type="checkbox"/> | 05 - Christine L. Standish | <input type="checkbox"/> | <input type="checkbox"/> | 08 - Juhani Pakkala | <input type="checkbox"/> | <input type="checkbox"/> |
| 03 - Francis L. McKone | <input type="checkbox"/> | <input type="checkbox"/> | 06 - Erland E. Kailbourne | <input type="checkbox"/> | <input type="checkbox"/> | 09 - Paula H.J. Cholmondeley | <input type="checkbox"/> | <input type="checkbox"/> |

B. Approval of the Albany International Corp. 2005 Incentive Plan

| | | | |
|--|--------------------------|--------------------------|--------------------------|
| | For | Against | Abstain |
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Other Matters

In their discretion upon other matters that may properly come before this meeting.

C Authorized Signatures - Sign Here - This section must be completed for your instructions to be executed.

NOTE: Please sign your name(s) EXACTLY as your name(s) appear(s) on this proxy. All joint holders must sign. When signing as attorney, trustee, executor, administrator, guardian or corporate officer, please provide your FULL title.

| Signature 1 - Please keep signature within the box | Signature 2 - Please keep signature within the box | Date (mm/dd/yyyy) |
|--|--|----------------------|
| _____ | _____ | _____ |
| _____ | _____ | _____ |
| _____ | _____ | _____ |

Proxy - Albany International Corp.

**Proxy solicited on behalf of the Board of Directors
for Annual Meeting of Stockholders to be held May 12, 2005**

The undersigned hereby constitutes and appoints Frank R. Schmeler, Thomas R. Beecher, Jr. and Joseph G. Morone, and each of them, the true and lawful agents and proxies of the undersigned, with full power of substitution in each, to vote as indicated herein, all of the shares of Common Stock which the undersigned would be entitled to vote if present in person, at the Annual Meeting of Stockholders of ALBANY INTERNATIONAL CORP. to be held at the Company's headquarters, 1373 Broadway, Albany, New York on Thursday, May 12, 2005 at 10:00 a.m. local time, and any adjournment or adjournments thereof, on matters coming before said meeting.

The shares represented by this proxy, when properly executed, will be voted in the manner directed herein.
If no direction is made, the shares will be voted FOR proposals A and B.

PLEASE MARK, SIGN, DATE AND RETURN THIS PROXY CARD PROMPTLY USING THE ENCLOSED ENVELOPE

(Continued and to be signed on reverse side)