Lydall

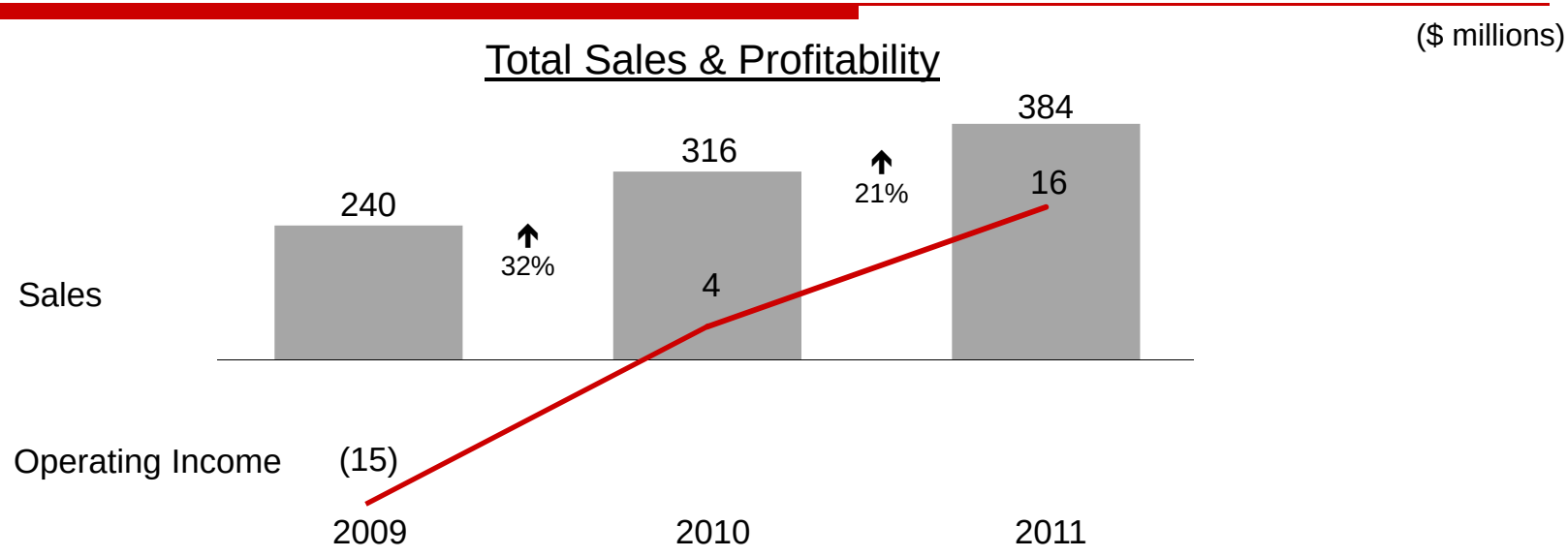
Annual Meeting of Stockholders

April 27, 2012

Safe Harbor

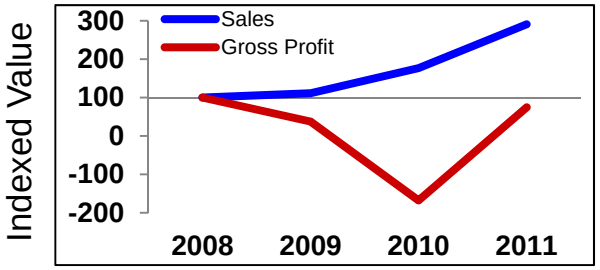
Any information discussed in this presentation which may be forward-looking in nature is made available pursuant to the Safe Harbor Provision for forward-looking statements as defined in the securities laws. Lydall's businesses are subject to a number of risk factors which may cause actual results to differ materially from those anticipated in the forward-looking statements. For information identifying some of these important risk factors, refer to Lydall's Annual Report on Form 10-K and Forms 10-Q in the Management Discussion & Analysis section under Cautionary Note Concerning Factors That May Affect Future Results and also Risk Factors.

2011 Overview



- Second consecutive year of record sales
- Improved profitability driven by increased operational efficiency and market gains
- Lydall continues upon its transformational journey…
  - Select investment in key organic growth initiatives
  - Realignment of its portfolio through divestiture of non-core assets

Strategic Progress Continues…

Long-term Strategic Initiatives	2011 Key Accomplishments
1. Organic growth from new product development	*Gas Turbine Air Filter with* Arioso™
2. Geographic expansion	*Dewar Tank* Global cryogenic market penetration; CE Clearance for Cell Freeze®
3. Operational excellence through Lydall Lean Six Sigma (LLSS)	Thermal / Acoustical - Fibers 
4. M&A	AFFINITY® Divestiture of non-core business

Lydall Revenue by Business

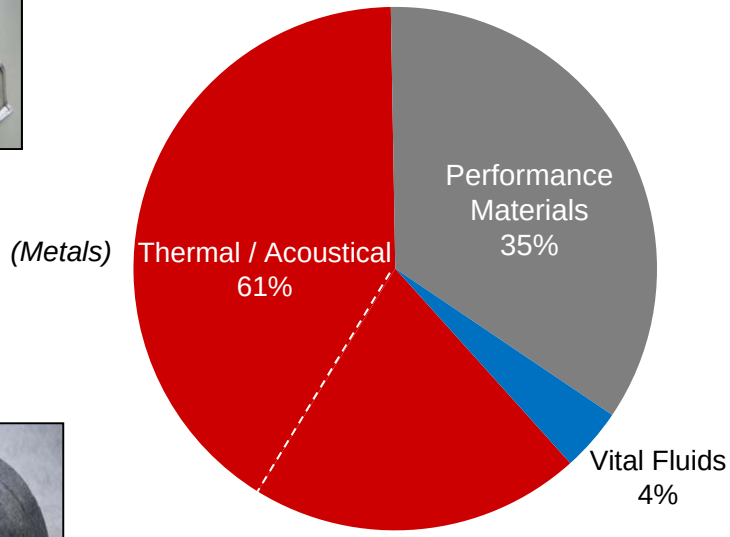
($ millions)

2011 Total Sales $384M

Heat Shield

Zero Clearance®

Wheel Well

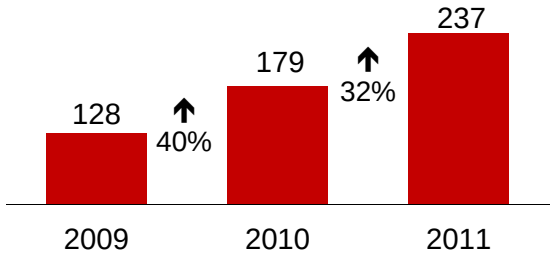


Filtration Media

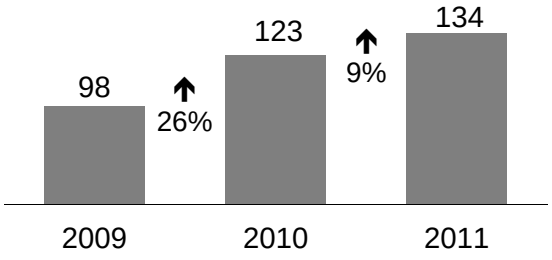
Air Filter

Cell Freeze® II

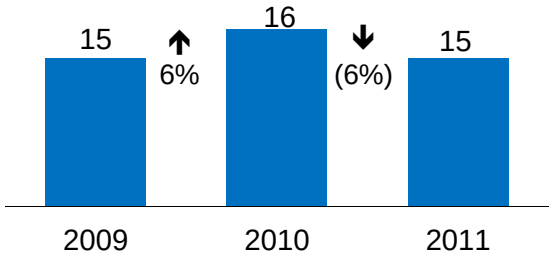
Thermal / Acoustical



Performance Materials



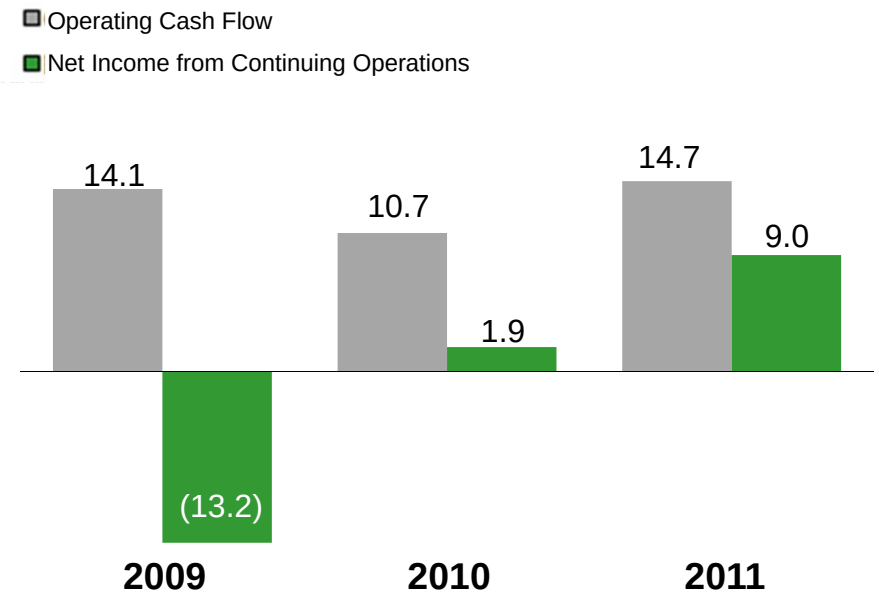
Life Sciences Vital Fluids



Operational Performance

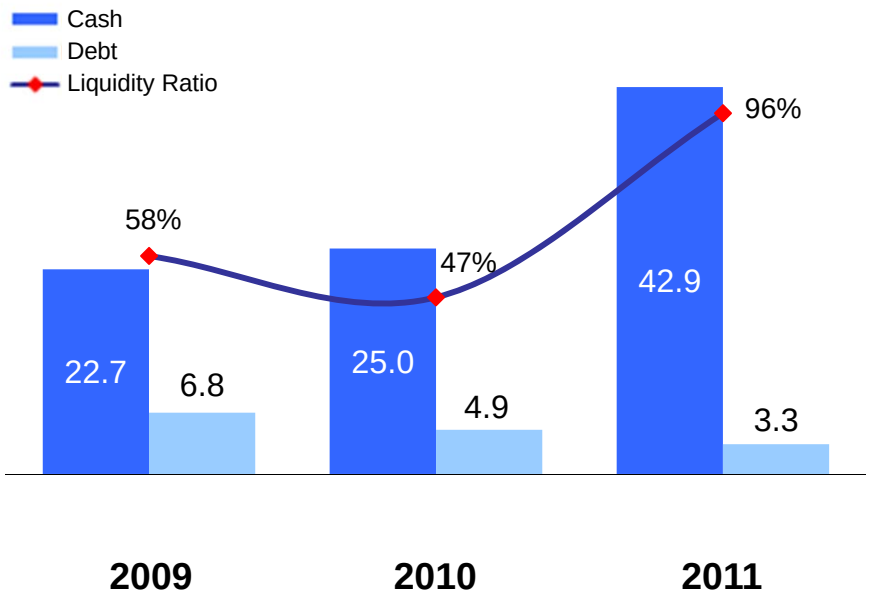
($ millions)

Operating Cash Flow & Net Income



Increased diluted EPS from continuing ops to $0.54 in 2011 from $0.11 in 2010

Cash & Short-term Investments



Strong balance sheet supports company reinvesting in organic growth and acquisitions

Liquidity Ratio = Cash & Short-term Investments / Current Liabilities

Summary Income Statements

($ thousands)

	FY 2011	FY 2010	Var $
Net Sales	**383,588**	**316,113**	**67,475**
Gross Profit	**67,506**	**53,863**	**13,643**
%	*17.6%*	*17.0%*	*0.6%*
Selling, Product Development & Administrative Expenses	**52,937**	**52,890**	**47**
%	*13.8%*	*16.7%*	*-2.9%*
Gain on Sale of Product Line, Net	**(1,619)**	**(2,542)**	**923**
Operating Income From Continuing Operations	**16,188**	**3,515**	**12,673**
%	*4.2%*	*1.1%*	*3.1%*
Interest Expense	880	854	26
Other Income, Net	(94)	(110)	16
Income From Continuing Operations Before Income Taxes	**15,402**	**2,771**	**12,631**
Income Tax Expense From Continuing Operations	6,355	872	5,483
Net Income From Continuing Operations	**9,047**	**1,899**	**7,148**
Earnings Per Share From Continuing Operations	**$0.54**	**$0.11**	
Weighted Average Common Shares Outstanding	16,896	16,788	

Summary Balance Sheets

($ thousands)

	Dec. 31, 2011	Dec. 31, 2010[1]	Var $
Cash	30,905	24,988	5,917
Short-term Investments	12,015	-	12,015
Accounts Receivable, net	47,258	47,080	178
Inventories, net	33,846	37,444	(3,598)
Other Current Assets	6,796	5,369	1,427
Total Current Assets	**130,820**	**114,881**	**15,939**
Net PP&E	78,939	88,236	(9,297)
Goodwill / Intangibles	22,596	24,094	(1,498)
Other Assets, net	2,830	3,485	(655)
Total Assets	**235,185**	**230,738**	**4,447**
Accounts Payable	28,163	33,963	(5,800)
Accrued Payroll and Other Compensation	9,031	9,022	9
Other Accrued Liabilities	7,605	10,003	(2,398)
Total Current Liabilities	**44,799**	**52,988**	**(8,189)**
Long-term Debt	2,261	3,392	(1,131)
Pension & Other Long-term Liabilities	27,273	20,213	7,060
Total Liabilities	**74,333**	**76,593**	**(2,260)**
Total Stockholders' Equity	**160,852**	**154,145**	**6,707**
Total Liabilities and Stockholders' Equity	**235,185**	**230,738**	**4,447**

[1] Reflects revised balance sheet and includes Affinity operations

2011 Accomplishments – Thermal / Acoustical - Fibers

- Turned around 2010 loss, reported consecutive quarterly margin improvements in 2011
- Restored LLSS manufacturing principles, building upon a culture of continuous improvement

Process Transformation Examples

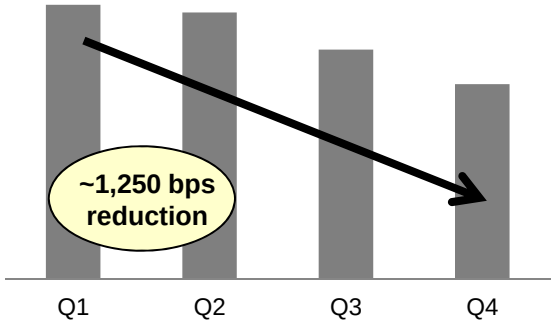
Before

After

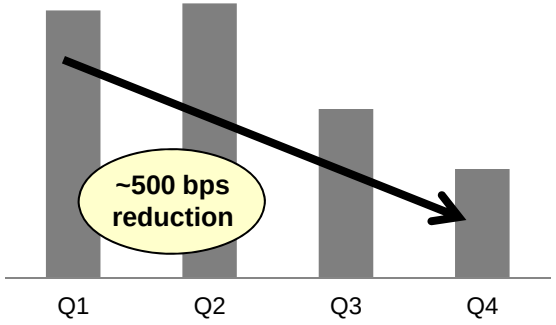
Pull System (Kanban)

Significant Improvement in Key Metrics

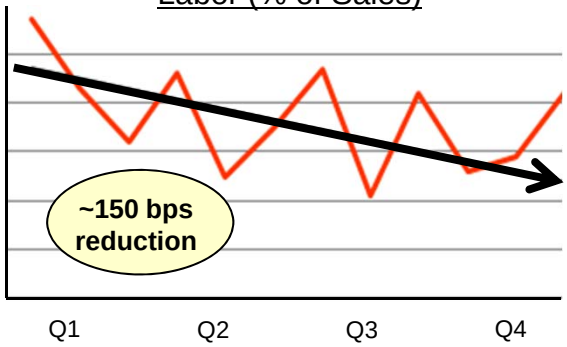
Material (% of Sales)



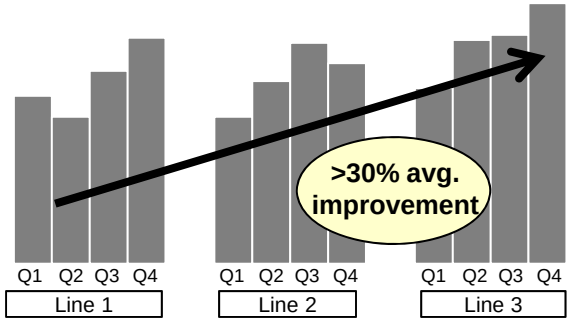
Material Usage Variance & Scrap



Labor (% of Sales)

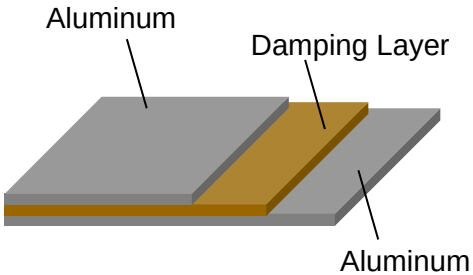


Overall Equipment Effectiveness



2011 Accomplishments – Thermal / Acoustical - Metals

- Constrained layer damping heat shield product (co-developed) won the Alufoil Trophy for Technical Innovation
  - Design provides a significant weight reduction versus legacy solution without increasing vibration or impacting the acoustical performance



Heat Shield

- Best practices sharing between Europe and North America driving increased productivity and margin enhancement

2011 Accomplishments – Performance Materials

- Continued development of microporus Solupor® UPE membrane solutions for demanding end use applications:

Gas Turbine

Cylindrical and Conical Air Filter with Arioso™

Air Pollution Control

Bag Filter

Personal Protection

Respirator

Clean Space

Cleanroom HEPA filter

- Increased presence in the global cryogenic market through major projects and expansion of distribution network in Asia and South America

Lydall CRS Wrap®

Cryo Dewar Tanks

2011 Accomplishments – Life Sciences Vital Fluids

- Received European regulatory clearance (CE Mark) on the recently launched FDC 510(k) cleared Cell Freeze® Generation II Storage Containers

Cell Freeze® Generation II

- Bio disposables business continues to be positioned for success
  - Became a trusted supplier to the only FDA-approved provider of cell therapy solutions
  - Supplier to a leading bio-fuel developer utilizing engineered photosynthetic microorganisms at both pilot scale and production

Looking Ahead

- Market demand softened at end of 2011, but has strengthened in Q1 2012 and has continued to maintain momentum
- Execute on the delivery and performance of new products
  - Arioso™
  - Constrained layer damping heat shield
  - Cell Freeze®
- Maintain LLSS improvements to optimize operational effectiveness and support efficient revenue growth
- Continue to invest in organic growth opportunities, and identify and execute on "the right" acquisition, while managing liquidity

<u>Continue</u> to execute on our long-term strategic initiatives to the benefit of our shareholders

Contact

For further information:

Visit our website: www.lydall.com

Email: investor@lydall.com

Contact or call:

Erika H. Steiner
Chief Financial Officer & Treasurer
Lydall, Inc. (NYSE: LDL)
One Colonial Road
Manchester, CT 06042
(860) 646-1233