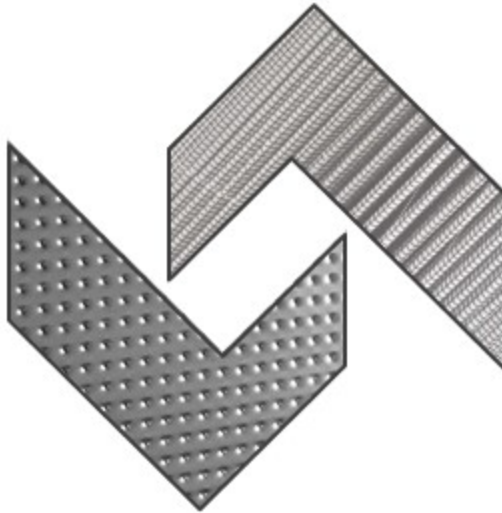
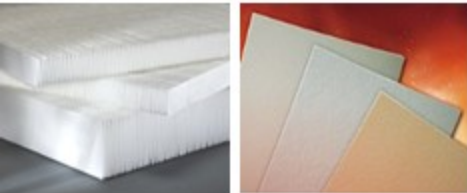

Q1 2019 Earnings Conference Call

Quarter ended
March 31, 2019



Lydall[®]
specialty engineered
products and materials

Performance Materials



Technical Nonwovens



Thermal Acoustical Solutions



Forward-looking Statements

This presentation contains “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are intended to provide management’s current expectations for the future operating and financial performance of the Company based on current expectations and assumptions relating to the Company’s business, the economy and other future conditions, and generally can be identified through the use of words such as “believes,” “anticipates,” “may,” “should,” “will,” “plans,” “projects,” “expects,” “estimates,” “forecasts,” “predicts,” “targets,” “prospects,” “strategy,” “signs,” and other words of similar meaning. These forward-looking statements are not guarantees of future results and are subject to risks, uncertainties and assumptions that could cause actual results to differ materially and adversely from those expressed in any forward-looking statement. Investors, therefore, are cautioned against relying on any of these forward-looking statements. Lydall’s Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, and other Securities and Exchange Commission filings discuss important risk factors that could affect the Company’s business, results of operations and financial condition.

These forward-looking statements speak only as of the date of this presentation, and Lydall does not assume any obligation to update or revise any forward-looking statement made in this presentation.

This presentation contains non-GAAP financial measures as defined by SEC regulations. The Appendix of this presentation includes a reconciliation to the most comparable GAAP measures.

Highlights of Q1 2019

Growth¹

- Record sales of \$218 million, up 13.8% year over year
- Q1 organic sales growth of 3.6% in Performance Materials
- Interface acquisition adds \$32.9 million of sales in Q1
- Strong cash flow generation of \$14.4 million

Profitability¹

- Higher commodity, labor costs, and mix impacted adjusted gross margin, which was down 130 bps to 19.5%
- Adjusted SG&A spending excluding amortization and Interface acquisitions was down \$2.4M from prior year
- EBITDA margins down 120 bps from Q1 2018

Other

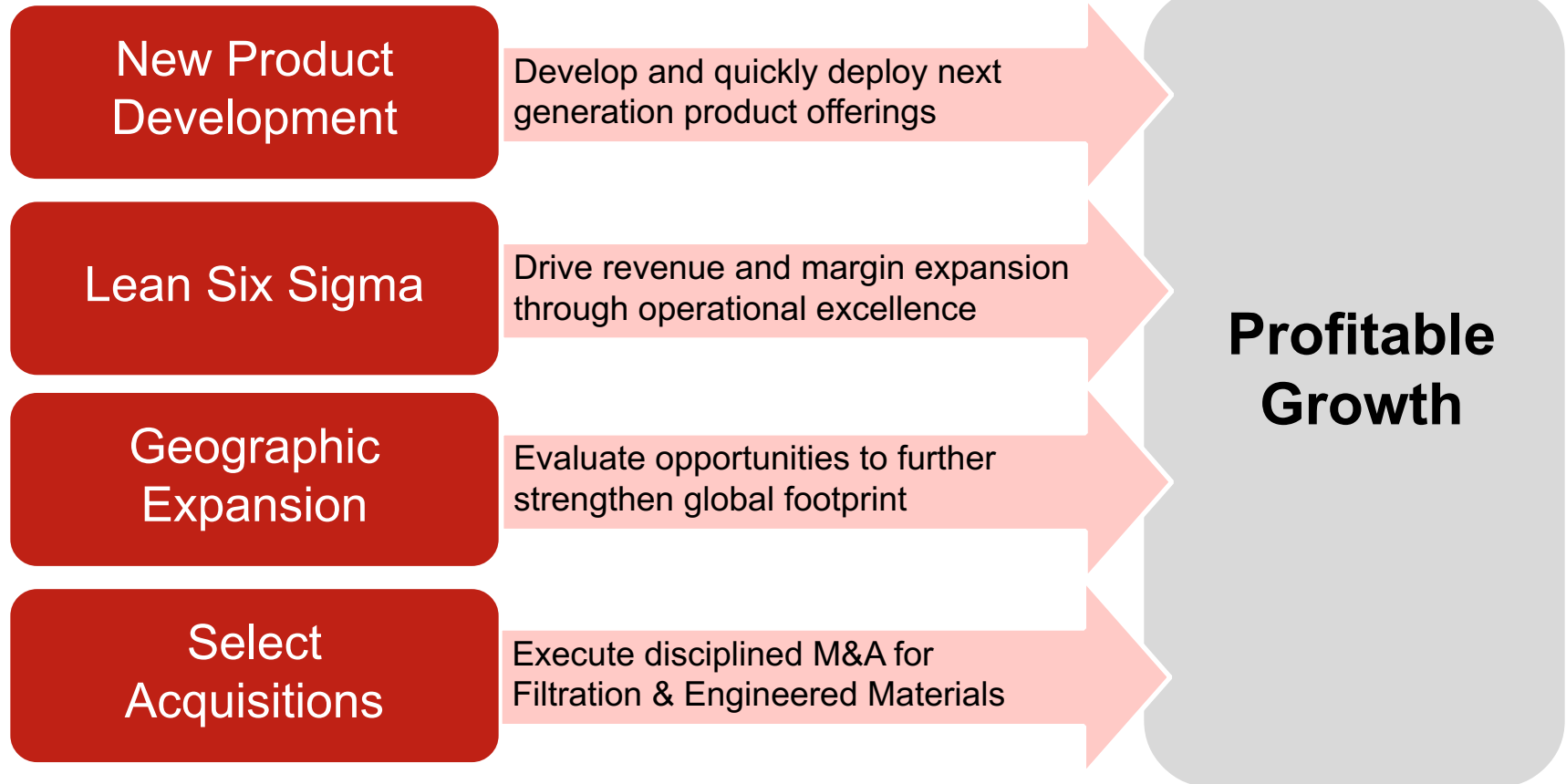
- Interface Performance Materials acquisition integration on track; Q1 results softer than expected



- Technical Nonwovens restructuring activities on track

¹ Reference Appendix for reconciliation between adjusted and GAAP financials

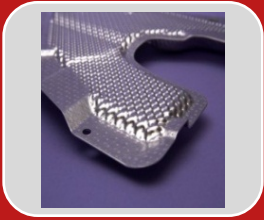
Clear, Consistent Strategy for Profitable Growth



Business Conditions

Automotive

Thermal Acoustical Solutions



- Above market growth in all regions
- N. America and Europe flat to down
- Monitoring softness in China auto market
- Commodity headwinds persist from N. America premiums and conversion costs

Filtration & Engineered Materials

Performance Materials



- Stable demand in Filtration
- Sealing solutions end market softness
- Price increases gaining traction

Technical Nonwovens



- Stable demand in Industrial Filtration
- Advanced Materials lower on Automotive volumes
- Continued supply constraints on aramid fibers
- Healthy backlog

Monitoring Global Trade Regulations developments across all business segments

Financial Highlights of Q1 2019 vs. prior year

Income Statement ¹	Q1-19	vPY	YTD	vPY
Net sales (\$millions) <i>Organic Growth</i>	\$218.0	+13.8% +1.1%		
Adjusted gross margin	19.5%	-130 bps		
Adjusted operating margin*	4.7%	-300 bps		
Adjusted EBITDA (\$millions) <i>EBITDA Margin</i>	\$21.8 10.0%	+1.1% -120 bps		
Adjusted EPS*	\$0.28	-\$0.39		

*Operating margin and EPS include incremental amortization of -180 bps (\$3.9M) and \$0.18 respectively

Balance Sheet

- Cash balance of \$47.9 million at quarter end
- \$318 million in total borrowings outstanding
- Net Debt to EBITDA at 3.0x

Cash Flows

- Capital expenditures of \$9.2 million in Q1-19
- Cash flow from operations of \$14.4 million in Q1-19, +\$18.3 million from Q1-18

¹Reference Appendix for reconciliation between adjusted and GAAP financials

Thermal Acoustical Solutions

(\$ in 000)	Q1 2019	Q1 2018	Var \$	Var %
Net sales				
Parts	84,576	88,122	(3,546)	(4.0)%
Tooling	9,737	13,315	(3,578)	(26.9)%
Thermal Acoustical Solutions Segment	94,313	101,437	(7,124)	(7.0)%
Operating income	9,491	12,614	(3,123)	
% of net sales	10.1%	12.4%		
Segment EBITDA	11,923	14,950	(3,027)	
% of net sales	12.6%	14.7%		

Highlights

- Q1-18 organic sales down 1.5% with higher sales in Europe offset by lower sales domestically and in China; Tooling down \$3.6M, and FX headwind of \$2.5M or 250 bps
- Segment EBITDA margin in Q1 of 12.6% was down 210 bps from Q1-18 on continued cost pressures.
- Parts gross margin improved 20 bps sequentially from Q4-18



Lydall Thermal Acoustical Solutions was awarded the prestigious Platinum Supplier Award for outstanding on-time shipping performance in 2018

¹Reference Appendix for reconciliation between adjusted and GAAP financials

Performance Materials

(\$ in 000)	Q1 2019	Q1 2018	Var \$	Var %
Net sales				
Filtration	23,934	23,142	792	3.4%
Sealing and Advanced Solutions	40,646	7,551	33,095	438.3%
Performance Materials Segment	64,580	30,693	33,887	110.4%
Operating Income	1,459	2,641	(1,182)	
% of net sales	2.3%	8.6%		
Segment EBITDA	7,629	3,663	3,966	
% of net sales	11.8%	11.9%		

Highlights

- Interface Performance Materials acquisition adds \$32.9M to top-line sales in Q1, with organic growth of 3.6% on higher filtration sales
- Q1 EBITDA up \$4.0M from prior year driven by IPM acquisition, but lower than expectations on softness in sealing markets



Interface Performance Materials offers nearly 60 different gasket materials, encompassing a wide range of performance capabilities, price points and intended uses to satisfy the most stringent requirements.

Note that operating margin includes incremental intangible amortization expense related to the Interface acquisition of \$4.0M in Q1-19

¹Reference Appendix for reconciliation between adjusted and GAAP financials

Technical Nonwovens

(\$ in 000)	Adj. Q1 2019	Adj. Q1 2018	Var \$	Var %
Net sales				
Industrial Filtration	42,364	40,231	2,133	5.3 %
Advanced Materials	23,242	27,310	(4,068)	(14.9)%
Technical Nonwovens Segment	65,606	67,541	(1,935)	(2.9)%
Operating Income	5,110	5,540	(430)	
% of net sales	7.8%	8.2%		
Segment EBITDA	8,226	9,158	(932)	
% of net sales	12.5%	13.6%		

Highlights

- Sales up organically 1.5% led by healthy gains in Industrial Filtration, offset by lower Automotive sales in Advanced Materials; FX headwind of 440 bps
- Q1 Adjusted Segment EBITDA margin of 12.5%, down 110 basis points from prior year primarily on unfavorable mix and higher raw materials costs, net of pricing actions
- Integrations on track; expect to meet or exceed anticipated synergy goals



Advanced Materials: Texel geosynthetic products are commonly used in civil engineering, environmental protection and landscape architecture projects to improve or add specific properties to soils and natural materials in place

¹Reference Appendix for reconciliation between adjusted and GAAP financials

Appendix

2019 vs. 2018 Summary Statements of Operations

As Reported

(\$ in 000)	Quarters Ended March 31,		
	2019	2018	Var \$
Net sales	218,025	191,660	26,365
Gross profit	42,056	39,507	2,549
%	19.3%	20.6%	(1.3)%
Selling, product development and administrative expenses	33,006	25,471	7,535
%	15.1%	13.3%	1.8 %
Operating income	9,050	14,036	(4,986)
%	4.2%	7.3%	(3.1)%
Interest expense	3,628	540	3,088
Other (income) expense, net	399	315	84
Income before income taxes	5,023	13,181	(8,158)
Income tax expense	1,106	2,123	(1,017)
As % of income	22.0%	16.1%	5.9 %
(Income) loss from equity method investments	27	4	23
Net income	3,890	11,054	(7,164)
Diluted earnings per share	\$ 0.22	\$ 0.64	\$ (0.42)

Summary Balance Sheets

(\$ in 000)	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>Var \$</u>
Cash	47,874	49,237	(1,363)
Accounts receivable, net	156,349	144,938	11,411
Contract assets	22,322	23,040	(718)
Inventories	91,048	84,465	6,583
Prepays and other current assets	16,869	15,398	1,471
Total current assets	<u>334,462</u>	<u>317,078</u>	<u>17,384</u>
Property, plant and equipment, net	213,920	213,369	551
Operating lease right-of-use assets	27,254	—	27,254
Goodwill and other intangible assets	328,347	333,567	(5,220)
Other assets, net	7,929	8,672	(743)
Total assets	<u><u>911,912</u></u>	<u><u>872,686</u></u>	<u><u>39,226</u></u>
Accounts payable	86,921	73,265	13,656
Accrued payroll and other compensation	18,724	16,621	2,103
Other current liabilities	37,153	31,460	5,693
Total current liabilities	<u>142,798</u>	<u>121,346</u>	<u>21,452</u>
Long-term debt	307,656	314,641	(6,985)
Long-term operating lease liabilities	22,138	—	22,138
Benefit plan and other long-term liabilities	66,106	67,424	(1,318)
Total liabilities	<u>538,698</u>	<u>503,411</u>	<u>35,287</u>
Total stockholders' equity	<u>373,214</u>	<u>369,275</u>	<u>3,939</u>
Total liabilities and stockholders' equity	<u><u>911,912</u></u>	<u><u>872,686</u></u>	<u><u>39,226</u></u>

Summary Statements of Cash Flows

	Three Months Ended March 31,	
	2019	2018
	(Unaudited)	
Cash flows from operating activities:		
Net income	\$ 3,890	\$ 11,054
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	11,935	7,220
Deferred income taxes	(260)	601
Stock-based compensation	982	1,201
Income (loss) from equity method investment	27	4
Changes in operating assets and liabilities:		
Accounts receivable	(11,395)	(18,626)
Contract assets	447	(5,745)
Inventories	(6,617)	(8,796)
Accounts payable	15,498	9,471
Accrued payroll and other compensation	2,443	(2,432)
Accrued taxes	396	877
Other, net	(2,976)	1,209
Net cash provided by (used for) operating activities	14,370	(3,962)
Cash flows from investing activities:		
Proceeds from the sale of property, plant and equipment	256	—
Capital expenditures	(9,239)	(7,676)
Net cash used for investing activities	(8,983)	(7,676)
Cash flows from financing activities:		
Debt repayments	(7,067)	(57)
Common stock issued	—	666
Common stock repurchased	(43)	(823)
Net cash used for financing activities	(7,110)	(214)
Effect of exchange rate changes on cash	360	1,080
Decrease in cash and cash equivalents	(1,363)	(10,772)
Cash and cash equivalents at beginning of period	49,237	59,875
Cash and cash equivalents at end of period	47,874	49,103

Reconciliation Between Adjusted and Reported GAAP Financials

In millions except per share data	For the quarter ended March 31, 2019			For the quarter ended March 31, 2018		
	As Reported,	Adjustments	Adjusted	As Reported,	Adjustments	Adjusted
Net sales	\$ 218,025	\$ —	\$ 218,025	\$ 191,660	—	\$ 191,660
Cost of sales	175,969	(351) (a)	175,618	152,153	(449) (d)	151,704
Gross profit	42,056	351	42,407	39,507	449	39,956
Gross margin	19.3%		19.5%	20.6%		20.8%
Selling, product development and administrative expenses	33,006	(866) (b)	32,140	25,471	(207) (e)	25,264
Operating income	9,050	1,217	10,267	14,036	656	14,692
Operating margin	4.2%		4.7%	7.3%		7.7%
Interest expense	3,628	—	3,628	540	—	540
Other income, net	399	—	399	315	—	315
Income before income taxes	5,023	1,217	6,240	13,181	656	13,837
Income tax expense	1,106	202 (c)	1,308	2,123	76 (f)	2,199
Income (loss) from equity method	27	—	27	4	—	4
Net income	\$ 3,890	\$ 1,015	\$ 4,905	\$ 11,054	580	\$ 11,634
Earnings per share						
Basic	\$ 0.23		\$ 0.28	\$ 0.64		\$ 0.68
Diluted	\$ 0.22		\$ 0.28	\$ 0.64		\$ 0.67
Weighted average number of common shares outstanding						
Basic	17,254		17,254	17,164		17,164
Diluted	17,318		17,318	17,339		17,339

(a) Exclude the restructuring expenses of \$0.4 million related to the Technical Nonwovens segment.

(b) Exclude the strategic initiatives expenses of \$0.8 million and Technical Nonwovens restructuring expenses of \$0.1 million.

(c) Exclude the tax benefits realized on the adjustments in (a) and (b) of \$0.2 million.

(d) Exclude the restructuring expenses of \$0.4 million related to the Technical Nonwovens segment.

(e) Exclude the restructuring expenses of \$0.1 million related to the Technical Nonwovens segment and the strategic initiatives expenses of \$0.1 million.

(f) Exclude the tax benefit realized on the adjustments in (d) and (e) of \$0.1 million.

Reconciliation Between Adjusted and Reported GAAP Financials

Q1-2019 EBITDA

	For the Quarter Ended March 31, 2019					
	Segments				Corporate Office	Consolidated Lydall
	Performance Materials	Technical Nonwovens	Thermal Acoustical Solutions	Total		
Net Income						\$ 3,890
Interest expense						3,628
Income tax expense						1,106
Other expense, net						399
Loss from equity method investment						27
Operating income	\$ 1,459	\$ 4,734	\$ 9,491	\$ 15,684	\$ (6,634)	\$ 9,050
Depreciation and amortization	6,170	3,143	2,432	11,745	173	11,918
Other expense, net	—	—	—	—	399	399
Loss from equity method investment	—	27	—	27	—	27
EBITDA	\$ 7,629	\$ 7,850	\$ 11,923	\$ 27,402	\$ (6,860)	\$ 20,542
% of net sales	11.8%	12.0%	12.6%	12.2%		9.4%
Strategic initiatives expenses	\$ —	\$ —	\$ —	\$ —	\$ 841	\$ 841
TNW restructuring expenses	—	376	—	376	—	376
EBITDA, adjusted	\$ 7,629	\$ 8,226	\$ 11,923	\$ 27,778	\$ (6,019)	\$ 21,759
% of net sales	11.8%	12.5%	12.6%	12.4%		10.0%

EBITDA is reported for Consolidated Lydall data and defined as Net Income before interest, taxes, depreciation, and amortization

Segment EBITDA is reported for each operating segment (Thermal Acoustical Solutions, Technical Nonwovens, and Performance Materials) and is defined as Operating Income net of depreciation and amortization expenses, plus income/loss from equity method investments

Reconciliation Between Adjusted and Reported GAAP Financials

Q1-2018 EBITDA

	For the Quarter Ended March 31, 2018					
	Segments				Corporate Office	Consolidated Lydall
	Performance Materials	Technical Nonwovens	Thermal Acoustical Solutions	Total		
Net Income						\$ 11,054
Interest expense						540
Income tax expense						2,123
Other expense, net						315
Loss from equity method investment						4
Operating income	\$ 2,641	\$ 5,006	\$ 12,614	\$ 20,261	\$ (6,225)	\$ 14,036
Depreciation and amortization	1,022	3,622	2,336	6,980	161	7,141
Other expense, net	—	—	—	—	315	315
Loss from equity method investment	—	4	—	4	—	4
EBITDA	\$ 3,663	\$ 8,624	\$ 14,950	\$ 27,237	\$ (6,379)	\$ 20,858
% of net sales	11.9%	12.8%	14.7%	13.6%		10.9%
Strategic initiatives expenses	\$ —	\$ —	\$ —	\$ —	\$ 122	\$ 122
TNW restructuring expenses	—	534	—	534	—	534
EBITDA, adjusted	\$ 3,663	\$ 9,158	\$ 14,950	\$ 27,771	\$ (6,257)	\$ 21,514
% of net sales	11.9%	13.6%	14.7%	13.9%		11.2%

EBITDA is reported for Consolidated Lydall data and defined as Net Income before interest, taxes, depreciation, and amortization

Segment EBITDA is reported for each operating segment (Thermal Acoustical Solutions, Technical Nonwovens, and Performance Materials) and is defined as Operating Income net of depreciation and amortization expenses, plus income/loss from equity method investments

Reconciliation Between Adjusted and Reported GAAP Financials

Organic Sales

	Quarter Ended March 31, 2019			
	Performance Materials	Technical Nonwovens	Thermal Acoustical Solutions	Consolidated
Sales growth, as reported	110.4 %	(2.9)%	(7.0)%	13.8 %
Acquisitions	109.9 %	— %	— %	17.6 %
Change in tooling sales	— %	— %	(3.1)%	(1.6)%
Foreign currency translation	(3.1)%	(4.4)%	(2.4)%	(3.3)%
Organic sales growth	3.6 %	1.5 %	(1.5)%	1.1 %

The above tables provide information regarding organic sales growth, defined as net sales growth excluding (1) sales from the acquired businesses (2) the impact of foreign currency translation and (3) change in tooling sales.

Reconciliation Between Adjusted and Reported GAAP Financials

(\$ in 000)	Quarter Ended March 31,	
	2019	2018
Technical Nonwovens		
Operating Income, as reported	\$ 4,734	\$ 5,006
Restructuring expenses	376	534
Operating Income, adjusted	\$ 5,110	\$ 5,540
Operating margin, as reported	7.2%	7.4%
Operating margin, adjusted	7.8%	8.2%