2009 Annual Meeting of Stockholders

April 24, 2009

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 MD & A section under Cautionary Note Concerning Factors That May Affect Future Results and also Risk Factors.

2008 Economic Environment

A Year of Unprecedented Global Economic Decline

- Global credit financial crisis
- U.S. Manufacturing down by 7.3%
- Housing market collapse – NA Housing starts down 33%
- Automotive production decline – NA down 16%, Europe down 5%
- Semi-conductor capital spending down 26% globally

Virtually Every Lydall Market Impacted

2008 Milestones

Actions Taken to Preserve Short-term Shareholder Value and Generate Long-term Shareholder Value Appreciation

- Growth strategy implemented
- Proactively adjusted cost to rapidly declining revenues
- Developing Lean Six Sigma as a core competency
- Divested non-core business
- Funded organic growth initiatives
- Acquired an advanced material platform for air filtration
- Generated positive free cash flow

Lydall's Growth Strategy

Four Key Elements:

- Organic growth from new product development
- Geographic expansion into Asia and Europe
- Lydall Lean Six Sigma (LLSS)
- Acquisitions

Focus On Markets With Excellent Growth Rates And Enhanced Margins

2008 Structural Changes

Decisive Actions Taken to Realign Our Businesses and Reduce Our Cost Structure:

- Combined Filtration and Passive Thermal Segments into Performance Materials
- Realigning automotive manufacturing into one global structure eliminating two regional organizations
- Reduced global workforce 15%
- Initiated consolidation of two North American Automotive facilities into one

Lydall Lean Six Sigma

Becoming a Core Lydall Competency

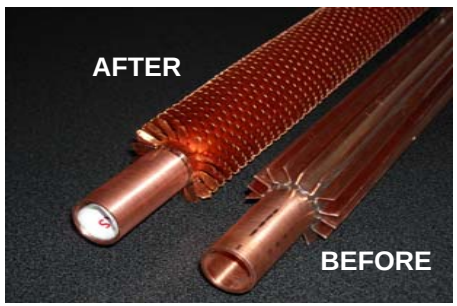
- Employee development
  - 85% of employees trained at the LSS Advocate Level
  - 81 Certified Green Belts
  - 14 Certified Black Belts
- Satisfied customers
  - Dramatic reduction internal and external defects
  - VW Supplier of the Year Award
  - Faster response to customers' critical needs
- 2008 Operating savings improvements
  - Target of 2% of sales
  - Allowing business to react quicker to changing markets

Before

After

Improved surface quality, reduced scrap by 87%

Increased efficiency on shop floor; reduced clutter and improved work flow



Operator driven innovation

Eliminate waste in inventory/parts

Quality Award 2008

Volkswagen Group

Within just a few years, your company has evolved to become one of our leading suppliers in the field of highly effective heat insulation. The quality, proximity to customers and competitiveness you have demonstrated to Volkswagen are just some of your company's commendable characteristics. In a comprehensive cost analysis process, we have together been able to reorganise and improve the heat insulation product segment.

Ibiza, 24th May 2008

Prof. Dr. M. Winterkorn

F.J. Garcia Sanz

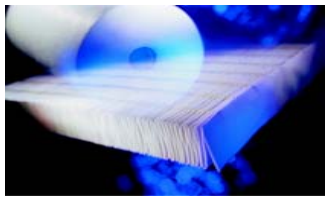
2008 Growth

Maintained Focus on Organic Growth

- Achieved Tier One approved status at three Asian automotive transplants in North America
- Investments made to increase our appLY Mat™ product offering for the appliance industry
- Development of new product offerings for our biodisposable product line to be able to grow participation in the rapidly growing bioprocessing market
- Launched Cell-Freeze®, an FDA cleared stem cell cryogenic storage container product
- Introduced new fiber products for automotive applications

New Products – Introduced within Last Three Years

Performance Materials



Arioso™ *High performance membrane air filtration media*

LyPore® Defender *Hydraulic and Lube Oil filter media*

appLY Mat™ *high density fiberglass insulation*

LydAir® *anti-microbial microglass media*

Thermal Acoustical

Hi-Loft™ *Molded Polyester Fiber Thermal and Heat Shield*

Wheel Well Liner *Molded PET Fiber abrasion resistant sound barrier*

High Performance *Engineered Thermal Acoustical Manifold Shields*

ZeroClearance® *flexible, adhesive thermal barrier*

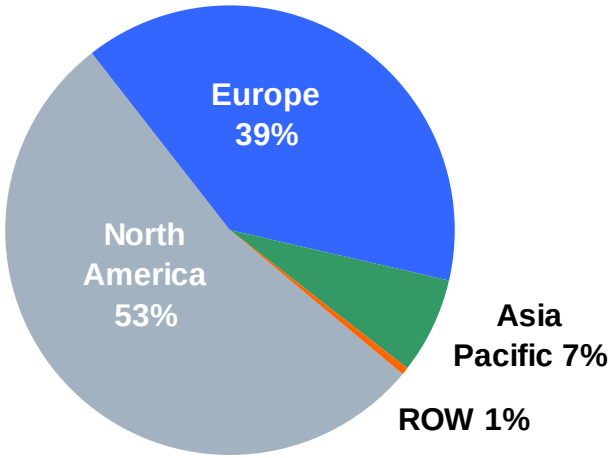
Vital Fluids

Cell-Freeze® *Peripheral stem cell freezing and storage*

Small & Large Bio Bags
Custom biodisposable bags

Geographic Expansion

% of Total Sales by Region



- Geographic Expansion in 2008
  - Leveraged Asian and European Filtration sales organizations to sell Industrial Thermal Insulation products
  - Added resources in Europe to explore Charter Medical opportunities
  - Solutech acquisition gives strong development presence in Europe
  - Tabled auto expansion into Asia

2008 M&A

Successfully Divested Transport Business

- Non Core
- Generated $4.2 million of cash
- After-tax gain on sale of $.9 million
- Allows management to focus on core growth businesses

2008 M&A

Acquired DSM Solutech B.V.

- Proprietary membrane technology for filtration and life science applications
- Existing applications in transdermal drug delivery
- Developing membrane media for air filtration
  - Performance advantage
  - Applied cost savings
  - Future potential in liquid filtration

Solutech membranes used in transdermal drug delivery systems

Solutech membranes for life science filtration

Human Resources

Aligning Our Organization for Growth

- Instituted Pay for Performance
  - Linked performance objectives to strategic initiatives
  - Implemented specific and measurable appraisal system
  - Appraisal rating system used to determine salary actions
- Tied Leadership Development to Lydall Strategic Goals
  - Developed Lydall Core Competency Model
  - Identified high performers/potentials
  - Leadership training workshop conducted for selected top performers
- Business Aligned with Markets
  - Automotive now a global organization serving global customers
  - Performance Materials leveraging commercial organization in Industrial Thermal Insulation markets
  - Charter Medical commercial team expanded

Looking Ahead

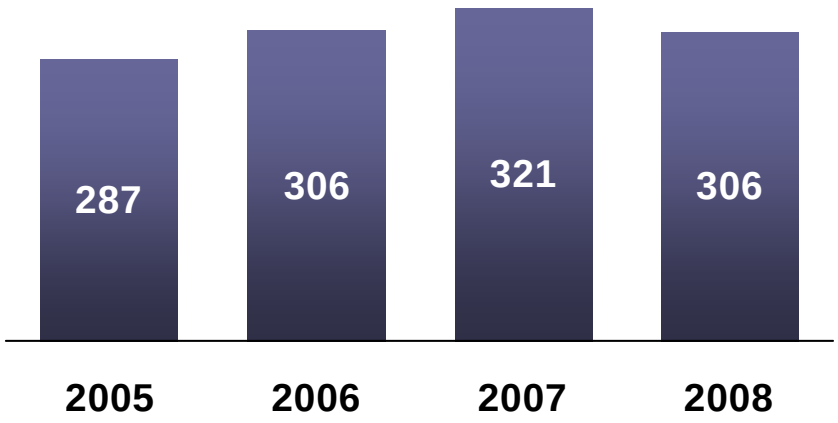
Near Term Focus on Stability

- Continued focus on cost reduction
- All businesses have utilized LLSS to improve productivity
- Focus on free cash flow
- Strong balance sheet and cash generation should enable Lydall to invest for growth

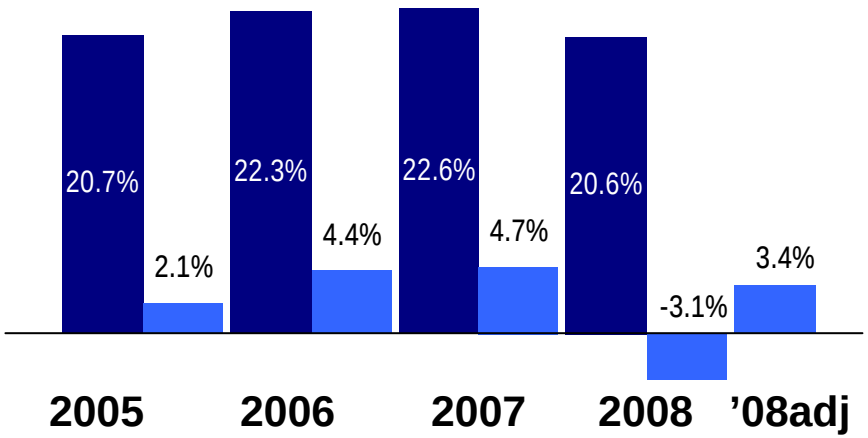
Financial Performance

($M)

Net Sales [1]

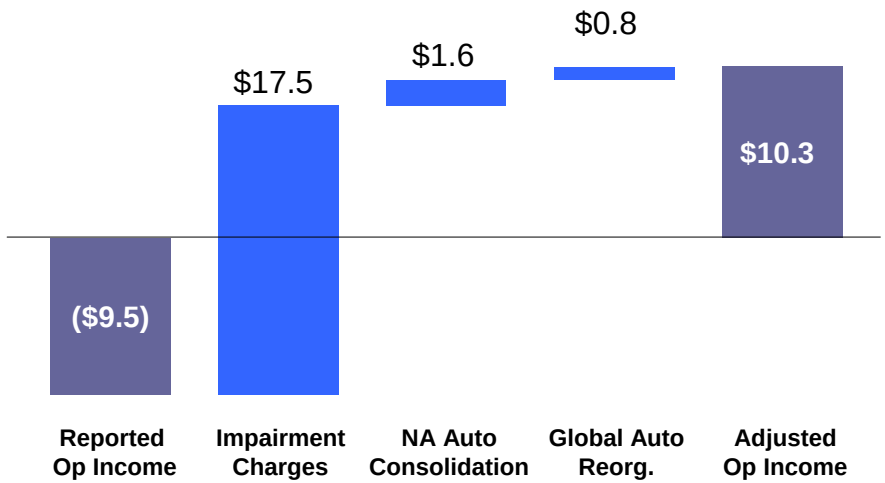


GM % & Op Income % [1]



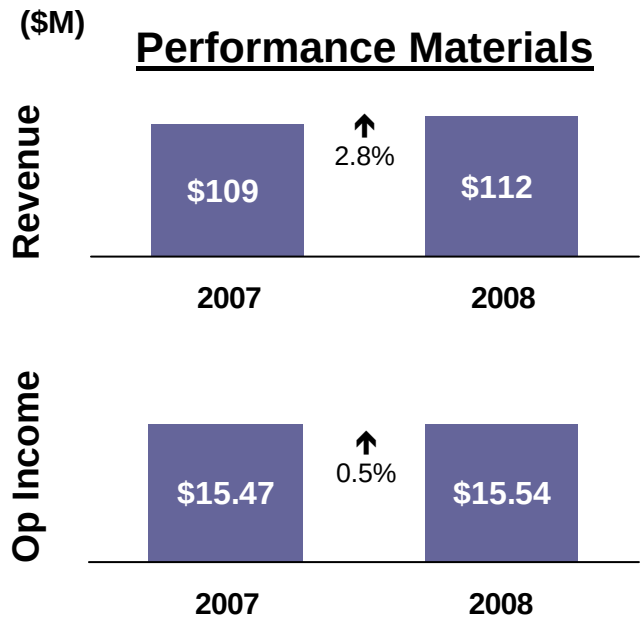
[1] Excludes discontinued operations

OP Income Adjusted



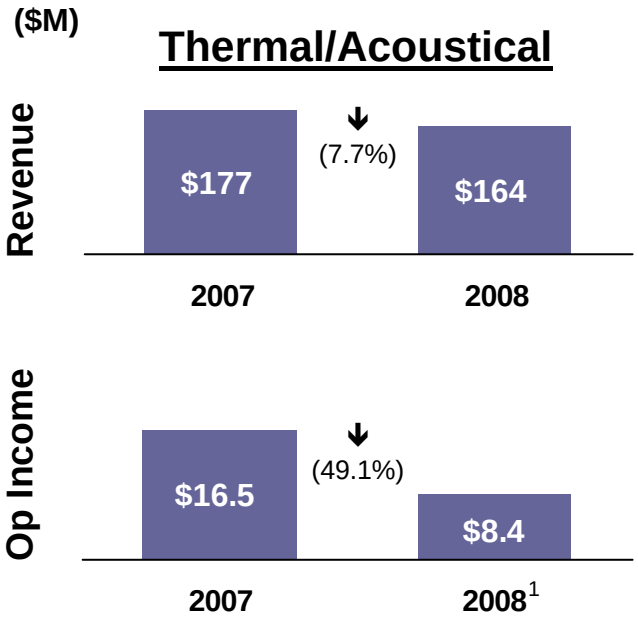
- **Core business delivered $10.3M before one-time charges**

Core Segment Performance



- Filtration market less affected by slowdown, 60-70% replacement business
- Core markets still attractive
- Focus on Life Science Filtration

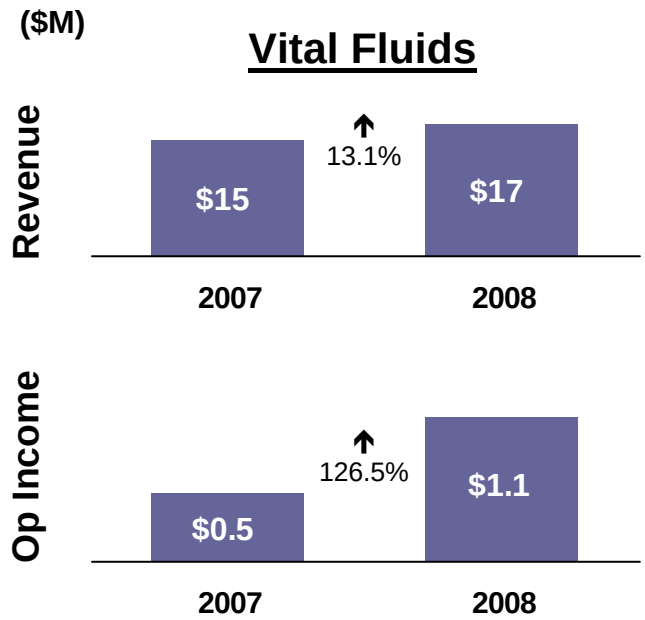
Core Segment Performance



[1] Excluding one-time charges of $14.5M

- Focus on LSS and Cash
- Position for strength in current environment and into recovery
- Reduced Capex significantly
- NA plant consolidation, global headcount reduction

Core Business Performance

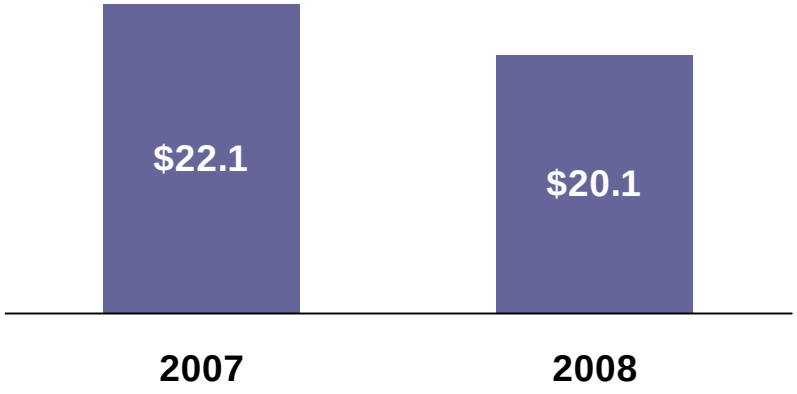


- Last hit by slowdown
- Biodisposables market saw double digit growth
- Began investment in growth platforms

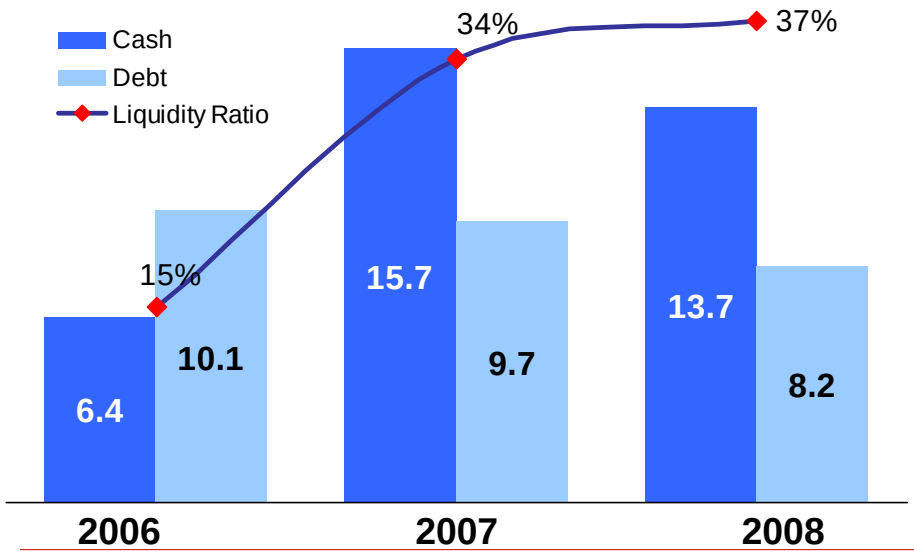
Cash

($M)

Net Cash Provided by Operations



Cash & Debt Position



- Strong cash accumulation in past two years
- Solid liquidity, no short-term debt or borrowing against our credit facilities
- Utilized $10.1M of internal cash to fund growth of Performance Materials through DSM Solutech Acquisition at year-end 2008

Liquidity Ratio = Cash/Current Liabilities

Preparing For a Challenging 2009

Complete

Costs	✓ Work force reduction: 15%
	✓ Reduce U.S. exempt salary 3%, suspend 401(k) match
Portfolio/Growth	✓ Exit non-core Transport with $0.9M gain
	✓ Acquired Solutech
Cash	✓ $14MM cash balance after acquisition at year-end 2008
	✓ Obtained $35M credit facility

Working

Costs	⦿ Lean Six Sigma savings programs continuing
	⦿ Automotive consolidation
Portfolio/Growth	⦿ Platform focus to continue non-auto diversification
	⦿ Continue to invest in growth programs
Cash	⦿ Reduced Capex plan dramatically
	⦿ GM, Chrysler receivables risk mitigation
	⦿ Aggressive working capital management

More

Costs	- Stay ahead of the market, adjust quickly and decisively
Portfolio/Growth	- Proactive deal investigation in a down market
Cash	- Clear line of sight and stewardship, short and long range