GRAHAM
ENGINEERING ANSWERS

Second Quarter Fiscal 2014 Earnings Call

October 25, 2013

James R. Lines
President &
Chief Executive Officer

Jeffrey F. Glajch
Vice President &
Chief Financial Officer

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This presentation contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

Forward-looking statements are subject to risks, uncertainties and assumptions and are identified by words such as ñexpects,ò ñestimates,ò ñprojects,ò ñtypically,ò ñgoal,ò ñanticipates,ò ñtarget,ò ñbelieves,ò ñappears,ò ñcould,ò ñplan,ò and other similar words. All statements addressing operating performance, events, or developments that Graham Corporation expects or anticipates will occur in the future are forward-looking statements, including but not limited to: the current and future economic environments affecting Graham Corporation and the markets it serves; expectations regarding investments in new projects by customers; sources of revenue and anticipated revenue, including the contribution from the growth of new products, services and markets; expectations regarding achievement of revenue and profitability expectations; plans for future products and services and for enhancements to existing products and services; operations in foreign countries; Graham Corporationôs ability to continue to pursue its acquisition and growth strategy; the ability to expand nuclear power work, including into new markets; the ability to successfully execute existing contracts; estimates regarding liquidity and capital requirements; the timing of conversion of backlog to sales; the ability to attract or retain customers; the outcome of any existing or future litigation; and the ability to increase productivity and capacity. Because they are forward-looking, they should be evaluated in light of important risk factors and uncertainties. These risk factors and uncertainties are more fully described in Graham Corporation's most recent Annual and Quarterly Report filed with the Securities and Exchange Commission, including under the heading entitled ñRisk Factors.ò

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Double Revenue in Next Cycle

A world leader in the design and manufacture of ***Engineered–to–Order (ETO)*** *products for the* ***Energy Markets*** *with a goal to* ***Double Revenue*** *to* ***Exceed $200*** *million in next cycle.*

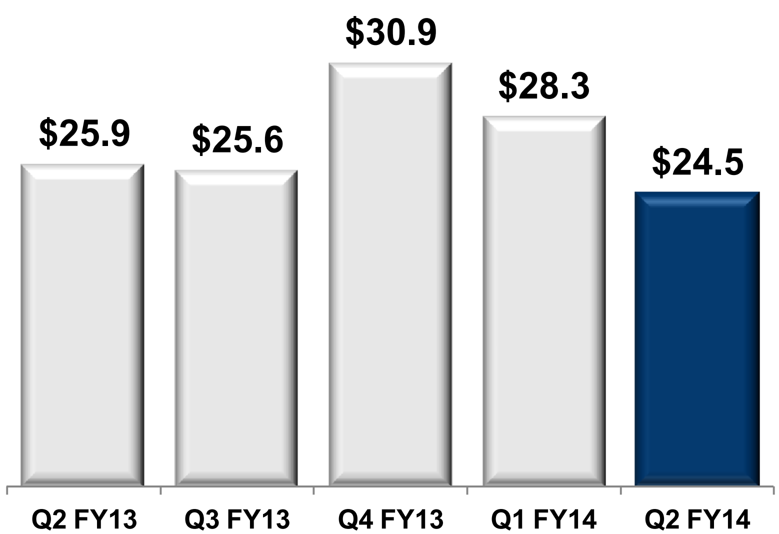
Second Quarter Fiscal 2014 Highlights

- **Good execution and favorable sales mix**
- **Revenue down $1.4 million, or 5%, in quarter; up $4.3 million, or 9%, for first half**
- **Net income at $2.6 million in quarter and $6.4 million in first half**
- **Strong order level of $48.4 million in quarter**
- **Bidding pipeline steady at $800 million to $1 billion**

Second Quarter Fiscal 2014 Sales

($ in millions)

Quarterly Revenue



- **Refining industry drove Q2 sales**
  - Refining sales were $10.5 million, up $4.7 million, or 81%, from $5.8 million in last year's second quarter
  - Chemical/Petrochemical industry sales were $4.0 million
  - Power industry sales were $5.7 million
  - Other Commercial and Industrial sales were $4.3 million
- **Globally diverse Q2 sales**
  - U.S sales represented 58%, down 8%
  - International sales down 2%:
    - Middle East: 4% of total
    - Asia: 11% of total
    - Canada: 17% of total
    - Other international: 10% of total

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Financial Overview

Jeffrey F. Glajch

Vice President &
Chief Financial Officer

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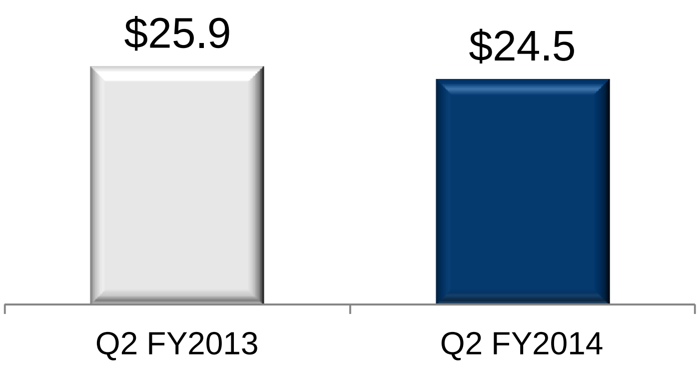
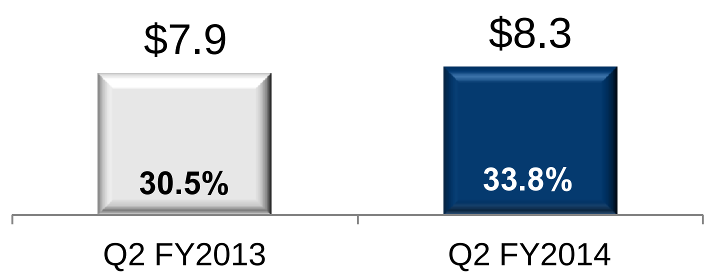
Q2 Favorable Project Mix and Execution

($ in millions, except EPS)

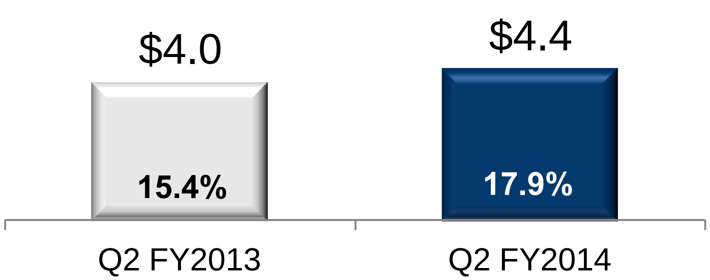
Sales



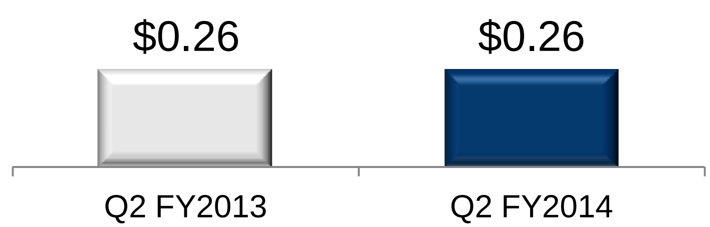
Gross Profit and Margin



EBITDA and Margin*



EPS



** See supplemental slide for EBITDA reconciliation and other important disclaimers regarding Graham's use of EBITDA*

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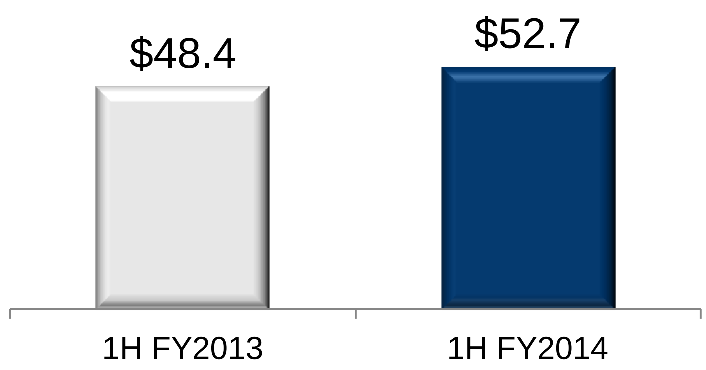
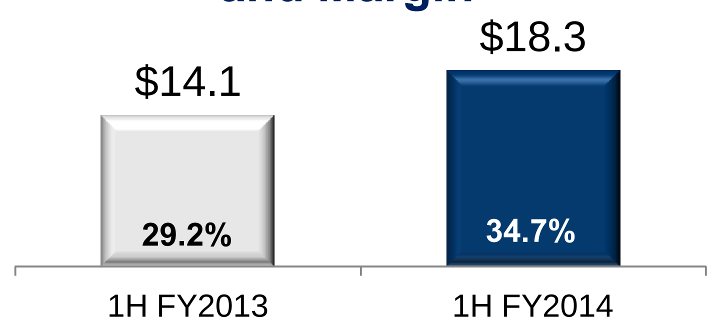
1H Solid Growth and Profitability

($ in millions, except EPS)

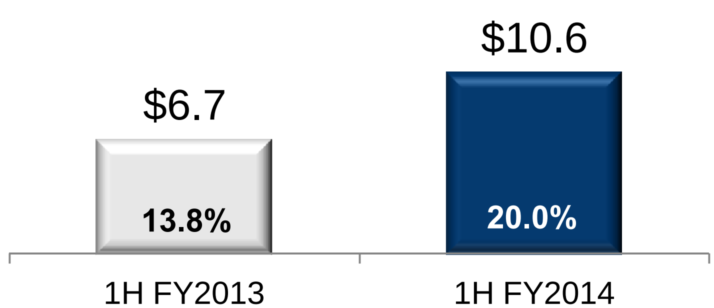
Sales



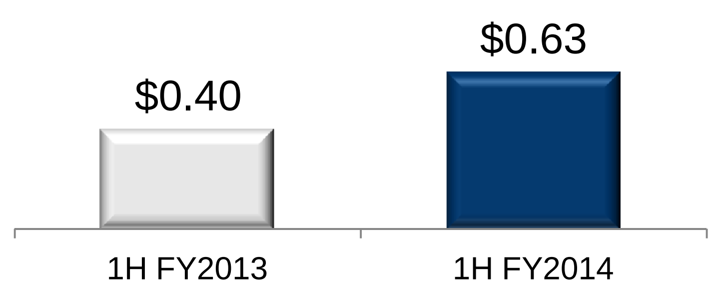
Gross Profit and Margin



EBITDA and Margin*



EPS



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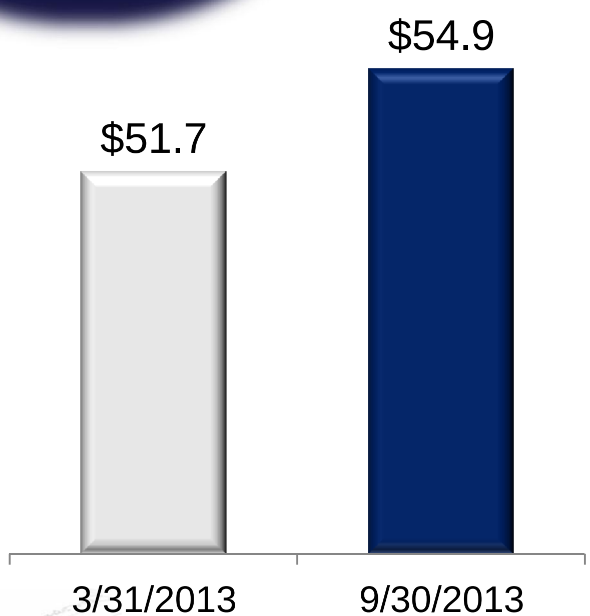
Strong Cash Position

Cash, Cash Equivalents, and Investments

(in millions)

No bank debt at 9/30/13



- **Cash and investments position increased $3.2 million in fiscal 2014 first half**
- **Strong cash and investments position and financial flexibility supports acquisition strategy**

Cash available for investments in organic growth and acquisitions

Facility Expansion

- Increased fiscal 2014 capital expenditure guidance to $6 million to $7 million for facility expansion
- Provides ability to address capacity needs expected in fiscal 2015 and 2016
- Will add ~$15 million to $20 million of incremental production capacity at Batavia campus

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Outlook

James R. Lines

President &
Chief Executive Officer

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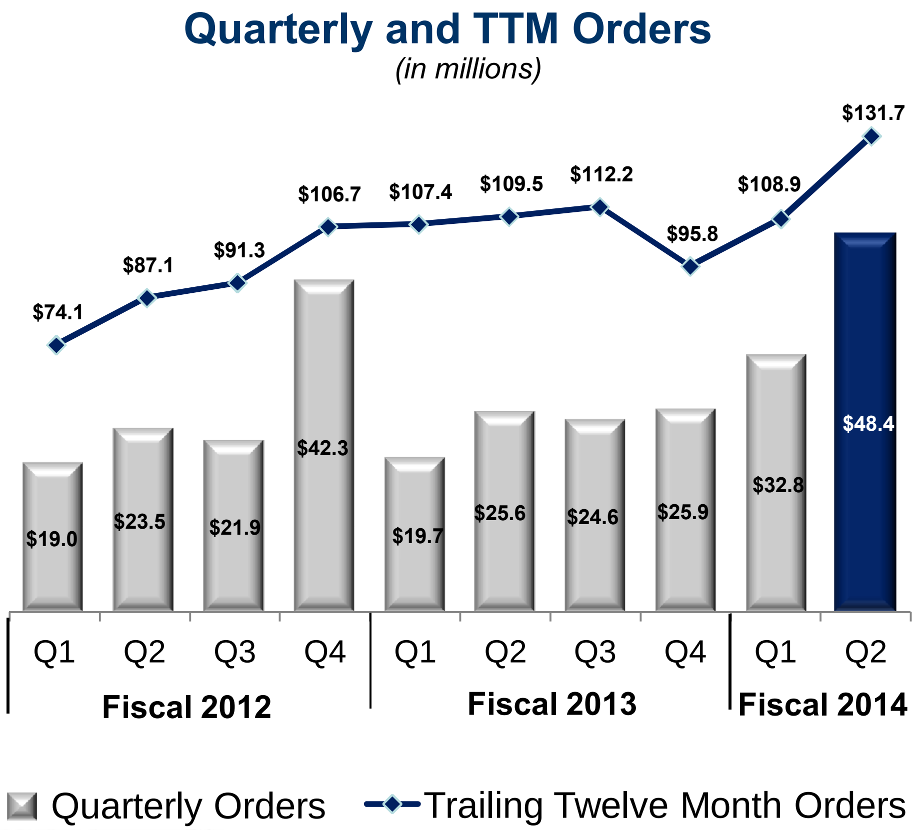
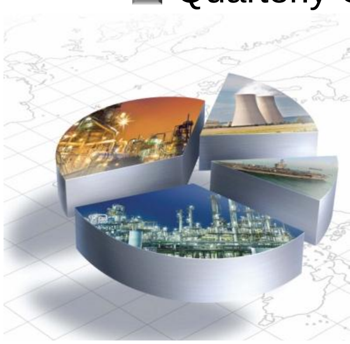
Strong Pipeline, Releases Accelerating



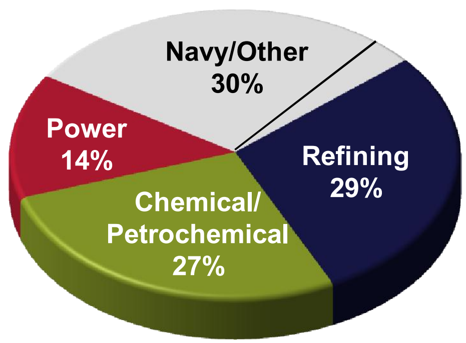


- **Second quarter orders increased 89% vs. Q2 FY2013**
  - Q2 FY2014 orders diverse by industry
    - Refining 36%
    - Chemical/petrochemical 28%
    - Other Commercial & Industrial (including Navy) 28%
  - High percentage of Q2 orders, 61%, from the U.S. market
    - Driven by new capacity investments
- **Strong pipeline**
  - TTM bids: $800 million to $1 billion; more than double FY04 ï FY05 period
    - North American petrochemical market
    - Global refining opportunities
    - Power market steady

Record Backlog Level

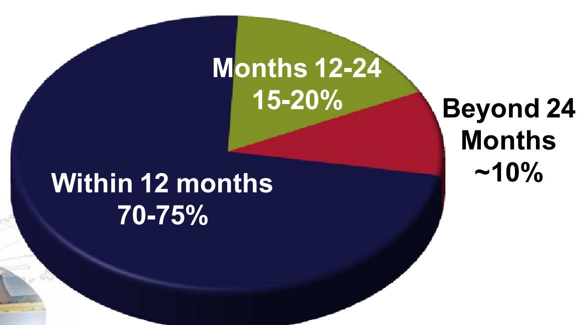
Backlog by Industry

September 30, 2013

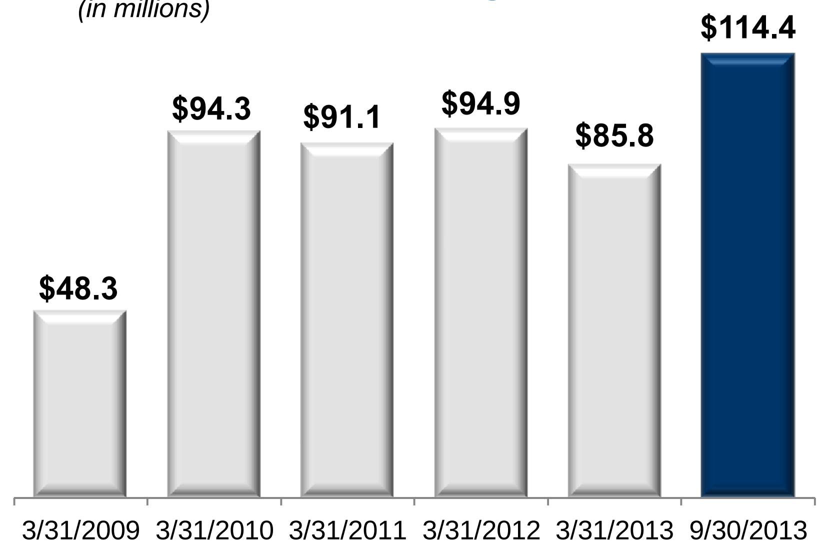


Projected Backlog Conversion

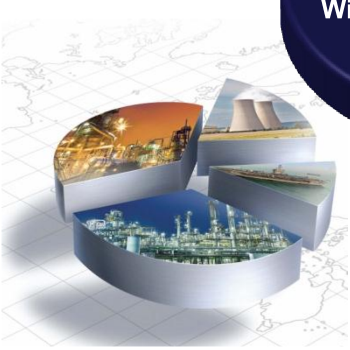
September 30, 2013



Backlog



- **Choppy order patterns**
  - Growing backlog driven by brisk order release pace during first half of fiscal 2014
  - Anticipate continued strength of U.S. chemical/petrochemical market



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Outlook: Fiscal 2014 and Beyond

Fiscal 2014 Guidance:(1)

➢ Revenue	$100 million - $110 million
➢ Gross margin	31% - 33%
➢ SG&A	16% - 17% of sales
➢ Effective tax rate	33% - 34%

Fiscal 2015 Revenue Expectation:(1)

➢ Revenue	$115 million - $135 million

Next "Top of Cycle" Target: Exceed $200 million in organic revenue

(1) Fiscal 2014 Guidance and fiscal 2015 Revenue Expectation provided as of October 25, 2013

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NYSE MKT: GHM

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EBITDA Reconciliation

($ in thousands)

	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012	Six Months Ended September 30, 2013	Six Months Ended September 30, 2012
Net income	**$ 2,589**	**$ 2,615**	**$ 6,397**	**$ 4,005**
+Net interest expense	(6)	(384)	(12)	(315)
+Income taxes	1,257	1,246	3,067	1,939
+Depreciation & amortization	549	520	1,099	1,040
EBITDA	**$ 4,389**	**$ 3,997**	**$ 10,551**	**$ 6,669**
EBITDA margin %	*17.9%*	*15.4%*	*20.0%*	*13.8%*

* EBITDA is defined as consolidated net income before acquisition related expenses, interest expense, income taxes, and depreciation and amortization. EBITDA is not a measure determined in accordance with generally accepted accounting principles in the United States, commonly known as GAAP. Nevertheless, Graham believes that providing non-GAAP information such as EBITDA is important for investors and other readers of Graham's financial statements, as it is used as an analytical indicator by Graham's management. Because EBITDA is a non-GAAP measure and is thus susceptible to varying calculations, EBITDA, as presented, may not be directly comparable to other similarly titled measures used by other companies.