Second Quarter Fiscal 2013 Earnings Call

▪ Executing for Growth ▪

NYSE MKT: GHM

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James R. Lines

President & Chief Executive Officer

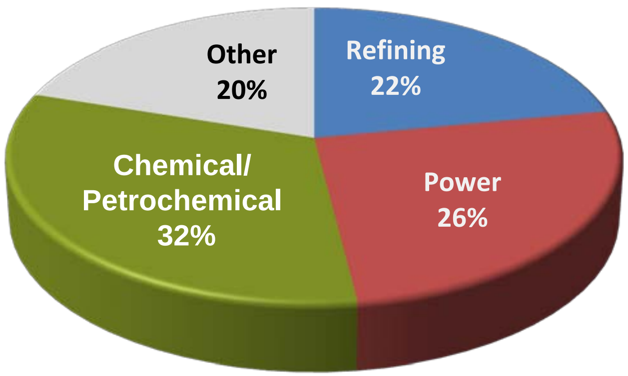
Quarterly Highlights and Market Insights

- Solid financial quarter with tough YoY comparison
- Pulled work into quarter from third quarter
- Tightened full-year guidance
- Improved order rate
- Improving market conditions
- Positioned well for anticipated recovery in our markets

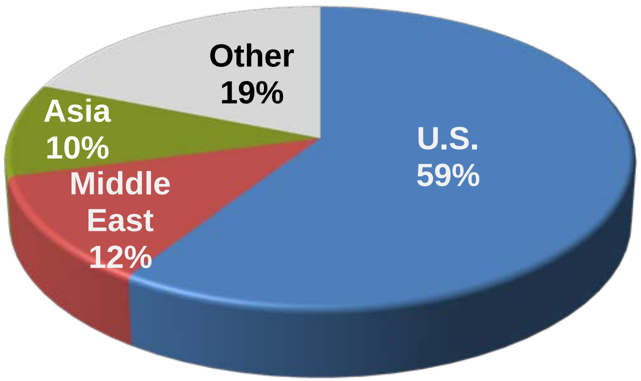
Second Quarter FY13 Sales

Q2 FY2013 Revenue of $25.9 million*

Sales by Industry



Sales by Geography



** Graham's FY2013 ends March 31, 2013*

- Sales down 23%; Q2 and 1H of FY2012 benefitted from conversion of large Middle Eastern refinery project
- Chem/petrochem sales of $8.3 million more than double the prior-year period on industry expansion, up from $5.6 million in trailing first quarter
- Sales in refining and power industries, of $5.8 million and $6.7 million respectively, strengthened from trailing first quarter, although down from prior-year period
- U.S. sales of $15.3 million were up from $12.6 million in trailing quarter, but down 14.0% from prior-year period
- International sales declined $5.2 million as prior-year period included the large Middle East refinery project
  - International sales up 7.1% from trailing first quarter

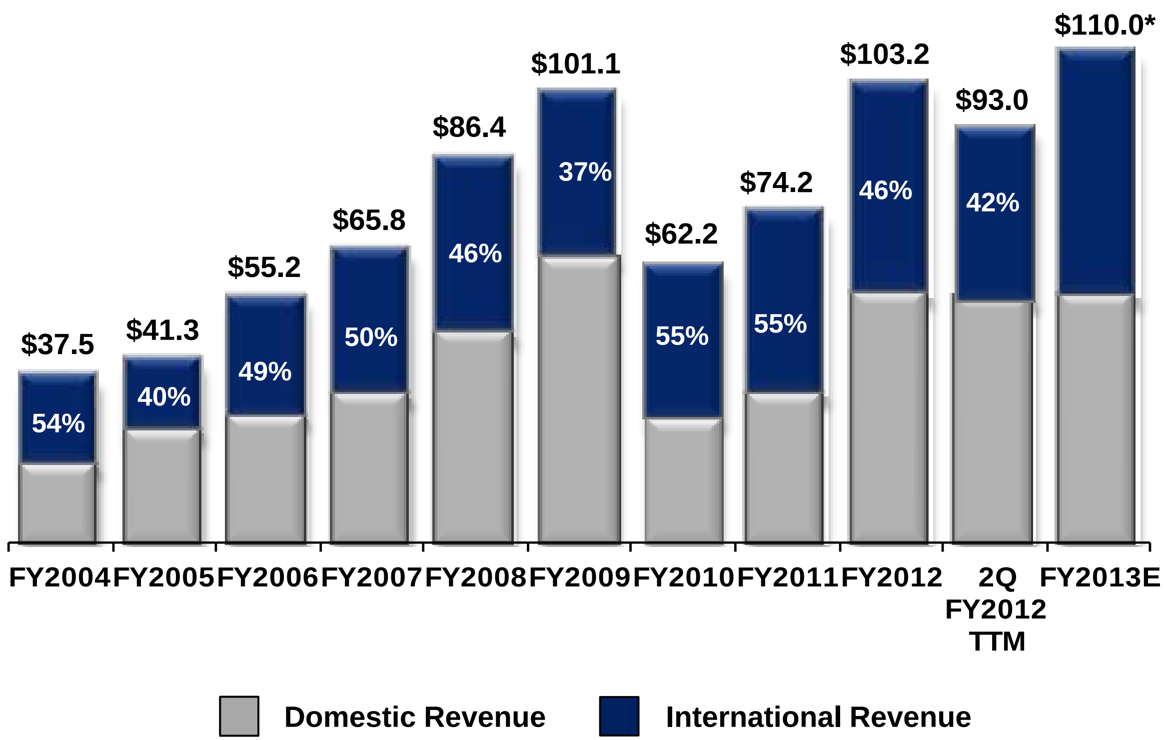
Slow Global Recovery

Fiscal Year Revenue

($ in millions)

FY 2004 – FY 2009
22% CAGR

Driven by oil refining and petrochemical markets



FY 2010 – FY 2013E
21% CAGR

Oil refining, petrochemicals, Navy and power markets drive growth

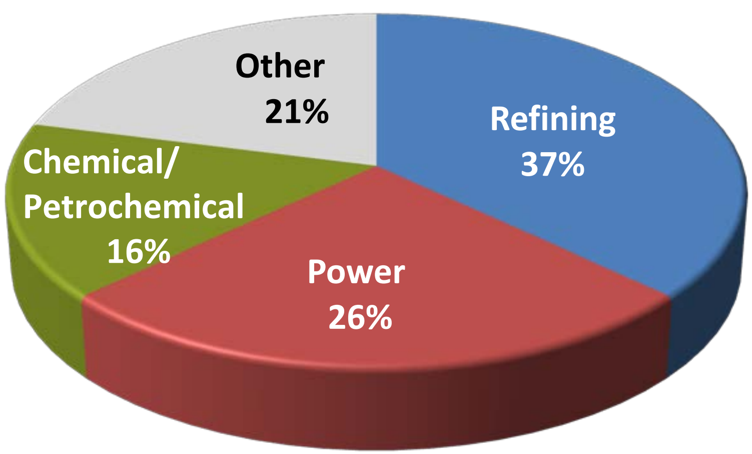
Graham's fiscal year ends March 31

** Midpoint of revenue guidance provided on October 26, 2012 (range of $105 million to $115 million)*

Solid Pipeline of Quality Opportunities

Q2 FY2013 Orders of $25.6 million

Orders by Industry
Q2 FY2013

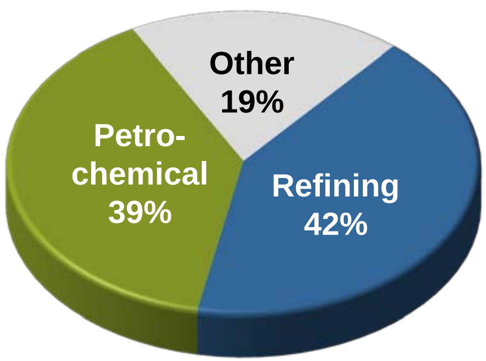


- Orders increased 9.0% compared with Q2 of FY2012
  - Refining orders more than tripled to $9.4 million
  - Chemical/Petrochemical down 63% to $4.1 million
  - Power market orders up 12% to $6.7 million
  - Other industries' orders up 45% to $5.4 million
- U.S orders represent ~66% of total orders
- International and domestic orders expected to be more balanced over the long term
  - Nuclear industry and U.S. Navy expected to maintain domestic levels
  - Growth in Asia and Latin America expected to continue

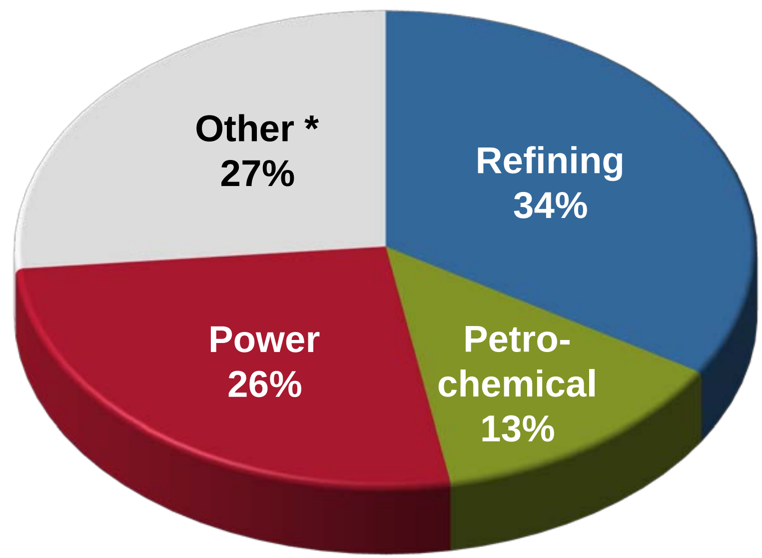
Diversification Drives Backlog

Backlog by Industry

March 31, 2009
$48.3 million



September 30, 2012
$91.8 million



** includes Navy*

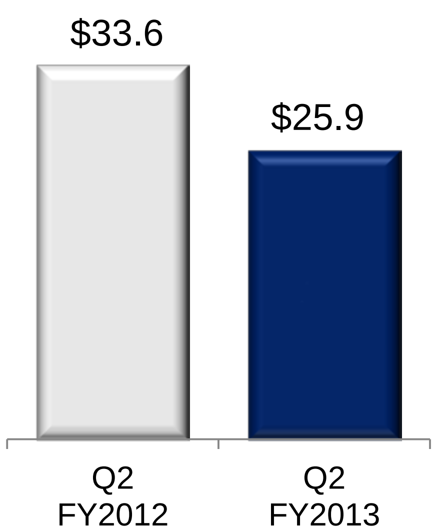
Jeffrey F. Glajch

Chief Financial Officer

Second Quarter FY2013

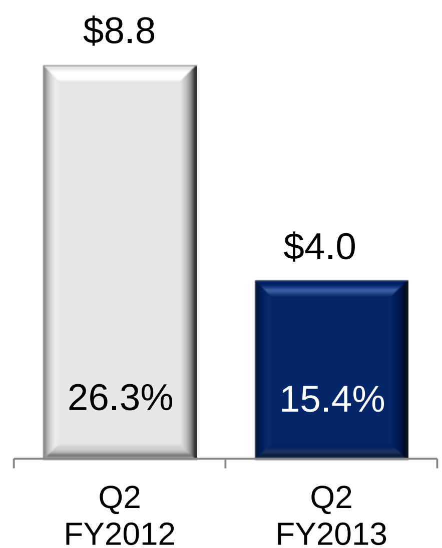
Sales

(in millions)

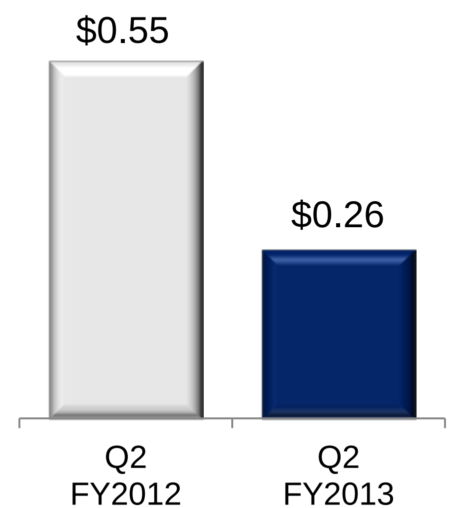


EBITDA* and Margin

($ in millions)



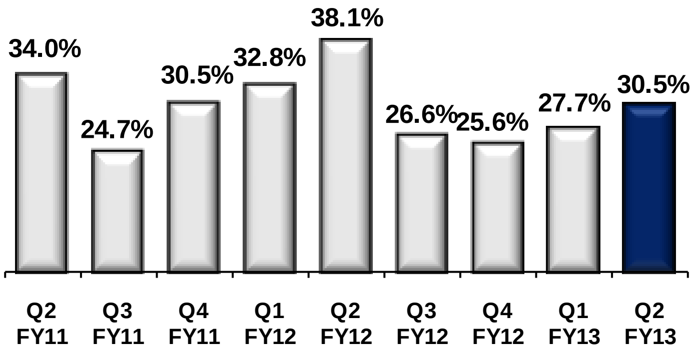
EPS



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

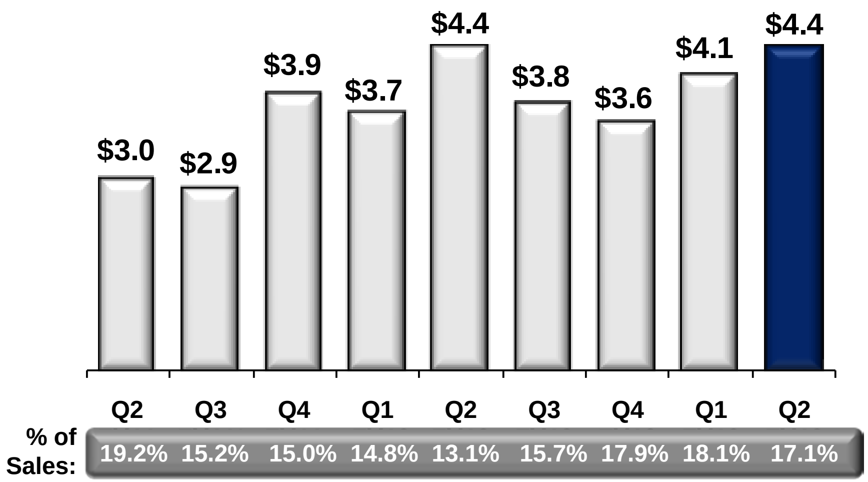
Operational Review: Q2 FY2013

Gross Margin

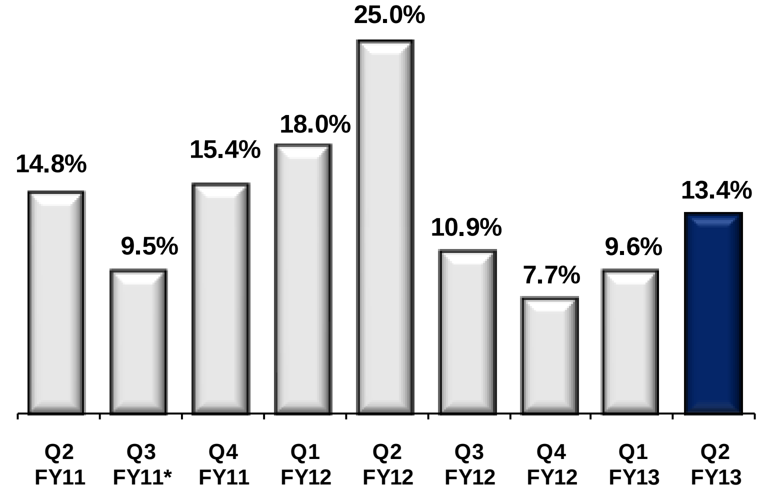


SG&A

(in millions)



Operating Margin

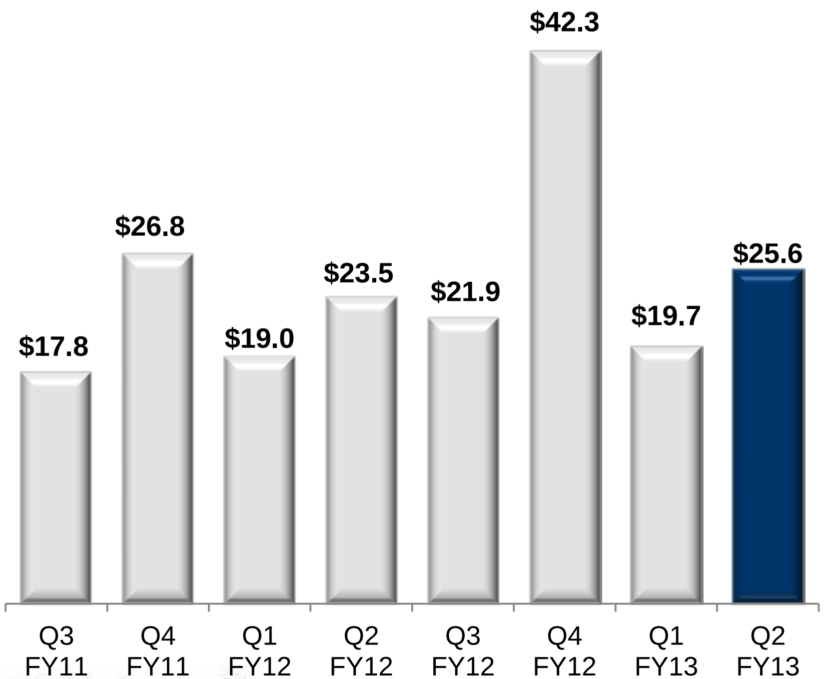


* *Excludes $0.7 million in transaction costs related to the acquisition of Energy Steel on December 14, 2010.*

Orders Indicate Still Early in Recovery

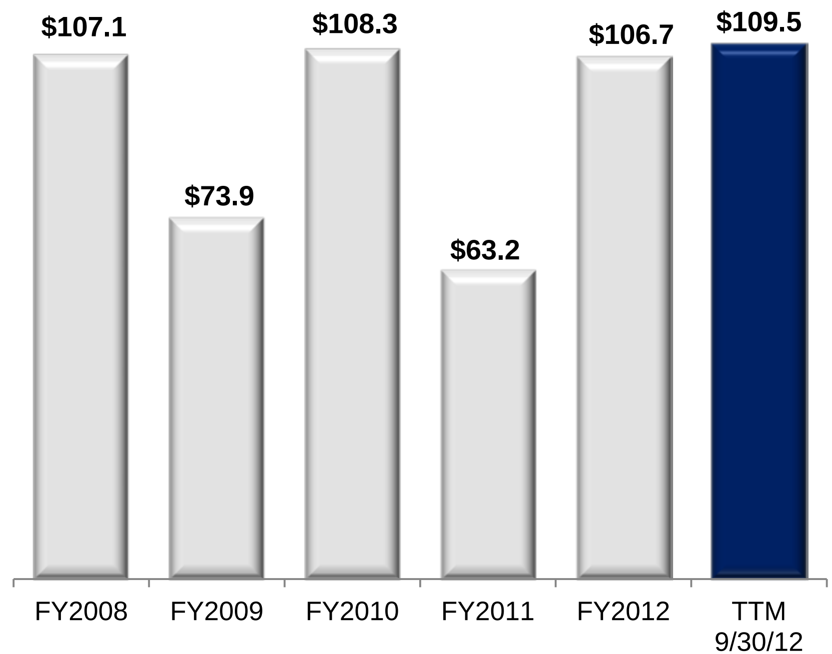
Quarterly Trends

(in millions)



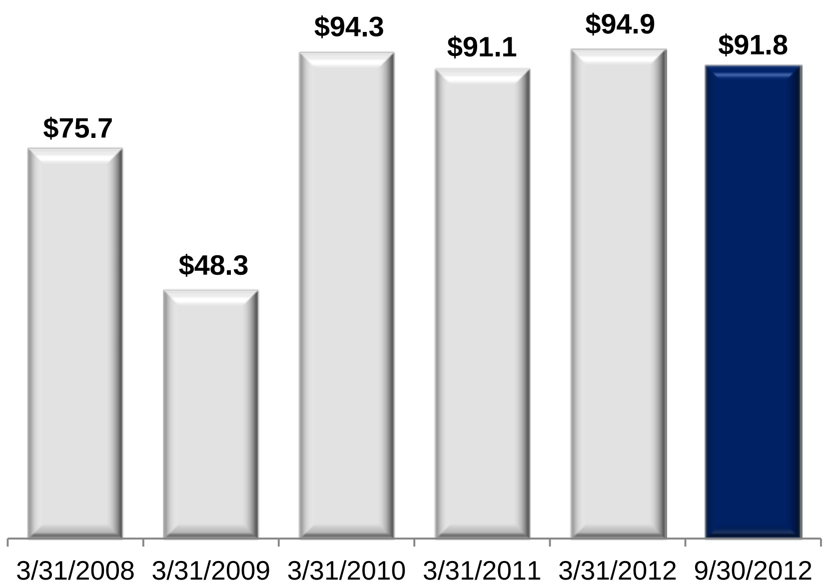
Annual Trends

(in millions)



Backlog Level Remains Steady

(in millions)

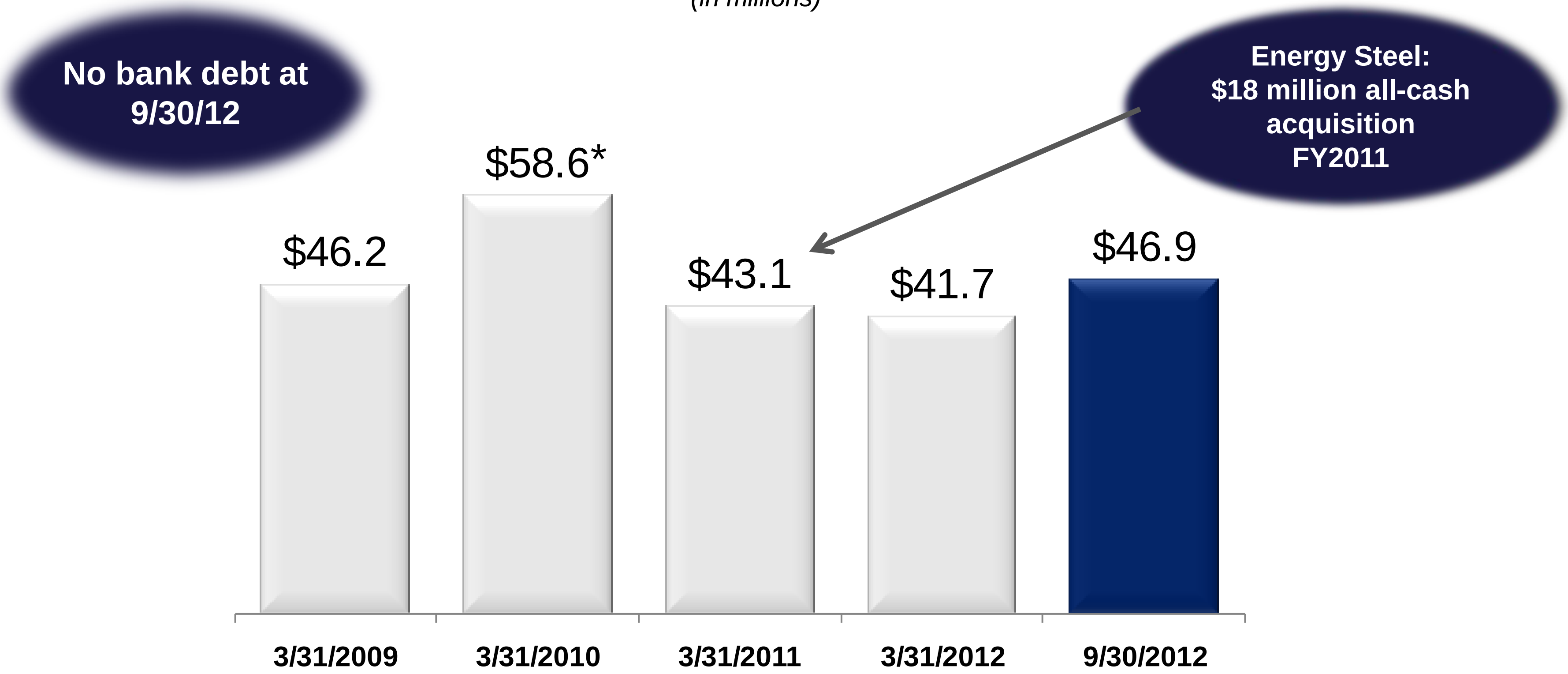


- Choppy order pattern delays backlog expansion
- Expect 75% to 85% to convert to sales within next 12 months
- Approximately 1/3 of backlog related to nuclear power and U.S. Navy projects

Strong Cash Position

Cash, Cash Equivalents, and Investments

(in millions)



Cash available for acquisitions and organic growth

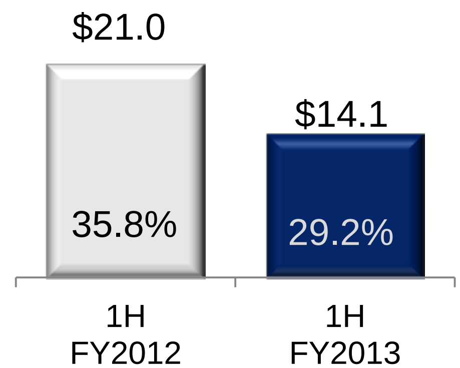
* *Excludes $16 million in unusually high upfront and near-term customer advances utilized to lock in raw material costs*

First Half FY2013 Financial Highlights

($ in millions)

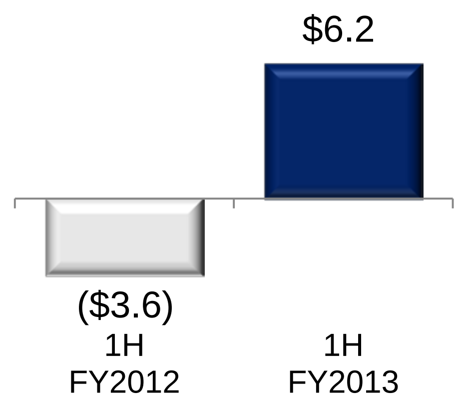
Sales

Gross Profit and Margin



EBITDA* and Margin

Cash Flow from Operations



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James R. Lines

President & Chief Executive Officer

GRAHAM CORPORATION

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Outlook: FY 2013 and Beyond

Fiscal 2013 Guidance:*

➢ Revenue	$105 million - $115 million
➢ Gross margin	29% - 31%
➢ SG&A	16% - 17% of sales
➢ Effective tax rate	33% - 35%

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

** Guidance provided as of October 26, 2012*

Plans for Executing Growth

- FY2013: expecting growth in orders for FY2014 and beyond
  - Making investments to develop internal capacity
    - *Expecting strong wave of new work once recovery is well underway*
    - *Be "at the ready" to capture greater share and expand more rapidly than last cycle*
- Advance market share in oil refining and petrochemical markets
  - Gain share in Asia and South America
  - Maintain strong position in Middle East
  - Continue to dominate North American market
- Continue to broaden reach in global nuclear power market
- Further advance Naval Nuclear Propulsion Program sales channel
- Build acquisition pipeline
- Maintain patience and discipline with timing on order wins

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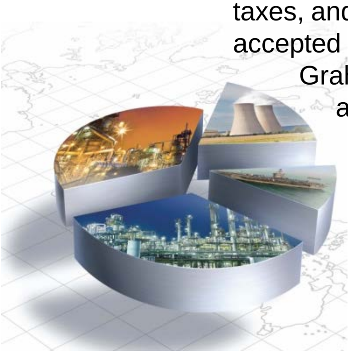
EBITDA Reconciliation

(in thousands)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2012	2011	2012	2011
Net income	**$2,615**	**$5,468**	**$4,005**	**$8,484**
+Net interest expense	(384)	170	(315)	169
+Income taxes	1,246	2,766	1,939	4,247
+Depreciation & amortization	520	424	1,040	935
EBITDA	**$3,997**	**$8,828**	**$6,669**	**$13,835**
EBITDA Margin %	15.4%	26.3%	13.8%	23.6%



* 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.