

PUTTING OUR BRAND TO WORK



Company Profile

With world-renowned engineering expertise in vacuum and heat transfer technology, Graham Corporation is a global designer, manufacturer, and supplier of custom engineered ejectors, pumps, condensers, vacuum systems, and heat exchangers. Graham Corporation's subsidiary Energy Steel & Supply Co. is a leading code fabrication and specialty machining company dedicated exclusively to the nuclear power industry. Sold either as components or complete system solutions, the principle markets for the Company's equipment include:

- Oil and Gas Refining
- Chemical/Petrochemical
- Nuclear Power Generation
- Other Power Generation

Graham equipment can also be found in diverse product applications, such as:

- Refrigeration
- Water Heating
- Metal Refining
- Food Processing
- Pharmaceutical
- Pulp and Paper Processing
- Shipbuilding
- HVAC
- Desalination
- Alternative Energy

For 75 years, Graham has built a reputation for top quality, reliable products, and high standards of customer service. Its equipment is installed in facilities from North and South America to Europe, Asia, Africa, and the Middle East.

Graham Vision and Strategy

Graham's goal is to be a world-class leader in the design and manufacture of engineered-to-order products for the process industries by:

- Maintaining a strong North American presence while diversifying sales into emerging growth markets, such as Asia and the Middle East
- Acquiring engineered-to-order product companies to expand geographically and/or diversify products
- Growing revenue from aftermarket products
- Cultivating new markets, such as gas-to-liquids
- Maintaining margins through engineering and manufacturing operational efficiency improvements
- Maintaining a strong balance sheet through aggressive cash management

Investment Considerations

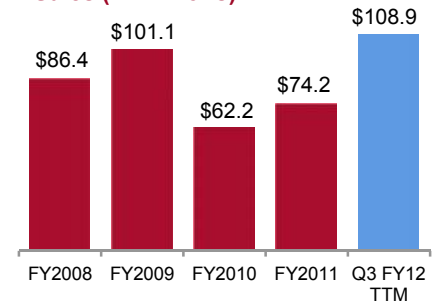
- Well-respected global brand
- Strong reputation for engineering know-how and solutions-oriented problem solving
- Significant global position in diversified markets: oil refining, electrical power generation, and chemical processing markets
- Established sales and engineering operations in Asia
- Strong balance sheet, no long-term bank debt; cash and cash equivalents balance of \$42.5 million at December 31, 2011; management of cash and conversion cycle is a priority
- Experienced, talented management team

Market Data

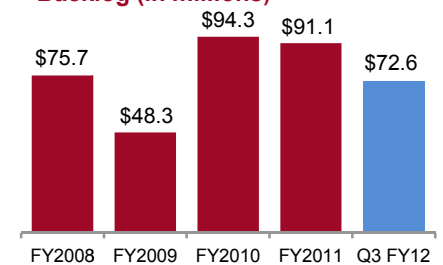
Recent price	\$24.40
52-week range	\$26.30 - \$14.36
Average daily volume (12 month)	67,961
Market capitalization (millions)	\$242.5
Common shares outstanding (millions – at December 31, 2011)	9.94
Institutional ownership	71.5%

Market data as of February 27, 2012; ownership as of most recent filing

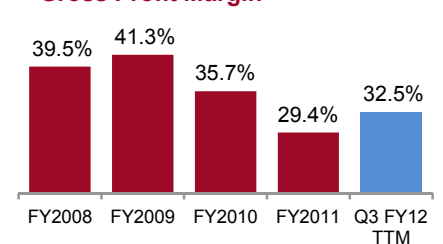
Sales (in millions)



Backlog (in millions)



Gross Profit Margin



Investor Relations Contact

Deborah Pawlowski
Kei Advisors LLC
Ph 716.843.3908
Fax 716.242.8629
dpawlowski@keiadvisors.com

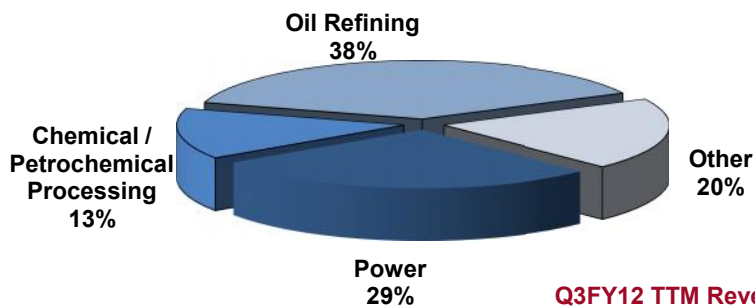
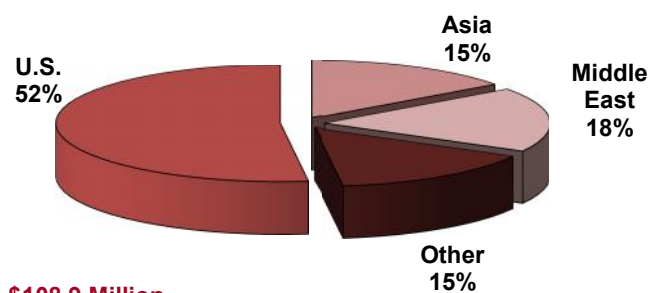
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**Financial Highlights***(in thousands except per share data)*

	Third Quarter Ended		Fiscal Year Ended		
	December 31,		March 31,		
	2011	2010	2011	2010	2009
Sales	\$ 24,329	\$ 19,215	\$ 74,235	\$ 62,189	\$101,111
Gross profit	6,462	4,751	21,851	22,231	41,712
Selling, general and administrative	3,820	3,594	13,076	12,093	14,825
Net interest (income) expense and other expense	43	1	15	77	148
Income before taxes	2,599	1,156	8,760	10,061	26,739
Net income	1,640	759	5,874	6,361	17,467
Diluted earnings per share	\$ 0.16	\$ 0.08	\$ 0.59	\$ 0.64	\$ 1.71
Weighted average shares outstanding – diluted	9,991	9,930	9,958	9,937	10,195
Gross margin	26.6%	24.7%	29.4%	35.7%	41.3%
Operating margin	10.9%	6.0%	11.8%	16.1%	26.0%
Net margin	6.7%	3.9%	7.9%	10.2%	17.3%

(in thousands)

	Dec. 31,	Mar. 31,	Mar. 31,	Mar. 31,
	2011	2011	2010	2009
Current assets	\$ 76,820	\$ 76,631	\$ 91,672	\$ 72,742
Other assets	43,030	41,419	17,307	14,182
Total assets	119,850	118,050	108,979	86,924
Current liabilities	22,721	32,628	34,968	23,195
Capital lease obligations	227	116	144	31
Other liabilities	12,446	11,651	4,793	2,587
Stockholders' equity	84,456	73,655	69,074	61,111
Total liabilities and stockholders' equity	119,850	118,050	108,979	86,924

Revenue by Industry: Q3FY12 TTM**Revenue by Geographic Market: Q3FY12 TTM****Q3FY12 TTM Revenue: \$108.9 Million****Recent Highlights**

- Net sales in the third quarter of fiscal 2012 were \$24.3 million, up from net sales of \$19.2 million in the prior year's third quarter. Organic sales increased \$2.4 million, or 13%, to \$21.0 million. Energy Steel contributed \$3.4 million to net sales and represented 53% of the growth in the quarter.
- Gross profit was \$6.5 million, or 27% of sales, in the third quarter of fiscal 2012 compared with \$4.8 million, or 25% of sales, in the same period of the prior fiscal year. Improved profit margin was a result of greater absorption of costs through increased facility utilization on higher volume and improved prices.
- Net cash provided by operating activities in the first nine months of fiscal 2012 was \$3.9 million compared with cash used in operations of \$5.8 million in the prior-year period. The increase in cash provided by operations was primarily related to growth in net income.
- Net income in the first nine months of fiscal 2012 was \$10.1 million, or \$1.01 per diluted share, compared with net income of \$3.2 million, or \$0.32 per diluted share, in the same period of fiscal 2011. Excluding transaction costs associated with the acquisition of Energy Steel, fiscal 2011's first nine months net income and diluted earnings per share were \$3.7 million and \$0.37, respectively.
- Orders during the third quarter of fiscal 2012 were \$21.9 million, up 23% from \$17.8 million in the third quarter of fiscal 2011. Order strength reflects the success of the Company's diversification strategy, with approximately 44% of the total order value in the quarter won by Energy Steel.
- Full year revenue outlook tightened to a range of \$105 million to \$108 million, with gross profit margin expected to be 32% to 33%, SG&A about 15% of total annual sales, and the effective tax rate for the year at approximately 34%.

The above 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 can be identified by words such as "expects," "estimates," "projects," "anticipates," "believes," "could," and other similar words and expressions. All statements addressing operating performance, events, or developments that Graham expects or anticipates will occur in the future, including but not limited to, statements relating to anticipated revenue, profit margins, foreign operations, Graham's strategies, the effectiveness of automation, Graham's ability to improve its cost competitiveness, customer preferences, changes in market conditions in the industries in which it operates, changes in economic conditions and customer behavior are forward-looking statements and they should be evaluated in light of important risk factors and uncertainties. These risk factors and uncertainties are more fully described in Graham's most recent Annual and Quarterly Reports filed with the Securities and Exchange Commission, included under the heading entitled "Risk Factors." Should one or more of these risks or uncertainties materialize, or should any of Graham's underlying assumptions prove incorrect, actual results may vary materially from those currently anticipated. Undue reliance should not be placed on Graham's forward-looking statements. Except as required by law, Graham disclaims any obligation to update or publicly announce any revisions to any of its forward-looking statements.