

PUTTING OUR BRAND TO WORK



Company Profile

With world-renowned engineering expertise in vacuum and heat transfer technology, Graham Corporation is a designer, manufacturer and global supplier of ejectors, pumps, condensers, vacuum systems and heat exchangers. Sold either as components or complete system solutions, the principle markets for the Company's equipment include:

- Oil Refining
- Petrochemical
- Power Generation

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

- Refrigeration
- Water Heating
- Metal Refining
- Food Processing
- Pulp and Paper Processing
- Shipbuilding
- Desalination

For over 70 years, Graham has built a reputation for top quality, reliable products and superior 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

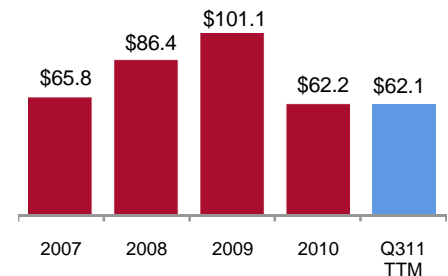
- Well-respected global brand
- Strong reputation for engineering know-how and solutions-oriented problem solving
- Significant global position in diversified markets: oil refining, electrical power generation and chemical processing markets
- Established sales and engineering operations in Asia
- Strong balance sheet, no long-term bank debt; cash and cash equivalents balance of \$48.2 million at December 31, 2010; management of cash and conversion cycle is a priority
- Experienced, talented management team

Market Data

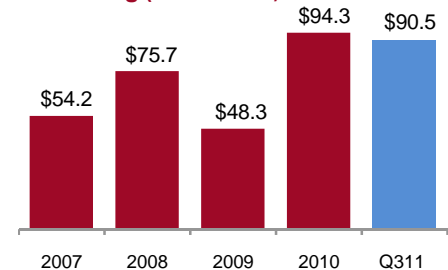
Common shares outstanding (millions)	9.84
Market capitalization (millions)	\$236
Recent price	\$23.80
52-week range	\$24.58 - \$13.09
Average daily volume (12 month)	58,844
Institutional ownership	64%

Market data as of February 1, 2011

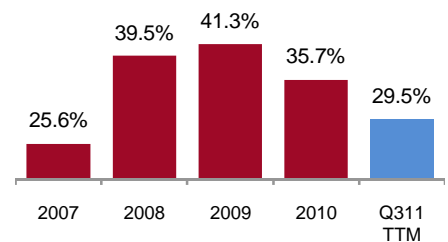
Sales (in millions)



Backlog (in millions)



Gross Profit Margin



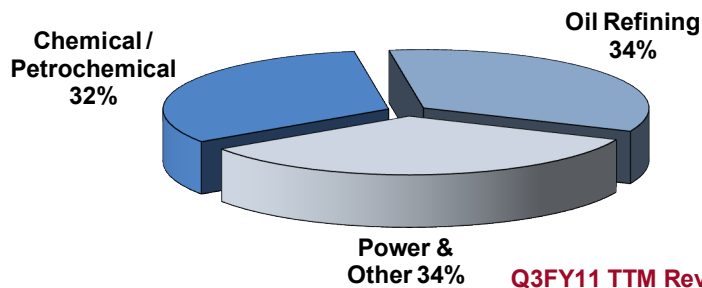
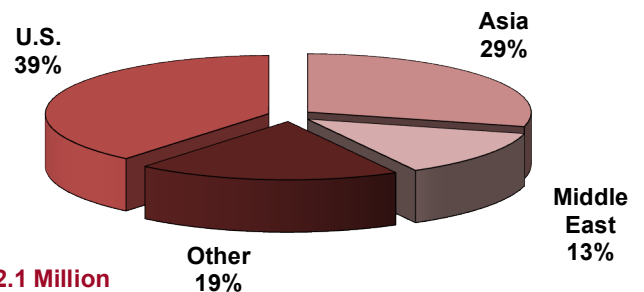
Investor Relations Contact

Deborah Pawlowski
Kei Advisors LLC
Ph 716.843.3908
Fax 716.856.0432
dpawlowski@keiadvisors.com

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

	Third Quarter Ended Dec 31,		Fiscal Year Ended March 31,		
	2010	2009	2010	2009	2008
Sales	\$ 19,215	\$12,166	\$ 62,189	\$101,111	\$ 86,428
Gross profit	4,863	3,821	22,231	41,712	34,162
Selling, general and administrative	3,583	2,718	12,093	14,825	13,074
Net interest (income) expense and other expense	1	(11)	77	148	(1,016)
Income before taxes	1,279	1,114	10,061	26,739	22,104
Net income	837	764	6,361	17,467	15,034
Diluted earnings per share	\$ 0.08	\$ 0.08	\$ 0.64	\$ 1.71	\$ 1.49
Weighted average shares outstanding . diluted	9,930	9,945	9,937	10,195	10,085
Gross margin	25.3%	31.4%	35.7%	41.3%	39.5%
Operating margin	6.7%	9.1%	16.1%	26.0%	24.4%
Net margin	4.4%	6.3%	10.2%	17.3%	17.4%
	Dec 31, 2010	Mar 31, 2010	Mar. 31, 2009	Mar. 31, 2008	
<i>(in thousands)</i>					
Current assets	\$ 68,453	\$ 91,672	\$ 72,742	\$ 57,370	
Other assets	37,165	17,307	14,182	13,341	
Total assets	105,618	108,979	86,924	70,711	
Current liabilities	27,495	34,968	23,195	20,372	
Capital lease obligations	113	144	31	36	
Other liabilities	6,371	4,793	2,587	1,767	
Stockholders' equity	71,639	69,074	61,111	48,536	
Total liabilities and stockholders' equity	105,618	108,979	86,924	70,711	

Revenue by Industry: Q3FY11 TTM**Revenue by Geographic Market: Q3FY11 TTM****Q3FY11 TTM Revenue: \$62.1 Million****Recent Highlights**

- Net sales were \$19.2 million in the third quarter of fiscal 2011. Organic sales were \$18.5 million, a 52% increase over net sales of \$12.2 million in the prior year's third quarter and 18% above net sales of \$15.7 million in the trailing second quarter of fiscal 2011.
- Gross profit was \$4.9 million, or 25% of sales, in the third quarter of fiscal 2011. Gross profit was \$3.8 million, or 31% of sales, in the same period of the prior fiscal year and 34% in the trailing second quarter of fiscal 2011.
- Operating profit in the third quarter of fiscal 2011 was \$1.3 million, 18% above operating profit of \$1.1 million in the prior year's third quarter. Excluding acquisition costs, operating margin was 10% in the current year's quarter compared with 9% in the prior fiscal year's third quarter, and 15% in the trailing second quarter of fiscal 2011.
- Net income of \$0.8 million, or \$0.08 per diluted share, in fiscal 2011's third quarter was negatively impacted by approximately \$0.5 million, or \$0.05 per diluted share, of acquisition related expenses.
- International sales, which represented 64% of total sales in the third quarter of fiscal 2011 compared with 58% of total sales in fiscal 2010's third quarter, were \$12.3 million.
- Cash, cash equivalents and investments at December 31, 2010 were \$48.2 million compared with \$70.8 million at September 30, 2010 and \$74.6 million at March 31, 2010. The acquisition of Energy Steel on December 14, 2010, required \$17.9 million in cash.

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.