Capacity to grow

STRENGTH TO PERFORM

GRAHAM ENGINEERING ANSWERS

NYSE Amex: GHM

www.graham-mfg.com

Company Profile

With world-renowned engineering expertise in vacuum and heat transfer technology, Graham Corporation is a designer, manufacturer and global supplier of custom-engineered 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

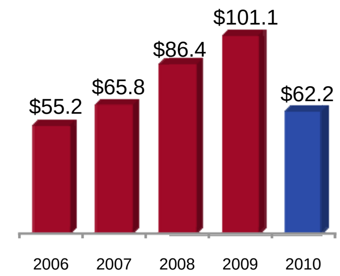
- Well-respected global brand with strong reputation for engineering know-how and solutions-oriented problem solving
- Significant global position in diversified markets: oil refining, petrochemical and power generation
- No long-term bank debt, cash reserves of $74.6 million at March 31, 2010; management of the cash conversion cycle is a priority
- Experienced and talented management team

Market Data & Financial Highlights

Common Shares Outstanding *(millions)*	9.850
Market Cap *(millions)*	$168
Avg. Daily Volume *(12 mos.)*	148,747
Recent Price	$17.07
52-Week Range	$21.84 - $10.52
Price to Earnings (TTM)	18.2 x
Gross Margin *(2010)*	35.7%
Operating Margin *(2010)*	16.1%
Net Margin *(2010)*	10.2%

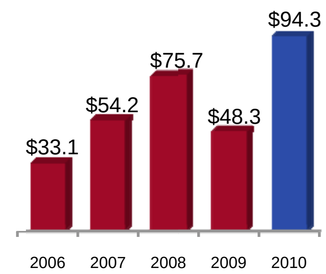
Market Data as of May 18, 2010

Sales (in millions)

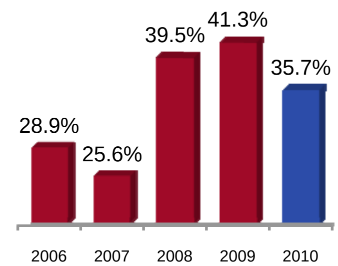


*Note: Estimated FY2011 revenue: $65 to $72 million**

Backlog (in millions)



Gross Profit Margin



*Note: Estimated FY2011 gross margin range: 27%-31%**

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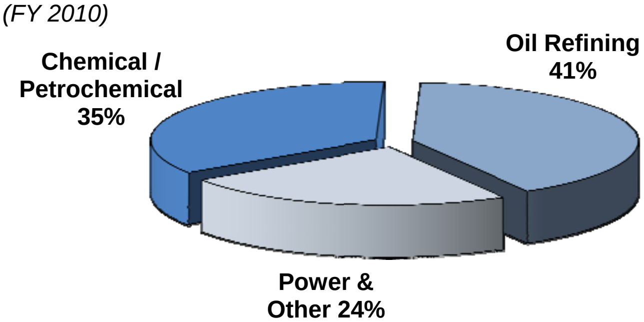
Financial Highlights *(in thousands except per share data)*	*Fourth Quarter Ended March 31,*		*Fiscal Year Ended March 31,*		
	2010	*2009*	*2010*	*2009*	*2008*
Sales	$ 13,777	$24,848	$ 62,189	$101,111	$ 86,428
Gross profit	4,278	9,633	22,231	41,712	34,162
Selling, general and administrative	3,095	3,505	12,093	14,825	13,074
Net interest (income) expense and other expense	(9)	530	77	148	(1,016)
Income before taxes	1,192	5,598	10,061	26,739	22,104
Net income	611	3,581	6,361	17,467	15,034
Diluted earnings per share	$ 0.06	$ 0.35	$ 0.64	$ 1.71	$ 1.49
Weighted average shares outstanding – diluted	9,950	10,116	9,937	10,195	10,085
Gross margin	31.1%	38.8%	35.7%	41.3%	39.5%
Operating margin	8.6%	22.4%	16.1%	26.0%	24.4%
Net margin	4.4%	14.4%	10.2%	17.3%	17.4%

(in thousands)	*Mar 31, 2010*	*Mar. 31, 2009*	*Mar. 31, 2008*	*Mar. 31, 2007*
Current assets	$ 91,672	$ 72,742	$ 57,370	$ 36,739
Other assets	17,307	14,182	13,341	12,139
Total assets	108,979	86,924	70,711	48,878
Current liabilities	34,968	23,195	20,372	16,620
Capital lease obligations	144	31	36	56
Other liabilities	4,793	2,587	1,767	1,548
Stockholders' equity	69,074	61,111	48,536	30,654
Total liabilities and stockholders' equity	108,979	86,924	70,711	48,878
Book value per share	$ 7.01	$ 6.21	$ 4.86	$ 3.15
Return on average assets	6.5%	22.2%	25.1%	12.9%
Return on average equity	9.8%	31.9%	38.0%	19.9%

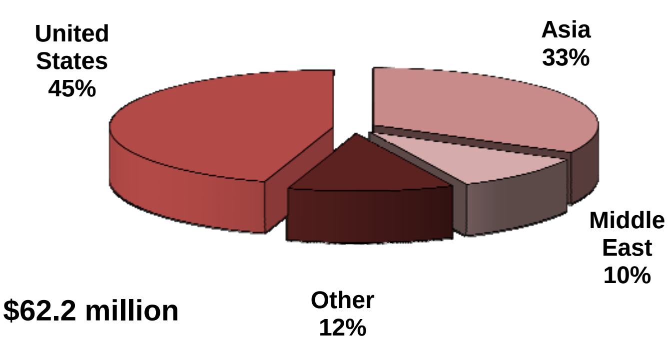
Revenue by Industry

(FY 2010)



Revenue by Geographic Market

(FY 2010)



Revenue FY2010: $62.2 million

Fourth Quarter Fiscal Year 2010 Highlights

- Net sales were $13.8 million in the fourth quarter, a decline of 44.6% when compared with net sales of $24.8 million in the prior year's fourth quarter. Net income in the fourth quarter was $0.6 million, or $0.06 per diluted share, a decline of 82.9% compared with net income of $3.6 million, or $0.35 per diluted share, in the same period last year.
- International sales during the fiscal 2010 fourth quarter were $9.3 million, up from $9.0 million during the same quarter of fiscal 2009. Sales to Mexico, Western Europe, Africa and the Middle East increased but were somewhat offset by lower sales to South America, Asia and Canada.
- U.S. sales in the fourth quarter of fiscal 2010 declined $11.3 million, or 71.6%, to $4.5 million, compared with U.S. sales of $15.8 million in the fourth quarter of fiscal 2009. International sales represented 67% of total sales in the fourth quarter of fiscal 2010 compared with 36% in fiscal 2009's fourth quarter, while U.S. sales comprised 33% of total sales in the current quarter compared with 64% in last year's fourth quarter.
- Net income in fiscal 2010 was $6.4 million, a decrease of 63.6% from net income of $17.5 million in fiscal 2009. Earnings per diluted share in fiscal 2010 were $0.64, compared with $1.71 in fiscal 2009.
- Cash, cash equivalents and investments at March 31, 2010 were $74.6 million, compared with $57.7 million at December 31, 2009 and $46.2 million at March 31, 2009. The higher cash balance at fiscal year-end was largely related to a significant increase in negotiated customer deposits.
- Orders during the fourth quarter of fiscal 2010 were $18.3 million compared with orders of $20.5 million in the prior year's fourth quarter. Orders from international customers were $11.1 million, or 61% of total orders, while U.S. customers were $7.2 million, or 39% of total orders.
- Graham's backlog was a record $94.3 million at March 31, 2010 compared with $48.3 million at the end of last year's fiscal fourth quarter and $89.8 million at December 31, 2009. The large order for equipment to be used by the U.S. Navy was included in backlog in both the third and fourth quarters of fiscal 2010.

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