
Jim Lines, President & Chief Executive Officer: Before we begin our planned presentation, for your information, we may make forward statements during this presentation as well as during the question and answer period. These statements apply to future events that are subject to risks and uncertainties as well as other factors that could cause actual results to differ from what we're stating here today. These risks and uncertainties and other factors are provided on this slide as well as in other documents filed by the Company with the Securities and Exchange Commission. These documents can be found both at the Company's Web site and at sec.gov.

This morning, our presentation will cover highlights for the fiscal year. Jeff will review the financial performance for the year, and I'll wrap up with comments regarding our vision and outlook. I can point to a number of positive results during the year even though year-over-year revenue declined by almost 40%. Our Company executed very well. I was pleased by our performance. I commend the management team and all the employees of our Company for how they executed across a very difficult period in time. We managed very well the pipeline: the opportunities that were in the marketplace this past year. We focused on where the work was, identified which projects were going to close, and I believe we won the majority of the work that was available and took market share from our competition.

During the year, bookings were \$108 million. Notable wins were a very large order from the U.S. Navy in excess of \$25 million. We also won orders for two refinery projects in Saudi Arabia that totaled \$23 million. Our China strategy continues to improve. Our brand in China becomes stronger each quarter, and I'm very pleased with the progress there. Last year, we won \$7.5 million of orders for refining projects in China. Also, during the year, we won about \$4 million of new orders for alternative energy projects. They include two nice orders for geothermal polygeneration and three to four orders for biomass-to-energy. As a result of the strong bookings, our backlog exiting fiscal 2010 was at \$94 million, which was a high for the company. This compares to where we were about 12 months ago, end of June 2009, at a bottom of \$37 million in backlog, so across the ensuing three quarters, the Company expanded its backlog by more than two-fold, to \$94 million. That's a great base of business upon which we can build going into this fiscal year and subsequent fiscal years after 2011.

It was felt that, with the downturn in our markets, the supply chain would have slack in it. We've set a clear mandate to the management team that we have no control over the vacillations of our markets, but we can control how we execute orders after we've won them. We can control how efficient we are at processing orders and how the Company can gain margin and improve profitability after an order. The supply chain capitalized on opportunities that were identified as softness in the market to lower our material costs last year. We lowered that material cost by about \$3 million, both costs for finished goods and raw materials. We realized about two-thirds of that savings in the first half of the year, and one-third in the second half of the year. The supply chain had a measurable impact on our financial performance last year. Our outsourcing strategy, really, is about preparing for the future. Even in a downturn, as utilization in our factory was falling, we felt an outsourcing strategy was important for our Company, and we set a record level for outsourcing last year with 30,000 production hours that were outsourced. As our markets recover, we feel being ready, having an efficient and well-organized outsourcing strategy will allow us to capitalize more quickly if the markets recover. And they will recover. Last year, we outsourced about 16% to 18% of our production in China, in South Korea, and in North America, and today we're seeking to add qualified fabricators in those regions, elsewhere in Asia and South America, and additional contractors in North America.

Our management system has been certified to ISO 9,000. That is a distinction that sets us apart from many other companies. But, more importantly, we felt improving the robustness of our management process would make Graham a better company. It began with putting our process know-how into our workflow such that we could reduce lead time, improve the quality of outputs across the business, deliver consistent outputs across the business, improve cross-training, and speed up the onboarding process as we hire new employees. We felt that was important. In addition, the management process that we have strengthens our commitment to continuous improvement across the business, and we think that's a foundation upon which this Company will grow and upon which this Company will improve its operating performance. And then, lastly, most importantly, we believe the strengthened management system will improve our service to our customers and the level of satisfaction they derive in working with us.

We also exited fiscal 2010 with an improved balance sheet. We added \$28 million of cash and investments to the balance sheet across the year through both strong operating profits and negotiated cash flow terms from our customers. Our pension assets are in great shape. Actually, we have an overfunded pension plan. The Company carries no bank debt. Our net working capital has been improved every year for the last three or four years. It now varies between zero and 8% of sales. Actually, for the last few quarters, it has been negative, but if we strike a comparison of that metric to where the Company was four years ago, the capital we had tied up in operations was nearer to 20%. Today, we think we're nearer to 5% consistently. We're also using our cash to improve future profitability through how we negotiate with our customers and how we negotiate with our material suppliers. We will realize those benefits in fiscal '11 and fiscal '12.

I have to give credit to the management team. Mid-year, we were advised that two significant contracts that already had begun production in September, were going on an extended stop. We had an opportunity to fill that void that was being created in operations because of that delay, and within a two-week period, the management team identified cost savings that were targeted to be above \$2 million on an annualized basis. They executed that plan, and we realized about \$1.2 million across six months in cost savings that secured profitability across Q3 and Q4. And again, we're realizing the benefits in Q1 and Q2 of fiscal 2011 from that strategy. They acted quickly, they executed very well, and they just did an admiral job while keeping the core competencies of our business in the business - in engineering, in sales, and in manufacturing - so the business was ready to serve our customers as demand picked up.

We're managing this business for the long term. We don't manage it quarterly; we don't manage it in a given year. We think about the future and where this business is going. Additional investments that we've made in our future are around the Naval Nuclear Propulsion Program. We've made a firm commitment to be a participant in that. There's more that we can do there, we believe, outside of the carrier order that we won recently. We think there's additional work with carriers, for submarines, for destroyers, and other vessels that our sales model and business model serves very well. We've also invested in automation in operations. What this means is we're providing the workers on the plant floor with the tools they need to do their jobs more efficiently, to have the right information when they need it as so they can perform their jobs on time, without inefficiencies. And this is an ongoing strategy of the Company, to allow our workers to be successful so, in turn, the Company will be successful.

We've also embarked on a very aggressive process to reduce lead time across the business. We think speed or lead time reduction will be a differentiator in our marketplace. It will separate us from our competition. It will allow us to capitalize on opportunities as our markets recovery, and also execute at a more efficient and profitable level than we have in the past. Our acquisition program managing led by Jeff has gained traction. I'm very pleased with where we are in that process. We've looked at a number of companies. We've had a number of discussions with companies, and I've been very pleased with that process to date. We've also been adding key personnel to the Company so we're ready for the recovery. We've added people in the quality area and in engineering to strengthen our team, to make Graham a more flexible and more capable Company as the markets recover. And throughout the Company, everywhere in the Company, we're focused on continuous improvement. We understand that no matter how good we've become, we still can become better and find ways to work more efficiently in providing service to our customers. So, I can point to very many positives across a very tough year, not just our financial performance but our ability to continue to drive Graham to higher levels of performance in the beginning of the year and in future years.

With that, I'll turn it over to Jeff for his remarks on financial performance.

Jeff Glajch, Vice President & Chief Financial Officer: Thank you, Jim. As Jim mentioned, our financial performance, our top line was challenged this year. We saw a revenue reduction of nearly 40% as we were impacted by general economic conditions, the specific economic conditions in our markets, and, quite frankly, coming off of a very significant run-up in sales over the past four years, this type of a downturn is consistent with what we've seen in downturns in the past. However, given that growth over the past four years, we planned for when the markets were going to turn the wrong way and ensure that we remain profitable throughout that time period.

If you look at our gross profit history over the past number of years, you'll see that back in 2005, at the beginning of the cycle, we had a gross profit margin in the high teens. That was typical of Graham during

previous down cycles. Throughout the four-year growth period, we saw the margins reach up to right around 40%, which is, typically, very nice during that time period, but again, we planned for when there would be a downturn. If you look at fiscal 2010, despite the drop in sales, we still had a gross profit margin in the mid-30% range, in the 35% to 36% range, significantly above where we had been in previous downturns, and we believe that was, really, a function of planning for the rough time period as well as executing, as Jim had mentioned, through a rough financial year.

I want to compare what Graham looks like today to what Graham had been in the past. I think it's very important because you can see the transition financially here, and there are a lot of things that went into it. Jim's talked about some. There are many others we've not mentioned. But if you look at Graham historically, and this was the last up cycle, you'll see Graham had kind of peaked out at just over \$50 million of sales. For those of you who aren't as familiar with EBITDA margins, an EBITDA margin is, basically, your pre-tax profit and then adding back depreciation and amortization, and the reason you're doing that is, really, and looking at what kind of cash is the business generating. And it's an important measure.

Our EBITDA margins in the past have peaked out just over 10% which, for a manufacturing company, is a good performance. But because of the cyclicity of our business, when we saw a downturn as we saw in 2010, our EBITDA margin dropped pretty significantly, quite frankly, to just above zero. And if you were to extrapolate that graph out a couple more years, you would see the EBITDA margins, actually, were below zero for a couple of years in there, in the 2002-2003-2004 time frame. So, as we enter this last upturn, we entered it at a very low level, and we were able to get well past that 10% EBITDA margins we've had in the past and, actually, at our peak, we ended up in the mid-20s, which is a very high level of performance. There aren't a lot of manufacturing companies that can say that in an upturn. But now that we hit this downturn, rather than working our way back down and ending back down to some kind of a breakeven level, you'll see, in 2010, our EBITDA margins were still 19% which, if you look across industrial companies, would put us in the upper tier, in the upper quartile of industrial companies. And even at the absolute bottom of our market, which was, really, the last couple of quarters, we still have EBITDA margins in the 12% to 13% range. So, we make sure we set a target for ourselves that we are going to remain profitable during a downturn, and make sure that we run our business to make money and not to break even or to lose money in a downturn, and, most importantly, position ourselves looking forward so that when the markets do turn back up—and as Jim has mentioned, looking at our order levels in the past couple of quarters, we do see some signs of that—we want to make sure that we're positioned to make the step back up toward higher levels of profitability.

What's occurred from that, obviously, if you've got very good profitability levels pre-tax, after-tax we've generated a lot of net income and a lot of cash over the past few years. You can see, in 2010, our operating earnings, while lower than 2008 and 2009, are significantly greater than where we were at in 2006 and 2007, so we were able to keep a significant level of profitability and a significant level of cash generated even in a downturn and at a sales reduction of almost 40%.

One of the things we have to manage in this business that's very important is our backlog, and Jim talked about that before, how we've taken our backlog back up to a record level at the end of March. But in the bottom corner, you'll see our order variation, and you'll see over the last nine quarters, orders have fluctuated very significantly on a quarterly basis. What occurs there is a lot of times, the timing of our customer orders, unfortunately, from our perspective, we can't line those up and make that a nice, even line. What we see is some very, very strong quarters as we did in the third quarter of fiscal 2010 and the fourth quarter and the second quarter of fiscal 2010, and we'll have a quarter like we've most recently had where it's a bit lower. We always suggest to our investors not to look at one quarter, whether it's a good quarter or a bad quarter. It's more important to look over a four-quarter period, and sometimes even longer than that to really get a view of what's occurring within our business and how we expect to look from a sales and a profitability standpoint going forward. So, you know, we've had some variability there, and we have to manage that variability. But at the end of the day, looking over a multiple quarter standpoint that guides where we think our business is going.

Finally, Jim mentioned the strength of our balance sheet, and I wanted to put a few numbers around that. If you look at the beginning of the cycle, we had a little bit of cash on our balance sheet but not an enormous amount of cash to do anything with. Over the upturn, from 2005 to 2009, we generated almost

\$43 million worth of cash and put ourselves in a very nice position at the end of fiscal year 2009. We continued that in 2010. Jim mentioned we added about \$28 million worth of cap (sp?) on to our balance sheet. A significant portion of that was through our operating earnings and our continued management of our working capital as well as another component, which was negotiating with some of our customers to get advance payments from them. We've highlighted that in blue because we believe that's important. While that is cash on our balance sheet, and we're very happy to have that cash on our balance sheet, there is an offsetting liability that, at some point, we're going to need to use that cash to purchase materials to support those projects. So, even if you exclude that piece, our cash position is still in excess of \$55 million, so we did generate a significant amount of cash in 2010.

The slide on the right looks at our working capital. And again, Jim mentioned this earlier, if you went back to 2005, our working capital was about 20% of our revenue, which is a—not an out-of-the ordinary number for a manufacturing company. Over the last four or five years, we have worked on our working capital management, on our payments from our customers, on our inventory management, and in each of those areas, have made significant improvements to the point that over the past couple of years, our working capital as a percentage of sales has been typically between zero and 5%. A couple of quarters, including now, were actually negative, but again, if you back out that customer advance number, you'd find right now we're sitting at about 3 or 4% of sales. So, we think it's important to manage our working capital, manage our cash so that as we grow this business from where we are now back up to a higher level, we don't think we need to use a lot of cash to grow the business, and we can use our existing cash on our balance sheet for other investment opportunities, as Jim mentioned. The acquisition side, particularly, we think is an opportunity for us going forward.

With that, I'd like to pass this back to Jim to talk about our vision and our outlook for the future.

Jim Lines: Thanks, Jeff. Some remarks on our outlook and our vision. Our vision is to be the world leader in the design and manufacturer of engineered-to-order products to the energy markets. Two key distinctions here: engineered-to-order products and energy markets, and I'll add some comments about both of those distinctions. In engineered-to-order products, we're providing products into very complex processes for our customers. The selling cycle is very long. We like that. That's an important facet of the value we're going at, is the long sales cycle that we're involved in. What we like about that is, first, it creates value for our customers in that sales cycle. Our engineering know-how, our process know-how, our ability to work with their engineers to understand how to integrate our equipment into the process is a key value proposition for Graham, and that sales cycle can be six months to 24 months, but we like that. We also like the long sales cycle because we believe as we manage that sales cycle with our sales model, we derive value from that long-cycle sales process. Ultimately, we believe engineered-to-order products, because of how they're sold and how our model is applied, can derive improved margins. We have an ability to capture a good share of the business, and I believe we gain market share from how we manage the sales process on engineered-to-order products.

What are the engineered-to-order products in our markets? Specialty heat exchangers, vacuum-producing equipment, mass transfer equipment, fluid flow, and packaged systems. The products and business qualities of an engineered-to-order enterprise would include products that are differentiated, the services that are differentiated - on-time delivery, technical service, sales support, order management, change order aptitude - these are very complex orders. We're in an environment where our customers are interacting with us throughout the manufacture of a project, and we have to deal with a high level of engineering change orders and being adept at that, and strong processing know-how. That's very important. We also like where cost of failure is high. There's a risk with that, but we find that when our equipment's critical to the process, that clears away a lot of the competition, and there are only a few suppliers that can serve those opportunities, and we know how to serve it well, and again, we believe we derive a fair return on that risk. And also, it moves a purchase decision away from a price-based decision to a value-based decision, and that's important to us.

The second distinction that I made in our vision statement is energy markets. Energy markets are where Graham belongs. They're long-term growth markets. Yes, they are cyclical, but long term. The demand for energy is going to continue to increase. In oil refining, emerging economies are critical. In Asia, in South America, in the Middle East – investments are happening to serve those emerging economies. We have a very strong brand in those regions to capitalize on those opportunities. If you look at our sales mix

over the last 12, 24 months, it's been weighted more toward international sales. In the developed areas, in North America, for example, we like that, too. Even though there's limited new investment happening, they keep those facilities running and they have to make investments in retrofits, replacements, upgrades. We derive a great deal of revenue from that. Also, there are consistent, ongoing government regulations that affect investments refiners have to make in their facilities to improve the quality of the gasoline they produce or the transportation fuels they produce, or reduce the environmental footprint from their processes. That creates demand for our products. Also, there's always ongoing investment to improve the throughput in their facilities.

In power generation, there, too, we see long-term growth potential. It may be cyclical, again, but long term; it's a great place for Graham to be. Alternative energy, biomass-to-energy, geothermal, solar, those are areas where Graham has product that can serve those opportunities. Nuclear power, we're focused on nuclear. We think there's going to be a renaissance in the U.S. Without that, there still is opportunity for a company like Graham to serve the existing power plant league of over 104 plants. They're extending their life, the equipment wears out, they're re-rating the facilities, and there's opportunity for us in the nuclear market. We've begun a recertification process to obtain the quality license for Graham to be able to provide our products to the nuclear market. We had it for a few decades, up to the mid-'90s. Because of the limited investment that was happening, we abandoned our quality program, but we intend to recertify, and we're on that process now.

Lathe markets, where engineered-to-order products serve, where the same business model, the same sales model is applicable, include chemical processing industries. Also, edible oils and oleochemicals, companies like Procter & Gamble, Archer Daniels Midland, Cargill; industrial gases, unconventional crude oils, oil sands in Alberta; heavy crude oils in South America; those are areas as well. Also, our business model and our sales model are perfect for the naval nuclear program. We have an aptitude to handle very complex projects, engineer to engineer, and that's how that product has to be sold to the Navy, and we think there's ample opportunity for us to carve out a space for Graham with the carrier program, the submarine program, and the destroyer program.

The near-term objectives, of course, are to continue to manage through the downturn - I think the management team has done admirably well and in a very harsh environment - and be ready to capitalize on investments and new capacity that's ongoing in emerging economies in Asia, in South America, and in the Middle East. We're capitalizing on those, as you can see by our order announcements over the last several quarters. We gained market share in the Middle East. We think our brand is extremely strong there, our value proposition is well recognized, and I think we can move our market share in our favor in the Middle East. Aggressively pursue opportunities in South America: Columbia, Venezuela and Brazil. There's going to be a long-term investment program in those economies, and we plan to capitalize on that. Not too long ago, we announced about a \$3 million order for a refinery in South America that was won by the Company. There will be investment in North America. It may not be right now, but there will be investment in oil sands, in U.S. refining capacity, in chemicals, petrochemicals, power generation, and we will capitalize on that. Also, outside of organic growth, which we believe can be appreciable, there's acquisition growth. That's centered around geographic expansion or adding products that allow us to get into new markets, or leverage our, channels in existing markets. Ultimately, this Company will be ready when the markets recover. We believe we will expand more quickly than we did last cycle, and we will be ready.

In demand trends, oil consumption is increasing. Yes, it's stagnant in the developed economies of North America, Europe, but the appetite for oil to make products in Asia, South America seems to be going unabated, and that's going to drive demand for our products. Increased need for new refining facilities; power generating plants; new petrochemical plants in Asia and in North America around renewable fuels; and nuclear power. We think there's a space for us to carve out for Graham to play and win a good portion of the opportunities there globally.

Right now, the opportunities are outside of North America. In Asia, refining, petrochemical, alternative energy, by winning those opportunities in the Middle East. As I mentioned earlier in my presentation, we won \$23 million of business for Saudi Arabian refining projects. There's more coming. We plan to capitalize on that. And South America is beginning its investment program, which will be a multi-year program. In North America, which we believe will be the fourth geographic region to come on, in through

a recovery, we see work right now in alternative energy that we are winning, and refining and petrochemical investment will come.

This slide just gives a perspective of last year's bookings at \$108 million. Forty million of it, or about 40%, was from the refining market. You can see, geographically, the work came from Asia, from South America, the Middle East, and some in the U.S. Chemical and petrochemical was about 15% of the order intake, primarily international markets. And in the "other" category is the large navy contract, which was in excess of 25 million. So, that's a whole host of end-use applications, edible oils, industrial gases, HVAC, a variety of process industries that we serve. What's really unique about Graham at this stage is the level of backlog that we have and that it's a multi-year backlog. The backlog at about \$94 million at the end of March spans three to four years. What's different is, typically, our backlog converts 85 to 90% over 12 months. With this particular backlog, it's more protracted, 50 to 60% is planned to convert over 12 months, 20% to 30% converts the following year, and 10% to 20% the year after that. That's a fantastic foundation for this business to grow from and to be a buffer in quarters where we have soft bookings like we had the first quarter of this year where it was \$8 million.

I believe Graham is a good value, a good investment value. If you look at our stock performance compared to a couple of indices over the last 12 months, Graham is up 20%—in excess of 20% over the last 12 months versus the Dow at around 16% and the Russell 2000 up 20%. But, more importantly, over the longer horizon, looking at the six-year graph, investing in Graham six years ago, the value of your investment would be up 7X compared to the other two indices, which would be less. What's unique about Graham is, I believe, what we are able to do to serve growth markets in emerging economies. We have a business model that allows us to deal with the variation in order flow, deal with operating performance in a cyclical marketplace but, most importantly, investors thinking long term: energy, emerging economies, it all goes together, and it's being shown in the value of our stock versus some other indices. We also emphasize what is, me—to me, that we've done the right things the last three or four years. We've demonstrated different operating performance in the downturn that hadn't been seen before that's given a different level of value to our stock in a downturn. So, I think Graham remains a very solid investment. For those invested in Graham, I thank you for that.