

redefining Graham

Roth 21st Annual OC Growth Stock Conference

James R. Lines, President and Chief Executive Officer

February 17, 2009



Safe Harbor Statement

These slides contain (and the accompanying oral discussion will contain) “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements involve known and unknown risks, uncertainties and other factors that could cause the actual results of the Company to differ materially from the results expressed or implied by such statements, including general economic and business conditions, conditions affecting the industries served by the Company and its subsidiaries, conditions affecting the Company’s customers and suppliers, competitor responses to the Company’s products and services, the overall market acceptance of such products and services, the effect of the Company’s strategy and other factors disclosed in the Company’s periodic reports filed with the Securities and Exchange Commission. Consequently, such forward looking statements should be regarded as the Company’s current plans, estimates and beliefs. The Company does not undertake and specifically declines any obligation to publicly release the results of any revisions to these forward-looking statements that may be made to reflect any future events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

Graham Corporation

- NYSE-A: GHM
- Founded in 1936. IPO in 1968.
- Common shares outstanding 10.1 million
- Market capitalization* \$102.0 million
- 52-week price range* \$54.91 – \$6.85
- Most recent price* \$10.10
- Avg. daily trading volume* (12 mos.) 328,929
- Stock splits
 - 5 for 4 1/2/08
 - 2 for 1 10/7/08
- Ownership (*reporting as of quarter ended 9/30/08*)
 - **Institutions** **76.3%**
 - **Insiders** **3.7%**

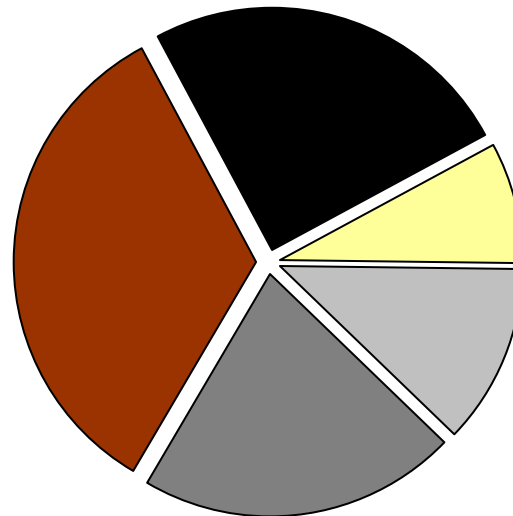
* *Market data as of February 10, 2009*

Our Vision

*Our goal is to be a
world leader in the design
and manufacture of
engineered-to-order products
for the process industries*

Products

34% Ejectors



25% Condensers

8% Pumps

12% Heat Exchangers

21% Aftermarket

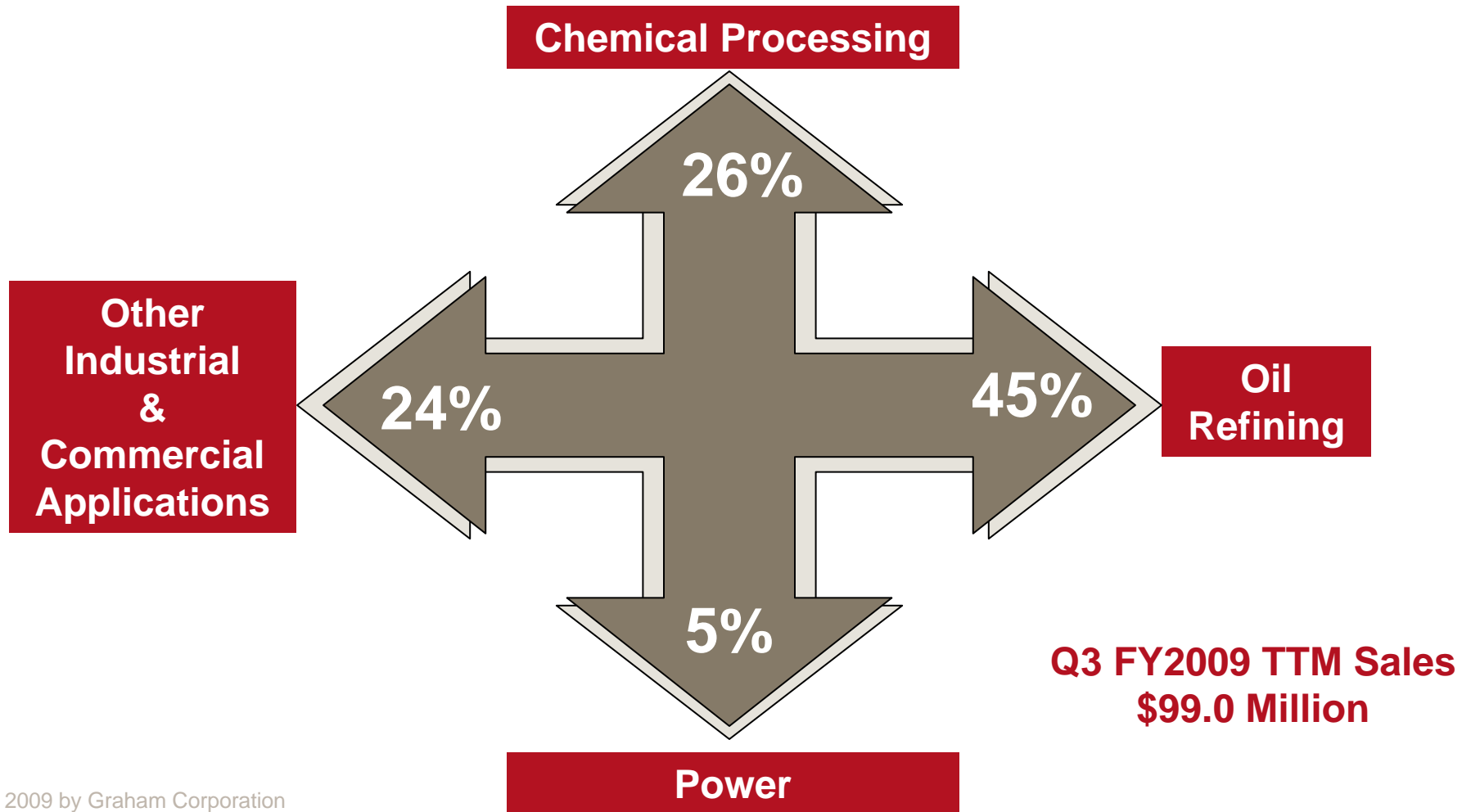


**Q3 FY2009 TTM Total Sales
\$99.0 Million**

U.S. sales 63%

International 37%

Diversified Markets



Cultivate Diverse Market Applications

OIL REFINING

- Conventional crude oil
- Oil sands
- Extra heavy crude oil
- Sour crude
- Lube oil

CHEMICAL PROCESSING

- Ethylene
- Ammonia
- Nitrogen
- Methanol
- Styrene
- Polystyrene
- Ethylene glycol
- Detergent alcohols
- Plastics, resins, fibers
- Coal to liquids (CTL)
- Gas to liquids (GTL)

POWER GENERATION

- Cogeneration
- Waste to energy
- Heat, power and light
- Geothermal
- Nuclear
- In-situ

OTHER APPLICATIONS

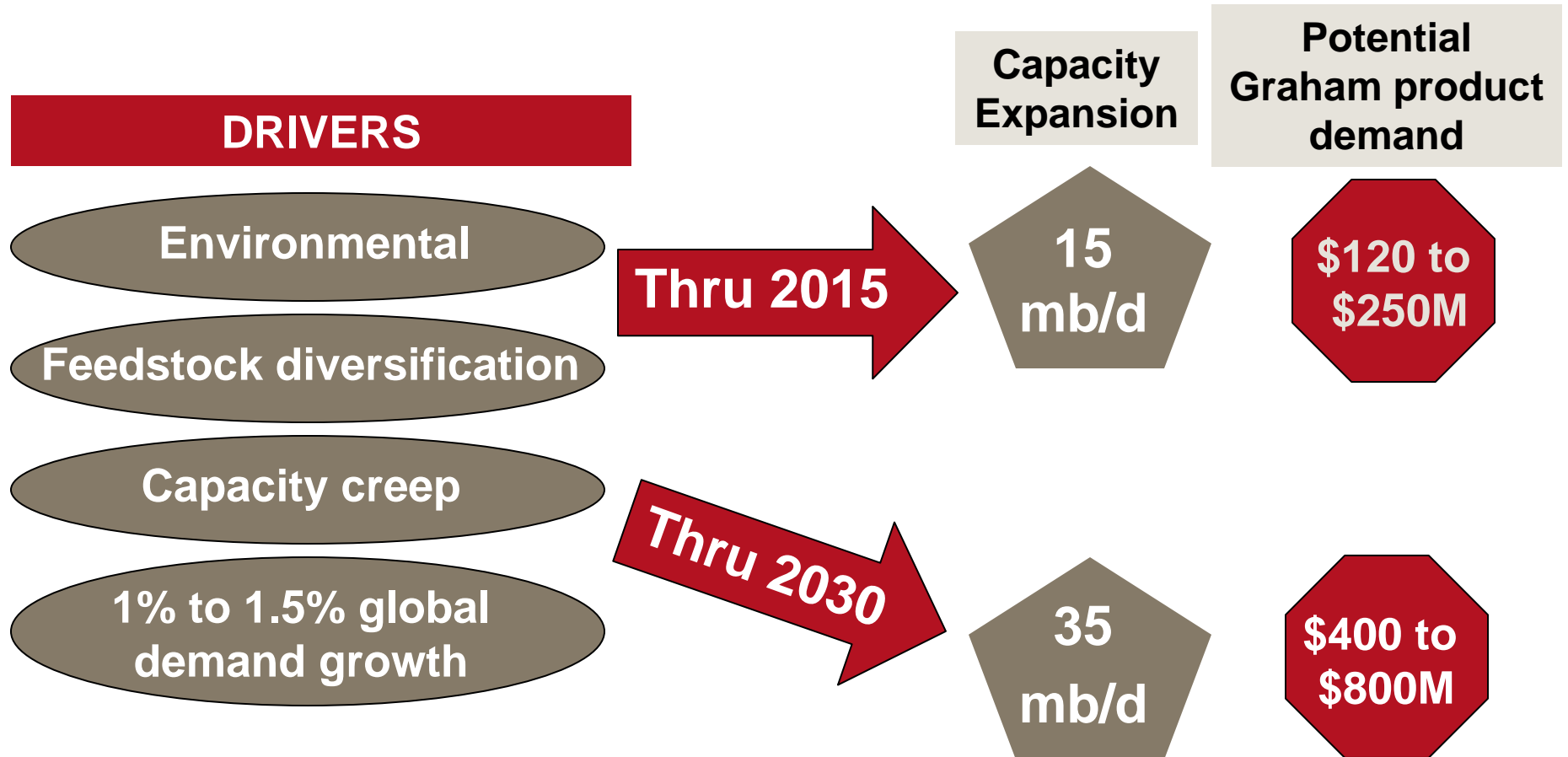
- Edible oil/Oleochemicals
- Ethanol
- Biodiesel
- HVAC
- Industrial gases
- Cryogenic

Diversification of Orders

\$2.5M Ejector Systems	North Africa	Fertilizer Plant	In Backlog
\$3.5M Ejector Systems	China	Oil Refinery	In Backlog
\$5 M Ejector System	South Korea	Oil Refinery	In Backlog
\$1.4M Surface Condenser	Middle East	Oil Refinery	In Backlog
\$1.8 M Ejector System	USA	Oil Refinery	In Backlog
\$2.6 M Surface Condenser	Turkey	Power Generation	In Backlog
\$2.4 M Surface Condenser	China	Petrochemical	In Backlog

Representative orders during current fiscal year.

Long-term Demand Growth





FINANCIAL HIGHLIGHTS AND RESULTS



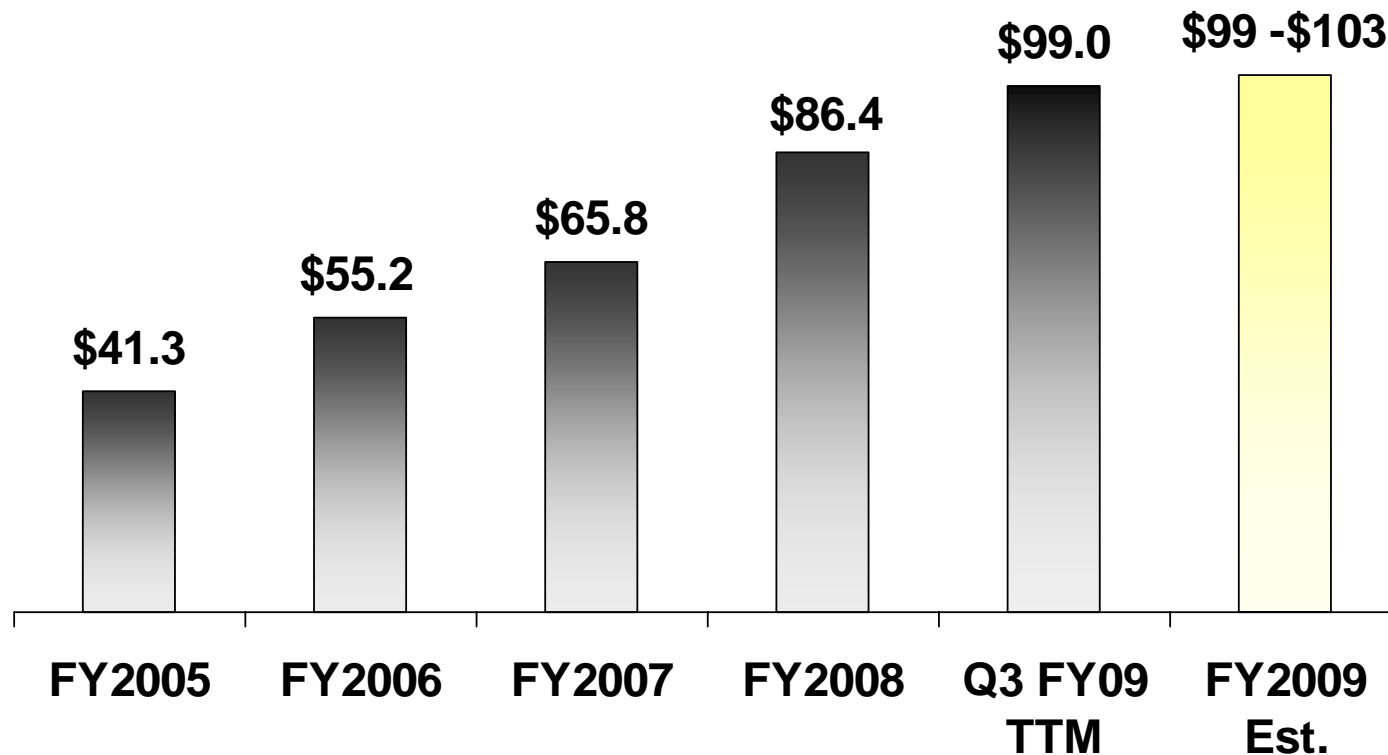
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Revenue Expansion

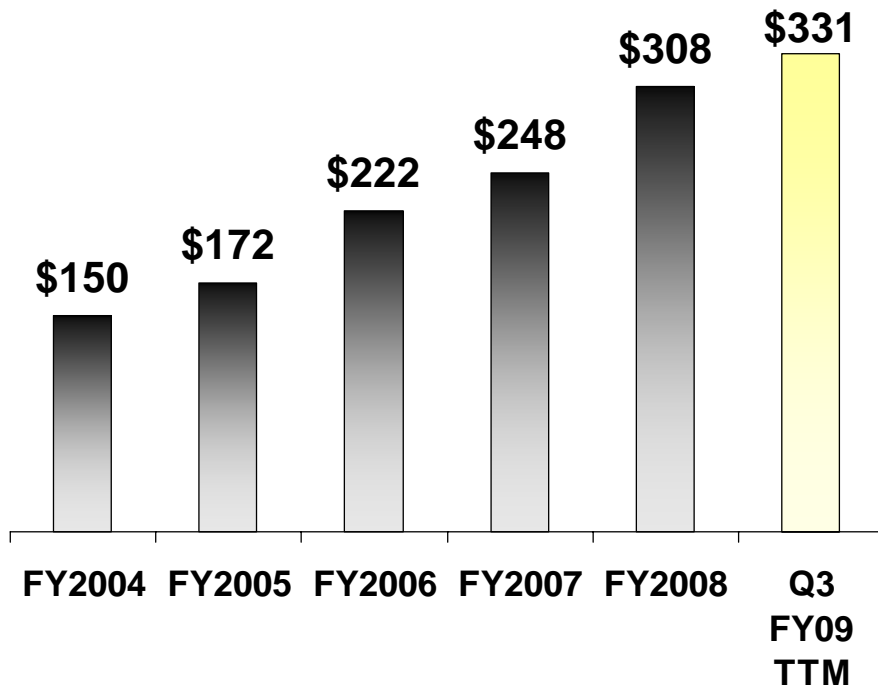
(\$ in millions)

24.4% CAGR Sales
(FY2005 – FY2009E at low end of range)

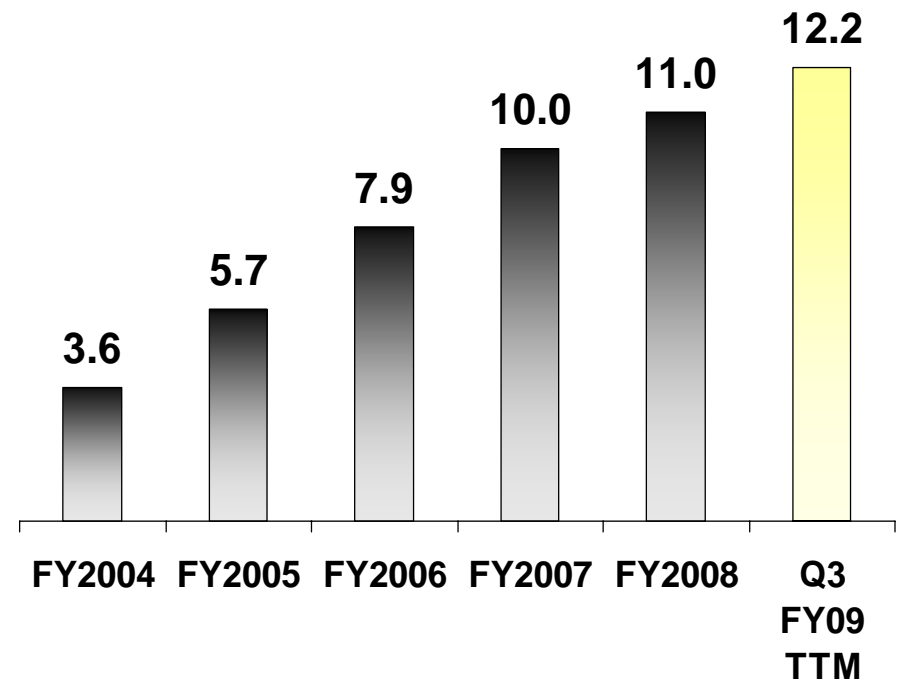


Improved Productivity

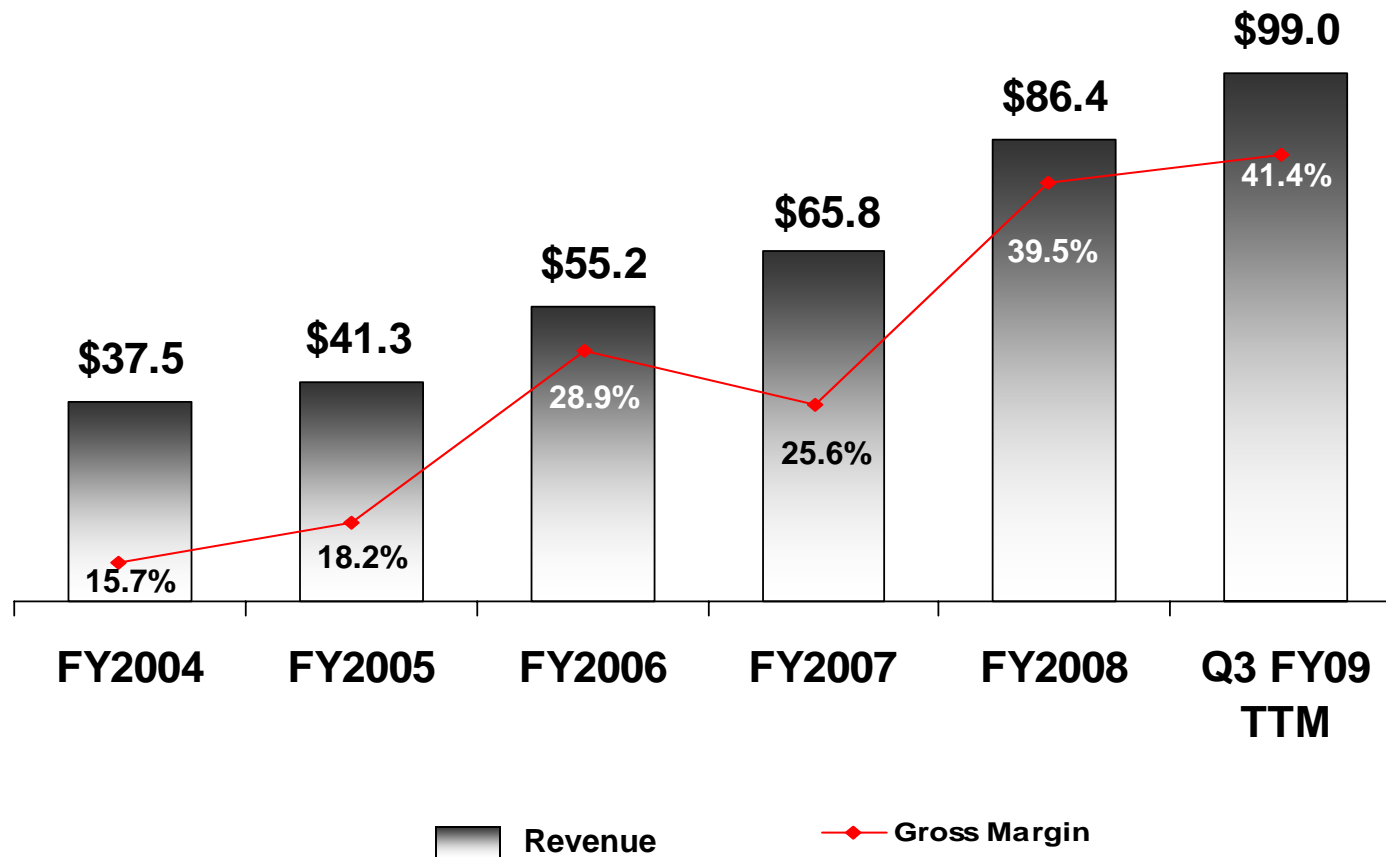
Sales per Employee *(in thousands)*



Inventory Turnover *(times per year)*

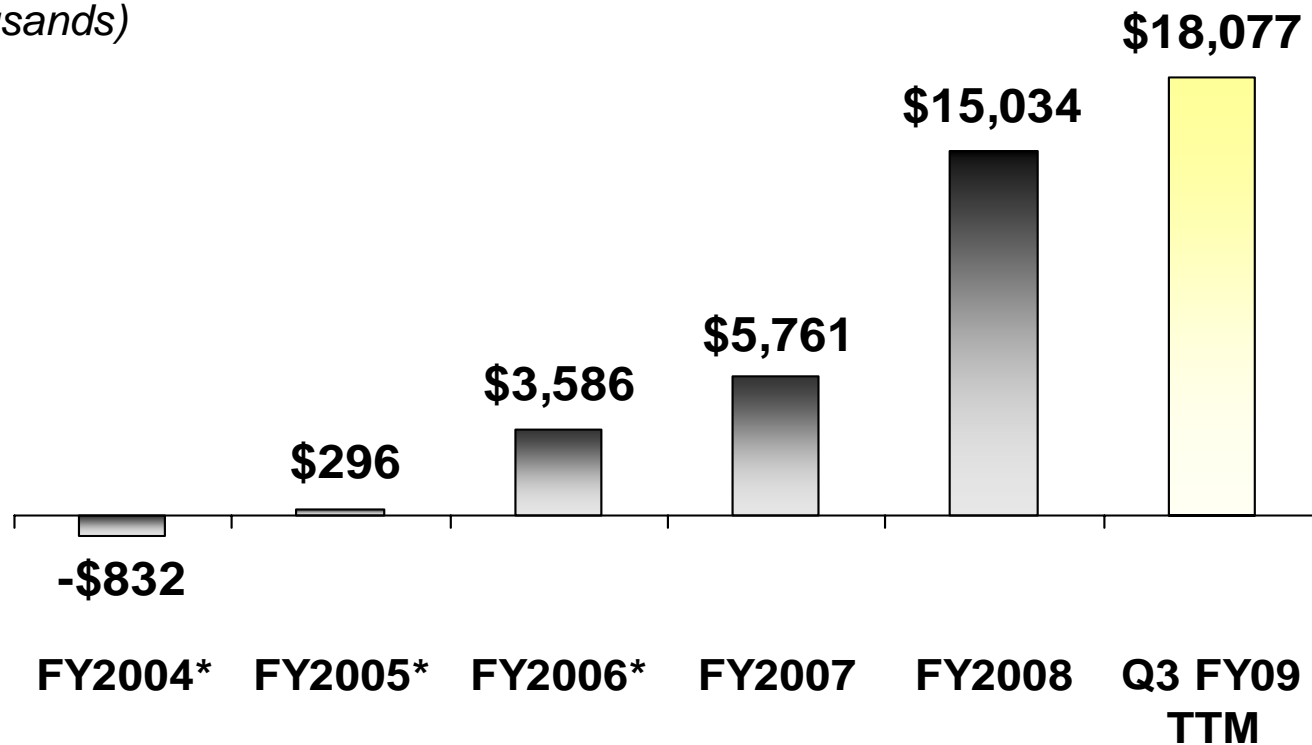


Improved Gross Profit Margin



Net Income and EPS Growth

(\$ in thousands)



**Earnings
per Share****

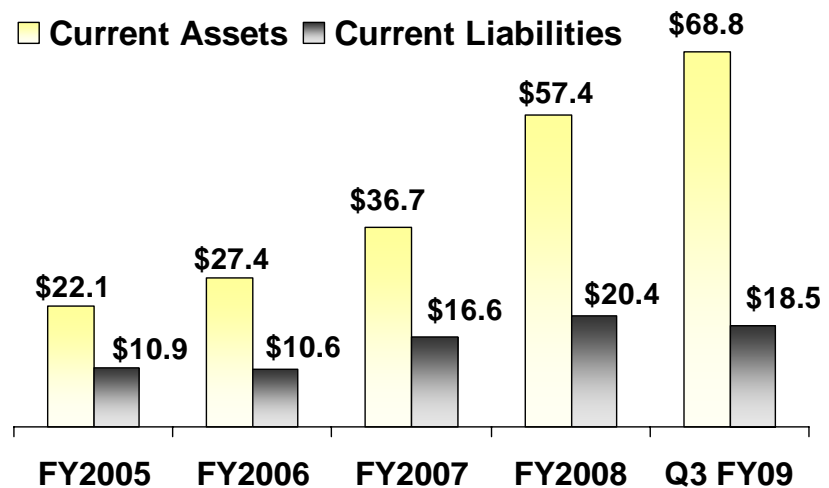
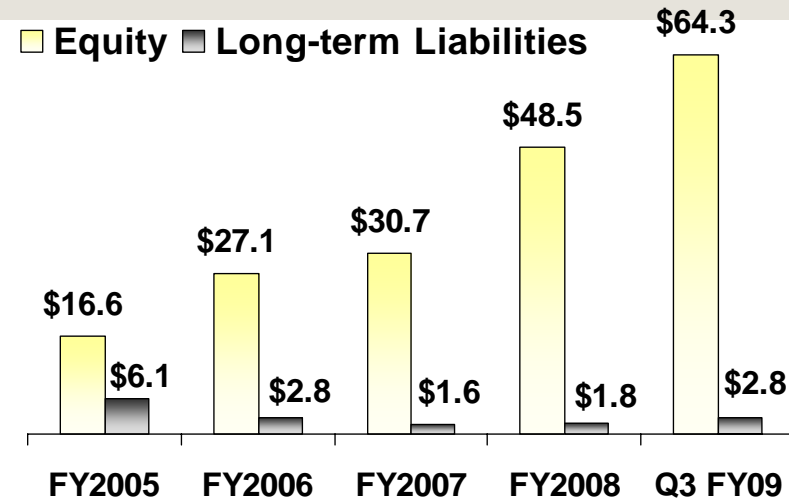
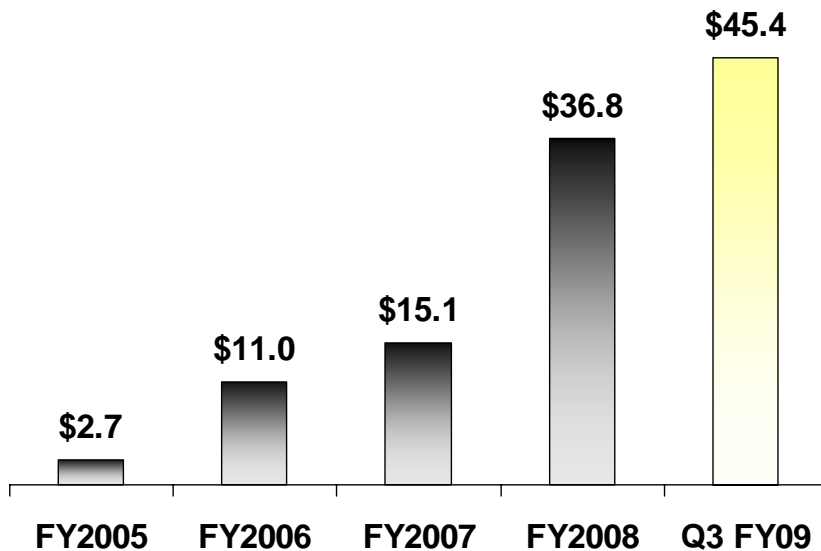
(\$0.10)* \$0.03* \$0.38* \$0.58* \$1.49*** \$1.77**

* From continuing operations. ** Adjusted for two-for-one stock split. *** Includes R&D tax credit of \$0.16 and \$0.02 in FY2007 and FY2008, respectively.

Strong Balance Sheet

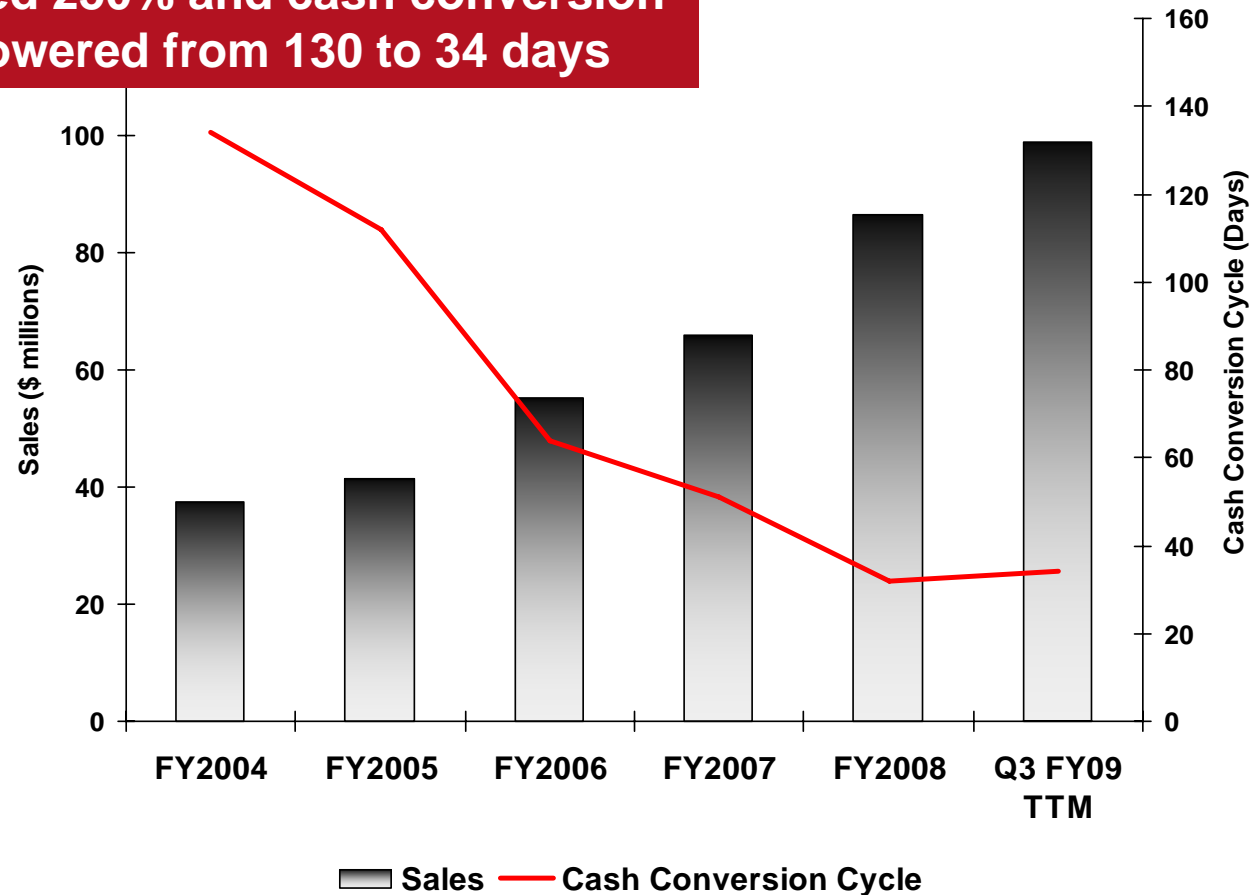
(\$ in millions)

Cash, Cash Equivalents and Investments



Priority: Cash Management

Sales expanded 250% and cash conversion cycle was lowered from 130 to 34 days





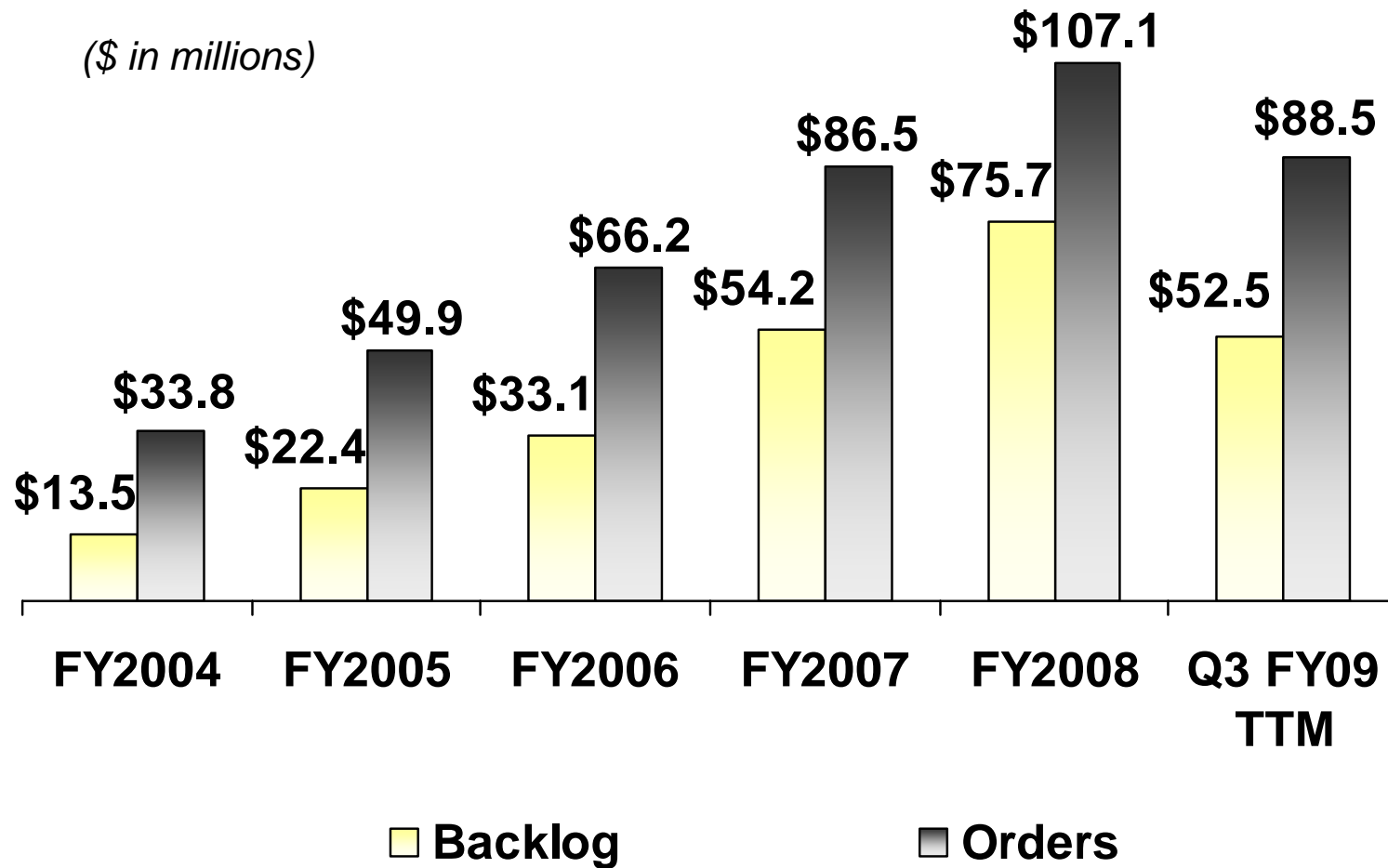
STRATEGY AND OUTLOOK



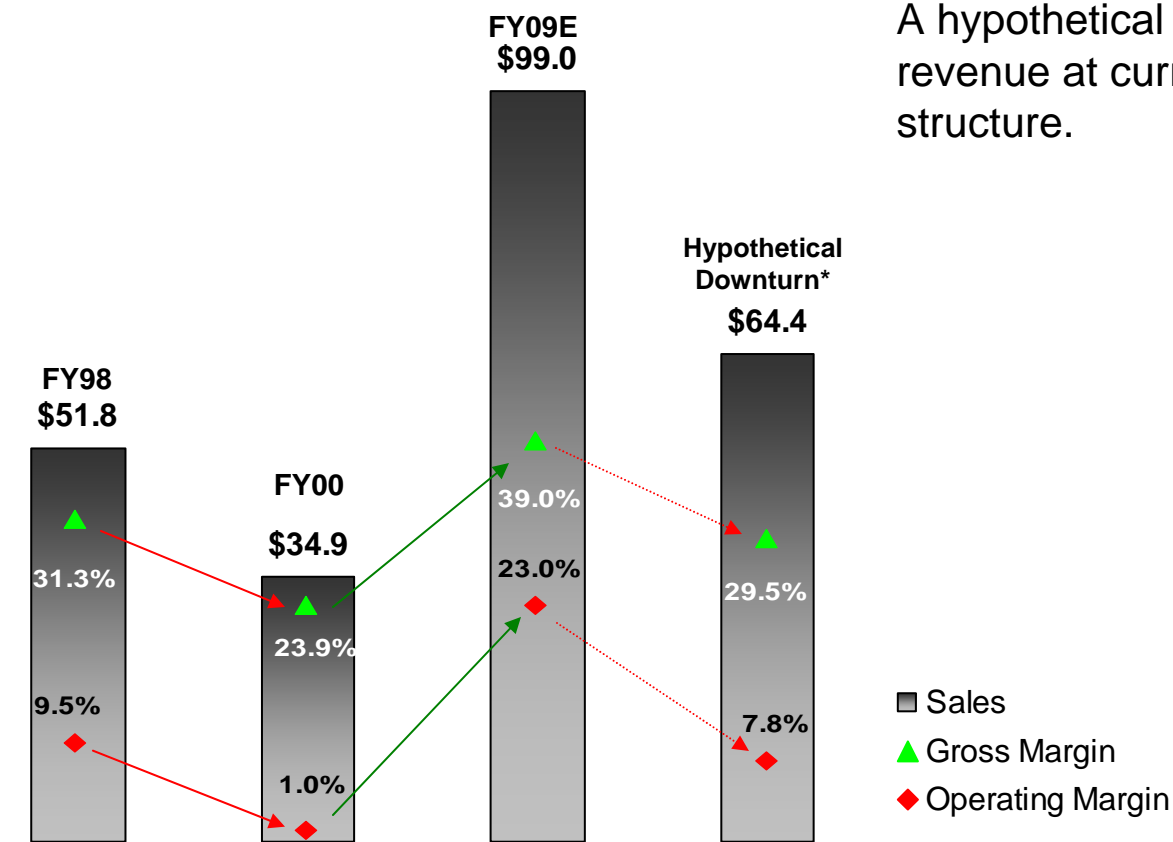
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Dramatic Cycle Shift



Reducing Impact of Cyclicity



* Assumes a 35% reduction in revenue, a 29.5% gross margin and \$14.0 million in SG&A expenses

Strategy for Long-term Sustainable Growth

Increase base of less cyclical sales

Geographic diversification

Grow aftermarket revenue

Drive Long-term Growth and Earnings Power

Broaden array of markets

Optimize operational performance

Acquisition Criteria



**Up to
\$80 million
in revenue**

**Accretive to
earnings in
first year**

**Diversify
products**

**Engineered
to order
products**

**Geographic
expansion**

**Strong
management
team**

Pipeline of Major Projects

Chevron
U.S. refinery

Sinopec
China Refinery

Petrochina
China refinery

BAPCO
Bahrain refinery

QAFCO V
Qatar fertilizer plant

Singh Refinery
Ethylene plant

Aramco/ConocoPhillips
Saudi Arabia refinery

Jihua Group
China petrochemical

Aramco/Total
Saudi Arabia refinery

KNPC
Kuwait refinery

Growth Potential

 **Dynamic
Market Conditions**

 **Strong Worldwide
Brand Recognition**

 **Internal Organic
Capacity Expansion**

 **Acquisition
Opportunities**



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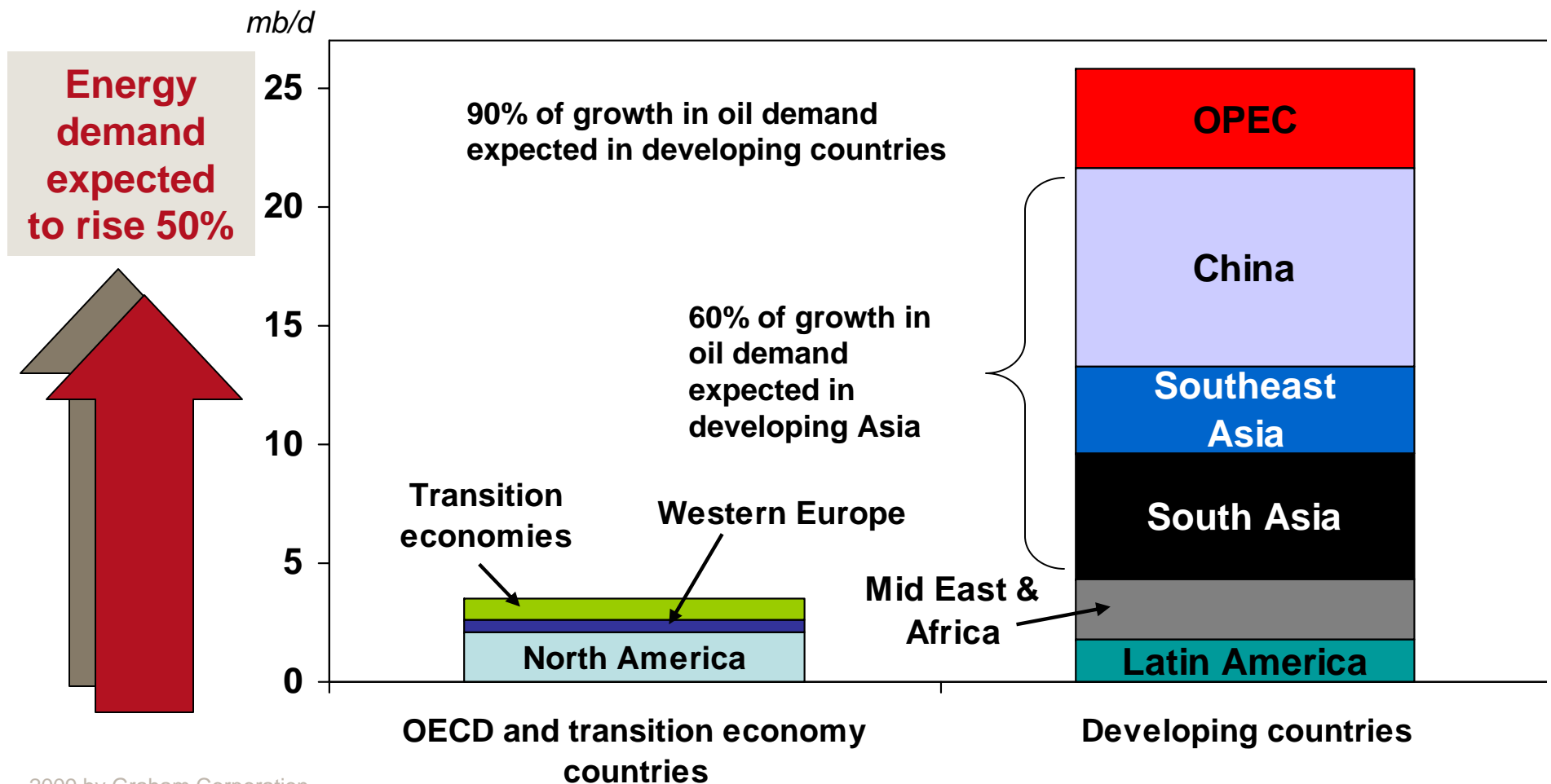
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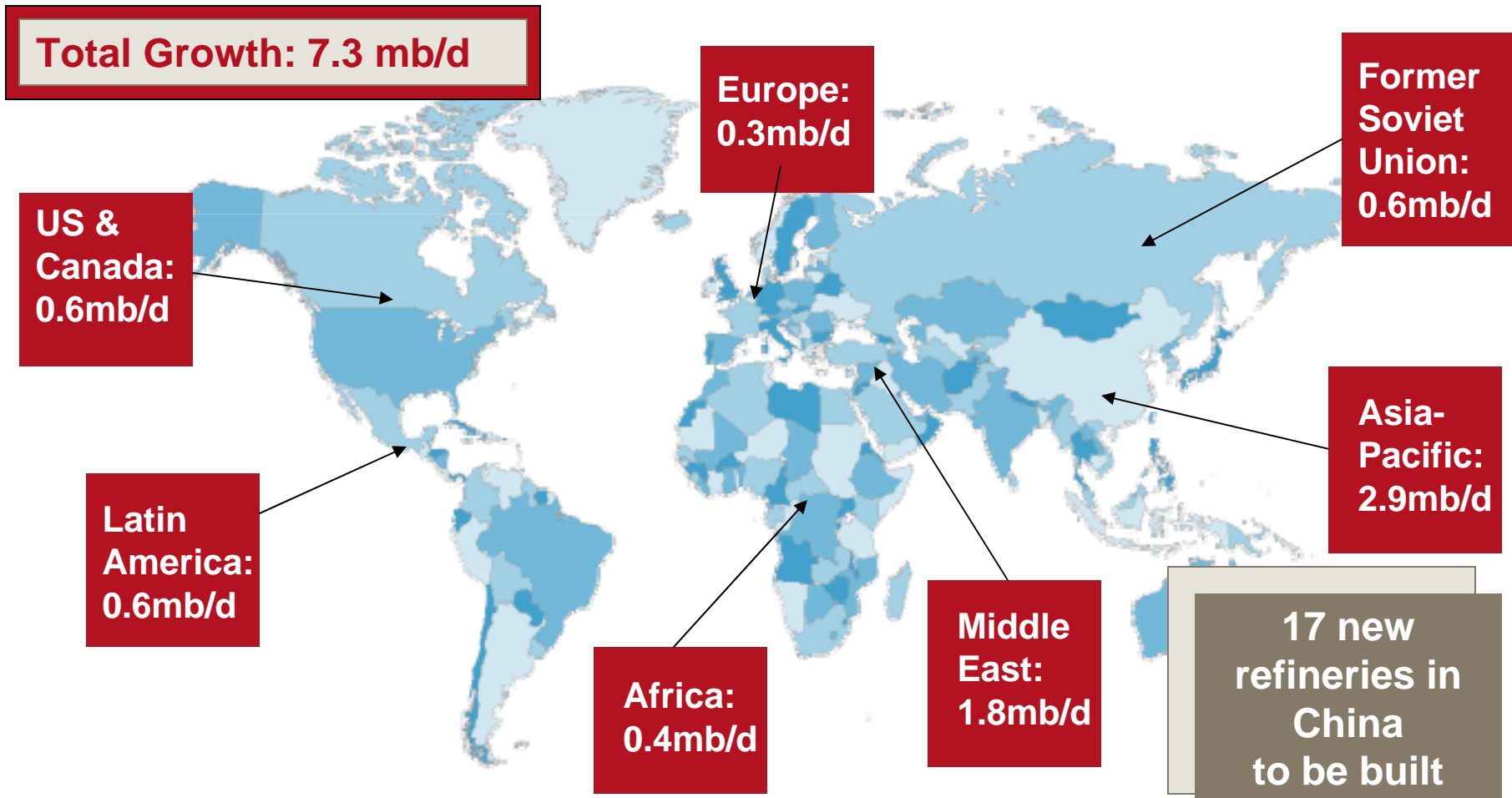
February 17, 2009



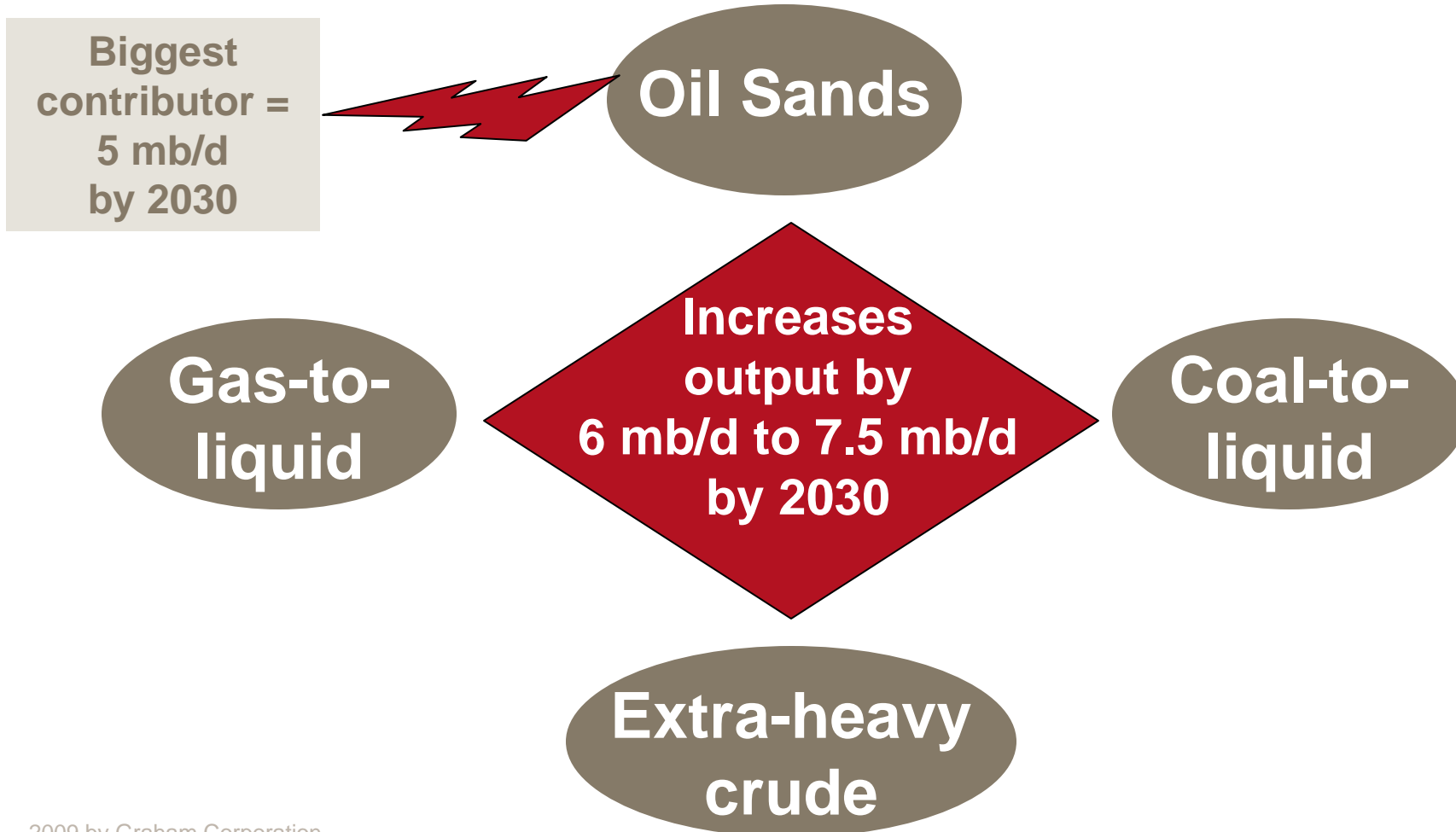
Long-term Rise in Demand (2006 – 2030)



Global Distillation Capacity Growth *(through 2015)*



Non-Conventional Oil Supply Growth

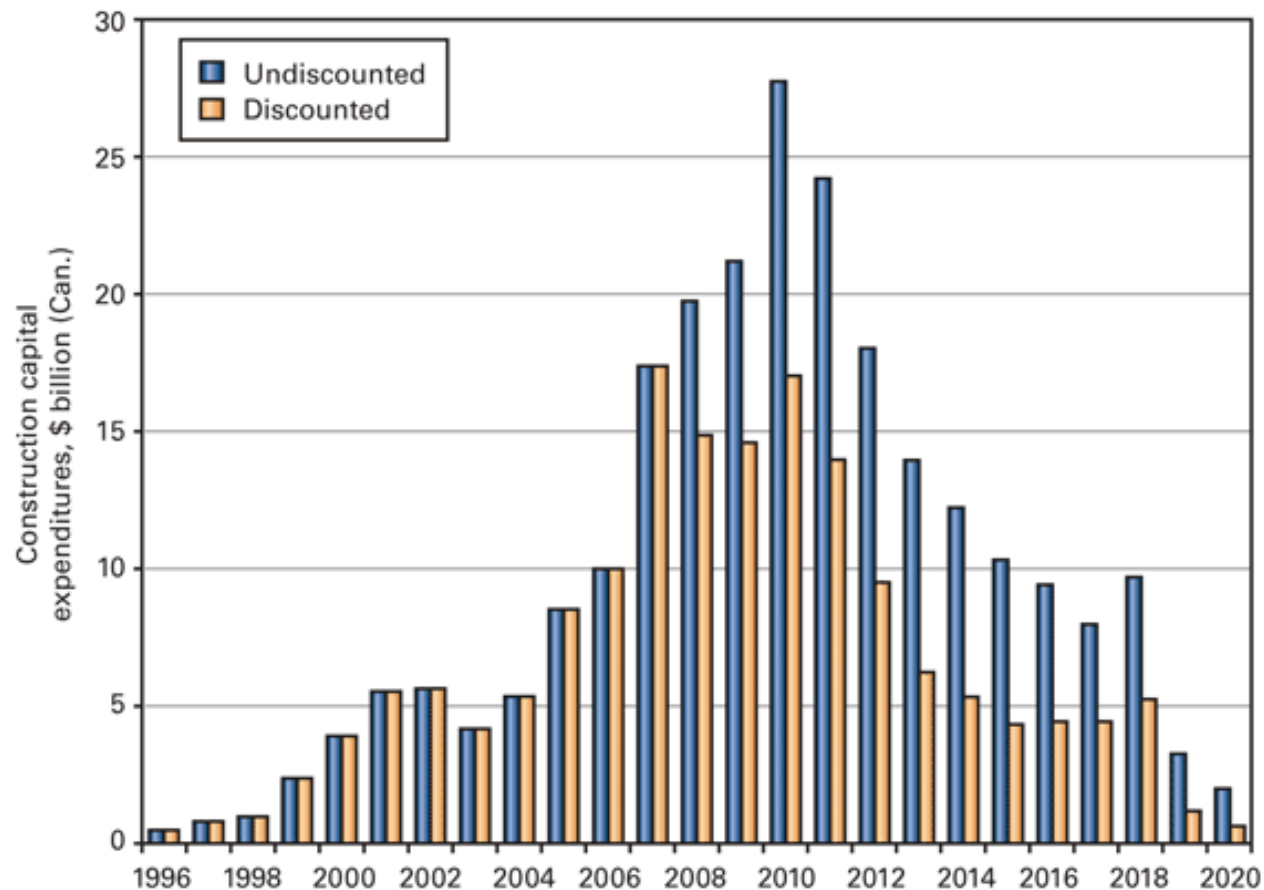


Canadian Oil Sands Spending

OIL SANDS EXPENDITURE FORECAST

Fig. 3

\$100 to \$150 million potential demand for Graham products from 2010 to 2016



Source: Oil & Gas Journal and Energy Resources Conservation Board of Alberta

North American Competition

NORTH AMERICA

Market	GHM Market share	Competitors
Refining vacuum distillation	~ 75%	Gardner Denver
Chemicals/Petrochemicals	~ 25%	Croll Reynolds; Schutte Koerting; Gardner Denver
Turbomachinery OEM – refining, petrochemical	~ 50%	Ambassador; Yuba; Kreuger
Turbomachinery OEM – power and power producer	~ 15%	Holtec; Babcock; Thermal Engineering; Yuba; Krueger
HVAC	~ 10%	Alfa Laval; APV; ITT; Ambassador

International Competition

International

Market	GHM Market share	Competitors
Refining vacuum distillation	~ 35 to 50%	Gardner Denver; GEA Jet Pump; Korting Hannover; Edwards
Chemicals/Petrochemicals	~ 25%	Croll Reynolds; Schutte Koerting; Gardner Denver; GEA Jet Pump; Korting Hannover; Edwards
Turbomachinery OEM – refining, petrochemical	~ 50%	Donghwa-Entec; Bumwoo; Oiltechnik; Kreuger; various local fabricators
Turbomachinery OEM – power and power producer	~ 15%	Holtec; Babcock; Thermal Engineering; Yuba; Krueger