Third Quarter Fiscal 2012 Earnings Call

Executing our Strategy ● Driving Sustainable Growth

Diversifying Improving Expanding

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Forward-looking statements are subject to risks, uncertainties and assumptions and are identified by words such as “expects,” “estimates,” “projects,” “anticipates,” “believes,” “outlook,” “priorities,” “could,” and other similar words. All statements addressing operating performance, events, or developments that Graham Corporation expects or anticipates will occur in the future, including but not limited to, statements relating to Graham’s acquisition of Energy Steel & Supply Co. (including but not limited to, the integration of the acquisition of Energy Steel, revenue, backlog and expected performance of Energy Steel, and expected expansion and growth opportunities within the domestic and international nuclear power generation markets), anticipated revenue, the timing of conversion of backlog to sales, profit margins, foreign sales operations, its strategy to build its global sales representative channel, the effectiveness of automation in expanding its engineering capacity, its ability to improve cost competitiveness, customer preferences, changes in market conditions in the industries in which it operates, changes in general economic conditions and customer behavior and its acquisition strategy are forward-looking statements. Because they are forward-looking, they should be evaluated in light of important risk factors and uncertainties. These risk factors and uncertainties are more fully described in Graham Corporation's most recent Annual and Quarterly Reports filed with the Securities and Exchange Commission, including under the heading entitled “Risk Factors.”

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James R. Lines

President & Chief Executive Officer

DIVERSIFYING

IMPROVING

EXPANDING

Solid Sales Growth

Q3 FY2012 revenue up 27% to $24.3 million

- Organic sales up 13.1% over prior year; Energy Steel contributed $3.4 million, or 14%, of total sales
  - Solid leading indicator: Short cycle sales up 25%
    - *Strengthening margins in improved pricing environment*
- Power market, including Energy Steel, expanded $2 million, or 45%
- Petrochem market sales increased $1.4 million, or 44%
- Refining market sales were flat
- Mix weighted to U.S.: 43%/57% international/domestic
- Sequential decline in sales from trailing Q2FY12 reflects nearing completion of major Middle East refining projects

Higher Volume Drives Margin Expansion

Diluted EPS of $0.16 compares with $0.13 in prior-year period
(excluding acquisition costs)

- Achieved 27% gross profit and 13% EBITDA margin
- Better leverage on higher organic volume:
  - *Higher volume demonstrated by ~15% increase in production hours*
- Improved pricing over prior year period
- Sequential decline from trailing quarter reflects lower sales volume and change in mix

Diversification Drives Recovery

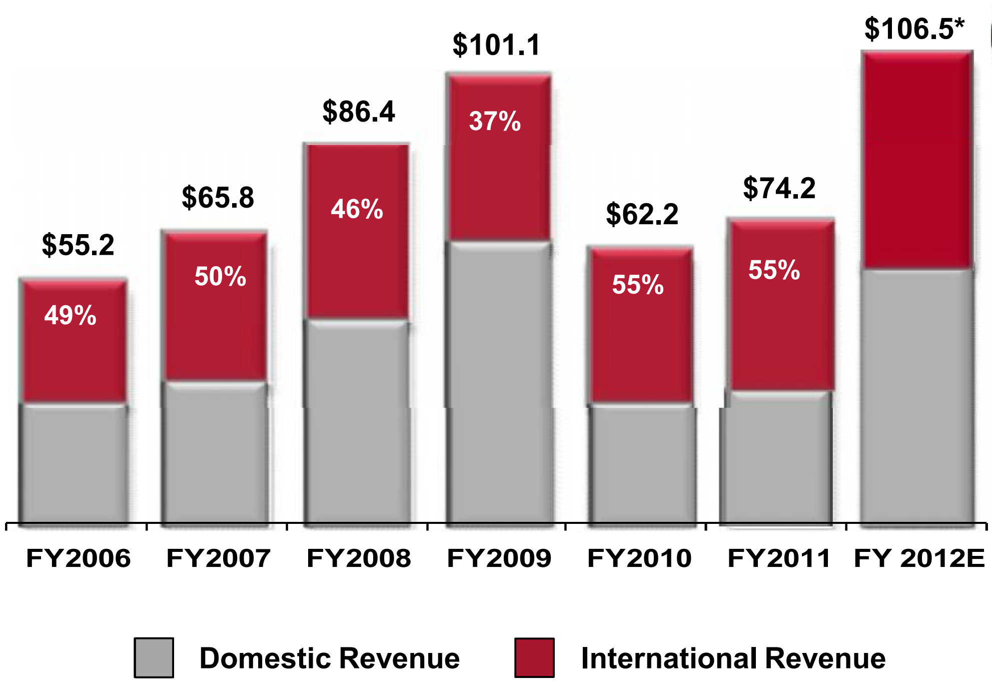
Markets and Geography

12-Month Revenue

($ in millions)

FY 2006 – FY 2009
22.4% CAGR

Driven by oil refining and petrochemical markets



Approx 55/45 dom./int'l split

FY 2010 – FY 2012E
30.8% CAGR **

Oil refining, petrochemicals, Navy and power markets drive growth

**Midpoint of guidance provided on January 27, 2012 ($105-$108 million)*
***Includes Energy Steel which accounts for 16-20% of FY2012 estimated revenue*

Solid Pipeline of Quality Opportunities

23% order growth driven by Energy Steel wins

- Orders of $21.9 million reflect success of diversification strategy
  - *Included $9.7 million, or 44%, from Energy Steel*
- Organic business orders were down 28% to $12.2 million
  - *Timing: order placement pushed out of quarter*
  - *Competition: S. Korean Won providing significant advantage*
- Power market: $10.9 million in orders including nuclear energy
  - *Terrific win for AP1000 new nuclear energy facilities*
- Chemical/petrochemical: $4.7 million in orders
- Oil refining: $2.0 million in orders, down from $8.2 million
- Strong long-term outlook: Expect rapid return once orders begin to be released.
- Near-term order levels will vary, however, pipeline is building

Oil Refining & PetroChem Markets

Early stages of next wave of investment to expand capacity

- Asia: refining, petrochemicals, fertilizers
  - China and India adding new capacity; Southeast Asia investments for growth
  - Anticipating strong multi year investment programs throughout region
- Middle East
  - Major refining projects slated for Saudi Arabia, Kuwait, Iraq , UAE
    - *Massive projects: Ras Tanura Jazan, KNPC, Ruwais refineries*
  - Petrochemical and fertilizer plant investments planned
- North America
  - New extraction and upgrading capacity for Canadian oil sands
  - Investments to improve conversion and diversify feedstock
  - Favorable natural gas prices drive investments in petrochem and fertilizer plants
- South America
  - Large multi-year investment plans for new refining and petrochemical capacity

Chemical & Equipment News 1/9/12:
"U.S petrochemicals long-term outlook is better than it has been in a generation"

Perspectives on Power Industries Served

- Power Generation
  - Nuclear energy facilities
    - Terrific pipeline for replacing and upgrading equipment at existing plants
      - *Expanding addressable opportunities for replacement equipment via Energy Steel & Graham synergies*
    - Secured first orders for US-based Westinghouse AP1000 new facilities
      - *Additional potential within current US-based projects*
      - *Identified opportunities at Chinese AP1000 new facilities*
  - Renewable energy
    - Many active biomass to energy projects in North America
    - Geothermal power projects in pipeline for North America, Southeast Asia and Latin America

Outlook on NNPP and Other Markets Served

- Naval Nuclear Propulsion Program
  - Aircraft carrier program
    - *Current order progressing well; Additional opportunities on same carrier*
    - *Defense Department confirms plans to maintain 11 carrier fleet*
  - Submarine program
    - *Virginia-class attack submarines*
    - *Ohio-class submarine replacement program*
    - *Secured initial work for studies related to program*
- Other markets: Edible oils, HVAC, General Industrial
  - Continuing to experience improved order development and stronger margins
- Aftermarket demand across refining, petrochemicals, edible oils, and general industries has picked up
  - Q1-Q3 FY12 orders up 33% compared to Q1-Q3 FY11 orders

FY 2012 Outlook*

- Outlook tightened for FY 2012
- Full Year Expectations

Revenue	$105 - $108 million
Energy Steel	16% - 20% of total revenue
Organic growth rate	25% - 30%
Gross margin	32%-33%
SG&A	15% of sales
Effective Tax Rate	~34%

* *Guidance provided as of January 27, 2012*

Priorities and Challenges

- FY2012 and FY2013 are positioning years for market recovery
  - Making investments ahead of strong demand to develop internal capacity across company
    - *Expecting strong wave of new work once recovery is well underway*
    - *Be "at the ready" to capture greater share and expand more rapidly than last cycle*
- Advance market share in oil refining and petrochemical markets
  - Gain share in Asia and South America
  - Maintain strong position in Middle East
  - Continue to dominate North American market
- Expand Energy Steel capabilities to increase sales and profit
  - Exploit synergies of Graham engineering and fabrication capabilities
  - Aggressively pursue sales to U.S. nuclear utilities
  - Capitalize on opportunities in new construction
- Continue to develop Naval Nuclear Propulsion Program sales channel
- Continue to evaluate acquisitions
- Building backlog: patience with timing on order wins

Jeffrey F. Glajch

Chief Financial Officer

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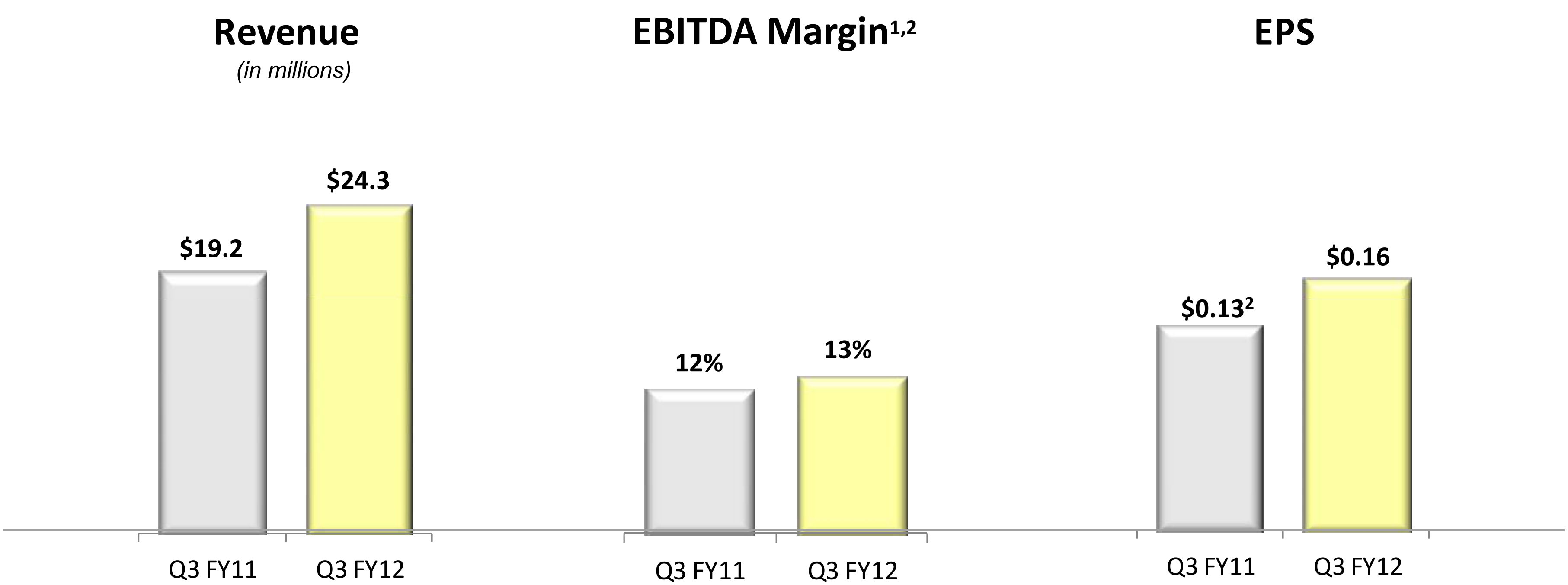
Q3 FY12: Continued Solid Results



[1] *See supplemental slides for EBITDA reconciliation and other important disclaimers regarding EBITDA*
[2] *Adjusted for acquisition transaction costs*

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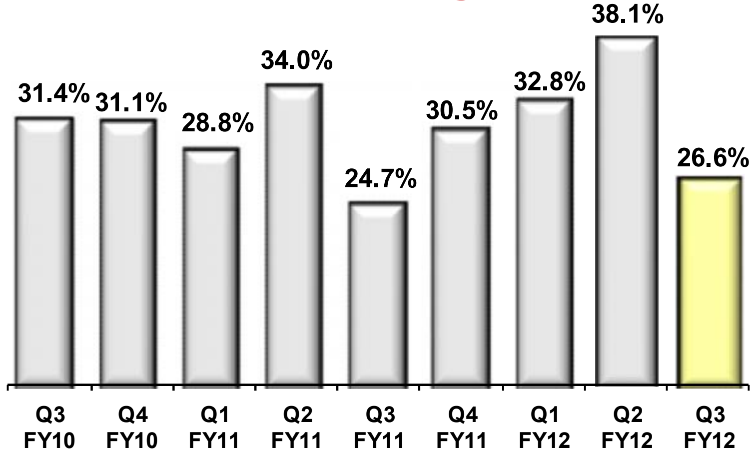
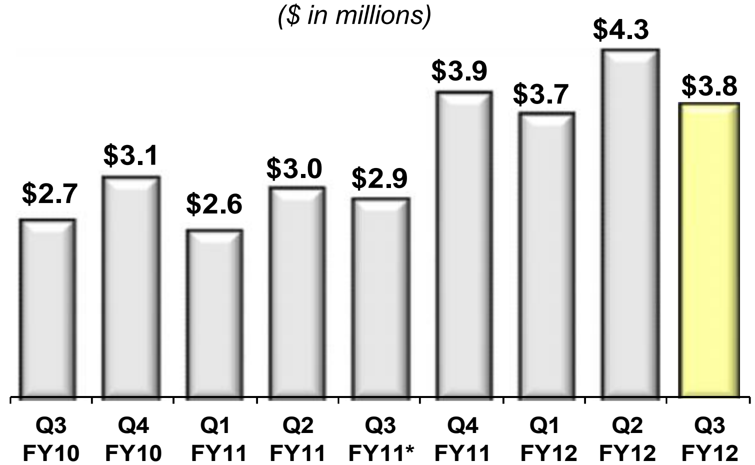
Operational Review: Q3 FY2012

Gross Margin



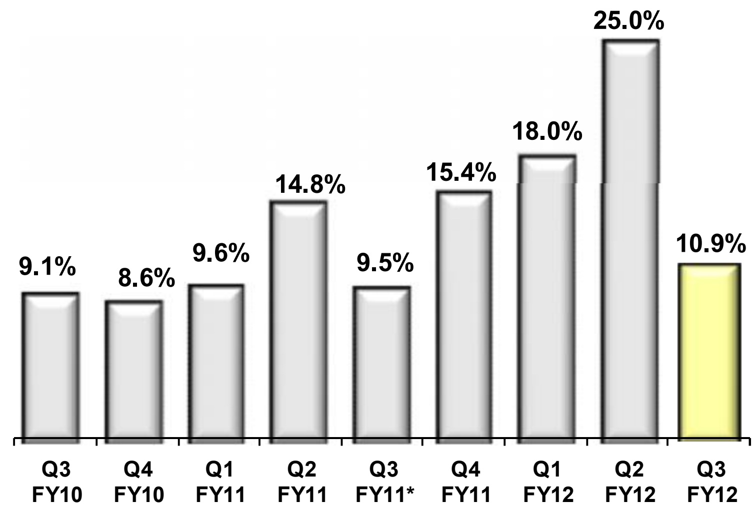
SG&A

($ in millions)



% of Sales:	18.8%	22.3%	22.5%	19.2%	19.2%	15.2%	15.0%	12.9%	15.5%

Operating Margin



* *Excludes $0.7 million in transaction costs related to the acquisition of Energy Steel on December 14, 2010.*

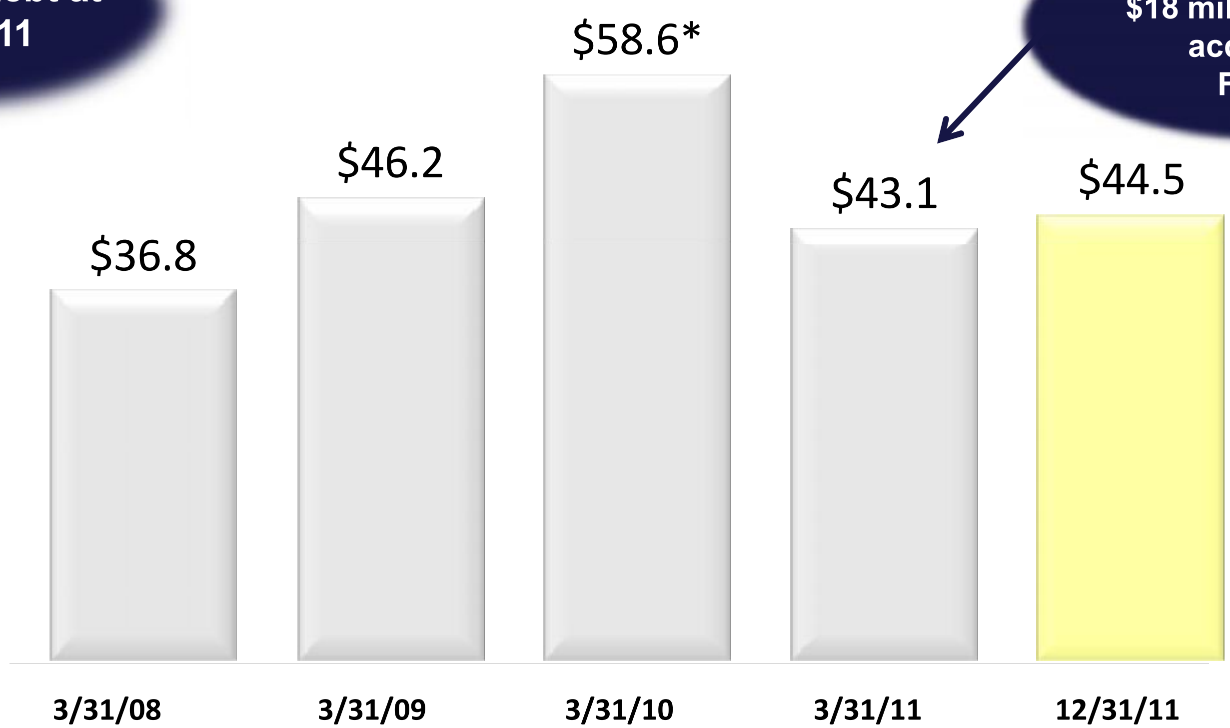
Strong Cash Position

Cash, Cash Equivalents, and Investments

($ in millions)

No bank debt at 12/31/11

Energy Steel: $18 million all-cash acquisition FY2011

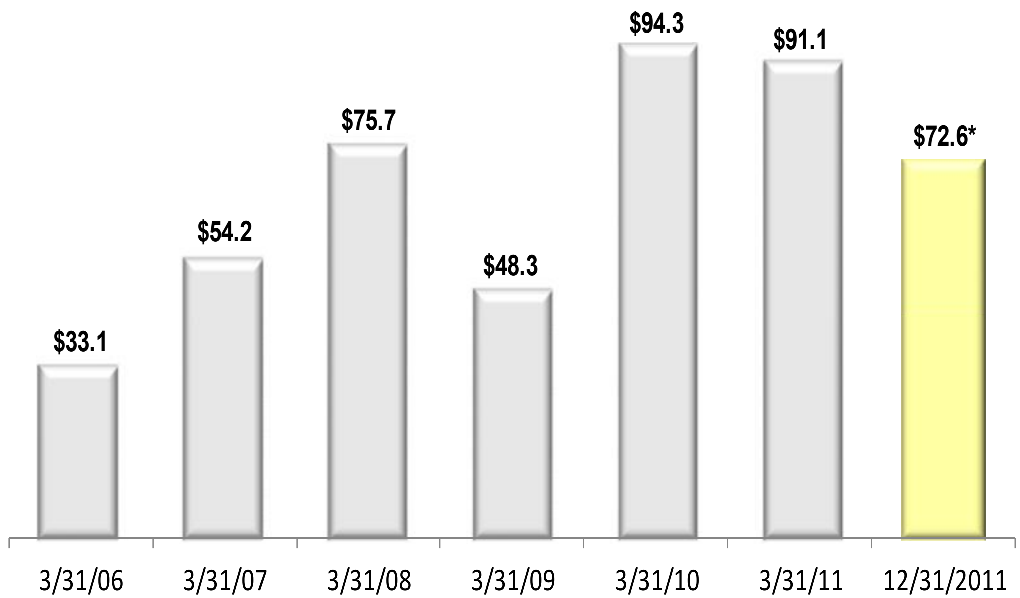


Cash available for acquisitions and organic growth

* *Excludes $16 million in unusually high upfront and near-term customer advances utilized to lock in raw material costs*

Backlog Level Reflects Major Order Shipments

($ in millions)



* $12.8 million from Energy Steel

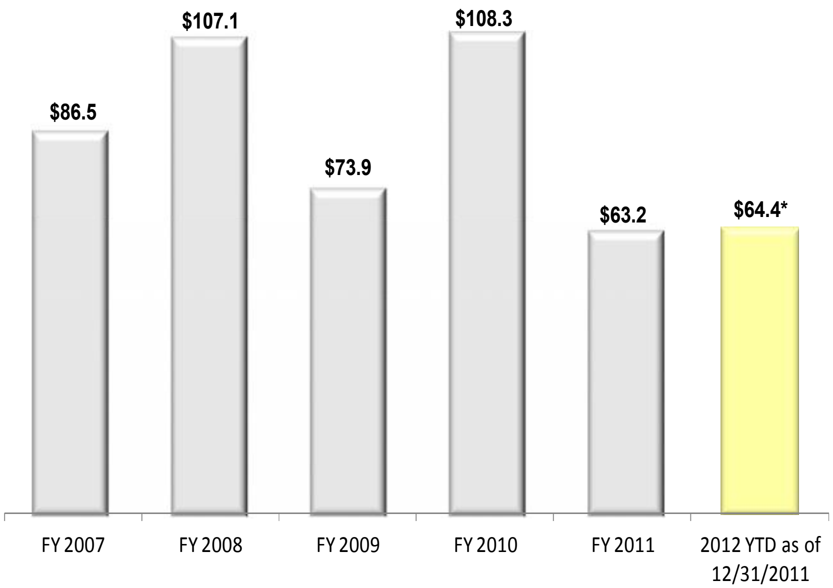
85% - 90% of backlog to convert within 12 months; up from 80%-85% in trailing 2QFY12

Expect >50% of U.S. Navy project (booked in Dec 2009) to be remaining in backlog at end of FY12

Bookings Trends

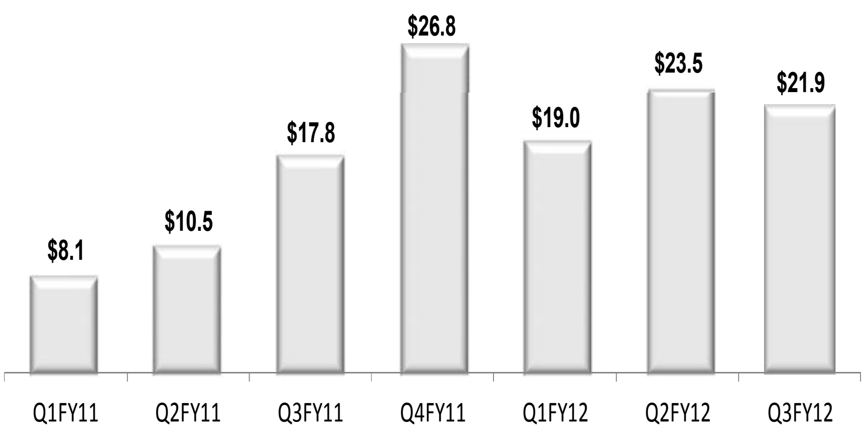
($ in millions)

Annual Trends



* $19.1 million from Energy Steel

Quarterly Trends



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Supplementary Slides Third Quarter Fiscal 2012 Earnings Call

EBITDA Reconciliation

($ in millions)

Quarter Ended:	**12/31/2011**	**12/31/2010**
($ in millions)		
Net Income	**$1.64**	**$0.76**
+ Acquisition Transaction Costs	-	$0.67
+ Interest Expense	$0.06	$0.01
- Interest Income	$(0.01)	$(0.01)
+ Income Tax Provision	$0.96	$0.40
+ Depreciation & Amortization	$0.52	$0.43
EBITDA	**$3.17**	**$2.26**

*Adjusted EBITDA is defined as consolidated net income before acquisition related expenses, interest expense, income taxes, and depreciation and amortization. Adjusted EBITDA is not a measure determined in accordance with generally accepted accounting principles in the United States, commonly known as GAAP. Nevertheless, Graham believes that providing non-GAAP information such as Adjusted EBITDA is important for investors and other readers of Graham's financial statements, as it is used as an analytical indicator by Graham's management. Because Adjusted EBITDA is a non-GAAP measure and is thus susceptible to varying calculations, Adjusted EBITDA, as presented, may not be directly comparable to other similarly titled measures used by other companies