Second Quarter Fiscal 2013 Earnings Call

- Executing for Growth -

NYSE MKT: GHM

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James R. Lines
President & Chief Executive Officer
Quarterly Highlights and Market Insights

- Solid financial quarter with tough YoY comparison
- Pulled work into quarter from third quarter
- Tightened full-year guidance
- Improved order rate
- Improving market conditions
- Positioned well for anticipated recovery in our markets
Second Quarter FY13 Sales

Q2 FY2013* Revenue of $25.9 million

Sales by Industry

- Refining: 22%
- Power: 26%
- Chemical/Petrochemical: 32%
- Other: 20%

Sales by Geography

- U.S.: 59%
- Middle East: 12%
- Asia: 10%
- Other: 19%

- Sales down 23%; Q2 and 1H of FY2012 benefitted from conversion of large Middle Eastern refinery project
- Chem/petrochem sales of $8.3 million more than double the prior-year period on industry expansion, up from $5.6 million in trailing first quarter
- Sales in refining and power industries, of $5.8 million and $6.7 million respectively, strengthened from trailing first quarter, although down from prior-year period
- U.S. sales of $15.3 million were up from $12.6 million in trailing quarter, but down 14.0% from prior-year period
- International sales declined $5.2 million as prior-year period included the large Middle East refinery project
  - International sales up 7.1% from trailing first quarter

* Graham’s FY2013 ends March 31, 2013
Fiscal Year Revenue

($ in millions)

FY 2004 – FY 2009
22% CAGR

Driven by oil refining and petrochemical markets

FY 2010 – FY 2013E
21% CAGR

Oil refining, petrochemicals, Navy and power markets drive growth

Graham’s fiscal year ends March 31

* Midpoint of revenue guidance provided on October 26, 2012 (range of $105 million to $115 million)

GRAHAM CORPORATION

▪ Executing for Growth ▪
Solid Pipeline of Quality Opportunities

Q2 FY2013 Orders of $25.6 million

Orders by Industry
Q2 FY2013

- Refining 37%
- Chemical/Petrochemical 16%
- Power 26%
- Other 21%

- Orders increased 9.0% compared with Q2 of FY2012
  - Refining orders more than tripled to $9.4 million
  - Chemical/Petrochemical down 63% to $4.1 million
  - Power market orders up 12% to $6.7 million
  - Other industries’ orders up 45% to $5.4 million

- U.S. orders represent ~66% of total orders

- International and domestic orders expected to be more balanced over the long term
  - Nuclear industry and U.S. Navy expected to maintain domestic levels
  - Growth in Asia and Latin America expected to continue
Diversification Drives Backlog

Backlog by Industry

March 31, 2009
$48.3 million

September 30, 2012
$91.8 million

* includes Navy
Jeffrey F. Glajch
Chief Financial Officer
Second Quarter FY2013

<table>
<thead>
<tr>
<th>Sales (in millions)</th>
<th>EBITDA* and Margin ($ in millions)</th>
<th>EPS</th>
</tr>
</thead>
<tbody>
<tr>
<td>$33.6</td>
<td>$8.8</td>
<td>$0.55</td>
</tr>
<tr>
<td>$25.9</td>
<td>26.3%</td>
<td>$0.26</td>
</tr>
</tbody>
</table>

*See supplemental slide for EBITDA reconciliation and other important disclaimers regarding Graham’s use of EBITDA
Operational Review: Q2 FY2013

Gross Margin

Operating Margin

SG&A (in millions)

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

**Quarterly Trends**
(in millions)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>FY11</th>
<th>FY12</th>
<th>FY13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>$17.8</td>
<td>$19.0</td>
<td>$21.9</td>
</tr>
<tr>
<td>Q2</td>
<td>$26.8</td>
<td>$23.5</td>
<td>$21.9</td>
</tr>
<tr>
<td>Q3</td>
<td>$21.9</td>
<td>$25.6</td>
<td>$25.6</td>
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</tbody>
</table>

**Annual Trends**
(in millions)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>FY2008</th>
<th>FY2009</th>
<th>FY2010</th>
<th>FY2011</th>
<th>FY2012</th>
<th>TTM 9/30/12</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$107.1</td>
<td>$73.9</td>
<td>$108.3</td>
<td>$63.2</td>
<td>$106.7</td>
<td>$109.5</td>
</tr>
</tbody>
</table>
Backlog Level Remains Steady

(in millions)

- Choppy order pattern delays backlog expansion
- Expect 75% to 85% to convert to sales within next 12 months
- Approximately 1/3 of backlog related to nuclear power and U.S. Navy projects
Strong Cash Position

Cash, Cash Equivalents, and Investments

(in millions)

No bank debt at 9/30/12

$46.2

$58.6*

$43.1

$41.7

$46.9


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

GRAHAM CORPORATION
  Executing for Growth
First Half FY2013 Financial Highlights

($ in millions)

Sales

- 1H FY2012: $58.6
- 1H FY2013: $48.4

Gross Profit and Margin

- 1H FY2012: $21.0 (35.8%)
- 1H FY2013: $14.1 (29.2%)

EBITDA* and Margin

- 1H FY2012: $13.8 (23.6%)
- 1H FY2013: $6.7 (13.8%)

Cash Flow from Operations

- 1H FY2012: $(3.6)
- 1H FY2013: $6.2

*See supplemental slide for EBITDA reconciliation and other important disclaimers regarding Graham's use of EBITDA
James R. Lines
President & Chief Executive Officer
Outlook: FY 2013 and Beyond

Fiscal 2013 Guidance:

- Revenue: $105 million - $115 million
- Gross margin: 29% - 31%
- SG&A: 16% - 17% of sales
- Effective tax rate: 33% - 35%

Next “Top of Cycle” Target: Exceed $200 million in revenue

* Guidance provided as of October 26, 2012
Plans for Executing Growth

- FY2013: expecting growth in orders for FY2014 and beyond
  - Making investments to develop internal capacity
    - *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

- Continue to broaden reach in global nuclear power market
- Further advance Naval Nuclear Propulsion Program sales channel

- Build acquisition pipeline
- Maintain patience and discipline with timing on order wins
EBITDA Reconciliation

(in thousands)

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended</th>
<th>Six Months Ended</th>
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<tbody>
<tr>
<td></td>
<td>September 30, 2012</td>
<td>September 30, 2011</td>
</tr>
<tr>
<td>Net income</td>
<td>$2,615</td>
<td>$4,005</td>
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<tr>
<td>+Net interest expense</td>
<td>(384)</td>
<td>(315)</td>
</tr>
<tr>
<td>+Income taxes</td>
<td>1,246</td>
<td>1,939</td>
</tr>
<tr>
<td>+Depreciation &amp; amortization</td>
<td>520</td>
<td>1,040</td>
</tr>
<tr>
<td>EBITDA</td>
<td>$3,997</td>
<td>$6,669</td>
</tr>
<tr>
<td>EBITDA Margin %</td>
<td>15.4%</td>
<td>13.8%</td>
</tr>
</tbody>
</table>

*EBITDA is defined as consolidated net income before acquisition related expenses, interest expense, income taxes, and depreciation and amortization. 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 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 EBITDA is a non-GAAP measure and is thus susceptible to varying calculations, EBITDA, as presented, may not be directly comparable to other similarly titled measures used by other companies.