SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 $250.00

For the fiscal year ended December 31, 1995

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to ___________

COMMISSION FILE NO. 1-8462

GRAHAM CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE	16-1194720
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
20 Florence Avenue, Batavia, New York	14020
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code
716-343-2216

Securities registered pursuant to Section 12(b) of the Act:

COMMON STOCK (Par Value $.10)	American Stock Exchange
Title of Class	Name of each exchange on which registered

Securities registered pursuant to Section 12(g) of the Act:

COMMON STOCK PURCHASE RIGHTS
Title of Class

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 (the "Act") during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

The aggregate market value of the voting stock held by non-affiliates of the Registrant as of March 11, 1996 was $16,115,010.

As of March 11, 1996, there were outstanding 1,056,772 shares of common stock, $.10 par value. As of March 11, 1996, there were outstanding 1,056,772 common stock purchase rights.

DOCUMENTS INCORPORATED BY REFERENCE

(1) Notice of Meeting and Proxy Statement for the 1996 Annual Meeting of Stockholders is incorporated by reference into Part III of this filing.

An Exhibit Index is located at page 56 of this filing under the sequential numbering system prescribed by Rule 0-3(b) of the Act.

A cross reference sheet appears as the final page of this filing setting forth item numbers and captions of Form 10-K and the pages of the Registrant's Proxy Statement for 1996 Annual Meeting of Stockholders where the corresponding information appears.

PART I

Item 1. Business

(a) General Development of Business

Registrant was organized in 1983 as a Delaware holding company and is the successor to Graham Manufacturing Co., Inc., now a wholly owned subsidiary of the Registrant. Graham Manufacturing Co., Inc. was organized in 1936 under the laws of the State of New York. The Registrant manages the activities of various subsidiaries that are located in the United States and the United Kingdom. It employs 11 people, which includes the Research and Development Group that serves each of the Registrant's subsidiaries.

UNITED STATES OPERATIONS:

During 1995 the Registrant's U.S. operations consisted of one independent subsidiary, namely, Graham Manufacturing Co., Inc. (GMC).

Graham Manufacturing Co., Inc. -- Batavia, New York

Graham Manufacturing Co., Inc. (GMC) in Batavia, New York is a well recognized supplier of steam jet ejector vacuum systems, surface condensers for steam turbines, liquid ring vacuum pumps and compressors, and various types of heat exchangers such as Heliflow, plate and frame, and special types of nuclear shell and tube heat exchangers. GMC possesses expertise in combining these various products into packaged systems for sale to its customers in a variety of industrial markets, including oil refining, chemical, petrochemical, power, pulp and paper, and shipbuilding.

1995 sales for Graham Manufacturing Co., Inc. (GMC) were $45.4 million, about 5% more than forecasted, and 7% above the business plan for 1995. Throughout the year, new orders improved, which provided an opportunity to increase shipments in the second half of the year. A union attempt to organize GMC production workers had a negative impact on the first half. A majority of the Company's production workers ultimately voted against the union.

New orders for the year were $48.3 million, the highest in the Company's history, and reflected increased activity in the Company's export markets. For the first time in the Company's history, more than half of GMC's new business came from export sources. Countries in Asia accounted for over half of the export business the Company received, with the remaining half from the Middle East, Canada and South America. New orders from western Europe represented a 100% increase as compared to the previous year. This was partly due to the sale of Graham Manufacturing Limited in the U.K., which gave GMC an opportunity to compete more freely in the western European countries.

GMC's backlog on December 31, 1995 was $21.1 million, which compares to $18.1 million at the same time in 1994. The increased backlog should result in an improvement in shipments for the first half of 1996, as compared to the same period in 1995.

Major achievements for 1995 included:

- exceeding the business plan for the year;
- reducing debt to the lowest level in over five years; and
- bringing new orders for export to more than half of all new orders, the highest level of export orders in GMC's history.

Since October of 1995, the rate of new orders has dropped to an annualized rate of $42 million. However, there is reason to believe that new orders should improve as 1996 progresses.

Petrochemical and fertilizers are two of the most promising markets served by GMC, in view of activity related to new ethylene, ammonia and urea plant projects currently in the planning stages. Although ethylene prices have softened, China's emerging role in the market could bring a renewed demand for the product, with as many as 25 new plants expected to be built in the next two years.

New ammonia plants are now in the planning stage, and there continues to be a demand for urea production capacity that will continue well into 1996. Refinery work is not expected to be as active as it was in 1995. While oil companies are boosting capital expenditures for 1996, the emphasis is on exploration and crude oil production, which is not an area of the oil industry that offers business potential to GMC. Ultimately, as oil production increases, there is likely to be an increase in demand for more refinery capacity in the future, bringing increased demand for process condensers and vacuum systems of the type manufactured by Graham. The Company's reputation for experience, quality and efficiency are excellent in this area.

Graham sales to power plants in the U.S. are probably not going to improve during the year, but overseas the power industry should offer some opportunity for new business. GMC's export markets are expected to continue to be an important part of the Company's business in 1996.

Employment at GMC as of December 31, 1995 was 312, of which 9 were temporary or part time employees.

UNITED KINGDOM OPERATIONS:

During 1995, Graham Corporation owned one manufacturing subsidiary in the United Kingdom, Graham Precision Pumps Limited (GPPL) in Congleton, Cheshire. Ownership was through its U.K. holding company, Graham Vacuum & Heat Transfer Limited (GVHT), which has no employees.

Graham Precision Pumps Limited - Congleton, Cheshire

GPPL manufactures liquid ring vacuum pumps, rotary piston pumps, oil sealed rotary vane pumps, atmospheric air operated ejectors and complete vacuum pump systems that are factory assembled with self-supporting structure.

GPPL's 1995 sales of $5,494,000 were lower than the previous year, as overall the markets were less buoyant and GPPL was unable to maintain the order intake rate achieved in 1994.

As in 1994, competitive pricing and delivery continued to be the key to achieving most of GPPL's orders, which in turn demanded a high level of flexibility in manufacturing. Overall, in spite of the lower total value, the sales achieved by GPPL represented a favorable mix and produced a contribution level which with lower overheads resulted in a small profit.

In 1996, the U.K. and European markets remain uncertain in spite of favorable forecasts in some countries. GPPL's 1996 business plan forecasts an improvement in specific market sectors to give limited growth over 1995 by means of further market development efforts.

A restructured plan for the U.S.A. market is in the process of development, and is timed to provide an increase in sales in 1996.

As of December 31, 1995 employment stood at 74.

Capital Expenditures

The Registrant's capital expenditures for 1995 amounted to $204,000. Of this amount, $159,000 was for GMC and $45,000 was in the U.K.

(b) Financial Information About Industry Segments

(1) Industry Segments and (2) Information as to Lines of Business

(The information called for under this Item is set forth in statements contained in Notes 1 and 3 to Consolidated Financial Statements, on pages 24-26 and 27-28 of this Annual Report on Form 10-K).

(c) Narrative Description of Business

(1) Business Done and Intended to be Done

(i) Principal Products and Markets

The Registrant designs and manufactures vacuum and heat transfer equipment, primarily custom built. The principal markets for this equipment are the chemical, petrochemical, petroleum refining, and electric power generating industries. The Registrant's equipment is sold by a combination of direct company sales engineers and independent sales representatives located in over 40 major cities in the United States and abroad.

(ii) Status of Publicly Announced New Products or Segments

The Registrant has no plans for new products or for entry into new industry segments that would require the investment of a material amount of the Registrant's assets or that otherwise is material.

(iii) Sources and Availability of Raw Materials

Registrant experienced no serious material shortages in 1995.

(iv) Material Patents, Trademarks

Registrant holds no material patents, trademarks, licenses, franchises or concessions the loss of which would have a materially adverse effect upon the business of the Registrant.

(v) Seasonal Variations

No material part of the Registrant's business is seasonal.

(vi) Working Capital Practices (Not Applicable)

(vii) Principal Customers

Registrant's principal customers include the large chemical, petroleum and power companies, which are end users of Registrant's equipment in their manufacturing and refining processes, as well as large engineering contractors who build installations for such companies and others.

No material part of Registrant's business is dependent upon a single customer or on a few customers, the loss of any one or more of whom would have a materially adverse effect on Registrant's business.

No customer of Registrant or group of related customers regularly accounts for as much as 10% of Registrant's consolidated annual revenue.

(viii) Order Backlog

Backlog of unfilled orders at December 31, 1995 was $21,837,000, compared to $18,997,000 in 1994 and $17,070,000 in 1993.

(ix) Government Contracts (Not Applicable)

(x) Competition

Registrant's business is highly competitive and a substantial number of companies having greater financial resources are engaged in manufacturing similar products. Registrant is a relatively small factor in the product areas in which it is engaged with the exception of steam jet ejectors. Registrant believes it is one of the leading manufacturers of steam jet ejectors.

(xi) Research Activities

During the fiscal years ended December 31, 1993, 1994, and 1995. Registrant spent approximately $304,000, $298,000 and $277,000 respectively, on research activities relating to the development of new products or the improvement of existing products.

(xii) Environmental Matters

Registrant does not anticipate that compliance with federal, state and local provisions, which have been enacted or adopted regulating the discharge of material in the environment or otherwise pertaining to the protection of the environment, will have a material effect upon the capital expenditures, earnings and competitive position of the Registrant and its subsidiaries.

(xiii) Number of Persons Employed

On December 31, 1995, Registrant and its subsidiaries employed 397 persons.

(d) Financial Information About Foreign and Domestic Operations and Export Sales

(The information called for under this Item is set forth in Note 3 to Consolidated Financial Statements, on pages 27-28 of this Annual Report on Form 10-K.)

Item 2. Properties

United States: Registrant's corporate headquarters is located at 20 Florence Avenue, Batavia, New York.

Registrant's subsidiary, Graham Manufacturing Co., Inc., operates a plant on approximately thirty-three acres in Batavia consisting of about 204,000 square feet in several connected buildings built over a period of time to meet increased space requirements, including 162,000 square feet in manufacturing facilities, 48,000 square feet for warehousing and a 6,000 square-foot building for product research and development. A 14,000 square foot extension to the Heavy Fabrication Building was completed in 1991.

Graham Manufacturing Co., Inc.'s principal offices are in a 45,000 square-foot building located in Batavia adjacent to its manufacturing facilities.

Graham Manufacturing Co., Inc. maintains U.S. sales offices in Clifton, New Jersey, Los Angeles and Houston.

England: Registrant's subsidiary, Graham Precision Pumps Limited, has a 41,000 square-foot manufacturing facility located on 15 acres owned by that company in Congleton, Cheshire, England.

Assets of the Registrant with a book value of $22,741,000 have been pledged to secure certain domestic long-term borrowings. Short and long-term borrowings of Registrant's United Kingdom subsidiary are secured by assets of the subsidiary, which have a book value of $589,000.

Item 3. Legal Proceedings

(Not Applicable)

Item 4. Submission of Matters to a Vote of Security Holders

(Not applicable)

Item 4.1. Executive Officers of the Registrant
The following information is given with respect to Registrant's executive officers, as defined by Rule 3b-7 of the Act.

Name	Age	<F1>1 Office	Prior Office	Total Years <F2>2 Served
Frederick D. Berkeley	67	Chairman, President, and Chief Executive Officer	Chairman and President of Graham Manu-facturing Co., Inc.	45
J. Ronald Hansen	48	Vice President Finance & Administration and Chief Financial Officer	Chief Finan-cial Officer and Vice President-Finance of Al-Tech Specialty Steel Corp.	3
Alvaro Cadena	52	President & Chief Operating Officer, Graham Manufacturing Co., Inc.; Vice President of Registrant	Executive Vice President, Graham Manufacturing Co., Inc.	26
Joseph P. Gorman	52	Vice President-Sales of Graham Manufacturing Co., Inc.		26
Stephen P. Northrup	44	Vice President-Engineering of Graham Manu-facturing Co., Inc.	Vice Presi-dent-Opera-tions	22

<F1>1 The term of office with Registrant for Mr. Berkeley began on August 1, 1983, the effective date of the reorganization of the Registrant and its predecessor, Graham Manufacturing Co., Inc.. The term of office of each executive officer extends to the first Meeting of Registrant's Board of Directors following the 1994 Annual Meeting of Shareholders or until his successor is chosen and shall have qualified. Mr. Hansen assumed his duties as Vice President-Finance & Chief Financial Officer in June 1993. Prior to his employment at Graham, Mr. Hansen was Chief Financial Officer and Vice President of Al Tech Specialty Steel Corp. Mr. Cadena was elected President of Graham Manufacturing Co., Inc. on March 11, 1991. Prior to his election to that office he served as Executive Vice President of Graham Manufacturing Co., Inc.

<F2>2 Includes the number of years served with the Registrant, Registrant's predecessor company, Graham Manufacturing Co., Inc., and any of the Registrant's subsidiaries.

PART II

Item 5. Market for Registrant's Common Stock and Related Security Holder Matters

(a) The information called for under this Item is set forth under Item 8, "Financial Statements and Supplementary Data", in the Statement of Quarterly Financial Data appearing on page 41 of this Annual Report on Form 10-K.

(b) On March 11, 1996, there were approximately 325 holders of the Registrant's common stock. This figure includes stockholders of record and individual participants in security position listings who have not objected to the disclosure of their names; it does not, however, include individual participants in security position listings who have objected to disclosure of their names. On March 11, 1996, the closing price of the Registrant's common stock on the American Stock Exchange was $15.25 per share.

(c) The Registrant has not paid a dividend since January 4, 1993, when it paid a dividend of $.07 per share. Restrictions on dividends are described in Note 7 to the Consolidated Financial Statements, to be found on pages 30 to 31 of this Report.

Item 6. Selected Financial Data

GRAHAM CORPORATION - TEN YEAR REVIEW

<TABLE>
<CAPTION>

Operations:	1995	1994	1993	1992
<S>	<C>	<C>	<C>	<C>
Net Sales	$49,480,000	$47,351,000	$45,180,000	$46,542,000
Gross Profit	12,979,000	12,345,000	11,945,000	8,864,000
Selling, General & Administrative	9,993,000	10,098,000	10,918,000	11,823,000
Interest Expense	616,000	525,000	537,000	572,000
Unusual Items	276,000	1,502,000	(397,000)	
Income (Loss) From Continuing Operations Before Taxes	2,094,000	220,000	887,000	(3,531,000)
Income Taxes	778,000	208,000	215,000	(1,100,000)
Income (Loss) From Continuing Operations	1,316,000	12,000	672,000	(2,431,000)
Income (Loss) From Discontinued Operations		(2,232,000)	(264,000)	3,732,000
Loss From Disposal of Discontinued Operations	(182,000)	(6,189,000)		
Cumulative Effect of Changes in Accounting Principles		(6,000)		161,000
Net Income (Loss)	1,134,000	(8,415,000)	408,000	1,462,000
Dividends				293,000
Common Stock:				
Income (Loss) From Continuing Operations	1.25	.01	.64	(2.32)
Income (Loss) From Discontinued Operations		(2.12)	(.25)	3.56
Loss From Disposal of Discontinued Operations	(.17)	(5.89)		
Cumulative Effect of Changes in Accounting Principles		(.01)		.16
Net Income (Loss) Per Share	1.08	(8.01)	.39	1.40
Dividends Per Share				.28
Shareholders' Equity Per Share	7.98	6.72	14.16	13.76
Market Price Per Share	9-16	9 5/8-14 7/8	10 1/8-16 7/8	12 1/2-27

3/4

Shares Outstanding (End of Year)	1,053,999	1,051,499	1,046,137	1,046,137
Financial Data:				
New Orders	52,319,000	49,527,000	40,156,000	49,893,000
Order Backlog	21,837,000	18,997,000	17,070,000	23,259,000
Working Capital	7,074,000	6,845,000	7,098,000	9,433,000
Current Ratio	1.60:1	1.59:1	1.52:1	1.65:1
Capital Expenditures	204,000	412,000	513,000	9,213,000
Depreciation	927,000	1,027,000	1,349,000	1,385,000
Property, Plant & Equipment, Net	8,918,000	9,663,000	18,539,000	19,325,000
Total Assets	29,480,000	29,953,000	41,411,000	45,405,000
Long-Term Liabilities	9,217,000	11,290,000	13,006,000	16,487,000
Shareholders' Equity	8,407,000	7,071,000	14,816,000	14,396,000
Number of Employees (End of Year)	397	408	615	636

</TABLE>

GRAHAM CORPORATION - TEN YEAR REVIEW (CONCLUDED)

<TABLE>
<CAPTION>

1991	1990	1989	1988	1987	1986
<C>	<C>	<C>	<C>	<C>	<C>
$70,698,000	$68,053,000	$62,340,000	$62,350,000	$54,288,000	$50,658,000
18,967,000	16,749,000	16,664,000	16,769,000	12,965,000	11,626,000
14,543,000	13,899,000	12,005,000	12,961,000	11,261,000	10,153,000
950,000	959,000	1,074,000	1,485,000	1,366,000	1,613,000
		(757,000)			(1,140,000)
3,474,000	1,891,000	4,342,000	2,323,000	338,000	1,000,000
943,000	690,000	356,000	481,000	101,000	81,000
2,531,000	1,201,000	3,986,000	1,842,000	237,000	919,000
(645,000)	74,000	218,000	(854,000)	(1,272,000)	(2,105,000)
(1,067,000)			(469,000)		
			347,000		
819,000	1,275,000	4,204,000	866,000	(1,035,000)	(1,186,000)
289,000	283,000	97,000			
2.44	1.18	4.06	1.88	.24	.94
(.62)	.07	.22	(.88)	(1.30)	(2.15)
(1.03)			(.48)		
			.36		
.79	1.25	4.28	.88	(1.06)	(1.21)
.28	.28	.10			
14.43	13.94	13.19	9.55	8.91	8.53
10 5/8-23	10 3/8-34 3/8	7-41	5 1/4-8 3/8	4 3/8-10 3/4	5 1/4-12

3/4

1,040,737	1,026,987	980,010	978,573	978,573	978,573

- --

68,426,000	65,217,000	72,144,000	65,075,000	55,583,000	52,275,000
27,997,000	31,901,000	33,585,000	27,414,000	23,790,000	21,829,000
12,330,000	9,531,000	8,482,000	5,866,000	6,539,000	7,528,000
1.82:1	1.53:1	1.49:1	1.32:1	1.35:1	1.34:1
2,553,000	2,702,000	2,622,000	1,749,000	1,045,000	982,000
1,317,000	1,175,000	1,003,000	982,000	1,018,000	1,008,000
14,485,000	13,408,000	11,200,000	10,764,000	11,607,000	10,507,000
42,133,000	41,731,000	37,534,000	35,523,000	37,717,000	40,952,000
12,096,000	9,272,000	7,444,000	8,080,000	10,339,000	10,479,000
15,015,000	14,317,000	12,930,000	9,343,000	8,724,000	8,344,000
683	720	634	670	863	852

</TABLE>

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Management's discussion and analysis reviews the company's financial operating results for each of the three years in the period ended December 31, 1995 and its financial condition at December 31, 1995. The focus of this review is on the underlying business reasons for significant changes and trends affecting sales, net earnings, and financial condition. This review should be read in conjunction with the consolidated financial statements, the related Notes to Consolidated Financial Statements, the Ten-Year Review and Form 10-K.

Except for the historical information contained herein, the matters discussed in this annual report are forward-looking statements which involve risks and uncertainties, including but not limited to economic, competitive, governmental and technological factors affecting the company's operations, markets, products, services and prices, and other factors discussed in the company's filings with Securities and Exchange Commission.

Results of Operations

Consolidated net income from continuing operations was $1,316,000 in 1995 as compared to $12,000 for 1994 and $672,000 in 1993. After Loss From Discontinued Operations and Loss From Disposal of Discontinued Operations, net income in 1995 was $1,134,000 or $1.08 per share as compared to a loss for 1994 of $8,415,000 or $8.01 per share and a net income of $408,000 or $0.39 for 1993.

The consolidated results from continuing operations consolidates the results of Graham Manufacturing Co., Inc. in Batavia, New York and Graham Precision Pumps Limited in Congleton, England. Operating profits discussed below include the results of intercompany transactions.

Operating profits from Graham Manufacturing Co., Inc. for 1995 were about 127% greater than 1994 and about 10% greater than 1993. The 1994 operations included litigation expense of $1,502,000. Improved 1995 results as compared to 1993 were due to greater sales and reduced selling, general and administrative expenses.

Graham Precision Pumps Limited's operating profit for the current year was about 59% less than 1994 and 157% greater than 1993. The company enjoyed an unusually strong operating performance in 1994.

In January 1995 the stock of Graham Manufacturing Limited was sold for the assumption of debt. The net write off of $8,475,000 was recognized in the Consolidated Statement of Operations under Loss From Discontinued Operations and Loss From Disposal of Discontinued Operations in 1994.

In December 1994 the real estate of L&A Engineering and Equipment Inc. was sold for $880,000. A $31,000 after tax gain on the sale was recognized as income under Loss From Disposal of Discontinued Operations in 1994. L&A Engineering and Equipment Inc. was reported as a discontinued operation in 1991.

Net Sales

Consolidated sales for 1995 of $49,480,000 represents a 4.5% increase over 1994 and a 9.5% increase over 1993.

U.S. 1995 operations recorded increased sales of about 8% more than 1994. Virtually every major product category saw increased sales in 1995 with the exception of surface condensers. Sales by major market sector were proportionately increased over 1994 except for a small increase in the chemical sector and a decrease in the refinery sector. Sales in 1994 exceeded 1993 sales by about 3%. This increase resulted from improved surface condenser sales. Sales by market breakdown showed a decrease in activity in the power sector, but large increases in the chemical and refinery markets.

U.K. sales in 1995 decreased almost 17% from 1994. Sales for 1994 were about 20% greater than 1993. As noted elsewhere, sales were down in 1995 due to the lack of major project work and offshore demand. Sales were up in 1994 over 1993 due to stronger offshore demand, particularly in the China Sea.

Gross Profit

Consolidated gross profit margins for 1995, 1994 and 1993 were about 26%. Gross profit margins from the U.S. operation for 1995, 1994, and 1993 were about 25%, 24% and 26%, respectively. Graham Precision Pumps gross profit margins for 1995 decreased to about 28% from about 36% in 1994 as a result of fewer sales and less favorable product mix. Gross profit margins in 1993 were about 26%.

Selling, General and Administrative Expenses

Selling, general and administrative expenses continued the downward trend initiated in 1993. This three year trend is expected to reverse in 1996 as the company's strategic plan calls for a pro-active niche marketing effort and increased research and development programs in potentially expanding market areas.

Interest Expense

Interest expense for the current year increased about 17% over 1994 even though interest bearing debt decreased significantly from December 31, 1994. The company's borrowings to finance 1994 fourth quarter shipments resulted in greater interest expense the first part of 1995. Interest expense in 1994 was down slightly from 1993. This was due to management's efforts in reducing debt and working capital requirements.

Provision for Income Taxes

The effective income tax rates for 1995, 1994 and 1993 related to continuing operations were 37%, 95% and 24%. The current year's consolidated effective tax rate differs from the statutory rate mainly due to a reduction in state deferred tax assets recognized under Statement of Financial Accounting Standard No. 109. The unusually large effective tax rate recognized in 1994 resulted from the disallowance of capital losses incurred with the disposal of Graham Manufacturing Limited. The 1993 tax provision was reduced as a result of the favorable reversal of a tax reserve established in a previous year. For an in depth analysis of the tax provision, see Note 9 in the accompanying Notes to Consolidated Financial Statements.

Working Capital

Working capital available to finance current operations at December 31, 1995 was $7,074,000. This compares to $6,845,000 at December 31, 1994. Current assets as of December 31, 1995 were about 3% greater than 1994. The accounts receivable balance was down almost 11% as a result of improved cash collections. Inventory on hand at December 31, 1995 increased about 46% or $2,074,000 over 1994. This increase is attributed to increased inventory in selected standard products stocked to shorten delivery times and the status of specific jobs in work-in-process as of December 31, 1995. Deferred tax assets decreased about 37% from 1994 as a result of the current deductibility of litigation charges incurred in 1994 but paid in 1995.

Current liabilities increased about 2% over December 31, 1994 balances. The two significant increases came in accrued compensation (up almost 34% from 1994) and customer deposits (up about 258% from last year). Accrued compensation represents a timing difference between compensation earned and paid. Customer deposits represent cash collected from customers in advance of shipments and in excess of the carrying value of related inventory. The largest decrease in 1994 current liabilities was due to the payment of the accrued litigation reserve of $1,247,000 in 1995.

Long Term Assets

Long term assets consist of Deferred Income Taxes and Property, Plant and Equipment. Capital spending in 1995 and 1994 equalled about 22% and 40% of depreciation expense for the comparable respective years. Capital spending in 1996 is projected to equal or slightly exceed 1996 depreciation expense.

Noncurrent Liabilities

Noncurrent liabilities as set forth in the Consolidated Balance Sheets includes the long term portion of bank debt. Because the markets served by Graham are cyclical, the company has established a strategic goal to reduce the amount of interest bearing debt in relation to shareholders' equity.

Shareholders' Equity

Shareholders' Equity increased about 19% in 1995 over 1994. Most of this increase was due to earnings. Shareholders' Equity decreased about 52% in 1994 from 1993 due to the disposal of Graham Manufacturing Limited and an adverse jury verdict.

Liquidity

Net cash provided from operating activities in 1995 was $1,644,000 as compared to a deficit in 1994 of $906,000 and a surplus in 1993 of $2,085,000. The positive 1995 position was achieved due to a strong operating profit together with maintaining working capital levels approximating 1994. The 1994 cash operating deficit was largely due to the disposal of Graham Manufacturing Limited. The 1993 positive cash flow from operating activities was due to operating profit, inventory reduction programs, and income tax refunds.

Management believes that 1996 cash needs will be substantially provided from normal operations.

At December 31, 1995 the U.S. operation had an unused line of credit available to support its business of $8,727,000. The U.K. operation had an unused line of credit available of $181,000.

New Orders

New orders in 1995 were $52,319,000 compared to $49,527,000 in 1994 and $40,156,000 in 1993. In 1995, U.S. bookings were $48,358,000, up from $43,991,000 in 1994 and $35,571,000 in 1993. New orders from export from the U.S. operation equalled about 54% of the total new orders. This compares to about 46% of the orders received in 1994 and about 40% in 1993. Orders received in the U.K. operation in 1995 were $3,961,000. This compares to $5,536,000 in 1994 and $4,585,000 in 1993. Bookings in 1995 were down compared to 1994 due to the lack of major project work and weaker activity in the U.K. offshore pump product line.

Backlog

The consolidated backlog as of December 31, 1995 was $21,837,000, up about 15% over 1994 and about 28% over 1993. The backlog as of December 31, 1994 was $18,997,000 and $17,070,000 on December 31, 1993. Graham Manufacturing Co., Inc.'s backlog equalled $21,136,000 for the current period as compared to $18,127,000 and $16,324,000 for 1994 and 1993, respectively. Graham Precision Pumps Limited's backlog was $701,000 as of December 31, 1995 and $870,000 in 1994 and $746,000 in 1993. Backlog figures exclude intercompany sales. Graham Manufacturing is a major customer of Graham Precision Pumps.

The backlog at December 31, 1995 will be shipped in 1996 and represents orders from traditional markets in Graham's established product lines.

Change In Accounting Principles

The company adopted Statement of Financial Accounting Standard No. 107, Disclosure About Fair Value of Financial Instruments in 1995. See Notes to Consolidated Financial Statements No. 8 for additional information including Graham's use of derivatives.

Effective January 1, 1994 the company adopted Statement of Financial Accounting Standard No. 112, Employer's Accounting for Postemployment Benefits.

Inflation

Increases in material costs have been offset by cost cutting measures and price increases absorbed in the marketplace. Graham will continue to monitor the impact of inflation in order to minimize its effects in future years through pricing and product mix strategies, productivity improvements, and cost reductions.

Forward Looking

On balance 1995 was an excellent year. In the first half of the year the company settled a major lawsuit and sold its subsidiary located in Gloucester, England. The expenses relating to these events were anticipated and substantially accounted for in 1994. In the second half of the year the company returned to profitability, posting one of its finest operating profits in several years.

The company enters 1996 with a consolidated backlog well in excess of recent past history. No one can predict with certainty, demand for Graham's products into the future, however, with guarded optimism the company does see opportunities in selected market niches in 1996. To what extent these potentially bright spots can offset other weakening market sectors and fierce global competition is difficult to comfortably predict.

Item 8. Financial Statements and Supplementary Data

(Financial Statements, Notes to Financial Statements, Quarterly Financial Data)

CONSOLIDATED STATEMENTS OF OPERATIONS

<TABLE>
<CAPTION>

	Year Ended December 31, 1995	1994	1993
<S>	<C>	<C>	<C>
Net sales.	$49,480,000	$47,351,000	$45,180,000
Costs and expenses:			
Cost of products sold	36,501,000	35,006,000	33,235,000
Selling, general and administrative	9,993,000	10,098,000	10,918,000
Interest expense.	616,000	525,000	537,000
Litigation provision.	276,000	1,502,000	
Gain on disposal of property, plant and equipment.			(397,000)
	47,386,000	47,131,000	44,293,000
Income from continuing operations before income taxes	2,094,000	220,000	887,000
Provision for income taxes	778,000	208,000	215,000
Income from continuing operations.	1,316,000	12,000	672,000
Loss from discontinued operations.		(2,232,000)	(264,000)
Loss from disposal of discontinued operations.	(182,000)	(6,189,000)	
Income(loss) before cumulative effect of change in accounting principle.	1,134,000	(8,409,000)	408,000

Cumulative effect of change in accounting principle from continuing operations		(2,000)	
Cumulative effect of change in accounting principle from discontinued operations		(4,000)	
Net income(loss)	$ 1,134,000	$(8,415,000)	$ 408,000
PER SHARE DATA:			
Income from continuing operations	$1.25	$ 0.01	$0.64
Loss from discontinued operations and disposal of discontinued operations	(.17)	(8.01)	(.25)
Cumulative effect of change in accounting principle		(.01)	
Net income(loss)	$1.08	$(8.01)	$0.39
Average number of common and common equivalent shares outstanding	1,053,000	1,051,000	1,047,000

<FN>

See Notes to Consolidated Financial Statements.

</TABLE>

CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

	December 31, 1995	1994
<S>	<C>	<C>
Assets		
Current assets:		
Cash and equivalents	$ 411,000	$ 454,000
Trade accounts receivable	10,611,000	11,883,000
Inventories	6,621,000	4,547,000
Deferred tax asset	698,000	1,114,000
Prepaid expenses and other current assets	589,000	439,000
	18,930,000	18,437,000
Property, plant and equipment, net	8,918,000	9,663,000
Deferred tax asset	1,600,000	1,791,000
Other assets	32,000	62,000
	$29,480,000	$29,953,000

</TABLE>

CONSOLIDATED BALANCE SHEETS (CONCLUDED)

<TABLE>
<CAPTION>

	December 31, 1995	1994
<S>	<C>	<C>

Liabilities and Shareholders' Equity		
Current liabilities:		
Short-term debt due banks	$ 206,000	$ 196,000
Current portion of long-term debt	355,000	235,000
Accounts payable	4,066,000	4,275,000
Accrued compensation	4,305,000	3,220,000
Accrued expenses and other liabilities	1,367,000	1,488,000
Litigation reserve		1,247,000
Customer deposits	966,000	270,000
Domestic and foreign income taxes payable	240,000	260,000
Estimated liabilities of discontinued operations	351,000	401,000
	11,856,000	11,592,000
Long-term debt	3,303,000	5,161,000
Deferred compensation	1,017,000	993,000
Deferred tax liability	111,000	138,000
Other long-term liabilities	373,000	496,000
Deferred pension liability	1,252,000	1,369,000
Accrued postretirement benefits	3,161,000	3,133,000
Total liabilities	21,073,000	22,882,000
Shareholders' equity:		
Preferred stock, $1 par value - Authorized, 500,000 shares		
Common stock, $.10 par value - Authorized, 6,000,000 shares Issued and outstanding, 1,053,999 shares in 1995 and 1,051,499 shares in 1994	106,000	105,000
Capital in excess of par value	3,219,000	3,197,000
Cumulative foreign currency translation adjustment	(1,891,000)	(1,876,000)
Retained earnings	7,854,000	6,720,000
	9,288,000	8,146,000
Less:		
Treasury Stock, 442 shares	(6,000)	
Employee Stock Ownership Plan Loan Payable	(875,000)	(1,075,000)
Total shareholders' equity	8,407,000	7,071,000
	$29,480,000	$29,953,000

<FN>

See Notes to Consolidated Financial Statements.

</TABLE>

CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

	Year Ended December 31, 1995	1994	1993
<S>	<C>	<C>	<C>
Operating activities:			
Net income (loss)	$ 1,134,000	$(8,415,000)	$ 408,000
Adjustments to reconcile net income (loss) to net cash (used) provided by operating activities:			
Depreciation and amortization	946,000	1,047,000	1,379,000
Gain on sale of property, plant and equipment	(24,000)	(94,000)	(397,000)
Minority interest in net income			24,000
Loss on disposal of discontinued operations		7,097,000	
(Increase) Decrease in operating assets:			
Accounts receivable	1,260,000	(4,973,000)	179,000
Inventory, net of customer deposits	(1,395,000)	432,000	1,436,000
Prepaid expenses and other current and non-current assets	(140,000)	56,000	(111,000)
Increase (Decrease) in operating liabilities:			
Accounts payable, accrued compensation, accrued expenses and other liabilities	565,000	3,319,000	(1,318,000)
Litigation reserve	(1,247,000)		
Estimated liabilities of discontinued operations	(35,000)	313,000	(23,000)
Deferred compensation, deferred pension liability and accrued postretirement benefits	134,000	(344,000)	(226,000)
Domestic and foreign income taxes	(17,000)	380,000	550,000
Other long-term liabilities	(119,000)	472,000	(8,000)
Deferred income taxes	582,000	(196,000)	192,000
Total adjustments	510,000	7,509,000	1,677,000
Net cash provided (used) by operating actitivies	1,644,000	(906,000)	2,085,000
Investing activities:			
Purchase of property, plant and equipment	(204,000)	(412,000)	(513,000)

Proceeds from sale of property, plant and equipment.	33,000	8,000	440,000
Proceeds from sale of L&A Engineering & Equipment, Inc.		880,000	
Net cash provided (used) by investing activities	(171,000)	476,000	(73,000)

</TABLE>

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONCLUDED)

<TABLE>
<CAPTION>

	Year Ended December 31, 1995	1994	1993
<S>	<C>	<C>	<C>
Financing activities:			
Increase (Decrease) in short-term debt	14,000	(295,000)	1,459,000
Proceeds from issuance of long-term debt	11,888,000	2,744,000	469,000
Principal repayments on long-term debt	(13,418,000)	(1,671,000)	(4,391,000)
Issuance of common stock	11,000		
Purchase of treasury stock	(6,000)		
Capital contributions from minority interest			75,000
Net cash provided (used) by financing activities	(1,511,000)	778,000	(2,388,000)
Effect of exchange rate on cash.	(5,000)	7,000	(2,000)
Net increase (decrease) in cash and equivalents.	(43,000)	355,000	(378,000)
Cash and equivalents at beginning of year.	454,000	99,000	477,000
Cash and equivalents at end of year.	$ 411,000	$ 454,000	$ 99,000

<FN>

See Notes to Consolidated Financial Statements.

</TABLE>

Consolidated Statements of Changes in Shareholders' Equity

<TABLE>
<CAPTION>

	Common Stock Shares	Common Stock Par Value	Capital in Excess of Par Value	Cumulative Foreign Currency Translation Adjustment	Retained Earnings	Treasury Stock	Employee Stock Ownership Plan Loan Payable	Shareholders'

Equity

<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance at December 31, 1992	1,046,137	$105,000	$3,124,000	$(2,085,000)	$14,727,000		$(1,475,000)	$14,396,000
Foreign currency translation adjustment.				(188,000)				(188,000)
Net income.					408,000			408,000
Payments on Employee Stock Ownership Plan Loan Payable							200,000	200,000
Balance at December 31, 1993	1,046,137	105,000	3,124,000	(2,273,000)	15,135,000		(1,275,000)	14,816,000
Issuance of shares.	5,362		73,000					73,000
Foreign currency translation adjustment.				397,000				397,000
Net loss.					(8,415,000)			(8,415,000)
Payments on Employee Stock Ownership Plan Loan Payable							200,000	200,000
Balance at December 31, 1994	1,051,499	105,000	3,197,000	(1,876,000)	6,720,000		(1,075,000)	7,071,000
Issuance of shares.	2,500	1,000	22,000					23,000
Foreign currency translation adjustment.				(15,000)				(15,000)
Net income.					1,134,000			1,134,000
Acquisition of treasury stock						(6,000)		(6,000)
Payments on Employee Stock Ownership Plan Loan Payable							200,000	200,000
Balance at December 31, 1995	1,053,999	$106,000	$3,219,000	$(1,891,000)	$ 7,854,000	$(6,000)	$ (875,000)	$ 8,407,000

<FN>

See Notes to Consolidated Financial Statements.

</TABLE>

Notes To Consolidated Financial Statements

Note 1 - The Company and Its Accounting Policies:

Graham Corporation and its subsidiaries are primarily engaged in the design and manufacture of vacuum and heat transfer equipment used in the chemical, petrochemical, petroleum refining, and electric power generating industries and sells to customers throughout the world. The company's significant accounting policies follow.

Principles of consolidation and use of estimates in the preparation of financial statements -

The consolidated financial statements include the accounts of the company and its majority-owned domestic and foreign subsidiaries. All significant intercompany balances, transactions and profits are eliminated in consolidation.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the related revenues and expenses during the reporting period. Actual amounts could differ from those estimated.

Translation of foreign currencies-

Assets and liabilities of foreign subsidiaries are translated into U.S. dollars at currency exchange rates in effect at year end and revenues and expenses are translated at average exchange rates in effect for the year. Gains and losses resulting from foreign currency transactions are included in results of operations. Gains and losses resulting from translation of foreign subsidiary balance sheets are reflected as a separate component of shareholders' equity.

Revenue recognition-

Revenues and all related costs on short-term contracts are accounted for on the completed contract method and included in income upon substantial completion or shipment to the customer.

Inventories-

Inventories are stated at the lower of cost or market. Cost is determined on the first-in, first-out method. Progress payments for orders are netted against inventory to the extent the payment is less than the inventory balance relating to the applicable contract. Progress payments that are in excess of the corresponding inventory balance are presented as customer deposits in the Consolidated Balance Sheet.

Property and depreciation-

Property, plant and equipment are stated at cost. Major additions and improvements are capitalized, while maintenance and repairs are charged to expense as incurred. Depreciation and amortization are provided based upon the estimated useful lives under the straight line method. Upon sale or retirement of assets, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the results of operations.

Income taxes-

The company recognizes deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the company's financial statements or tax returns. Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using currently enacted tax rates.

Employee benefit plans and deferred compensation-

The company has retirement plans covering substantially all employees. Charges to income are based upon actuarially determined costs. Pension liabilities are funded by periodic payments to the various pension plan trusts.

The company has employment contracts with key employees which provide for current and deferred bonuses based upon the results of operations. The principal and interest earned on the deferred balances are payable upon retirement.

Effective January 1, 1994, the company adopted Statement of Financial Accounting Standards No. 112 (SFAS 112), "Employers' Accounting for Postemployment Benefits." SFAS 112 requires that projected future costs of providing postemployment benefits be recognized as an expense as employees render service rather than when the benefits are paid. The adjustment to adopt SFAS 112 of $9,000, net of the related tax benefit of $3,000, or $.01 per share, is presented in the Consolidated Statement of Operations as the cumulative effect of changes in accounting principles from continuing and discontinued operations. The incremental costs of adopting this statement are insignificant on an ongoing basis.

The company provides certain health care benefits for eligible retirees and eligible survivors of retirees. The company recognizes the cost of postretirement health care benefits on the accrual basis as employees render service to earn the benefits.

Per share data-

Earnings per share is computed by dividing net income by the weighted average number of common shares and, when applicable, common equivalent shares outstanding during the period.

Cash flow statement-

The company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Actual interest paid was $631,000 in 1995, $500,000 in 1994, and $815,000 in 1993. In addition, actual income taxes paid were $246,000 in 1995, $39,000 in 1994, and $341,000 in 1993.

In 1994, bonus amounts payable to all officers of Graham Corporation and its U.S. subsidiary were paid in Graham common stock valued at $12,000 and $73,000 in 1995 and 1994.

Recently issued accounting standard -

In October 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," which requires adoption no later than fiscal years beginning after December 15, 1995. The new standard defines a fair value method of accounting for stock options and similar equity instruments. Under the fair value method, compensation cost is measured at the grant date based on the fair value of the award and is recognized over the service period, which is usually the vesting period.

Pursuant to the new standard, companies are encouraged, but not required, to adopt the fair value method of accounting for employee stock-based transactions. Companies are also permitted to continue to account for such transactions under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," but would be required to disclose in a note to the financial statements pro forma net income and, if presented, earnings per share as if the company had applied the new method of accounting.

The accounting requirements of the new method are effective for all employee awards granted after the beginning of the fiscal year of adoption. The company has not yet determined if it will elect to change to the fair value method, nor has it determined the effect the new standard will have on net income and earnings per share should it elect to make such a change. Adoption of the new standard will have no effect on the company's cash flows.

Note 2 - Discontinued Operations:

In September 1994, the company approved a formal plan to dispose of its subsidiary, Graham Manufacturing Limited (GML), located in Gloucester, England, and subsequently sold the operation on January 24, 1995. GML manufactured shell and tube heat exchangers. In addition, GML manufactured air cooled exchangers through a joint venture known as Graham Exchanger Services Limited of which GML owned seventy-five percent of the issued and outstanding shares. This joint venture was sold in November 1994. The disposal of GML has been presented in the Consolidated Statement of Operations as a discontinued operation and accordingly, the results of operations for the prior years have been restated to reflect GML's operations separately from continuing operations.

Net sales for GML were $13,639,000 for the nine month operating period in 1994 and $16,086,000 in 1993.

During 1995, the company incurred a loss of $182,000 for additional expenses related to the disposal of GML. There were no tax attributes associated with this loss. The 1994 loss from GML's discontinued operations is presented net of related tax benefits of $8,000. The 1994 loss from disposal, which includes operating losses of $1,909,000 during the phase-out period, is presented net of related tax benefits of $160,000. There were no tax attributes associated with the 1993 loss of GML. The remaining accrued liabilities for this disposal totalled $711,000 at December 31, 1995.

In December 1994, the company sold the property and plant of L&A Engineering & Equipment, Inc. (L&A), which was previously accounted for as a discontinued operation. A gain, net of related expenses, of $51,000 was recognized from the sale of the L&A property and plant. In addition, the remaining reserve for estimated net liabilities of L&A totalling $38,000 was reversed to income in 1994. The gain of $89,000, which is net of a $35,000 income tax provision, has been netted against the loss from disposal of discontinued operations in the 1994 Consolidated Statement of Operations.

Note 3 - Operations by Geographic Area:

The company has operations in the United States and the United Kingdom.

Inter-geographic sales represent intercompany sales made based upon a competitive pricing structure. All intercompany profits in inventory are eliminated in the consolidated accounts and are included in the eliminations caption below. In computing operating profit, corporate and interest expense have been excluded. Included in corporate expense are research and development costs of $277,000, $298,000, and $304,000 in 1995, 1994 and 1993, respectively.

<TABLE>
<CAPTION>

	1995	1994	1993
<S>	<C>	<C>	<C>
Net sales including inter-geographic sales:			
United States			
Customers.	$45,358,000	$41,892,000	$40,732,000
Inter-geographic	24,000	31,000	115,000

	1995	1994	1993
United Kingdom			
Customers.	4,122,000	5,459,000	4,448,000
Inter-geographic	1,372,000	1,152,000	1,040,000
Inter-geographic sales.	(1,396,000)	(1,183,000)	(1,155,000)
Net sales	$49,480,000	$47,351,000	$45,180,000
Operating profit:			
United States.	$ 4,106,000	$ 1,950,000	$ 3,623,000
United Kingdom	370,000	745,000	24,000
Eliminations	65,000	(70,000)	18,000
Total operating profit.	4,541,000	2,625,000	3,665,000
Corporate expense	(1,831,000)	(1,880,000)	(2,241,000)
Interest expense.	(616,000)	(525,000)	(537,000)
Income from continuing operations before income taxes	$ 2,094,000	$ 220,000	$ 887,000
Identifiable assets			
United States.	$25,414,000	$25,640,000	$21,281,000
United Kingdom	3,870,000	4,214,000	19,245,000
Eliminations	(391,000)	(284,000)	(321,000)
	28,893,000	29,570,000	40,205,000
Corporate assets.	587,000	383,000	1,206,000
Total assets.	$29,480,000	$29,953,000	$41,411,000

</TABLE>

The breakdown of total United States export sales by geographic area was:
<TABLE>
<CAPTION>

<S>	1995 <C>	1994 <C>	1993 <C>
Africa	$ 118,000	$ 489,000	$ 1,353,000
Asia	10,160,000	10,052,000	7,543,000
Canada	2,401,000	2,649,000	2,051,000
Middle East.	1,992,000	253,000	236,000
South America.	1,921,000	531,000	1,930,000
Mexico	1,578,000	555,000	232,000
Western Europe	592,000	822,000	523,000
Other.	433,000	1,037,000	904,000
Total domestic export sales	$19,195,000	$16,388,000	$14,772,000

</TABLE>
Note 4 - Inventories:

Major classifications of inventories are as follows:
<TABLE>
<CAPTION>

<S>	1995 <C>	1994 <C>
Raw materials and supplies.	$ 2,579,000	$ 1,857,000
Work in process	3,286,000	2,507,000
Finished products	1,100,000	953,000
	6,965,000	5,317,000
Less - progress payments.	344,000	770,000
	$ 6,621,000	$ 4,547,000

</TABLE>
Note 5 - Property, Plant and Equipment:

Major classifications of property, plant and equipment are as follows:
<TABLE>
<CAPTION>

<S>	1995 <C>	1994 <C>
Land.	$ 244,000	$ 245,000
Leasehold improvements.	165,000	165,000
Buildings and improvements.	10,245,000	10,231,000
Machinery and equipment	12,748,000	12,929,000
Construction in progress.	10,000	17,000
	23,412,000	23,587,000
Less - accumulated depreciation and		

amortization	14,494,000	13,924,000
	$ 8,918,000	$ 9,663,000

</TABLE>

Note 6 - Leases:

The company leases equipment and office space under various operating leases. Rent expense applicable to operating leases was $184,000, $180,000 and $249,000 for years 1995, 1994 and 1993, respectively.

Property, plant and equipment include the following amounts for leases which have been capitalized.

<TABLE>
<CAPTION>

<S>	1995 <C>	1994 <C>
Machinery and equipment	$ 779,000	$ 788,000
Less accumulated amortization	494,000	405,000
	$ 285,000	$ 383,000

</TABLE>

Amortization of property, plant and equipment under capital lease amounted to $98,000, $72,000 and $114,000 for years 1995, 1994 and 1993, respectively, and is included in depreciation expense.

As of December 31, 1995, future minimum payments required under non-cancelable leases are:

<TABLE>
<CAPTION>

<S>	Operating Leases <C>	Capital Leases <C>
1996.	$ 135,000	$ 43,000
1997.	77,000	33,000
1998.	58,000	31,000
1999.	39,000	17,000
2000.	17,000	9,000
Thereafter.	14,000	
Total minimum lease payments.	$ 340,000	$ 133,000
Less - amount representing interest		19,000
Present value of net minimum lease payments		$ 114,000

</TABLE>

Note 7 - Debt:

Short-Term Debt Due Banks

The company and its subsidiaries had short-term borrowings outstanding as follows:

<TABLE>
<CAPTION>

<S>	December 31, 1995 <C>	1994 <C>
Borrowings of United Kingdom Subsidiary under line of credit at bank's rate plus 1 1/2% in 1995 and bank's rate plus 2 1/2% in 1994	$ 206,000	$ 196,000

</TABLE>

In 1995, the United Kingdom subsidiary entered into a new revolving credit facility agreement which provides a line of credit of 250,000 pounds sterling ($387,000 at the December 31, 1995 exchange rate). Under the new facility, the interest rate is the bank's rate plus 1 1/2%. The bank's base rate was 6 1/2% and 3 3/4% at December 31, 1995 and 1994, respectively. The United Kingdom operations had available unused lines of credit of $181,000 at December 31, 1995. The weighted average interest rate on short-term borrowings at December 31, 1995 and 1994 was 8% and 6.25%, respectively.

Long-term Debt

The company and its subsidiaries had long-term borrowings outstanding as follows:

<TABLE>
<CAPTION>

	December 31, 1995	December 31, 1994
<S>	<C>	<C>
Employee Stock Ownership Plan Loan Payable	$ 875,000	$ 1,075,000
United Kingdom term loan due in 2000.	387,000	
United States revolving credit facility at prime plus 1/2%	2,282,000	4,171,000
Capital lease obligations	114,000	150,000
	3,658,000	5,396,000
Less: current amounts, including amounts for capital leases of $ 36,000 in 1995 and $35,000 in 1994.	355,000	235,000
	$3,303,000	$ 5,161,000

</TABLE>

The United States revolving credit facility agreement provides a line of credit of up to $13,000,000, including letters of credit, through October 31, 1996. During 1995 and 1994, the company borrowed at a rate of prime plus 1/2%. In June 1994, the company used proceeds of the revolving line of credit to refinance Industrial Development Revenue Bonds.

The agreement allows the company at any time to convert balances outstanding not less than $2,000,000 and up to $9,000,000 into a two-year term loan. This conversion feature is available through October 1996, at which time the company may convert the principal outstanding on the revolving line of credit to a two-year term loan. The company had $2,282,000 and $4,171,000 outstanding on its revolving credit facility at December 31, 1995 and 1994, respectively. As the company has the intent and ability to maintain this balance on a long-term basis, the borrowings have been classified as long-term debt at December 31, 1995 and 1994. The bank's prime rate was 8.5% at December 31, 1995 and 1994. The United States subsidiary had available unused lines of credit of $8,727,000 at year end.

The Employee Stock Ownership Plan Loan Payable requires quarterly payments of $50,000 through 2000. (See Note 10 for a description of the Plan.)

In 1995, the United Kingdom subsidiary entered into a term loan at a fixed rate of 9%. This term loan is due in 2000 and is repayable in equal monthly installments commencing in 1996.

Long-term debt requirements over the next five years, excluding capital leases, are: 1996 - $319,000, 1997 - $867,000, 1998 - $1,913,000, 1999 - $297,000 and 2000 - $148,000.

The company is required to pay commitment fees of 1/2% on the unused portion of the domestic revolving credit facility. No other financing arrangements require compensating balances or commitment fees. Assets with a book value of $22,741,000 have been pledged to secure certain domestic long-term borrowings.

The United Kingdom short-term and long-term borrowings are secured by assets of the United Kingdom subsidiary which have a book value of $589,000.

Several of the loan agreements contain provisions pertaining to the maintenance of minimum working capital balances, tangible net worth, capital expenditures and financial ratios as well as restrictions on the payment of cash dividends to the parent company and shareholders and incurrence of additional long-term debt. The most restrictive dividend provision limits the payment of dividends to shareholders to the greater of $400,000 or 25% of consolidated net income. In addition, the United States subsidiary cannot make any loans or advances exceeding $150,000 to any affiliates without prior consent of the bank. The United States subsidiary may pay dividends to the parent company as long as the subsidiary remains in compliance with all financial covenants after payment of the dividends. Under the agreement, restricted net assets of the subsidiary may not be reduced below $5,000,000 at December 31, 1995. Effective December 31, 1995, the United Kingdom subsidiary obtained a waiver through the end of 1996 from its bank of certain financial loan covenants.

Note 8 - Financial Instruments and Derivative Financial Instruments:

Concentrations of Credit Risk:

Financial instruments that potentially subject the company to concentrations of credit risk consist principally of temporary cash investments and trade receivables. The company places its temporary cash investments with high credit quality financial institutions and actively evaluates the credit worthiness of these financial institutions. Concentrations of credit risk with respect to trade receivables are limited due to the large number of customers comprising the company's customer base and their geographic dispersion. At December 31, 1995 and 1994, the company had no significant concentrations of credit risk.

Letters of Credit:

The company has entered into standby letter of credit agreements with financial institutions relating to the guarantee of future performance on certain contracts. At December 31, 1995 and 1994, the company was contingently liable on outstanding standby letters of credit aggregating $2,127,000 and $2,256,000, respectively.

Foreign Exchange Risk Management:

The company, as a result of its global operating and financial activities, is exposed to market risks from changes in foreign exchange rates. In seeking to minimize the risks and/or costs associated with such activities, the company utilizes foreign exchange forward contracts with fixed dates of maturity and exchange rates. The company does not hold or issue financial instruments for trading or other speculative purposes and only contracts with high quality financial institutions. If the counterparties to the exchange contracts do not fulfill their obligations to deliver the contracted foreign currencies, the company could be at risk for fluctuations, if any, required to settle the obligation.

The table below summarizes the notional amounts of the foreign exchange forward contracts held by the company. The "buy" amounts represent the U.S. dollar equivalent of commitments to purchase foreign currencies and the "sell" amounts represent the U.S. dollar equivalent of commitments to sell foreign currencies.

<TABLE>
<CAPTION>

December 31,	1995 Sell	1994 Buy
Canadian dollars	$391,000	
British pounds sterling		$158,000
	$391,000	$158,000
Fair Value	$398,000	$165,000

</TABLE>

The company entered into these foreign exchange forward contracts to hedge a sales or purchase commitment denominated in the currency of the sales contract or purchase order. The term of the derivatives is less than one year.

At December 31, 1995 and 1994, the company had deferred unrealized gains and (losses) of $(7,000) and $7,000, respectively, which are recognized in income as part of the hedged transaction. These amounts represent the gain or loss that would have been recognized had these contracts been liquidated at market value in their respective years. The fair values of the foreign exchange forward contracts are estimated based on dealer quotes.

Fair Value of Financial Instruments:

The differences between the carrying amounts and estimated fair values of the company's short- and long-term debt are insignificant.

The methods and assumptions used to estimate the fair value of such debt are summarized as follows:

Short-term debt due banks - The carrying value of short-term debt approximates fair value due to the short-term maturity of this instrument.

Long-term debt - The carrying value of long-term debt excludes $114,000 and $150,000 of obligations under capital leases at

December 31, 1995 and 1994, respectively. The carrying values of credit facilities with variable rates of interest approximates fair values. The fair value of fixed rate debt was estimated by discounting cash flows using rates currently available for debt of similar terms and remaining maturities.

Note 9 - Income Taxes:

An analysis of the components of pre-tax income from continuing operations is presented below:

<TABLE>
<CAPTION>

	1995	1994	1993
<S>	<C>	<C>	<C>
United States	$ 1,890,000	$ 59,000	$ 821,000
United Kingdom.	204,000	161,000	66,000
	$ 2,094,000	$ 220,000	$ 887,000

</TABLE>

The provision (benefit) for income taxes on continuing operations consists of:

<TABLE>

<S>	<C>	<C>	<C>
Current -			
Federal.	$ 97,000	$ 208,000	$ (4,000)
State.	16,000	56,000	27,000
United Kingdom	84,000		
	197,000	264,000	23,000
Deferred -			
Federal.	489,000	(161,000)	111,000
State.	236,000	(22,000)	(51,000)
United Kingdom	(1,000)	228,000	(2,000)
Change in valuation allowance.	(143,000)	(101,000)	134,000
	581,000	(56,000)	192,000
Total provision for income taxes	$ 778,000	$ 208,000	$ 215,000

</TABLE>

The reconciliation of the provision calculated using the United States Federal tax rate with the provision for income taxes presented in the financial statements, excluding discontinued operations, is as follows:

<TABLE>
<CAPTION>

	1995	1994	1993
<S>	<C>	<C>	<C>
Provision for income taxes at Federal rate	$ 712,000	$ 75,000	$ 302,000
Recognition of tax benefit of prior year losses.			(40,000)
Difference between foreign and U.S. tax rates.	(2,000)	(2,000)	(1,000)
State taxes	247,000	15,000	(33,000)
Charges not deductible for income tax purposes.	61,000	131,000	11,000
Recognition of tax benefit generated by foreign sales corporation	(67,000)	(46,000)	(47,000)
Tax credits	(18,000)		
Net operating losses for which no tax benefit was provided		92,000	
Change in valuation allowance	(143,000)	(101,000)	134,000
Reversal of tax reserve			(100,000)
Other	(12,000)	44,000	(11,000)
Provision for income taxes	$ 778,000	$ 208,000	$ 215,000

</TABLE>

The deferred income tax asset (liability) recorded in the Consolidated Balance Sheets results from differences between financial statement and tax reporting of income and deductions. A summary of the composition of the deferred income tax asset (liability) follows:

	1995 United States	1995 United Kingdom	1994 United States	1994 United Kingdom
Depreciation	$ (435,000)	$ (118,000)	$ (455,000)	$(145,000)
Deferred compensation	425,000		430,000	
Deferred pension liability	379,000		650,000	
Accrued postretirement benefits	1,281,000		1,284,000	
Compensated absences	519,000		465,000	
Inventories	85,000		36,000	
Warranty liability	98,000		89,000	
State and foreign loss carryforwards	46,000	144,000	109,000	147,000
New York State investment tax credit	195,000		292,000	
Alternative minimum tax credit	120,000		103,000	
Litigation reserve	17,000		486,000	
Other	127,000	(84,000)	93,000	(62,000)
	2,857,000	(58,000)	3,582,000	(60,000)
Less: Valuation allowance	559,000	53,000	677,000	78,000
Deferred tax asset (liability)	$2,298,000	$ (111,000)	$2,905,000	$ (138,000)

Deferred income taxes include the impact of state and foreign net operating loss carryforwards and investment tax credits which expire from 1996 to 2008. In accordance with the provisions of SFAS 109, a valuation allowance of $612,000 at December 31, 1995 is deemed adequate to reserve for these and other items which are not considered probable of realization.

The company does not provide for additional U.S. income taxes on undistributed earnings considered permanently invested in its United Kingdom subsidiary. At December 31, 1995, such undistributed earnings totaled $950,000. It is not practicable to determine the amount of income taxes that would be payable upon the remittance of assets that represent those earnings.

Note 10 - Employee Benefit Plans:

Retirement Plans

The company has defined benefit plans covering substantially all employees. The company's plan covering employees in the United States is non-contributory. Benefits are based on the employee's years of service and average earnings for the five highest consecutive calendar years of compensation for the ten year period preceding retirement. The plan for employees in the United Kingdom is contributory with the employer's share being actuarially determined. Benefits are based on the employee's years of service and average earnings for the three highest years for the ten year period preceding retirement. The company's funding policy for the United States plan is to contribute the amount required by the Employee Retirement Income Security Act of 1974. The pension obligations to employees covered by the company's former domestic plan, terminated in 1986, were settled through the purchase of annuity contracts for each participant which guaranteed these future benefit payments.

The components of pension cost are:

	1995 U. S. PLAN	1995 U. K. PLAN	1994 U. S. PLAN	1994 U. K. PLAN	1993 U. S. PLAN	1993 U. K. PLAN
Service cost-benefits earned during the period	$ 261,000	$ 175,000	$ 350,000	$ 524,000	$ 330,000	$ 318,000
Interest cost on projected benefit obligation	475,000	295,000	505,000	453,000	473,000	315,000
Actual return on assets	(1,600,000)	(501,000)	(38,000)	(345,000)	(116,000)	(1,155,000)
Net amortization and deferral	1,168,000	109,000	(338,000)	(196,000)	(196,000)	599,000

Net pension cost.	$ 304,000	$ 78,000	$ 479,000	$ 436,000	$ 491,000	$ 77,000

</TABLE>

The service cost for 1995, 1994 and 1993 is net of employee contributions to the United Kingdom plan of $49,000, $22,000 and $51,000, respectively.

The actuarial assumptions are:

<TABLE>

<S>	<C>	<C>	<C>	<C>	<C>	<C>
Discount rate used to determine projected benefit obligation	7%	9%	8 3/4%	9 1/2%	7 3/4%	7 3/4%
Rate of increase in compensation levels	3%	5 1/2%	4%	5 1/2%	4%	4%
Expected rate of return on plan assets	8%	10%	8%	10%	8%	10%

</TABLE>

The funded status of the pension plans is presented below:

<TABLE>
<CAPTION>

	1995		1994	
	U. S. PLAN	U. K. PLAN	U. S. PLAN	U. K. PLAN
<S>	<C>	<C>	<C>	<C>
Vested benefit obligation	$ 4,262,000	$ 831,000	$ 2,739,000	$ 743,000
Accumulated benefit obligation.	$ 4,636,000	$ 831,000	$ 2,968,000	$ 743,000
Plan assets at fair value	$ 6,258,000	$3,709,000	$ 4,544,000	$3,561,000
Projected benefit obligation for services rendered to date.	7,539,000	3,461,000	5,908,000	3,093,000
Projected benefit obligation (in excess of) or less than plan assets	(1,281,000)	248,000	(1,364,000)	468,000
Unrecognized net gain loss from past experience different from that assumed and effect of changes in assumptions	(528,000)	(752,000)	(327,000)	(972,000)
Unrecognized prior service cost	(3,000)	265,000	(3,000)	289,000
Unrecognized net asset at transition	(379,000)	(38,000)	(423,000)	(46,000)
Pension liability	$(2,191,000)	$ (277,000)	$(2,117,000)	$ (261,000)

</TABLE>

The current portion of the pension liability is included in the caption "Accrued Compensation" and the long-term portion is separately presented in the Consolidated Balance Sheets.

Assets of the United States plan consist primarily of equity securities including 70,425 shares of the company's common stock at December 31, 1995 and 1994. Assets of the United Kingdom plan consist of an investment contract with an insurance company which is primarily invested in equity securities. The vested benefit obligation of the United Kingdom plan is the actuarial present value of the vested benefits to which the employee is currently entitled but based on the employee's expected date of separation or retirement. The unrecognized net asset at transition is being amortized over the remaining service lives of the participants which approximates 19 years for the domestic plan and 13 years for the United Kingdom plan.

The company has a defined contribution plan covering substantially all domestic employees. Company contributions to this plan are based on the profitability of the company and amounted to $320,000, $0 and $326,000 in 1995, 1994 and 1993, respectively. The company also maintains a supplemental defined contribution plan which covers selected employees in the United Kingdom. The expense associated with this plan was $4,000, $13,000 and $23,000 for the years ended December 31, 1995, 1994 and 1993, respectively.

Employee Stock Ownership Plan

In 1990, the company established a noncontributory Employee Stock Ownership Plan (ESOP) that covers substantially all employees in the United States. The company borrowed $2,000,000 under loan and pledge agreements. The proceeds of the loans were used to purchase 87,454 shares of the company's common stock. The purchased shares are pledged as security for the payment of principal and interest as provided in the loan and pledge agreements. It is anticipated that funds for servicing the debt payments will essentially be provided from contributions paid by the company to the ESOP, from earnings attributable to such contributions, and from cash dividends paid to the ESOP on shares of the company stock which it owns. During 1995, 1994, and 1993 the company recognized expense associated with the ESOP using the shares allocated method. This method recognizes interest expense as incurred on all outstanding debt of the ESOP and compensation expense related to principal reductions based on shares allocated for the period. Dividends received on unallocated shares that are used to service the ESOP debt reduce the amount of expense recognized each period. The compensation expense associated with the ESOP was $200,000 for each of the years ended December 31, 1995, 1994 and 1993. The ESOP received no dividends on unallocated shares in 1995, 1994 and 1993. Interest expense in the amount of $97,000, $96,000, and $96,000 was incurred in 1995, 1994 and 1993, respectively. Dividends paid on allocated shares accumulate for the benefit of the employees.

Other Postretirement Benefits

In addition to providing pension benefits, the company has a United States plan which provides health care benefits for eligible retirees and eligible survivors of retirees. Effective January 1, 1994, early retirees who are eligible to receive benefits under the plan are required to share in twenty percent of the medical premium cost. In addition, the company's share of the premium costs has been capped.

The components of postretirement benefit cost are:

<TABLE>
<CAPTION>

<S>	1995 <C>	1994 <C>	1993 <C>
Service cost - benefits earned during the period.	$ 45,000	$ 56,000	$ 84,000
Interest cost on accumulated benefit obligation	156,000	165,000	199,000
Amortization of prior service cost.	(87,000)	(87,000)	(25,000)
Net postretirement benefit cost	$114,000	$134,000	$258,000

</TABLE>

The assumptions used to develop the accrued postretirement benefit obligation were:

<TABLE>
<CAPTION>

<S>	1995 <C>	1994 <C>	1993 <C>
Discount rate	7%	8 3/4%	7 3/4%
Medical care cost trend rate.	9 1/2%	10%	10%

</TABLE>

The medical care cost trend rate used in the actuarial computation ultimately reduces to 6% in 2002 and subsequent years. This was accomplished using 1/2% decrements for the years 1996 through 2002.

The table of actuarially computed benefit obligations is presented below:

<TABLE>
<CAPTION>

<S>	1995 <C>	1994 <C>
Accumulated postretirement benefit obligation:		
Retirees	$ 1,064,000	$ 850,000
Fully eligible active plan participants.	486,000	414,000
Other active plan participants	988,000	686,000
Unfunded accumulated postretirement benefit obligation	2,538,000	1,950,000
Unrecognized net gain (loss) from past experience different from that assumed and effects of changes in assumptions.	(403,000)	106,000
Unrecognized prior service cost	1,151,000	1,238,000
Accrued postretirement benefit obligation	$3,286,000	$3,294,000

</TABLE>

The effect of a one percentage point increase in each future year's assumed medical care cost trend rate, holding all other assumptions constant, would not have a material effect on the net postretirement benefit cost or the accrued postretirement benefit obligation.

The current portion of the postretirement benefit obligation is included in the caption "Accrued Compensation" and the long-term portion is separately presented in the Consolidated Balance Sheets.

Note 11 - Stock Options:

The 1989 Stock Option and Appreciation Rights Plan provides for issuance of up to 125,800 shares of common stock in connection with grants of non-qualified stock options and tandem stock appreciation rights to officers, key employees and certain outside directors. The options may be granted at prices not less than the fair market value at the date of grant, and expire no later than ten years after the date of grant.

The 1981 Common Stock Incentive Plan for officers and other key employees provided for issuance of up to 80,000 shares of common stock in connection with grants of incentive stock options and tandem stock appreciation rights. Options can no longer be granted under this plan and at December 31, 1995, all outstanding options had been exercised.

Information on options and rights under the company's plans is as follows:

<TABLE>
<CAPTION>

<S>	Option price range <C>	Shares under option <C>
Outstanding at December 31, 1992.	$7.50-19.75	83,500
Granted	$11.50-12.625	24,600
Cancelled	$7.50-19.75	(13,000)

Outstanding at December 31, 1993.	$7.50-19.75	95,100
Granted	$12.00	4,600
Cancelled	$19.75	(2,000)

Outstanding at December 31, 1994.	$7.50-19.75	97,700
Exercised	$7.50	(1,500)
Granted	$9.875-12.00	16,200
Cancelled	$11.50-19.75	(4,800)

Outstanding at December 31, 1995.	$9.875-19.75	107,600
		=======

</TABLE>

There were 79,940 options exercisable at December 31, 1995. The remaining options are exercisable at a rate of 20 percent per year from the date of grant. The outstanding options expire December 1999 to October 2005. The number of options available for future grants were 12,800 at December 31, 1995 and 24,200 at December 31, 1994.

In 1995, the Board of Directors adopted the 1995 Graham Corporation Incentive Plan to Increase Shareholder Value and approved the granting of non-qualified stock options to purchase 11,500 shares of the company's common stock at an exercise price of $12.00 to officers and other key employees. If approved by the shareholders, these options will be immediately exercisable and will expire no later than October 2005. This plan provides for the issuance of up to 128,000 shares of common stock in connection with grants of incentive stock options and non-qualified stock options to officers, key employees and outside directors. The options may be granted at prices not less than the fair market value at the date of grant and expire no later than ten years after the date of grant.

Note 12 - Shareholder Rights Plan:

On February 23, 1990 the company adopted a Shareholder Rights Plan. Under the Plan, as of March 7, 1990, one share Purchase Right ("Right") is attached to each outstanding share of Common Stock. When and if the Rights become exercisable, each Right would entitle the holder of a share of Common Stock to purchase from the company an additional share of Common Stock for $70.00 per share, subject to adjustment. The Rights become exercisable upon certain events: (i) if a person or group of persons acquires 20% or more of the company's outstanding Common Stock; or (ii) if a person or group commences a tender offer for 30% or more of the company's outstanding Common Stock.

The company may redeem the Rights for $.01 per Right at any time prior to the close of business on the date when the Rights become exercisable.

After the Rights become exercisable, if the company is acquired in a business combination transaction, or if at least half of the company's assets or earning power are sold, then each Right would entitle its holder to purchase stock of the acquirer (or Graham, if it were the surviving company) at a discount of 50%. The number of shares that each Right would entitle its holder to acquire at discount would be the number of shares having a market value equal to twice the exercise price of the Right.

Note 13 - Litigation Settlement:

A lawsuit was filed in November 1992 against the company's U.S. subsidiary, Graham Manufacturing Co., Inc. Following an adverse jury verdict, the company charged $1,502,000 to pre-tax income in 1994 for the judgment amount and related defense costs. Following trial in 1995, the company reached a settlement with the plaintiff and an additional $276,000 was expensed.

Quarterly Financial Data:

A capsule summary of the company's unaudited quarterly sales and earnings per share data for 1995 and 1994 is presented below:

<TABLE>
<CAPTION>

1995	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
<S>	<C>	<C>	<C>	<C>	<C>
Net sales	$ 9,305,000	$12,007,000	$10,651,000	$17,517,000	$49,480,000
Gross Profit.	2,500,000	2,666,000	3,068,000	4,745,000	12,979,000
Income from continuing operations	19,000	(137,000)	254,000	1,180,000	1,316,000
Loss from discontinued operations				(182,000)	(182,000)
Net income (loss)	19,000	(137,000)	254,000	998,000	1,134,000
Per share:					
Income from continuing operations	.02	(.13)	.24	1.12	1.25
Loss from discontinued operations				(.17)	(.17)
Net income (loss).	.02	(.13)	.24	.95	1.08
	===========	===========	===========	===========	===========
Market price range.	9 1/4-11 3/8	9-11 7/8	10 1/8-13 7/8	11 1/2-16	9-16

</TABLE>
<TABLE>
<CAPTION>

1994	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
<S>	<C>	<C>	<C>	<C>	<C>
Net sales	$ 9,904,000	$ 8,561,000	$11,288,000	$17,598,000	$47,351,000
Gross Profit.	2,747,000	2,034,000	2,909,000	4,655,000	12,345,000
Income from continuing operations	104,000	(434,000)	191,000	151,000	12,000
Loss from discontinued operations	(31,000)	(422,000)	(4,340,000)	(3,628,000)	(8,421,000)
Cumulative effect of change in accounting principle	(6,000)				(6,000)
Net income (loss)	67,000	(856,000)	(4,149,000)	(3,477,000)	(8,415,000)
Per share:					
Income from continuing operations. . .	.10	(.41)	.18	.14	.01

Loss from discontinued operations. . .	(.03)	(.40)	(4.13)	(3.45)	(8.01)
Cumulative effect of change in accounting principle	(.01)				(.01)
Net income (loss).	.06	(.81)	(3.95)	(3.31)	(8.01)
Market price range.	11-14 7/8	12-14 7/8	11 1/4-13 1/2	9 5/8-12	9 5/8-14 7/8

</TABLE>

INDEPENDENT AUDITORS' REPORT

Board of Directors and Shareholders
Graham Corporation
Batavia, New York

We have audited the accompanying consolidated balance sheets of Graham Corporation and subsidiaries as of December 31, 1995 and 1994, and the related consolidated statements of operations, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 1995. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Graham Corporation and subsidiaries at December 31, 1995 and 1994, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1995 in conformity with generally accepted accounting principles.

Deloitte & Touche LLP
Rochester, New York
February 22, 1996

INDEPENDENT AUDITORS' REPORT

Board of Directors and Shareholders
Graham Corporation
Batavia, New York

We have audited the consolidated financial statements of Graham Corporation and subsidiaries as of December 31, 1995 and 1994 and for each of the three years in the period ended December 31, 1995, and have issued our report thereon dated February 22, 1996; such report is included elsewhere in this Annual Report on Form 10-K. Our audits also included the consolidated financial statement schedules of Graham Corporation and subsidiaries, listed in Item 14 (a) 2. These financial statement schedules are the responsibility of the Corporation's management. Our responsibility is to express an opinion based on our audits. In our opinion, such financial statement schedules, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

Deloitte & Touche LLP

Rochester, New York
February 22, 1996

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

(Not Applicable)

PART III

Item 10. Directors and Executive Officers

(The information called for under this Item pursuant to Item 401 of the Commission's Regulation S-K is set forth in statements under "Election of Directors" on pages 3 to 5 of the Registrant's Proxy Statement for its 1996 Annual Meeting of Stockholders, which statements are hereby incorporated herein by reference: except that the information regarding executive officers called for hereunder pursuant to Item 401(b) of Regulation S-K is furnished under a separate item captioned Executive Officers of the Registrant included in PART I of this annual report on Form 10-K pursuant to Instruction 3 to Item 401(b) of Regulation S-K and paragraph 3 of General Instruction G of Form 10-K. The information called for under this Item pursuant to Item 405 of the Commission's Regulation S-K is set forth in the statement on page 7 of Registrant's Proxy Statement for its 1996 Annual Meeting of Stockholders, which statement is hereby incorporated herein by reference.)

Item 11. Executive Compensation

(The information called for under this Item is set forth in statements under "Compensation of Executive Officers" on pages 8 to 11 of Registrant's Proxy Statement for its 1996 Annual Meeting of Stockholders, which statements are hereby incorporated herein by reference.)

Item 12. Security Ownership of Certain Beneficial Owners and

Management

(a) Security Ownership of Certain Beneficial Owners

(The information called for under this Item is set forth in statements under "Principal Stockholders" on page 2 of Registrant's Proxy Statement for its 1996 Annual Meeting of Stockholders, which statements are hereby incorporated herein by reference.)

(b) Security Ownership of Management

(The information called for under this Item is set forth in statements under "Principal Stockholders" on page 2, "Election of Directors" on pages 3 to 5 and "Executive Officers" on page 7 of Registrant's Proxy Statement for its 1996 Annual Meeting of Stockholders, which statements are hereby incorporated herein by reference.)

(c) Changes in Control (Not Applicable)

Item 13. Certain Relationships and Related Transactions

(The information called for under this Item is set forth in statements under "Principal Stockholders" on page 2 and "Election of Directors" on pages 3 to 5 of Registrant's Proxy Statement for its 1996 Annual Meeting of Stockholders, which statements are hereby incorporated herein by reference.)

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) (1) The following are Financial Statements and related information filed as part of this Annual Report on Form 10-K:

	Sequential Page Number
(A) Consolidated Statements of Operations for the Years ended December 31, 1995, 1994, and 1993;	18
(B) Consolidated Balance Sheets as of December 31, 1995 and 1994;	19-20
(C) Consolidated Statements of Cash Flows for the Years Ended December 31, 1995, 1994 and 1993;	21-22
(D) Consolidated Statements of Changes in Shareholders' Equity for the Years ended December 31, 1995, 1994 and 1993;	23
(E) Notes to Consolidated Financial Statements; and	24-40
(F) Report of Independent Auditors	42

(a) (2) The following are Financial Statement Schedules and related information required to be filed as part of this Annual Report on Form 10-K by Items 8 and 14(d) of Form 10-K:

(A) The items set forth in Items 14(a)(1)(A) through (E) above; and	18-40
(B) Independent Auditors' Report on Financial Statement Schedules	43

	Sequential Page Number
Financial Statement schedules for the years ended December 31, 1995, 1994 and 1993 as follows:	
(i) Condensed Financial Information of Registrant (Schedule I)	47-50
(ii) Valuation and Qualifying Accounts (Schedule II)	51-52

Other financial statement schedules not included in this Annual Report on Form 10-K have been omitted because they are not applicable or because the required information is shown in the financial statements or notes thereto.

GRAHAM CORPORATION AND SUBSIDIARIES*
SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT
CONDENSED STATEMENTS OF OPERATIONS

<TABLE>
<CAPTION>

	Year Ended December 31, 1995	1994	1993
<S>	<C>	<C>	<C>
Costs and expenses:			
General and administrative	$1,423,000	$ 1,117,000	$2,006,000
Interest expense	98,000	97,000	251,000
Parent company operating loss before income tax benefit	1,521,000	1,214,000	2,257,000
Benefit for income taxes	(580,000)	(449,000)	(418,000)
Net parent company operating loss	941,000	765,000	1,839,000
Equity in earnings of continuing subsidiaries	3,891,000	1,719,000	3,416,000
Less expenses directly allocable to continuing subsidiaries:			
Research and development	276,000	285,000	272,000
Provision for income taxes	1,358,000	657,000	633,000
Equity in net earnings of subsidiaries	2,257,000	777,000	2,511,000
Income from continuing operations	1,316,000	12,000	672,000
Equity in losses of discontinued subsidiaries	(182,000)	(8,554,000)	(264,000)
Less expenses directly allocable to discontinued subsidiaries:			
Benefit for income taxes		(133,000)	
Equity in net losses of discontinued subsidiaries	(182,000)	(8,421,000)	(264,000)
Income before cumulative effect of change in accounting principle	1,134,000	(8,409,000)	408,000
Cumulative effect of change in accounting principle for continuing subsidiary		(2,000)	
Cumulative effect of change in accounting principle for discontinued subsidiaries		(4,000)	

Net income (loss)	$1,134,000	$(8,415,000)	$ 408,000
	==========	===========	==========

<FN>
The Notes to Consolidated Financial Statements in Part II are an integral part of this schedule.

* Information is presented for the parent company only.

** Cash dividends paid to the parent company by consolidated subsidiaries were $1,750,000, $1,968,000 and $3,735,000 in 1995, 1994 and 1993, respectively.
</TABLE>

GRAHAM CORPORATION AND SUBSIDIARIES*
SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT
CONDENSED BALANCE SHEETS

<TABLE>
<CAPTION>

	December 31,	
	1995	1994
<S>	<C>	<C>
ASSETS		
Prepaid expenses	$ 92,000	$ 91,000
Due from subsidiaries	188,000	150,000
Other current assets		18,000
	-----------	-----------
Total current assets	280,000	259,000
Property, plant & equipment, net	275,000	316,000
Investment in subsidiaries	9,142,000	8,017,000
Other assets	28,000	35,000
	-----------	-----------
	$ 9,725,000	$ 8,627,000
	===========	===========

</TABLE>

CONDENSED BALANCE SHEETS (CONCLUDED)

<TABLE>
<CAPTION>

	December 31,	
	1995	1994
<S>	<C>	<C>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current portion of long-term debt	$ 208,000	$ 208,000
Accounts payable	216,000	152,000
Other current liabilities	219,000	313,000
	-----------	-----------
Total current liabilities	643,000	673,000
Long-term debt	675,000	883,000
	-----------	-----------

	1995	1994
	1,318,000	1,556,000
Shareholders' equity:		
Preferred stock, $1 par value - authorized, 500,000 shares		
Common stock, $.10 par value - authorized, 6,000,000 shares issued and outstanding, 1,053,999 shares in 1995 and 1,051,499 shares in 1994	106,000	105,000
Capital in excess of par value	3,219,000	3,197,000
Cumulative foreign currency translation adjustment	(1,891,000)	(1,876,000)
Retained earnings	7,854,000	6,720,000
	9,288,000	8,146,000
Less:		
Treasury stock	(6,000)	
Employee Stock Ownership Plan Loan Payable	(875,000)	(1,075,000)
Total shareholders' equity	8,407,000	7,071,000
	$ 9,725,000	$ 8,627,000

<FN>
The Notes to Consolidated Financial Statements in Part II are an integral part of this Schedule.

* Information is presented for the parent company only.
</TABLE>

GRAHAM CORPORATION AND SUBSIDIARIES*

SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT

CONDENSED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

	Year Ended December 31,		
	1995	1994	1993
<S>	<C>	<C>	<C>
Net cash provided by operating activities	$ 3,000	$ 19,000	$2,135,000
Investing activities:			
Purchase of property, plant and equipment		(13,000)	(10,000)
Net cash (used) by investing activities		(13,000)	(10,000)
Financing activities:			
Principal repayments of long-term debt	(8,000)	(6,000)	(2,200,000)
Issuance of common stock	11,000		
Purchase of treasury stock	(6,000)		
Capital contributions from minority interest			75,000
Net cash used by financing activities	(3,000)	(6,000)	(2,125,000)
Net increase in cash and equivalents	0	0	0
Cash and equivalents at beginning of year	0	0	0
Cash and equivalents at end of year	$ 0	$ 0	$ 0

<FN>
The Notes to Consolidated Financial Statements in Part II are an integral part of this schedule.

* Information is presented for the parent company only.
</TABLE>

GRAHAM CORPORATION AND SUBSIDIARIES
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

<TABLE>
<CAPTION>

Description	Balance at beginning of period	Charged to costs and expenses	Charged to other accounts	Deductions	Balance at end of period
<S>	<C>	<C>	<C>	<C>	<C>
Year ended December 31, 1995					
Reserves deducted from the asset to which they apply:					
Reserve for doubtful accounts	$ 119,000	$ 42,000		$ (80,000)	$ 81,000
Reserve for inventory obsolescence	236,000	1,000	$ (3,000) (b)	(12,000)	222,000
Reserves included in the balance sheet caption Accrued expenses and other liabilities:					
Reserve for contingencies	1,247,000	101,000		(1,348,000)	
Reserve for discontinued operations	883,000	182,000	(9,000) (b)	(345,000) (a)	711,000
	$2,485,000	$ 326,000	$(12,000)	$(1,785,000)	$1,014,000
Year ended December 31, 1994					
Reserves deducted from the asset to which they apply:					
Reserve for doubtful accounts	$ 80,000	$ 51,000	$ 2,000 (b)	$ (14,000)	$ 119,000
Reserve for inventory obsolescence	38,000	192,000	6,000 (b)		236,000
Reserves included in the balance sheet caption Accrued expenses and other liabilities:					
Reserve for penalties	223,000	(61,000)	(62,000) (c)	(100,000)	
Reserve for contingencies	384,000	946,000		(83,000)	1,247,000
Reserve for discontinued operations	80,000	847,000	16,000 (b)	(60,000) (a)	883,000
	$ 805,000	$1,975,000	$(38,000)	$ (257,000)	$2,485,000

</TABLE>

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS (CONCLUDED)

<TABLE>
<CAPTION>

Description	Balance at beginning of period	Charged to costs and expenses	Charged to other accounts	Deductions	Balance at end of period
<S>	<C>	<C>	<C>	<C>	<C>
Year ended December 31, 1993					
Reserves deducted from the asset to which they apply:					
Reserve for doubtful accounts	$ 57,000	$ 26,000		$ (3,000)	$ 80,000
Reserve for inventory obsolescence		38,000			38,000
Reserves included in the balance sheet caption Accrued expenses and other liabilities:					
Reserve for penalties	145,000	331,000	$ (2,000) (b)	(251,000)	223,000

Reserve for contingencies	430,000			(46,000)	384,000
Reserve for discontinued operations	103,000			(23,000) (a)	80,000
	$ 735,000	$ 395,000	$ (2,000)	$ (323,000)	$ 805,000

<FN>
Notes: (a) Represents costs charged against the reserve associated with the discontinued operation.
(b) Represents foreign currency translation adjustment.
(c) Represents a reversal of the reserve and a foreign currency translation adjustment.
</TABLE>

(a) (3) The following exhibits are required to be filed by Item 14(c) of Form 10-K:

Exhibit No.

*3	(i)	Articles of Incorporation of Graham Corporation
3	(ii)	By-laws of Graham Corporation
*4	(a)	Certificate of Incorporation of Graham Corporation (included as Exhibit 3.1)
**4	(b)	Shareholder Rights Plan of Graham Corporation
***10		1989 Stock Option and Appreciation Rights Plan of Graham Corporation
11		Statement regarding computation of per share earnings
21		Subsidiaries of the registrant
23		Consent of Experts and Counsel
27		Financial Data Schedule

(b) The Registrant filed no reports on Form 8-K during the last quarter of the fiscal year covered by this Annual Report on Form 10-K.

---

* Incorporated herein by reference from the Annual Report of Registrant on Form 10-K for the year ended December 31, 1989.

** Incorporated herein by reference from the Registrant's Current Report on Form 8-K dated February 26, 1991, as amended by Registrant's Amendment No. 1 on Form 8 dated June 8, 1991.

*** Incorporated herein by reference from the Registrant's Proxy Statement for its 1991 Annual Meeting of Shareholders.

Cross Reference Sheet for Annual Report on Form 10-K for the year ended December 31, 1995, setting forth item numbers and captions of Form 10-K (and related Items of Regulation S-K referred to therein) under which information is incorporated by reference and the pages in the Registrant's Proxy Statement for the 1996 Annual Meeting of Stockholders where that information appears.

<TABLE>
<CAPTION>

FORM 10-K: PART No. Item No. and Caption	Regulation S-K Item No. and Caption	Proxy Statement for 1996 Annual Meeting of Stockholders Caption:	Page:
<S>	<C>	<C>	<C>
Item 10. Directors and Executive Officers of Registrant	Item 401. Directors and Executive Officers	Election of Directors	3-5
	Item 405. Directors and Executive Officers	Disclosure Pursuant to Item 405 of SEC Regulation S-K	7
Item 11. Executive Compensation	Item 402. Executive Compensation	Compensation of Executive Officers	8-11
Item 12. Security Ownership of Certain Beneficial Owners and Management	Item 403(a). Security Ownership of Certain Beneficial Owners	Principal Stockholders	2
	Item 403(b). Security Ownership of Management	Principal Stockholders Election of Directors Executive Officers	2 3-5 7
Item 13. Certain Relationships and Related Transactions	Item 404(a). Transactions with Management and Others	Principal Stockholders Election of Directors	2 3-5
	Item 404(b). Certain Business Relations	Principal Stockholders Election of Directors	2 3-5

</TABLE>

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the Registrant has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized.

GRAHAM CORPORATION
(Registrant)

DATE: March 27, 1996

By s\ J. Ronald Hansen

J. Ronald Hansen
Vice President-Finance &
Administration and Chief
Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature		
s\ Frederick D. Berkeley Frederick D. Berkeley	Chairman and Chief Executive Officer; Director	March 27, 1996
s\ J. Ronald Hansen J. Ronald Hansen	Vice President-Finance & Administration and Chief Financial Officer	March 27, 1996
s\ Philip S. Hill Philip S. Hill	Director	March 27, 1996
s\ Cornelius S. Van Rees Cornelius S. Van Rees	Director	March 27, 1996
s\ Jerald D. Bidlack Jerald D. Bidlack	Director	March 27, 1996
s\ Robert L. Tarnow Robert L. Tarnow	Director	March 27, 1996
s\ A. Cadena A. Cadena	Director	March 27, 1996

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

EXHIBITS

filed with

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)

of

THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1995

GRAHAM CORPORATION

GRAHAM CORPORATION

FORM 10-K

DECEMBER 31, 1995

BY-LAWS
OF
GRAHAM CORPORATION
(a Delaware Corporation)

ARTICLE 1

DEFINITIONS

As used in these By-Laws, unless the context otherwise requires, the term:

1.1 "Board" means the board of directors of the Corporation.

1.2 "By-laws" means these by-laws of the Corporation, as amended from time to time.

1.3 "Certificate of Incorporation" means the original certificate of incorporation of the Corporation filed on March 7, 1983 to form the Corporation, as amended, supplemented or restated by certificates of amendment, merger or consolidation or other certificates or instruments filed or issued under any statute from time to time after the aforesaid date of filing of such original certificate.

1.4 "Corporation" means GRAHAM CORPORATION.

1.5 "Directors" means the directors of the Corporation.

1.6 "Principal Office of the Corporation" means the principal office of the Corporation located at 20 Florence Avenue, Batavia, New York 14020.

1.7 "Plurality Vote" means the greater number of votes cast for one nominee for an office than the votes cast for any other nominee for the same office.

1.8 "Shareholders" means the shareholders of the Corporation.

ARTICLE 2

OFFICES

2.1 Principal Office. In addition to the principal office, the Corporation may have offices and places of business at such other places, within or without the State of Delaware, as the Board may from time to time determine.

ARTICLE 3

SHAREHOLDERS

3.1 Place of Meetings. Every meeting of the shareholders shall be held at the principal office of the Corporation or at such other place within or without the State of Delaware as may be fixed from time to time, by the Board, which place shall be specified in the notice or waiver of notice thereof.

3.2 Annual Meeting for Election of Directors. The annual meeting of shareholders for the election of directors and the transaction of other business shall be held on the first Wednesday in May of each year at 12 o'clock noon (or at such other hour as may be designated in the notice of meeting), or, if the foregoing date falls on a legal holiday, on the first business day thereafter which is not a Saturday, Sunday or legal holiday, unless a different date and time be fixed, from time to time, by the Board.

3.3 Special Meetings. A special meeting of shareholders unless otherwise prescribed by statute, may be called at any time by the Chairman of the Board or the President or in the absence or disability of the Chairman of the Board and the President a meeting of shareholders may be called by the Secretary, and shall be called by the Secretary on the written request of at least seventy-five percent (75%) of the Directors, which written request shall state the purpose or purposes of such meeting. At a special meeting of shareholders, no business shall be transacted and no corporate action shall be taken other than that stated in the notice of meeting.

3.4 Fixing Record Date. For the purpose of determining the shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment thereof, or to express consent to or dissent from any proposal without a meeting, or for the purpose of determining shareholders entitled to receive payment of any dividend or the allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board may fix, in advance, a date as the record date for any such determination of shareholders. Such date shall not be more than sixty (60) nor less than ten (10) days before the date of such meeting nor more than sixty (60) days prior to any other action. If no record date is fixed: (i) the record date for the determination of shareholders entitled to notice of or to vote at a meeting of shareholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held; (ii) the record date for determining stockholders entitled to express consent to corporate action in writing without a meeting, when no prior action by the board of directors is necessary, shall be the day on which the first written consent is expressed; and (iii) the record date for determining shareholders for any purpose, other than those specified in clauses (i) and (ii) hereof, shall be at the close of business on the day on which the resolution of the Board relating thereto is adopted. When a determination has been made of shareholders entitled to notice of or to vote at a meeting of shareholders as herein provided, such determination shall apply to any adjournment of such meeting, unless the Board fixes a new record date for the adjourned meeting.

3.5 Notice of Meetings of Shareholders. Whenever under any provision of law or the Certificate of Incorporation or these By-Laws, shareholders are required or permitted to take any action at a meeting, the notice of that meeting shall state the place, date and hour of the meeting and unless it is the annual meeting, indicate that it is being issued by or at the direction of the person or persons calling the meeting. Notice of a special meeting shall also state the purpose or purposes for which the meeting is called. Notice of any annual or special meeting of shareholders shall be given, personally or by mail, not less than ten (10) nor more than sixty (60) days before the date of such meeting to each shareholder entitled to vote thereat. If mailed, such notices shall be deemed to be given when deposited in the United States Mail, with postage thereon prepaid, directed to the shareholder at his address as it appears on the record of shareholders, or, if he shall have filed with the Secretary of the Corporation a written request that notice to him be mailed to some other address, then directed to him at such other address. An affidavit of the Secretary or of the transfer agent of the Corporation that the notice required by this section has been given shall, in the absence of fraud, be prima facie evidence of the facts therein stated. When a meeting is adjourned to another time or place, it shall not be necessary to give any notice of the adjourned meeting if the time and place to which the meeting is adjourned is announced at the meeting at which the adjournment is taken, and at the adjourned meeting any business may be transacted that might have been transacted on the original date of the meeting. However, if the adjournment is for more than thirty (30) days or if, after the adjournment, the Board fixes a new record date for the adjourned meeting, a notice of the adjourned meeting shall be given to each shareholder of record who is entitled to vote at the meeting.

3.6 Waiver of Notice. Notice of meeting need not be given to any shareholder who signs a waiver of notice, whether before or after the meeting. The attendance of any shareholder at a meeting, in person or by proxy, shall constitute a waiver of notice by him, except when the person attends the meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

3.7 List of Shareholders at Meetings. The officer who has charge of the stock ledger of the corporation shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

3.8 Quorum of Shareholders. Except as otherwise provided in these By-Laws or in the Certificate of Incorporation, the holders of record of a majority of the shares entitled to vote thereat shall constitute a quorum at a meeting of shareholders for the transaction of any business, provided that when a specified item of business is required to be voted on by a class or series, voting as a class, the holders of a majority of the shares of such class or series shall constitute a quorum for the transaction of such specified item of business. When a quorum is once present to organize a meeting, it is not broken by the subsequent withdrawal of any shareholder. The shareholders present may adjourn the meeting despite the absence of a quorum.

3.9 Organization. At every meeting of the shareholders, the Chairman of the Board, or an individual appointed by him, who may be, but does not have to be, an officer of the Corporation, shall act as Chairman of the meeting. The Secretary of the Corporation, or in his absence one of the Assistant Secretaries of the Corporation, shall act as Secretary of the meeting.

3.10 Order of Business. The Chairman of the meeting shall conduct all meetings of the shareholders in accordance with the best interests of the Corporation. The order of business at all such meetings shall be as determined by the Chairman of the meeting. The Chairman of the meeting shall have the authority and discretion to establish reasonable procedural rules for the conduct of the meeting, including regulation of the manner of voting and the conduct of discussion as he or she shall deem appropriate. The Chairman of the meeting shall also have the authority to adjourn the meeting from time to time and place to place as he or she may deem necessary and in the best interests of the Corporation.

3.11 Inspectors of Election. The Board, in advance of any shareholders' meeting, may appoint one or more inspectors to act at the meeting or any adjournment thereof. If inspectors are not so appointed, the person presiding at a shareholders' meeting may, and on the request of any shareholder entitled to vote thereat shall, appoint inspectors. If appointed on the request of one or more shareholders, the holders of a majority of shares present and entitled to vote thereat shall determine the number of inspectors to be appointed. In case any person appointed fails to appear or act, the vacancy may be filled by appointment made by the Board in advance of the meeting or at the meeting by the person presiding thereat. Each inspector, before entering upon the discharge of his duties shall take and sign an oath faithfully to execute the duties of inspector at such meeting with strict impartiality and according to the best of his ability. The inspectors shall determine the number of shares outstanding, the number of shares represented at the meeting, the existence of a quorum, the validity and effect of proxies, and shall receive votes, ballots or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots or consents, determine the result, and do such acts as are proper to conduct the election or vote with fairness to all shareholders. On request of the person presiding at the meeting or any shareholder entitled to vote thereat, the inspectors shall make a report in writing of any challenge, question or matter determined by them and execute a certificate of any fact found by them. Any report or certificate made by them shall be prima facie evidence of the facts stated and of the vote as certified by them.

3.12 Voting; Proxies. Each shareholder entitled to vote at any meeting may vote either in person or by proxy. Unless otherwise specified in the Certificate of Incorporation or in a resolution, or resolutions, of the Board providing for the issuance of preferred stock, each shareholder entitled to vote shall be entitled to one vote for each share of capital stock registered in his or her name on the transfer books or records of the Corporation. Each shareholder entitled to vote may authorize another person or persons to act for him or her by proxy. All proxies shall be in writing, signed by the shareholder or by his or her duly authorized attorney-in-fact, and shall be filed with the Secretary before being voted. No proxy shall be valid after three (3) years from the date of its execution unless otherwise provided in the proxy. The attendance at any meeting by a shareholder who shall have previously given a proxy applicable thereto shall not, as such, have the effect of revoking the proxy. The Corporation may treat any duly executed proxy as not revoked and in full force and effect until it receives a duly executed instrument revoking it, or a duly executed proxy bearing a later date. If ownership of a share of voting stock of the Corporation stands in the name of two or more persons, in the absence of written directions to the Corporation to the contrary, any one or more of such shareholders may cast all votes to which such ownership is entitled. If an attempt is made to cast conflicting votes by the several persons in whose names shares of stock stand, the vote or votes to which those persons are entitled shall be cast as directed by a majority of those holding such stock and present at such meeting. If such conflicting votes are evenly split on any particular matter, each faction may vote the securities in question proportionally, or any person voting the shares, or a beneficiary, if any, may apply to the Court of Chancery or such other court as may have jurisdiction to appoint an additional person to act with the persons so voting the shares, which shall then be voted as determined by a majority of such persons and the person appointed by the Court. Except for the election of directors or as otherwise provided by law, the Certificate of Incorporation or these Bylaws, at all meetings of shareholders, all matters shall be determined by a vote of the holders of a majority of the number of votes eligible to be cast by the holders of the outstanding shares of capital stock of the Corporation present and entitled to vote thereat. Directors shall, except as otherwise required by law, these Bylaws or the Certificate of Incorporation, be elected by a plurality of the votes cast by each class of shares entitled to vote at a meeting of shareholders, present and entitled to vote in the election.

3.13 Written Consent of Shareholders. Any action required to be taken at any annual or special meeting of shareholders of the corporation, or any action which may be taken at any annual or special meeting of such shareholders, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those shareholders who have not consented in writing.

3.14 Procedure for Nominations. Subject to the provisions hereof, the Nominating Committee of the Board shall select nominees for election as directors. Except in the case of a nominee substituted as a result of the death, incapacity, withdrawal or other inability to serve of a nominee, the Nominating Committee shall deliver written nominations to the Secretary at least sixty (60) days prior to the date of the annual meeting. Provided the Nominating Committee makes such nominations, no nominations for directors except those made by the Nominating Committee shall be voted upon at the annual meeting of shareholders unless other nominations by shareholders are made in accordance with the provisions of this Section 3.14. Nominations of individuals for election to the Board at an annual meeting of shareholders may be made by any shareholder of record of the Corporation entitled to vote for the election of directors at such meeting who provides timely notice in writing to the Secretary as set forth in this Section 3.14. To be timely, a shareholder's notice must be delivered to or received by the Secretary not later than the following dates: (i) with respect to an election of directors to be held at an annual meeting of shareholders, sixty (60) days in advance of such meeting if such meeting is to be held on a day which is within thirty (30) days preceding the anniversary of the previous year's annual meeting, or ninety (90) days in advance of such meeting if such meeting is to be held on or after the anniversary of the previous year's annual meeting; and (ii) with respect to an election to be held at an annual meeting of shareholders held at a time other than within the time periods set forth in the immediately preceding clause (i), or at a special meeting of shareholders for the election of directors, the close of business on the tenth (10th) day following the date on which notice of such meeting is first given to shareholders. For purposes of this Section 3.14, notice shall be deemed to first be given to shareholders when disclosure of such date of the meeting of shareholders is first made in a press release reported to Dow Jones News Services, Associated Press or comparable national news service, or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Securities Exchange Act of 1934, as amended. Such shareholder's notice shall set forth (a) as to each person whom the shareholder proposes to nominate for election or re-election as a director, (i) the name, age, business address and residence address of such person, (ii) the principal occupation or employment of such person, (iii) such person's written consent to serve as a director, if elected, and (iv) such other information regarding each nominee proposed by such shareholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission (whether or not the Corporation is then subject to such rules); and (b) as to the shareholder giving the notice (i) the name and address of such shareholder as they appear on the books and records of the Corporation, (ii) the class and number of shares of the Corporation which are owned of record by such shareholder and the dates upon which he or she acquired such shares, (iii) a description of all arrangements or understandings between the shareholder and nominee and any other person or persons (naming such person or persons) pursuant to which the nominations are to be made by the shareholder, and (iv) the identification of any person employed, retained, or to be compensated by the shareholder submitting the nomination or by the person nominated, or any person acting on his or her behalf to make solicitations or recommendations to shareholders for the purpose of assisting in the election of such director, and a brief description of the terms of such employment, retainer or arrangement for compensation. At the request of the Board, any person nominated by the Board for election as a director shall furnish to the Secretary that information required to be set forth in a shareholder's notice of nomination which pertains to the nominee together with the required written consent. No person shall be elected as a director of the Corporation unless nominated in accordance with the procedures set forth in this Section 3.14.

The Chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not properly brought before the meeting in accordance with the provisions hereof and, if he should so determine, he shall declare to the meeting that such nomination was not properly brought before the meeting and shall not be considered.

3.15 Substitution of Nominees. In the event that a person is validly designated as a nominee in accordance with Section 3.14 of this Article III and shall thereafter become unwilling or unable to stand for election to the Board, the Nominating Committee may designate a substitute nominee upon delivery, not fewer than five (5) days prior to the date of the meeting for the election of such nominee, of a written notice to the Secretary setting forth such information regarding such substitute nominee as would have been required to be delivered to the Secretary pursuant to Section 3.14 of this Article III had such substitute nominee been initially proposed as a nominee. Such notice shall include a signed consent to serve as a director of the Corporation, if elected, of each such substituted nominee.

3.16 New Business. Any new business to be taken up at the annual meeting at the request of the Chairman of the Board, the President or by resolution of at least three-fourths of the entire Board shall be stated in writing and filed with the Secretary at least fifteen (15) days before the date of the annual meeting, and all business so stated, proposed and filed shall be considered at the annual meeting, but, except as provided in this Section 3.16, no other proposal shall be acted upon at the annual meeting. Any proposal offered by any shareholder may be made at the annual meeting and the same may be discussed and considered, but unless properly brought before the meeting such proposal shall not be acted upon at the meeting. For a proposal to be properly brought before an annual meeting by a shareholder, the shareholder must be a shareholder of record and have given timely notice thereof in writing to the Secretary. To be timely, a shareholder's notice must be delivered to or received by the Secretary not later than the following dates: (i) with respect to an annual meeting of shareholders, sixty (60) days in advance of such meeting if such meeting is to be held on a day which is within thirty (30) days preceding the anniversary of the previous year's annual meeting, or ninety (90) days in advance of such meeting if such meeting is to be held on or after the anniversary of the previous year's annual meeting; and (ii) with respect to an annual meeting of shareholders held at a time other than within the time periods set forth in the immediately preceding clause (i), the close of business on the tenth (10th) day following the date on which notice of such meeting is first given to shareholders. For purposes of this Section 3.16, notice shall be deemed to first be given to shareholders when disclosure of such date of the meeting of shareholders is first made in a press release reported to Dow Jones News Services, Associated Press or comparable national news service, or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Securities Exchange Act of 1934, as amended. A shareholder's notice to the Secretary shall set forth as to the matter the shareholder proposes to bring before the annual meeting (a) a brief description of the proposal desired to be brought before the annual meeting; (b) the name and address of the shareholder proposing such business as they appear on the books and records of the Corporation; (c) the class and number of shares of the Corporation which are owned of record by the shareholder and the dates upon which he or she acquired such shares; (d) the identification of any person employed, retained, or to be compensated by the shareholder submitting the proposal, or any person acting on his or her behalf, to make solicitations or recommendations to shareholders for the purpose of assisting in the passage of such proposal, and a brief description of the terms of such employment, retainer or arrangement for compensation; (e) any material interest of the shareholder in the business proposed; and (f) such other information regarding such proposal as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission or required to be delivered to the Corporation pursuant to the proxy rules of the Securities and Exchange Commission (whether or not the Corporation is then subject to such rules). This provision shall not prevent the consideration and approval or disapproval at an annual meeting of reports of officers, directors and committees of the Board or the management of the Corporation, but in connection with such reports, no new business shall be acted upon at such annual meeting unless stated and filed as herein provided. This provision shall not constitute a waiver of any right of the Corporation under the proxy rules of the Securities and Exchange Commission or any other rule or regulation to omit a shareholder's proposal from the Corporation's proxy materials.

The Chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that any new business was not properly brought before the meeting in accordance with the provisions hereof and, if he should so determine, he shall declare to the meeting that such new business was not properly brought before the meeting and shall not be considered.

ARTICLE 4

DIRECTORS

4.1 General Powers. The business and affairs of the Corporation shall be managed by or under the direction of its Board. The Board may adopt such rules and regulations, not inconsistent with applicable laws or the Certificate of Incorporation or these By-Laws as it may deem proper for the conduct of its meetings and the management of the Corporation.

4.2 Number; Qualification; Terms of Office. The number of directors constituting the entire Board shall not be less than three (3) nor more than twelve (12). Within said limits the number of directors shall be fixed from time to time by resolution adopted by a majority of the entire Board of Directors. Each director shall be at least 21 years of age.

Except as otherwise provided by law or by these By-Laws the directors shall be elected at the annual meeting of the shareholders in each year. The directors shall be divided into three classes, as nearly equal in number as possible, with the term of office of one class expiring each year; i.e., as to the Corporation's First Board of Directors; at the 1983 annual meeting of shareholders, for directors of the first class; at the 1984 annual meeting, for directors of the second class; and at the 1985 annual meeting, for directors of the third class.

At each annual meeting of the shareholders successors to the directors whose terms shall then expire shall be elected to hold office for a term expiring at the third succeeding annual meeting of shareholders.

The foregoing notwithstanding, each director shall serve until his successor has been elected and qualified, or until his earlier resignation, disqualification or removal.

4.3 Election. Directors shall, except as otherwise provided by applicable laws, be elected at the annual meeting of shareholders by a plurality vote of the holders of shares entitled to vote in the election.

4.4 Organization. Meetings of the Board shall be presided over by the Chairman of the Board or such other director or officer as the Chairman of the Board shall designate, and in the absence or incapacity of the Chairman of the Board, the presiding officer shall be the then senior member of the Board in terms of length of service on the Board (which length of service shall include length of service on the Board of Directors of Graham Manufacturing Co., Inc. and any predecessors thereto). The Secretary or, in his absence, a person appointed by the Chairman of the Board (or other presiding person), shall act as secretary of the meeting. The Chairman of the Board (or other person presiding) shall conduct all meetings of the Board in accordance with the best interests of the Corporation and shall have the authority and discretion to establish reasonable procedural rules for the conduct of Board meetings. At the discretion of the Chairman of the Board, any one or more directors may participate in a meeting of the Board or a committee of the Board by means of a conference telephone or similar communications equipment allowing all persons participating in the meeting to hear each other at the same time. Participation by such means shall constitute presence in person at any such meeting.

4.5 Place of Meeting, etc. The Board may hold its meetings within or without the State of Delaware at such places as the Board may from time to time by resolution determine or (unless contrary to resolution of the Board) at such place as shall be specified in the notice of the meeting.

4.6 Annual Meeting. After each annual election of directors, the Board may meet, without notice of such meeting, for the purposes of election of officers, and the transaction of other business, on the day when and at the place where such annual election is held, and as soon as practicable after such annual election. Such annual meeting may be held at any other time and place specified in a notice given as hereinafter provided for special meetings of the Board or in a consent and waiver of notice thereof.

4.7 Regular Meetings. Regular meetings of the Board may be held at such times and places as may be fixed from time to time by the Board; and, unless required by the Board, notice of any such meeting need not be given. If any day fixed for a regular meeting shall be a legal holiday at the place where the meeting is to be held, then the meeting, which would otherwise be held on that day, shall be held at the same hour at such place on the next succeeding business day which is not a Saturday or Sunday.

4.8 Special Meetings. Special meetings of the Board may be called for any purpose at any time by or at the request of the Chairman of the Board or the President. Special meetings of the Board shall also be called by the Secretary upon the written request, stating the purpose or purposes of the meeting, of at least seventy-five percent (75%) of the directors then in office. The persons authorized to call special meetings of the Board shall give notice of such meetings in the manner prescribed by these Bylaws and may fix any place, within or without the Corporation's regular business area, as the place for holding any special meeting of the Board called by such persons. No business shall be conducted at a special meeting other than that specified in the notice of meeting.

4.9 Waivers of Notice of Meetings. Except as otherwise provided in this Article IV, at least twenty-four (24) hours notice of meetings shall be given to each director if given in person or by telephone, telegraph, telex, facsimile or other electronic transmission and at least five (5) days notice of meetings shall be given if given in writing and delivered by courier or by postage prepaid mail. The purpose of any special meeting shall be stated in the notice. Such notice shall be deemed given when sent or given to any mail or courier service or company providing electronic transmission service. Any director may waive notice of any meeting by submitting a signed waiver of notice with the Secretary, whether before or after the meeting. The attendance of a director at a meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objecting at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened.

4.10 Telephonic Meetings. Any one or more members of the Board or any Committee thereof may participate in a meeting of the Board or such Committee by means of conference telephone or similar communication equipment allowing all persons participating in the meeting to hear each other at the same time. Participation by such means shall constitute presence in person at such meeting.

4.11 Quorum and Manner of Acting. A majority of the members of the Board then in office shall constitute a quorum for the transaction of business and the vote of a majority of the directors present at the time of the vote, if a quorum is present at such time, shall be the act of the Board in all transactions, except those in which a greater vote is required by law, by the Certificate of Incorporation, or by the By-laws, and in such transactions the vote of such greater number of directors shall be the act of the Board. ln the absence of a quorum a majority of the directors present may adjourn any meeting from time to time, without notice other than announcement at the meeting, until a quorum is present.

4.12 Resignations. Any directors of the Corporation may resign at any time by written notification addressed to the President or the Secretary of the Corporation. Such resignation shall take effect upon receipt, and, unless otherwise specified, the acceptance of such resignation shall not be necessary to make it effective.

4.13 Removal of Directors. Any or all of the directors may be removed at any time but only for cause by the shareholders at any meeting of shareholders, called for the purpose, by the affirmative vote of 75% of the shares of the Corporation entitled to vote and, if a corporation, person or other entity owns more than 50% of the shares of the Corporation entitled to vote, by the affirmative vote of the holders of a majority of the shares of the Corporation entitled to vote and not owned by the majority shareholder.

4.14 Vacancies. To the extent not inconsistent with the Certificate of Incorporation and subject to the limitations prescribed by law and the rights of holders of Preferred Stock, vacancies in the office of director, including vacancies created by newly created directorships resulting from an increase in the number of directors, shall be filled only by a vote of a majority of the directors then holding office, whether or not a quorum, at any regular or special meeting of the Board called for that purpose. Subject to the rights of holders of Preferred Stock, no person shall be so elected a director unless nominated by the Nominating Committee. Subject to the rights of holders of Preferred Stock, any director so elected shall serve for the remainder of the full term of the class of directors in which the new directorship was created or the vacancy occurred and until his or her successor shall be elected and qualified.

4.15 Compensation. Each director, in consideration of his serving as such, shall be entitled to receive from the Corporation such reasonable amount per annum or such reasonable fees for attendance at directors' meetings, or both, as the Board shall from time to time determine, together with reimbursement for the reasonable expenses incurred by him in connection with the performance of his duties. Each director who shall serve as a member of the Executive Committee, if any, or any other committee of the Board, in consideration of his serving as such, shall be entitled to such additional amount per annum or such fees for attendance at committee meetings, or both, as the Board shall from time to time determine. Nothing in this section contained shall preclude any director from serving the Corporation or its subsidiaries in any other capacity and receiving proper compensation therefor.

4.16 Board Action Without a Meeting. Whenever any action is required or permitted to be taken by the Board or any committee thereof, such action may be taken without a meeting if all members of the Board or the committee consent in writing to the adopting of a resolution authorizing the action and the resolution and the written consents thereto by the members of the Board or committee are filed with the minutes of the proceedings of the Board or committee.

ARTICLE 5

COMMITTEES

5.1 How Constituted and Powers. By resolution adopted by a majority of the entire Board, the directors may designate from their number three or more directors to constitute an Executive Committee and other committees other than the Nominating Committee, each of which, to the extent provided in the resolution designating it, shall have the authority of the Board of Directors with the exception of any authority the delegation of which is prohibited by law.

5.2 Nominating Committee. By resolution adopted by at least seventy-five percent (75%) of the entire Board, the directors shall designate from their number at least three (3) but no more than four (4) directors, none of whom shall be an officer or a salaried employee of the Corporation or its subsidiaries, to constitute a Nominating Committee. Notwithstanding the foregoing, no director shall serve on the Nominating Committee in any capacity in any year during which such director's term as a director is scheduled to expire. The Nominating Committee shall review qualifications of and interview candidates for the Board and shall make nominations for election of board members in accordance with the provisions of these Bylaws. A quorum shall consist of at least one-third of the members of the Committee, and in no event less than two (2) members of the Committee. The Board may remove a member of the Nominating Committee from the Committee, with or without cause, only by a vote of at least seventy-five per cent (75%) of the entire Board at any regular or special meeting of the Board called for that purpose, provided that no ex-officio member of the Committee may be removed from the Committee as long as such member remains a director of the Corporation.

ARTICLE 6

OFFICERS

6.1 Officers. The Board shall, as soon as practicable after the annual meeting of shareholders in each year elect a Chairman of the Board, a President, a Treasurer and a Secretary, each to have such functions or duties as are provided in these By-laws or as the Board may from time to time determine and each to hold office for the term for which he is elected and until his successor shall have been duly chosen and shall qualify, or until his death, or until he shall resign or shall have been removed in the manner hereinafter provided. No officer need be a director. The Board may, from time to time, appoint other officers or assistant officers, each of whom shall hold office for such period, have such authority, and perform such duties as are provided in these By-laws or as the Board may from time to time determine. Any two or more offices may be held by the same person, except the offices of President and Secretary.

6.2 Removal of Officers. Except for the Chairman of the Board, the Chief Executive Officer or the President, any officer may be removed at any regular meeting of the Board with or without cause by an affirmative vote of a majority of the entire Board. The Board may remove the Chairman of the Board, the Chief Executive Officer or the President at any time, with or without cause, only by a vote of seventy-five percent (75%) of the non-officer directors then holding office at any regular or special meeting of the Board called for that purpose. Removal of an officer, however effected, shall be without prejudice to his contract rights, if any. Appointment or election of an officer shall not of itself create contract rights.

6.3 Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or any other cause may be filled for the unexpired portion of the term by the Board at any regular or special meeting provided notice of such intent is given.

6.4 Compensation. Salaries or other compensation of the officers may be fixed from time to time by the Board. No officer shall be prevented from receiving a salary or other compensation by reason of the fact that he is also a director of the Corporation.

6.5 Chairman of the Board. The Chairman of the Board shall preside at all meetings of the shareholders and at all meetings of the Board and shall have such other powers and duties as may from time to time be assigned to him by the Board.

6.6 President. The President shall have general supervision over the business of the Corporation, subject, however, to the control of the Board and of any duly authorized committee of directors. He may, with the Treasurer or the Secretary or an Assistant Treasurer or an Assistant Secretary, sign certificates for shares of the Corporation. He may sign and execute in the name of the Corporation deeds, mortgages, bonds, contracts and other instruments, except in cases where the signing and execution thereof shall be expressly delegated by the Board or by any duly authorized committee of directors or by these By-laws to some other officer or agent of the Corporation, or shall be required by law otherwise to be signed or executed, and, in general, he shall perform all duties incident to the office of President and such other duties as from time to time may be assigned to him by the Board or by any duly authorized committee of directors. The President shall hire, appoint, discharge and fix the compensation of all employees, agents and representatives of the Corporation, other than the duly elected or appointed officers, subject to the general supervision of the Board.

6.7 Vice Presidents. At the request of the President, or in his absence or disability, at the request of the Board, the Vice Presidents in the order determined by the Board shall perform all the duties of the President and so acting shall have all the powers of and be subject to all the restrictions upon the President. Any

Vice President may also, with the Treasurer or the Secretary or an Assistant Treasurer or an Assistant Secretary, sign certificates for shares of the Corporation; may sign and execute in the name of the Corporation deeds, mortgages, bonds, contracts or other instruments authorized by the Board or by any duly authorized committee of directors, except in cases where the signing and execution thereof shall be expressly delegated by the Board or by any duly authorized committee of directors or by these By-laws to some other officer or agent of the Corporation, or shall be required by law otherwise to be signed or executed; and shall perform such other duties as from time to time may be assigned to him by the Board or by any duly authorized committee of directors or by the President.

6.8 Treasurer. The Treasurer shall, if required, by the Board, give a bond for the faithful discharge of his duties, in such sum and with such sureties as the Board shall determine. He shall have charge and custody of, and be responsible for, all funds, securities and notes of the Corporation; receive and give receipts for moneys due and payable to the Corporation from any sources whatsoever; deposit all such moneys in the name of the Corporation in such banks, trust companies or other depositaries as shall be selected in accordance with these By-laws; against proper vouchers cause such funds to be disbursed by checks or drafts on the authorized depositaries of the Corporation signed in such manner as shall be determined in accordance with any provision of these By-laws, and be responsible for the accuracy of the amounts of all money so disbursed; regularly enter or cause to be entered in books to be kept by him or under his direction full and adequate account of all moneys received or paid by him for the account of the Corporation; have the right to require, from time to time, reports or statements giving such information as he may desire with respect to any and all financial transactions of the Corporation from the officers or agents transacting the same; render to the President, the Board or any duly authorized committee of directors, whenever the President, the Board or any duly authorized committee of directors, respectively, shall require him so to do, an account of the financial condition of the Corporation and of all his transactions as Treasurer; exhibit at all reasonable times his books of account and other records to any of the directors of the Corporation, upon application at the office of the Corporation where such books and records are kept; and in general, perform all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the Board or by any duly authorized committee of directors or by the President; and he may sign with the President or a Vice President certificates for stock of the Corporation.

6.9 The Secretary. The Secretary shall have the duty to record the proceedings of the meetings of the shareholders and directors in a book to be kept for that purpose; he shall see that all notices required to be given by the Corporation are duly given and served; he may, with the President or any of the Vice Presidents, sign certificates for shares of the Corporation; he shall be custodian of the seal of the Corporation and shall affix the seal or cause it to be affixed to all certificates for shares of the Corporation and to all documents the execution of which on behalf of the Corporation under its corporate seal is duly authorized in accordance with the provisions of these By-laws; he shall have charge of the stock ledger and also of the other books, records and papers of the Corporation relating to its organization and management as a Corporation, and shall see that the reports, statements and other documents required by law are properly kept and filed; and shall, in general, perform all the duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the Board or by any duly authorized committee of directors or by the President.

6.10 Assistant Treasurers and Assistant Secretaries. The Assistant Treasurers shall, respectively, if required by the Board, give bonds for the faithful discharge of their duties in such sums and with such sureties as the Board shall require. Assistant Treasurers and Assistant Secretaries shall perform such duties as shall be assigned to each of them by the Treasurer and by the Secretary, respectively, or by the Board or by any duly authorized committee of directors or by the President. Assistant Treasurers and Assistant Secretaries may, with the President or a Vice President, sign certificates for stock of the Corporation.

ARTICLE 7

CHECKS, DRAFTS, BANK ACCOUNTS, ETC.

7.1 Checks, Drafts, Etc. All checks, drafts and other orders for the payment of money out of the funds of the Corporation and all notes or other evidences of indebtedness of the Corporation shall be signed on behalf of the Corporation in such manner as shall from time to time be determined by resolution of the Board or of any duly authorized committee of directors.

7.2 Deposits. The funds of the Corporation not otherwise employed shall be deposited from time to time to the order of the Corporation in such banks, trust companies or other depositaries as the Board or any duly authorized committee of directors may select or as may be selected by an officer or officers, agent or agents, of the Corporation to whom such power may from time to time be delegated by the Board or any duly authorized committee of directors.

ARTICLE 8

STOCK AND DIVIDENDS

8.1 Transfer Agent and Registrar. The Board shall have the power to appoint one or more Transfer Agents and Registrars for the transfer and registration of certificates of stock of any class, and may require that stock certificates be countersigned and registered by one or more of such Transfer Agents and Registrars.

8.2 Registration and Transfer of Shares. Subject to the provisions of the Certificate of Incorporation of the Corporation, the name of each person owning a share of the capital stock of the Corporation shall be entered on the books of the Corporation together with the number of shares held by him or her, the numbers of the certificates covering such shares and the dates of issue of such certificates. Subject to the provisions of the Certificate of Incorporation of the Corporation, the shares of stock of the Corporation shall be transferable on the books of the Corporation by the holders thereof in person, or by their duly authorized attorneys or legal representatives, on surrender and cancellation of certificates for a like number of shares, accompanied by an assignment or power of transfer endorsed thereon or attached thereto, duly executed, with such guarantee or proof of the authenticity of the signature as the Corporation or its agents may reasonably require and with proper evidence of payment of any applicable transfer taxes. Subject to the provisions of the Certificate of Incorporation of the Corporation, a record shall be made of each transfer.

8.3 Lost, Destroyed, Stolen and Mutilated Certificates. The Board may direct that a new certificate be issued in place of any certificate theretofore issued claimed to have been lost or destroyed, provided it has received proof satisfactory to it by affidavit or otherwise of the facts surrounding the loss or destruction of the certificate and the ownership thereof at the time of such loss or destruction. As a condition precedent to the issuance of a new certificate, the Board may also require the alleged owner to advertise the fact of the loss or destruction in a newspaper chosen by the Board and/or furnish to the Corporation a surety bond in form and amount satisfactory to it indemnifying the Corporation and its directors and officers from all claims and expenses with respect to the certificate claimed to have been lost or destroyed and the duplicate certificate issued in place thereof.

8.4 Dividends, Surplus, Etc. Subject to the provisions of the Certificate of Incorporation and the law of the State of Delaware, the Board (i) may declare dividends on the shares of the Corporation in such amounts as, in its opinion, the condition of the affairs of the Corporation shall render advisable, (ii) may use and apply, in its discretion, any of the surplus of the Corporation or the net profits arising from its business in purchasing or acquiring any of the shares of stock of the Corporation or of purchase warrants therefor in accordance with law, or any of its bonds, debentures, notes, scrip or other securities or evidences of indebtedness, and (iii) may set aside from time to time out of such surplus or net profits such sum or sums as it in its absolute discretion may think proper, as a reserve fund to meet contingencies, or equalizing dividends, or for the purpose of maintaining or increasing the property or business of the Corporation, or for any other purpose it may think conducive to the best interest of the Corporation.

8.5 Holder of Record. Subject to the provisions of the Certificate of Incorporation of the Corporation, the Corporation shall be entitled to treat the holder of record of any share or shares of stock as the holder thereof in fact and shall not be bound to recognize any equitable or other claim to or interest in such shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise expressly provided by law.

ARTICLE 9

FORM OF RECORDS

Any records maintained by the Corporation in the regular course of its business, including its stock ledger, books of account, and minute books, may be kept on, or be in the form of, punch cards, magnetic tape, photographs, micro-photographs, or any other information storage device, provided that the records so kept can be converted into clearly legible written form within a reasonable time. The Corporation shall so convert any records so kept upon the request of any person entitled to inspect the same.

ARTICLE 10

SEAL

The Board shall provide a corporate seal which shall be in the form of a circle and shall bear the full name of the Corporation and the year of its incorporation, 1983.

ARTICLE 11

FISCAL YEAR

The Fiscal Year of the Corporation shall be the calendar year unless otherwise determined by the Board of Directors.

ARTICLE 12

VOTING OF STOCK HELD

Unless otherwise provided by resolution of the Board, the President may, from time to time, appoint an attorney or attorneys or agent or agents of this Corporation, including himself, in the name and on behalf of the Corporation to cast the votes which the Corporation may be entitled to cast as a stockholder or otherwise in any other corporation, any of whose stock or securities may be held by the Corporation, at meetings of the holders of the stock or other securities of such other corporation, or to consent in writing to any action by any such other corporation, and may instruct the person or persons so appointed as to the manner of casting such votes or giving such consent, and may execute or cause to be executed on behalf of the Corporation and under its corporate seal, or otherwise, such written proxies, consents, waivers or other instruments as he may deem necessary or proper in the premises; or the President may himself attend any meeting of the holders of stock or other securities of any such other corporation and thereat vote or exercise any or all other powers of the Corporation as the holder of such stock or other securities of such other corporation.

ARTICLE 13

AMENDMENT

Except as otherwise provided by law or under the Corporation's Certificate of Incorporation, the By-laws of the Corporation may not be amended except (a) by resolution adopted by vote of seventy-five percent of the entire Board of Directors, (b) by the shareholders voting upon a proposal recommended by the affirmative vote of 75% of the entire Board of Directors, or (c) by the affirmative vote of (i) the holders of 75% of the shares of the Corporation entitled to vote and (ii) if any corporation, person, or other entity owns more than 50% of the shares of the Corporation entitled to vote, the holders of a majority of the shares of the Corporation entitled to vote and not owned by the majority shareholder. Any amendment made by the Board of Directors and any proposed amendment adopted by the Board of Directors for recommendation to the Shareholders shall be adopted at a regular meeting and may be adopted only if (a) a notice specifying the change or amendment shall have been given at a previous regular meeting and entered in the minutes of the Board; (b) a written statement describing the change or amendment shall be made in a notice mailed to the directors of the meeting at which the change or amendment shall be acted upon. Notwithstanding the foregoing, any provision of these Bylaws that contains a supermajority voting requirement shall only be altered, amended, rescinded, or repealed by the Board by a vote not less than the supermajority specified in such provision.

GRAHAM CORPORATION AND SUBSIDIARIES

COMPUTATION OF EARNINGS PER SHARE

<TABLE>
<CAPTION>

<S>	1995 <C>	1994 <C>	1993 <C>
Calculation of common and common equivalent shares:			
Shares outstanding at beginning of the year	1,051,499	1,046,137	1,046,137
Weighted average number of shares issued during the year:			
Issuance of shares	454	4,290	
Exercise of stock options	425		
Weighted average shares outstanding	1,052,378	1,050,427	1,046,137
Common equivalent shares if stock options were exercised	629		648
Average number of common and common equivalent shares outstanding	1,053,007	1,050,427	1,046,785
Calculation of earnings per share:			
Net income (loss)	$ 1,134,000	$(8,415,000)	$ 408,000
Average number of common and common equivalent shares outstanding	1,053,007	1,050,427	1,046,785
Earnings (loss) per common and common equivalent share	$ 1.08	$(8.01)	$ .39

<FN>
Fully diluted earnings per share is equivalent to primary earnings per share as the year-end market price of common stock does not result in greater dilution.
</TABLE>

SUBSIDIARIES OF THE REGISTRANT IN 1995

United States

Graham Manufacturing Co., Inc.
20 Florence Avenue
Batavia, New York 14020

United Kingdom

Graham Vacuum and Heat Transfer Limited
The Forge
Congleton, Cheshire SW12 4HQ, England

Graham Precision Pumps Limited
The Forge
Congleton, Cheshire SW12 4HQ, England

INDEPENDENT AUDITORS' CONSENT

Graham Corporation

We consent to the incorporation by reference in Registration Statement No.'s 2-83432, 2-82275, and 33-82432 of Graham Corporation and subsidiaries on Forms S-3 and S-8 of our reports dated February 22, 1996, appearing in this Annual Report on Form 10-K of Graham Corporation and subsidiaries for the year ended December 31, 1995.

Deloitte & Touche LLP

Rochester, New York
March 22, 1996

<TABLE> <S> <C>

<ARTICLE> 5
<LEGEND>
The schedule contains summary financial information extracted from the Graham Corporation consolidated balance sheet and consolidated statement of operations and retained earnings and is qualified in its entirety by reference by reference to such financial statements.
</LEGEND>
<MULTIPLIER> 1,000

<S>	<C>
<PERIOD-TYPE>	12-MOS
<FISCAL-YEAR-END>	DEC-31-1995
<PERIOD-END>	DEC-31-1995
<CASH>	411
<SECURITIES>	0
<RECEIVABLES>	10,611
<ALLOWANCES>	81
<INVENTORY>	6,621
<CURRENT-ASSETS>	18,930
<PP&E>	23,412
<DEPRECIATION>	14,494
<TOTAL-ASSETS>	29,480
<CURRENT-LIABILITIES>	11,856
<BONDS>	3,303
<COMMON>	106
<PREFERRED-MANDATORY>	0
<PREFERRED>	0
<OTHER-SE>	8,301
<TOTAL-LIABILITY-AND-EQUITY>	29,480
<SALES>	49,480
<TOTAL-REVENUES>	49,480
<CGS>	36,501
<TOTAL-COSTS>	36,501
<OTHER-EXPENSES>	0
<LOSS-PROVISION>	42
<INTEREST-EXPENSE>	616
<INCOME-PRETAX>	2,094
<INCOME-TAX>	778
<INCOME-CONTINUING>	1,316
<DISCONTINUED>	(182)
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	1,134
<EPS-PRIMARY>	1.08
<EPS-DILUTED>	1.08

</TABLE>