FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark one)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For Quarterly Period Ended June 30, 2001

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 Number 1-8462

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

DELAWARE	16-1194720
(State or other jurisdiction of incorporation or organization)	(I.R.S. 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

(Former name, former address and former fiscal year, if changed since last report.)

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 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 _____

As of August 3, 2001, there were outstanding 1,635,142 shares of common stock, $.10 per share.

GRAHAM CORPORATION AND SUBSIDIARIES

FORM 10-Q

JUNE 30, 2001

PART I - FINANCIAL INFORMATION

Unaudited consolidated financial statements of Graham Corporation (the Company) and its subsidiaries as of June 30, 2001 and for the three month period then ended are presented on the following pages. The financial statements have been prepared in accordance with the Company's usual accounting policies, are based in part on approximations and reflect all normal and recurring adjustments which are, in the opinion of management, necessary to a fair presentation of the results of the interim periods.

This part also includes management's discussion and analysis of the Company's financial condition as of June 30, 2001 and its results of operations for the three month period then ended.

GRAHAM CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

<S>	June 30, 2001 <C>	March 31, 2001 <C>
Assets		
Current Assets:		
Cash and equivalents	$ 1,283,000	$ 226,000
Investments		4,905,000
Trade accounts receivable	7,399,000	7,954,000
Inventories	8,892,000	9,383,000
Domestic and foreign income taxes receivable	732,000	449,000
Deferred income tax asset	903,000	1,021,000
Prepaid expenses and other current assets	416,000	529,000
	19,625,000	24,467,000
Property, plant and equipment, net	9,865,000	10,013,000
Deferred income tax asset	2,268,000	2,113,000
Other assets	9,000	15,000
	$31,767,000	$36,608,000

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GRAHAM CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (concluded)

	June 30, 2001	March 31, 2001
Liabilities and Shareholders' Equity		
Current liabilities:		
Short-term debt	$ 1,130,000	$ 4,164,000
Current portion of long-term debt	88,000	126,000
Accounts payable	3,182,000	4,968,000
Accrued compensation	2,483,000	2,225,000
Accrued expenses and other liabilities	1,031,000	893,000
Customer deposits	1,512,000	929,000
	9,426,000	13,305,000
Long-term debt	166,000	682,000
Accrued compensation	731,000	706,000
Deferred income tax liability	31,000	31,000
Other long-term liabilities	11,000	11,000
Accrued pension liability	1,579,000	1,516,000
Accrued postretirement benefits	3,250,000	3,220,000
Total liabilities	15,194,000	19,471,000
Shareholders' equity:		
Preferred stock, $1 par value - Authorized, 500,000 shares		
Common stock, $.10 par value - Authorized, 6,000,000 shares Issued 1,703,465 shares on June 30, 2001 and 1,697,645 on March 31, 2001	170,000	170,000
Capital in excess of par value	4,619,000	4,575,000
Retained earnings	15,974,000	16,583,000
Accumulated other comprehensive loss	(2,187,000)	(2,188,000)
	18,576,000	19,140,000
Less:		
Treasury stock	(1,161,000)	(1,161,000)
Notes receivable from officers and directors	(842,000)	(842,000)
Total shareholders' equity	16,573,000	17,137,000
	$31,767,000	$36,608,000

GRAHAM CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

	Three Months ended June 30, 2001	2000
Net Sales	$ 9,581,000	$ 8,284,000
Cost and expenses:		
Cost of products sold	7,982,000	6,425,000
Selling, general and administrative	2,432,000	2,307,000
Interest expense	73,000	74,000
	10,487,000	8,806,000

Loss before income taxes	(906,000)	(522,000)
Benefit for income taxes	(297,000)	(168,000)
Net loss	(609,000)	(354,000)
Retained earnings at beginning of period	16,583,000	16,898,000
Retained earnings at end of period	$15,974,000	$16,544,000
Per Share Data:		
Basic:		
Net loss	$(.37)	$(.23)
Diluted:		
Net loss	$(.37)	$(.23)

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GRAHAM CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

	Three Months Ended June 30, 2001	2000
<S>	<C>	<C>
Operating activities:		
Net loss	$ (609,000)	$ (354,000)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	245,000	240,000
Gain on sale of property, plant and equipment		(23,000)
Loss on sale of investments	28,000	
(Increase) Decrease in operating assets:		
Accounts receivable	555,000	(506,000)
Inventory, net of customer deposits	1,085,000	1,814,000
Prepaid expenses and other current and non-current assets	113,000	(115,000)
Increase (Decrease) in operating liabilities:		
Accounts payable, accrued compensation, accrued expenses and other liabilities	(1,389,000)	(1,142,000)
Accrued compensation, accrued pension liability, and accrued postemployment benefits	118,000	92,000
Domestic and foreign income taxes	(294,000)	242,000
Deferred income taxes	(37,000)	
Total adjustments	424,000	602,000
Net cash provided (used) by operating activities	(185,000)	248,000

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GRAHAM CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (concluded)

	Three Months Ended June 30, 2001	2000
Investing activities:		
Purchase of property, plant and equipment	(64,000)	(188,000)
Proceeds from sale of property, plant & equipment		27,000
Proceeds from sale of investments	4,877,000	
Net cash provided (used) by investing activities	4,813,000	(161,000)
Financing activities:		
Increase (decrease) in short-term debt	(3,034,000)	95,000
Proceeds from issuance of long-term debt	4,530,000	5,844,000
Principal repayments on long-term debt	(5,111,000)	(7,103,000)
Issuance of common stock	44,000	
Net cash used by financing activities	(3,571,000)	(1,164,000)
Effect of exchange rate on cash		(8,000)
Net increase (decrease) in cash and equivalents	1,057,000	(1,085,000)
Cash and equivalents at beginning of period	226,000	1,110,000
Cash and equivalents at end of period	$1,283,000	$ 25,000

GRAHAM CORPORATION AND SUBSIDIARIES
NOTES TO FINANCIAL INFORMATION
JUNE 30, 2001

NOTE 1 - INVENTORIES

Major classifications of inventories are as follows:

	6/30/01	3/31/01

Raw materials and supplies	$ 1,927,000	$ 1,996,000
Work in process	10,723,000	11,243,000
Finished products	1,678,000	1,880,000
	14,328,000	15,119,000
Less - progress payments	5,436,000	5,736,000
	$ 8,892,000	$ 9,383,000

NOTE 2 - EARNINGS PER SHARE:

Basic earnings per share is computed by dividing net income by the weighted average number of common shares outstanding for the period. Diluted earnings per share is calculated by dividing net income by the weighted average number of common and, when applicable, potential common shares outstanding during the period. A reconciliation of the numerators and denominators of basic and diluted earnings per share is presented below:

	Three months ended June 30, 2001	2000
Basic loss per share		
Numerator:		
Net loss	$(609,000)	$(354,000)
Denominator:		
Weighted common shares outstanding	1,631,000	1,504,000
Share equivalent units (SEU) outstanding	11,000	11,000
Weighted average shares and SEU's outstanding	1,642,000	1,515,000
Basic loss per share	$(.37)	$(.23)

NOTE 2 - EARNINGS PER SHARE (concluded):

	Three months ended June 30, 2001	2000
Diluted loss per share		
Numerator:		
Net loss	($609,000)	$(354,000)
Denominator:		
Weighted average shares and SEU's outstanding	1,642,000	1,515,000
Weighted average common and potential common shares outstanding	1,642,000	1,515,000
Diluted loss per share	$(.37)	$(.23)

All options to purchase shares of common stock at various exercise prices were excluded from the computation of diluted loss per share as the effect would be antidilutive due to the net loss.

NOTE 3 - CASH FLOW STATEMENT

Actual interest paid was $84,000 and $77,000 for the three months ended June 30, 2001 and 2000, respectively. In addition, actual income taxes paid were $2,000 for the three months ended June 30, 2001 and actual income taxes refunded were $411,000 for the three months ended June 30, 2000.

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NOTE 4 - COMPREHENSIVE INCOME

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Total comprehensive loss was $608,000 and $476,000 for the three months ended June 30, 2001 and 2000, respectively. Other comprehensive income (loss) included foreign currency translation adjustments of $1,000 and $(122,000) for the quarters ended June 30, 2001 and 2000, respectively.

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NOTE 5 - SEGMENT INFORMATION

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The Company's business consists of two operating segments based upon geographic area. The United States segment designs and manufactures heat transfer and vacuum equipment and the operating segment located in the United Kingdom manufactures vacuum equipment. Operating segment information is presented below:
<TABLE>
<CAPTION>

	Three months ended June 30, 2001	2000
<S>	<C>	<C>
Sales from external customers		
U.S.	$8,476,000	$7,413,000
U.K.	1,105,000	871,000
Total	$9,581,000	$8,284,000
Intersegment sales		
U.S.		$ 9,000
U.K.	$ 269,000	194,000
Total	$ 269,000	$ 203,000
Segment net loss		
U.S.	$ (549,000	$ (404,000)
U.K.	(82,000)	(33,000)
Total	$ (631,000	$ (437,000)

The segment net loss above is reconciled to the consolidated totals as follows:

Total segment net loss	$ (631,000)	$ (437,000)
Eliminations	22,000	83,000
Net loss	$ (609,000)	$ (354,000)

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NOTE 6 - FINANCIAL ACCOUNTING STANDARDS NO. 133

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During the first quarter of fiscal year 2002, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 133, Accounting for Derivative Instruments and Hedging Activities. At April 1 and June 30, 2001, the Company had no derivatives that met the criteria for a derivative instrument. As a result, management of the Company concluded that there was no material effect on the Company's consolidated financial position, results of operations or cash flows resulting from the adoption of SFAS No. 133 at June 30, 2001.

GRAHAM CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS
June 30, 2001

Results of Operations

Sales increased 16% in the first quarter of fiscal year 2002 compared to the same period last year. Sales for the first quarter increased 14% in the United States and 29% in the United Kingdom compared to fiscal year 2001. The increase in the United States sales is attributable to significant sales of the new rectangular condenser product. The improvement in the United Kingdom sales is a reflection of the higher order intake level experienced in the second half of fiscal 2001.

Cost of sales as a percent of sales for the first quarter was 83% compared to 78% a year ago. Cost of sales as a percent of sales for the United States operating segment was 86% for the current quarter compared to 80% for the first quarter of fiscal year 2001. For the United Kingdom operations, cost of sales as a percent of sales declined to 70% from 74% a year ago. The significant increase in the United States is due to product mix and is reflective of the fierce price competition experienced in fiscal year 2001. The reduced percentage in the United Kingdom is also attributable to product mix as a higher portion of sales was comprised of spare parts which generate significant profit margins.

Selling, general and administrative expenses for the three months ended June 30, 2001 were 5% greater than selling, general and administrative expenses for the same period of fiscal year 2001 but represented 25% of sales as compared to 28% in the first quarter last year. Selling, general and administrative expenses as a percent of sales declined due to the increase in sales levels during the current quarter as compared to the first quarter of last year. This is an indication of management's efforts to control overhead costs.

Interest expense remained stable at $73,000 compared to $74,000 from the same period in fiscal year 2001. The decrease in short- and long-term debt of $3,588,000 was attributable to a significant paydown in the United States near the end of the first quarter.

The effective income tax rate for the first quarter was consistent with the prior year at 33% compared to 32%.

Liquidity and Capital Resources

The financial condition of the Company remained stable. Working capital of $10,199,000 at June 30, 2001 compares to $11,162,000 at March 31, 2001. The working capital decrease reflects decreases of $4,842,000 and $3,879,000 in current assets and current liabilities, respectively. The decrease in current assets related to the sale of the investments during the quarter. The decrease in current liabilities is primarily attributable to a reduction in short-term debt as the proceeds from the sale of the investments were used to pay down this debt. The current ratio has increased from 1.8 at March 31, 2001 to 2.1 at June 30, 2001.

Liquidity and Capital Resources (concluded)

Net cash used from operating activities for the first quarter was $185,000. Net loss, adjusted for depreciation and amortization, used $364,000 of operating cash. As noted above, net cash provided from investing activities through the sale of investments during the three month period of $4,813,000 was utilized to pay down short- and long-term debt in the United States. Capital expenditures were $64,000 compared to $188,000 for the same period last year. There were no major commitments for capital expenditures as of June 30, 2001. Management anticipates spending approximately $900,000 in fiscal year 2002 for capital additions to upgrade computer equipment and machinery.

Management expects that the cash flow from operations and lines of credit will provide sufficient resources to fund the fiscal year 2002 cash requirements.

The long-term debt to equity ratio of 2% compares to 5% at March 31, 2001. The total liabilities to assets ratio is 48% compared to 53% at March 31, 2001. These ratios are reflective of the continued stability and strength of the Company's financial condition.

New Orders and Backlog

New orders for the first quarter were $19,186,000 compared to $12,425,000 for the same period last year. Prior to intercompany eliminations, new orders in the United States were $17,542,000 compared to $11,760,000 for the same period in fiscal year 2001.

New orders in the United Kingdom were $1,732,000 compared to $1,101,00 for the same quarter last year. The significant increase in new orders in the United States is due to significant orders obtained for rectangular condensers.

Backlog of unfilled orders at June 30, 2001 is $38,060,000 compared to $28,418,000 at this time a year ago and $28,458,000 at March 31, 2001. Prior to intercompany eliminations, current backlog in the United States of $34,607,000 compares to $25,544,000 at March 31, 2001 and $28,027,000 at June 30, 2000. Current backlog in the United Kingdom of $3,723,000 compares to $3,366,000 at March 31, 2001 and $1,179,000 at June 30, 2000. The current backlog is reflective of the significant orders obtained for pump equipment for a South African project and rectangular condensers. The current backlog, with the exception of approximately $8,500,000, is scheduled to be shipped during the next twelve months and represents orders from traditional markets in the Company's established product lines.

Quantitative and Qualitative Disclosures about Market Risk

The Company is exposed to changes in interest rates, foreign currency exchange rates and equity prices which may adversely impact its results of operations and financial position. The Company is exposed to interest rate risk primarily through its borrowing activities. Risk associated with interest rate fluctuations on debt is managed by holding interest bearing debt to the absolute minimum and assessing the risks and benefits for

Quantitative and Qualitative Disclosures about Market Risk (concluded)

incurring long-term debt. Based upon variable rate debt outstanding at June 30, 2001, a 1% change in interest rates would impact annual interest expense by $34,000.

Over the past three years, Graham's international consolidated sales exposure approximates 44% of annual sales. Operating in world markets involves exposure to movements in currency exchange rates. Currency movements can affect sales in several ways. Foremost, the ability to competitively compete for orders against competition having a relatively weaker currency. Business lost due to this cannot be quantified. Secondly, redemption value of sales can be adversely impacted. The substantial portion of Graham's sales are collected in U.S. dollars. The Company enters into forward foreign exchange agreements to hedge its exposure against unfavorable changes in foreign currency values on significant sales contracts negotiated in foreign currencies.

Foreign operations produced a net loss in the first quarter of $82,000. As currency exchange rates change, translations of the income statements of our U.K. business into U.S. dollars affects year-over-year comparability of operating results. The Company does not hedge translation risks because cash flows from U.K. operations are mostly reinvested in the U.K. A 10% change in foreign exchange rates would impact first quarter net loss by approximately $8,000.

The Company has a Long-Term Incentive Plan which provides for awards of share equivalent units (SEU) for outside directors based upon the Company's performance. The outstanding SEU's are recorded at fair market value thereby exposing the Company to equity price risk. Gains and losses recognized due to market price changes are included in the quarterly results of operations. Based upon the SEU's outstanding at June 30, 2001 and 2000 and the respective quarter end market price per share, a 50% to 100% change in the respective quarter end market price of the Company's common stock would positively or negatively impact the Company's first quarter operating results by $66,000 to $131,000 for 2002 and $41,000 to $82,000 for 2001. In the first quarter of 2002, the loss, net of tax, recorded due to the increase in the stock price was not significant. Assuming required net income of $500,000 to award SEU's is met and SEU's are granted to the five outside directors in accordance with the plan over the next five years, based upon the June 30, 2001 market price of the Company's stock of $12.25 per share, a 50% to 100% change in the stock price would positively or negatively impact the Company's operating results by $116,000 to $231,000 in 2003, $121,000 to $241,000 in 2004 and $126,000 to $251,000 in 2005, 2006 and 2007.

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K.

a. See index to exhibits.

b. No reports on Form 8-K were filed during the quarter ended June 30, 2001.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GRAHAM CORPORATION

/s/J. R. Hansen
____
J. R. Hansen
Vice President Finance and
Administration / CFO (Principal
Accounting Officer)

Date 08/03/01

INDEX OF EXHIBITS

(2) Plan of acquisition, reorganization, arrangement, liquidation or succession

Not applicable.

(4) Instruments defining the rights of security holders, including indentures

(a) Equity securities

The instruments defining the rights of the holders of Registrant's equity securities are as follows:

Certificate of Incorporation, as amended of Registrant (filed as Exhibit 3(a) to the Registrant's annual report on Form 10-K for the fiscal year ended December 31, 1989, and incorporated herein by reference.)

By-laws of registrant, as amended (filed as Exhibit

3.2(ii) to the Registrant's annual report on Form 10-K for the fiscal year ended March 31, 1998, and is incorporated herein by reference.)

Stockholder Rights Plan of Graham Corporation (filed as Item 5 to Registrant's current report filed on Form 8-K on August 23, 2000 and Registrant's Form 8-A filed on September 15, 2000, and incorporated herein by reference).

(b) Debt securities

Not applicable.

(10) Material Contracts

1989 Stock Option and Appreciation Rights Plan of Graham Corporation (filed on the Registrant's Proxy Statement for its 1990 Annual Meeting of Stockholders and incorporated herein by reference.)

1995 Graham Corporation Incentive Plan to Increase Shareholder Value (filed on the Registrant's Proxy Statement for its 1996 Annual Meeting of Stockholders and incorporated herein by reference.)

Graham Corporation Outside Directors' Long-Term Incentive Plan (filed as Exhibit 10.3 to the Registrant's annual report on Form 10-K for the fiscal year ended March 31, 1998, and is incorporated herein by reference.)

2000 Graham Corporation Incentive Plan to Increase Shareholder Value (filed on the Registrant's Proxy Statement for its 2001 Annual Meeting of Stockholders and incorporated herein by reference).

Employment Contracts between Graham Corporation and Named Executive Officers (filed as Exhibit 10.4 to the Registrant's annual report on Form 10-K for the fiscal year ended March 31, 1998, and is incorporated herein by reference.)

Senior Executive Severance Agreements with Named Executive Officers (filed as Exhibit 10.5 to the Registrant's annual report on Form 10-K for the fiscal year ended March 31, 1998, and is incorporated herein by reference.)

Long-Term Stock Ownership Plan of Graham Corporation (filed on the Registrant's Proxy Statement for its 2000 Annual Meeting of Stockholders and incorporated herein by reference.)

(11) Statement re-computation of per share earnings

Computation of per share earnings is included in Note 2 of the Notes to Financial Information.

(15) Letter re-unaudited interim financial information

Not applicable.

(18) Letter re-change in accounting principles

Not Applicable.

(19) Report furnished to security holders

None.

(22) Published report regarding matters submitted to vote of security holders

None.

(23) Consents of experts and counsel

Not applicable.

(24) Power of Attorney

Not applicable.

(99) Additional exhibits

None.