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 DECEMBER 31, 2003

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 - 585-343-2216

(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 _____

Indicate by check mark whether the registrant is an accelerated filer (as defined by Rule 12b-2 of the Act).

Yes __ __ No __X__

As of February 2, 2004, there were outstanding 1,629,656 shares of common stock, $.10 per share.

GRAHAM CORPORATION AND SUBSIDIARIES

FORM 10-Q

DECEMBER 31, 2003

PART I - FINANCIAL INFORMATION

Unaudited condensed consolidated financial statements of Graham Corporation (the Company) and its subsidiaries as of December 31, 2003 and for the three month and nine month periods ended December 31, 2003 and 2002 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. The March 31, 2003 Consolidated Balance Sheet was derived from the Company's audited financial statements for the year ended March 31, 2003.

This part also includes management's discussion and analysis of the Company's financial condition as of December 31, 2003 and its results of operations for the three and nine month periods then ended.

GRAHAM CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

	December 31, 2003	March 31, 2003
<S>	<C>	<C>
Assets		
Current Assets:		
Cash and cash equivalents	$ 202,000	$ 217,000
Investments	3,502,000	6,446,000
Trade accounts receivable, net	7,619,000	7,295,000
Inventories	8,314,000	10,341,000
Domestic and foreign income taxes receivable	486,000	259,000
Deferred income tax asset	2,142,000	1,846,000
Prepaid expenses and other current assets	541,000	367,000
	22,806,000	26,771,000
Property, plant and equipment, net	9,352,000	9,808,000
Deferred income tax asset	1,510,000	1,610,000
Other assets	73,000	91,000
	$33,741,000	$38,280,000
Liabilities and Shareholders' Equity		
Current liabilities:		
Short-term debt	$ 1,441,000	$ 1,524,000
Current portion of long-term debt	47,000	80,000
Accounts payable	2,378,000	4,629,000
Accrued compensation	3,762,000	3,283,000
Accrued expenses and other liabilities	1,779,000	2,344,000
Customer deposits	2,159,000	2,132,000
	11,566,000	13,992,000
Long-term debt	106,000	127,000
Accrued compensation	247,000	244,000
Deferred income tax liability	55,000	49,000
Other long-term liabilities	61,000	76,000
Accrued pension liability	1,336,000	1,761,000
Accrued postretirement benefits	2,642,000	3,238,000
Total liabilities	16,013,000	19,487,000
	Shareholders' equity:	
Preferred Stock, $1 par value - Authorized, 500,000 shares		
Common stock, $.10 par value - Authorized, 6,000,000 shares		

Issued, 1,728,779 shares at December 31, 2003 and 1,716,572 shares at March 31, 2003	173,000	172,000
Capital in excess of par value	4,849,999	4,757,000
Retained earnings	17,235,000	18,767,000
Accumulated other comprehensive loss	(2,644,000)	(2,990,000)
	19,613,000	20,706,000

</TABLE>

GRAHAM CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (CONCLUDED)

<TABLE>
<CAPTION>

<S>	December 31, 2003 <C>	March 31, 2003 <C>
Less:		
Treasury Stock (99,123 shares on December 31, 2003 and 68,323 shares on March 31, 2003)	(1,385,000)	(1,161,000)
Notes receivable from officers and directors	(500,000)	(752,000)
Total shareholders' equity	17,728,000	18,793,000
	$33,741,000	$38,280,000

</TABLE>

See Notes to Condensed Consolidated Financial Statements.

GRAHAM CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

<TABLE>
<CAPTION>

	Three Months Ended December 31,		Nine Months Ended December 31,	
<S>	2003 <C>	2002 <C>	2003 <C>	2002 <C>
Net Sales	$10,027,000	$13,703,000	$30,919,000	$35,308,000
Cost and expenses:				
Cost of products sold	8,590,000	11,135,000	25,727,000	28,711,000

Selling, general and administrative	2,528,000	2,814,000	7,450,000	8,019,000
Interest expense	35,000	31,000	93,000	68,000
Other Income			(522,000)	
	11,153,000	13,980,000	32,748,000	36,798,000
Loss before income taxes	(1,126,000)	(277,000)	(1,829,000)	(1,490,000)
Benefit for income taxes	(339,000)	(99,000)	(540,000)	(503,000)
Net loss	(787,000)	(178,000)	(1,289,000)	(987,000)
Retained earnings at beginning of period	18,103,000	17,994,000	18,767,000	18,888,000
Dividends	(81,000)	(86,000)	(243,000)	(171,000)
Retained earnings at end of period	$17,235,000	$17,730,000	$17,235,000	$17,730,000
Per Share Data:				
Basic:				
Net loss	$(.48)	$(.11)	$(.78)	$(.59)
Diluted:				
Net loss	$(.48)	$(.11)	$(.78)	$(.59)

</TABLE>

See Notes to Condensed Consolidated Financial Statements.

GRAHAM CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

	Nine Months Ended December 31, 2003	2002
<S>	<C>	<C>
Operating activities:		
Net loss	$(1,289,000)	$ (987,000)
Adjustments to reconcile net loss to net cash (used) provided by operating activities:		
Depreciation and amortization	742,000	656,000
Loss on sale of property, plant and equipment	2,000	28,000
(Increase) Decrease in operating assets:		
Accounts receivable	(98,000)	9,582,000
Inventory, net of customer deposits	2,336,000	(2,084,000)
Prepaid expenses and other current and non-current assets	(142,000)	(162,000)
Increase (Decrease) in operating liabilities:		
Accounts payable, accrued compensation, accrued expenses and other current and non-current liabilities	(3,445,000)	(2,471,000)
Accrued compensation, accrued pension liability, accrued postemployment benefits	(53,000)	(1,492,000)
Domestic and foreign income taxes	(225,000)	(1,644,000)
Deferred income taxes	(122,000)	(38,000)
Total adjustments	(1,005,000)	2,375,000
Net cash (used) provided by operating activities	(2,294,000)	1,388,000
Investing activities:		
Purchase of property, plant and equipment	(172,000)	(675,000)
Proceeds from sale of property, plant and		

equipment		4,000
Collection of notes receivable from officers and directors	48,000	59,000
Purchase of investments	(7,919,000)	(19,220,000)
Redemption of investments at maturity	10,905,000	15,300,000
Net cash provided (used) by investing activities	2,862,000	(4,532,000)

</TABLE>

GRAHAM CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONCLUDED)

<TABLE>
<CAPTION>

<S>	Nine Months Ended December 31, 2003 <C>	2002 <C>
Financing activities:		
(Decrease) Increase in short-term debt	(263,000)	293,000
Proceeds from issuance of long-term debt	9,195,000	4,195,000
Principal repayments on long-term debt	(9,260,000)	(3,895,000)
Issuance of common stock	94,000	
Dividends paid	(326,000)	(86,000)
Acquisition of treasury stock	(20,000)	
Net cash (used) provided by financing activities	(580,000)	507,000
Effect of exchange rate changes on cash	(3,000)	3,000
Net increase (decrease) in cash and cash equivalents	(15,000)	(2,634,000)
Cash and cash equivalents at beginning of period	217,000	2,901,000
Cash and cash equivalents at end of period	$ 202,000	$ 267,000

</TABLE>

See Notes to Condensed Consolidated Financial Statements.

GRAHAM CORPORATION AND SUBSIDIARIES
NOTES TO FINANCIAL INFORMATION
DECEMBER 31, 2003

NOTE 1 - INVENTORIES

Major classifications of inventories are as follows:

	12/31/03	3/31/03
Raw materials and supplies	$ 1,686,000	$ 2,417,000
Work in process	5,657,000	14,968,000
Finished products	2,487,000	1,937,000
	9,830,000	19,322,000
Less - progress payments	1,409,000	8,907,000
- inventory reserve	107,000	74,000
	$ 8,314,000	$10,341,000

NOTE 2 - STOCK-BASED COMPENSATION:

In 2003, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure". This standard provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. Additionally, the standard also requires prominent disclosures in the Company's financial statements about the method of accounting used for stock-based employee compensation, and the effect of the method used when reporting financial results.

The Company accounts for stock-based compensation in accordance with SFAS No. 123, "Accounting for Stock-Based Compensation". As permitted by SFAS No. 123, the Company continues to measure compensation for such plans using the intrinsic value based method of accounting, prescribed by Accounting Principles Board (APB), Opinion No. 25, "Accounting for Stock Issued to Employees". Accordingly, compensation cost for stock options is measured as the excess, if any, of the quoted market price of the Company's stock at the date of grant over the amount an employee must pay to acquire the stock. Compensation cost for share equivalent units is recorded based on the quoted market price of the Company's stock at the end of the period.

Under the intrinsic value method, no compensation expense has been recognized for the Company's stock option plans, as all options have been granted with an exercise price equal to the fair market value of the stock on the date of grant. Had compensation cost for the Company's stock option plans been determined based on the fair value at the grant date for awards under those plans in accordance with the optional methodology prescribed under SFAS No. 123, the Company's net loss and net loss per share would have been the pro forma amounts indicated below:

	Three Months Ended December 31, 2003	Three Months Ended December 31, 2002	Nine Months Ended December 31, 2003	Nine Months Ended December 31, 2002
Net loss as reported	$(787,000)	$(178,000)	$(1,289,000)	$ (987,000)
Stock-based employee compensation cost net of related tax benefits	(63,000)	(60,000)	(74,000)	(62,000)
Pro forma net loss	$(850,000)	$(238,000)	$(1,363,000)	$(1,049,000)
Basic loss per share				
As reported	$(.48)	$(.11)	$(.78)	$(.59)
Pro forma	$(.52)	$(.14)	$(.83)	$(.63)
Diluted loss per share				
As reported	$(.48)	$(.11)	$(.78)	$(.59)
Pro forma	$(.52)	$(.14)	$(.83)	$(.63)

For purposes of the disclosure above, the fair value of each option grant is estimated on the date of the grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants in 2003 and 2002:

	2003	2002
Expected life	5 years	5 years
Volatility	47.13%	50.00%
Risk-free interest rate	3.01%	2.81%
Dividend yield	2.25%	2.35%

NOTE 3 - INCOME (LOSS) PER SHARE:

Basic income (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding for the period. Common shares outstanding includes share equivalent units which are contingently issuable shares. Diluted income (loss) per share is calculated by dividing net income (loss) 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 income (loss) per share is presented below:

	Three Months Ended December 31, 2003	Three Months Ended December 31, 2002	Nine Months Ended December 31, 2003	Nine Months Ended December 31, 2002
Basic loss per share				
Numerator:				
Net loss	$(787,000)	$ (178,000)	$(1,289,000)	$ (987,000)
Denominator:				
Weighted common shares outstanding	1,630,000	1,648,000	1,626,000	1,648,000
Share equivalent units (SEU) outstanding	16,000	16,000	16,000	14,000
Weighted average shares and SEU's outstanding	1,646,000	1,664,000	1,642,000	1,662,000
Basic loss per share	$(.48)	$(.11)	$(.78)	$(.59)
Diluted loss per share				
Numerator:				
Net loss	$(787,000)	$ (178,000)	$(1,289,000)	$ (987,000)
Denominator:				
Weighted average shares and SEUs outstanding	1,646,000	1,664,000	1,642,000	1,662,000
Diluted loss per share	$(.48)	$(.11)	$(.78)	$(.59)

All options to purchase shares of common stock at various exercise prices were excluded from the computation of diluted loss per share for the three and nine month periods in fiscal years 2004 and 2003 as the effect would be antidilutive due to the net losses for the periods.

NOTE 4 - PRODUCT WARRANTY LIABILITY

The Company estimates the costs that may be incurred under its product warranties and records a liability in the amount of such costs at the time revenue is recognized. The reserve for product warranties is based upon past claims experience and ongoing evaluations of any specific probable claims from customers.

The reconciliation of the changes in the product warranty liability is as follows:

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2003	2002	2003	2002
Balance at beginning of period	$359,000	$471,000	$592,000	$182,000
Expense for product warranties	(70,000)	50,000	50,000	544,000
Product warranty claims paid	(31,000)	(130,000)	(384,000)	(335,000)
Balance at end of period	$258,000	$391,000	$258,000	$391,000

NOTE 5 - CASH FLOW STATEMENT

Interest paid was $95,000 and $68,000 for the nine months ended December 31, 2003 and 2002, respectively. In addition, income taxes (refunded) paid were $(193,000) and $1,180,000 for the nine months ended December 31, 2003 and 2002, respectively.

Non-cash activities during the nine months ended December 31, 2003 and 2002 included capital expenditures totaling $11,000 and $22,000, respectively, which were financed through the issuance of capital leases. Dividends of $243,000 and $171,000 were recorded for the respective nine month periods ended December 31, 2003 and 2002, of which $0 and $85,000 were not paid during the respective periods.

NOTE 6 - COMPREHENSIVE INCOME

Total comprehensive loss was $574,000 and $1,094,000 for the three months ended December 31, 2003 and 2002, respectively. Other comprehensive income for the three months ended December 31, 2003 included a foreign currency translation adjustment of $213,000. Other comprehensive loss for the three months ended December 31, 2002 included a foreign currency translation adjustment of $74,000 and a minimum pension liability adjustment, net of tax, of $(990,000).

Total comprehensive loss for the nine months ended December 31, 2003 and 2002 was $943,000 and $1,650,000, respectively. Other comprehensive income for the nine months ended December 31, 2003 included a foreign currency translation adjustment of $346,000. Other comprehensive loss for the nine months ended December 31, 2002 included a foreign currency translation adjustment of $327,000 and a minimum pension liability adjustment, net of tax, of $(990,000).

NOTE 7 - OTHER INCOME

On February 4, 2003, the Employee Benefits Committee of the Board of Directors irrevocably terminated postretirement health care benefits for current U.S. employees. However, benefits payable to retirees of record on April 1, 2003 remained unchanged. As a result of the plan change, a curtailment gain of $522,000 was recognized. This gain is included in the caption "Other Income" in the Consolidated Statement of Operations and Retained Earnings.

NOTE 8 - SEGMENT INFORMATION

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 December 31,		Nine Months Ended December 31,		
	2003	2002	2003	2002	
<S>	<C>	<C>	<C>	<C>	
Sales from external customers					
U.S.	$ 8,694,000	$12,168,000	$27,434,000	$31,641,000	
U.K.	1,333,000	1,535,000	3,485,000	3,667,000	
Total	$10,027,000	$13,703,000	$30,919,000	$35,308,000	
Intersegment sales					
U.S.		$ 2,000	$ 38,000	$ 31,000	
U.K.	$ 1,025,000	453,000	2,091,000	1,065,000	
Total	$ 1,025,000	$ 455,000	$ 2,129,000	$ 1,096,000	
Segment net income (loss)					
U.S.	$ (739,000)	$ (218,000)	$ (958,000)	$ (983,000)	$
U.K.		71,000	(276,000)	(87,000)	
Total segment net loss	$ (739,000)	(147,000)	(1,234,000)	(1,070,000)	
Eliminations	(48,000)	(31,000)	(55,000)	83,000	
Net loss	$ (787,000)	$ (178,000)	$(1,289,000)	$ (987,000)	

</TABLE>

NOTE 9 - RELATED PARTY TRANSACTION

On April 1, 2003, the Company acquired 30,800 shares of common stock previously issued under the Long-Term Stock Ownership Plan from two former officers. This transaction was accounted for as a purchase. The shares were redeemed at the original issue price of $7.25, as compared to a market price at the time of the closing of $7.55. This transaction resulted in a $224,000 increase to treasury stock, a $204,000 reduction in notes receivable from officers and directors and cash payments to former officers. The cash payments approximate amounts previously paid on the notes.

GRAHAM CORPORATION AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS
December 31, 2003

Graham Corporation consists of two operating segments as determined by geographic areas (USA: Graham Corporation, UK: Graham Vacuum and Heat Transfer, Limited and its wholly-owned subsidiary, Graham Precision Pumps, Ltd.).

Results of Operations

Consolidated sales decreased 27% in the third quarter of fiscal year ending (FYE) March 31, 2004 compared to the same three month period one year ago. Sales from USA and UK operations for the current quarter (including intersegment sales) decreased 29% and increased 19%, respectively. The significant decrease in the USA sales is attributed to low order intake in prior quarters. This was due to order placements being postponed and/or "engineering only" releases being awarded.

Consolidated sales for the nine months ended December 31, 2003 as compared to 2002 were down 12%. The decrease in sales for the nine months is a result of minimal capital spending activity in the principal markets served by USA operations. USA sales are down 13% compared to the nine months ended December 31, 2002. Traditionally, capital spending, followed by increases in selling prices, commence well into the consumer driven economic recovery and after plant capacities are approaching full limitations. Graham's management believes traditional markets that drive Graham's revenue (e.g. ethylene, ammonia/nitrogen, methanol, power, and refining markets) are beginning to enter an expansion phase. The quality of the sales inquiries are superior to the recent past, with more inquiries today for actual projects funded or planned to proceed. UK sales are up 18%. The direction in UK sales is upward due to several large orders for the petrochemical industry and robust activity in offshore oil operations.

Cost of sales as a percent of sales for the third quarter was 86% compared to 81% a year ago. Costs of sales as a percent of sales for the USA operating segment for the current quarter was 89% compared to 84% for the quarter ended December 31, 2002. For the UK operating segment, cost of sales as a percent of sales was 75% as compared to 65% a year ago. Costs of sales for the nine months ended December 31, 2003 was 83% as compared to 81% for the nine months ended December 31, 2002. By operating segment, USA costs of sales was 85% versus 84% and UK costs of sales was 78% compared to 68% for the respective nine month periods ended December 31, 2003 and 2002. The continued erosion in gross profit margins reflects the competitive nature of the business in periods of exceptionally low expansion and modernization activities in the chemical and refinery industries. To retain and grow market share, Graham is accepting orders at pricing levels that were not ordinarily accepted in better economic times.

Selling, general and administrative (SG&A) expenses for the quarter were 10% less than SG&A expenses for the quarter ended one year before and 7% lower for the comparative nine months. The decrease is due to cost savings actions previously initiated.

The elimination of postretirement medical benefits in FYE 2003 for all employees and former employees not retired and receiving medical benefits as of April 1, 2003 resulted in a curtailment gain of $522,000. This gain was reported as Other Income in the first quarter of FYE 2004.

Interest expense increased from $31,000 for the three month period ended December 31, 2002 to $35,000 in the current quarter. For the nine months ended December 31, 2003, as compared to 2002, interest expense increased $25,000 or 37%. This increase was in the UK and relates to higher inventories and higher borrowings. Actions are being taken to reduce inventory and pay down debt in the UK operation.

The effective income tax rate for the three and nine months ended December 31, 2003 was 30% and 29%, respectively, as compared to 36% and 34% for the prior year respective periods.

The lower effective nine month rate is due to the anticipated impact of the extra territorial income exclusion benefit from foreign shipments and a one time benefit resulting from the elimination of executive split-dollar life insurance benefits.

The net loss for the quarter ended December 31, 2003 was $787,000 or $.48 per diluted share. This compares to a net loss of $178,000 or $.11 per diluted share for the three months ended December 31, 2002. For the nine months ended, the net loss as of December 31, 2003 was $1,289,000 or $.78 per diluted share, as compared to a net loss of $987,000 or $.59 per diluted share for the nine months ended December 31, 2002.

Liquidity and Capital Resources

Consolidated cash flow from operations was negative $2,294,000 for the nine months ended December 31, 2003, as compared to the nine months ended December 31, 2002 when cash flow from operations was positive $1,388,000. The swing is due to increased operating losses and reduced cash collections. In the comparative prior nine month period, significant project cancellation fees were collected.

The Company has the ability to convert the principal outstanding on its line of credit to a two year term loan. Therefore, outstanding balances on the USA line of credit are classified as long term debt. The Company utilized the line of credit continuously throughout the first and third quarters of the fiscal year to fund operations and working capital. This activity is reflected under financing activities in the Consolidated Statements of Cash Flows. At December 31, 2003, no amounts were outstanding on this line of credit.

Management expects that the cash flow from operations, cash investments, and lines of credit will provide sufficient resources to fund the foreseeable future cash requirements. The Company expects to consume cash over the first several months of fiscal year 2005 to cover operating losses and to fund a build-up of work-in-process inventory for increased shipments in the second half of FYE 2005. Looking ahead, sales projections indicate a recovery in shipments in the second half of fiscal year 2005 and a corresponding improvement in cash flow.

New Orders and Backlog

Orders for the current quarter were up 13% at $9,965,000 compared to $8,790,000 for the same period last year. Prior to intercompany eliminations, orders in the United States were $8,301,000 compared to $6,833,000 for the same period in fiscal year 2003. Orders in the United Kingdom were $2,394,000 compared to $2,276,000 for the same quarter last year. The increase in orders for USA operations may not represent an upward trend, however, as aforementioned, the Company is receiving indicators that a strong recovery is possibly six to nine months ahead. Orders for the nine months ended December 31, 2003 were $29,052,000 as compared to $28,224,000 for the comparable nine month period one year ago. The consolidated increase in orders for the nine months is due to increased bookings by the UK company.

Backlog of unfilled orders at December 31, 2003 is $22,222,000 compared to $21,973,000 at September 30, 2003 and $25,431,000 at December 31, 2002. Prior to intercompany eliminations, current backlog in the United States of $19,303,000 compares to $19,605,000 at September 30, 2003 and $23,733,000 at December 31, 2002. Current backlog in the United Kingdom of $3,712,000 compares to $3,410,000 at September 30, 2003 and $2,054,000 at December 31, 2002. Included in the USA backlog is an order worth $5,144,000, the status of which is uncertain. The current consolidated backlog, with the exception of about $5,484,000, 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 assumptions applied in preparing quantitative disclosures regarding interest rate, foreign exchange rate and equity price risk are based upon volatility ranges experienced in relevant historical periods, management's current knowledge of the business and market place, and management's judgment of the probability of future volatility based upon the historical trends and economic conditions of the business.

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 carefully assessing the risks and benefits for incurring long-term debt. Based upon variable rate debt outstanding at December 31, 2003 and 2002, a 1% change in interest rates would impact annual interest expense by $14,000 and $19,000, respectively.

Over the past three years, Graham's international consolidated sales exposure approximates 36% of annual sales. Operating in world markets involves exposure to movements in currency exchange rates. Currency movements can affect sales in several ways. Foremost is the ability to competitively compete for orders against competition having a relatively weaker currency. Business lost due to this cannot be quantified. Secondly, cash can be adversely impacted by the conversion of sales in foreign currency to local currency. The substantial portion of Graham's sales is collected in the seller's currency. In the third quarters of fiscal 2004 and 2003, sales in foreign currencies were 2% and 1%, respectively, of total sales. For the nine months ended December 31, 2003 and 2002, sales in foreign currencies were 2% of total sales for both the nine month periods ended December 31, 2003 and 2002. At certain times, the Company may enter into forward foreign exchange agreements to hedge its exposure against unfavorable changes in foreign currency values on significant sales contracts negotiated in foreign currencies.

Graham historically has had limited exposure to foreign currency purchases. Long term, this trend is expected to continue. During the three month periods ended December 31, 2003 and 2002, purchases in foreign currencies were 9% and 5% of cost of goods sold, respectively and 10% and 7%, respectively, for the nine months then ended. In FYE 2004, USA operations has entered a significant dollar volume of orders utilizing UK subsidiary products in conjunction with USA equipment. At certain times, forward foreign exchange contracts may be utilized to limit currency exposure.

Foreign operations produced net income (loss) in the third quarter of 2003 and 2002 of zero and $71,000, respectively, and $(276,000) and $(87,000) for the nine month periods ended December 31, 2003 and 2002, respectively. As currency exchange rates change, translations of the income statements of our UK business into US 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 have impacted the third quarter results by approximately zero and $7,000 in fiscal years ended 2004 and 2003, respectively, and $28,000 and $9,000 for the nine months ended December 31, 2003 and 2002, respectively.

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 SEUs 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 SEUs outstanding at December 31, 2003 and 2002 and the respective quarter end market price per share, a 50% to 75% change in the respective quarter end market price of the Company's common stock would positively or negatively impact the Company's third quarter operating results by $84,000 to $126,000 for FYE 2004 and $71,000 to $106,000 for FYE 2003. Assuming required net income of $500,000 to award SEUs is met and SEUs are granted to the seven outside directors in accordance with the plan over the next five years, based upon the December

31, 2003 market price of the Company's stock of $10.20 per share, a 50% to 75% change in the stock price would positively or negatively impact the Company's operating results by $138,000 to $207,000 in 2005, $156,000 to $233,000 in 2006, $169,000 to $253,000 in 2007, $182,000 to $273,000 in 2008 and $185,000 to $278,000 in 2009.

Critical Accounting Policies

The following discussion addresses the most critical accounting policies, which are those that are most important to the portrayal of the financial condition and results, and that require judgment.

Revenue Recognition

USA Operations

Percentage-of-Completion - For USA operations, the Company recognizes revenue and all related costs on contracts with a duration in excess of three months and with revenues of $1,000,000 and greater using the percentage-of-completion method. The percentage-of-completion method is determined by relating actual labor incurred to-date to management's estimate of total labor to be incurred on each contract. Contracts in progress are reviewed monthly, and sales and earnings are adjusted in current accounting periods based on revisions in contract value and estimated costs at completion.

Completed Contract - Contracts with values less than $1,000,000 are accounted for in the USA on the completed contract method. The Company recognizes revenue and all related costs on the completed contract method upon substantial completion or shipment to the customer. Substantial completion is consistently defined as at least 95% complete with regard to direct labor hours. Customer acceptance is generally required throughout the construction process and the Company has no further obligations under the contract after the revenue is recognized.

UK Operations

UK operations recognizes revenue on all orders upon shipment.

Use of Estimates - We have made a number of estimates and assumptions relating to the reporting of assets and liabilities, the disclosure of contingent assets and liabilities, and reported amounts of revenue and expenses in preparing our financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from these estimates.

Forward-Looking Information

Certain statements contained in this document, including within this Management's Discussion and Analysis of Financial Condition and Results of Operations, that are not historical facts, constitute "Forward-Looking Statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements, in general, predict, forecast, indicate or imply future results, performance or achievements and generally use words so indicative. The Company wishes to caution the reader that numerous important factors 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 the Securities and Exchange Commission, in the future, could affect the Company's actual results and could cause its actual consolidated results to differ materially from those expressed in any forward-looking statement made by, or on behalf of, the Company.

GRAHAM CORPORATION AND SUBSIDIARIES
FORM 10-Q
DECEMBER 31, 2003
PART II - OTHER INFORMATION

Item 4. Controls and Procedures

The Company maintains a set of disclosure controls and procedures designed to ensure that information required to be disclosed by the Company in reprots that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported as and when requiared. As of December 31, 2003, an evaluation was carried out under the supervision and with the participation of the Company's management, including the chief executive officer and chief financial officer, of the effectiveness of the Company's disclosure controls and procedures. Based on that evaluation, the CEO and CFO have concluded that the Company's disclosure controls and procedures are effective.

Item 5. Other Information

The Company's chief executive officer and chief financial officer have furnished to the SEC the certification with respect to this Form 10-Q that is required by Section 906 of the Sarbanes-Oxley Act of 2002.

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

a. See index to exhibits.

b. A Form 8-K was filed on October 28, 2003 and included Items 7 and 12. No financial statements were required to be filed as part of the report.

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. Ronald Hansen

J. Ronald Hansen
Vice President Finance and
Administration / CFO (Principal
Accounting Officer)

Date: February 2, 2004

INDEX OF EXHIBITS

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

Not applicable.

(3)(i) Articles of Incorporation of Graham Corporation (filed as Exhibit 3(b) to the Registrant's annual report on Form 10-K for the year ended December 31, 1989, and incorporated herein by reference.)

(3)(ii) By-laws of registrant, as amended (filed as Exhibit 3(ii) to the Registrant's quarterly report on Form 10-Q for the quarter ended September 30, 2003 and incorporated herein by reference).

(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.)

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.)

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.)

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.)

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 3 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.

Index to Exhibits (cont.)

(24) Power of Attorney

Not applicable.

(31) Rule 13a-14(a)/15d-14a Certifications

(32) Section 1350 Certifications

(99) Additional exhibits

None.

Exhibit 31.1

CERTIFICATION OF
CHIEF EXECUTIVE OFFICER

I, Alvaro Cadena, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Graham Corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e))for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and

c) Disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of the internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 2, 2004

/s/ Alvaro Cadena
Alvaro Cadena
President and
Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF
CHIEF FINANCIAL OFFICER

I, J. Ronald Hansen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Graham Corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and

c) Disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of the internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 2, 2004

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

Exhibit 32.1

GRAHAM CORPORATION AND SUBSIDIARIES

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Graham Corporation (the "Company") on Form 10-Q for the period ending December 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Alvaro Cadena, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

February 2, 2004	/s/ Alvaro Cadena
Date	Alvaro Cadena
	President and
	Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to Graham Corporation and will be retained by Graham Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

GRAHAM CORPORATION AND SUBSIDIARIES

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Graham Corporation (the "Company") on Form 10-Q for the period ending December 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, J. Ronald Hansen, Vice President-Finance and Administration and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

February 2, 2004	/s/ J. Ronald Hansen
Date	J. Ronald Hansen Vice President-Finance and Administration and Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Graham Corporation and will be retained by Graham Corporation and furnished to the Securities and Exchange Commission or its staff upon request.