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, 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 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 4, 1995, there were outstanding 1,052,499 shares of common stock, $.10 par value.

GRAHAM CORPORATION AND SUBSIDIARIES

FORM 10-Q

JUNE 30, 1995

PART I - FINANCIAL INFORMATION

Unaudited consolidated financial statements of Graham Corporation (the company) and its subsidiaries as of June 30, 1995 and for the three month and six month periods 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 adjustments which are, in the opinion of management, necessary to a fair statement 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, 1995 and its results of operations for the three month and six month periods then ended.

GRAHAM CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

	June 30, 1995	December 31, 1994
Assets		
Current Assets:		
Cash and equivalents	$ 68,000	$ 454,000
Trade accounts receivable	8,628,000	11,883,000
Inventories	6,035,000	4,547,000
Deferred tax asset	1,114,000	1,114,000
Prepaid expenses and other current assets	344,000	439,000
	16,189,000	18,437,000
Property, plant and equipment, net	9,321,000	9,663,000
Deferred tax assest	1,791,000	1,791,000
Other assets	51,000	62,000
	$27,352,000	$29,953,000

GRAHAM CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET (concluded)

<TABLE>
<CAPTION>

	June 30, 1995	December 31, 1994
<S>	<C>	<C>
Liabilities and Shareholders' Equity		
Current liabilities:		
Short-term debt due banks	$ 478,000	$ 196,000
Current portion of long-term debt	232,000	235,000
Accounts payable	3,636,000	4,275,000
Accrued compensation	2,494,000	3,220,000
Accrued expenses and other liabilities	1,251,000	1,488,000
Litigation reserve		1,247,000
Customer deposits	101,000	270,000
Domestic and foreign income taxes payable		260,000
Estimated liabilities of discontinued operations	308,000	401,000
	8,500,000	11,592,000
Long-term debt	5,059,000	5,161,000
Deferred compensation	971,000	993,000
Deferred tax liability	139,000	138,000
Other long-term liabilities	293,000	496,000
Deferred pension liability	2,196,000	1,369,000
Accrued postretirement benefits	3,127,000	3,133,000
Total liabilities	20,285,000	22,882,000
Shareholders' equity:		
Common stock, $.10 par value- Authorized, 6,000,000 shares Issued and outstanding, 1,051,499 shares in 1995 and 1994	105,000	105,000
Capital in excess of par value	3,197,000	3,197,000
Cumulative foreign currency translation adjustment	(1,862,000)	(1,876,000)
Retained earnings	6,602,000	6,720,000
	8,042,000	8,146,000
Less:		
Employee Stock Ownership Plan Loan Payable	(975,000)	(1,075,000)
Total shareholders' equity	7,067,000	7,071,000
	$27,352,000	$29,953,000

</TABLE>

GRAHAM CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS AND RETAINED EARNINGS

<TABLE>
<CAPTION>

	THREE MONTHS ended June 30, 1995	THREE MONTHS ended June 30, 1994	SIX MONTHS ended June 30, 1995	SIX MONTHS ended June 30, 1994
<S>	<C>	<C>	<C>	<C>
Net Sales	$12,007,000	$ 8,561,000	$21,312,000	$18,465,000
Cost and expenses:				
Cost of products sold	9,341,000	6,527,000	16,146,000	13,684,000
Selling, general and administrative	2,725,000	2,408,000	5,030,000	4,808,000
Interest expense	160,000	114,000	327,000	230,000
Litigation provision		179,000		252,000

	12,226,000	9,228,000	21,503,000	18,974,000
Loss from continuing operations before income taxes	(219,000)	(667,000)	(191,000)	(509,000)
Benefit for income taxes	(82,000)	(233,000)	(73,000)	(179,000)
Loss from continuing operations	(137,000)	(434,000)	(118,000)	(330,000)
Loss from discontinued operation		(422,000)		(453,000)
Loss before cumulative effect of change in accounting principle	(137,000)	(856,000)	(118,000)	(783,000)
Cumulative effect of change in accounting principle				(6,000)
Net loss	(137,000)	(856,000)	(118,000)	(789,000)
Retained earnings at beginning of period	6,739,000	15,202,000	6,720,000	15,135,000
Retained earnings at end of period	$ 6,602,000	$14,346,000	$ 6,602,000	$14,346,000
Per Share Data:				
Loss from continuing operatins	$(.13)	$(.41)	$(.11)	$(.31)
Loss from discontinued operation		(.40)		(.43)
Cumulative effect of change in accounting principle				(.01)
Net loss	$(.13)	($.81)	$(.11)	($.75)
Average number of common and common equivalent shares outstanding	1,051,000	1,051,000	1,051,000	1,049,000

</TABLE>

GRAHAM CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASHFLOWS

<TABLE>
<CAPTION>

	Six Months Ended June 30, 1995	1994
<S>	<C>	<C>
Operating activities:		
Net loss	$ (118,000)	$ (789,000)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	443,000	685,000
Loss on sale of property, plant and equipment	3,000	2,000
Minority interest in net income		(46,000)
(Increase) Decrease in operating assets:		
Accounts receivable	3,269,000	3,084,000
Inventory, net of customer deposits.............	(1,640,000)	637,000
Prepaid expenses and other current and non-current assets	118,000	(232,000)
Increase (Decrease) in operating liabilities:		
Accounts payable, accrued compensation, accrued expenses and other liabilities	(875,000)	(707,000)
Litigation reserve	(1,247,000)	
Estimated liabilities of discontinued operations.	(307,000)	(80,000)
Deferred compensation, deferred pension liability, and accrued postemployment benefits .	48,000	(120,000)
Domestic and foreign income taxes	(279,000)	(290,000)
Other long-term liabilities		2,000
Total adjustments	(467,000)	2,935,000
Net cash (used) provided by operating activities ..	(585,000)	2,146,000
Investing activities:		
Purchase of property, plant and equipment	(81,000)	(206,000)
Proceeds from sale of property, plant and equipment	1,000	3,000
Net cash used by investing activities	(80,000)	(203,000)
Financing activities:		
Increase (decrease) in short-term debt	280,000	(184,000)
Proceeds from issuance of long-term debt	3,587,000	70,000
Principal repayments on long-term debt	(3,593,000)	(824,000)

Net cash provided (used) by financing activities ..	274,000	(938,000)
Effect of exchange rate on cash	5,000	
Net increase (decrease) in cash and equivalents ...	(386,000)	1,005,000
Cash and equivalents at beginning of period	454,000	99,000
Cash and equivalents at end of period	$ 68,000	$1,104,000

</TABLE>

GRAHAM CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL INFORMATION

JUNE 30, 1995

NOTE 1 - INVENTORIES

Major classifications of inventories are as follows:

<TABLE>
<CAPTION>

<S>	6/30/95 <C>	12/31/94 <C>
Raw materials and supplies	$ 2,078,000	$ 1,857,000
Work in process	3,559,000	2,507,000
Finished products	1,012,000	953,000
	6,649,000	5,317,000
Less - progress payments	614,000	770,000
	$ 6,035,000	$ 4,547,000

</TABLE>

NOTE 2 - EARNINGS PER SHARE:

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

NOTE 3 - CASH FLOW STATEMENT

Actual interest paid was $378,000 and $352,000 for the six months ended June 30, 1995 and 1994, respectively. In addition, actual income taxes paid were $238,000 and $28,000 for the six months ended June 30, 1995 and 1994, respectively.

NOTE 4 - CHANGE IN ACCOUNTING PRINCIPLE

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 and Retained Earnings as the cumulative effect of change in accounting principle. The amount of the after tax charge of $6,000 relating to continuing operations was $2,000. The incremental costs of adopting this statement are insignificant on an ongoing basis.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS
June 30, 1995

Results of Operations

Sales increased 40% in the second quarter 1995 compared to 1994. Sales for the second quarter increased 50% in the United States and decreased 14% in the United Kingdom compared to 1994. Sales for the six months ended June 30, 1995 increased 15% from the same period last year. Sales in the United States increased 19% and the United Kingdom sales decreased 11% from the same period last year.

The increase in the United States sales levels is due to a relatively stable sales volume throughout 1995 as compared to 1994 when second quarter sales were substantially below sales in other quarters during the year. The decrease in the United Kingdom sales is attributable to order cancellations from a customer who is experiencing financial difficulties. The United Kingdom operation is focusing its efforts on further development of its market share to overcome this loss of business.

Cost of sales as a percent of sales for the second quarter 1995 was 78% compared to 76% a year ago. Cost of sales as a percent of sales for the three month period was 79% for the United States operations compared to 78% last year and 62% for the United Kingdom operations compared to 65% last year. For the six months, cost of sales as a percent of sales was 76% compared to 74% a year ago. In the United States cost of sales as a percent of sales was 77% compared to 76% a year ago, and in the United Kingdom cost of sales as a percent of sales remained unchanged at 63% compared to a year ago. While the percentages have remained relatively stable in the United Kingdom, percentages for the United States reflect a slight decline in contribution margins as material costs were substantial for various large projects in 1995.

Selling, general and administrative expenses increased 13% from the second quarter of 1994, and represent 23% of sales as compared to 28% in 1994. For the six months ended June 30, 1995, selling, general and administrative expenses are up 5% as compared to the same period in 1994 and were 24% of sales compared to 26% in 1994. The increase in selling, general and administrative expenses is primarily attributable to additional expenses incurred by the United States operation.

Interest expense for the second quarter is up 40% from the same period in 1994. Interest expense for the six month period in 1995 is up 42% compared to the six month period in 1994. These increases resulted from higher levels of borrowing on the United States revolving credit facility and a higher prime rate in 1995.

The effective income tax rate for the second quarter and the six-month period in 1995 remained relatively consistent at 37% and 38%, respectively, compared to 35% for the second quarter and six-month period of 1994.

Results of Operations (cont.)

As reported in the company's 1994 annual report and Form 10-K, the company approved a formal plan to dispose of its subsidiary, Graham Manufacturing Limited (GML), in September 1994 and subsequently sold the operation in January 1995. Accordingly, the results of operations for the 1994 quarters have been restated to reflect GML's operations as discontinued operations.

Financial Condition

There were no significant changes in the financial condition of the company for the first half of 1995. Working capital of $7,689,000 at June 30, 1995 compares to $6,845,000 at December 31, 1994. The working capital increase from year end reflects a decrease in current assets of $2,248,000 and a decrease in current liabilities of $3,092,000. The decrease in current assets related primarily to a decrease in accounts receivable offset by an increase in inventories. Due to the significant fourth quarter sales volume, accounts receivable were unusually high and inventory levels were low at December 31, 1994. The decrease in current liabilities reflects the decline in the litigation reserve as the lawsuit was settled in 1995 and payment was made during the second quarter. The remainder of the decrease is attributable to accounts payable and a reclass of the current portion of the pension liability to long-term due to a revised contribution schedule.

Capital expenditures for the six month period were $81,000 compared to $206,000 for the same period in 1994. There were no major commitments for capital expenditures as of June 30, 1995. Management anticipates spending $450,000 in 1995 for capital additions to upgrade machinery and equipment.

Short-term debt increased $282,000 from year end due to additional borrowings for working capital needs of the United Kingdom operation. Total long-term debt decreased $105,000 from year end due to scheduled payments on the ESOP loan. The long-term debt to equity ratio is 75% compared to 76% at year-end 1994 and the total liabilities to assets ratio is 74% compared to 76% at year-end 1994.

Management expects that the cash flow from operations and lines of credit will provide sufficient resources to fund the 1995 cash requirements.

New Orders and Backlog

New orders for the second quarter were $13,269,000 compared to $13,460,000 for the same period last year. New orders in the United States were $12,321,000 compared to $10,893,000 for the same period in 1994. New orders in the United Kingdom were $948,000 compared to $2,567,000 for the same quarter last year. For the first six months new orders were $26,436,000 compared to $27,139,000 in the first half of 1994. New orders in the United States were $24,510,000 for the first half of 1995 compared to $23,033,000 for the same period last year and new orders in the United Kingdom were $1,926,000 compared to $4,106,000 for the first six months of 1994.

New Orders and Backlog (cont.)

Backlog of unfilled orders at June 30, 1995 is $24,132,000 compared to $25,212,000 at this time a year ago and $18,997,000 at year end 1994. Current backlog in the United States of $23,398,000 compares to $18,127,000 at year end 1994 and $22,934,000 at June 30, 1994. Current backlog in the United Kingdom of $734,000 compares to $870,000 at December 31, 1994 and $2,278,000 at June 30, 1994. The current backlog is scheduled to be shipped during the next twelve months and represents orders from traditional markets in the company's established product lines.

GRAHAM CORPORATION AND SUBSIDIARIES

FORM 10-Q

JUNE 30, 1995

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, 1995.

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
Chief Financial Officer &
Vice President Finance

Date 08/04/95

INDEX TO 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 refererence.)

By-laws of registrant (filed as Exhibit C to the Proxy Statement of Graham Manufacturing Co., Inc. for that company's annual meeting of shareholders held on May 4, 1983, which Proxy Statement constitutes the prospectus included as part of the Registrant's Registration Statement No. 2-82275 on Form S-14 and is incorporated herein by reference.)

Shareholder Rights Plan of Graham Corporation (filed as Exhibit (4) to Registrant's current report filed on Form 8-K on February 26, 1991, as amended by Registrant's Amendment No. 1 on Form 8 dated June 8, 1991, 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 1991 Annual Meeting of Shareholders and incorporated herein by reference.)

(11) Statement re-computation of per share earnings

See attached.

(15) Letter re-unaudited interim financial information.

Not applicable.

(18) Letter re-change in accounting principles.

Not applicable.

Index to Exhibits (cont.)
- -------------------------

(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.

(27) Financial Data Schedule.

See attached.

(99) Additional exhibits.

None

EXHIBIT 11

COMPUTATION OF EARNINGS PER SHARE

<TABLE>
<CAPTION>

	Three months ended June 30 1995	Three months ended June 30 1994	Six months ended June 30 1995	Six months ended June 30 1994
<S>	<C>	<C>	<C>	<C>
Calculation of common and common equivalent shares:				
Shares outstanding at beginning of the period	1,051,000	1,051,000	1,051,000	1,046,000
Weighted average number of shares issued during the period:				
Issuance of shares				3,000
Weighted average shares outstanding	1,051,000	1,051,000	1,051,000	1,049,000
Common equivalent shares if stock options were exercised				
Average number of common and common equivalent shares outstanding	1,051,000	1,051,000	1,051,000	1,049,000
Calculation of earnings per share:				
Net loss	($137,000)	($856,000)	($118,000)	($789,000)
Average number of common and common equivalent shares outstanding	1,051,000	1,051,000	1,051,000	1,049,000
Loss per common and common equivalent share	($.13)	($.81)	($.11)	($.75)

<FN>

Fully diluted earnings per share is equivalent to primary earnings per share as the period-end market price of common stock does not result in greater dilution.

</TABLE>

<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 TO SUCH FINANCIAL STATEMENTS.
</LEGEND>
<MULTIPLIER> 1,000

<S>	<C>
<PERIOD-TYPE>	6-MOS
<FISCAL-YEAR-END>	DEC-31-1995
<PERIOD-END>	JUN-30-1995
<CASH>	68
<SECURITIES>	0
<RECEIVABLES>	8,628
<ALLOWANCES>	0
<INVENTORY>	6,035
<CURRENT-ASSETS>	16,189
<PP&E>	23,579
<DEPRECIATION>	14,258
<TOTAL-ASSETS>	27,352
<CURRENT-LIABILITIES>	8,500
<BONDS>	5,059
<COMMON>	105
<PREFERRED-MANDATORY>	0
<PREFERRED>	0
<OTHER-SE>	6,962
<TOTAL-LIABILITY-AND-EQUITY>	27,352
<SALES>	21,312
<TOTAL-REVENUES>	21,312
<CGS>	16,146
<TOTAL-COSTS>	16,146
<OTHER-EXPENSES>	0
<LOSS-PROVISION>	0
<INTEREST-EXPENSE>	327
<INCOME-PRETAX>	(191)
<INCOME-TAX>	(73)
<INCOME-CONTINUING>	(118)
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	(118)
<EPS-PRIMARY>	(.11)
<EPS-DILUTED>	0

</TABLE>