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, 1996

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 9, 1996, there were outstanding 1,057,472 shares of common stock, $.10 par value.

GRAHAM CORPORATION AND SUBSIDIARIES

FORM 10-Q

JUNE 30, 1996

PART I - FINANCIAL INFORMATION

Unaudited consolidated financial statements of Graham Corporation (the company) and its subsidiaries as of June 30, 1996 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, 1996 and its results of operations for the three month and six month periods then ended.

GRAHAM CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

	June 30, 1996	December 31, 1995
<S>	<C>	<C>
Assets		
Current Assets:		
Cash and equivalents	$ 1,886,000	$ 411,000
Trade accounts receivable.	7,711,000	10,611,000
Inventories.	6,138,000	6,621,000
Deferred tax asset	698,000	698,000
Prepaid expenses and other current assets	418,000	589,000
	16,851,000	18,930,000
Property, plant and equipment, net	8,811,000	8,918,000
Deferred tax asset	1,600,000	1,600,000
Other assets	27,000	32,000
	$27,289,000	$29,480,000

</TABLE>

GRAHAM CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (concluded)

<TABLE>
<CAPTION>

<S>	June 30, 1996 <C>	December 31, 1995 <C>
Liabilities and Shareholders' Equity		
Current liabilities:		
Short-term debt due banks.	$ 438,000	$ 206,000
Current portion of long-term debt.	502,000	355,000
Accounts payable	2,605,000	4,066,000
Accrued compensation	4,106,000	4,305,000
Accrued expenses and other liabilities	1,029,000	1,367,000
Customer deposits.	568,000	966,000
Domestic and foreign income taxes payable	489,000	240,000
Estimated liabilities of discontinued operations	250,000	351,000
	9,987,000	11,856,000
Long-term debt	1,951,000	3,303,000
Deferred compensation.	1,034,000	1,017,000
Deferred tax liability	111,000	111,000
Other long-term liabilities.	249,000	373,000
Deferred pension liability	1,429,000	1,252,000
Accrued postretirement benefits.	3,146,000	3,161,000
Total liabilities	17,907,000	21,073,000
Shareholders' equity:		
Preferred Stock, $1 par value - Authorized, 500,000 shares		
Common stock, $.10 par value- Authorized, 6,000,000 shares Issued and outstanding, 1,057,472 shares in 1996 and 1,053,999 in 1995	106,000	106,000
Capital in excess of par value	3,257,000	3,219,000
Cumulative foreign currency translation adjustment.	(1,890,000)	(1,891,000)
Retained earnings.	8,690,000	7,854,000
	10,163,000	9,288,000
Less:		
Treasury Stock, 442 shares.	(6,000)	(6,000)
Employee Stock Ownership Plan Loan Payable	(775,000)	(875,000)
Total shareholders' equity	9,382,000	8,407,000
	$27,289,000	$29,480,000

</TABLE>

GRAHAM CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

<TABLE>
<CAPTION>

	THREE MONTHS ended June 30,		SIX MONTHS ended June 30,	
	1996	1995	1996	1995
<S>	<C>	<C>	<C>	<C>
Net Sales	$13,409,000	$12,007,000	$25,080,000	$21,312,000
Cost and expenses:				
Cost of products sold.	9,572,000	9,341,000	17,996,000	16,146,000
Selling, general and administrative.	2,938,000	2,531,000	5,489,000	4,758,000
Interest expense	113,000	160,000	238,000	327,000
Litigation Provision		194,000		272,000
	12,623,000	12,226,000	23,723,000	21,503,000

Income (Loss) before income taxes	786,000	(219,000)	1,357,000	(191,000)
Provision (Benefit) for income taxes	314,000	(82,000)	521,000	(73,000)
Net income (loss)	472,000	(137,000)	836,000	(118,000)
Retained earnings at beginning of period	8,218,000	6,739,000	7,854,000	6,720,000
Retained earnings at end of period	$ 8,690,000	$ 6,602,000	$ 8,690,000	$ 6,602,000
Per Share Data:				
Net income (loss)	$.44	($.13)	$.78	($.11)
Average number of common and common equivalent shares outstanding	1,072,000	1,051,000	1,070,000	1,051,000

</TABLE>

GRAHAM CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

	Six Months Ended June 30, 1996	1995
<S>	<C>	<C>
Operating activities:		
Net income (loss)	$ 836,000	$ (118,000)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	453,000	443,000
(Gain) Loss on sale of property, plant and equipment	(3,000)	3,000
(Increase) Decrease in operating assets:		
Accounts receivable	2,901,000	3,269,000
Inventory, net of customer deposits	86,000	(1,640,000)
Prepaid expenses and other current and non-current assets	166,000	118,000
Increase (Decrease) in operating liabilities:		
Accounts payable, accrued compensation, accrued expenses and other liabilities	(1,914,000)	(875,000)
Litigation reserve		(1,247,000)
Estimated liabilities of discontinued operations	(100,000)	(307,000)
Deferred compensation, deferred pension liability, and accrued postemployment benefits	95,000	48,000
Domestic and foreign income taxes	248,000	(279,000)
Other long-term liabilities	(123,000)	
Total adjustments	1,809,000	(467,000)
Net cash provided (used) by operating activities	2,645,000	(585,000)
Investing activities:		
Purchase of property, plant and equipment	(237,000)	(81,000)
Proceeds from sale of property, plant and equipment	21,000	1,000
Net cash used by investing activities	(216,000)	(80,000)
Financing activities:		
Increase in short-term debt	229,000	280,000
Proceeds from issuance of long-term debt	2,265,000	3,587,000
Principal repayments on long-term debt	(3,489,000)	(3,593,000)
Issuance of common stock	38,000	

Net cash provided (used) by financing activities. .	(957,000)	274,000
Effect of exchange rate on cash	3,000	5,000
Net increase (decrease) in cash and equivalents . .	1,475,000	(386,000)
Cash and equivalents at beginning of period	411,000	454,000
Cash and equivalents at end of period	$1,886,000	$ 68,000

</TABLE>

GRAHAM CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL INFORMATION

JUNE 30, 1996

NOTE 1 - INVENTORIES

Major classifications of inventories are as follows:

<TABLE>
<CAPTION>

<S>	<C> 6/30/96	<C> 12/31/95
Raw materials and supplies	$ 2,411,000	$ 2,579,000
Work in process.	3,030,000	3,286,000
Finished products.	1,165,000	1,100,000
	6,606,000	6,965,000
Less - progress payments	468,000	344,000
	$ 6,138,000	$ 6,621,000

</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 $273,000 and $378,000 for the six months ended June 30, 1996 and 1995, respectively. In addition, actual income taxes paid were $274,000 and $238,000 for the six months ended June 30, 1996 and 1995, respectively.

NOTE 4 - STOCK SPLIT

On July 25, 1996, the Board of Directors authorized a three-for-two stock split to be distributed on August 23, 1996 to shareholders of record at the close of business on August 9, 1996. The company will distribute cash in lieu of fractional shares resulting from the stock split. The company's par value of $.10 per share will remain unchanged and as a result approximately $53,000 will be transferred from capital in excess of par value to common stock. It is estimated that the impact of the stock split on earnings per share for the three and six months ended 1996 will be a reduction of approximately $.15 and $.26, respectively. The estimated impact on loss per share for the three and six months ended 1995 will be a reduction of approximately $.04 and $.03, respectively.

NOTE 5 - 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," (APB 25) 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 elected to continue to account for employee stock-based transactions under APB 25, however, it has not disclosed pro forma net income and earnings per share as if the company had applied the new method of accounting as these amounts have not yet been determined.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
June 30, 1996

Results of Operations

Sales increased 12% in the second quarter 1996 compared to 1995. Sales for the second quarter increased 13% in the United States and 3% in the United Kingdom compared to 1995. Sales for the six months ended June 30, 1996 increased 18% from the same period last year. Sales increased 19% in the United States and 8% in the United Kingdom from the same period last year. The increase in the United States sales is due to a higher sales volume of the company's smaller product lines and a relatively stable shipment schedule throughout 1996 as compared to the fluctuations in quarterly sales levels in 1995. The increase in the United Kingdom sales is attributable to shorter processing time for orders received and increased sales volume of certain standard products and spare parts.

Cost of sales as a percent of sales for the second quarter 1996 was 71% compared to 78% a year ago. Cost of sales as a percent of sales for the three month period was 72% for the United States operations compared to 79% last year and 70% for the United Kingdom operations compared to 62% last year. For the six months, cost of sales as a percent of sales was 72% compared to 76% a year ago. In the United States cost of sales as a percent of sales was 72% compared to 77% a year ago, and in the United Kingdom cost of sales as a percent of sales was 65% compared to 63% a year ago. The favorable percentages for the United States reflect the impact of price increases while maintaining material cost levels. The increase in the United Kingdom percentages is attributable to additional overhead expenses which management does not anticipate to be recurring.

Selling, general and administrative expenses increased 16% from the second quarter of 1995, and represent 22% of sales as compared to 21% in 1995. For the six months ended June 30, 1996, selling, general and administrative expenses are up 15% as compared to the same period in 1995 and were 22% of sales for the six month period in both 1996 and 1995. The increase in selling, general and administrative expenses is primarily attributable to salary increases granted in 1996 and higher selling expenses which are directly related to the increase in sales levels.

Interest expense for the second quarter is down 29% from the same period in 1995. Interest expense for the six month period in 1996 is down 27% compared to the six month period in 1995. These decreases resulted from lower levels of borrowing on the United States revolving credit facility due to strong cash flow in the first half of the year.

The effective income tax rate for the second quarter and the six-month period in 1996 remained relatively consistent at 40% and 38%, respectively, compared to 37% and 38% for the second quarter and six-month period of 1995.

On July 25, 1996, the Board of Directors authorized a three-for-two stock split in order to increase the liquidity of Graham stock, and allow for wider ownership.

Financial Condition

There were no significant changes in the financial condition of the company for the first half of 1996. Working capital of $6,864,000 at June 30, 1996 compares to $7,074,000 at December 31, 1995. The working capital decrease from year end reflects a decrease in current assets of $2,079,000 and a decrease in current liabilities of $1,869,000. The decrease in current assets related primarily to a significant decrease in accounts receivable due to improved timeliness of collections from customers offset by an increase in cash and equivalents. The decrease in current liabilities reflects the decline in accounts payable which is attributable to timing of material purchases.

Capital expenditures for the six month period were $237,000 compared to $81,000 for the same period in 1995. There were no major commitments for capital expenditures as of June 30, 1996. Management anticipates spending approximately $750,000 in 1996 for capital additions to upgrade computer equipment and machinery.

Short-term debt increased $232,000 from year end due to additional borrowings for working capital needs of the United Kingdom operation. Total long-term debt decreased $1,205,000 from year end due to paydowns on the United States revolving credit line. The long-term debt to equity ratio is 26% compared to 44% at year-end 1995 and the total liabilities to assets ratio is 66% compared to 71% at year-end 1995. These ratios are reflective of management's concerted effort to reduce debt.

Management expects that the cash flow from operations and lines of credit will provide sufficient resources to fund the 1996 cash requirements.

New Orders and Backlog

New orders for the second quarter were $17,260,000 compared to $13,269,000 for the same period last year. New orders in the United States were $15,774,000 compared to $12,321,000 for the same period in 1995. New orders in the United Kingdom were $1,486,000 compared to $948,000 for the same quarter last year. For the first six months new orders were $28,691,000 compared to $26,436,000 in the first half of 1995. New orders in the United States were $25,888,000 for the first half of 1996 compared to $24,510,000 for the same period last year and new orders in the United Kingdom were $2,803,000 compared to $1,926,000 for the first six months of 1995. New orders are at a historically high level and consist of large contracts for the ethylene and plastic related markets and standard and packaged pump equipment.

Backlog of unfilled orders at June 30, 1996 is $25,455,000 compared to $24,132,000 at this time a year ago and $21,837,000 at year end 1995. Current backlog in the United States of $24,191,000

New Orders and Backlog (cont.)

compares to $21,136,000 at year end 1995 and $23,398,000 at June 30, 1995. Current backlog in the United Kingdom of $1,264,000 compares to $701,000 at December 31, 1995 and $734,000 at June 30,

1995. 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, 1996
PART II - OTHER INFORMATION

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

In addition to election of directors and selection of independent accountants, one proposal was submitted to the company's stockholders for a vote at the company's annual meeting of stockholders held on May 9, 1996 (the "annual meeting").

At the annual meeting, the stockholders approved and ratified the 1995 Graham Corporation Incentive Plan to Increase Shareholder Value (the "Plan"). The purpose of the plan is to increase shareholder value by promoting the growth and profitability of Graham and its subsidiaries, to attract and retain directors, officers and key management employees of outstanding competence, to provide such directors, officers and key management employees with an equity interest in Graham, and to provide certain directors and key management employees of Graham and its subsidiaries, upon whose efforts Graham is largely dependent for the successful conduct of its business, with an incentive to achieve corporate objectives. The Plan authorizes the Compensation Committee of the Board of Directors to grant options for the purchase of up to 128,000 shares of the company's common stock. The Plan is described in the company's Proxy Statement and is set forth in its entirety as Appendix A of the Proxy Statement. The number of affirmative and negative votes cast and abstentions, at the annual meeting with respect to this proposal to approve the Plan were:

For:	501,911
Against:	4,542
Abstentions:	3,798

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, 1996.

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

Date 08/09/96

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 reference.)

By-laws of registrant, as amended (filed as Exhibit 3(ii) to the Registrant's annual report on Form 10-K for the fiscal year ended December 31, 1995, 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.)

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

(11) Statement re-computation of per share earnings

Computation of per share earnings is included herein as Exhibit 11 of this report.

(15) Letter re-unaudited interim financial information.

Not applicable.

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

(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.

(27) Financial Data Schedule.

Financial Data Schedule is included herein as Exhibit 27 of this report.

(99) Additional exhibits.

None

EXHIBIT 11

COMPUTATION OF EARNINGS PER SHARE

<TABLE>
<CAPTION>

	Three months ended June 30		Six months ended June 30	
	1996	1995	1996	1995
<S>	<C>	<C>	<C>	<C>
Calculation of common and common equivalent shares:				
Shares outstanding at beginning of the period	1,057,000	1,051,000	1,054,000	1,051,000
Weighted average number of shares issued during the period:				
Issuance of shares			2,000	
Weighted average shares outstanding	1,057,000	1,051,000	1,056,000	1,051,000
Common equivalent shares if stock options were exercised	15,000		14,000	
Average number of common and common equivalent shares outstanding	1,072,000	1,051,000	1,070,000	1,051,000
Calculation of earnings per share:				
Net income (loss)	$472,000	($137,000)	$836,000	($118,000)
Average number of common and common equivalent shares outstanding	1,072,000	1,051,000	1,070,000	1,051,000
Earnings (Loss) per common and common equivalent share	$.44	($.13)	$.78	($.11)

<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-31-1996
<PERIOD-END>	JUN-30-1996
<CASH>	1,886
<SECURITIES>	0
<RECEIVABLES>	7,711
<ALLOWANCES>	0
<INVENTORY>	6,138
<CURRENT-ASSETS>	16,851
<PP&E>	23,716
<DEPRECIATION>	14,905
<TOTAL-ASSETS>	27,289
<CURRENT-LIABILITIES>	9,987
<BONDS>	1,951
<PREFERRED-MANDATORY>	0
<PREFERRED>	0
<COMMON>	106
<OTHER-SE>	9,276
<TOTAL-LIABILITY-AND-EQUITY>	27,289
<SALES>	25,080
<TOTAL-REVENUES>	25,080
<CGS>	17,996
<TOTAL-COSTS>	17,996
<OTHER-EXPENSES>	0
<LOSS-PROVISION>	0
<INTEREST-EXPENSE>	238
<INCOME-PRETAX>	1,357
<INCOME-TAX>	521
<INCOME-CONTINUING>	836
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	836
<EPS-PRIMARY>	0.78
<EPS-DILUTED>	0.78

</TABLE>