

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

( X ) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1995

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 1-6620

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

DELAWARE  
(State or other jurisdiction of  
incorporation or organization)

11-1893410  
(I.R.S. Employer  
Identification No.)

100 JERICHO QUADRANGLE, JERICHO, NEW YORK  
(Address of principal executive offices)

11753  
(Zip Code)

(516) 938-5544  
(Registrant's telephone number, including area code)

INSTRUMENT SYSTEMS CORPORATION  
(Former name, 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, and (2) has been subject to such filing  
requirements for the past 90 days.

X Yes No  
-----

Indicate the number of shares outstanding of each of the issuer's classes  
of common stock, as of the latest practicable date. 30,903,383 shares of Common  
Stock as of April 28, 1995.

FORM 10-Q

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Signature

GRIFFON CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 1995 ----- (Unaudited)	September 30, 1994 ----- (Note 1)
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 11,353,000	\$ 28,659,000
Marketable securities	3,355,000	29,727,000
Accounts receivable, less allowance for doubtful accounts	54,553,000	59,191,000
Contract costs and recognized income not yet billed	28,266,000	29,194,000
Inventories (Note 2)	76,290,000	68,918,000
Prepaid expenses and other current assets	6,924,000	6,987,000
	-----	-----
Total current assets	180,741,000	222,676,000
PROPERTY, PLANT AND EQUIPMENT		
at cost, less accumulated depreciation and amortization of \$48,061,000 at March 31, 1995 and \$44,843,000 at September 30, 1994	50,247,000	49,890,000
OTHER ASSETS	24,035,000	20,649,000
	-----	-----
	\$255,023,000	\$293,215,000
	=====	=====

<FN>

See notes to condensed consolidated financial statements.

</FN>

GRIFFON CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 1995 ----- (Unaudited)	September 30, 1994 ----- (Note 1)
--	---	--

LIABILITIES AND SHARHOLDERS' EQUITY

CURRENT LIABILITIES (Note 4):

Accounts and notes payable	\$ 36,660,000	\$ 33,704,000
Other current liabilities	43,612,000	67,924,000
	-----	-----
Total current liabilities	80,272,000	101,628,000
	-----	-----
LONG-TERM DEBT	15,728,000	15,538,000
	-----	-----

SHAREHOLDERS' EQUITY (Note 5):

Preferred stock, par value \$.25 per share, authorized 3,000,000 shares -- Second Preferred Stock, Series I, authorized 1,950,000 shares, issued 1,669,882 shares at March 31, 1995 and 1,677,129 shares at September 30, 1994 (liquidation value \$16,699,000 and \$16,771,000, respectively)	417,000	419,000
Common Stock, par value \$.25 per share, authorized 85,000,000 shares, issued 31,058,158 shares at March 31, 1995 and 33,887,739 shares at September 30, 1994, and 154,784 shares and 34,500 shares in treasury at March 31, 1995 and September 30, 1994, respectively	7,765,000	8,472,000
Other shareholders' equity	150,841,000	167,158,000
	-----	-----
Total shareholders' equity	159,023,000	176,049,000
	-----	-----
	\$255,023,000	\$293,215,000
	=====	=====

<FN>

See notes to condensed consolidated financial statements.

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GRIFFON CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
(Unaudited)

	THREE MONTHS ENDED MARCH 31,	
	1995	1994
	-----	-----
Net sales	\$120,149,000	\$105,857,000
Cost of sales	88,834,000	74,558,000
	-----	-----
Gross profit	31,315,000	31,299,000
Selling, general and administrative expenses	25,804,000	22,947,000
	-----	-----
Income from operations	5,511,000	8,352,000
	-----	-----
Other income (expense):		
Interest expense	(532,000)	(430,000)
Interest income	219,000	394,000
Other, net	221,000	34,000
	-----	-----
	(92,000)	(2,000)
	-----	-----
Income before income taxes	5,419,000	8,350,000
	-----	-----
Provision for income taxes:		
Federal	1,743,000	2,808,000
State and other	425,000	616,000
	-----	-----
	2,168,000	3,424,000

Net income	----- \$ 3,251,000 =====	----- \$ 4,926,000 =====
Net income per share of common stock (Note 3)	\$ .10 =====	\$ .13 =====

<FN>

See notes to condensed consolidated financial statements.

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GRIFFON CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
(Unaudited)

	SIX MONTHS ENDED MARCH 31,	
	1995	1994
	-----	-----
Net sales	\$253,711,000	\$222,012,000
Cost of sales	184,050,000	156,346,000
Gross profit	69,661,000	65,666,000
Selling, general and administrative expenses	51,415,000	45,864,000
Income from operations	18,246,000	19,802,000
Other income (expense):		
Interest expense	(1,047,000)	(891,000)
Interest income	838,000	846,000
Other, net	252,000	126,000
	43,000	81,000
Income before income taxes	18,289,000	19,883,000
Provision for income taxes:		
Federal	5,993,000	6,700,000
State and other	1,323,000	1,452,000
	7,316,000	8,152,000
Net income	\$ 10,973,000	\$ 11,731,000
Net income per share of common stock (Note 3)	\$ .32	\$ .31

<FN>

See notes to condensed consolidated financial statements.

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GRIFFON CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

	SIX MONTHS ENDED MARCH 31,	
	1995	1994
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$10,973,000	\$11,731,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,139,000	4,730,000
Provision for losses on accounts receivable	406,000	379,000
Change in assets and liabilities:		
Decrease in accounts receivable and contract		

costs and recognized income not yet billed	8,657,000	8,696,000
Increase in inventories	(3,898,000)	(2,995,000)
(Increase) decrease in prepaid expenses and other assets	456,000	(434,000)
Decrease in accounts payable and accrued liabilities	(24,126,000)	(14,542,000)
Other changes, net	263,000	(23,000)
Total adjustments	(14,103,000)	(4,189,000)
Net cash provided by (used in) operating activities	(3,130,000)	7,542,000
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net (increase) decrease in marketable securities	26,372,000	(14,975,000)
Acquisition of property, plant and equipment	(4,250,000)	(2,337,000)
Proceeds from sale of stock of affiliate	---	11,615,000
Acquired businesses	(7,758,000)	(1,557,000)
Decrease in equipment lease deposits and other	439,000	1,665,000
Net cash provided by (used in) investing activities	14,803,000	(5,589,000)

GRIFFON CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)  
(Unaudited)

	SIX MONTHS ENDED MARCH 31,	
	1995	1994
CASH FLOWS FROM FINANCING ACTIVITIES:		
Purchase of common shares	(28,166,000)	(6,037,000)
Proceeds from issuance of long-term debt	---	1,900,000
Payment of long-term debt	(9,264,000)	(5,716,000)
Increase in short-term borrowings	8,500,000	---
Other, net	(49,000)	266,000
Net cash used in financing activities	(28,979,000)	(9,587,000)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(17,306,000)	(7,634,000)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	28,659,000	26,466,000
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$11,353,000	\$18,832,000

<FN>

See notes to condensed consolidated financial statements.

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GRIFFON CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

(1) Basis of Presentation -

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. The balance sheet at September 30, 1994 has been derived from the audited financial statements at that date. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the three-month and six-month periods ended March 31, 1995 are not necessarily indicative of the results that may be expected for the year ended September 30, 1995. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report to shareholders for the year ended September 30, 1994. The Company

adopted Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities," for the year beginning October 1, 1994. Adoption of this standard did not have a material effect on the Company's financial position or results of operations.

At the February 8, 1995 Annual Meeting of Stockholders, the stockholders approved changing the Company's name from "Instrument Systems Corporation" to "Griffon Corporation." The name change became effective in March 1995.

(2) Inventories -

Inventories, stated at the lower of cost (first-in, first-out or average) or market, are comprised of the following:

	March 31, 1995 -----	September 30, 1994 -----
Finished goods . . . . .	\$19,690,000	\$16,664,000
Work in process . . . . .	30,261,000	26,674,000
Raw materials and supplies . . . . .	26,339,000 -----	25,580,000 -----
	\$76,290,000 =====	\$68,918,000 =====

(3) Net Income Per Share -

Net income per share is calculated using the weighted average number of shares of common stock, and where dilutive, common stock equivalents outstanding during each period. Shares used in computing per share results were 33,111,000 and 37,481,000 for the three months ended March 31, 1995 and 1994 and 34,203,000 and 37,704,000 for the six months ended March 31, 1995 and 1994, respectively.

(4) Notes Payable -

In December 1994, outstanding borrowings under a long-term debt agreement were refinanced under a short-term line of credit. Interest on this obligation is at approximately the prime rate.

(5) Self-Tender Offer -

In December 1994, the Company completed a self-tender offer for 3,002,840 shares of the Company's Common Stock, which were then retired, at a price of \$8.75 per share. During the six months ended March 31, 1995, approximately \$28,200,000 was used to acquire 3,120,040 shares of Common Stock.

(6) Acquisitions -

During the quarter ended December 31, 1994, the Company acquired two companies for the building products business for an aggregate price of \$7,758,000. The acquisitions have been accounted for as purchases.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Three months ended March 31, 1995

Net sales -

Net sales were \$120.1 million for the three-month period ended March 31, 1995, an increase of \$14.3 million or 13.5% over last year's comparable quarter.

Net sales of the building products business were \$58.7 million, an increase of \$16.0 million or 37.3% over last year. Acquired businesses accounted for \$9.5 million of the higher sales; the remainder of the increase was principally due to increased unit sales of garage doors (\$5.6 million) and increased prices.

Net sales of the specialty plastic films business were \$27.6 million compared to \$29.7 million last year. As previously reported, a major customer of the specialty plastic films business has made a design change which substantially phased out the specialty plastic's thin laminate program during the first half of 1995. During the quarter, decreased sales of thin laminate (\$6.2 million) were partially offset by the effect of higher selling prices (\$2.7 million) and increased unit sales of other film products (\$1.0 million).

Net sales of the electronic information and communication systems business were \$23.3 million compared to \$23.8 million last year.

Operating income -

Income from operations for the three-month period ended March 31, 1995 was \$5.5 million compared to \$8.4 million in last year's comparable quarter.

Operating income of the building products business, in what is historically its weakest quarter, increased by approximately \$1.0 million compared to last year. The effect of higher sales was partially offset by higher general and administrative expenses due to the business growth.

Operating income of the specialty plastic films business decreased by approximately \$3.5 million compared to last year primarily due to the phase-out of the thin laminate program, delays in receipt of anticipated orders related to ongoing development projects and substantial cost increases for polyethylene resin used in its business. The Company has generally been able to pass on such increases to its customers in the past. Although the Company has implemented selling price increases, due to the magnitude of the cost increases, such selling price adjustments have not fully compensated for the cost increases. It is not known at this time if there will be further cost increases or if prices have stabilized.

Operating income of the electronic information and communication systems business decreased approximately \$.5 million principally due to the lower sales.

Six months ended March 31, 1995

Net sales -

Net sales were \$253.7 million in the six-month period ended March 31, 1995, an increase of \$31.7 million or 14.3% over last year's comparable period.

Net sales of the building products business were \$138.6 million, an increase of \$34.8 million or 33.5% over last year. Acquired companies accounted for \$16.8 million of the increase, with the remainder of the increase principally attributable to increased unit sales of garage doors and price increases.

Net sales of the specialty plastic films business were \$54.2 million compared to \$56.6 million last year, due primarily to the phase-out of the thin laminate program partially offset by the effect of higher selling prices (\$3.9 million) and increased unit sales of health care and other film products (\$3.7 million).

Net sales of the electronic information and communication systems business were \$40.8 million compared to \$43.0 million last year, principally due to decreased revenues on certain military programs that are nearing completion.

Operating income -

Income from operations for the six-month period ended March 31, 1995 was \$18.2 million compared to \$19.8 million last year.

Operating income of the building products business increased approximately \$3.8 million over last year's comparable period primarily due to the increased sales.

Operating income of the specialty plastic films business and the electronic information and communication systems business decreased approximately \$4.7 million and \$.9 million, respectively, for the reasons discussed above.

#### LIQUIDITY AND CAPITAL RESOURCES

Cash flow used in operations was \$3.1 million, reflecting a reduction of

current liabilities of approximately \$24.1 million.

In December 1994, the Company completed a self-tender offer for 3,002,840 shares of its Common Stock at a price of \$8.75 per share. During the six months, a total of \$28.2 million was used to acquire 3,120,040 shares of Common Stock. These purchases were funded by existing cash and marketable securities, which decreased due to the stock purchases and \$7.8 million used for two acquisitions for the building products business.

Anticipated cash flows from operations, together with existing cash and lease line availability, should be adequate to finance presently anticipated working capital and capital expenditure requirements.

GRIFFON CORPORATION AND SUBSIDIARIES

PART II - OTHER INFORMATION

- Item 1      Legal Proceedings
- There are no material changes in the information previously reported under this item.
- Item 2      Changes in Securities
- None
- Item 3      Defaults upon Senior Securities
- None
- Item 4      Submission of Matters to a Vote of Security Holders
- None
- Item 5      Other Information
- None
- Item 6      Exhibits and Reports on Form 8-K
- 27 -- Financial Data Schedule (for electronic submission only)

SIGNATURE

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.

GRIFFON CORPORATION

By Robert Balemian  
-----  
Robert Balemian  
President  
(Principal Financial Officer)

Date: May 3, 1995



<ARTICLE> 5

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The schedule contains summary financial information extracted from the condensed consolidated financial statements for the quarter ended March 31, 1995 and is qualified in its entirety by reference to such statements.

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