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

FORM 10-K

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

For the fiscal year ended September 30, 2002

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 No. 1-6620

GRIFFON CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE	11-1893410
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
100 JERICHO QUADRANGLE, JERICHO, NEW YORK	11753
(Address of Principal Executive Offices)	(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
COMMON STOCK, $.25 PAR VALUE	NEW YORK STOCK EXCHANGE
PREFERRED SHARE PURCHASE RIGHTS	NEW YORK STOCK EXCHANGE

Securities registered pursuant to Section 12(g) of the Act:

NONE

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [x]

Indicate by check mark whether this registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes[X] No[ ]

State the aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within 60 days prior to the date of filing. As of December 16, 2002 - approximately $425,658,000.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. As of December 16, 2002 - 32,756,784.

DOCUMENTS INCORPORATED BY REFERENCE:

Part III - (Items 10, 11, 12 and 13). Registrant's definitive proxy statement to be filed pursuant to Regulation 14A of the Securities Exchange Act of 1934.

PART I

ITEM 1 - BUSINESS

THE COMPANY

Griffon is a diversified manufacturing company with operations in four business segments: Garage Doors; Installation Services; Specialty Plastic Films; and Electronic Information and Communication Systems. The company's Garage Doors segment designs, manufactures and sells garage doors for use in the residential housing and commercial building markets. The Installation Services segment sells, installs and services garage doors, garage door openers, manufactured fireplaces, floor coverings, cabinetry and a range of related building products primarily for the new residential housing market. The company's Specialty Plastic Films segment develops, produces and sells plastic films and film laminates for use in infant diapers, adult incontinence products, feminine hygiene products and disposable surgical and patient care products. The company's Electronic Information and Communication Systems segment designs, manufactures, sells and provides logistical support for communications, radar, information, command and control systems and large-scale integrated circuits for defense and commercial markets.

The company has made strategic investments in each of its business segments to enhance its market position, expand into new markets and further accelerate growth. Garage Doors and Installation Services have acquired several manufacturing and installation companies in recent years. In fiscal 1997, the company acquired a West Coast-based garage door manufacturing and installation company, which enhanced the company's national market position. In 1999, Installation Services acquired an operation located in the Southwest that sells and installs a range of specialty products to the new residential construction market, expanding the products and services offered by the company. In 2000, the company acquired a Michigan garage door wholesale and installation company and a Seattle fireplace and garage door installation business. In 1998, Specialty Plastic Films acquired a manufacturer of plastic packaging and specialty films located in Germany, expanding its markets, and subsequently added additional production capacity in its European joint venture in connection with multi-year contracts from a major international consumer products company. In 2002, Specialty Plastic Films acquired 60% ownership of a Brazilian manufacturer of plastic hygienic and specialty films, further expanding its markets and global supply capabilities. In 2000, the Electronic Information and Communication Systems segment acquired a search and weather radar business.

The company was incorporated on May 18, 1959 under the laws of the State of New York. It was reincorporated in Delaware in 1970 and its name was changed to Griffon Corporation in 1995. The company makes available, free of charge through its website at www.griffoncorp.com, its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) of the Securities Exchange Act of 1934 as soon as reasonably practicable after such material is filed with the Securities and Exchange Commission.

GARAGE DOORS

The company believes that its wholly-owned subsidiary, Clopay, is the largest manufacturer and marketer of residential garage doors and among the largest manufacturers of commercial sectional doors in the United States. The company's building products are sold under Clopay(R), Ideal Door(R) and Holmes(R) brand names through an extensive distribution network throughout the United States. The company estimates that the majority of Garage Doors' net sales are from sales of garage doors to the home remodeling segment of the residential housing market, with the balance from the new residential housing and commercial building markets. Sales into the home remodeling market are being driven by the continued aging of the housing stock and the conversion by homeowners from wood doors to lighter weight, easier to maintain steel doors.

Industry

According to industry sources, the residential and commercial/industrial garage door market for 2001 was estimated to be $1.5 billion. Over the past decade there have been several key trends driving the garage door industry, including the shift from wood to steel doors and the growth of the home center channel of distribution. The company estimates that over 90% of the total garage door market today is steel doors. Superior strength, reduced weight and low maintenance have favored the steel door. Other product innovations during this period include insulated double-sided steel doors, new springing systems and, most recently, residential garage doors with improved safety features.

The growth of the home center channel of distribution in the United States has resulted in a shift from traditional channels, including professional installers and wholesalers. Over the past decade, an increasing number of garage doors have been sold through home center retail chains such as The Home Depot, Inc. These home centers offer garage doors for the do-it-yourself market and commercial contractors, as well as installation services for other customers. Distribution through the retail channel requires a different approach than that traditionally utilized by garage door manufacturers. Factors such as immediately available inventory, national distribution, national installation services, point-of-sale merchandising and special packaging are all important to the retailer.

Key Competitive Strengths

The company believes that the following strengths will continue to enhance the market position of Garage Doors:

National Distribution Network. The company distributes its building products through a wide range of distribution channels including installing dealers, retailers and wholesalers. The company owns and operates a national network of 46 distribution centers including a large regional distribution center targeted to handle retail distribution. The company's building products are sold to approximately 2,000 independent professional installing dealers and to major home center retail chains, including The Home Depot, Inc., Menards, Inc. and Lowe's Companies, Inc. The company maintains strong relationships with its installing dealers and believes it is the largest supplier of residential garage doors to retail channels.

Low-Cost Manufacturing Capabilities. The company believes it has low-cost manufacturing capabilities as a result of its automated, continuous production manufacturing facilities and its reduced costs for raw materials based on volume purchases. These manufacturing facilities produce a broad line of high quality garage doors for distribution to professional installer, retail and wholesale channels.

Strong Brand Franchise. The company's brand names, particularly Clopay(R), Holmes(R) and Ideal Door(R) residential doors, are widely recognized in the building products industry. The company believes that it has earned a reputation among installing dealers, retailers and wholesalers for producing a broad range of high-quality doors. The company's market leadership and strong brand recognition are key marketing tools for expanding its customer base, leveraging its distribution network and increasing its market share.

Strategy

The company intends to increase its market share in Garage Doors by capitalizing on what it believes to be its leadership position as the largest manufacturer and marketer of residential garage doors. Specifically, the company intends to: (i) continue sales growth through its dealer network and penetration of the retail market; (ii) increase brand awareness through merchandising programs and advertising; (iii) maintain a leadership position in new product development; and (iv) expand its production and presence nationally through continued strategic acquisitions.

Products and Services

The company manufactures a broad line of residential and commercial sectional garage doors with a variety of options at varying prices. The company also sells related products such as garage door openers. The company offers garage doors made from several materials, including steel and wood.

The company generally markets its lines of residential garage doors in three primary product categories: Value, Value Plus and Premium. The Value series door construction consists of a single layer of steel or wood doors targeting the construction market and the cost-conscious consumer market. The Value Plus series consists of insulated steel doors targeting the new construction market and the quality-oriented consumer market. The Premium series consists of steel doors with a layer of insulation bonded between two sheets of steel targeting consumers who desire exceptional strength, durability, high insulation value, quiet operation, and a finished interior appearance.

The company also markets commercial sectional doors. Commercial sectional doors are similar to residential garage doors, but are designed to meet more demanding performance specifications.

In 2002, the company announced that it was discontinuing its Atlas(R) brand commercial/industrial product line, which included slatted steel coiling doors, service doors, thermal doors, fire doors and counter shutters, fire shutters and grilles. See Note 1 of Notes to Consolidated Financial Statements.

Sales by Garage Doors have provided approximately 35% of the company's consolidated revenue in 2002, 35% in 2001 and 36% in 2000.

Sales and Marketing

The company sells residential and commercial doors for professional installation directly to a national network of professional installing dealers. The company also sells garage doors to retailers such as The Home Depot, Inc., Menards, Inc. and Lowe's Companies, Inc. The company is the principal supplier of residential garage doors throughout the United States and Canada to The Home Depot, Inc., with Clopay(R) brand doors being sold exclusively to this customer in the retail channel of distribution. The segment's largest customer is The Home Depot, Inc. The loss of this customer would have a material adverse effect on the company's business. Sales of the Clopay(R) brand outside the retail channel of distribution are not restricted, and the company continues to sell doors to other retailers under the Ideal Door(R) and Holmes(R) brands. Recently,

national home center chains have begun to offer installation services to consumers, provided through sub-contractors (including the company), for some of its product categories. The company also has an exclusive, multi-year contract with Lennar Corporation, one of the largest homebuilders in the United States. The company distributes its garage doors directly from its manufacturing facilities to customers, through its network of 46 company-owned distribution centers, throughout the United States and in Canada. These distribution centers allow the company to maintain an inventory of garage doors near installing dealers and to provide quick-ship service to retail customers.

Manufacturing and Raw Materials

The company currently operates four garage door manufacturing facilities. A key aspect of Garage Doors' research and development efforts has been the ability to continually improve and streamline its manufacturing process. The company's engineering and technological expertise, combined with its capital investment in equipment, generally has enabled the company to efficiently manufacture products in large volume and meet changing customer needs. The company's facilities use proprietary manufacturing processes to produce the majority of its products. Certain of the company's equipment and machinery are internally modified to achieve its manufacturing objectives.

The principal raw material used in the company's manufacturing operations is galvanized steel. The company also utilizes certain hardware components as well as wood and insulated foam. All of these raw materials are generally available from a number of sources.

Research and Development

The company operates a technical development center where its research engineers work to design, develop and implement new products and technologies and perform durability and performance testing of new and existing products, materials and finishes. Also at this facility, the company's process engineering team works to develop new manufacturing processes and production techniques aimed at improving manufacturing efficiencies.

Competition

The garage door industry is characterized by several large national manufacturers and many smaller regional and local manufacturers. The company competes on the basis of service, quality, innovative products and services, brand awareness and price.

INSTALLATION SERVICES

The company has developed a substantial network of specialty building products installation and service operations. Its network of locations cover many of the key new single family home markets in the United States and offer an increasing variety of building products and services to the residential construction and remodeling industries. The company believes that it is one of the leading installing dealers of both garage doors and manufactured fireplaces in the United States.

Industry

The company provides installed specialty building products to residential builders and to consumers. Builders are increasingly acting as developers and marketers, sub-contracting a substantial portion of the actual construction of a home. Consumers require professional installation services of the company's building products due to the skill levels required for installation and/or the lack of time to perform the installation themselves. Traditionally, the market for installation services has been very fragmented, characterized by small operations offering a single type of building product in a single market.

Key Competitive Strengths

The company believes that the following strengths will continue to enhance the market position of the Installation Services business:

Scale of Operations. In what has historically been an undercapitalized, fragmented industry, the company has sufficient capital and the scale to attract professional management, achieve operating economies, and serve the needs of even the largest national builders.

Multiple product and service offerings. The company believes it is unique in its offering of products and services in several product categories. This offering is leveraged over a common customer base, providing efficiencies and convenience for the customer.

Selection Centers. The company operates well-appointed product design centers that facilitate selection of products by the consumer, enhancing customer service and providing an environment conducive to up-selling into higher margin products.

Strategy

The company believes that Installation Services has distinguished itself in the marketplace as an expert in select building product categories, with a focus on value-added service.

Installation Services has targeted geographic markets that have a sizeable population or significant growth demographics. The company currently serves 18 of the top 100 metropolitan markets based on population and 11 of the top 20 new single-family residential construction markets. The markets served account for approximately 24% of all new residential housing permits in the United States. The company seeks to promote the continued growth of the Installation Services business through both internal growth and strategic acquisitions of new operations in high growth construction markets.

Installation Services' multiple product offering is primarily targeted at new construction, wherein products are generally consumed at approximately the same time in the construction process. Products offered can be selected and upgraded by the customer in the company's design centers. The company believes that its multi-product offering provides strategic marketing advantages over traditional, single product competitors, and provides the company with

operational efficiencies. The company seeks to increase the cross-selling of its multiple products to its existing customers. Additionally, the company plans further growth through the introduction of additional installed building products. The replacement and remodeling markets are additional markets for the company's products and professional installation services.

Products and Services

Installation Services sells and installs a variety of building products:

Garage Doors and Openers - garage doors are distributed, professionally installed and serviced in the new construction and replacement markets. This is the largest product category by volume for Installation Services. Installation Services sources most of its garage doors from Garage Doors.

Fireplaces - manufactured wood and gas fireplaces and related products such as stone or marble surrounds, wood mantels and gas logs are distributed, professionally installed and serviced primarily to the new construction market.

Flooring - flooring products distributed and installed to the new construction market include carpeting, tile and stone, wood and vinyl.

Appliances - appliances distributed to the new construction market include refrigerators, stoves, cooktops, ovens and dishwashers.

Kitchen and Bath Cabinets - cabinetry, with options in wood varieties and door styles, are offered for distribution and installation to the new construction market.

Other - other products include seamless gutters, closet systems, window coverings, bath enclosures, and architectural hardware. Tile and stone applications for shower and bath walls, counter tops and fireplace surrounds are also offered.

Sales by Installation Services have provided approximately 23% of the company's consolidated revenue in 2002, 2001 and 2000.

Acquisitions

The Installation Services business has entered new markets primarily through acquisition. Once established in a market, the company introduces additional product categories to the acquired company's product offerings. From 1993 through 2000, the company completed thirteen acquisitions of building products service and installation operations.

Competition

The installation services industry is fragmented, consisting primarily of small, single-market companies which have less financial resources than the company. The company competes on the basis of service, product line diversity, price and brand awareness.

SPECIALTY PLASTIC FILMS

The company believes that, through Clopay Plastics Products Company, it is a leading developer and producer of plastic films and laminates for a variety of hygienic, health care and industrial uses in domestic and certain international markets. Specialty Plastic Films' products include thin gauge embossed and printed films, elastomeric films and laminates of film and non-woven fabrics. These products are used primarily as moisture barriers in disposable infant diapers, adult incontinence products and feminine hygiene products, as protective barriers in single-use surgical and industrial gowns, drapes, equipment covers, and as packaging for hygienic products. Specialty Plastic Films' products are sold through the company's direct sales force primarily to multinational consumer and medical products companies.

The segment's major customer is Procter & Gamble, with whom the company enjoys a long and growing relationship. Specialty Plastic Films supplies Procter & Gamble with a variety of products used primarily for its infant diapers, both domestically and internationally, and expects to continue to expand the relationship in the future. See "Strategy".

Industry

The specialty plastic films industry has been affected by several key trends over the past five years. These trends include the increased use of disposable products in developing countries and favorable demographics, such as the aging of the population, in the major global economies. Other key trends representing significant opportunities for manufacturers include the continued demand for new advanced products such as cloth-like, breathable, laminated, and printed products and the need of major customers for global supply partners.

Key Competitive Strengths

The company believes that the following strengths will continue to enhance the market position of Specialty Plastic Films:

Technological Expertise and Product Development. The company believes that, as a result of ongoing research and development activities and continued capital investment, it is a leader in new product development and commercialization of specialty plastic films and laminates for its markets. The company has developed technologically advanced embossed films, elastomeric films, breathable films, laminates and cloth-like barrier products for diapers, feminine hygiene products, disposable health care and industrial products. The company believes that its technical expertise and product development capabilities enhance its market position and customer relationships.

Long-Term Customer Relationships and Expanding International Presence. The company has developed strong, long-term relationships with leading consumer and health care products companies. The company believes that these relationships, combined with its technological expertise, product development and production capabilities, have positioned it to meet changing customer needs, which the company expects will drive growth. In addition, the company believes its strong, long-term relationships provide it with increasing opportunities to expand and enter new international markets, such as South America and Asia Pacific.

Strategy

The company seeks to expand its market presence for Specialty Plastic Films by capitalizing on its technological and manufacturing expertise and on its relationships with major international consumer products companies. Specifically, the company believes that it can continue to increase its North American sales and expand internationally through ongoing product development

and enhancement and by marketing its technologically advanced breathable films and laminates for use in all of its markets. The company believes that its Finotech joint venture, the 1998 acquisition of Bohme (see "European Operations") and the 2002 acquisition of Clopay do Brasil (see "South American Operations") provide a strong platform for additional sales growth in certain international markets.

This segment is implementing a significant capital expansion program in fiscal 2003 to support new opportunities with its major customers and to increase capacity throughout its operations. We anticipate that revenues from such opportunities will commence in the latter part of fiscal 2003 and ramp up substantially in 2004. Equipment and plant additions over the next two years are anticipated to aggregate $60-70 million. This is approximately $15-20 million per year higher than this segment has expended over the past few years.

Products

Specialty Plastic Films manufactures a wide variety of embossed and printed specialty films and laminates for the hygienic, healthcare and other markets. Specialty Plastic Films' products are used as moisture barriers for disposable infant diapers, adult incontinence and feminine hygiene products and as protective barriers in surgical and industrial gowns and drapes, equipment covers, flexible packaging, house wrap and other products. A specialty plastic film is a thin-gauge film (typically 0.0005" to 0.003") that is manufactured from polyolefin resins and engineered to provide certain performance characteristics. A laminate is the combination of a plastic film and a non-woven fabric. These products are produced using both cast and blown extrusion and laminating processes. High speed, multi-color custom printing of films and customized embossing patterns further differentiate the products. The company's specialty plastic film products typically provide a unique combination of performance characteristics that meet specific, proprietary customer needs. Examples of such characteristics include strength, breathability, barrier properties, processibility and aesthetic appeal.

Sales by Specialty Plastic Films have provided approximately 25% of the company's consolidated revenue in 2002, 26% in 2001 and 23% in 2000.

Sales and Marketing

The company sells its products primarily in the United States and Europe with sales also in Canada, Central and South America and Asia Pacific. The company utilizes an internal direct sales force, organized by customer accounts. Senior management actively participates by developing and maintaining close contacts with customers.

The company's largest customer is Procter & Gamble, which has accounted for a substantial portion of Specialty Plastic Films' sales over the last five years. The loss of this customer would have a material adverse effect on the company's business. Specialty plastic films also are sold to a diverse group of other leading consumer, health care and industrial companies.

Research and Development

The company believes it is an industry leader in the research, design and development of specialty plastic films and laminate products. The company operates a technical center where approximately 50 chemists, scientists and engineers work independently and in strategic partnerships with the company's customers to develop new technologies, products, processes and product applications. Currently, the company is engaged in several joint efforts with the research and development departments of its customers.

The company's research and development efforts have resulted in many inventions covering embossing patterns, improved processing methods, product formulations, product applications and other proprietary technology. Recent new products include microporous breathable films and cost-effective cloth-like films and laminates. Microporous breathability provides for moisture vapor transmission and airflow while maintaining barrier properties resulting in improved comfort and skin care. Cloth-like films and laminates provide consumers preferred aesthetics such as softness and visual appeal. The company holds a number of patents for its current specialty film and laminate products and related manufacturing processes. The company believes its patents are a less significant factor in its success than its proprietary know-how and the knowledge, ability and experience of its employees.

European Operations

In 1996, the company formed Finotech, a joint venture with Corovin GmbH, a manufacturer of non-woven fabrics headquartered in Germany and a subsidiary of BBA Group PLC, a publicly owned diversified U.K. manufacturer. The joint venture was created to develop, manufacture and market specialty plastic film based laminate products for use in the infant diaper, healthcare and other markets. Finotech, which is 60% owned by the company, focuses on selling its products in Europe.

In 1997, Finotech constructed and began to operate a manufacturing facility in Germany, and subsequently increased capacity by adding new state of the art production lines. This expansion was designed to meet demand under multi-year contracts with a major international consumer products company.

In July 1998, the company acquired Bohme Verpackungsfolien GmbH & Co., a German manufacturer of high-quality printed and conventional plastic packaging and specialty films. The acquisition provides a platform to further expand Specialty Plastic Films' European operations and the opportunity to broaden the segment's product line by bringing Bohme technology and products to North American and other international markets. These products include printed and unprinted film and flexible packaging for hygienic products.

South American Operations

In June 2002, the company acquired 60% ownership in Isofilme Ltda, a Brazilian manufacturer of plastic hygienic and specialty films which will operate under the name Clopay do Brasil. The acquisition provides a platform to broaden participation in South American markets and strengthen the company's position as a global supplier.

Manufacturing and Raw Materials

The company manufactures its specialty plastic film and laminate products on high-speed equipment designed to meet stringent tolerances. The manufacturing process consists of melting a mixture of polyolefin resins (primarily polyethylene) and additives, and forcing this mixture through a computer controlled die and rollers to produce embossed films. In addition, the lamination process involves extruding the melted plastic films directly onto a non-woven fabric and bonding these materials to form a laminate. Through statistical process control methods, company personnel monitor and control the entire production process.

Plastic resins, such as polyethylene and polypropylene, and non-woven fabrics are the basic raw materials used in the manufacture of substantially all of Specialty Plastic Films' products. The company currently purchases its plastic resins in pellet form from several suppliers. The purchases are made

under supply agreements that do not specify fixed pricing terms. The company's sources for raw materials are believed to be adequate for its current and anticipated needs.

Competition

The market for the company's specialty plastic film and laminate products is highly competitive. The company has a number of competitors in the specialty plastic films and laminates market, some of which are larger and have greater resources than the company. The company competes primarily on the basis of technical expertise, quality, service and price.

ELECTRONIC INFORMATION AND COMMUNICATION SYSTEMS

The company, through its wholly-owned subsidiary, Telephonics Corporation, specializes in advanced electronic information and communication systems for defense, aerospace, civil, industrial, and commercial markets worldwide. The company designs, manufactures, sells, and provides logistical support for aircraft communication systems, radar, air traffic management systems, identification friend or foe ("IFF") equipment, transit communications and custom, mixed-signal, application specific integrated circuits. The company is a leading supplier of airborne maritime surveillance radar and aircraft intercommunication management systems, two of the segment's largest product lines. In addition to its traditional defense products used predominantly by the United States Government, in recent years the company has successfully adapted its core technologies to products used in military and commercial applications worldwide and has expanded its presence in both non-defense government and commercial markets.

Industry

The United States defense electronics procurement budget is expected to grow faster than the overall defense budget. Growth in this budget area reflects the trend in recent years for the United States' Department of Defense to opt for the installation of new electronic systems and equipment in existing aircraft rather than develop totally new weapons systems. Conflicts involving the country's military have also tended in recent years to require deployment and significant coordination between air, sea and ground forces, often in distant parts of the world, underscoring the evolution and growing importance of electronic systems that provide surveillance, tracking, communication and command and control. It is anticipated that the need for such systems will also increase in connection with the increasingly active role that the military is expected to play in the war on terrorism, both at home and abroad. Telephonics' advanced systems and sub-systems are well positioned to address the needs of an electronic battlefield with emphasis on the generation and dissemination of timely data for use by highly mobile ground, air and naval forces.

The table below lists some of the major programs the company currently participates in:

Customer	Product	Description
The Boeing Company	Intercommunications Management Systems	U.S. Air Force C-17A Cargo Transport
		U.S. Air Force C-130 Hercules Air Transport Airborne Warning and Control System (AWACS) U.S. Navy F/A-18E/F Fighter/Attack Aircraft
	Identification Friend or Foe System	AWACS

BAE Systems	Intercommunications System Integration	UK NIMROD Royal Maritime Patrol Aircraft
Northrop Grumman	Intercommunications Management Systems	Joint-STARS Surveillance Aircraft
	Maritime Surveillance Radar	U.S. Coast Guard HU-25 Aircraft
Lockheed Martin Corporation	Intercommunications Management Systems	U.S. Navy MH-60S/MH-60R Helicopters U.S. Navy P-3 Aircraft
	Maritime Surveillance Radar and Identification Friend or Foe System	U.S. Navy MH-60R Helicopter
Sikorsky Aircraft Company	Maritime Surveillance Radar	S-70B Maritime Surveillance Helicopter
	Intercommunications Management Systems	SH-60B Maritime Surveillance Helicopter UH-60M Blackhawk Helicopter Upgrade Program

Telephonics is generally a first tier supplier to prime contractors in the defense industry such as Boeing, Lockheed Martin, Northrop Grumman and BAE Systems. With the significant contraction and consolidation that has occurred in the U.S. and international defense industry, major prime contractors worldwide are relying more heavily on smaller, key suppliers to provide advances in technology and greater efficiencies to reduce the cost of major systems and platforms. We believe that this situation creates an attractive opportunity for established, first tier suppliers to capitalize on existing relationships with major prime contractors and play a larger role in the foreseeable future.

In recent years, the segment has also significantly expanded its customer base in international markets. The company's international projects include a contract with BAE Systems as part of the United Kingdom's upgrade of the NIMROD surveillance aircraft and increasing number of contracts with the Civil Aviation Authority of China for air traffic management systems for Mainland China.

Some of the major non-defense related programs in which the company currently participates include:

Description	Customers	Products
Rail Transit Communications	Kawasaki, Bombardier and others	Car-borne and wayside Communications and vehicle health monitoring systems for rail cars
Air Traffic Control Equipment	Civil Aviation Authority of China	Air traffic control systems
Commercial Weather Radar	China, India, Eurocopter and Others	Airborne weather and search radar

Key Competitive Strengths

The company believes that the following strengths will continue to enhance Telephonics' market position:

Innovative Design and Engineering Capability. The company believes that its reputation for innovative product design and engineering capabilities, especially in the areas of voice and data communications, radio frequency (RF) design, digital signal processing, networking systems, inverse synthetic aperture radar and analog, digital and mixed-signal integrated circuits, has enhanced its ability to secure, retain and expand its participation in defense programs and commercial undertakings. The company is capable of meeting a full range of customer requirements including system requirements definition, product design and development, manufacturing and test, integration and installation, and logistical support. As a result, the company has been successful in developing a number of relationships as an important strategic partner and first tier supplier to various prime contractors.

Broad Base of Long-Life Programs and Incumbent Supplier Status. The company participates in a range of long-term defense and non-military government programs, both domestically and internationally. The company has developed a base of installed products in these programs that generate significant recurring revenue and retrofit, spare parts and customer support sales. Due to the inherent complexity of defense electronics, the company believes that its incumbent status on major platforms give it a competitive advantage in the selection process for the upgrades and enhancements that have characterized defense electronics procurement. Furthermore, the company believes that awards such as the U.S. Navy's MH-60R helicopter program and the recent contract award from Boeing to develop multiple configurations of Telephonics' Secure Digital Intercommunications System in support of the U.S. Air Force's C-130 Avionics Modernization Program, provide competitive advantages when such programs transition from development to the production phase.

Strategy

The company believes that it is a technological leader in its core markets and intends to pursue new growth opportunities by leveraging its systems design and engineering capabilities and incumbent position on key platforms. For example, during 2000 Telephonics was awarded a contract valued at over $21 million for the development of the next generation integrated radio management system for the U.S. Air Force's C-17A air transport. Following the development phase, the company expects to introduce the newly designed equipment on future C-17As and to upgrade the existing fleet of C-17As with the new equipment. In September 2002, Telephonics was awarded the first contract related to the

production phase of this program. The company also expects substantial sales growth as it transitions from development to the production phase of the MH-60R helicopter program, which is now expected to commence in 2004.

Telephonics' objective is to anticipate the needs of its core markets and to invest in research and development in an effort to provide solutions well in advance of its competitors. To add additional value to customers' products and solidify relationships and its incumbent status, Telephonics often designs its products to exceed customers' minimum specifications, providing its customers with greater performance and flexibility. The company believes that these practices engender increased coordination and communication with its customers at the earliest stages of new program development, thereby increasing the likelihood that Telephonics' products will be selected and integrated as part of a total system solution.

Due to increasing demand for broadband wireless voice and data communications, Telephonics is focusing on product development in this area with a view toward creating significant telecommunications market opportunities. For example, the segment is leveraging its extensive electronic systems design capability in the development of equipment whose purpose is to substantially improve the performance of existing wireless networks by increasing their speed, capacity and their overall quality of service. Additionally, TLSI, Telephonics' integrated circuit design subsidiary, is expanding its markets by leveraging its expertise to develop application specific standard integrated circuits targeted at the telecommunications, computer and computer peripherals industries. In 2001 and 2002, TLSI introduced a series of high precision Clock Generator chips which are used to sequence and synchronize electronic signals. These products are designed into fiber optic network applications addressing communication products for the home and office.

Products

The company manufactures specialized electronic products for a variety of applications. Electronic Information and Communication Systems' products include communication systems, radar systems, information and command and control systems, and mixed-signal application specific large-scale integrated circuits used in defense, non-military government, and commercial markets.

The company specializes in communication systems and products and is a leading manufacturer of aircraft intercommunication systems with products in digital and analog communication management, digital audio distribution and control, and communication systems integration. The company's communication products are used on the U.S. Navy's MH-60R multi-mission and MH-60S utility helicopters, the United Kingdom's NIMROD surveillance aircraft, U.S. Air Force C-17A cargo transport, the U.S. Air Force's Joint Surveillance and Target Acquisition Radar System (Joint-STARS), and AWACS. The company has also expanded its communications expertise into the mass transit rail market and its communication systems have been selected for installation by several major mass transit authorities.

The company's command and control systems include airborne maritime surveillance and weather and search radar systems, air traffic management systems and tactical instrument landing systems. The company provides both the expertise and equipment for detecting and tracking targets in a maritime environment and flight path management systems for air traffic control applications. Its maritime radar systems, which are used in more than 20 countries, are fitted aboard helicopters, fixed-wing aircraft, and aerostats for use at sea. The company's aerospace electronic systems include IFF systems used

by the U.S. Air Force and NATO on the AWACS aircraft and tactical microwave landing systems used by the U.S. Navy, NASA and other customers for ground and ship based applications.

Through TLSI the company manufactures custom and standard, mixed-signal, application specific large-scale integrated circuits for customers in the security, automotive and telecommunications industries and for the military. Security applications include smoke and motion detectors as well as intrusion alarm systems. Suppliers to the automotive industry feature the company's custom circuits in engine controllers, power window controllers, airbag sensors, fluid level sensors and rear window defoggers. Defense applications include chips used in weapon fuses and shipboard test and maintenance equipment used by the U.S. Navy to repair and maintain aircraft radar and communications equipment. In addition, the company's custom integrated circuits are important components in various computer peripheral devices.

Sales by Electronic Information and Communication Systems provided approximately 16% of the company's consolidated revenue in 2002, 17% in 2001 and 17% in 2000.

Backlog

The funded backlog for Electronic Information and Communication Systems was approximately $147 million on September 30, 2002, compared to $176 million on September 30, 2001.

Sales and Marketing

Telephonics has approximately 18 technical business development personnel who act as the focal point for its marketing activities and approximately 30 sales representatives who introduce its products and systems to customers worldwide.

Research and Development

A portion of this segment's research and development activities are generally performed under government contracts and the segment regularly updates its core technologies through internally funded research and development. The selection of these R&D projects is based on available opportunities in the marketplace as well as input from the company's customers. These projects have generally represented an evolution of existing products rather than entirely new pursuits. Recent internally funded research and development has resulted in the development of a next generation airborne imaging maritime surveillance radar system and an all digital, totally secure intercommunication management system.

By leveraging its extensive military electronics systems' design and development capability, Telephonics believes it can create additional growth opportunities and enter new markets, and is undertaking a series of development initiatives related to broadband, wireless and integrated circuit operations (see "Strategy"). These development initiatives, which began in 2001 are estimated at approximately $4-5 million for fiscal 2003 with the objective of generating incremental revenue commencing in 2004.

Competition

Electronic Information and Communication Systems competes with major manufacturers of electronic information and communication systems that have greater financial resources than the company, and with several smaller manufacturers of similar products. The company competes on the basis of technology, design, quality, price and program performance.

EMPLOYEES

The company has approximately 5,600 employees located throughout the United States, in Europe and Brazil. Approximately 150 of its employees are covered by a collective bargaining agreement, primarily with an affiliate of the AFL-CIO. The company believes its relationships with its employees are satisfactory.

SEASONALITY

Historically the company's revenues and earnings are lowest in the second quarter and highest in the fourth quarter.

FINANCIAL INFORMATION ABOUT GEOGRAPHIC AREAS

Revenues, based on the customers' locations, and property, plant and equipment attributed to the United Sates and all other countries are as follows:

	2002	2001	2000
REVENUES BY GEOGRAPHIC AREA-			
United States	$ 936,704,000	$ 921,046,000	$ 879,729,000
Germany	41,366,000	51,179,000	72,266,000
United Kingdom	35,650,000	36,247,000	41,487,000
Canada	23,405,000	24,925,000	23,431,000
Poland	31,176,000	27,494,000	3,319,000
All other countries	124,303,000	99,234,000	98,154,000
	$1,192,604,000	$1,160,125,000	$1,118,386,000
PROPERTY, PLANT AND EQUIPMENT BY GEOGRAPHIC AREA-			
United States	$ 107,248,000	$ 108,291,000	$ 107,266,000
Germany	39,929,000	37,640,000	35,678,000
All other countries	1,076,000	---	---
	$ 148,253,000	$ 145,931,000	$ 142,944,000

RESEARCH AND DEVELOPMENT

Research and development costs not recoverable under contractual arrangements are charged to expense as incurred. Research and development costs for all business segments were approximately $17,000,000 in 2002, $13,790,000 in 2001, and $10,700,000 in 2000.

OFFICERS OF THE REGISTRANT

Name	Age	Served as Officer Since	Positions and Offices
Harvey R. Blau	67	1983	Chairman of the Board and Chief Executive Officer
Robert Balemian	63	1976	President and Chief Financial Officer
Patrick L. Alesia	54	1979	Vice President and Treasurer
Edward I. Kramer	68	1997	Vice President, Administration and Secretary

ITEM 2 - PROPERTIES

The company occupies approximately 3,700,000 square feet of general office, factory and warehouse space and showrooms throughout the United States, in Germany and in Brazil. The following table sets forth certain information related to the company's major facilities:

Location	Business Segment	Primary Use	Approximate Square Footage	Owned or Leased
Jericho, NY	Corporate Headquarters	Office	11,000	Leased
Farmingdale, NY	Electronic Information and Communication Systems	Manufacturing and research and development	167,000	Owned
Huntington, NY	Electronic Information and Communication Systems	Manufacturing	89,000	Owned
Aschersleben, Germany	Specialty Plastic Films	Manufacturing	143,000	Owned
Mason, OH	Garage Doors Installation Services Specialty Plastic Films	Office and research and development	131,000	Leased
Dombuhl, Germany	Specialty Plastic Films	Manufacturing	124,000	Owned
Augusta, KY	Specialty Plastic Films	Manufacturing	232,000	Owned
Nashville, TN	Specialty Plastic Films	Manufacturing	126,000	Leased
Sao Paulo, Brazil	Specialty Plastic Films	Manufacturing	22,000	Leased
Russia, OH	Garage Doors	Manufacturing	339,000	Owned
Baldwin, WI	Garage Doors	Manufacturing	116,000	Leased
Los Angeles, CA	Garage Doors	Garage door hardware manufacturing	40,000	Leased
Auburn, WA	Garage Doors	Manufacturing	123,000	Leased
Tempe, AZ	Garage Doors	Manufacturing	100,000	Leased

The company also leases approximately 1,800,000 square feet of space for the Garage Doors distribution centers and Installation Services locations in numerous facilities throughout the United States. The company has aggregate minimum annual rental commitments under real estate leases of approximately $11.4 million. The majority of the leases have escalation clauses related to

increases in real property taxes on the leased property and some for cost of living adjustments. Certain of the leases have renewal and purchase options.

The specialty plastic films segment intends to implement a significant capital expansion program in fiscal 2003 to support new opportunities with its major customers and to increase capacity throughout its operations. Equipment and plant additions for this segment over the next two years are anticipated to aggregate $60-70 million. This is approximately $15-20 million per year higher than this segment has expended over the past few years. The other plants and equipment of the company are believed to contain sufficient space for current and presently foreseeable needs.

ITEM 3 - LEGAL PROCEEDINGS

Department of Environmental Conservation with Lightron Corporation. Lightron, a wholly-owned subsidiary of the company, once conducted operations at a location in Peekskill in the Town of Cortland, New York owned by ISC Properties, Inc., a wholly-owned subsidiary of the company (the "Peekskill Site"). ISC Properties, Inc. sold the Peekskill Site in November 1982.

Subsequently, the company was advised by the New York State Department of Environmental Conservation ("DEC") that random sampling at the Peekskill Site and in a creek near the Peekskill Site indicated concentrations of solvents and other chemicals common to Lightron's prior plating operations. ISC Properties has entered into a consent order with the DEC to perform a remedial investigation and prepare a feasibility study, which has been completed. Management believes, based on facts presently known to it, that the outcome of this matter will not have a material adverse effect on the company's consolidated financial position or results of operations.

ITEM 4 - SUBMISSION OF MATTERS TO A
VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter of the fiscal year.

PART II

ITEM 5 - MARKET FOR REGISTRANT'S COMMON
EQUITY AND RELATED STOCKHOLDER MATTERS

(a) The company's Common Stock is listed for trading on the New York Stock Exchange. The following table shows for the periods indicated the quarterly range in the high and low sales prices for the company's Common Stock adjusted for the 10% Common Stock dividend issued in 2001:

FISCAL QUARTER ENDED	HIGH	LOW
December 31, 2000	$ 7.27	$5.63
March 31, 2001	7.27	6.14
June 30, 2001	10.00	6.98
September 30, 2001	12.20	9.12
December 31, 2001	15.08	10.75
March 31, 2002	19.40	14.30
June 30, 2002	20.00	16.24
September 30, 2002	18.40	10.65

(b) As of November 22, 2002, there were approximately 14,500 recordholders of the company's Common Stock.

(c) The company declared and paid a 10% Common Stock dividend during fiscal 2001. No cash dividends on Common Stock were declared or paid during the five fiscal years ended September 30, 2002.

(d) Equity Compensation Plan Information

	Number of securities to be issued upon exercise of outstanding options, warrants and rights (Column a)	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans [excluding securities reflected in

Plan Category		(Column b)	Column (a)] (Column c)
Equity compensation plans approved by security holders	5,104,300	$10.12	661,350
Equity compensation plans not approved by security holders	1,523,175	$10.11	161,300
Total	6,627,475	$10.11	822,650

The company's 1998 Employee and Director Stock Option Plan (the "Employee and Director Plan") is the only option plan which was not approved by the company's stockholders. Eligible participants in the Employee and Director Plan include directors, officers and employees of, and consultants to, the company or any of its subsidiaries and affiliates. Under the terms of the Employee and Director Plan, the purchase price of the shares subject to each option granted will not be less than 100% of the fair market value at the date of grant. The terms of each option shall be determined at the time of grant by the Board of Directors or its Compensation Committee.

ITEM 6 - SELECTED FINANCIAL DATA

	YEARS ENDED SEPTEMBER 30,				
	2002	2001	2000	1999	1998
Net sales	$1,192,604,000	$1,160,125,000	$1,118,386,000	$1,032,697,000	$914,874,000
Income before cumulative effect of a change in accounting principle	$ 34,054,000(1)	$ 30,593,000	$ 24,880,000	$ 20,211,000	$ 29,321,000
Cumulative effect of a change in accounting principle	(24,118,000)	---	(5,290,000)	---	---
Net income	$ 9,936,000(1)	$ 30,593,000	$ 19,590,000	$ 20,211,000	$ 29,321,000
Per share:					
Basic	$ .30	$ .93	$ .59	$ .60	$ .87
Diluted	$ .28	$ .92	$ .59	$ .60	$ .85
Net income, as adjusted(2)	$ 42,971,000	$ 32,880,000	$ 28,378,000	$ 21,890,000	$ 30,201,000
Per share:					
Basic	$ 1.29	$ 1.00	$ .86	$ .65	$ .90
Diluted	$ 1.23	$ .98	$ .85	$ .65	$ .88
Total assets	$ 587,694,000	$ 584,993,000	$ 582,026,000	$ 533,440,000	$487,938,000
Long-term obligations	$ 91,397,000	$ 117,943,000	$ 134,942,000	$ 135,284,000	$112,829,000

(1) Operating results for 2002 include a pre-tax charge of $10,200,000 for the divestiture of an unprofitable peripheral operation (Note 1 of Notes to Consolidated Financial Statements).

(2) Excludes the operating results of a divested operation, the $10,200,000 pre-tax charge in 2002 associated with the divestiture and the cumulative effect of changes in accounting principle in years 2002 and 2000.

The company declared and paid a 10% Common Stock dividend during fiscal 2001. No cash dividends on Common Stock were declared or paid during the five years ended September 30, 2002.

ITEM 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

In the fourth quarter of fiscal 2002 the company adopted a plan to divest an unprofitable peripheral operation that sells slatted steel coiling doors and related products for commercial users. Consequently, the company recorded a pre-tax charge of $10.2 million in connection with the divestiture. The divested unit, which was included in the garage doors segment, had net sales of $28.5 million in 2002, $28.7 million in 2001 and $25.9 million in 2000. Operating losses of this unit were $4.4 million in 2002, $3.7 million in 2001 and $5.7 million in 2000. The segment results discussed below exclude the divested operation.

FISCAL 2002 COMPARED TO FISCAL 2001

Operating results (in thousands) by business segment were as follows:

	Net Sales		Operating Profit	
	2002	2001	2002	2001
Garage doors	$ 415,971	$ 399,924	$ 29,591	$ 21,915
Installation services	278,831	268,758	7,736	6,099
Specialty plastic films	299,585	297,100	40,278	41,772
Electronic information and communication systems	195,430	191,782	15,156	16,076
Intersegment revenues	(25,685)	(26,116)	--	--
	$ 1,164,132	$ 1,131,448	$ 92,761	$ 85,862

GARAGE DOORS

Net sales of the garage doors segment increased by $16.0 million compared to 2001, principally due to higher unit sales of $11.0 million driven by increased market share and improved service levels. Improved pricing of $1.5 million also contributed to the sales increase.

Operating profit of the garage doors segment increased $7.7 million compared to last year. Gross margin percentage increased to 31.9%, up from 28.6%. The increased margin was due primarily to lower raw material costs and increased manufacturing efficiencies. Selling, general and administrative expenses as a percentage of sales increased to 24.8%, up from 23.1% last year, with higher distribution and product development costs partly offsetting the gross margin increase.

In the latter part of 2002, steel suppliers to the garage doors segment began to raise prices. Such increases did not have a significant effect on 2002 operating profit; while we cannot predict the amount and timing of future raw material price increases and any related selling price adjustments, it is anticipated that such changes will not have a material impact on operating results in 2003.

INSTALLATION SERVICES

Net sales of the installation services segment increased by $10.1 million compared to last year. The increase was principally due to the segment's expanded product offering, stronger new construction markets and increased market share.

Operating profit of the installation services segment increased $1.6 million compared to last year. Gross margin percentage increased to 27.6%, up from 26.4% last year. The increased margin was due to the sales increase and improved product mix. Selling, general and administrative expenses as a percentage of sales increased to 24.8% compared to 24.2% last year to support the sales growth and due to costs associated with systems upgrades.

SPECIALTY PLASTIC FILMS

Net sales of the specialty plastic films segment increased $2.5 million compared to 2001. The segment experienced increased unit sales amounting to $6.8 million due primarily to increased demand for its breathable hygienic products used in infant diapers. Also contributing to the sales increase was $4.3 million from the effect of a weaker U.S. dollar on translated foreign sales, and net sales of $3.9 million from a Brazilian operation acquired during the year. These increases were partly offset by selling price adjustments of $7.3 million made to pass through raw material cost decreases to customers and lower average selling prices amounting to $5.2 million.

Excluding the fiscal 2001 pension curtailment gain described in Note 4 of Notes to Consolidated Financial Statements which was evenly divided between the specialty plastic films and garage doors segments, operating profit of the specialty plastic films segment was approximately the same as in the prior year. Gross margin percentage held steady at 25.4% in 2002 and 2001. The effect of selling price adjustments, lower pricing and costs associated with a production line installed during the first quarter in one of the segment's European operations was offset by lower raw material costs and improved manufacturing efficiencies. Selling, general and administrative expenses as a percentage of sales were 12.1% in 2002, up from 11.1% last year due to costs associated with settled litigation and increased distribution and information technology costs.

This segment experienced upward pressure on raw material (resin) costs in the latter part of fiscal 2002. The segment is generally able to pass price increases on to certain customers. Although there could be some effect on future operating results due to the extent of raw material price increases and the timing and amount of resultant selling price adjustments, we do not expect such impact to be significant.

As discussed further in Liquidity and Capital Resources, this segment is implementing a significant capital expansion program in fiscal 2003 to support new opportunities with its major customers and to increase capacity throughout its operations. We anticipate that revenues from such opportunities will commence in the latter part of fiscal 2003 and ramp up substantially in 2004.

ELECTRONIC INFORMATION AND COMMUNICATION SYSTEMS

Net sales of the electronic information and communication systems segment increased $3.6 million compared to 2001. Sales growth in connection with defense communications and systems integration programs was partly offset by delays in anticipated awards, softness in international markets for radar products and by lower sales in the segment's integrated circuit business.

Operating profit of the electronic information and communication systems segment decreased $0.9 million compared to last year. Gross margin percentage was 24.2% in 2002 compared to 24.0% last year. The effect of increased sales in the segment's core business was offset by increased costs associated with the segment's technology initiatives. These development efforts are focused on designing equipment that will increase the speed, capacity and quality of service of existing wireless cellular networks. These expenditures amount to approximately $4-$5 million per year, and are expected to continue through fiscal 2003.

NET INTEREST EXPENSE

Net interest expense decreased by $5.4 million compared to last year due to the effect of debt repayments and lower interest rates.

Income Tax Expense

The company's provision for income taxes for fiscal 2002 includes a $2.0 million tax benefit to reflect the resolution of certain previously recorded tax liabilities.

Fiscal 2001 Compared to Fiscal 2000

Operating results (in thousands) by business segment were as follows:

	Net Sales		Operating Profit	
	2001	2000	2001	2000
Garage doors	$ 399,924	$ 405,317	$21,915	$22,684
Installation services	268,758	268,398	6,099	6,842
Specialty plastic films	297,100	262,075	41,772	20,315
Electronic information and communication systems	191,782	186,592	16,076	19,097
Intersegment revenues	(26,116)	(29,892)	-	-
	$1,131,448	$1,092,490	$85,862	$68,938

GARAGE DOORS

Net sales of the garage doors segment decreased by $5.4 million compared to 2000 due to lower unit sales. Unit sales decreases occurred in the first half of the year primarily due to competitive markets and economic conditions. Operating results strengthened and unit sales increased in the second half reflecting the effect of improved service levels and market conditions.

Operating profit of the garage doors segment decreased $0.8 million compared to the prior year. Gross margin percentage was essentially unchanged. Lower gross profit margins (approximately 26.7% in 2001 compared to 28.7% in 2000) and operating profit in the first six months of the year were offset in the second half by improved gross profit margins (approximately 30.2% in 2001 compared to 28.5% in 2000). Operating profit trended up during the year due primarily to the sales growth, increased manufacturing efficiencies and lower expense levels. Selling, general and administrative expenses decreased by approximately $1.1 million primarily due to the effect in the second half of the year of cost reduction programs.

INSTALLATION SERVICES

Net sales of the installation services segment were approximately the same as the prior year. The impact of softer housing markets was mitigated by growth from expanded product offerings.

Operating profit of the installation services segment decreased $.7 million compared to 2000. Gross margin percentage increased from approximately 25.9% in 2000 to 26.4% in 2001 as expanded product offerings resulted in improved product mix. Selling, general and administrative expenses as a percentage of sales increased from approximately 23.3% in 2000 to 24.2% in 2001 due to higher selling costs, offsetting the margin improvement.

SPECIALTY PLASTIC FILMS

Net sales of the specialty plastic films segment increased $35.0 million compared to 2000. Domestic sales increased $27.3 million and sales of the segment's European operations increased by approximately $7.7 million. Both domestic and foreign unit sales increased approximately 20% compared to 2000 due primarily to increased demand for its breathable hygienic products used in infant diapers and health care products. The effect of increased unit volumes was partly offset by the impact of a stronger U.S. dollar on translated foreign sales and due to selling price adjustments made to pass through raw material cost decreases to customers.

Operating profit of the specialty plastic films segment increased $21.5 million compared to 2000 with substantial increases occurring in both domestic and European operations. Strong demand was met using modern, state-of-the-art production facilities and processes that are able to perform at higher production rates. The increased manufacturing efficiencies, sales growth and a favorable product mix resulted in the gross margin percentage increasing from approximately 20.0% in 2000 to 25.4% in 2001. Also contributing to the profitability improvement in 2001 was reduced selling, general and administrative expenses as a percentage of sales, which decreased from approximately 11.9% in 2000 to 11.1% in 2001.

ELECTRONIC INFORMATION AND COMMUNICATION SYSTEMS

Net sales of the electronic information and communication systems segment increased $5.2 million compared to 2000. The increase was primarily due to increased sales in connection with the C-17 and other defense communications programs, partly offset by lower sales in the segment's integrated circuit business.

Operating profit of the electronic information and communication systems segment decreased $3.0 million compared to 2000. Gross profit as a percentage of sales was approximately the same as fiscal 2000. The effect of increased sales in the segment's core business and lower selling, general and administrative expenses was offset by approximately $4.7 million of costs associated with its technology initiatives.

NET INTEREST EXPENSE

Net interest expense decreased in 2001 by $1.6 million compared to 2000 due to the effect of debt repayments and lower interest rates.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow provided by operations for 2002 was $82.7 million, and working capital was $193.2 million at September 30, 2002.

Net cash used in investing activities during 2002 was $29.9 million. The company had capital expenditures of $24.3 million, principally made in connection with increasing production capacity and to improve manufacturing efficiencies. The company also expended $4.5 million to acquire a Brazilian manufacturer of plastic hygienic and specialty films. The unpaid balance of the purchase price, approximately $13 million, was paid in fiscal 2003.

Equipment and plant additions to the specialty plastic films segment's production capacity in connection with capital programs to support new opportunities with its major customers and to increase capacity throughout its operations over the next two years are anticipated to aggregate $60-$70 million.

This is approximately $15-$20 million per year higher than this segment has expended over the past few years. It is expected that such property additions will be funded primarily by internal cash flows and through operating leases.

Net cash used for financing activities during 2002 was $47.1 million, consisting primarily of notes payable and long-term debt reductions of $36.2 million and treasury stock purchases of $11.9 million. Additional purchases of the company's Common Stock under its stock buyback program will be made, depending upon market conditions, at prices deemed appropriate by management.

The company rents various real property and equipment through noncancellable operating leases. Related future minimum lease payments due in 2003 approximate $21.5 million and are expected to be funded through operating cash flows. At September 30, 2002, future minimum payments under noncancellable operating leases and payments to be made for notes payable and maturities of long-term debt over the next five years are as follows (000's omitted):

Year	Operating Leases	Debt Repayments	Total
2003	$21,500	$6,200	$27,700
2004	17,800	5,600	23,400
2005	13,300	6,600	19,900
2006	8,600	7,000	15,600
2007	5,700	4,900	10,600

Anticipated cash flows from operations, together with existing cash, bank lines of credit and lease line availability, should be adequate to finance presently anticipated working capital and capital expenditure requirements and to repay long-term debt as it matures.

ACCOUNTING POLICIES AND PRONOUNCEMENTS

CRITICAL ACCOUNTING POLICIES

The company's significant accounting policies are set forth in Note 1 of Notes to Consolidated Financial Statements. The following discussion of critical accounting policies addresses those policies that require management judgment and estimates and are most important in determining the company's operating results and financial condition.

The company recognizes revenues for most of its operations when title and the risks of ownership pass to its customers. Provisions for estimated losses resulting from the inability of our customers to remit payments are recorded in the company's consolidated financial statements. Judgment is required to estimate the ultimate realization of receivables.

The company's electronic information and communication systems segment does a significant portion of its business under long-term contracts with government agencies. This unit generally recognizes contract-related revenue and profit using the percentage of completion method of accounting, which relies primarily on estimates of total expected contract costs. The company follows this method since reasonably dependable estimates of costs applicable to various elements of a contract can be made. Since the financial reporting of these contracts depends on estimates, recognized revenues and profit are subject to revisions as contracts progress to completion. Contract cost estimates are generally updated quarterly. Revisions in revenue and profit estimates are reflected in the period in which the circumstances requiring the revision become known. Provisions are made currently for anticipated losses on uncompleted contracts.

Inventory is stated at the lower of cost (principally first-in, first-out) or market. Inventory valuation requires the company to use judgment to estimate any necessary allowances for excess, slow-moving and obsolete inventory, which estimates are based on assessments about future demands, market conditions and management actions.

RECENT ACCOUNTING PRONOUNCEMENTS

Effective October 1, 2001, the company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (SFAS 142). SFAS 142 addresses accounting and reporting for acquired goodwill. It eliminates the previous requirement to amortize goodwill and establishes new requirements with respect to evaluating goodwill for impairment. With the assistance of a third-party valuation expert, the company ascertained the fair value of its reporting units as part of adopting SFAS 142 and determined that goodwill of the installation services segment was impaired pursuant to the new standard. The fair value of the installation services segment used in computing the impairment loss was determined through a combination of market-based approaches and present value techniques. Results for fiscal 2002 include the related cumulative effect of a change in accounting principle in the amount of $24.1 million (net of an income tax benefit of $2.5 million) to reflect the impairment. Prior year operating results included goodwill amortization of approximately $2.4 million.

The Financial Accounting Standards Board has also issued a number of other Financial Accounting Standards which become effective in fiscal 2003. The company does not anticipate that adopting these pronouncements will have a material effect on results of operations or financial condition.

FORWARD-LOOKING STATEMENTS

All statements other than statements of historical fact included in this annual report, including without limitation statements regarding the company's financial position, business strategy, and the plans and objectives of the company's management for future operations, are forward-looking statements. When used in this annual report, words such as "anticipate", "believe", "estimate", "expect", "intend" and similar expressions, as they relate to the company or its management, identify forward-looking statements. Such forward-looking statements are based on the beliefs of the company's management, as well as assumptions made by and information currently available to the company's management. Actual results could differ materially from those contemplated by the forward-looking statements as a result of certain factors, including but not limited to, business and economic conditions, competitive factors and pricing pressures, capacity and supply constraints. Such statements reflect the views of the company with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to the operations, results of operations, growth strategy and liquidity of the company. Readers are cautioned not to place undue reliance on these forward-looking statements. The company does not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect future events or circumstances or to reflect the occurrence of unanticipated events.

ITEM 7A - QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Management does not believe that there is any material market risk exposure with respect to foreign currency, derivatives or other financial instruments that would require disclosure under this item.

ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements of the company and its subsidiaries and the report thereon of Pricewaterhouse Coopers LLP, dated November 6, 2002 for the fiscal year ended September 30, 2002 and of Arthur Andersen LLP, dated November 6, 2001 for the fiscal years ended September 30, 2001 and 2000 are included herein:

- Reports of Independent Public Accountants.

- Consolidated Balance Sheets at September 30, 2002 and 2001.

- Consolidated Statements of Income, Cash Flows and Shareholders' Equity for the years ended September 30, 2002, 2001 and 2000.

- Notes to Consolidated Financial Statements.

REPORT OF INDEPENDENT ACCOUNTANTS

To Board of Directors and Shareholders of Griffon Corporation:

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)(1) on page 48 present fairly, in all material respects, the financial position of Griffon Corporation and its Subsidiaries (the "Company") at September 30, 2002, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(2) on page 49 presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. The financial statements of the Company as of September 30, 2001 and for each of the two years in the period ended September 30, 2001, were audited by other independent accountants who have ceased operations. Those independent accountants expressed an unqualified opinion on those financial statements in their report dated November 6, 2001. As discussed in Note 1, the Company changed the manner in which it accounts for goodwill and other intangible assets upon adoption of Statement of Financial Accounting Standards No. 142 ("SFAS 142") "Goodwill and Other Intangible Assets", on October 1, 2001.

As discussed above, the financial statements of the Company as of September 30, 2001, and for each of the two years in the period ended September 30, 2001, were audited by other independent accountants who have ceased operations. As described in Note 1, these financial statements have been revised to include the transitional disclosures required by SFAS 142. We audited the transitional disclosures described in Note 1. In our opinion, the transitional disclosures for 2001 and 2000 in Note 1 are appropriate. However, we were not engaged to audit, review, or apply any procedures to the 2001 or 2000 financial statements of the Company other than with respect to such disclosures and, accordingly, we do not express an opinion or any other form of assurance on the 2001 or 2000 financial statements taken as a whole.

/s/ PricewaterhouseCoopers LLP

November 6, 2002

The following report is a copy of a report previously issued by Arthur Andersen LLP and has not been reissued by Arthur Andersen, LLP.

REPORT OF PREVIOUS INDEPENDENT ACCOUNTANTS

To Griffon Corporation:

We have audited the accompanying consolidated balance sheets of Griffon Corporation (a Delaware corporation) and subsidiaries as of September 30, 2001 and 2000 and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended September 30, 2001. These financial statements and the schedule referred to below are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Griffon Corporation and subsidiaries as of September 30, 2001 and 2000 and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2001 in conformity with accounting principles generally accepted in the United States.

As explained more fully in Note 1 to the consolidated financial statements, in fiscal 2000 the company changed its method of accounting for start-up costs to conform with Statement of Position 98-5.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule listed in the index to consolidated financial statements and schedules is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Roseland, New Jersey
November 6, 2001

GRIFFON CORPORATION
CONSOLIDATED BALANCE SHEETS

	September 30,	
	2002	2001
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 45,749,000	$ 40,096,000
Accounts receivable, less allowance for doubtful accounts of $8,734,000 in 2002 and $10,572,000 in 2001 (Note 1)	147,890,000	146,425,000
Contract costs and recognized income not yet billed (Note 1)	58,440,000	66,116,000
Inventories (Note 1)	104,792,000	98,044,000
Prepaid expenses and other current assets	25,470,000	18,148,000

Total current assets	382,341,000	368,829,000
Property, Plant and Equipment, at cost, net of depreciation and amortization (Note 1)	148,253,000	145,931,000
Other Assets:		
Costs in excess of fair value of net assets of businesses acquired, net (Note 1)	44,978,000	60,232,000
Other	12,122,000	10,001,000
	57,100,000	70,233,000
	$ 587,694,000	$ 584,993,000
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Notes payable and current portion of long-term debt (Note 2)	$ 10,036,000	$ 8,346,000
Accounts payable	62,023,000	59,206,000
Accrued liabilities (Note 1)	101,496,000	72,537,000
Income taxes (Note 1)	15,592,000	22,862,000
Total current liabilities	189,147,000	162,951,000
Long-Term Debt (Note 2)	74,640,000	108,615,000
Minority Interest and Other	30,938,000	19,574,000
Commitments and Contingencies (Note 5)		
Shareholders' Equity (Note 3):		
Preferred stock, par value $.25 per share, authorized 3,000,000 shares, no shares issued	--	--
Common stock, par value $.25 per share, authorized 85,000,000 shares, issued 36,337,192 shares in 2002 and 35,023,437 shares in 2001	9,084,000	8,756,000
Capital in excess of par value	94,777,000	79,761,000
Retained earnings	241,604,000	231,668,000
Treasury shares, at cost, 3,266,983 common shares in 2002 and 2,284,802 common shares in 2001	(36,201,000)	(19,230,000)
Accumulated other comprehensive income (Note 1)	(12,246,000)	(4,573,000)
Deferred compensation	(4,049,000)	(2,529,000)
Total shareholders' equity	292,969,000	293,853,000
	$ 587,694,000	$ 584,993,000

The accompanying notes to consolidated financial statements are an integral part of these statements.

GRIFFON CORPORATION
CONSOLIDATED STATEMENTS OF INCOME

	YEARS ENDED SEPTEMBER 30,		
	2002	2001	2000
Net sales	$ 1,192,604,000	$ 1,160,125,000	$ 1,118,386,000
Cost of sales:			
Products	854,881,000	849,436,000	833,404,000
Divested operation inventory charge (Note 1)	3,200,000	--	--
	858,081,000	849,436,000	833,404,000
	334,523,000	310,689,000	284,982,000
Selling, general and administrative expenses (Note 1)	260,006,000	239,275,000	230,060,000

Loss on divestiture (Note 1)	7,000,000	--	--
	67,517,000	71,414,000	54,922,000
Other income (expense):			
Interest expense	(4,569,000)	(11,065,000)	(11,785,000)
Interest income	866,000	1,959,000	1,092,000
Other, net	589,000	(581,000)	(780,000)
	(3,114,000)	(9,687,000)	(11,473,000)
Income before income taxes	64,403,000	61,727,000	43,449,000
Provision for income taxes (Note 1)	22,506,000	25,308,000	17,380,000
Income before minority interest and cumulative effect of a change in accounting principle	41,897,000	36,419,000	26,069,000
Minority interest	(7,843,000)	(5,826,000)	(1,189,000)
Income before cumulative effect of a change in accounting principle	34,054,000	30,593,000	24,880,000
Cumulative effect of a change in accounting principle, net of income taxes (Note 1)	(24,118,000)	--	(5,290,000)
Net income	$ 9,936,000	$ 30,593,000	$ 19,590,000
Basic earnings per share of common stock (Note 1):			
Income before cumulative effect of a change in accounting principle	$ 1.03	$ .93	$ .75
Cumulative effect of a change in accounting principle	(.73)	--	(.16)
	$ .30	$ .93	$ .59
Diluted earnings per share of common stock (Note 1):			
Income before cumulative effect of a change in accounting principle	$ .97	$ .92	$ .75
Cumulative effect of a change in accounting principle	(.69)	--	(.16)
	$ .28	$ .92	$ .59

The accompanying notes to consolidated financial statements are an integral part of these statements.

GRIFFON CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEARS ENDED SEPTEMBER 30,		
	2002	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 9,936,000	$ 30,593,000	$ 19,590,000
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	22,637,000	24,204,000	23,703,000
Gain on sale of real estate	(1,974,000)	--	--
Loss on divestiture	10,200,000	--	--
Minority interest	7,843,000	5,826,000	1,189,000
Pension curtailment gain	--	(3,156,000)	--
Cumulative effect of a change in accounting principle	24,118,000	--	5,290,000
Provision for losses on accounts receivable	1,407,000	4,836,000	3,276,000
Deferred income taxes	(3,275,000)	4,268,000	(1,798,000)
Change in assets and liabilities:			
(Increase) decrease in accounts receivable and contract costs and recognized income not yet billed	4,214,000	4,767,000	(36,940,000)
(Increase) decrease in inventories	(8,673,000)	625,000	(1,045,000)
(Increase) decrease in prepaid expenses and other assets	1,951,000	(304,000)	(2,433,000)
Increase in accounts payable, accrued liabilities and income taxes payable	8,637,000	22,384,000	12,042,000

Other changes, net	5,631,000	4,736,000	6,309,000
Total adjustments	72,716,000	68,186,000	9,593,000
Net cash provided by operating activities	82,652,000	98,779,000	29,183,000
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of property, plant and equipment	(24,300,000)	(26,678,000)	(37,366,000)
Proceeds from sale of real estate	2,638,000	--	--
Acquired businesses	(4,598,000)	--	(19,841,000)
(Increase) decrease in equipment lease deposits	(2,816,000)	1,469,000	3,917,000
Other, net	(789,000)	(315,000)	4,271,000
Net cash used in investing activities	(29,865,000)	(25,524,000)	(49,019,000)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Purchase of treasury shares	(11,874,000)	(97,000)	(4,585,000)
Proceeds from issuance of long-term debt	4,000,000	1,406,000	26,585,000
Payments of long-term debt	(39,217,000)	(52,052,000)	(17,060,000)
Increase (decrease) in short-term borrowings	(963,000)	(5,548,000)	22,540,000
Exercise of stock options	6,788,000	646,000	--
Other, net	(5,868,000)	(4,130,000)	(2,270,000)
Net cash provided (used) by financing activities	(47,134,000)	(59,775,000)	25,210,000
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,653,000	13,480,000	5,374,000
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	40,096,000	26,616,000	21,242,000
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 45,749,000	$ 40,096,000	$ 26,616,000

The accompanying notes to consolidated financial statements are an integral part of these statements.

GRIFFON CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Dollars in Thousands)

For the Years Ended September 30, 2002, 2001 and 2000

	COMMON STOCK		CAPITAL IN EXCESS OF PAR VALUE	RETAINED EARNINGS	TREASURY SHARES	
	SHARES	PAR VALUE			SHARES	COST
Balances, September 30, 1999	31,735,349	$7,934	$41,232	$218,196	1,387,402	$14,548
Foreign currency translation adjustment	--	--	--	--	--	--
Minimum pension liability adjustment	--	--	--	--	--	--
Net income	--	--	--	19,590	--	--
Comprehensive income (Note 1)	--	--	--	--	--	--
Amortization of deferred compensation	--	--	--	--	--	--
Purchase of treasury shares	--	--	--	--	680,600	4,585
Other	13,850	3	935	--	--	--
Balances, September 30, 2000	31,749,199	7,937	42,167	237,786	2,068,002	19,133
Foreign currency translation adjustment	--	--	--	--	--	--
Minimum pension liability adjustment	--	--	--	--	--	--
Net income	--	--	--	30,593	--	--
Comprehensive income (Note 1)	--	--	--	--	--	--
Amortization of deferred compensation	--	--	--	--	--	--
ESOP purchase of Common Stock	--	--	--	--	--	--
Purchase of treasury shares	--	--	--	--	10,000	97
Exercise of stock options	77,000	19	627	--	--	--
10% stock dividend	3,183,028	796	35,904	(36,711)	206,800	--
Other	14,210	4	1,063	--	--	--
Balances, September 30, 2001	35,023,437	8,756	79,761	231,668	2,284,802	19,230
Foreign currency translation adjustment	--	--	--	--	--	--
Minimum pension liability adjustment	--	--	--	--	--	--
Net income	--	--	--	9,936	--	--

Comprehensive income (Note 1)	--	--	--	--	--	--
Amortization of deferred compensation	--	--	--	--	--	--
ESOP purchase of Common Stock	--	--	--	--	--	--
Purchase of treasury shares	--	--	--	--	982,181	16,971
Exercise of stock options	1,307,025	327	9,608	--	--	--
Tax benefit from exercise of stock options	--	--	4,661	--	--	--
Other	6,730	1	747	--	--	--
Balances, September 30, 2002	36,337,192	$9,084	$94,777	$241,604	3,266,983	$36,201

GRIFFON CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Dollars in Thousands)

For the Years Ended September 30, 2002, 2001 and 2000

	ACCUMULATED OTHER COMPREHENSIVE INCOME	DEFERRED COMPENSATION	COMPREHENSIVE INCOME
Balances, September 30, 1999	$ (1,074)	$1,519	
Foreign currency translation adjustment	(2,582)	--	$(2,582)
Minimum pension liability adjustment	(113)	--	(113)
Net income	--	--	19,590
Comprehensive income (Note 1)	--	--	$16,895
Amortization of deferred compensation	--	(592)	
Purchase of treasury shares	--	--	
Other	--	100	
Balances, September 30, 2000	(3,769)	1,027	
Foreign currency translation adjustment	999	--	$ 999
Minimum pension liability adjustment	(1,803)	--	(1,803)
Net income	--	--	30,593
Comprehensive income (Note 1)	--	--	$29,789
Amortization of deferred compensation	--	(598)	
ESOP purchase of Common Stock	--	2,000	
Purchase of treasury shares	--	--	
Exercise of stock options	--	--	
10% stock dividend	--	--	
Other	--	100	
Balances, September 30, 2001	(4,573)	2,529	
Foreign currency translation adjustment	(4,660)	--	$(4,660)
Minimum pension liability adjustment	(3,013)	--	(3,013)
Net income	--	--	9,936
Comprehensive income (Note 1)	--	--	$ 2,263
Amortization of deferred compensation	--	(580)	
ESOP purchase of Common Stock	--	2,000	
Purchase of treasury shares	--	--	
Exercise of stock options	--	--	
Tax benefit from exercise of stock options	--	--	

Other	--	100
Balances, September 30, 2002	($12,246)	$4,049

The accompanying notes to consolidated financial statements are an integral part of these statements.

GRIFFON CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

CONSOLIDATION

The consolidated financial statements include the accounts of Griffon Corporation and all subsidiaries. All significant intercompany items have been eliminated in consolidation.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH FLOWS, INVESTMENTS AND CREDIT RISK

The company considers all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents. Cash payments for interest were approximately $5,522,000, $13,577,000 and $11,853,000 in 2002, 2001 and 2000, respectively.

A substantial portion of the company's trade receivables are from customers of the garage doors and installation services segments whose financial condition is dependent on the construction and related retail sectors of the economy.

COMPREHENSIVE INCOME

Comprehensive income is presented in the consolidated statements of shareholders' equity and consists of net income and other items of comprehensive income such as minimum pension liability adjustments and foreign currency translation adjustments.

The components of accumulated other comprehensive income at September 30, 2002 were a foreign currency translation adjustment of $6,873,000 and a minimum pension liability adjustment, net of tax, of $5,373,000.

FOREIGN CURRENCY

The financial statements of foreign subsidiaries were prepared in their respective local currencies and translated into U.S. Dollars based on the current exchange rate at the end of the period for the balance sheet and average exchange rates for results of operations.

REVENUE RECOGNITION

Sales are generally recorded as products are shipped and title and risk of ownership have passed to customers.

The company records sales and gross profits on its long-term contracts on a percentage-of-completion basis. The company determines sales and gross profits by (1) relating costs incurred to current estimates of total manufacturing costs of such contracts or (2) based upon a unit of shipment basis. General and administrative expenses are expensed as incurred. Revisions in estimated profits are made in the period in which the circumstances requiring the revision become known. Provisions are made currently for anticipated losses on uncompleted contracts.

"Contract costs and recognized income not yet billed" consists of recoverable costs and accrued profit on long-term contracts for which billings had not been presented to the customers because the amounts were not billable at the balance sheet date. Substantially all such amounts will be billed and collected within one year.

INVENTORIES

Inventories, stated at the lower of cost (first-in, first-out or average) or market, include material, labor and manufacturing overhead costs and are comprised of the following:

	SEPTEMBER 30,	
	2002	2001
Finished goods	$ 45,288,000	$ 53,613,000
Work in process	37,870,000	27,809,000
Raw materials and supplies	21,634,000	16,622,000
	$104,792,000	$ 98,044,000

PROPERTY, PLANT AND EQUIPMENT

Depreciation of property, plant and equipment is provided primarily on a straight-line basis over the estimated useful lives of the assets.

Leasehold improvements are amortized over the life of the lease or life of the improvement, whichever is shorter.

Property, plant and equipment consists of the following:

	SEPTEMBER 30,	
	2002	2001
Land, buildings and building improvements	$ 47,805,000	$ 45,166,000
Machinery and equipment	214,701,000	193,371,000
Leasehold improvements	12,307,000	11,625,000
	274,813,000	250,162,000
Less -- Accumulated depreciation and amortization	126,560,000	104,231,000
	$148,253,000	$145,931,000

ACQUISITIONS AND COSTS IN EXCESS OF FAIR VALUE OF NET ASSETS OF BUSINESSES ACQUIRED ("GOODWILL")

In June 2002, the company acquired a 60% interest in Isofilme Ltda., a Brazilian manufacturer of plastic hygienic and specialty films for approximately $17,000,000. The unpaid balance of the purchase price, approximately $13,000,000, was paid in fiscal 2003. The acquired company's sales in the most recent year were approximately $15,000,000.

In fiscal 2000 the company acquired a search and weather radar business for approximately $15,000,000 and an operation which installs residential garage doors and fireplaces for approximately $2,500,000.

The above acquisitions have been accounted for as purchases and resulted in increases in goodwill of $15,797,000 in 2002 and $13,977,000 in 2000. Currency translation adjustments related to specialty plastic films' foreign operations decreased goodwill $4,500,000 in 2002.

INCOME TAXES

The provision for income taxes is comprised of the following:

	2002	2001	2000
Current	$ 25,781,000	$ 21,040,000	$ 19,178,000
Deferred	(3,275,000)	4,268,000	(1,798,000)
	$ 22,506,000	$ 25,308,000	$ 17,380,000

	2002	2001	2000
Federal	$ 9,193,000	$ 13,114,000	$ 8,585,000
Foreign	12,206,000	9,939,000	6,610,000
State and local	1,107,000	2,255,000	2,185,000
	$ 22,506,000	$ 25,308,000	$ 17,380,000

The components of income before income taxes are as follows:

	2002	2001	2000
Domestic	$ 34,586,000	$ 38,022,000	$ 27,764,000
Foreign	29,817,000	23,705,000	15,685,000
	$ 64,403,000	$ 61,727,000	$ 43,449,000

The deferred taxes result primarily from differences in the reporting of depreciation, the allowance for doubtful accounts and other nondeductible accruals. Prepaid expenses and Other Assets at September 30, 2002 include deferred income tax assets aggregating $9,300,000 attributable primarily to nondeductible accruals and allowances. The company has not recorded deferred income taxes on the undistributed earnings of its foreign subsidiaries because of management's intent to indefinitely reinvest such earnings. At September 30, 2002, the company's share of the undistributed earnings of the foreign subsidiaries amounted to approximately $15,000,000. Upon distribution of these earnings in the form of dividends or otherwise, the company may be subject to U.S. income taxes and foreign withholding taxes. It is not practical, however, to estimate the amount of taxes that may be payable in the event that such earnings are remitted.

Cash payments for income taxes were $31,500,000, $10,350,000 and $10,295,000 in 2002, 2001 and 2000, respectively.

The company's provision for income taxes for fiscal 2002 includes a $2,000,000 tax benefit to reflect the resolution of certain previously recorded tax liabilities. The following table indicates the significant elements contributing to the difference between the U.S. Federal statutory tax rate and the company's effective tax rate:

	2002	2001	2000
U.S. Federal statutory tax rate	35.0%	35.0%	35.0%
State and foreign income taxes	5.0	5.0	5.7
Resolution of contingencies	(3.1)	--	--
Other	(2.0)	1.0	(.7)
Effective tax rate	34.9%	41.0%	40.0%

RESEARCH AND DEVELOPMENT COSTS AND SHIPPING AND HANDLING COSTS

Research and development costs not recoverable under contractual arrangements are charged to expense as incurred. Approximately $17,000,000, $13,790,000 and $10,700,000 in 2002, 2001 and 2000, respectively, was incurred on such research and development.

Selling, general and administrative expenses include shipping and handling costs of $29,000,000 in 2002, $34,400,000 in 2001 and $37,200,000 in 2000.

ACCRUED LIABILITIES

Accrued liabilities included the following at September 30:

	2002	2001
Payroll and other employee benefits	$ 33,900,000	$ 27,900,000
Balance of acquisition purchase price	13,000,000	--
Insurance and related accruals	10,300,000	8,700,000

EARNINGS PER SHARES (EPS)

Earnings per share amounts and the weighted average number of shares used in their calculation have been restated to reflect the effect of a fiscal 2001 10% Common Stock dividend (see Note 3).

Basic EPS is calculated by dividing income available to common shareholders by the weighted average number of shares of Common Stock outstanding during the period. The weighted average number of shares of Common Stock used in determining basic EPS was 33,250,000 in 2002, 32,965,000 in 2001 and 33,079,000 in 2000.

Diluted EPS is calculated by dividing income available to common shareholders by the weighted average number of shares of Common Stock outstanding plus additional common shares that could be issued in connection with potentially dilutive securities. The weighted average number of shares of Common Stock used in determined diluted EPS was 34,951,000 in 2002, 33,406,000 in 2001 and 33,268,000 in 2000 and reflects additional shares in connection with stock option and other stock-based compensation plans.

Options to purchase approximately 1,790,000 and 4,587,000 shares were not included in the computation of diluted earnings per share for the years 2001 and 2000, respectively, because the effects would be anti-dilutive.

DIVESTED OPERATION

In the fourth quarter of fiscal 2002 the company adopted a plan to divest an unprofitable peripheral garage door operation that sells slatted steel coiling doors and related products for commercial users. Consequently, the company recorded a pre-tax charge of $10,200,000 in connection with the divestiture. The charge includes inventory write-downs of $3,200,000, other asset write-downs aggregating $4,200,000 and accruals for severance and facility costs of $2,800,000.

The accompanying consolidated statements of income include the divested unit, which had net sales of $28,500,000 in 2002, $28,700,000 in 2001 and $25,900,000 in 2000. Operating losses of this unit were $4,400,000 in 2002, $3,700,000 in 2001 and $5,700,000 in 2000.

NEW ACCOUNTING PRONOUNCEMENTS

Effective October 1, 1999 the company adopted the provisions of the American Institute of Certified Public Accountants' Statement of Position No. 98-5 (SOP 98-5), "Reporting on the Costs of Start-up Activities." SOP 98-5 requires that, at the date of adoption, costs of start-up activities previously capitalized be written-off as a cumulative effect of a change in accounting principle, and that after adoption, such costs are to be expensed as incurred.

Consequently, in fiscal 2000, the company's 60%-owned joint venture wrote off costs that were previously capitalized in connection with the start-up of the venture and the implementation of additional production capacity. The cumulative effect of this change in accounting principle was $5,290,000 (net of $3,784,000 income tax effect). The minority interest's share of the net charge was $2,116,000 and is included as an offsetting credit in "Minority interest" in the Consolidated Statement of Income for the year ended September 30, 2000.

Effective October 1, 2001, the company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," (SFAS 142). SFAS 142 addresses accounting and reporting for acquired goodwill. It eliminates the previous requirement to amortize goodwill and establishes new requirements with respect to evaluating goodwill and impairment. With the assistance of a third-party valuation expert, the company ascertained the fair value of its reporting units as part of adopting SFAS 142 and determined that goodwill of the installation services segment was impaired pursuant to the new standard. The fair value of the installation services segment used in computing the impairment loss was determined through a combination of market based approaches and present value techniques. Results for the year ended September 30, 2002 include the related cumulative effect of a change in accounting principle in the amount of $24,118,000 (net of an income tax benefit of $2,457,000) to reflect the impairment.

Had SFAS 142 been in effect for the years ended September 30, 2001 and 2000, the related elimination of goodwill amortization would have increased the company's net income and earnings per share as follows:

	2001			2000		
	As Reported	Increase	Pro Forma	As Reported	Increase	Pro Forma
Income before cumulative effect of a change in accounting principle	$30,593,000	$1,833,000	$32,426,000	$24,880,000	$1,716,000	$26,596,000
Basic earnings per share of common stock	$ .93		$ .98	$ .75		$ .80
Diluted earnings per share of common stock	$ .92		$ .97	$ .75		$ .80
Net income	$30,593,000	$1,833,000	$32,426,000	$19,590,000	$1,716,000	$21,306,000
Basic earnings per share of common stock	$ .93		$ .98	$ .59		$ .64
Diluted earnings per share of common stock	$ .92		$ .97	$ .59		$ .64

The Financial Accounting Standards Board has also issued Statement of Financial Accounting Standards Nos. 143, "Accounting for Asset Retirement Obligations"; 144, "Accounting for the Impairment or Disposal of Long-Lived Assets"; and 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS 143 addresses accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs, and will become effective in fiscal 2003. SFAS 144 addresses accounting and reporting for the impairment or disposal of long-lived assets and also becomes effective in fiscal 2003. SFAS 146 addresses financial accounting and reporting for costs associated with exit or disposal activities. The company does not anticipate that adopting these pronouncements will have a material effect on results of operations or financial condition.

2. NOTES PAYABLE AND LONG-TERM DEBT:

In October 2001 the company and a subsidiary entered into a six-year $160,000,000 credit agreement with several banks. This agreement provides revolving credit for four years after which the credit facility may be converted, at the option of the company, into a reducing revolving credit for two years. Borrowings under the agreement bear interest at rates (3.0% at September 30, 2002) based upon LIBOR or the prime rate, and are secured by the capital stock of a subsidiary. At September 30, 2002, $45,800,000 was outstanding under this loan agreement, and the weighted average interest rate was 3.2%.

The company's European operations have bank agreements which provide for a term loan of approximately $13,000,000 with maturities through 2004 and revolving credits for up to approximately $20,000,000. Outstanding borrowings ($16,296,000 as of September 30, 2002) under these agreements bear interest at rates (4.7% at September 30, 2002) based upon the prime rate or Euribor.

The balance of the company's long-term debt outstanding at September 30, 2002 relates primarily to real estate mortgages and industrial revenue bond financing, with interest rates ranging from 1.8% to 8.9% and maturities through 2014.

The following are the maturities of long-term debt outstanding at September 30, 2002, for each of the succeeding five years:

2003	$6,227,000
2004	5,617,000
2005	6,542,000
2006	7,015,000
2007	4,867,000

3. SHAREHOLDERS' EQUITY:

On August 6, 2001 the company's Board of Directors authorized a 10% Common Stock dividend that was paid on September 4, 2001 to holders of record on August 20, 2001.

The company has stock option plans under which options for an aggregate of 8,750,000 shares of Common Stock may be granted. As of September 30, 2002 options for 822,650 shares remain available for future grants. The plans provide for the granting of options at an exercise price of not less than 100% of the fair market value per share at date of grant. Options generally expire ten years after date of grant and become exercisable in installments as determined by the Board of Directors. Transactions under the plans are as follows:

	NUMBER OF SHARES UNDER OPTION	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at September 30, 1999	5,702,950	$ 9.97
Granted	759,000	$ 6.47
Terminated	(211,475)	$ 9.17
Outstanding at September 30, 2000	6,250,475	$ 9.57
Granted	1,158,850	$ 7.58
Exercised	(84,700)	$ 7.63
Terminated	(85,250)	$ 8.91
Outstanding at September 30, 2001	7,239,375	$ 9.28
Granted	709,200	$13.85
Exercised	(1,307,025)	$ 7.60
Terminated	(14,075)	$ 4.89
Outstanding at September 30, 2002	6,627,475	$10.11

At September 30, 2002 option groups outstanding and exercisable are as follows:

Range of Exercise Prices	Outstanding Options Number of Options	Weighted Average Remaining Life	Weighted Average Exercise Price
$12.00 to $15.29	2,368,975	6.1 years	$13.49
$ 6.82 to $10.11	3,466,100	5.6	8.65
$ 5.46 to $ 6.65	792,400	6.1	6.43

Range of Exercise Prices	Exercisable Options Number of Options	Weighted Average Exercise Price
$12.27 to $14.32	1,668,975	$13.33
$ 6.82 to $10.11	2,919,400	8.84
$ 5.46 to $ 6.65	784,150	6.43

Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation", permits an entity to continue to account for employee stock-based compensation under APB Opinion No. 25, "Accounting for Stock Issued to Employees", or adopt a fair value based method of accounting for such compensation. The company has elected to continue to account for stock-based compensation under Opinion No. 25. Accordingly, no compensation expense has been recognized in connection with options granted.

Had compensation expense for options granted been determined based on the fair value at the date of grant in accordance with Statement No. 123, the company's net income and earnings per share would have been as follows:

	2002	2001	2000
Net income			
As reported	$ 9,936,000	$ 30,593,000	$ 19,590,000
Pro forma	7,313,000	28,354,000	16,214,000
Earnings per share			
As reported -			
Basic	$ .30	$ .93	$ .59
Diluted	.28	.92	.59
Pro forma -			
Basic	$ .22	$ .86	$ .49
Diluted	.21	.85	.49

The fair value of options granted is estimated on the date of grant using the Black-Scholes option pricing model. The weighted average fair values of options granted in fiscal 2002, 2001 and 2000 were $6.46, $3.98 and $3.36, respectively, based upon the following weighted average assumptions: expected volatility (.336 in 2002, .338 in 2001 and .324 in 2000), risk-free interest rate (4.59% in 2002, 5.57% in 2001 and 6.24% in 2000), expected life (7 years in 2002, 2001 and 2000), and expected dividend yield (0% in 2002, 2001 and 2000).

The company has an Outside Director Stock Award Plan (the "Outside Director Plan"), which was approved by the shareholders in 1994, under which 330,000 shares may be issued to non-employee directors. Annually, each eligible director is awarded shares of the company's Common Stock having a value of $10,000 which vests over a three-year period. For shares issued under the Outside Director Plan, the fair market value of the shares at the date of issuance is amortized to compensation expense over the vesting period. The related deferred compensation has been reflected as a reduction of shareholders' equity. In 2002, 2001 and 2000 6,730, 15,631 and 15,235 shares, respectively, were issued under the Outside Director Plan.

As of September 30, 2002, a total of approximately 8,230,000 shares of the company's authorized Common Stock were reserved for issuance primarily in connection with stock option plans.

The company has a shareholder rights plan which provides for one right to be attached to each share of Common Stock. The rights are currently not exercisable or transferable apart from the Common Stock, and have no voting power. Under certain circumstances, each right entitles the holder to purchase, for $34, 11 ten-thousandths of a share of a new series of participating preferred stock, which is substantially equivalent to one share of Common Stock. These rights would become exercisable if a person or group acquires 10% or more of the company's Common Stock or announces a tender offer which would increase the person's or group's beneficial ownership to 10% or more of the company's Common Stock, subject to certain exceptions. After a person or group acquires 10% or more of the company's Common Stock, each right (other than those held by the acquiring party) will entitle the holder to purchase Common Stock having a market price of two times the exercise price. If the company is acquired in a merger or other business combination, each exercisable right entitles the holder to purchase Common Stock of the acquiring company or an affiliate having a market price of two times the exercise price of the right. In certain events the Board of Directors may exchange each right (other than those held by an acquiring party) for one share of the company's Common Stock or 11 ten-thousandths of a share of a new series of participating preferred stock. The rights expire on May 9, 2006 and can be redeemed at $.01 per right at any time prior to becoming exercisable.

4. PENSION PLANS

The company has pension plans that cover substantially all employees, most of which are defined contribution plans. Company contributions to the defined contribution plans are generally based upon various percentages of compensation, and aggregated $7,400,000 in 2002, $5,900,000 in 2001 and $3,900,000 in 2000. The company also has defined benefit pension plans covering certain employees.

Pursuant to the provision of Statement of Financial Accounting Standards No. 88, "Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits", modifications to certain subsidiary employee benefits and related benefit freezes resulted in the recognition of a pretax curtailment gain of $3,156,000 in 2001.

Plan assets and benefit obligations of the defined benefit plans at September 30, 2002 are as follows:

Change in benefit obligation	
Projected benefit obligation, beginning of year	$ 23,100,000
Service cost	952,000
Interest cost	1,801,000
Amendments	58,000
Actuarial loss	1,932,000
Benefit payments	(476,000)
Projected benefit obligation, end of year	27,367,000
Change in plan assets	
Fair value of plan assets, beginning of year	12,135,000
Actual return on plan assets	(1,248,000)
Contributions	49,000
Benefits paid	(476,000)
Fair value of plan assets, end of year	10,460,000
Reconciliation of funded status	
Projected benefit obligation in excess of plan assets	(16,907,000)
Unrecognized net loss	8,540,000
Unrecognized prior service cost	88,000
Unrecognized net transition asset	2,973,000
Net amount recognized	$ (5,306,000)
Balance sheet amounts	
Accumulated other comprehensive income	$ 8,265,000
Intangible asset	3,066,000
Accrued pension liabilities	(16,637,000)
Net amount recognized	$ (5,306,000)

Net periodic pension cost for the defined benefit plans was as follows:

	2002	2001	2000
Service cost	$ 1,050,000	$ 894,000	$ 1,494,000
Interest cost	1,844,000	1,661,000	1,674,000
Expected return on plan assets	(1,305,000)	(1,097,000)	(1,173,000)
Amortization of net actuarial loss (gain)	35,000	155,000	(16,000)
Amortization of prior service cost	26,000	8,000	87,000
Amortization of transition obligation	312,000	312,000	312,000
	$ 1,962,000	$ 1,933,000	$ 2,378,000

The following actuarial assumptions were used for the company's defined benefit pension plans:

	2002	2001	2000
Discount rate	7.25% - 8.00%	7.75% - 8.00%	7.75% - 8.00%
Expected return on plan assets	9.20%	9.20%	9.20%
Compensation rate increase	3.00% - 5.50%	3.00% - 5.50%	3.00% - 5.50%

The company has an Employee Stock Option Plan ("ESOP") that covers substantially all employees. The ESOP has a loan agreement the proceeds of which were used to purchase equity securities of the company. Borrowings under the loan agreement are guaranteed by the company and bear interest (approximately 3% at September 30, 2002) based upon LIBOR. The outstanding balance of the loan ($4,000,000 at September 30, 2002 and $2,500,000 at September 30, 2001) has been reflected as a liability in the accompanying consolidated balance sheets. Shares of the ESOP which have been allocated to employee accounts are charged to expense based on the fair value of the shares transferred and are treated as outstanding in earnings per share calculations. Compensation expense under the ESOP was $718,000 in 2002, $384,000 in 2001 and $281,000 in 2000. The cost of shares held by the ESOP and not yet allocated to employees is reported as a reduction of shareholders' equity.

5. COMMITMENTS AND CONTINGENCIES:

The company and its subsidiaries rent real property and equipment under operating leases expiring at various dates. Most of the real property leases have escalation clauses related to increases in real property taxes.

Future minimum payments under noncancellable operating leases consisted of the following at September 30, 2002:

2003	$21,432,000
2004	17,789,000
2005	13,333,000
2006	8,568,000
2007	5,737,000
Later years	1,263,000

Rent expense for all operating leases, net of subleases, totalled approximately $30,500,000, $31,800,000 and $29,900,000 in 2002, 2001 and 2000, respectively.

The company is subject to various laws and regulations concerning the environment and is currently participating in proceedings under these laws involving sites formerly owned or occupied by the company. These proceedings are at a preliminary stage, and it is impossible to estimate with any certainty the amount of the liability, if any, of the company, or the total cost of remediation and the timing and extent of remedial actions which may ultimately be required by governmental authorities. However, management believes, based on facts presently known to it, that the outcome of such proceedings will not have a material adverse effect on the company's consolidated financial position or results of operations.

6. QUARTERLY FINANCIAL INFORMATION (UNAUDITED):

Quarterly results of operations for the years ended September 30, 2002 and 2001 are as follows:

	QUARTERS ENDED			
	September 30, 2002	June 30, 2002	March 31, 2002	December 31, 2001
Net sales	$326,059,000	$297,335,000	$267,308,000	$301,902,000
Gross profit	90,800,000	85,108,000	74,775,000	83,840,000
Net income	7,220,000(2)	11,437,000(3)	4,815,000	10,582,000(4)
Earnings per share of common stock(1):				
Basic	$ .22	$ .34	$ .14	$ .32
Diluted	$ .21	$ .32	$ .14	$ .31

	QUARTERS ENDED			
	September 30, 2001	June 30, 2001	March 31, 2001	December 31, 2000
Net sales	$318,357,000	$289,384,000	$264,189,000	$288,195,000
Gross profit	92,253,000	75,916,000	67,319,000	75,201,000
Net income	12,382,000	7,731,000	2,977,000(5)	7,503,000
Earnings per share of common stock(1):				
Basic	$ .38	$ .23	$ .09	$ .23
Diluted	$ .37	$ .23	$ .09	$ .23

(1) Earnings per share are computed independently for each of the quarters presented on the basis described in Note 1. The sum of the quarters may not be equal to the full year earnings per share amounts.

(2) Includes a pre-tax charge of $10,200,000 for the divestiture of an unprofitable peripheral operation (see Note 1).

(3) Includes a $2,000,000 tax benefit to reflect the resolution of certain previously recorded tax liabilities.

(4) Excludes the cumulative effect of a change in accounting principle (see Note 1) in the amount of $24,118,000 ($.73 per basic share and $.70 per diluted share).

(5) Includes a $3,156,000 pre-tax pension curtailment gain (see Note 4).

7. BUSINESS SEGMENTS:

The company's reportable business segments are as follows - Garage Doors (manufacture and sale of residential and commercial/industrial garage doors, and related products); Installation Services (sale and installation of building products primarily for new construction, such as garage doors, garage door openers, manufactured fireplaces and surrounds, and cabinets); Electronic Information and Communication Systems (communication and information systems for government and commercial markets); and Specialty Plastic Films (manufacture and sale of plastic films and film laminates for baby diapers, adult incontinence care products, disposable surgical and patient care products and plastic packaging). The company's reportable segments are distinguished from each other by types of products and services offered, classes of customers, production and distribution methods, and separate management.

The company evaluates performance and allocates resources based on operating results before interest income or expense, income taxes and certain nonrecurring items of income or expense. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies. Intersegment sales are based on prices negotiated between the segments, and intersegment sales and profits are not eliminated in evaluating performance of a segment.

Information on the company's business segments is as follows:

	Garage Doors	Installation Services	Electronic Information and Communication Systems	Specialty Plastic Films	Totals
REVENUES FROM EXTERNAL CUSTOMERS -					
2002	$ 418,979,000	$ 278,610,000	$ 195,430,000	$ 299,585,000	$1,192,604,000
2001	402,788,000	268,455,000	191,782,000	297,100,000	1,160,125,000
2000	401,787,000	267,932,000	186,592,000	262,075,000	1,118,386,000
INTERSEGMENT REVENUES -					
2002	$ 25,464,000	$ 221,000	$ --	$ --	$ 25,685,000
2001	25,813,000	303,000	--	--	26,116,000
2000	29,426,000	466,000	--	--	29,892,000
SEGMENT PROFIT -					
2002	$ 25,414,000	$ 7,736,000	$ 15,156,000	$ 40,278,000	$ 88,584,000
2001	18,223,000	6,099,000	16,076,000	41,772,000	82,170,000
2000	17,002,000	6,842,000	19,097,000	20,315,000	63,256,000
SEGMENT ASSETS -					
2002	$ 149,844,000	$ 67,066,000	$ 159,516,000	$ 145,458,000	$ 521,884,000
2001	165,483,000	89,684,000	157,590,000	120,821,000	533,578,000
2000	171,861,000	92,282,000	164,602,000	113,320,000	542,065,000
SEGMENT CAPITAL EXPENDITURES -					
2002	$ 4,553,000	$ 1,236,000	$ 4,736,000	$ 12,650,000	$ 23,175,000
2001	6,444,000	3,012,000	6,653,000	10,519,000	26,628,000
2000	16,937,000	730,000	3,266,000	16,298,000	37,231,000
DEPRECIATION AND AMORTIZATION EXPENSE -					
2002	$ 6,652,000	$ 1,085,000	$ 3,721,000	$ 10,641,000	$ 22,099,000
2001	7,520,000	1,995,000	4,052,000	10,161,000	23,728,000
2000	7,338,000	2,293,000	3,579,000	9,978,000	23,188,000

Goodwill at September 30, 2002 includes $12,900,000 attributable to the garage doors segment, $14,300,000 in the electronic information and communication systems segment and $17,800,000 in the specialty plastic films segment.

Following are reconciliations of segment profit, assets, capital expenditures and depreciation and amortization expense to amounts reported in the consolidated financial statements:

	2002	2001	2000
PROFIT -			
Profit for all segments	$ 88,584,000	$ 82,170,000	$ 63,256,000
Unallocated amounts	(10,278,000	(11,337,000)	(9,114,000)
Loss on divistiture (Note 1)	(10,200,000)	--	--
Interest expense, net	(3,703,000)	(9,106,000)	(10,693,000)
Income before income taxes	$ 64,403,000	$ 61,727,000	$ 43,449,000
ASSETS -			
Total for all segments	$ 521,884,000	$ 533,578,000	$ 542,065,000
Unallocated amounts	68,518,000	54,305,000	42,589,000
Intersegment eliminations	(2,708,000)	(2,890,000)	(2,628,000)
Total consolidated assets	$ 587,694,000	$ 584,993,000	$ 582,026,000

CAPITAL EXPENDITURES -			
Total for all segments	$ 23,175,000	$ 26,628,000	$ 37,231,000
Unallocated amounts	1,125,000	50,000	135,000
Total consolidated capital expenditures	$ 24,300,000	$ 26,678,000	$ 37,366,000
DEPRECIATION AND AMORTIZATION EXPENSE -			
Total for all segments	$ 22,099,000	$ 23,728,000	$ 23,188,000
Unallocated amounts	538,000	476,000	515,000
Total consolidated depreciation and amortization	$ 22,637,000	$ 24,204,000	$ 23,703,000

Revenues, based on the customers' locations, and property, plant and equipment attributed to the United States and all other countries are as follows:

	2002	2001	2000
REVENUES BY GEOGRAPHIC AREA -			
United States	$ 936,704,000	$ 921,046,000	$ 879,729,000
Germany	41,366,000	51,179,000	72,266,000
United Kingdom	35,650,000	36,247,000	41,487,000
Canada	23,405,000	24,925,000	23,431,000
Poland	31,176,000	27,494,000	3,319,000
All other countries	124,303,000	99,234,000	98,154,000
Consolidated net sales	$1,192,604,000	$1,160,125,000	$1,118,386,000
PROPERTY,PLANT AND EQUIPMENT BY GEOGRAPHIC AREA -			
United States	$ 107,248,000	$ 108,291,000	$ 107,266,000
Germany	39,929,000	37,640,000	35,678,000
All other countries	1,076,000	--	--
Consolidated property, plant and equipment	$ 148,253,000	$ 145,931,000	$ 142,944,000

Sales to a customer of the specialty plastic films segment were approximately $214,000,000 in 2002, $209,000,000 in 2001 and $182,000,000 in 2000. Sales to the United States Government and its agencies, either as a prime contractor or subcontractor, aggregated approximately $102,000,000 in 2002, $100,000,000 in 2001 and $91,000,000 in 2000, all of which are included in the electronic information and communication systems segment. Unallocated amounts include general corporate expenses and assets, which consist mainly of cash, investments, and other assets not attributable to any reportable segment.

ITEM 9 - CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

On April 30, 2002, the company dismissed Arthur Andersen LLP as its independent public accountants and, as of May 1, 2002, engaged PricewaterhouseCoopers LLP as its independent public accountants for the fiscal year ending September 30, 2002, as previously disclosed in the company's Report on Form 8-K dated April 30, 2002.

PART III

The information required by Part III (Items 10, 11, 12 and 13) is incorporated by reference to the company's definitive proxy statement in connection with its Annual Meeting of Stockholders scheduled to be held in February, 2003, to be filed with the Securities and Exchange Commission within 120 days following the end of the company's fiscal year ended September 30, 2002. Information relating to the officers of the Registrant appears under Item 1 of this report.

ITEM 14 - CONTROLS AND PROCEDURES

(a) Under the supervision and with the participation of our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") the company's disclosure controls and procedures were evaluated as of a date within 90 days prior to the filing of this report. Based on that evaluation, the company's CEO and CFO concluded that the company's disclosure controls and procedures were effective.

(b) There were no significant changes in the company's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

ITEM 15 - EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

The following consolidated financial statements of Griffon Corporation and subsidiaries are included in Item 8:

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(a) 1. Financial Statements	
Consolidated Balance Sheets at September 30, 2002 and 2001..	29
Consolidated Statements of Income for the Years Ended September 30, 2002, 2001 and 2000................	30
Consolidated Statements of Cash Flows for the Years Ended September 30, 2002, 2001 and 2000..........	31
Consolidated Statements of Shareholders' Equity for the Years Ended September 30, 2002, 2001 and 2000...	32
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(a) 2. Schedule	
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Schedules other than those listed are omitted because they are not applicable or because the information required is included in the consolidated financial statements.

(b) Reports on Form 8-K:

None

(c) Exhibits:

Exhibit No.

3.1 Restated Certificate of Incorporation (Exhibit 3.1 of Annual Report on Form 10-K for the year ended September 30, 1995)

3.2 Amended and restated By-laws (Exhibit 3 of Current Report on Form 8-K dated May 2, 2001)

4.1 Rights Agreement dated as of May 9, 1996 between the Registrant and American Stock Transfer Company (Exhibit 1.1 of Current Report on Form 8-K dated May 9, 1996)

4.2 Loan Agreement dated as of October 25, 2001 among Registrant and lending institutions. (Exhibits 4.2 of Annual Report on Form 10-K for the year ended September 30, 2001)

10.1 Employment Agreement dated as of July 1, 2001 between the Registrant and Harvey R. Blau (Exhibit 10.1 of Current Report on Form 8-K dated May 2, 2001)

10.2 Employment Agreement dated as of July 1, 2001 between the Registrant and Robert Balemian (Exhibit 10.2 of Current Report on Form 8-K dated May 2, 2001)

10.3 Form of Trust Agreement between the Registrant and U.S. Trust Company of California, N.A., as Trustee, relating to the company's Employee Stock Ownership Plan (Exhibit 10.3 of Annual Report on Form 10-K for the year ended September 30, 1994)

10.4 1992 Non-Qualified Stock Option Plan (Exhibit 10.10 of Annual Report on Form 10-K for the year ended September 30, 1993)

10.5 Non-Qualified Stock Option Plan (Exhibit 10.12 of Annual Report on Form 10-K for the year ended September 30, 1998)

10.6 Form of Indemnification Agreement between the Registrant and its officers and directors (Exhibit 28 to Current Report on form 8-K dated May 3, 1990)

10.7 Outside Director Stock Award Plan (Exhibit 4 of Form S-8 Registration Statement No. 33-52319)

10.8 1995 Stock Option Plan (Exhibit 4 of Form S-8 Registration Statement No. 33-57683)

10.9 1997 Stock Option Plan (Exhibit 4.2 of Form S-8 Registration

Statement No. 333-21503)

10.10	2001 Stock Option Plan (Exhibit 4.1 of Form S-8 Registration Statement No. 333-67760)
10.11	Senior Management Incentive Compensation Plan (Exhibit 4.2 of Form S-8 Registration Statement No. 333-62319)
10.12	1998 Employee and Director Stock Option Plan, as amended (Exhibit 4.3 of Form S-8 Registration Statement No. 333-62319, and Exhibit 4.1 of Form S-8 Registration Statement No. 333-84409 and Exhibit 4.1 of Form S-8 Registration Statement No. 333-88422)
21	The following lists the company's significant subsidiaries all of which are wholly-owned by the company. The names of certain subsidiaries which do not, when considered in the aggregate, constitute a significant subsidiary, have been omitted.

Name of Subsidiary	State of Incorporation
Clopay Corporation	Delaware
Telephonics Corporation	Delaware

23.1*	Consent of Arthur Andersen LLP
23.2**	Consent of PricewaterhouseCoopers LLP
99.1**	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of Sarbanes-Oxley Act

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* Not required pursuant to Rule 437a.

** Filed herewith. All other exhibits are incorporated herein by reference to the exhibit indicated in the parenthetical references.

The following undertakings are incorporated into the company's Registration Statements on Form S-8 (Registration Nos. 33-39090, 33-62966, 33-52319, 33-57683, 333-21503, 333-62319, 333-84409, 333-67760 and 333-88422.

(a) The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any fact or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

Provided, however, that paragraphs (a)(1)(i) and (a)(1)(ii) do not apply if the registration statement is on Form S-3 or Form S-8, and the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed by the registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(i) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director,

officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on the 20th day of December 2002.

GRIFFON CORPORATION

By: /s/ Harvey R. Blau

Harvey R. Blau, Chairman of the Board and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on December 20, 2002 by the following persons in the capacities indicated:

/s/ Harvey R. Blau Harvey R. Blau	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)
/s/ Robert Balemian Robert Balemian	President and Director (Chief Operating and Financial Officer)
/s/ Patrick L. Alesia Patrick L. Alesia	Vice President and Treasurer (Chief Accounting Officer)
/s/ Henry A. Alpert Henry A. Alpert	Director
/s/ Bertrand M. Bell Bertrand M. Bell	Director
/s/ Abraham M. Buchman Abraham M. Buchman	Director
/s/ Clarence A. Hill, Jr. Clarence A. Hill, Jr.	Director
/s/ Ronald J. Kramer Ronald J. Kramer	Director
/s/ James W. Stansberry James W. Stansberry	Director
/s/ Martin S. Sussman Martin S. Sussman	Director
/s/ William H. Waldorf William H. Waldorf	Director
/s/ Joseph J. Whalen Joseph J. Whalen	Director
/s/ Lester L. Wolff Lester L. Wolff	Director

CERTIFICATION

I, Harvey R. Blau, Chairman of the Board and Chief Executive Officer of Griffon Corporation, certify that:

1. I have reviewed this annual report on Form 10-K of Griffon Corporation;

2. Based on my knowledge, this annual 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 annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) Designed such disclosure controls and procedures 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 annual report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) Presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

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

a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: December 20, 2002

/s/ Harvey R. Blau

Harvey R. Blau
Chairman of the Board and
Chief Executive Officer
(principal executive officer)

CERTIFICATION

I, Robert Balemian, President and Chief Financial Officer of Griffon Corporation, certify that:

1. I have reviewed this annual report on Form 10-K of Griffon Corporation;

2. Based on my knowledge, this annual 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 annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) Designed such disclosure controls and procedures 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 annual report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) Presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

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

a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: December 20, 2002

/s/ Robert Balemian

Robert Balemian
President and Chief Financial Officer
(principal financial officer)

GRIFFON CORPORATION AND SUBSIDIARIES

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

FOR THE YEARS ENDED SEPTEMBER 30, 2002, 2001 AND 2000

Description	Balance at Beginning of Period	Additions: Charged to Profit and Loss	Additions: Charged to Other Accounts	Deductions: Accounts Written Off	Deductions: Other	Balance at End of Period
FOR THE YEAR ENDED SEPTEMBER 30, 2002:						
Allowance for doubtful accounts	$10,572,000	$1,407,000	$ 631,000	$3,128,000	$ 748,000	$ 8,734,000
FOR THE YEAR ENDED SEPTEMBER 30, 2001:						
Allowance for doubtful accounts	$ 9,494,000	$4,836,000	$ 758,000	$2,574,000	$ 1,942,000(1)	$ 10,572,000
FOR THE YEAR ENDED SEPTEMBER 30, 2000:						
Allowance for doubtful accounts	$ 8,068,000	$3,276,000	$ 765,000(2)	$2,615,000	$ --	$ 9,494,000

(1) Reclassified to other balance sheet accounts

(2) Includes acquired businesses and other

Exhibit 23.2

[PRICEWATERHOUSECOOPERS LOGO]

PricewaterhouseCoopers LLP
1301 Avenue of the Americas
New York NY 10019-6013
Telephone (646) 471 4000
Facsimile (646) 394 1301

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 33-39090, 33-62966 33-52319, 33-57683, 333-21503, 333-62319, 333-84409, 333-67760 and 333-88422) of Griffon Corporation and Subsidiaries of our report dated November 6, 2002 relating to the financial statements and financial statement schedule, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

December 19, 2002

Exhibit 99.1

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

I, Harvey R. Blau, Chairman of the Board and Chief Executive Officer of Griffon Corporation certify that:

The Form 10-K of Griffon Corporation for the period ended September 30, 2002 fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

The information contained in such report fairly presents, in all material respects, the financial condition and results of operations of Griffon Corporation for the periods presented.

This certification is being furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and, except to the extent required by the Sarbanes-Oxley Act, shall not be deemed to be filed as part of the periodic report described herein nor shall it be deemed filed by Griffon Corporation for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

/s/ Harvey R. Blau

Name: Harvey R. Blau
Date: December 20, 2002

I, Robert Balemian, President and Chief Financial Officer of Griffon Corporation certify that:

The Form 10-K of Griffon Corporation for the period ended September 30, 2002 fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

The information contained in such report fairly presents, in all material respects, the financial condition and results of operations of Griffon Corporation for the periods presented.

This certification is being furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and, except to the extent required by the Sarbanes-Oxley Act, shall not be deemed to be filed as part of the periodic report described herein nor shall it be deemed filed by Griffon Corporation for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

/s/ Robert Balemian

Name: Robert Balemian
Date: December 20, 2002