1

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

FORM 10-Q

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

For the quarterly period ended December 31, 1999

OR

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

For the transition period from   to

Commission File Number: 1-6620

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

DELAWARE	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)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days.

X Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. 29,836,247 shares of Common Stock as of January 31, 2000.

2

FORM 10-Q

CONTENTS

GRIFFON CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

	December 31, 1999 (Unaudited)	September 30, 1999 (Note 1)
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 17,929,000	$ 21,242,000
Accounts receivable, less allowance for doubtful accounts	124,559,000	123,008,000
Contract costs and recognized income not yet billed	70,920,000	65,527,000
Inventories (Note 2)	103,897,000	94,419,000
Prepaid expenses and other current assets	27,512,000	22,832,000
Total current assets	344,817,000	327,028,000
PROPERTY, PLANT AND EQUIPMENT at cost, less accumulated depreciation and amortization of $76,549,000 at December 31, 1999 and $72,152,000 at September 30, 1999	134,822,000	134,882,000
OTHER ASSETS	72,424,000	71,530,000
	$552,063,000	$533,440,000

See notes to condensed consolidated financial statements.

GRIFFON CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

	December 31, 1999 (Unaudited)	September 30, 1999 (Note 1)
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		

Accounts and notes payable	$ 56,180,000	$ 64,540,000
Other current liabilities	78,036,000	73,465,000
Total current liabilities	134,216,000	138,005,000
LONG-TERM DEBT	146,652,000	127,652,000
MINORITY INTEREST AND OTHER	16,444,000	17,562,000
SHAREHOLDERS' EQUITY:		
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 31,735,349 shares at December 31, 1999 and September 30, 1999; 1,416,702 and 1,387,402 shares in treasury at December 31, 1999 and September 30, 1999, respectively	7,934,000	7,934,000
Other shareholders' equity	246,817,000	242,287,000
Total shareholders' equity	254,751,000	250,221,000
	$552,063,000	$533,440,000

See notes to condensed consolidated financial statements.

GRIFFON CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	THREE MONTHS ENDED DECEMBER 31, 1999	1998
Net sales	$ 280,761,000	$ 258,557,000
Cost of sales	208,909,000	196,431,000
Gross profit	71,852,000	62,126,000
Selling, general and administrative expenses	55,437,000	49,334,000
Income from operations	16,415,000	12,792,000
Other income (expense):		
Interest expense	(2,355,000)	(1,498,000)
Interest income	303,000	61,000
Other, net	(13,000)	(3,000)
	(2,065,000)	(1,440,000)
Income before income taxes	14,350,000	11,352,000
Provision for income taxes:		
Federal	2,909,000	3,374,000
State and foreign	2,791,000	826,000
	5,700,000	4,200,000

Income before minority interest and cumulative effect of a change in accounting principle	8,650,000	7,152,000
Minority interest (Note 5)	1,082,000	--
Income before cumulative effect of a change in accounting principle	9,732,000	7,152,000
Cumulative effect of a change in accounting principle, net of income taxes (Note 5)	(5,290,000)	--
Net income	$ 4,442,000	$ 7,152,000
Basic earnings per share of common stock (Note 3):		
Income before cumulative effect of a change in accounting principle	$ .32	$ .24
Cumulative effect of a change in accounting principle	(.17)	--
	$ .15	$ .24
Diluted earnings per share of common stock (Note 3):		
Income before cumulative effect of a change in accounting principle	$ .32	$ .23
Cumulative effect of a change in accounting principle	(.17)	--
	$ .15	$ .23

See notes to condensed consolidated financial statements

GRIFFON CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	THREE MONTHS ENDED DECEMBER 31, 1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 4,442,000	$ 7,152,000
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	5,552,000	5,223,000
Minority interest	(1,082,000)	--
Cumulative effect of a change in accounting principle, net	5,290,000	--
Provision for losses on accounts receivable	455,000	447,000
Change in assets and liabilities:		
Increase in accounts receivable and contract costs and recognized income not yet billed	(7,974,000)	(7,633,000)
(Increase) decrease in inventories	(6,024,000)	401,000
Increase in prepaid expenses and other assets	(2,000,000)	(2,226,000)
Decrease in accounts payable, accrued liabilities and federal income taxes	(934,000)	(5,975,000)
Other changes, net	1,048,000	1,258,000
Total adjustments	(5,669,000)	(8,505,000)
Net cash used in operating activities	(1,227,000)	(1,353,000)

CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property, plant and equipment	(7,421,000)	(7,027,000)
Acquired businesses	(12,112,000)	--
Other, net	2,048,000	(1,430,000)
Net cash used in investing activities	(17,485,000)	(8,457,000)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Purchase of treasury shares	(224,000)	--
Proceeds from issuance of long-term debt	16,500,000	6,829,000
Payment of long-term debt	(311,000)	(297,000)
Other, net	(566,000)	143,000
Net cash provided by financing activities	15,399,000	6,675,000
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,313,000)	(3,135,000)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	21,242,000	19,326,000
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 17,929,000	$ 16,191,000

See notes to condensed financial statements

GRIFFON CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(1) Basis of Presentation -

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the three-month period ended December 31, 1999 are not necessarily indicative of the results that may be expected for the year ending September 30, 2000. The balance sheet at September 30, 1999 has been derived from the audited financial statements at that date. For further information, refer to the consolidated financial statements and footnotes thereto included in the company's annual report to shareholders for the year ended September 30, 1999.

(2) Inventories -

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

	December 31, 1999	September 30, 1999
Finished goods	$ 57,476,000	$ 51,157,000
Work in process	23,535,000	23,405,000
Raw materials and supplies	22,886,000	19,857,000

	$103,897,000	$ 94,419,000
	============	============

(3) Earnings per share (EPS)-

Basic EPS is calculated by dividing income 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 30,466,000 for the three months ended December 31, 1999 and 30,377,000 for the three months ended December 31, 1998.

Diluted EPS is calculated by dividing income 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 determining diluted EPS was 30,628,000 and 30,596,000 for the three months ended December 31, 1999 and 1998, respectively, and reflects additional shares in connection with stock option and other stock-based compensation plans (162,000 shares for the three months ended December 31, 1999 and 219,000 shares for the three months ended December 31, 1998).

Options to purchase approximately 4,319,000 and 2,836,000 shares of common stock were not included in the computations of diluted earnings per share for the three months ended December 31, 1999 and 1998, respectively, because the effects would have been antidilutive.

(4) 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).

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 -					
Three months ended December 31, 1999	$111,090,000	$ 68,684,000	$ 40,146,000	$ 60,841,000	$280,761,000
Three months ended December 31, 1998	115,702,000	50,481,000	42,036,000	50,338,000	258,557,000
Intersegment revenues -					
Three months ended December 31, 1999	$ 8,765,000	$ 169,000	$ --	$ --	$ 8,934,000
Three months ended December 31, 1998	8,257,000	339,000	--	--	8,596,000
Segment profit -					
Three months ended December 31, 1999	$ 7,980,000	$ 2,382,000	$ 3,751,000	$ 4,658,000	$ 18,771,000
Three months ended December 31, 1998	8,562,000	1,814,000	2,949,000	1,669,000	14,994,000

Following is a reconciliation of segment profit to amounts reported in the consolidated financial statements:

	Three Months Ended December 31, 1999	1998
Profit for all segments	$ 18,771,000	$ 14,994,000
Unallocated amounts	(2,369,000)	(2,205,000)
Interest expense, net	(2,052,000)	(1,437,000)
Income before income taxes	$ 14,350,000	$ 11,352,000

As a result of an acquisition during the quarter ended December 31, 1999, the electronic information and communication systems segment's assets increased by approximately $16,000,000.

(5) Start-up costs -

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 the first quarter of 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 is $5,290,000 (net of $3,784,000 income tax effect). The minority interest's share of the net charge is $2,116,000 and is included as an offsetting credit in "Minority interest" in the accompanying Condensed Consolidated Statements of Income.

(6) Restructuring charge -

In March 1999 the company recorded a restructuring charge in connection with the closing of a garage door manufacturing facility in order to streamline operations and improve efficiency. Approximately $1,350,000 of restructuring costs were accrued and were expected to be paid within one year; through December 31, 1999 approximately $645,000 has been paid for employee severance and related benefits and $255,000 has been paid for lease and related costs.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATIONS

GENERAL

The following information is presented in accordance with related segment results presented in Note 4 of "Notes to Condensed Consolidated Financial Statements."

Results of Operations

Net sales were $280.8 million for the three-month period ended December 31, 1999, an increase of $22.2 million or 8.6% over last year.

Net sales of the garage door segment were $119.9 million, a decrease of $4.1 million or 3.3% compared to last year. The decrease was principally due to the sale in fiscal 1999 of a commercial product line which had net sales of approximately $4 million in the first quarter of 1999 and the effect of competitive pricing, partly offset by increased unit sales of residential garage doors to the construction and related retail markets. Net sales of the installation services segment were $68.9 million, an increase of $18.0 million, or 35.5% compared to last year. The increase was due to an operation acquired in the second quarter of 1999 ($16 million) and internal growth from expanded product offerings. Net sales of the specialty plastic films segment were $60.8 million, an increase of $10.5 million or 20.9% over last year. The increased sales were principally due to higher unit sales in the segment's European joint venture, partly offset by lower volumes in the segment's domestic business.

Management expects that this improvement in Europe will continue, and anticipates that new domestic programs with the segment's major customer should result in improvement towards the end of the fiscal year. Net sales of the electronic information and communication systems segment were $40.1 million, a decrease of $1.9 million or 4.5% compared to last year due to delays in anticipated orders on international radar programs. Management expects these programs to be funded and generate orders for the segment within the fiscal year.

Operating profit for all business segments for the three-month period ended December 31, 1999 was $18.8 million, an increase of $3.8 million or 25.2% compared to last year. Operating profit of the garage door segment decreased approximately $.6 million compared to last year. The effect of decreased sales and higher costs associated with new distribution centers and geographic expansion were partly offset by improved manufacturing efficiencies and the 1999 divestiture of an unprofitable commercial product line. Operating profit of the installation services segment increased by $.6 million or 31.3% compared to last year principally due to the acquired business, partly offset by higher distribution and labor costs. Operating profit of the specialty plastic films segment increased $3.0 million or 179.1% compared to last year primarily due to increased unit sales and manufacturing efficiencies in the segment's European joint venture, partly offset by higher raw material costs. Operating profit of the electronic information and communication systems segment increased by approximately $.8 million or 27.2% compared to last year due to improved profitability on certain programs that are transitioning from funded development to production and increased contribution from the custom integrated circuit portion of the segment's business.

Net interest expense increased by $.6 million compared to last year due to higher levels of outstanding debt from acquisitions in 1999 and from borrowings to finance new production lines for specialty plastic films' joint venture.

Liquidity and Capital Resources

Cash flow used by operations for the quarter was $1.2 million and working capital was $210.6 million at December 31, 1999.

During the quarter, the company had capital expenditures of approximately $7 million, principally made in connection with increasing production capacity. Also, the electronic information and communication systems segment acquired a search and weather radar business for approximately $16 million, of which $12 million was financed under bank credit lines with the balance to be paid during the second quarter of fiscal 2000.

Since December 31, 1999 the company has purchased approximately 500,000 shares of its Common Stock, and increased its stock buyback program from 1,500,000 shares to 3,000,000 shares. Additional purchases will be made from time-to-time, depending upon market conditions, at prices deemed appropriate by management.

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.

YEAR 2000

As described in its annual report for the year ended September 30, 1999, the company believes that it has adequately addressed Year 2000 issues within the company's application software, hardware and related operating platforms, embedded technology such as microcontrollers used in production equipment or products, and relationships with third parties. There are no significant changes from the information contained in the annual report with respect to the nature and extent of the company's Year 2000 readiness or the costs involved.

In evaluating the impact of Year 2000 on significant third parties, each business segment identified and contacted the parties involved or otherwise attained an understanding of such third parties' Year 2000 readiness. Based on the results of this process, the company does not anticipate a major interruption of its business activities. However, that will be dependent on the ability of significant third parties to be Year 2000 compliant, a factor beyond the ability of the company to control. Consequently, while the company believes that its actions are responsive to Year 2000 risks regarding significant third parties, it is not possible to eliminate such risks or to estimate the ultimate effect that significant third parties' Year 2000 readiness will have on the company's operating results.

FORWARD-LOOKING STATEMENTS

All statements other than statements of historical fact included in this report, including without limitation statements regarding the company's financial position, business strategy, Year 2000 readiness and the plans and objectives of the company's management for future operations, are forward-looking statements. When used in this 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 and the impact of any disruption or failure in normal business activities at the company and its customers and suppliers as a consequence of Year 2000 related problems. 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.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Management does not believe that there is any material market risk exposure with respect to derivative or other financial instruments that are required to be disclosed.

PART II - OTHER INFORMATION

Item 1 Legal Proceedings

None

Item 2 Changes in Securities

None

Item 3 Defaults upon Senior Securities

None

Item 4 Submission of Matters to a Vote of Security Holders

(a) The Registrant held its Annual Meeting of Stockholders on February 8, 2000

(b) Not applicable

(c)(i) Four directors were elected at the Annual Meeting to serve until the Annual Meeting of Stockholders in 2003. The names of these directors and votes cast in favor of their election and shares withheld are as follows:

Name	Votes For	Votes Withheld
Robert Balemian	23,575,809	4,869,598
Harvey R. Blau	23,572,221	4,873,186
Ronald J. Kramer	23,584,524	4,860,883
Lieutenant General James W. Stansberry (Ret.)	23,590,823	4,854,584

(ii) In addition to the election of directors, the stockholders rejected a shareholder proposal recommending that the Board of Directors appoint a Special Committee of the Board of Directors to solicit, review and negotiate offers to acquire the company. 13,237,958 shares were voted against this proposal, 10,170,091 shares were voted in favor and 434,675 shares abstained.

Item 5 Other Information

None

Item 6 Exhibits and Reports on Form 8-K

(a) Exhibits

27 -- Financial Data Schedule (for electronic submission only)

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GRIFFON CORPORATION

By /s/ Robert Balemian
Robert Balemian
President
(Principal Financial Officer)

Date: February 11, 2000

<ARTICLE> 5

<PERIOD-TYPE>	3-MOS
<FISCAL-YEAR-END>	SEP-30-2000
<PERIOD-END>	DEC-31-1999
<CASH>	17,929,000
<SECURITIES>	0
<RECEIVABLES>	204,172,000
<ALLOWANCES>	8,693,000
<INVENTORY>	103,897,000
<CURRENT-ASSETS>	344,817,000
<PP&E>	211,371,000
<DEPRECIATION>	76,549,000
<TOTAL-ASSETS>	552,063,000
<CURRENT-LIABILITIES>	134,216,000
<BONDS>	146,652,000
<PREFERRED-MANDATORY>	0
<PREFERRED>	0
<COMMON>	7,934,000
<OTHER-SE>	246,817,000
<TOTAL-LIABILITY-AND-EQUITY>	552,063,000
<SALES>	280,761,000
<TOTAL-REVENUES>	280,761,000
<CGS>	208,909,000
<TOTAL-COSTS>	208,909,000
<OTHER-EXPENSES>	0
<LOSS-PROVISION>	455,000
<INTEREST-EXPENSE>	2,355,000
<INCOME-PRETAX>	14,350,000
<INCOME-TAX>	5,700,000
<INCOME-CONTINUING>	9,732,000
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	(5,290,000)
<NET-INCOME>	4,442,000
<EPS-BASIC>	0.15
<EPS-DILUTED>	0.15