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 June 30, 1996

OR

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

For the transition period from _________ to __________

Commission File Number: 1-6620

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. 28,886,704 shares of Common Stock as of July 31, 1996.

FORM 10-Q

CONTENTS

GRIFFON CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

| | June 30, 1996 (Unaudited) | September 30, 1995 (Note 1) |
|---|---|---|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | $ 15,243,000 | $ 9,656,000 |
| Marketable securities | 3,307,000 | 12,197,000 |
| Accounts receivable, less allowance for doubtful accounts | 85,140,000 | 71,461,000 |
| Contract costs and recognized income not yet billed | 29,835,000 | 31,490,000 |
| Inventories (Note 2) | 85,676,000 | 78,823,000 |
| Prepaid expenses and other current assets | 6,681,000 | 8,419,000 |
| Total current assets | 225,882,000 | 212,046,000 |
| PROPERTY, PLANT AND EQUIPMENT at cost, less accumulated depreciation and amortization of $55,168,000 at June 30, 1996 and $48,333,000 at September 30, 1995 | 59,584,000 | 48,401,000 |
| OTHER ASSETS | 26,345,000 | 25,169,000 |
| | $311,811,000 | $285,616,000 |

<FN>

See notes to condensed consolidated financial statements.
</FN>

GRIFFON CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

| | June 30, 1996 | September 30, 1995 |
|---|---|---|
| | (Unaudited) | (Note 1) |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| CURRENT LIABILITIES: | | |
| Accounts and notes payable | $ 48,301,000 | $ 46,532,000 |
| Other current liabilities | 55,686,000 | 51,274,000 |
| Total current liabilities | 103,987,000 | 97,806,000 |
| LONG-TERM DEBT (Notes 4 and 5) | 39,872,000 | 16,074,000 |
| SHAREHOLDERS' EQUITY (Note 4): | | |
| Preferred stock, par value $.25 per share, authorized 3,000,000 shares -- Second Preferred Stock, Series I, authorized 1,950,000 shares, issued 1,662,346 shares at June 30, 1996 and 1,669,537 shares at September 30, 1995 (liquidation value $16,623,000 and $16,695,000, respectively) | 416,000 | 417,000 |
| Common stock, par value $.25 per share, authorized 85,000,000 shares, issued 29,221,599 shares at June 30, 1996 and 31,081,499 shares at September 30, 1995, and 334,896 shares and 162,796 shares in treasury at June 30, 1996 and September 30, 1995, respectively | 7,305,000 | 7,770,000 |
| Other shareholders' equity | 160,231,000 | 163,549,000 |
| Total shareholders' equity | 167,952,000 | 171,736,000 |
| | $311,811,000 | $285,616,000 |

<FN>
See notes to condensed consolidated financial statements.
</FN>

GRIFFON CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

| | THREE MONTHS ENDED JUNE 30, 1996 | 1995 |
|---|---|---|
| Net sales | $180,494,000 | $135,238,000 |
| Cost of sales | 134,885,000 | 100,981,000 |

| | | |
|---|---|---|
| Gross profit | 45,609,000 | 34,257,000 |
| Selling, general and administrative expenses | 31,848,000 | 26,020,000 |
| Income from operations | 13,761,000 | 8,237,000 |
| Other income (expense): | | |
| Interest expense | (1,006,000) | (542,000) |
| Interest income | 238,000 | 221,000 |
| Other, net | 45,000 | 137,000 |
| | (723,000) | (184,000) |
| Income before income taxes | 13,038,000 | 8,053,000 |
| Provision for income taxes: | | |
| Federal | 4,253,000 | 2,396,000 |
| State and other | 782,000 | 605,000 |
| | 5,035,000 | 3,001,000 |
| Net income | $ 8,003,000 | $ 5,052,000 |
| Net income per share of common stock (Note 3) | $ .26 | $ .15 |

<FN>
See notes to condensed consolidated financial statements.
</FN>

GRIFFON CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

| | NINE MONTHS ENDED JUNE 30, | |
|---|---|---|
| | 1996 | 1995 |
| Net sales | $494,398,000 | $388,949,000 |
| Cost of sales | 373,582,000 | 285,031,000 |
| Gross profit | 120,816,000 | 103,918,000 |
| Selling, general and administrative expenses | 90,290,000 | 77,435,000 |
| Income from operations | 30,526,000 | 26,483,000 |
| Other income (expense): | | |
| Interest expense | (2,542,000) | (1,589,000) |
| Interest income | 886,000 | 1,059,000 |
| Other, net | 116,000 | 389,000 |
| | (1,540,000) | (141,000) |
| Income before income taxes | 28,986,000 | 26,342,000 |
| Provision for income taxes: | | |
| Federal | 9,475,000 | 8,389,000 |
| State and other | 1,779,000 | 1,928,000 |
| | 11,254,000 | 10,317,000 |
| Net income | $ 17,732,000 | $ 16,025,000 |

| | | |
|---|---|---|
| Net income per share of common stock (Note 3) | $ .55 | $ .47 |

<FN>

See notes to condensed consolidated financial statements.

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GRIFFON CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

| | NINE MONTHS ENDED JUNE 30, | |
|---|---|---|
| | 1996 | 1995 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | $17,732,000 | $16,025,000 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 7,902,000 | 6,310,000 |
| Provision for losses on accounts receivable | 959,000 | 822,000 |
| Change in assets and liabilities: | | |
| Increase in accounts receivable and contract costs and recognized income not yet billed | (1,324,000) | (1,066,000) |
| (Increase) decrease in inventories | 3,161,000 | (7,966,000) |
| (Increase) decrease in prepaid expenses and other assets | 977,000 | (892,000) |
| Decrease in accounts payable and accrued liabilities | (6,281,000) | (11,061,000) |
| Other changes, net | (719,000) | 260,000 |
| Total adjustments | 4,675,000 | (13,593,000) |
| Net cash provided by operating activities | 22,407,000 | 2,432,000 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Net decrease in marketable securities | 8,890,000 | 26,439,000 |
| Acquisition of property, plant and equipment | (8,018,000) | (5,864,000) |
| Acquired businesses | (22,240,000) | (7,758,000) |
| Decrease in equipment lease deposits and other | 1,786,000 | 279,000 |
| Net cash provided by (used in) investing activities | (19,582,000) | 13,096,000 |

GRIFFON CORPORATION AND SUBSIDIARIES

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

| | NINE MONTHS ENDED JUNE 30, | |
|---|---|---|
| | 1996 | 1995 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Purchase of common shares | (21,574,000) | (28,233,000) |
| Proceeds from issuance of long-term debt | 25,000,000 | 500,000 |
| Payment of long-term debt | (405,000) | (9,396,000) |
| Increase in short-term borrowings | --- | 8,500,000 |
| Other, net | (259,000) | (461,000) |
| Net cash provided by (used in) financing activities | 2,762,000 | (29,090,000) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 5,587,000 | (13,562,000) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 9,656,000 | 28,659,000 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | $15,243,000 | $15,097,000 |

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<FN>

See notes to condensed consolidated financial statements.

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GRIFFON CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(1) Basis of Presentation -

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. The balance sheet at September 30, 1995 has been derived from the audited financial statements at that date. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the three and nine-month periods ended June 30, 1996 are not necessarily indicative of the results that may be expected for the year ended September 30, 1996. 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, 1995.

(2) Inventories -

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

| | June 30, 1996 | September 30, 1995 |
|---|---|---|
| Finished goods . . . . . . . . . . | $27,249,000 | $22,824,000 |
| Work in process . . . . . . . . . | 29,686,000 | 31,048,000 |
| Raw materials and supplies . . . . | 28,741,000 | 24,951,000 |
| | $85,676,000 | $78,823,000 |

(3) Net Income Per Share -

Net income per share is calculated using the weighted average number of shares of common stock, and where dilutive, common stock equivalents outstanding during each period. Shares used in computing per share results were 31,013,000 and 33,057,000 for the three months ended June 30, 1996 and 1995, respectively and 32,224,000 and 33,821,000 for the nine months ended June 30, 1996 and 1995, respectively.

(4) Self-Tender Offer -

In March 1996, the Company completed a self-tender offer for 2,000,000 shares of the Company's Common Stock, which were then retired, at a price of $9.75 per share. During the nine months ended June 30, 1996, approximately $21.6 million was used to acquire 2,172,100 shares of Common Stock. The self-tender was primarily funded by borrowings under the Company's revolving credit loan agreement.

(5) Acquisitions -

During the nine months, approximately $22 million was used to acquire companies for the building products business, including a manufacturer of heavy rolling doors, sectional garage doors, grilles and other door products for commercial, industrial and residential applications with annual sales of $60 million. These acquisitions were primarily funded by borrowings under the Company's revolving credit loan agreement. The acquisitions have been accounted for as purchases.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### RESULTS OF OPERATIONS

#### Three Months Ended June 30, 1996

Net sales were $180.5 million for the three-month period ended June 30, 1996, an increase of $45.3 million or 33.5% over last year.

Net sales of the building products business were $107.3 million, an increase of $32.4 million or 43.2% over last year principally due to sales of acquired businesses (approximately $20 million) and internal growth attributable primarily to increased unit sales. Net sales of the specialty plastic films business were $30.0 million, an increase of $3.0 million or 11.0% over last year. The increase is primarily due to sales of new products to its major customer for the infant diaper market, partially offset by lower selling prices. Net sales of the electronic information and communication systems business were $31.5 million, an increase of $8.5 million or 36.6% compared to last year principally due to new program awards.

Income from operations for the three-month period ended June 30, 1996 was $13.8 million, an increase of $5.5 million or 67.1% compared to last year. Operating income of the building products business increased by approximately $4.4 million over last year principally due to the sales increase related to internal growth. Operating income of the specialty plastic films business increased by approximately $.5 million for the quarter. The increase was attributable to the new product sales and raw material cost decreases in excess of selling price decreases, partly offset by new product start-up costs. Operating income of the electronic information and communication systems business increased by approximately $.9 million principally due to the sales increase.

Net interest expense increased by $.4 million compared to last year's comparable quarter. The increase was due to higher borrowings in connection with the acquisitions made in the first quarter and the Company's second quarter self-tender offer for 2,000,000 shares of its Common Stock.

#### Nine Months Ended June 30, 1996

Net sales were $494.4 million for the nine-month period ended June 30, 1996, an increase of $105.4 million or 27.1% over last year.

Net sales of the building products business were $285.2 million, an increase of $71.7 million or 33.6% over last year primarily due to sales of acquired businesses (approximately $55 million) and internal growth. Net sales of the specialty plastic films business were $94.2 million, an increase of $13.0 million or 16.0% over last year. The increase is primarily due to sales of new products to its major customer for the infant diaper market, partially offset by the previously reported phase-out of the thin laminate program with this customer and lower selling prices. Net sales of the electronic information and communication systems business were $81.9 million, an increase of $18.0 million or 28.2% compared to last year principally due to new program awards.

Income from operations for the nine-month period ended June 30, 1996 was $30.5 million, an increase of $4.0 million or 15.3% compared to last year. Operating income of the building products business increased $2.1 million compared to last year. Higher garage door unit sales due to strengthening in the construction and related retail markets in the third fiscal quarter and the earnings of acquired companies, partly offset by severe winter weather conditions and additional costs to phase-out an unprofitable product line were the principal reasons for the increase. Operating income of the specialty plastic films business increased by $.8 million compared to last year, and operating income of the electronic information and communication systems business increased by $1.9 million due to the reasons discussed above.

Net interest expense increased by $1.1 million compared to last year's comparable period due to the higher borrowings incurred to consummate acquisitions of building products companies for approximately $22 million and for purchases of Common Stock for approximately $22 million during the first six months of the year.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow provided by operations for the nine months was $22.4 million and working capital was $121.9 million at June 30, 1996.

During the nine months, approximately $22 million was used to acquire companies for the building products business, including a manufacturer of heavy rolling doors, sectional garage doors, grilles and other door products for commercial, industrial and residential applications with annual sales of $60 million.

In March 1996, the Company completed a self-tender offer for 2 million shares of its Common Stock at a price of $9.75 per share. During the nine months, $21.6 million was used to acquire approximately 2.2 million shares of Common Stock. Approximately 7.5 million shares of the Company's Common Stock have been purchased under its stock repurchase program covering 9 million shares of the Company's Common and Preferred Stock.

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

## PART II - OTHER INFORMATION

Item 1 Legal Proceedings

There are no material changes in the information previously reported under this item other than as follows:

The Town of New Windsor v. Tesa Tuck, et al. As previously reported, in or about March 1993, the Town of New Windsor instituted an action in the United States District Court for the Southern District of New York against Lightron Corporation, a wholly-owned subsidiary of the Company, and other defendants in which it was seeking, inter alia, a declaratory judgment decreeing that Lightron and the other defendants were jointly and severally responsible to contribute to the response costs incurred and to be incurred by the plaintiff in connection with the remediation of a landfill located in the Town of New Windsor, New York (the "Site"). The plaintiff's claim against Lightron was premised upon its contention that Lightron of Cornwall, Inc., a former division of Lightron Corporation, allegedly disposed of full and empty drums of lacquer paints and thinners at the Site. The plaintiff alleged in its complaint that total response costs for the Site were estimated to be approximately $8,000,000. Lightron served and filed an answer denying the material allegations of the complaint and asserting several affirmative defenses.

In July 1996, Lightron settled the above described action for the sum of $350,000 and the matter is now finally and fully settled with regard to all defendants.

Item 2 Changes in Securities

None

Item 3 Defaults upon Senior Securities

None

Item 4 Submission of Matters to a Vote of Security Holders

None

Item 5 Other Information

None

Item 6 Exhibits and Reports on Form 8-K

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

b) Report on Form 8-K dated May 9, 1996 covering Item 5 -- Other Events and Item 6 -- Exhibits.

SIGNATURE

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

GRIFFON CORPORATION

By Robert Balemian

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Robert Balemian
President
(Principal Financial Officer)

Date: August 1, 1996

<ARTICLE> 5
<LEGEND>
THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH STATEMENTS.
</LEGEND>

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