



Results of Operations

PART II - OTHER INFORMATION

- Item 1: Legal Proceedings
  - Item 2: Changes in Securities
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GIFFON CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

	December 31, 1996	September 30, 1996
	----- (Unaudited)	----- (Note 1)
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 24,650,000	\$ 17,846,000
Marketable securities	2,367,000	4,297,000
Accounts receivable, less allowance for doubtful accounts	82,589,000	87,113,000
Contract costs and recognized income not yet billed	31,694,000	33,670,000
Inventories (Note 2)	69,597,000	69,886,000
Prepaid expenses and other current assets	15,440,000	16,203,000
Total current assets	----- 226,337,000	----- 229,015,000
PROPERTY, PLANT AND EQUIPMENT at cost, less accumulated depreciation and amortization of \$47,472,000 at December 31, 1996 and \$45,010,000 at September 30, 1996	57,310,000	55,706,000
OTHER ASSETS	30,231,000	26,448,000
	----- \$313,878,000	----- \$311,169,000
	=====	=====

<FN> See notes to condensed consolidated financial statements.  
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GIFFON CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

	December 31, 1996	September 30, 1996
	----- (Unaudited)	----- (Note 1)
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		

## CURRENT LIABILITIES:

Accounts and notes payable	\$ 39,768,000	\$ 47,131,000
Other current liabilities	57,903,000	58,620,000
	-----	-----
Total current liabilities	97,671,000	105,751,000
	-----	-----
LONG-TERM DEBT AND OTHER LIABILITIES	35,044,000	31,806,000
	-----	-----
LIABILITY OF EMPLOYEE STOCK OWNERSHIP PLAN	2,375,000	---
	-----	-----
MINORITY INTEREST IN SUBSIDIARY	1,270,000	652,000
	-----	-----

## SHAREHOLDERS' EQUITY:

Preferred stock, par value \$.25 per share, authorized 3,000,000 shares --		
Second Preferred Stock, Series I, authorized 1,950,000 shares, issued 1,571,294 shares at December 31, 1996 and 1,618,844 shares at September 30, 1996 (liquidation value \$15,713,000 and \$16,188,000, respectively)	393,000	405,000
Common Stock, par value \$.25 per share, authorized 85,000,000 shares, issued 29,302,645 shares at December 31, 1996 and 29,253,848 shares at September 30, 1996, and 334,896 shares in treasury at December 31, 1996 and September 30, 1996	7,326,000	7,313,000
Other shareholders' equity	169,799,000	165,242,000
	-----	-----
Total shareholders' equity	177,518,000	172,960,000
	-----	-----
	\$313,878,000	\$311,169,000
	=====	=====

&lt;FN&gt;

See notes to condensed consolidated financial statements.

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## GRIFFON CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
(Unaudited)

	THREE MONTHS ENDED DECEMBER 31,	
	1996	1995
	-----	-----
Net sales	\$181,744,000	\$153,363,000
Cost of sales	135,761,000	114,959,000
	-----	-----
Gross profit	45,983,000	38,404,000
Selling, general and administrative expenses	33,257,000	28,449,000
	-----	-----
Income from operations	12,726,000	9,955,000
	-----	-----
Other income (expense):		
Interest expense	(775,000)	(766,000)
Interest income	323,000	369,000
Other, net	54,000	(10,000)
	-----	-----
	(398,000)	(407,000)
	-----	-----
Income from continuing operations before income taxes	12,328,000	9,548,000
	-----	-----
Provision for income taxes:		

Federal	4,062,000	3,117,000
State and other	746,000	599,000
	-----	-----
	4,808,000	3,716,000
	-----	-----
Income from continuing operations	7,520,000	5,832,000
Operating income of discontinued operations, net of income tax effect	---	31,000
	-----	-----
Net income	\$ 7,520,000	\$ 5,863,000
	=====	=====
Net income per share of common stock (Note 3)	\$ .24	\$ .18
	=====	=====

<FN>

See notes to condensed consolidated financial statements.

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GRIFFON CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

THREE MONTHS ENDED DECEMBER 31,

	1996	1995
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 7,520,000	\$ 5,863,000
	-----	-----
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,749,000	2,257,000
Provision for losses on accounts receivable	522,000	239,000
Income from discontinued operations	---	(31,000)
Change in assets and liabilities:		
Decrease in accounts receivable and contract costs and recognized income not yet billed	5,978,000	8,814,000
(Increase) decrease in inventories	1,535,000	(488,000)
(Increase) decrease in prepaid expenses and other assets	(1,800,000)	504,000
Increase (decrease) in accounts payable and accrued liabilities	(6,355,000)	591,000
Other changes, net	(626,000)	279,000
	-----	-----
Total adjustments	2,003,000	12,165,000
	-----	-----
Net cash provided by operating activities	9,523,000	18,028,000
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net decrease in marketable securities	1,931,000	6,903,000
Acquisition of property, plant and equipment	(4,043,000)	(1,256,000)
Acquired businesses	(1,320,000)	(21,884,000)
Proceeds from sale of discontinued operation	2,771,000	---
Other, net	562,000	(315,000)
	-----	-----
Net cash used in investing activities	(99,000)	(16,552,000)
	-----	-----

GRIFFON CORPORATION AND SUBSIDIARIES

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

THREE MONTHS ENDED DECEMBER 31,

	1996	1995
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Purchase of treasury shares	---	(862,000)

Proceeds from issuance of long-term debt	---	19,000,000
Payment of long-term debt	(129,000)	(2,135,000)
Decrease in short-term borrowings	(2,500,000)	(1,000,000)
Other, net	9,000	28,000
	-----	-----
Net cash provided by (used in) financing activities	(2,620,000)	15,031,000
	-----	-----
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,804,000	16,507,000
	-----	-----
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	17,846,000	9,656,000
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$24,650,000	\$26,163,000
	=====	=====

<FN>

See notes to condensed consolidated financial statements.

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GRIFFON CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

(1) Basis of Presentation -

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. The balance sheet at September 30, 1996 has been derived from the audited financial statements at that date. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the three-month period ended December 31, 1996 are not necessarily indicative of the results that may be expected for the year ended September 30, 1997. 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, 1996.

(2) Inventories -

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

	December 31, 1996	September 30, 1996
	-----	-----
Finished goods . . . . .	\$26,804,000	\$23,910,000
Work in process . . . . .	20,577,000	22,706,000
Raw materials and supplies . . . . .	22,216,000	23,270,000
	-----	-----
	\$69,597,000	\$69,886,000
	=====	=====

(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 31,240,000 and 33,097,000 for the three months ended December 31, 1996 and 1995, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Net sales were \$181.7 million for the three-month period ended December

31, 1996, an increase of \$28.4 million or 18.5% over last year.

Net sales of the building products business were \$116.2 million, an increase of \$17.8 million or 18.0% over last year. Higher garage door units sales (\$6.4 million) due to stronger construction and related retail markets, internal growth in the service business (\$3.3 million) and the effect of acquired companies (\$6.6 million) were the principal reasons for the increase. Net sales of the specialty plastic films business were \$39.1 million, an increase of \$7.4 million or 23.2% over last year. Increased unit sales (\$7.2 million) primarily attributable to products for its major customer in the infant diaper market was the principal reason for the increase. Net sales of the electronic information and communication systems business were \$26.5 million, an increase of \$3.3 million or 14.1% over last year due to increased funding levels on several programs and higher demand for its integrated circuit products.

Income from operations for the three-month period ended December 31, 1996 was \$12.7 million, an increase of \$2.8 million or 27.8% over last year. Operating income of the building products business increased approximately \$4.0 million compared to last year principally due to the sales growth, lower raw material costs and manufacturing efficiencies. Operating income of the specialty plastic films segment declined \$1.6 million compared to last year. The decrease was principally due to development and start-up costs associated with new products and raw material cost increases in excess of selling price increases. The reduced earnings in the specialty plastic films segment are expected to continue through the beginning of the year with improvement anticipated toward the latter half of 1997 as the new programs coming onstream generate additional volume increases and related start-up costs become less significant. Operating income of the electronic information and communication systems operation increased by \$.4 million due to the increased sales.

#### LIQUIDITY AND CAPITAL RESOURCES

Cash flow provided by operations for the quarter was \$9.5 million and working capital was \$128.7 million at December 31, 1996.

During the quarter the company had capital expenditures of \$4.0 million including continuing construction and equipment costs of \$2.0 million for its 60%-owned specialty plastic films joint venture in Germany. Proceeds of \$2.8 million were received from the sale of the company's synthetic batting business which had been reflected as a discontinued operation last year.

Anticipated cash flows from operations, together with existing cash and marketable securities 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.

The statements contained in this report which are not historical facts are forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially from those set forth in or implied by forward-looking statements, including the effect of business and economic conditions; the impact of competitive products and pricing; capacity and supply constraints or difficulties; product development, commercialization or technological difficulties; and other risks and uncertainties.

#### PART II - OTHER INFORMATION

Item 1	Legal Proceedings
	There are no material changes in the information previously reported under this item.
Item 2	Changes in Securities
	None
Item 3	Defaults Upon Senior Securities
	None
Item 4	Submission of Matters to a Vote of Security Holders
	None

Item 5 Other Information

None

Item 6 Exhibits and Reports on Form 8-K

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

SIGNATURE

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

GRIFFON CORPORATION

By Robert Balemian

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Robert Balemian

President

(Principal Financial Officer)

Date: February 3, 1997

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<ARTICLE> 5

<LEGEND>

THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER ENDED DECEMBER 31, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH STATEMENTS.

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