GRIFFON CORP
Form 10-Q
August 02, 2017
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2017

o 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: 1-06620

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.)
712 Fifth Ave, 18th Floor, New York, New York	10019
(Address of principal executive offices)	(Zip Code)

(212) 957-5000
(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 (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. ý Yes o No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ý Yes o No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See definitions of “large accelerated filer,” “accelerated filer”, “smaller reporting company,” and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o	Accelerated filer ý
Non-accelerated filer o (Do not check if a smaller reporting company)	
	Smaller reporting company o
	Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the

extended transition period for complying with any new
or revised financial accounting standards provided
pursuant to Section 13(a) of the Exchange Act. o
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). o Yes ý No

The number of shares of common stock outstanding at July 31, 2017 was 47,256,659.

Griffon Corporation and Subsidiaries

Contents

	Page
PART I - FINANCIAL INFORMATION	
Item 1 – Financial Statements	
Condensed Consolidated Balance Sheets at June 30, 2017 (unaudited) and September 30, 2016	1
Condensed Consolidated Statement of Shareholders' Equity for the Nine Months Ended June 30, 2017 (unaudited)	2
Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) for the Three and Nine Months Ended June 30, 2017 and 2016 (unaudited)	3
Condensed Consolidated Statements of Cash Flows for the Nine Months Ended June 30, 2017 and 2016 (unaudited)	4
Notes to Condensed Consolidated Financial Statements (unaudited)	5
Item 2 – Management's Discussion and Analysis of Financial Condition and Results of Operations	34
Item 3 - Quantitative and Qualitative Disclosures about Market Risk	45
Item 4 - Controls & Procedures	46
PART II – OTHER INFORMATION	
Item 1 – Legal Proceedings	47
Item 1A – Risk Factors	47
Item 2 – Unregistered Sales of Equity Securities and Use of Proceeds	47
Item 3 – Defaults Upon Senior Securities	47
Item 4 – Mine Safety Disclosures	47
Item 5 – Other Information	47
Item 6 – Exhibits	48
Signatures	49
Exhibit Index	50

Table of Contents

Part I – Financial Information
Item 1 – Financial Statements

GRIFFON CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

	(Unaudited) June 30, 2017	September 30, 2016
CURRENT ASSETS		
Cash and equivalents	$ 69,448	$ 72,553
Accounts receivable, net of allowances of $7,462 and $6,425	227,813	233,751
Contract costs and recognized income not yet billed, net of progress payments of $4,841 and $8,001	119,367	126,961
Inventories, net	339,393	308,869
Prepaid and other current assets	43,622	38,605
Assets of discontinued operations	479	219
Total Current Assets	800,122	780,958
PROPERTY, PLANT AND EQUIPMENT, net	410,472	405,404
GOODWILL	361,405	361,185
INTANGIBLE ASSETS, net	210,060	210,599
OTHER ASSETS	18,110	21,982
ASSETS OF DISCONTINUED OPERATIONS	4,314	1,968
Total Assets	$ 1,804,483	$ 1,782,096
CURRENT LIABILITIES		
Notes payable and current portion of long-term debt	$ 16,656	$ 22,644
Accounts payable	178,571	190,341
Accrued liabilities	97,871	103,594
Liabilities of discontinued operations	1,107	1,684
Total Current Liabilities	294,205	318,263
LONG-TERM DEBT, net	980,720	913,914
OTHER LIABILITIES	131,149	137,266
LIABILITIES OF DISCONTINUED OPERATIONS	4,321	1,706
Total Liabilities	1,410,395	1,371,149
COMMITMENTS AND CONTINGENCIES - See Note 19		
SHAREHOLDERS’ EQUITY		
Total Shareholders’ Equity	394,088	410,947
Total Liabilities and Shareholders’ Equity	$ 1,804,483	$ 1,782,096

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

Table of Contents

GRIFFON CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(Unaudited)

(in thousands)	COMMON STOCK SHARES	COMMON STOCK PAR VALUE	CAPITAL IN EXCESS OF PAR VALUE	RETAINED EARNINGS	TREASURY SHARES SHARES	TREASURY SHARES COST	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	DEFERRED COMPENSATION	Total
Balance at September 30, 2016	79,966	$19,992	$529,980	$475,760	34,797	$(501,866)	$(81,241)	$(31,678)	$410,947
Net income	—	—	—	26,862	—	—	—	—	26,862
Dividend	—	—	—	(7,766)	—	—	—	—	(7,766)
Shares withheld on employee taxes on vested equity awards	—	—	(97)	—	584	(13,595)	—	—	(13,692)
Amortization of deferred compensation	—	—	—	—	—	—	—	2,635	2,635
Common stock issued	3	—	22	—	—	—	—	—	22
Common stock acquired	—	—	—	—	129	(2,201)	—	—	(2,201)
Equity awards granted, net	844	211	(211)	—	—	—	—	—	—
Premium on settlement of convertible debt	—	—	(73,855)	—	—	—			(73,855)
Issuance of treasury stock in settlement of convertible debt	—	—	20,375	—	(1,955)	28,483	—	—	48,858
ESOP purchase of common stock	—	—	—	—	—	—	—	(10,908)	(10,908)
ESOP allocation of common stock	—	—	2,209	—	—	—	—	—	2,209
Stock-based compensation	—	—	7,200	—	—	—	—	—	7,200
Other comprehensive income, net of tax	—	—	—	—	—	—	3,777	—	3,777
Balance at June 30, 2017	80,813	$20,203	$485,623	$494,856	33,555	$(489,179)	$(77,464)	$(39,951)	$394,088

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

2

Table of Contents

GRIFFON CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(in thousands, except per share data)
(Unaudited)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2017	2016	2017	2016
Revenue	$473,320	$462,200	$1,436,184	$1,456,456
Cost of goods and services	357,363	342,843	1,088,550	1,106,837
Gross profit	115,957	119,357	347,634	349,619
Selling, general and administrative expenses	90,740	88,880	272,972	271,765
Restructuring and other related charges	—	5,900	—	5,900
Total operating expenses	90,740	94,780	272,972	277,665
Income from operations	25,217	24,577	74,662	71,954
Other income (expense)				
Interest expense	(12,729)	(13,039)	(38,747)	(37,454)
Interest income	17	79	46	134
Other, net	(935)	142	(1,176)	312
Total other expense, net	(13,647)	(12,818)	(39,877)	(37,008)
Income before taxes	11,570	11,759	34,785	34,946
Provision for income taxes	2,017	4,163	7,923	10,467
Net income	$9,553	$7,596	$26,862	$24,479
Basic income per common share	$0.23	$0.19	$0.66	$0.59
Weighted-average shares outstanding	41,683	40,558	40,765	41,318
Diluted income per common share	$0.22	$0.18	$0.63	$0.55
Weighted-average shares outstanding	43,255	43,280	42,934	44,243
Dividends paid per common share	$0.06	$0.05	$0.18	$0.15
Net income	$9,553	$7,596	$26,862	$24,479
Other comprehensive income (loss), net of taxes:				
Foreign currency translation adjustments	6,414	796	1,344	11,130
Pension and other post retirement plans	544	386	1,632	1,158
Change in cash flow hedges	198	1,287	801	(1,377)
Total other comprehensive income (loss), net of taxes	7,156	2,469	3,777	10,911
Comprehensive income (loss), net	$16,709	$10,065	$30,639	$35,390

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

Table of Contents

GRIFFON CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(Unaudited)

	Nine Months Ended June 30, 2017	Nine Months Ended June 30, 2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$26,862	$24,479
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	56,380	51,879
Stock-based compensation	7,200	8,432
Provision (recovery) for losses on accounts receivable	(111)	350
Amortization of debt discounts and issuance costs	3,774	5,271
Deferred income taxes	5,287	1,249
Gain on sale of assets and investments	—	(240)
Change in assets and liabilities, net of assets and liabilities acquired:		
(Increase) decrease in accounts receivable and contract costs and recognized income not yet billed	13,617	(18,437)
(Increase) decrease in inventories	(28,958)	14,632
Decrease in prepaid and other assets	2,084	1,866
Decrease in accounts payable, accrued liabilities and income taxes payable	(23,245)	(32,827)
Other changes, net	2,595	3,093
Net cash provided by operating activities	65,485	59,747
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property, plant and equipment	(59,153)	(63,247)
Acquired businesses, net of cash acquired	(6,051)	(1,744)
Investment in unconsolidated joint venture	—	(2,726)
Proceeds from sale of assets	165	914
Investment sales	—	715
Net cash used in investing activities	(65,039)	(66,088)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends paid	(7,766)	(6,686)
Purchase of shares for treasury	(15,796)	(50,771)
Proceeds from long-term debt	211,097	263,249
Payments of long-term debt	(152,478)	(177,973)
Change in short-term borrowings	(940)	(45)
Share premium payment on settled debt	(24,997)	—
Financing costs	(363)	(4,135)
Purchase of ESOP shares	(10,908)	—
Other, net	(112)	13
Net cash provided by (used in) financing activities	(2,263)	23,652
CASH FLOWS FROM DISCONTINUED OPERATIONS:		
Net cash used in operating activities	(1,216)	(1,152)
Net cash used in discontinued operations	(1,216)	(1,152)
Effect of exchange rate changes on cash and equivalents	(72)	456
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(3,105)	16,615
CASH AND EQUIVALENTS AT BEGINNING OF PERIOD	72,553	52,001
CASH AND EQUIVALENTS AT END OF PERIOD	$69,448	$68,616

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

4

Table of Contents
GRIFFON CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(US dollars and non US currencies in thousands, except per share data)
(Unaudited)
(Unless otherwise indicated, references to years or year-end refer to Griffon's fiscal period ending September 30)

NOTE 1 – DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

About Griffon Corporation

Griffon Corporation (the "Company" or "Griffon") is a diversified management and holding company that conducts business through wholly-owned subsidiaries. Griffon oversees the operations of its subsidiaries, allocates resources among them and manages their capital structures. Griffon provides direction and assistance to its subsidiaries in connection with acquisition and growth opportunities as well as in connection with divestitures. In order to further diversify, Griffon also seeks out, evaluates and, when appropriate, will acquire additional businesses that offer potentially attractive returns on capital.

Headquartered in New York, N.Y., the Company was founded in 1959 and is incorporated in Delaware. Griffon is listed on the New York Stock Exchange and trades under the symbol GFF.

Griffon currently conducts its operations through three reportable segments:

- Home & Building Products ("HBP") consists of two companies, The AMES Companies, Inc. ("AMES") and Clopay Building Products Company, Inc. ("CBP"):

  - AMES, founded in 1774, is the leading US manufacturer and a global provider of long-handled tools and landscaping products for homeowners and professionals.

  - CBP, since 1964, is a leading manufacturer and marketer of residential and commercial garage doors and sells to professional dealers and some of the largest home center retail chains in North America.

- Telephonics Corporation ("Telephonics"), founded in 1933, is recognized globally as a leading provider of highly sophisticated intelligence, surveillance and communications solutions for defense, aerospace and commercial customers.

- Clopay Plastic Products Company, Inc. ("PPC"), incorporated in 1934, is a global leader in the development and production of embossed, laminated and printed specialty plastic films for hygienic, health-care and industrial products and sells to some of the world's largest consumer products companies.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, these financial statements do not include all the information and footnotes required by US GAAP for complete financial statements. As such, they should be read together with Griffon's Annual Report on Form 10-K for the year ended September 30, 2016, which provides a more complete explanation of Griffon's accounting policies, financial position, operating results, business properties and other matters. In the opinion of management, these financial statements reflect all adjustments considered necessary for a fair statement of interim results. Griffon's HBP operations are seasonal; for this and other reasons, the financial results of the Company for any interim period are not necessarily indicative of the results for the full year.

The condensed consolidated balance sheet information at September 30, 2016 was derived from the audited financial statements included in Griffon's Annual Report on Form 10-K for the year ended September 30, 2016.

The condensed consolidated financial statements include the accounts of Griffon and all subsidiaries. Intercompany accounts and transactions have been eliminated on consolidation.

The preparation of financial statements in conformity with US GAAP 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 st atements, and the reported amounts of revenue and expenses during the reporting periods. These estimates may be adjusted due to changes in economic, industry or customer financial conditions, as well as changes in technology or demand. Significant estimates include allowances for doubtful accounts receivable and returns, net realizable value of inventories, restructuring reserves, valuation of goodwill and intangible assets, percentage of completion method of accounting, pension assumptions, useful lives associated with depreciation and amortization of intangible and fixed assets, warranty reserves, sales incentive accruals, stock based compensation assumptions, income taxes and tax valuation reserves, environmental reserves, legal reserves, insurance reserves and the valuation of assets and liabilities of discontinued operations, acquisition assumptions used and the accompanying disclosures. These estimates are based on management’s best knowledge of current events and actions Griffon may undertake in the future. Actual results may ultimately differ from these estimates.

Certain amounts in the prior year have been reclassified to conform to current year presentation.

NOTE 2 – FAIR VALUE MEASUREMENTS

The carrying values of cash and equivalents, accounts receivable, accounts and notes payable, and revolving credit and variable interest rate debt approximate fair value due to either the short-term nature of such instruments or the fact that the interest rate of the revolving credit and variable rate debt is based upon current market rates.

Applicable accounting guidance establishes a fair value hierarchy requiring the Company to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument’s categorization within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. The accounting guidance establishes three levels of inputs that may be used to measure fair value, as follows:

- Level 1 inputs are measured and recorded at fair value based upon quoted prices in active markets for identical assets.

- Level 2 inputs include inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of assets or liabilities.

- Level 3 inputs are unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The fair values of Griffon’s 2022 senior notes approximated $742,255 on June 30, 2017. Fair values were based upon quoted market prices (level 1 inputs).

On January 17, 2017, Griffon's 4% convertible subordinated notes settled for a total of $173,855. The total settlement value for the convertible notes was based on the sum of the daily Volume Weighted Average Price multiplied by the conversion rate over a 40-day observation period (level 1 inputs). The settlement value was split between $125,000 in cash and $48,858, or 1,954,993 shares, of common stock issued from treasury.

Insurance contracts with values of $3,125 at June 30, 2017 are measured and recorded at fair value based upon quoted prices in active markets for similar assets (level 2 inputs) and are included in Prepaid and other current assets on the Consolidated Balance Sheets.

Items Measured at Fair Value on a Recurring Basis

At June 30, 2017, trading securities, measured at fair value based on quoted prices in active markets for similar assets (level 2 inputs), with a fair value of $1,498 ($1,000 cost basis), were included in Prepaid and other current assets on the Consolidated Balance Sheets. During the first quarter of 2016, the Company settled trading securities with proceeds totaling $715 and recognized a loss of $13 in Other income (expense). Realized and unrealized gains and losses on trading securities are included in Other income in the Consolidated Statements of Operations and Comprehensive Income (Loss).

In the normal course of business, Griffon’s operations are exposed to the effects of changes in foreign currency exchange rates. To manage these risks, Griffon may enter into various derivative contracts such as foreign currency exchange contracts, including forwards and options. During 2017, Griffon entered into several such contracts in order to lock into a foreign currency rate for planned settlements of trade and inter-company liabilities payable in US dollars.

At June 30, 2017, Griffon had $15,000 of Australian dollar contracts at a weighted average rate of $1.30 which qualified for hedge accounting. These hedges were all deemed effective as cash flow hedges with gains and losses related to changes in fair value deferred and recorded in Accumulated other comprehensive income (loss) ("AOCI") and Prepaid and other current assets, or Accrued liabilities, until settlement. Upon settlement, gains and losses are recognized in the Consolidated Statements of Operations and Comprehensive Income (Loss) in Cost of goods and services ("COGS"). AOCI included deferred gains of $318 ($203, net of tax) at June 30, 2017 and losses of $88 and $910 were recorded in COGS during the quarter and nine months ended June 30, 2017, respectively, for all settled contracts. All contracts expire in 3 to 179 days.

At June 30, 2017, Griffon had $5,290 of Canadian dollar contracts at a weighted average rate of $1.29. The contracts, which protect Canada operations from currency fluctuations for US dollar based purchases, do not qualify for hedge accounting. For the quarter and nine months ended June 30, 2017, a fair value gain loss of $217 and $216, respectively, was recorded to Other liabilities and to Other income for the outstanding contracts, based on similar contract values (level 2 inputs). Realized gains of $197 and $250 were recorded in Other income during the quarter and nine months ended June 30, 2017, respectively, for all settled contracts. All contracts expire in 30 to 448 days.

NOTE 3 – ACQUISITIONS AND INVESTMENTS

On July 31, 2017, The AMES Companies, Inc. acquired La Hacienda Limited, a leading United Kingdom outdoor living brand of unique heating and garden decor products, for approximately $11,400 (GBP 8,675), including an approximate contingent earn out payment of $790 (GBP 600). The acquisition of La Hacienda broadens AMES' global outdoor living and lawn and garden business and supports AMES' UK expansion strategy.
On December 30, 2016, AMES Australia acquired Hills Home Living ("Hills") for approximately $6,051 (AUD 8,400). The purchase price has been preliminary allocated to acquired assets and assumed liabilities and primarily consists of inventory, tooling and identifiable intangible assets, including trademarks, intellectual property and customer relationships. Hills, founded in 1946, is a market leader in the supply of clothesline, laundry and garden products. The Hills acquisition adds to AMES' existing broad category of products and enhances our lawn and garden product offerings in Australia.

On February 14, 2016, AMES Australia acquired substantially all of the Intellectual Property (IP) assets of Australia-based Nylex Plastics Pty Ltd. for approximately $1,700. Through this acquisition, AMES and Griffon secured the ownership of the trademark “Nylex” for certain categories of AMES products, principally in the country of Australia. Previously, the Nylex name was licensed. The acquisition of the Nylex IP was contemplated as a post-closing activity following the Cyclone acquisition and supports AMES' Australian watering products strategy. The purchase price was allocated to indefinite lived trademarks and is not deductible for income taxes.

In December 2015, Telephonics invested an additional $2,726 increasing its equity stake from 26% to 49% in Mahindra Telephonics Integrated Systems ("MTIS"), a joint venture with Mahindra Defence Systems, a Mahindra Group Company. MTIS is an aerospace and defense manufacturing and development facility in Prithla, India. This investment is accounted for using the equity method.

NOTE 4 – INVENTORIES

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

The following table details the components of inventory:

	At June 30, 2017	At September 30, 2016
Raw materials and supplies	$84,249	$ 81,345
Work in process	97,390	75,852
Finished goods	157,754	151,672
Total	$339,393	$ 308,869

7

NOTE 5 – PROPERTY, PLANT AND EQUIPMENT

The following table details the components of property, plant and equipment, net:

	At June 30, 2017	At September 30, 2016
Land, building and building improvements	$144,353	$ 138,204
Machinery and equipment	832,833	804,280
Leasehold improvements	63,289	51,015
	1,040,475	993,499
Accumulated depreciation and amortization	(630,003)	(588,095)
Total	$410,472	$ 405,404

Depreciation and amortization expense for property, plant and equipment was $17,288 and $15,780 for the quarters ended June 30, 2017 and 2016, respectively, and $50,738 and $46,236 for the nine months ended June 30, 2017 and 2016, respectively. Depreciation included in SG&A expenses was $3,770 and $3,327 for the quarters ended June 30, 2017 and 2016, respectively, and $10,976 and $9,735 for the nine months ended June 30, 2017 and 2016, respectively. Remaining components of depreciation, attributable to manufacturing operations, are included in Cost of goods and services.

No event or indicator of impairment occurred during the nine months ended June 30, 2017 which would require additional impairment testing of property, plant and equipment.

NOTE 6 – GOODWILL AND OTHER INTANGIBLES

The following table provides changes in the carrying value of goodwill by segment during the nine months ended June 30, 2017:

	At September 30, 2016	Other adjustments including currency translations	At June 30, 2017
Home & Building Products	$ 287,617	$ (29)	$287,588
Telephonics	18,545	—	18,545
PPC	55,023	249	55,272
Total	$ 361,185	$ 220	$361,405

The following table provides the gross carrying value and accumulated amortization for each major class of intangible assets:

	At June 30, 2017			At September 30, 2016	
	Gross Carrying Amount	Accumulated Amortization	Average Life (Years)	Gross Carrying Amount	Accumulated Amortization
Customer relationships	$171,860	$ 52,700	25	$170,652	$ 47,217
Unpatented technology	6,088	4,497	12.5	6,073	4,060
Total amortizable intangible assets	177,948	57,197		176,725	51,277
Trademarks	89,309	—		85,151	—
Total intangible assets	$267,257	$ 57,197		$261,876	$ 51,277

Amortization expense for intangible assets was $1,919 and $1,898 for the quarters ended June 30, 2017 and 2016, respectively, and $5,642 and $5,643 for the nine months ended June 30, 2017 and 2016, respectively.

No event or indicator of impairment occurred during the nine months ended June 30, 2017 which would require impairment testing of long-lived intangible assets including goodwill.

NOTE 7 – INCOME TAXES

In both the quarter and nine months ended June 30, 2017 and 2016, the Company reported pretax income, and recognized a tax provision of 17.4% and 22.8% for the quarter and nine months ended June 30, 2017, respectively, compared to 35.4% and 30.0%, respectively, in the comparable prior year periods.

The quarter and nine months ended June 30, 2017 tax rates included net tax benefits of $2,193 and $5,122, respectively, compared to a net tax benefits of $775 and $3,324, respectively, included in the comparable prior year periods. Both the quarter and nine months ended June 30, 2017 included discrete benefits from the federal domestic production activities deduction, with the nine month period also including the benefit from the adoption of recent Financial Accounting Standards Board ("FASB") guidance which requires the company to recognize excess tax benefits from the vesting of equity awards within income tax expense. The benefits in each period were partially offset by the impact of a valuation allowance taken on German net operating loss carryforwards that do not expire. Both the quarter and nine months ended June 30, 2016 included discrete benefits from the release of unrecognized tax benefits and the retroactive extension of the federal R&D credit signed into law December 18, 2015, partially offset by the tax impact of restructuring charges, with the nine month period including a benefit from the adoption of the FASB guidance mentioned above. Excluding these tax items, the effective tax rates for the quarter and nine months ended June 30, 2017 were 36.4% and 37.5%, respectively, compared to 37.5% and 37.9%, respectively, in the comparable prior year periods.

NOTE 8 – LONG-TERM DEBT

		At June 30, 2017					At September 30, 2016				
		Outstanding Balance	Original Issuer Discount	Capitalized Fees & Expenses	Balance Sheet	Coupon Interest Rate (1)	Outstanding Balance	Original Issuer Discount	Capitalized Fees & Expenses	Balance Sheet	Coupon Interest Rate (1)
Senior notes due 2022	(a)	$725,000	$(1,244)	$(8,586)	$715,170	5.25 %	725,000	$(1,447)	$(9,799)	$713,754	5.25 %
Revolver due 2021	(b)	163,748	—	(2,040)	161,708	Variable	—	—	(2,425)	(2,425)	Variable
Convert. debt due 2017	(c)	—	—	—	—	n/a	100,000	(1,248)	(148)	98,604	4.00 %
Real estate mortgages	(d)	35,847	—	(499)	35,348	Variable	37,861	—	(595)	37,266	Variable
ESOP Loans	(e)	43,330	—	(316)	43,014	Variable	34,387	—	(237)	34,150	Variable
Capital lease - real estate	(f)	5,600	—	(112)	5,488	5.00 %	6,447	—	(131)	6,316	5.00 %
Non US lines of credit	(g)	1,218	—	(35)	1,183	Variable	11,462	—	(1)	11,461	Variable
Non US term loans	(g)	31,461	—	(224)	31,237	Variable	33,669	—	(247)	33,422	Variable
Other long term debt	(h)	4,249	—	(21)	4,228	Variable	4,030	—	(20)	4,010	Variable
Totals		1,010,453	(1,244)	(11,833)	997,376		952,856	(2,695)	(13,603)	936,558	
less: Current portion		(16,656)	—	—	(16,656)		(22,644)	—	—	(22,644)	
Long-term debt		$993,797	$(1,244)	$(11,833)	$980,720		$930,212	$(2,695)	$(13,603)	$913,914	

(1) n/a = not applicable

		Three Months Ended June 30, 2017					Three Months Ended June 30, 2016				
		Effective Interest Rate (1)	Cash Interest	Amort. Debt Discount	Amort. Debt Issuance Costs & Other Fees	Total Interest Expense	Effective Interest Rate (1)	Cash Interest	Amort. Debt Discount	Amort. Debt Issuance Costs & Other Fees	Total Interest Expense
Senior notes due 2022	(a)	5.6 %	9,516	67	462	10,045	5.5 %	8,641	36	383	9,060
Revolver due 2021	(b)	Variable	1,629	—	140	1,769	Variable	660	—	137	797
Convert. debt due 2017	(c)	n/a	—	—	—	—	9.1 %	1,000	1,093	111	2,204
Real estate mortgages	(d)	2.6 %	234	—	36	270	2.3 %	194	—	26	220
ESOP Loans	(e)	4.0 %	414	—	29	443	3.3 %	274	—	18	292
Capital lease - real estate	(f)	5.4 %	72	—	7	79	5.4 %	87	—	6	93
Non US lines of credit	(g)	Variable	113	—	75	188	Variable	367	—	23	390
Non US term loans	(g)	Variable	228	—	38	266	Variable	276	—	53	329
Other long term debt	(h)	Variable	85	—	1	86	Variable	97	—	—	97
Capitalized interest			(417)	—	—	(417)		(443)	—	—	(443)
Totals			$11,874	$ 67	$ 788	$12,729		$11,153	$1,129	$ 757	$13,039

(1) n/a = not applicable

11

		Nine Months Ended June 30, 2017					Nine Months Ended June 30, 2016				
		Effective Interest Rate (1)	Cash Interest	Amort. Debt Discount	Amort. Debt Issuance Costs & Other Fees	Total Interest Expense	Effective Interest Rate (1)	Cash Interest	Amort. Debt Discount	Amort. Debt Issuance Costs & Other Fees	Total Interest Expense
Senior notes due 2022	(a)	5.6 %	28,547	202	1,396	30,145	5.5 %	24,391	36	1,028	25,455
Revolver due 2021	(b)	Variable	3,280	—	422	3,702	Variable	2,185	—	374	2,559
Convert. debt due 2017	(c)	8.9 %	1,167	1,248	148	2,563	9.0 %	3,000	3,220	333	6,553
Real estate mortgages	(d)	2.4 %	650	—	56	706	2.2 %	499	—	55	554
ESOP Loans	(e)	4.1 %	1,147	—	94	1,241	3.2 %	805	—	53	858
Capital lease - real estate	(f)	5.4 %	227	—	19	246	5.4 %	270	—	19	289
Non US lines of credit	(g)	Variable	309	—	85	394	Variable	723	—	69	792
Non US term loans	(g)	Variable	840	—	97	937	Variable	832	—	79	911
Other long term debt	(h)	Variable	247	—	7	254	Variable	195	—	—	195
Capitalized interest			(1,441)	—	—	(1,441)		(717)	—	5	(712)
Totals			$34,973	$ 1,450	$ 2,324	$38,747		$32,183	$ 3,256	$ 2,015	$37,454

(1) n/a = not applicable

(a) On May 18, 2016, in an unregistered offering through a private placement under Rule 144A, Griffon completed the add-on offering of $125,000 principal amount of its 5.25% senior notes due 2022, at 98.76% of par, to Griffon's previously issued $600,000 5.25% senior notes due 2022, at par, which was completed on February 27, 2014 (collectively the “Senior Notes”). As of June 30, 2017, outstanding Senior Notes due totaled $725,000; interest is payable semi-annually on March 1 and September 1. The net proceeds of the add-on offering were used to pay down outstanding borrowings under Griffon's revolving credit facility (the "Credit Agreement").

The Senior Notes are senior unsecured obligations of Griffon guaranteed by certain domestic subsidiaries, and subject to certain covenants, limitations and restrictions. On July 20, 2016 and June 18, 2014, Griffon exchanged all of the $125,000 and $600,000 Senior Notes, respectively, for substantially identical Senior Notes registered under the Securities Act of 1933 via an exchange offer. The fair value of the Senior Notes approximated $742,255 on June 30, 2017 based upon quoted market prices (level 1 inputs). In connection with the issuance and exchange of the $125,000 senior notes, Griffon capitalized $3,016 of underwriting fees and other expenses, which will amortize over the term of such notes; Griffon capitalized $10,313 in connection with the previously issued $600,000 senior notes.

(b) On March 22, 2016, Griffon amended the Credit Agreement to increase the credit facility from $250,000 to $350,000, extend its maturity date from March 13, 2020 to March 22, 2021 and modify certain other provisions of the facility. The facility includes a letter of credit sub-facility with a limit of $50,000 and a multi-currency sub-facility of $50,000. The Credit Agreement provides for same day borrowings of base rate loans. Borrowings under the Credit Agreement may be repaid and re-borrowed at any time, subject to final maturity of the facility or the occurrence of an event of default under the Credit Agreement. Interest is payable on borrowings at either a LIBOR or base rate benchmark rate, in each case without a floor, plus an applicable margin, which adjusts based on financial performance. Current margins are 1.25% for base rate loans and 2.25% for LIBOR loans. The Credit Agreement has certain financial maintenance tests including a maximum total leverage ratio, a maximum senior secured leverage ratio and a minimum interest coverage ratio, as well as customary affirmative and negative covenants and events of default. The negative covenants place limits on Griffon's ability to, among other things, incur indebtedness, incur liens, and make restricted payments and investments. Borrowings under the Credit Agreement are guaranteed by Griffon’s material domestic subsidiaries and are secured, on a first priority basis, by substantially all domestic assets of the Company and the guarantors, and a pledge of not greater than 65% of the equity interest in Griffon’s material, first-tier foreign subsidiaries (except that a lien on the assets of Griffon's material domestic subsidiaries securing a limited amount of the debt under the Credit Agreement relating to Griffon's Employee Stock Ownership Plan ("ESOP") ranks pari passu with the lien granted on such assets under the Credit Agreement; see footnote (e) below). At June 30, 2017, there were $163,748 in outstanding borrowings and standby letters of credit were $14,360 under the Credit Agreement; $171,892 was available, subject to certain loan covenants, for borrowing at that date.

(c) On December 21, 2009, Griffon issued $100,000 principal amount of 4% convertible subordinated notes due 2017 (the “2017 Notes”). On July 14, 2016, Griffon announced that it would settle, upon conversion, up to $125,000 of the conversion value of the 2017 Notes in cash, with amounts in excess of $125,000, if any, to be settled in shares of Griffon common stock. On January 17, 2017, Griffon settled the convertible debt for $173,855 with $125,000 in cash, utilizing borrowings under the Credit Agreement, and $48,858, or 1,954,993 shares, of common stock issued from treasury.

(d) In September 2015 and March 2016, Griffon entered into mortgage loans in the amounts of $32,280 and $8,000, respectively. The mortgage loans are secured by four properties occupied by Griffon's subsidiaries. The loans mature in September 2025 and April 2018, respectively, are collateralized by the specific properties financed and are guaranteed by Griffon. The loans bear interest at a rate of LIBOR plus 1.50%. At June 30, 2017, $35,348 was outstanding, net of issuance costs.

(e) In August 2016, Griffon’s ESOP entered into an agreement that refinanced the existing ESOP loan into a new Term Loan in the amount of $35,092 (the "Agreement"). The Agreement also provided for a Line Note with $10,908 available to purchase shares of Griffon common stock in the open market. During the three and nine months ended June 30, 2017, Griffon's ESOP purchased 72,963 and 621,875 shares, respectively, of common stock for a total of $1,695 or $23.23 per share and $10,908 or $17.54 per share, respectively, with proceeds from the Line Note. On June 30, 2017, the Term Loan and Line Note were combined into a single Term Loan. The Term Loan bears interest at LIBOR plus 2.50%. The Term Loan requires a quarterly principal payment of $655 on September 30, 2017 and $569 thereafter, with a balloon payment due at maturity on March 22, 2020. As of June 30, 2017, $43,014, net of issuance costs, was outstanding under the Term Loan. The Term Loan is secured by shares purchased with the proceeds of the loan and with a lien on a specific amount of Griffon assets (which lien ranks pari passu with the lien granted on such assets under the Credit Agreement) and is guaranteed by Griffon.

(f) In October 2006, CBP entered into a capital lease totaling $14,290 for real estate in Troy, Ohio. The lease matures in 2022, bears interest at a fixed rate of 5.0%, is secured by a mortgage on the real estate and is guaranteed by Griffon. At June 30, 2017, $5,488 was outstanding, net of issuance costs.

(g) In September 2015, Clopay Europe GmbH ("Clopay Europe") entered into a EUR 5,000 ($5,705 as of June 30, 2017) revolving credit facility and EUR 15,000 term loan. The term loan is payable in twelve quarterly installments of EUR 1,250, bears interest at a fixed rate of 2.5% and matures in September 2018. The revolving facility matures in September 2017, but is renewable upon mutual agreement with the bank. The revolving credit facility accrues interest at EURIBOR plus 1.75% per annum (1.75% at June 30, 2017). The revolver and the term loan are both secured by substantially all of the assets of Clopay Europe and its subsidiaries. Griffon guarantees the revolving facility and term loan. The term loan had an outstanding balance of EUR 6,250 ($7,131 at June 30, 2017) and the revolver had no outstanding borrowings at June 30, 2017. Clopay Europe is required to maintain a certain minimum equity to assets ratio and is subject to a maximum debt leverage ratio (defined as the ratio of total debt to EBITDA).

Clopay do Brazil maintains a line of credit of R$7,000 ($2,116 as of June 30, 2017). Interest on borrowings accrues at various fixed rates which averaged about 15.0% as of June 30, 2017. At June 30, 2017, there was approximately R$4,029 ($1,218 as of June 30, 2017) borrowed under the line. PPC guarantees the line of credit.

In November 2012, Garant G.P. ("Garant") entered into a CAD $15,000 ($11,517 as of June 30, 2017) revolving credit facility. The facility accrues interest at LIBOR (USD) or the Bankers Acceptance Rate (CDN) plus 1.3% per annum (2.60% LIBOR USD and 2.31% Bankers Acceptance Rate CDN as of June 30, 2017). The revolving facility matures in October 2019. Garant is required to maintain a certain minimum equity. At June 30, 2017, there were no borrowings under the revolving credit facility.

In July 2016, Griffon Australia Holdings Pty Ltd and its Australian subsidiaries ("Griffon Australia") entered into an AUD 30,000 term loan and an AUD 10,000 revolver. The term loan refinanced two existing term loans and the revolver replaced two existing lines. In December 2016, the amount available under the revolver was increased from AUD 10,000 to AUD 20,000 and, in March 2017, the term loan commitment was increased by AUD 5,000 to AUD 33,500. The term loan requires quarterly principal payments of AUD 875 plus interest, with a balloon payment of AUD 24,750 due upon maturity in June 2019, and accrues interest at Bank Bill Swap Bid Rate "BBSY" plus 2.00% per annum (3.76% at June 30, 2017). The term loan had an outstanding balance of AUD 31,750 ($24,330 as of June 30, 2017). The revolving facility matures in November 2017, but is renewable upon mutual agreement with the bank, and accrues interest at BBSY plus 2.0% per annum (3.67% at June 30, 2017). At June 30, 2017, there were no borrowings under the revolver. The revolver and the term loan are both secured by substantially all of the assets of Griffon Australia and its subsidiaries. Griffon guarantees the term loan. Griffon Australia is required to maintain a certain minimum equity level and is subject to a maximum leverage ratio and a minimum fixed charges cover ratio.

(h) Other long-term debt consists primarily of a loan with the Pennsylvania Industrial Development Authority, with the balance consisting of capital leases.

At June 30, 2017, Griffon and its subsidiaries were in compliance with the terms and covenants of all credit and loan agreements.

NOTE 9 — SHAREHOLDERS' EQUITY

During 2017, the Company paid a quarterly cash dividend of $0.06 per share in each quarter, totaling $0.18 per share for the nine months ended June 30, 2017. During 2016, the Company paid quarterly cash dividends of $0.05 per share, totaling $0.20 per share for the year. Dividends paid on shares in the ESOP were used to offset ESOP loan payments and recorded as a reduction of debt service payments and compensation expense. A dividend payable was established for the holders of restricted shares; such dividends will be released upon vesting of the underlying restricted shares.

On August 2, 2017 the Board of Directors declared a quarterly cash dividend of $0.06 per share, payable on September 21, 2017 to shareholders of record as of the close of business on August 24, 2017.

Compensation expense for restricted stock is recognized ratably over the required service period based on the fair value of the grant, calculated as the number of shares granted multiplied by the stock price on the date of grant and, for performance shares, the likelihood of achieving the performance criteria. Compensation cost related to stock-based awards with graded vesting, generally over a period of three to four years, is recognized using the straight-line attribution method and recorded within SG&A expenses.

On January 29, 2016, shareholders approved the Griffon Corporation 2016 Equity Incentive Plan ("Incentive Plan") under which awards of performance shares, performance units, stock options, stock appreciation rights, restricted shares, restricted stock units, deferred shares and other stock-based awards may be granted. Options granted under the Incentive Plan may be either “incentive stock options” or nonqualified stock options, generally expire ten years after the date of grant and are granted at an exercise price of not less than 100% of the fair market value at the date of grant. The maximum number of shares of common stock available for award under the Incentive Plan is 2,350,000 (600,000 of which may be issued as incentive stock options), plus (i) any shares reserved for issuance under the 2011 Equity Incentive Plan as of the effective date of the Incentive Plan, and (ii) any shares underlying awards outstanding on such effective date under the 2011 Incentive Plan that are canceled or forfeited. As of June 30, 2017, there were 1,093,816 shares available for grant.

All grants outstanding under former equity plans will continue under their terms; no additional awards will be granted under such plans.

During the first quarter of 2017, Griffon granted 300,494 shares of restricted stock and restricted stock units, subject to certain performance conditions, with vesting periods of three years, with a total fair value of $6,055, or a weighted average fair value of $20.15 per share. During the second quarter of 2017, Griffon granted 528,000 shares of restricted stock to two senior executives with a vesting period of four years and a two year post-vesting holding period, subject to the achievement of certain absolute and relative performance conditions relating to the price of Griffon's common stock. So long as the minimum performance condition is attained, the amount of shares that can vest will range from 384,000 to 528,000. The total fair value of these restricted shares is approximately $8,500, or a weighted average fair value of $16.10. Also during the second quarter, Griffon granted 40,700 shares of restricted stock with a vesting period of three years and a fair value of $1,036, or a weighted average fair value of $25.45 per share. During the third quarter of 2017, no shares of restricted stock were granted.

For the quarters ended June 30, 2017 and 2016, stock based compensation expense totaled $2,405 and $2,877, respectively. For the nine months ended June 30, 2017 and 2016, stock based compensation expense totaled $7,200 and $8,432, respectively.

During the quarter and nine months ended June 30, 2017, 1,591 shares, with a market value of $38 or $23.64 per share, and 584,069 shares, with a market value of $13,595 or $23.28 per share, respectively, were withheld to settle employee taxes due to the vesting of restricted stock, and were added to treasury.

On December 21, 2009, Griffon issued $100,000 principal amount of 4% convertible subordinated notes due 2017 (the “2017 Notes”). On July 14, 2016, Griffon announced that it would settle, upon conversion, up to $125,000 of the conversion value of the 2017 Notes in cash, with amounts in excess of $125,000, if any, to be settled in shares of Griffon common stock. On January 17, 2017, Griffon settled the convertible debt for $173,855 with $125,000 in cash, utilizing borrowing under the Credit Agreement, and $48,858, or 1,954,993 shares of common stock issued from treasury.

On each of July 29, 2015 and August 3, 2016, Griffon’s Board of Directors authorized the repurchase of up to $50,000 of Griffon’s outstanding common stock. Under these share repurchase programs, the Company may purchase shares in the open market, including pursuant to a 10b5-1 plan, or in privately negotiated transactions. There were no repurchases under these programs during the quarter ended June 30, 2017. During the nine months ended June 30, 2017, Griffon purchased 129,000 shares of common stock under these programs, for a total of $2,201 or $17.06 per share. As of June 30, 2017, $49,437 remains under the August 2016 Board authorization.

From August 2011 to June 30, 2017, Griffon repurchased 15,984,854 shares of common stock, for a total of $211,621 or $13.24 per share, under Board authorized repurchase programs.

In addition to repurchases under Board authorized programs, on December 10, 2013, Griffon repurchased 4,444,444 shares of its common stock for $50,000 from GS Direct, L.L.C. ("GS Direct"), an affiliate of The Goldman Sachs Group, Inc. Subject to certain exceptions, if GS Direct intends to sell its remaining 5,555,556 shares of Griffon common stock at any time prior to December 31, 2017, it will first negotiate in good faith to sell such shares to the Company.

NOTE 10 – EARNINGS PER SHARE (EPS)

Basic EPS (and diluted EPS in periods when a loss exists) was calculated by dividing income available to common shareholders by the weighted average number of shares of common stock outstanding during the period. Diluted EPS was calculated by dividing income available to common shareholders by the weighted average number of shares of common stock outstanding plus additional common shares that were issued in connection with stock based compensation and upon the settlement of the 2017 convertible notes.

The following table is a reconciliation of the share amounts (in thousands) used in computing earnings per share:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2017	2016	2017	2016
Weighted average shares outstanding - basic	41,683	40,558	40,765	41,318
Incremental shares from stock based compensation	1,572	1,876	1,683	2,047
Convertible debt matured 2017	—	846	486	878
Weighted average shares outstanding - diluted	43,255	43,280	42,934	44,243
Anti-dilutive options excluded from diluted EPS computation	—	377	—	404

On July 14, 2016, Griffon announced that it would settle, upon conversion, up to $125,000 of the conversion value of the 2017 Notes in cash, with amounts in excess of $125,000, if any, to be settled in shares of Griffon common stock. During the quarter ended March 31, 2017, Griffon settled the 2017 Notes for $173,855 with $125,000 in cash and 1,954,993 shares of common stock issued from treasury. Prior to settlement, Griffon had the intent and ability to settle the principal amount of the 2017 Notes in cash, and as such, the issuance of shares related to the principal amount of the 2017 Notes did not affect diluted shares.

NOTE 11 – BUSINESS SEGMENTS

Griffon's reportable segments are as follows:

- HBP is the leading US manufacturer and a global provider of long-handled tools and landscaping products for homeowners and professionals, as well as a leading manufacturer and marketer of residential and commercial garage doors and sells to professional dealers and some of the largest home center retail chains in North America.

- Telephonics is recognized globally as a leading provider of highly sophisticated intelligence, surveillance and communications solutions for defense, aerospace and commercial customers.

- PPC is a global leader in the development and production of embossed, laminated and printed specialty plastic films for hygienic, health-care and industrial products and sells to some of the world's largest consumer products companies.

Information on Griffon's reportable segments is as follows:

	For the Three Months Ended June 30,		For the Nine Months Ended June 30,	
REVENUE	2017	2016	2017	2016
Home & Building Products:				
AMES	$136,132	$122,198	$419,763	$406,335
CBP	140,349	133,362	406,437	389,657

Home & Building Products	276,481	255,560	826,200	795,992
Telephonics	81,633	91,767	267,998	306,678
PPC	115,206	114,873	341,986	353,786
Total consolidated net sales	$473,320	$462,200	$1,436,184	$1,456,456

The following table reconciles segment operating profit to income before taxes:

INCOME BEFORE TAXES	For the Three Months Ended June 30, 2017	2016	For the Nine Months Ended June 30, 2017	2016
Segment operating profit:				
Home & Building Products	$23,708	$23,201	$64,661	$62,170
Telephonics	4,114	9,471	18,521	25,159
PPC	6,325	1,672	19,628	13,569
Total segment operating profit	34,147	34,344	102,810	100,898
Net interest expense	(12,712)	(12,960)	(38,701)	(37,320)
Unallocated amounts	(9,865)	(9,625)	(29,324)	(28,632)
Income before taxes	$11,570	$11,759	$34,785	$34,946

Griffon evaluates performance and allocates resources based on each segment's operating results before interest income and expense, income taxes, depreciation and amortization, unallocated amounts (mainly corporate overhead), restructuring charges, loss on debt extinguishment and acquisition related expenses, as well as other items that may affect comparability, as applicable (“Segment adjusted EBITDA”). Griffon believes this information is useful to investors for the same reason.

The following table provides a reconciliation of Segment adjusted EBITDA to Income before taxes:

	For the Three Months Ended June 30, 2017	2016	For the Nine Months Ended June 30, 2017	2016
Segment adjusted EBITDA:				
Home & Building Products	$33,134	$32,082	$92,506	$88,249
Telephonics	6,784	12,125	26,679	32,913
PPC	13,311	13,588	39,652	37,154
Total Segment adjusted EBITDA	53,229	57,795	158,837	158,316
Net interest expense	(12,712)	(12,960)	(38,701)	(37,320)
Segment depreciation and amortization	(19,082)	(17,551)	(56,027)	(51,518)
Unallocated amounts	(9,865)	(9,625)	(29,324)	(28,632)
Restructuring charges	—	(5,900)	—	(5,900)
Income before taxes	$11,570	$11,759	$34,785	$34,946

Unallocated amounts typically include general corporate expenses not attributable to a reportable segment.

DEPRECIATION and AMORTIZATION	For the Three Months Ended June 30, 2017	2016	For the Nine Months Ended June 30, 2017	2016
Segment:				
Home & Building Products	$9,426	$8,881	$27,845	$26,079
Telephonics	2,670	2,654	8,158	7,754
PPC	6,986	6,016	20,024	17,685
Total segment depreciation and amortization	19,082	17,551	56,027	51,518
Corporate	125	126	353	361
Total consolidated depreciation and amortization	$19,207	$17,677	$56,380	$51,879
CAPITAL EXPENDITURES				
Segment:				
Home & Building Products	$5,800	$9,148	$16,213	$37,263
Telephonics	1,161	2,360	4,274	5,598
PPC	9,678	5,648	36,764	19,008
Total segment	16,639	17,156	57,251	61,869
Corporate	1	139	1,902	1,378
Total consolidated capital expenditures	$16,640	$17,295	$59,153	$63,247

ASSETS	At June 30, 2017	At September 30, 2016
Segment assets:		
Home & Building Products	$1,030,779	$ 1,020,297
Telephonics	315,791	334,631
PPC	362,003	365,920
Total segment assets	1,708,573	1,720,848
Corporate	91,117	59,061
Total continuing assets	1,799,690	1,779,909
Assets of discontinued operations	4,793	2,187
Consolidated total	$1,804,483	$ 1,782,096

Table of Contents

GRIFFON CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(US dollars and non US currencies in thousands, except per share data)
(Unaudited)
(Unless otherwise indicated, references to years or year-end refer to Griffon's fiscal period ending September 30)

NOTE 12 – DEFINED BENEFIT PENSION EXPENSE

Defined benefit pension expense (income) was as follows:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2017	2016	2017	2016
Interest cost	$1,402	$1,065	$4,206	$5,225
Expected return on plan assets	(2,735)	(2,489)	(8,207)	(8,321)
Amortization:				
Prior service cost	4	3	12	11
Recognized actuarial loss	832	590	2,496	1,771
Net periodic expense (income)	$(497)	$(831)	$(1,493)	$(1,314)

In 2016, the Company changed the method used to estimate the service and interest components of net periodic benefit cost for pension and other post-retirement benefits from the single weighted-average discount rate to the spot rate method. There was no impact on the total benefit obligation.

NOTE 13 – RECENT ACCOUNTING PRONOUNCEMENTS
Recently adopted accounting pronouncements

In March 2016, the FASB issued guidance on Stock Compensation: Improvements to Employee Share-Based Payment Accounting. The guidance changes how companies account for certain aspects of share-based payment awards to employees, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as the classification of related matters in the statement of cash flows. The amendments are effective for annual periods, and interim reporting periods within those annual periods, beginning after December 15, 2016 using either the prospective, retrospective or modified retrospective transition method, depending on the area covered in this update. In the fourth quarter of fiscal 2016, the Company early adopted this guidance as of October 1, 2015, using the prospective transition method in order to simplify the accounting for employee share-based payments. As such, all excess tax benefits ("windfalls") and deficiencies ("shortfalls") related to employee stock compensation were recognized within income tax expense and included in operating cash flow for the year ended September 30, 2016. Under prior guidance, windfalls were recognized to Capital in excess of par value and shortfalls were only recognized to the extent they exceeded the pool of windfall tax benefits; benefits were recognized in financing activities in the cash flow.

The first through third 2016 quarters and related year-to-date periods were adjusted as a result of the adoption. A tax benefit of $2,193 was recognized within income tax expense reflecting the excess tax benefits in the accompanying Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) for the nine-month period ended June 30, 2016. Additionally, income tax benefits at settlement of an award were previously reported as a reduction to operating cash flows and an increase to financing cash flows to the extent that those benefits exceeded the income tax benefits reported in earnings during the award's vesting period. As such, there was a $2,291 increase to net cash provided by operating activities and a corresponding decrease to net cash used in financing activities in the accompanying Condensed Consolidated Statement of Cash Flows for nine-month period ended June 30, 2016. The remaining provisions of this accounting standard did not have a material impact on the accompanying condensed consolidated financial statements.

Newly issued but not yet effective accounting pronouncements

In May 2017, the FASB issued guidance to address the situation when a company modifies the terms of a stock compensation award previously granted to an employee. This guidance is effective, and should be applied prospectively, for fiscal years beginning after December 15, 2017. Early adoption is permitted as of the beginning of an annual period. The new guidance is effective for the Company beginning in 2019. We are currently evaluating the impact of the guidance on the Company's financial condition, results of operations and related disclosures.

In March 2017, the FASB issued amendments to the Compensation - Retirement Benefits guidance which requires companies to retrospectively present the service cost component of net periodic benefit cost for pension and retiree medical plans along with other compensation costs in operating income and present the other components of net periodic benefit cost below operating income in the income statement. The guidance also allows only the service cost component of net periodic benefit cost to be eligible for capitalization within inventory or fixed assets on a prospective basis. This guidance is effective, and should be applied retroactively, for fiscal years beginning after December 15, 2017. Early adoption is permitted as of the beginning of an annual period. The new guidance is effective for the Company beginning in 2019. We are currently evaluating the impact of the guidance on the Company's financial condition, results of operations and related disclosures.

In January 2017, the FASB issued guidance that simplifies how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. Step 2 measures a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. This guidance is effective for annual periods beginning after December 15, 2019, including interim periods within those periods and will be effective for the Company beginning in 2020. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. We are currently evaluating the impact of the guidance on the Company's financial condition, results of operations and related disclosures.

In January 2017, the FASB issued guidance that clarifies the definition of a business, which will impact many areas of accounting including acquisitions, disposals, goodwill, and consolidation. The new standard is intended to help companies and other organizations evaluate whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. This guidance is effective for annual periods beginning after December 15, 2017, including interim periods within those periods and will be effective for the Company beginning in 2019. We are currently evaluating the impact of the guidance on the Company's financial condition, results of operations and related disclosures.

In August 2016, the FASB issued guidance on the Statement of Cash Flows Classification of certain cash receipts and cash payments (a consensus of the FASB Emerging Issues Task Force). This guidance addresses the following eight specific cash flow issues: Debt prepayment or debt extinguishment costs; settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; contingent consideration payments made after a business combination; proceeds from the settlement of insurance claims; proceeds from the settlement of corporate-owned life insurance policies (including bank-owned life insurance policies); distributions received from equity method investees; beneficial interests in securitization transactions; and separately identifiable cash flows and application of the predominance principle. This guidance will be effective for the Company beginning in 2019. We are currently evaluating the impact of the guidance on the Company's financial condition, results of operations and related disclosures.

In February 2016, the FASB issued guidance on lease accounting requiring lessees to recognize a right-of-use asset and a lease liability for long-term leases. The liability will be equal to the present value of lease payments. This guidance must be applied using a modified retrospective transition approach to all annual and interim periods presented and is effective for the Company beginning in 2020. We are currently evaluating the impact of the guidance on the Company's financial condition, results of operations and related disclosures.

In August 2014, the FASB issued guidance on management's responsibility in evaluating whether there is substantial doubt about a company's ability to continue as a going concern and related footnote disclosures. Management will be required to evaluate, at each reporting period, whether there are conditions or events that raise substantial doubt about a company's ability to continue as a going concern within one year from the date the financial statements are issued. This guidance is effective prospectively for annual and interim reporting periods beginning in 2017; implementation of this guidance is not expected to have a material effect on the Company’s financial condition or results of operations.

In May 2014, the FASB issued guidance on revenue from contracts with customers. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved, in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. This guidance permits the use of either the retrospective or cumulative effect transition method and is effective for the Company beginning in 2019; early adoption is permitted beginning in 2018. We have not yet selected a transition method and are currently evaluating the impact of the guidance on the Company's financial condition, results of operations and related disclosures. The FASB has also issued the following additional guidance clarifying certain issues on revenue from contracts with customers; Revenue from Contracts with Customers: Narrow-Scope Improvements and Practical Expedients and Revenue from Contracts with Customers: Identifying Performance Obligations and

Licensing. The Company is currently evaluating this guidance to determine the impact it will have on its consolidated financial statements.

The Company has implemented all new accounting pronouncements that are in effect and that may impact its financial statements, and does not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations.

NOTE 14 – DISCONTINUED OPERATIONS

The following amounts related to the Installation Services segment, discontinued in 2008, and other businesses discontinued several years ago, which have been segregated from Griffon's continuing operations, and are reported as assets and liabilities of discontinued operations in the Condensed Consolidated Balance Sheets:

	At June 30, 2017	At September 30, 2016
Assets of discontinued operations:		
Prepaid and other current assets	$ 479	$ 219
Other long-term assets	4,314	1,968
Total assets of discontinued operations	$ 4,793	$ 2,187
Liabilities of discontinued operations:		
Accrued liabilities, current	$ 1,107	$ 1,684
Other long-term liabilities	4,321	1,706
Total liabilities of discontinued operations	$ 5,428	$ 3,390

There was no Installation Services revenue or income for the quarter and nine months ended June 30, 2017 or 2016.

NOTE 15 – RESTRUCTURING AND OTHER RELATED CHARGES

During the third quarter of 2016, PPC incurred pre-tax restructuring and related exit costs approximating $5,900 primarily related to headcount reductions at PPC's Dombuhl, Germany facility, other location headcount reductions and for costs related to the shut down of PPC's Turkey facility. These actions resulted in the elimination of approximately 83 positions. The Dombuhl charges are related to an optimization plan that will drive innovation and enhance PPC's industry leading position in printed breathable back sheet. The facility will be transformed into a state of the art hygiene products facility focused on breathable printed film and siliconized products. In conjunction with this effort, PPC's customer base will be streamlined, and PPC will dispose of old assets and reduce overhead costs, allowing for gains in efficiencies.

The activity in the restructuring accrual recorded in accrued liabilities consisted of the following:

	Workforce Reduction	Other Related	Total
Accrued liability at September 30, 2016	$ 2,487	$ 1,004	$ 3,491
Payments	(1,749)	(745)	(2,494)
Accrued liability at June 30, 2017	$ 738	$ 259	$ 997

NOTE 16 – OTHER INCOME (EXPENSE)

For the quarters ended June 30, 2017 and 2016, Other income (expense) included $(849) and $192, respectively, of net currency exchange gains (losses) in connection with the translation of receivables and payables denominated in currencies other than the functional currencies of Griffon and its subsidiaries as well as $55 and $58, respectively, of net investment income.

For the nine months ended June 30, 2017 and 2016, Other income (expense) included $(1,116) and $301, respectively, of net currency exchange gains (losses) in connection with the translation of receivables and payables denominated in currencies other than the functional currencies of Griffon and its subsidiaries as well as $210 and $260, respectively, of net investment income.

NOTE 17 – WARRANTY LIABILITY

Telephonics offers warranties against product defects for periods generally ranging from one to two years, depending on the specific product and terms of the customer purchase agreement. CBP also offers warranties against product defects for periods generally ranging from one to ten years, with limited lifetime warranties on certain door models. Typical warranties require CBP and Telephonics to repair or replace the defective products during the warranty period at no cost to the customer. At the time revenue is recognized, Griffon records a liability for warranty costs, estimated based on historical experience, and periodically assesses its warranty obligations and adjusts the liability as necessary. AMES offers an express limited warranty for a period of ninety days on all products from the date of original purchase unless otherwise stated on the product or packaging.

Changes in Griffon's warranty liability, included in Accrued liabilities, were as follows:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2017	2016	2017	2016
Balance, beginning of period	$5,803	$6,469	$6,322	$6,040
Warranties issued and changes in estimated pre-existing warranties	803	1,496	3,310	4,504
Actual warranty costs incurred	(1,457)	(1,698)	(4,483)	(4,277)
Balance, end of period	$5,149	$6,267	$5,149	$6,267

NOTE 18 – OTHER COMPREHENSIVE INCOME (LOSS)

The amounts recognized in other comprehensive income (loss) were as follows:

	Three Months Ended June 30, 2017			Three Months Ended June 30, 2016		
	Pre-tax	Tax	Net of tax	Pre-tax	Tax	Net of tax
Foreign currency translation adjustments	$6,414	$—	$6,414	$796	$—	$796
Pension and other defined benefit plans	836	(292)	544	593	(207)	386
Cash flow hedges	277	(79)	198	1,838	(551)	1,287
Total other comprehensive income (loss)	$7,527	$(371)	$7,156	$3,227	$(758)	$2,469

	Nine Months Ended June 30, 2017			Nine Months Ended June 30, 2016		
	Pre-tax	Tax	Net of tax	Pre-tax	Tax	Net of tax
Foreign currency translation adjustments	$1,344	$—	$1,344	$11,130	$—	$11,130
Pension and other defined benefit plans	2,508	(876)	1,632	1,782	(624)	1,158
Cash flow hedges	1,121	(320)	801	(1,967)	590	(1,377)
Total other comprehensive income (loss)	$4,973	$(1,196)	$3,777	$10,945	$(34)	$10,911

The components of Accumulated other comprehensive income (loss) are as follows:

	June 30, 2017	September 30, 2016
Foreign currency translation adjustments	$(41,550)	$ (42,894)
Pension and other defined benefit plans	(35,711)	(37,343)
Change in Cash flow hedges	(203)	(1,004)
	$(77,464)	$ (81,241)

Amounts reclassified from accumulated other comprehensive income (loss) to income were as follows:

	For the Three Months Ended June 30,		For the Nine Months Ended June 30,	
Gain (Loss)	2017	2016	2017	2016
Pension amortization	$(836)	$(593)	$(2,508)	$(1,782)
Cash flow hedges	(88)	(764)	(910)	324
Total gain (loss)	(924)	(1,357)	(3,418)	(1,458)
Tax benefit (expense)	277	407	1,025	438
Total	$(647)	$(950)	$(2,393)	$(1,020)

NOTE 19 — COMMITMENTS AND CONTINGENCIES

Legal and environmental

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

Subsequently, ISC was advised by the 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 then entered into a consent order with the DEC in 1996 (the "Consent Order") to perform a remedial investigation and prepare a feasibility study.

After completing the initial remedial investigation pursuant to the Consent Order, ISC was required by the DEC, and did accordingly conduct over the next several years, supplemental remedial investigations, including soil vapor investigations, under the Consent Order.

In April 2009, the DEC advised ISC's representatives that both the DEC and the New York State Department of Health had reviewed and accepted an August 2007 Remedial Investigation Report and an Additional Data Collection Summary Report dated January 30, 2009. With the acceptance of these reports, ISC completed the remedial investigation required under the Consent Order and was authorized, accordingly, by the DEC to conduct the Feasibility Study required by the Consent Order. Pursuant to the requirements of the Consent Order and its obligations thereunder, ISC, without acknowledging any responsibility to perform any remediation at the Site, submitted to the DEC in August 2009, a draft feasibility study which recommended for the soil, groundwater and sediment media, remediation alternatives having a current net capital cost value, in the aggregate, of approximately \$5,000. In February 2011, DEC advised ISC it has accepted and approved the feasibility study. Accordingly, ISC has no further obligations under the consent order.

Upon acceptance of the feasibility study, DEC issued a Proposed Remedial Action Plan ("PRAP") that sets forth the proposed remedy for the site. The PRAP accepted the recommendation contained in the feasibility study for remediation of the soil and groundwater media, but selected a different remediation alternative for the sediment medium. The approximate cost and the current net capital cost value of the remedy proposed by DEC in the PRAP is approximately \$10,000. After receiving public comments on the PRAP, the DEC issued a Record of Decision ("ROD") that set forth the specific remedies selected and responded to public comments. The remedies selected by the DEC in the ROD are the same remedies as those set forth in the PRAP.

It is now expected that DEC will enter into negotiations with potentially responsible parties to request they undertake performance of the remedies selected in the ROD, and if such parties do not agree to implement such remedies, then the State of New York may use State Superfund money to remediate the Peekskill site and seek recovery of costs from such parties. Griffon does not acknowledge any responsibility to perform any remediation at the Peekskill Site.

Improper Advertisement Claim involving Union Tools® Products. Beginning in December 2004, a customer of AMES had been named in various litigation matters relating to certain Union Tools products. The plaintiffs in those litigation matters asserted causes of action against the customer of AMES for improper advertisement to end consumers. The allegations suggested that advertisements led the consumers to believe that Union Tools' hand tools were wholly manufactured within boundaries of the United States. The complaints asserted various causes of action against the customer of AMES under federal and state law, including common law fraud. At some point, the customer may seek indemnity (including recovery of its legal fees and costs) against AMES for an unspecified amount. Presently, AMES cannot estimate the amount of loss, if any, if the customer were to seek legal recourse against AMES.

Union Fork and Hoe, Frankfort, NY site. The former Union Fork and Hoe property in Frankfort, NY was acquired by Ames in 2006 as part of a larger acquisition, and has historic site contamination involving chlorinated solvents, petroleum hydrocarbons and metals. AMES has entered into an Order on Consent with the New York State Department of Environmental Conservation. While the Order is without admission or finding of liability or acknowledgment that there has been a release of hazardous substances at the site, AMES is required to perform a remedial investigation of certain portions of the property and to recommend a remediation option. At the conclusion of the remediation phase to the satisfaction of the DEC, the DEC will issue a Certificate of Completion. AMES has performed significant investigative and remedial activities in the last few years under work plans approved by the DEC, and the DEC has approved the final remedial investigation report. AMES submitted a Feasibility Study, evaluating a number of remedial options, and recommending excavation and offsite disposal of lead contaminated soils, capping of other areas of the site impacted by other metals and performing limited groundwater monitoring. The Company is now awaiting a DEC decision on the Feasibility Study and the issuance of a Record of Decision.

Implementation of the selected remedial alternative is expected to occur following regulatory approval. AMES has a number of defenses to liability in this matter, including its rights under a previous Consent Judgment entered into between the DEC and a predecessor of AMES relating to the site.

US Government investigations and claims

Defense contracts and subcontracts, including Griffon's contracts and subcontracts, are subject to audit and review by various agencies and instrumentalities of the United States government, including among others, the Defense Contract Audit Agency ("DCAA"), the Defense Criminal Investigative Service ("DCIS"), and the Department of Justice ("DOJ") which has responsibility for asserting claims on behalf of the US government. In addition to ongoing audits, Griffon is currently in discussions with the civil division of the US Department of Justice regarding certain amounts the civil division has indicated it believes it is owed from Griffon with respect to certain US government contracts in which Griffon acted as a subcontractor. No claim has been asserted against Griffon in connection with this matter, and Griffon believes that it does not have a material financial exposure in connection with this matter.

In general, departments and agencies of the US Government have the authority to investigate various transactions and operations of Griffon, and the results of such investigations may lead to administrative, civil or criminal proceedings, the ultimate outcome of which could be fines, penalties, repayments or compensatory or treble damages. US Government regulations provide that certain findings against a contractor may lead to suspension or debarment from future US Government contracts or the loss of export privileges for a company or an operating division or subdivision. Suspension or debarment could have a material adverse effect on Telephonics because of its reliance on government contracts.

General legal

Griffon is subject to various laws and regulations relating to the protection of the environment and is a party to legal proceedings arising in the ordinary course of business. Management believes, based on facts presently known to it, that the resolution of the
matters above and such other matters will not have a material adverse effect on Griffon's consolidated financial position, results of operations or cash flows.

NOTE 20 — CONSOLIDATING GUARANTOR AND NON-GUARANTOR FINANCIAL INFORMATION

Griffon's Senior Notes are fully and unconditionally guaranteed, jointly and severally, on a senior secured basis by the domestic assets of Clopay Building Products Company, Inc., Clopay Plastic Products Company, Inc., Telephonics Corporation, The AMES Companies, Inc., ATT Southern, Inc. and Clopay Ames True Temper Holding Corp., all of which are indirectly 100% owned by Griffon. In accordance with Rule 3-10 of Regulation S-X promulgated under the Securities Act of 1933, presented below are condensed consolidating financial information as of June 30, 2017 and September 30, 2016 and for the three and nine months ended June 30, 2017 and 2016. The financial information may not necessarily be indicative of the results of operations or financial position of the guarantor companies or non-guarantor companies had they operated as independent entities. The guarantor companies and the non-guarantor companies include the consolidated financial results of their wholly-owned subsidiaries accounted for under the equity method.

The indenture relating to the Senior Notes (the "Indenture") contains terms providing that, under certain limited circumstances, a guarantor will be released from its obligations to guarantee the Senior Notes. These circumstances include (i) a sale of at least a majority of the stock, or all or substantially all the assets, of the subsidiary guarantor as permitted by the Indenture; (ii) a public equity offering of a subsidiary guarantor that qualifies as a "Minority Business" as defined in the Indenture (generally, a business the EBITDA of which constitutes less than 50% of the segment adjusted EBITDA of the Company for the most recently ended four fiscal quarters), and that meets certain other specified conditions as set forth in the Indenture; (iii) the designation of a guarantor as an "unrestricted subsidiary" as defined in the Indenture, in compliance with the terms of the Indenture; (iv) Griffon exercising its right to defease the Senior Notes, or to otherwise discharge its obligations under the Indenture, in each case in accordance with the terms of the Indenture; and (v) upon obtaining the requisite consent of the holders of the Senior Notes.

25

CONDENSED CONSOLIDATING BALANCE SHEETS
At June 30, 2017

	Parent Company	Guarantor Companies	Non-Guarantor Companies	Elimination	Consolidation
CURRENT ASSETS					
Cash and equivalents	$21,231	$11,550	$ 36,667	$—	$ 69,448
Accounts receivable, net of allowances	—	192,813	54,839	(19,839)	227,813
Contract costs and recognized income not yet billed, net of progress payments	—	119,114	253	—	119,367
Inventories, net	—	269,815	69,502	76	339,393
Prepaid and other current assets	14,014	16,574	12,908	126	43,622
Assets of discontinued operations	—	—	479	—	479
Total Current Assets	35,245	609,866	174,648	(19,637)	800,122
PROPERTY, PLANT AND EQUIPMENT, net	723	300,922	108,827	—	410,472
GOODWILL	—	284,875	76,530	—	361,405
INTANGIBLE ASSETS, net	—	144,620	65,440	—	210,060
INTERCOMPANY RECEIVABLE	555,769	756,667	356,701	(1,669,137)	—
EQUITY INVESTMENTS IN SUBSIDIARIES	848,559	867,153	1,062,002	(2,777,714)	—
OTHER ASSETS	8,568	5,515	4,006	21	18,110
ASSETS OF DISCONTINUED OPERATIONS	—	—	4,314	—	4,314
Total Assets	$1,448,864	$2,969,618	$ 1,852,468	$(4,466,467)	$ 1,804,483
CURRENT LIABILITIES					
Notes payable and current portion of long-term debt	$2,895	$2,358	$ 11,403	$—	$ 16,656
Accounts payable and accrued liabilities	28,093	192,756	69,231	(13,638)	276,442
Liabilities of discontinued operations	—	—	1,107	—	1,107
Total Current Liabilities	30,988	195,114	81,741	(13,638)	294,205
LONG-TERM DEBT, net	924,307	17,240	39,173	—	980,720
INTERCOMPANY PAYABLES	75,225	768,406	795,095	(1,638,726)	—
OTHER LIABILITIES	24,256	100,641	12,310	(6,058)	131,149
LIABILITIES OF DISCONTINUED OPERATIONS	—	—	4,321	—	4,321
Total Liabilities	1,054,776	1,081,401	932,640	(1,658,422)	1,410,395
SHAREHOLDERS’ EQUITY	394,088	1,888,217	919,828	(2,808,045)	394,088
Total Liabilities and Shareholders’ Equity	$1,448,864	$2,969,618	$ 1,852,468	$(4,466,467)	$ 1,804,483

CONDENSED CONSOLIDATING BALANCE SHEETS
At September 30, 2016

	Parent Company	Guarantor Companies	Non-Guarantor Companies	Elimination	Consolidation
CURRENT ASSETS					
Cash and equivalents	$6,517	$27,692	$ 38,344	$—	$ 72,553
Accounts receivable, net of allowances	—	175,583	63,810	(5,642)	233,751
Contract costs and recognized income not yet billed, net of progress payments	—	126,961	—	—	126,961
Inventories, net	—	239,325	69,544	—	308,869
Prepaid and other current assets	39,763	31,191	16,447	(48,796)	38,605
Assets of discontinued operations	—	—	219	—	219
Total Current Assets	46,280	600,752	188,364	(54,438)	780,958
PROPERTY, PLANT AND EQUIPMENT, net	956	303,735	100,713	—	405,404
GOODWILL	—	284,875	76,310	—	361,185
INTANGIBLE ASSETS, net	—	147,960	62,639	—	210,599
INTERCOMPANY RECEIVABLE	539,938	713,118	307,081	(1,560,137)	—
EQUITY INVESTMENTS IN SUBSIDIARIES	824,887	866,595	1,916,622	(3,608,104)	—
OTHER ASSETS	6,529	12,151	12,675	(9,373)	21,982
ASSETS OF DISCONTINUED OPERATIONS	—	—	1,968	—	1,968
Total Assets	$1,418,590	$2,929,186	$ 2,666,372	$(5,232,052)	$ 1,782,096
CURRENT LIABILITIES					
Notes payable and current portion of long-term debt	$3,153	$2,307	$ 17,184	$—	$ 22,644
Accounts payable and accrued liabilities	65,751	202,657	65,213	(39,686)	293,935
Liabilities of discontinued operations	—	—	1,684	—	1,684
Total Current Liabilities	68,904	204,964	84,081	(39,686)	318,263
LONG-TERM DEBT, net	848,589	18,872	46,453	—	913,914
INTERCOMPANY PAYABLES	57,648	737,980	735,053	(1,530,681)	—
OTHER LIABILITIES	32,502	114,491	26,574	(36,301)	137,266
LIABILITIES OF DISCONTINUED OPERATIONS	—	—	1,706	—	1,706
Total Liabilities	1,007,643	1,076,307	893,867	(1,606,668)	1,371,149
SHAREHOLDERS’ EQUITY	410,947	1,852,879	1,772,505	(3,625,384)	410,947
Total Liabilities and Shareholders’ Equity	$1,418,590	$2,929,186	$ 2,666,372	$(5,232,052)	$ 1,782,096

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
For the Three Months Ended June 30, 2017

($ in thousands)	Parent Company	Guarantor Companies	Non-Guarantor Companies	Elimination	Consolidation
Revenue	$—	$376,143	$103,905	$(6,728)	$473,320
Cost of goods and services	—	283,552	81,082	(7,271)	357,363
Gross profit	—	92,591	22,823	543	115,957
Selling, general and administrative expenses	7,038	65,146	18,648	(92)	90,740
Income (loss) from operations	(7,038)	27,445	4,175	635	25,217
Other income (expense)					
Interest income (expense), net	(3,267)	(8,248)	(1,197)	—	(12,712)
Other, net	55	572	(927)	(635)	(935)
Total other income (expense)	(3,212)	(7,676)	(2,124)	(635)	(13,647)
Income (loss) before taxes	(10,250)	19,769	2,051	—	11,570
Provision (benefit) for income taxes	(6,080)	6,910	1,187	—	2,017
Income (loss) before equity in net income of subsidiaries	(4,170)	12,859	864	—	9,553
Equity in net income (loss) of subsidiaries	13,723	913	12,859	(27,495)	—
Net income (loss)	$9,553	$13,772	$13,723	$(27,495)	$9,553
Net Income (loss)	$9,553	$13,772	$13,723	$(27,495)	$9,553
Other comprehensive income (loss), net of taxes	7,156	3,688	9,992	(13,680)	7,156
Comprehensive income (loss)	$16,709	$17,460	$23,715	$(41,175)	$16,709

28

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
For the Three Months Ended June 30, 2016

($ in thousands)	Parent Company	Guarantor Companies	Non-Guarantor Companies	Elimination	Consolidation
Revenue	$ —	$ 369,235	$ 100,420	$ (7,455)	$ 462,200
Cost of goods and services	—	267,804	82,914	(7,875)	342,843
Gross profit	—	101,431	17,506	420	119,357
Selling, general and administrative expenses	6,646	64,735	17,591	(92)	88,880
Restructuring and other related charges	—	1,299	4,601	—	5,900
Total operating expenses	6,646	66,034	22,192	(92)	94,780
Income (loss) from operations	(6,646)	35,397	(4,686)	512	24,577
Other income (expense)					
Interest income (expense), net	(3,347)	(7,656)	(1,957)	—	(12,960)
Other, net	67	714	(127)	(512)	142
Total other income (expense)	(3,280)	(6,942)	(2,084)	(512)	(12,818)
Income (loss) before taxes	(9,926)	28,455	(6,770)	—	11,759
Provision (benefit) for income taxes	12,946	7,167	(15,950)	—	4,163
Income (loss) before equity in net income of subsidiaries	(22,872)	21,288	9,180	—	7,596
Equity in net income (loss) of subsidiaries	30,468	7,454	21,288		