FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

For the quarterly period ended June 30, 1998

OR

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

For the transition period from _________ to _________

Commission file number 0-22462

Gibraltar Steel Corporation
(Exact name of Registrant as specified in its charter)

Delaware	16-1445150
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

3556 Lake Shore Road, P.O. Box 2028, Buffalo, New York 14219-0228
(Address of principal executive offices)

(716) 826-6500
(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. Yes X . No .

As of July 31, 1998, the number of common shares outstanding was:12,476,293.

GIBRALTAR STEEL CORPORATION

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

GIBRALTAR STEEL CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEET
(in thousands)

	June 30, 1998 (unaudited)	December 31, 1997 (audited)
Assets		
Current assets:		
Cash and cash equivalents	$ 2,967	$ 2,437
Accounts receivable	77,615	49,151
Inventories	110,839	76,701
Other current assets	4,428	2,457
Total current assets	195,849	130,746
Property, plant and equipment, net	151,193	115,402
Other assets	84,356	35,188
	$ 431,398	$ 281,336
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 57,402	$ 38,233
Accrued expenses	12,174	3,644
Current maturities of long-term debt	1,272	1,224
Total current liabilities	70,848	43,101
Long-term debt	189,039	81,800
Deferred income taxes	19,898	15,094
Other non-current liabilities	1,657	1,297
Shareholders' equity		
Preferred shares	-	-
Common shares	125	124
Additional paid-in capital	66,229	66,190
Retained earnings	83,602	73,730
Total shareholders' equity	149,956	140,044
	$ 431,398	$ 281,336

See accompanying notes to financial statements

GIBRALTAR STEEL CORPORATION

CONDENSED CONSOLIDATED STATEMENT OF INCOME
(in thousands, except per share data)

	Three Months Ended June 30, 1998 (unaudited)	Three Months Ended June 30, 1997 (unaudited)	Six Months Ended June 30, 1998 (unaudited)	Six Months Ended June 30, 1997 (unaudited)
Net sales	$ 144,882	$ 119,213	$ 261,265	$ 227,490
Cost of sales	117,989	99,296	214,212	188,875
Gross profit	26,893	19,917	47,053	38,615
Selling, general and administrative expense	14,563	10,576	26,249	20,652
Income from operations	12,330	9,341	20,804	17,963
Interest expense	2,745	1,448	4,351	2,597
Income before taxes	9,585	7,893	16,453	15,366
Provision for income taxes	3,834	3,196	6,581	6,223
Net income	$ 5,751	$ 4,697	$ 9,872	$ 9,143
Net income per share-Basic	$ .46	$ .38	$ .79	$ .74
Weighted average number of shares outstanding-Basic	12,451	12,326	12,431	12,325
Net income per share-Diluted	$ .45	$ .37	$ .78	$ .73
Weighted average number of shares outstanding-Diluted	12,698	12,560	12,653	12,557

See accompanying notes to financial statements

GIBRALTAR STEEL CORPORATION

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(in thousands)

	Six Months Ended June 30, 1998 (unaudited)	Six Months Ended June 30, 1997 (unaudited)
Cash flows from operating activities		
Net income	$ 9,872	$ 9,143
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	5,767	4,053
Provision for deferred income taxes	627	766
Undistributed equity investment income	(185)	(220)
Increase (decrease) in cash resulting from changes in (net of acquisitions):		
Accounts receivable	(13,705)	(8,113)
Inventories	(17,797)	(1,471)
Other current assets	(1,270)	(561)
Accounts payable and accrued expenses	11,687	(799)
Other assets	(640)	(257)
Net cash (used in) provided by operating activities	(5,644)	2,541
Cash flows from investing activities		
Acquisitions, net of cash acquired	(86,799)	(26,475)
Purchases of property, plant and equipment	(8,253)	(11,776)
Net proceeds from sale of property and equipment	104	62
Net cash used in investing activities	(94,948)	(38,189)
Cash flows from financing activities		
Long-term debt reduction	(8,312)	(43,701)
Proceeds from long-term debt	109,394	78,365
Net proceeds from issuance of common stock	40	77
Net cash provided by financing activities	101,122	34,741
Net increase (decrease) in cash and cash equivalents	530	(907)
Cash and cash equivalents at beginning of year	2,437	5,545
Cash and cash equivalents at end of period	$ 2,967	$ 4,638

See accompanying notes to financial statements

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The accompanying condensed consolidated financial statements as of June 30, 1998 and 1997 have been prepared by the Company without audit. In the opinion of management, all adjustments necessary to present fairly the financial position, results of operations and cash flows at June 30, 1998 and 1997 have been included.

Certain information and footnote disclosures including significant accounting policies normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. It is suggested that these condensed financial statements be read in conjunction with the financial statements included in the Company's Annual Report to Shareholders for the year ended December 31, 1997.

The results of operations for the six month period ended June 30, 1998 are not necessarily indicative of the results to be expected for the full year.

2. INVENTORIES

Inventories consist of the following:

	(in thousands) June 30, 1998 (unaudited)	December 31, 1997 (audited)
Raw material	$ 73,204	$ 51,804
Finished goods and work-in-process	37,635	24,897
Total inventories	$110,839	$ 76,701
	=======	=======

3. STOCKHOLDERS' EQUITY

The changes in stockholders' equity consist of:

(in thousands)

	Common Shares	Shares Amount	Additional Paid-in Capital	Retained Earnings
December 31, 1997	12,410	$ 124	$ 66,190	$ 73,730
Net income	-	-	-	9,872
Stock options exercised	-	-	10	-
Restricted stock granted	55	1	-	-
Earned portion of restricted stock	-	-	29	-
June 30, 1998	12,465	$ 125	$ 66,229	$ 83,602

4. EARNINGS PER SHARE

Basic net income per share equals net income divided by the weighted average shares outstanding for the six months ended June 30, 1998 and 1997. The computation of diluted net income per share includes all dilutive common stock equivalents in the weighted average shares outstanding. The reconciliation between basic and diluted earnings per share is as follows:

	Income	Basic Shares	Basic EPS	Diluted Shares	Diluted EPS
1998	$9,872,000	12,430,671	$.79	12,653,190	$.78
1997	$9,143,000	12,325,255	$.74	12,557,382	$.73

Included in diluted shares are common stock equivalents relating to options of 222,519 and 232,127 for 1998 and 1997, respectively.

5. ACQUISITIONS

On June 1, 1998, the Company purchased all the outstanding common stock of United Steel Products Company (USP) for approximately $24 million in cash. USP designs and manufacturers lumber connector products for the wholesale market and plastic molded products for component manufacturers.

On April 1, 1998, the Company purchased the assets and business of Appleton Supply Co., Inc. (Appleton) for approximately $28 million in cash. Appleton manufactures louvers, roof edging, soffitts and other metal building products for wholesale distribution.

On March 1, 1998, the Company purchased the assets and business of The Solar Group (Solar) for approximately $35 million in cash. Solar manufactures a line of construction products as well as a complete line of mailboxes, primarily manufactured with galvanized steel.

On January 31, 1997, the Company purchased all of the outstanding capital stock of Southeastern Metals Manufacturing Company, Inc. (SEMCO) for approximately $25 million in cash. SEMCO manufactures a wide array of metal products for the residential and commercial construction markets.

These acquisitions have been accounted for under the purchase method. Results of operations of USP, Appleton, Solar and SEMCO have been consolidated with the Company's results of operations from the respective acquisition dates. The aggregate excess of the purchase prices of these acquisitions over the fair market values of the net assets of the acquired companies is approximately $58 million and is being amortized over 35 years from the acquisition dates using the straight-line method.

The following information presents the pro forma consolidated condensed results of operations as if the acquisitions had occurred on January 1, 1997. The pro forma amounts may not be indicative of the results that actually would have been achieved had the acquisitions occurred as of January 1, 1997 and are not necessarily indicative of future results of the combined companies.

	(in thousands, except per share data) Six Months Ended June 30, 1998 (unaudited)	1997 (unaudited)
Net sales	$ 289,797	$ 289,714
Income before taxes	$ 16,909	$ 15,989
Net income	$ 10,079	$ 9,420
Net income per share-Basic	$ .81	$ .76

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

Net sales of $144.9 million for the second quarter ended June 30, 1998 increased 21.5% from sales of $119.2 million for the prior year's second quarter. This increase resulted from including net sales of Solar (acquired March 1, 1998), Appleton (acquired April 1, 1998) and USP (acquired June 1, 1998) and sales growth at existing operations which combined to more than offset the impact of a strike at an automotive customer in June 1998, which was settled in July 1998. Sales to that automobile manufacturer were less than 7% of the Company's total sales for the six months ended June 30, 1998.

Cost of sales as a percentage of net sales decreased to 81.4% for the second quarter and to 82.0% for the first six months of 1998. Gross profit increased to 18.6% and 18.0% for the second quarter and the six months ended June 30, 1998 from 16.7% and 17.0% for the comparable periods in 1997. This increase is primarily due to higher margins at SEMCO, Solar, Appleton and USP, which have historically generated higher margins than the Company's other products and services, and due to lower raw material costs at existing operations.

Selling, general and administrative expenses as a percentage of net sales increased to 10.1% for the second quarter ended June 30, 1998, from 8.9% for the same period of 1997. This increase was primarily due to higher costs as a percentage of sales attributable to Solar, Appleton and USP and performance based compensation linked to the Company's sales and profitability.

Interest expense increased by $1.3 million for the second quarter ended June 30, 1998 primarily due to higher borrowings to finance the Solar, Appleton and USP acquisitions.

As a result of the above, income before taxes increased by $1.7 million for the quarter ended June 30, 1998.

Income taxes for the three months ended June 30, 1998 approximated $3.8 million and were based on a 40.0% effective tax rate for 1998 compared to an effective tax rate of 40.5% for the same period in 1997.

Liquidity and Capital Resources

During the first six months of 1998, the Company increased its working capital to $125.0 million. Additionally, shareholders' equity increased to $150.0 million at June 30, 1998.

The Company's principal capital requirements are to fund its operations, including working capital, the purchase and funding of improvements to its facilities, machinery and equipment and to fund acquisitions.

Net income of $9.9 million and depreciation and amortization of $5.8 million combined with an increase in accounts payable and accrued expenses (net of acquisition) of $11.7 million to provide cash of $27.4 million. Increases in inventory, accounts receivable and other current assets of $32.8 million in aggregate, necessary to service increased sales levels, offset the cash generated from operations, resulting in net cash used for operations of approximately $5.6 million.

Cash used in operations of $5.6 million, capital expenditures of $8.3 million and the acquisition of Solar, Appleton and USP for approximately $86.8 million in total were primarily funded by net borrowings of $101.1 million under the Company's credit facility.

During the second quarter of 1998, the Company increased its bank credit facility to $235 million to provide additional funds to grow its business. At June 30, 1998 the Company's aggregate credit facilities available approximated $239 million with borrowings of approximately $189 million and an additional availability of approximately $50 million.

The Company believes that availability of funds under its credit facilities together with cash generated from operations will be sufficient to provide the Company with the liquidity and capital resources necessary to support its existing operations. The Company also believes it has the financial capability to increase its long-term borrowing capacity due to changes in capital requirements.

Impact of Year 2000

The Company is in the process of evaluating its management information systems to determine Year 2000 compliancy. The Company currently believes that costs required to achieve Year 2000 compliancy will not be material to its financial statements.

Recent Accounting Pronouncement

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133 Accounting for Derivative Instruments and Hedging Activities (FAS No. 133) which requires recognition of the fair value of derivatives in the statement of financial position, with changes in the fair value recognized either in earnings or as a component of other comprehensive income dependent upon the hedging nature of the derivative. Implementation of FAS No. 133 is required for fiscal 2000. The Company does not believe that FAS No. 133 will have a material impact on its earnings or other comprehensive income.

Safe Harbor Statement

The Company wishes to take advantage of the Safe Harbor provisions included in the Private Securities Litigation Reform Act of 1995 (the "Act"). Statements by the Company, other than historical information, constitute "forward looking statements" within the meaning of the Act and may be subject to a number of risk factors. Factors that could affect these statements include, but are not limited to, the following: the impact of changing steel prices on the Company's results of operations; changing demand for the Company's products and services; and changes in interest or tax rates.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K.

1. Exhibits - None

    a. Exhibit 27 - Financial Data Schedule

2. Reports on Form 8-K. There were no reports on Form 8-K during the three months ended June 30, 1998.

SIGNATURES

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.

GIBRALTAR STEEL CORPORATION
(Registrant)

By /x/ Brian J. Lipke
Brian J. Lipke
President, Chief Executive Officer
and Chairman of the Board

By /x/ Walter T. Erazmus
Walter T. Erazmus
Treasurer and Chief Financial Officer
(Principal Financial and Chief
Accounting Officer)

Date August 13, 1998

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED FINANCIAL STATEMENTS ON FORM 10-Q AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1000
US DOLLARS

6-MOS
DEC-31-1998
JAN-01-1998
JUN-30-1998
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