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 March 31, 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 April 30, 1998, the number of common shares outstanding was: 12,465,293.

GIBRALTAR STEEL CORPORATION

INDEX

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

GIBRALTAR STEEL CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEET
(in thousands)

	March 31, 1998 (unaudited)	December 31, 1997 (audited)
Assets		
Current assets:		
Cash and cash equivalents	$ 937	$ 2,437
Accounts receivable	64,833	49,151
Inventories	90,589	76,701
Other current assets	3,149	2,457
Total current assets	159,508	130,746
Property, plant and equipment, net	131,190	115,402
Other assets	47,909	35,188
	$ 338,607	$ 281,336
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 43,910	$ 38,233
Accrued expenses	7,997	3,644
Current maturities of long-term debt	1,266	1,224
Total current liabilities	53,173	43,101
Long-term debt	124,391	81,800
Deferred income taxes	15,478	15,094
Other non-current liabilities	1,395	1,297
Shareholders' equity		
Preferred shares	-	-
Common shares	124	124
Additional paid-in capital	66,195	66,190
Retained earnings	77,851	73,730
Total shareholders' equity	144,170	140,044
	$ 338,607	$ 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 March 31, 1998 (unaudited)	Three Months Ended March 31, 1997 (unaudited)
Net sales	$ 116,383	$ 108,277
Cost of sales	96,223	89,579
Gross profit	20,160	18,698
Selling, general and administrative expense	11,686	10,076
Income from operations	8,474	8,622
Interest expense	1,606	1,149
Income before taxes	6,868	7,473
Provision for income taxes	2,747	3,027
Net income	$ 4,121	$ 4,446
Net income per share-Basic	$ .33	$ .36
Weighted average shares outstanding-Basic	12,410	12,325
Net income per share-Diluted	$ .33	$ .35
Weighted average shares outstanding-Diluted	12,608	12,555

See accompanying notes to financial statements

GIBRALTAR STEEL CORPORATION

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(in thousands)

	Three Months Ended March 31, 1998 (unaudited)	Three Months Ended March 31, 1997 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 4,121	$ 4,446
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	2,561	1,932
Provision for deferred income taxes	336	304
Undistributed equity investment income	(209)	(216)
Increase (decrease) in cash resulting from changes in (net of acquisitions):		
Accounts receivable	(9,723)	(10,936)
Inventories	(7,176)	(4,346)
Other current assets	(882)	(1,019)
Accounts payable and accrued expenses	6,709	3,304
Other assets	(222)	(193)
Net cash used in operating activities	(4,485)	(6,724)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions, net of cash acquired	(35,040)	(24,907)
Purchases of property, plant and equipment	(4,338)	(4,421)
Net proceeds from sale of property and equipment	65	58
Net cash used in investing activities	(39,313)	(29,270)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term debt reduction	(2,101)	(27,397)
Proceeds from long-term debt	44,394	61,743
Net proceeds from issuance of common stock	5	26
Net cash provided by financing activities	42,298	34,372
Net decrease in cash and cash equivalents	(1,500)	(1,622)
Cash and cash equivalents at beginning of year	2,437	5,545
Cash and cash equivalents at end of period	$ 937	$ 3,923

See accompanying notes to financial statements

GIBRALTAR STEEL CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The accompanying condensed consolidated financial statements as of March 31, 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 March 31, 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 three month period ended March 31, 1998 are not necessarily indicative of the results to be expected for the full year.

2. INVENTORIES

Inventories consist of the following:

	(in thousands)	
	March 31, 1998 (unaudited)	December 31, 1997 (audited)
Raw material	$ 62,151	$ 51,804
Finished goods and work-in-process	28,438	24,897
Total inventories	$ 90,589	$ 76,701

3. STOCKHOLDERS' EQUITY

The changes in stockholders' equity consist of:

(in thousands)

	Common Shares Shares	Common Shares Amount	Additional Paid-in Capital	Retained Earnings
December 31, 1997	12,410	$ 124	$ 66,190	$ 73,730
Net income	-	-	-	4,121
Stock options exercised	-	-	5	-
March 31, 1998	12,410	$ 124	$ 66,195	$ 77,851

4. EARNINGS PER SHARE

Basic net income per share equals net income divided by the weighted average shares outstanding for the three months ended March 31, 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	$4,121,000	12,409,776	$.33	12,608,138	$.33
1997	$4,446,000	12,324,594	$.36	12,555,059	$.35

Included in diluted shares are common stock equivalents relating to options of 198,362 and 230,465 for 1998 and 1997, respectively.

5. ACQUISITIONS

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 Solar and SEMCO have been consolidated with the Company's results of operations from the respective acquisition dates. The excess of the aggregate purchase price over the fair market value of net assets of Solar and SEMCO approximated $12 million and $11 million, respectively, 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)	Three Months Ended March 31, 1998 (unaudited)	Three Months Ended March 31, 1997 (unaudited)
Net sales	$ 123,155	$ 125,561
Income before taxes	$ 6,770	$ 7,338
Net income	$ 4,062	$ 4,356
Net income per share	$ .33	$ .35

6. SUBSEQUENT EVENT

On April 1, 1998, the Company purchased the assets and business of Appleton Supply Company, Inc. (Appleton) for approximately $28.5 million in cash. The results of operations of Appleton will be consolidated with the Company's results of operations from the acquisition date for the quarter ending June 30, 1998.

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

Results of Operations

Net sales of $116.4 million for the first quarter ended March 31, 1998 increased 7.5% from sales of $108.3 million for the prior year's first quarter. This increase resulted from including net sales of SEMCO (acquired January 31, 1997) for the entire quarter, net sales of Solar (acquired March 1, 1998) and sales growth at existing operations.

Cost of sales as a percentage of net sales remained constant at 82.7% for the first quarter of 1998 and 1997. Higher raw material costs associated with inventory purchased during 1997 which were not fully passed through to customers and inefficiences due to the start-up and transition of the Company's new cold-rolling mill at its Cleveland, Ohio facility to a two-shift operation were primarily offset by higher margins at SEMCO and Solar. SEMCO and Solar sales historically have generated higher margins than the Company's other products and services.

Selling, general and administrative expenses as a percentage of net sales increased to 10.0% for the first quarter ended March 31, 1998, from 9.3% for the same period of 1997. This increase was primarily due to higher costs as a percentage of sales attributable to SEMCO (included for the entire quarter) and Solar (included for March 1998).

Interest expense increased by $.5 million for the first quarter ended March 31, 1998 primarily due to higher borrowings. This increase in borrowings was due to the SEMCO acquisition being included for the entire quarter, the Solar acquisition and the new mill which began operations in January 1998.

As a result of the above, income before taxes decreased by $.6 million for the quarter ended March 31, 1998.

Income taxes for the three months ended March 31, 1998 approximated $2.7 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 three months of 1998, the Company increased its working capital to $106.3 million. Additionally, shareholders' equity increased to $144.2 million at March 31, 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 $4.1 million and depreciation and amortization of $2.6 million combined with an increase in accounts payable and accrued expenses (net of acquisition) of $6.7 million to provide cash of $13.4 million. This was primarily offset by increases in inventory and accounts receivable totaling $16.9 million to service increased sales levels resulting in net cash used for operations of approximately $4.5 million.

Cash used in operations of $4.5 million, capital expenditures of $4.3 million and the acquisition of Solar for approximately $35 million were funded by net proceeds from long-term debt of $42.3 million and cash on hand.

During March 1998, the Company increased its bank credit facility to $210 million to provide additional funds to grow its business. At March 31, 1998 the Company's aggregate credit facilities available approximated $214 million with borrowings of approximately $124 million and an additional availability of approximately $90 million.

The Company used approximately $28.5 million of the facility on April 1, 1998 for the acquisition of Appleton Supply Company.

The Company believes that availability under its credit facilities together with funds 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.

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.

PAGE>

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 March 31, 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 /s/Brian J. Lipke
Brian J. Lipke
President, Chief Executive Officer
and Chairman of the Board

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

Date May 8, 1998

5

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

3-MOS
DEC-31-1998
JAN-01-1998
MAR-31-1998
1
937
0
65,900
1,067
90,589
159,508
169,490
38,300
338,607
53,173
124,391
0
0
124
144,046
338,607
116,383
116,383
96,223
96,223
11,686
0
1,606
6,868
2,747
4,121
0
0
0
4,121
.33
.33