UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

# FORM 10-Q

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

For the quarterly period ended June 30, 2002

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 0-3922

PATRICK INDUSTRIES, INC.
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| INDIANA | 35-1057796 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

1800 South 14th Street, Elkhart, IN 46516
(Address of principal executive offices)
(ZIP Code)

(574) 294-7511
(Registrant's telephone number, including area code)

NONE
(Former name, former address and former fiscal year, if changed since last report)

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

Shares of Common Stock Outstanding as of July 31, 2002: 4,557,074

PATRICK INDUSTRIES, INC.

## INDEX

PART I: FINANCIAL INFORMATION

PATRICK INDUSTRIES, INC.
UNAUDITED CONDENSED BALANCE SHEETS

| | (Unaudited) JUNE 30 2002 | DECEMBER 31 2001 |
|---|---|---|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | $ 5,295,308 | $ 5,914,283 |
| Trade receivables | 22,775,085 | 13,722,216 |
| Inventories | 31,600,562 | 28,625,747 |
| Income tax refund claims receivable | 10,569 | 3,046,799 |
| Prepaid expenses | 418,798 | 804,398 |
| Deferred tax assets | 2,170,000 | 2,014,000 |
| Total current assets | 62,270,322 | 54,127,443 |
| PROPERTY AND EQUIPMENT, at cost | 92,392,672 | 90,935,808 |
| Less accumulated depreciation | 58,092,982 | 56,302,359 |
| | 34,299,690 | 34,633,449 |
| DEFERRED INCOME TAXES | 311,839 | - - - |
| INTANGIBLE AND OTHER ASSETS | 3,129,159 | 3,208,928 |
| Total assets | $100,011,010 | $ 91,969,820 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| CURRENT LIABILITIES | | |
| Current maturities of long-term debt | $ 3,671,428 | $ 3,671,428 |
| Accounts payable | 13,894,634 | 7,180,706 |
| Accrued liabilities | 4,722,558 | 4,192,487 |
| Total current liabilities | 22,288,620 | 15,044,621 |
| LONG-TERM DEBT, less current maturities | 15,114,288 | 15,114,288 |
| DEFERRED COMPENSATION OBLIGATIONS | 2,330,766 | 2,226,390 |
| DEFERRED TAX LIABILITIES | - - - | 81,000 |
| SHAREHOLDERS' EQUITY | | |
| Common stock | 17,851,645 | 17,620,517 |
| Retained earnings | 42,425,691 | 41,883,004 |
| Total shareholders' equity | 60,277,336 | 59,503,521 |
| Total liabilities and shareholders' equity | $100,011,010 | $ 91,969,820 |

See accompanying Notes to Unaudited Condensed Financial Statements.



<TABLE>

PATRICK INDUSTRIES, INC.
UNAUDITED CONDENSED STATEMENTS OF OPERATIONS

<CAPTION>

| | THREE MONTHS ENDED JUNE 30 | | SIX MONTHS ENDED JUNE 30 | |
|---|---|---|---|---|
| | 2002 | 2001 | 2002 | 2001 |
| <S> | <C> | <C> | <C> | <C> |
| NET SALES | $ 82,566,743 | $ 78,908,792 | $ 157,809,532 | $ 147,203,529 |
| COST AND EXPENSES | | | | |

| | | | | |
|---|---|---|---|---|
| Cost of goods sold | 71,712,567 | 68,822,170 | 137,219,054 | 130,031,912 |
| Warehouse and delivery expenses | 3,634,000 | 3,557,882 | 7,059,023 | 6,967,282 |
| Selling, general, and administrative expenses | 5,611,363 | 5,929,555 | 11,241,675 | 12,279,851 |
| Restructuring charges | 269,180 | -- | 269,180 | -- |
| Interest expense, net | 279,343 | 246,390 | 510,750 | 484,119 |
| | 81,506,453 | 78,555,997 | 156,299,682 | 149,763,164 |
| INCOME (LOSS) BEFORE INCOME TAXES | 1,060,290 | 352,795 | 1,509,850 | (2,559,635) |
| INCOME TAXES (CREDIT) | 424,200 | 140,900 | 604,000 | (1,024,000) |
| NET INCOME (LOSS) | $ 636,090 | $ 211,895 | $ 905,850 | $ (1,535,635) |
| BASIC AND DILUTED EARNINGS (LOSS) PER COMMON SHARE | $ .14 | $ .05 | $ .20 | $ (.34) |
| DIVIDENDS PER SHARE | $ .04 | $ .04 | $ .08 | $ .08 |
| WEIGHTED AVERAGE COMMON SHARES OUTSTANDING | 4,544,015 | 4,518,062 | 4,536,932 | 4,518,020 |

See accompanying Notes to Unaudited Condensed Financial Statements.

</TABLE>



<TABLE>

PATRICK INDUSTRIES, INC.
UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS

<CAPTION>

| <S> | SIX MONTHS ENDED JUNE 30 2002 <C> | 2001 <C> |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income (loss) | $ 905,850 | $(1,535,635) |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 3,234,981 | 3,834,620 |
| Gain on sale of fixed assets | (3,616) | (22,113) |
| Deferred income taxes | (548,839) | - - - |
| Other | 267,146 | 372,285 |
| Change in assets and liabilities: | | |
| Decrease (increase) in: | | |
| Trade receivables | (9,052,869) | (7,435,857) |
| Inventories | (2,974,815) | (2,141,146) |
| Income tax refund claims receivable | 3,036,230 | (230,999) |
| Prepaid expenses | 385,600 | 678,322 |
| Increase (decrease) in: | | |
| Accounts payable and accrued liabilities | 6,843,205 | 8,081,621 |
| Income taxes payable | 400,794 | - - - |
| Net cash provided by operating activities | 2,493,667 | 1,601,098 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Capital expenditures | (2,865,761) | (877,246) |
| Proceeds from sale of fixed assets | 37,753 | 23,392 |
| Other | 66,301 | (20,883) |
| Net cash (used in) investing activities | (2,761,707) | (874,737) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repurchase of common stock | - - - | (561,965) |
| Proceeds from sale of common stock | 15,128 | - - - |
| Cash dividends paid | (363,163) | (368,853) |
| Other | (2,900) | (11,443) |
| Net cash (used in) financing activities | (350,935) | (942,261) |

| | | |
|---|---|---|
| (Decrease) in cash and cash equivalents | (618,975) | (215,900) |
| Cash and cash equivalents, beginning | 5,914,283 | 6,716,128 |
| Cash and cash equivalents, ending | $ 5,295,308 | $ 6,500,228 |
| Cash Payments for: | | |
| Interest | $ 507,600 | $ 503,719 |
| Income taxes | 24,107 | 36,596 |

See accompanying notes to Unaudited Condensed Financial Statements.

</TABLE>



PATRICK INDUSTRIES, INC.
NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

1. In the opinion of the Company, the accompanying unaudited condensed financial statements contain all adjustments (consisting of only normal recurring accruals and the adjustments for restructuring charges as discussed in Note 5) necessary to present fairly financial position as of June 30, 2002 and December 31, 2001, the results of operations and cash flows for the three months and the six months ended June 30, 2002 and 2001, and cash flows for the six months ended June 30, 2002 and 2001.

2. Certain information and footnote disclosures 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 and notes thereto included in the Company's December 31, 2001 audited financial statements. The results of operations for the three month and six month periods ended June 30, 2002 and 2001 are not necessarily indicative of the results to be expected for the full year.

3. The inventories on June 30, 2002 and December 31, 2001 consist of the following classes:

| | June 30 2002 | December 31 2001 |
|---|---|---|
| Raw materials | $18,033,472 | $15,908,710 |
| Work in process | 1,743,023 | 2,049,879 |
| Finished goods | 4,872,104 | 4,335,875 |
| Total manufactured goods | 24,648,599 | 22,294,464 |
| Distribution products | 6,951,963 | 6,331,283 |
| TOTAL INVENTORIES | $31,600,562 | $28,625,747 |

The inventories are stated at the lower of cost, First-In First-Out (FIFO) method, or market.

4. Income (loss) per common share for the six months ended June 30, 2002 and 2001 has been computed based on the weighted average common shares outstanding of 4,536,932 and 4,518,020 respectively. Stock options outstanding are immaterial and had no effect on earnings per share.

   Dividends per common share for the quarter ending June 30, 2002 and 2001 were $.04 per share. This resulted in total dividends for the six month period ending June 30, 2002 and 2001 of $.08 per share.

5. In June, 2002, the Company recorded a restructuring charge based on the decision to close one of its cabinet door manufacturing facilities and consolidate its operation into another facility. The Company recorded estimated and actual costs related to this restructuring of $269,180, $.04 per share, most of which will be paid in the third quarter.

6. In June, 2002, the Company purchased certain leased real estate from the Chairman Emeritus, a major shareholder, for approximately $2,000,000.

7. The Company's reportable segments are as follows:

Laminating - Utilizes various materials including gypsum, particleboard, plywood, and fiberboard which are bonded by adhesives or a heating process to a number of products including vinyl, paper, foil, and high pressure laminate. These laminated products are utilized to produce furniture, shelving, wall, counter, and cabinet products with a wide variety of finishes and textures.

Distribution - Distributes primarily pre-finished wall and ceiling panels, particleboard, hardboard and vinyl siding, roofing products, passage doors, building hardware, insulation, and other products.

Wood - Uses raw lumber including solid oak, other hardwood materials, and laminated particleboard or plywood to produce cabinet door product lines.

Other - Includes aluminum extrusion painting and distribution, manufacturer of adhesive products, pleated shades, and a manufacturer of laminating equipment.

The table below presents unaudited information about the revenue and operating income of those segments:

<TABLE>

THREE MONTHS ENDED JUNE 30, 2002

| SEGMENT | LAMINATING | DISTRIBUTION | WOOD | OTHER | TOTAL |
|---|---|---|---|---|---|
| <S> | <C> | <C> | <C> | <C> | <C> |
| Net outside sales | $ 37,109,896 | $ 29,389,085 | $ 8,469,644 | $ 7,598,118 | $ 82,566,743 |
| Intersegment sales | 1,670,621 | 183,681 | 218,512 | 2,907,764 | 4,980,578 |
| Total sales | $ 38,780,517 | $ 29,572,766 | $ 8,688,156 | $ 10,505,882 | $ 87,547,321* |
| EBIT (loss)** | $ 1,243,116 | $ 665,428 | $ (118,754) | $ 227,541 | $ 2,017,331 |

THREE MONTHS ENDED JUNE 30, 2001

| SEGMENT | LAMINATING | DISTRIBUTION | WOOD | OTHER | TOTAL |
|---|---|---|---|---|---|
| Net outside sales | $ 34,130,120 | $ 27,061,159 | $ 7,784,188 | $ 9,933,325 | $ 78,908,792 |
| Intersegment sales | 1,136,600 | 283,766 | 245,437 | 4,016,127 | 5,681,930 |
| Total sales | $ 35,266,720 | $ 27,344,925 | $ 8,029,625 | $ 13,949,452 | $ 84,590,722* |
| EBIT** | $ 168,833 | $ 544,567 | $ 112,915 | $ 344,285 | $ 1,170,600 |



SIX MONTHS ENDED JUNE 30, 2002

| SEGMENT | LAMINATING | DISTRIBUTION | WOOD | OTHER | TOTAL |
|---|---|---|---|---|---|
| Net outside sales | $ 71,474,640 | $ 55,034,605 | $ 16,712,163 | $ 14,588,124 | $157,809,532 |
| Intersegment sales | 3,255,267 | 382,101 | 413,190 | 5,440,598 | |

| | | | | | |
|---|---|---|---|---|---|
| | | | | | 9,491,156 |
| Total sales | $ 74,729,907 | $ 55,416,706 | $ 17,125,353 | $ 20,028,722 | $167,300,688* |
| EBIT (loss)** | $ 2,366,306 | $ 773,128 | $ (134,169) | $ 315,334 | $ 3,320,599 |
| Total assets | $ 33,880,287 | $ 15,647,131 | $ 6,273,744 | $ 7,947,914 | $ 63,749,076 |
| | | | SIX MONTHS ENDED JUNE 30, 2001 | | |
| Net outside sales | $ 65,189,808 | $ 49,123,384 | $ 15,289,062 | $ 17,601,275 | $147,203,529 |
| Intersegment sales | 2,189,329 | 378,456 | 453,688 | 6,959,738 | 9,981,211 |
| Total sales | $ 67,379,137 | $ 49,501,840 | $ 15,742,750 | $ 24,561,013 | $157,184,740* |
| EBIT (loss)** | $ (222,000) | $ 512,074 | $ (12,361) | $ (507,465) | $ (229,752) |
| Total assets | $ 35,251,066 | $ 15,718,155 | $ 6,451,044 | $ 12,603,615 | $ 70,023,880 |

Reconciliation of segment EBIT to consolidated EBIT

</TABLE>

<TABLE>

| | 3 Months Ended June 30, | | 6 Months Ended June 30, | |
|---|---|---|---|---|
| | 2002 | 2001 | 2002 | 2001 |
| <S> | <C> | <C> | <C> | <C> |
| EBIT (loss) for segments | $ 2,017,331 | $ 1,170,600 | $ 3,320,599 | $ (229,752) |
| Corporate incentive agreements | 322,500 | 352,381 | 736,401 | 549,623 |
| Consolidation reclassifications | 36,089 | (10,576) | 77,604 | (60,747) |
| Gain (loss) on sale of assets | (49) | 14,250 | 3,617 | 22,113 |
| Restructuring charges | (269,180) | - - - | (269,180) | - - - |
| Unallocated corporate expenses | (547,736) | (780,480) | (1,378,250) | (2,131,900) |
| Other | (219,322) | (146,990) | (470,191) | (224,853) |
| Consolidated EBIT (loss)** | $ 1,339,633 | $ 599,185 | $ 2,020,600 | $(2,075,516) |

*Does not agree to Financial Statements due to consolidation eliminations.
**Earnings before interest and taxes.

</TABLE>



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

GENERAL

The Company's business continued to show signs of improvement over the previous year for the three and six month periods ended June 30, 2002. The third quarter of 1999 marked the beginning of the Company's declining revenue which continued up through the year ending December 31, 2001. Net sales for the twelve month period ending December 31, 1999 finished at a record high of $457 million and dropped almost 36% over a two year period where they finished at $293 million for the year ended December 31, 2001. This decline in sales volume is the result of the overall downturn in the Manufactured Housing and Recreational Vehicle industries.

The downturn in the Manufactured Housing industry began in the fourth quarter of 1999 due to retail sales lots being overstocked and unit production being reduced approximately 7% that year. In 2001 and 2000, the Manufactured Housing industry was down nearly 23% and 29%, respectively, in units shipped and produced due to the limited availability of dealer and retail financing, as well as excessive retail inventory levels which included repossessed units. The year 2002 began to show early signs of improvement and then dropped off due to a major financing lender leaving the market. Shipments for the first six months of 2002 were down more than 5% in this industry.

The decline in the Recreational Vehicle industry began in the second quarter of 2000 due to the Recreational Vehicle dealers making inventory corrections. The end result of this was an approximate 7% decline in units shipped and produced in 2000 and a 14% decline in units shipped and produced in 2001. The first half of 2002 had positive results with an increase in units shipped and produced of almost 14% compared to the previous year. Preliminary signs indicate that this industry is slowly coming out of the down cycle that it has experienced for the last 18 months.

While the conditions in these two industries are uncertain, the Company has implemented cost cutting measures and plant closings and consolidations over the past two years to more efficiently operate at reduced volumes. The Company's sales for the six months ended June 30, 2002 are 47% to Manufactured Housing, 30% to Recreational Vehicle, and 23% to other industries.

The following table sets forth the percentage relationship to net sales of certain items in the Company's Statements of Operations:

<TABLE>

| | Three Months Ended June 30, 2002 | Three Months Ended June 30, 2001 | Six Months Ended June 30, 2002 | Six Months Ended June 30, 2001 |
|---|---|---|---|---|
| <S> | <C> | <C> | <C> | <C> |
| Net sales | 100.0% | 100.0% | 100.0% | 100.0% |
| Cost of sales | 86.9 | 87.2 | 86.9 | 88.3 |
| Gross profit | 13.1 | 12.8 | 13.1 | 11.7 |
| Warehouse and delivery | 4.4 | 4.5 | 4.5 | 4.7 |
| Selling, general, & administrative | 6.8 | 7.5 | 7.1 | 8.3 |
| Restructuring charges | 0.3 | - - - | 0.2 | - - - |
| Operating income (loss) | 1.6 | 0.8 | 1.3 | (1.4) |
| Income (loss) before taxes | 1.3 | 0.5 | 1.0 | (1.7) |
| Income taxes (credits) | 0.5 | 0.2 | 0.4 | (0.7) |
| Net income (loss) | 0.8 | 0.3 | 0.6 | (1.0) |

</TABLE>

RESULTS OF OPERATIONS

Quarter Ended June 30, 2002 Compared to Quarter Ended June 30, 2001

Net Sales. Net sales increased $3.7 million, or 4.6%, from $78.9 million for the quarter ended June 30, 2001 to $82.6 million for the quarter ended June 30, 2002. This increase is attributable to an approximate 19% quarterly increase in units shipped and produced in the Recreational Vehicle industry coupled by a change in the sales mix of core industries to which the Company serves. The Company's sales to the Manufactured Housing, Recreational Vehicle, and other industries was 47%, 30%, and 23%, respectively. At June 30, 2001 the Company's sales to these industries was 48%, 26%, and 26%, respectively.



Gross Profit. Gross profit increased by 7.6%, or $0.8 million, from $10.1 million for the quarter ended June 30, 2001 to $10.9 million for the quarter ended June 30, 2002. As a percentage of net sales, gross profit increased 0.3% for the same three month period. These increases are due to increased sales as well as increased operating efficiencies resulting from the elimination of certain low margin business and strategic cost cutting measures taken in the past two years.

Warehouse and Delivery Expenses. Warehouse and delivery expenses increased by $76,000, or 2.1%, from the three month period ended June 30, 2001 to the same period in 2002. As a percentage of net sales, warehouse and delivery expenses decreased 0.1%, from 4.5% in the quarter ended June 30, 2001 to 4.4% in the quarter ended June 30, 2002. The increase in dollars is due to the increased sales levels while the decrease in percentage of net sales is due to the Company shipping more full truckloads compared to the previous year as well as a reduction in fleet size that the Company owns or leases.

Selling, General and Administrative Expenses. Selling, general, and administrative expenses decreased by $318,000, or 5.4%, from $5.9 million in the three month period ended June 30, 2001 to $5.6 million in the same period ended June 30, 2002. As a percentage of net sales, selling, general, and administrative expenses decreased by 0.7%, from 7.5% for the quarter ended June 30, 2001 to 6.8% for the quarter ended June 30, 2002. The decreases in dollars and percentage of net sales is due to the Company making cost and staffing reductions which has reduced the fixed portion of these expenses.

Restructuring Charges. As discussed in Note 5 of the financial statements, the Company recognized restructuring charges of $269,000 in the second quarter of 2002.

Operating Income. Operating income increased by $0.7 million, or 124%, from approximately $0.6 million in the quarter ended June 30, 2001 to $1.3 million in the quarter ended June 30, 2002. The increase in operating income is due to the factors described above.

Interest Expense, Net. Interest expense, net increased by $33,000 due to the decline in interest rates on funds invested over the past year.

Net Income. The Company had net income of $636,000 for the quarter ended June 30, 2002 compared to net income of $212,000 for the same period in 2001. The increase in net income is attributable to the factors described above.

Quarter Ended June 30, 2001 Compared to Quarter Ended June 30, 2000

Net Sales. Net sales decreased by $22.0 million, or 21.8%, from $100.9 million in the quarter ended June 30, 2000 to $78.9 million in the quarter ended June 30, 2001. This decrease is directly related to an estimated 29% decrease in units shipped and produced in the Manufactured Housing industry and an estimated 16% decrease in units shipped in the Recreational Vehicle industry in the second quarter of 2001 compared to the second quarter of 2000.

Gross Profit. Gross profit decreased by $2.5 million, or 19.7%, from $12.6 million in the second quarter 2000 compared to $10.1 million in the second quarter of 2001. As a percentage of net sales, gross profit increased 0.3% from 12.5% in the second quarter of 2000 to 12.8% in the second quarter 2001. The overall decrease was due to a 21.8% decrease in consolidated net sales. The slight increase in gross profits as a percentage of net sales is a result of the Company's improvements in operating efficiencies through consolidation and restructuring. However, market conditions are still highly competitive resulting in the inability of the Company to increase selling prices without losing business.

Warehouse and Delivery Expenses. Warehouse and delivery expenses decreased $0.4 million, from $4.0 million in the second quarter 2000 to $3.6 million in the second quarter 2001. As a percentage of net sales, warehouse and delivery expenses increased 0.6% from 3.9% in the second quarter of 2000 to 4.5% in the second quarter of 2001. This increase is attributable to lower sales levels and higher shipping costs specifically related to the increase in gasoline prices over the past year and increase in rates charged by transportation companies.



Selling, General, and Administrative Expenses. Selling, general, and administrative expenses decreased $0.5 million, or 8.2%, from $6.4 million in the quarter ended June 30, 2000 to $5.9 million in the quarter ended June 30, 2001. As a percentage of net sales, selling, general, and administrative expenses increased 1.1% from 6.4% in the second quarter of 2000 to 7.5% in the second quarter of 2001. The overall decrease is due to the Company making cost and staffing reductions. The increase in costs as a percentage of net sales is due to reduced volumes as a result of the decline in shipments in the Manufactured Housing and Recreational Vehicle industries.

Operating Income. Operating income decreased by 67.0%, or $1.2 million, from $1.8 million in the second quarter of 2000 to $0.6 million in the second quarter of 2001. The decrease in operating income is due to the decline in sales volume for the industries to which the Company serves.

Interest Expense, Net. Interest expense, net of interest income, decreased 30.3% from $354,000 in the second quarter of 2000 to $246,000 in the same period for 2001. This decrease is attributable to more funds invested in the second quarter of 2001 as a result of reduced working capital needs as well as lower long-term debt levels resulting from normal debt service requirements.

Net Income. Net income decreased by $668,000, or 75.9%, from $880,000 in the second quarter of 2000 to $212,000 in the second quarter of 2001. This decrease is attributable to the factors described above.

Six Months Ended June 30, 2002 Compared to Six Months Ended June 30, 2001

Net Sales. Net sales increased $10.6 million, or 7.2%, from $147.2 million for the six months ended June 30, 2001 to $157.8 million for the six months ended June 30, 2002. This increase is attributable to an approximate 14% increase in units shipped and produced in the Recreational Vehicle industry coupled with an approximate 5% decrease in units shipped and produced in the Manufactured Housing industry. The Company's sales for the first six months of 2002 are 47% to Manufactured Housing, 30% to Recreational Vehicle, and 23% to other industries.

Gross Profit. Gross Profit increased 19.9%, or $3.4 million, from $17.2 million for the six months ended June 30, 2001 to $20.6 million for the same period in 2002. As a percentage of net sales, gross profit increased approximately 1.4%, from 11.7% for the six months ended June 30, 2001 to 13.1% for the six months ended June 30, 2002. The increase in dollars and percentage of net sales is due to the Company making significant strategic cost cutting measures in 2000 and 2001, including plant closings and consolidations, eliminating low margin business, and certain fixed overhead expenses.

Warehouse and Delivery Expenses. Warehouse and delivery expenses increased approximately $92,000, or 1.3%, from $7.0 million for the six month period ended June 30, 2001 to $7.1 million for the same period in 2002. As a percentage of net sales, warehouse and delivery expenses decreased approximately 0.2%, from 4.7% in 2001 to 4.5% in 2002. The small increase in costs and the decrease in costs as a percentage of net sales is due to increased sales levels allowing the Company to ship more full truckloads than in the previous year and a reduction in fleet size that the Company owns or leases.

Selling, General, and Administrative Expenses. Selling, general, and administrative expenses decreased $1.0 million, or 8.5%, from $12.3 million for the six months ended June 30, 2001 to $11.3 million for the same period in 2002. As a percentage of net sales, selling, general, and administrative expenses decreased 1.2%. This decrease in dollars and percentage of net sales is due to the Company making significant cost cutting measures in 2000 and 2001 which has reduced the fixed portion of these expenses.

Restructuring Charges. As discussed in Note 5 of the financial statements, the Company recorded restructuring charges of $269,000 for the six months ended June 30, 2002.

Operating Income (Loss). Operating income has increased $4.1 million, from a loss of $2.1 million for the six months ended June 30, 2001 to income of $2.0 million for the six months ended June 30, 2002. The increase in operating income is due to the factors described above.



Interest Expense, Net. Interest expense, net increased $27,000 due to the Company earning less interest on funds invested due to the decline in interest rates over the past year.

Net Income (Loss). The Company had net income of $906,000 for the six months ended June 30, 2002 compared to a net loss of $1.5 million for the same period in 2001. This increase in net income is due to the factors described above.

Six Months Ended June 30, 2001 Compared to Six Months Ended June 30, 2000

Net Sales. Net sales decreased $53.5 million, or 26.7%, from $200.7 million in the six months ended June 30, 2000 to $147.2 million for the six months ended June 30, 2001. This decrease is attributable to the 35% decline in units shipped and produced in the Manufactured Housing industry and 20% decline in units shipped and produced in the Recreational Vehicle industry. The Company's sales for the first six months of 2001 are 48% to Manufactured Housing, 26% to Recreational Vehicle, and 26% to other industries.

Gross Profit. Gross profit decreased $6.1 million, or 26.4%, from $23.3 million in the first six months of 2000 to $17.2 million in the first six months of 2001. As a percentage of net sales, gross profit remained fairly consistent for the six months ended June 30, 2000 and 2001. The overall decrease is due to the significantly reduced sales volume in the industries to which the Company serves.

Warehouse and Delivery Expenses. Warehouse and delivery expenses decreased $1.1 million, or 13.6%, from $8.1 million in the six months ended June 30, 2000 to $7.0 million in the same period in 2001. As a percentage of net sales, warehouse and delivery expenses increased 0.7%, from 4.0% in 2000 to 4.7% in 2001. The overall decrease is due to the decline in sales volume. The increase as a percentage of net sales is due to the increase in fuel costs from period to period, coupled with an increase in rates charged by the transportation companies.

Selling, General, and Administrative Expenses. Selling, general, and administrative expenses decreased by $1.0 million, or 7.8%, from $13.3 million for the six months ended June 30, 2000 to $12.3 million for the same period in 2001. As a percentage of net sales, selling, general, and administrative expenses increased 1.7%, from 6.6% in the first half of 2000 to 8.3% in the first half of 2001. The overall decrease is due to the Company making cost and staffing reductions. The increase in cost as a percentage of net sales is due to reduced volume as a result of the decline in shipments in the Manufactured Housing and Recreational Vehicle industries.

Impairment Charges. The Company recognized an impairment charge of $6.9 million in the first quarter of 2000.

Restructuring Charges. The Company recognized restructuring charges of $0.3 million in the second quarter of 2000.



Operating Loss. The Company experienced an operating loss of $2.1 million for the six months ended June 30, 2001 compared to an operating loss of $5.3 million for the six months ended June 30, 2000. The operating loss is due to the factors described above.

Interest Expense, Net. Interest expense, net of interest income, decreased 27.5%, or $183,000 from $667,000 in the six months ended June 30, 2000 to $484,000 in the same period in 2001. The decrease is due to more funds being invested as a result of reduced working capital needs as well as lower long term debt levels resulting from normal debt service requirements.

Net Loss. The Company experienced a net loss after interest and taxes for the six months ended June 30, 2000 and 2001 of $3.7 million and $1.5 million, respectively. These losses are attributable to the factors described above.

BUSINESS SEGMENTS

Quarter Ended June 30, 2002 Compared to Quarter Ended June 30, 2001

Laminating Segment Discussion

Net sales in the laminating segment increased $3.5 million, or 10.0%, from $35.3 million for the quarter ended June 30, 2001 to $38.8 million for the quarter ended June 30, 2002. This increase in net sales is due to an approximate 19% increase in sales in the Recreational Vehicle industry in the second quarter of 2002 compared to the same period in 2001. Sales in the Manufactured Housing industry were down almost 10% for the same period.

EBIT increased $1.0 million, from $0.2 million for the quarter ended June 30, 2001 to $1.2 million for the quarter ended June 30, 2002. This increase is due to the increased sales volume and the cost cutting measures that the Company has undertaken over the past two years to reduce fixed costs.

Distribution Segment Discussion

Net sales increased $2.2 million, or 8.2%, from $27.3 million to $29.5 million for the quarters ended June 30, 2001 and 2002, respectively. This increase is due to market share gains in this segment.

EBIT increased 22.2%, or $121,000, from $545,000 in the quarter ended June 30, 2001 to $666,000 in the same period in 2002. This increase is due to the increased sales volume.

Wood Segment Discussion

Net sales increased $0.7 million, or 8.2%, from $8.0 million in the three month period ended June 30, 2001 to $8.7 million in the same period in 2002. This increase is consistent with the increase in units shipped and produced in the Recreational Vehicle industry which is the major industry that this segment serves.

EBIT decreased $232,000, from income of $113,000 for the quarter ended June 30, 2001 to a loss of $119,000 for the quarter ended June 30, 2002. This decrease is due to operating inefficiencies at one facility due to equipment problems and inefficiencies at another facility which is being consolidated into another operation.

Other Segment Discussion

Net sales in this segment decreased $3.4 million, or 24.7%, from $13.9 million in the quarter ended June 30, 2001 to $10.5 million for the same period in 2002. This decrease is attributable to the closing and consolidation of two operations in



this segment in 2001 as well as the almost 10% decrease in sales in the Manufactured Housing industry for the three month period ended June 30, 2002.

EBIT decreased $116,000, or 33.9%, from $344,000 in the quarter ended June 30, 2001 to $228,000 in the quarter ended June 30, 2002. This decrease is attributable to an approximate 83% decline in sales in one of the operating units in this segment.

Quarter Ended June 30, 2001 Compared to Quarter Ended June 30, 2000

Laminating Segment Discussion

Net sales decreased in the second quarter of 2001 by $9.3 million, or 20.9%, from $44.6 million in the period ended June 30, 2000 to $35.3 million in the period ended June 30, 2001. This decline in sales volume was due to approximately 29% less shipments nationwide in the Manufactured Housing industry as well as declines of up to 43% in some of the Company's principal market areas.

EBIT declined 87.2% in the laminating segment from income of $1.3 million in the three month period ended June 30, 2000 compared to income of $0.2 million in the same period ended June 30, 2001. As a percentage of net sales, EBIT decreased 2.5% from 3.0% in the second quarter of 2000 to 0.5% in the second quarter of 2001. This decline is due to the decrease in sales volume.

Distribution Segment Discussion

Net sales decreased 29.2%, or $11.3 million, from $38.6 million in the second quarter 2000 to $27.3 million in the second quarter 2001. This decrease is due primarily to the decline in units shipped and produced in the Manufactured Housing industry.

EBIT decreased 25.1%, or $0.2 million, due to the decrease in sales and competitive pricing situations.

Wood Segment Discussion

Net sales decreased 17.3%, or $1.7 million, from $9.7 million in the three month period ended June 30, 2000 to $8.0 million in the same period in 2001. This decline is consistent with the overall decline in the Recreational Vehicle industry, which is the primary industry to which this segment serves.

EBIT for this segment has increased from operating income of $13,000 in the second quarter of 2000 to operating income of $113,000 in the second quarter of 2001. Management's continued commitment to improving operating results in this segment and returning it to profitability resulted in improvement in three of the segment's operating units. The closure of one of the segment's under-performing units in 2000 resulted in additional cost savings.

Other Segment Discussion

Net sales in the other segment decreased by 2.8%, or $0.4 million, from $14.3 million in the three months ended June 30, 2000 to $13.9 million in the three month period ending June 30, 2001. The slight decline in sales volume is primarily attributable to a 20% decline in sales in the Recreational Vehicle industry, coupled with increases in sales in the Company's aluminum extrusion division and machine manufacturing division, which sell to industries mainly outside the Manufactured Housing and Recreational Vehicle industries.

EBIT for this segment increased $263,000, or 326.7%, from $81,000 in the three month period ending June 30, 2000 to $344,000 in the same period in 2001. This increase is due to the increases in volume in the Company's aluminum extrusion and machine manufacturing divisions.



Six Months Ended June 30, 2002 Compared to Six Months Ended June 30, 2001

Laminating Segment Discussion

Net Sales in this segment increased $7.3 million, or 10.9%, from $67.4 million in the six months ended June 30, 2001 to $74.7 million in the same period in 2002. This increase is due to the approximate 14% increase in sales in the Recreational Vehicle industry. Additionally, the Company closed two divisions in the other segment in 2001 which had sales of approximately $3.0 million for the six months ended June 30, 2001. Certain of these operations were merged into a facility in the laminating segment which was operating at less than capacity and subsequently in 2002 has seen significantly increased volume resulting in higher efficiencies and increased profitability.

EBIT increased $2.6 million, from a loss of $0.2 million in the six months ended June 30, 2001 to income of $2.4 million in the same period in 2002. This increase is attributable to increased sales volume coupled with increased operating efficiencies from the reduction of fixed costs related to the strategic cost cutting measures that were taken in 2000 and 2001.

Distribution Segment Discussion

Net sales in this segment increased $5.9 million, or 12.0%, from $49.5 million in the six months ended June 30, 2001 to $55.4 million in the six months ended June 30, 2002. This increase is due to market share gains.

EBIT increased $261,000, or 51%, due to increased sales volume.

Wood Segment Discussion

Net sales increased $1.4 million, or 8.8%, from $15.7 million in the six months ended June 30, 2001 to $17.1 million in the six months ended June 30, 2002. This increase is attributable to the approximate 14% increase in sales in the Recreational Vehicle industry for the first six months of 2002.

EBIT decreased $122,000, from a loss of $12,000 for the six months ended June 30, 2001 to a loss of $134,000 for the six months ended June 30, 2002. This decrease is attributable to two operating units in this segment experiencing operating inefficiencies, one of which is being consolidated into another division in this segment. The operating results of these two divisions have mitigated the positive results of the three other divisions within this segment.

Other Segment Discussion

Net sales in this segment decreased $4.5 million, or 18.5%, from $24.6 million in the first six months of 2001 compared to $20.0 million in the same period in 2002. This decline is due to the closing and consolidation of one division in the first quarter of 2001 and two divisions in the fourth quarter of 2001.

EBIT increased $822,000, or 162.1%, from a loss of $507,000 in the six month period ended June 30, 2001 compared to income of $315,000 in the six month period ended June 30, 2002. This increase is due to the closing and consolidation of three unprofitable divisions in this segment in 2001.

Six Months Ended June 30, 2001 Compared to Six Months Ended June 30, 2000

Laminating Segment Discussion

Net sales in the laminating segment decreased by 25.1%, or $22.6 million from $90.0 million in the six month period ending June 30, 2000 to $67.4 million in the same period in 2001. This decrease is attributable to the 35% decline in units shipped and produced in the Manufactured Housing industry and 20% decrease in units shipped and produced in the Recreational Vehicle industry.

EBIT decreased 112.3%, or $2.0 million, from $1.8 million in the six months ended June 30, 2000 to a loss of $0.2 million for the six months ended June 30, 2001. This decline is attributable to the decrease in sales volume.



Distribution Segment Discussion

Net sales in the distribution segment decreased $25.0 million, or 33.6%, from $74.5 million in the first half of 2000 to $49.5 million in the first half of 2001. This decrease is directly related to the 35% decrease in units shipped and produced in the Manufactured Housing industry.

EBIT decreased 54.5%, or $612,000, due to the decrease in sales and competitive pricing situations.

Wood Segment Discussion

Net sales in the wood segment decreased $3.9 million, or 19.9%, from $19.6 million in the six months ended June 30, 2000 to $15.7 million in the same period in 2001. This decline is consistent with the overall decline in the Recreational Vehicle industry, which is the primary industry to which this segment serves.

The operating loss in this segment decreased from a loss of $649,000 in the first six months of 2000 to an operating loss of $12,000 in the first six months of 2001. Management's continued commitment to improving operating results in this segment and returning it to profitability resulted in the improvement in three of the segment's operating units. Additionally, depreciation expense has been reduced by approximately $250,000 as a result of the Company recognizing a non-cash accounting charge in the first quarter of 2000 related to the impairment of certain long-lived assets. The Company also closed one operating unit in this segment in 2000 which contributed to savings in 2001 of approximately $569,000.

Other Segment Discussion

Net sales in the other segment decreased 18.2%, or $5.4 million, from $30.0 million in the six months ended June 30, 2000 to $24.6 million in the six months ended June 30, 2001. This decline is due to reduced sales volume in the Recreational Vehicle industry.

EBIT decreased from operating income of $28,000 in the first half of 2000 to an operating loss of $507,000 in the first half of 2001. This decrease is due to the decline in sales volume.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary capital requirements are to meet working capital needs, support its capital expenditure plans, and meet debt service requirements.

The Company, in September, 1995, issued to an insurance company in a private placement $18,000,000 of senior unsecured notes. The ten year notes bear interest at 6.82%, with semi-annual interest payments that began in 1996 and seven annual principal repayments of $2,571,428 which began September 15, 1999. These funds were used to reduce existing bank debt and for working capital needs.

The Company has an unsecured bank Revolving Credit Agreement that provides loan availability of $10,000,000 with maturity in the year 2003.

Pursuant to the private placement and the Credit Agreement, the Company is required to maintain certain financial ratios, all of which are currently complied with.

The Company believes that cash generated from operations and borrowings under its credit agreements will be sufficient to fund its working capital requirements and normal recurring capital expenditures as currently contemplated. The fluctuations in inventory and accounts receivable and accounts payable balances, which affect the Company's cash flows, are part of normal business cycles.

A summary of our contractual cash obligations remaining at June 30, 2002 and for the twelve month periods ending 2003 through 2006 is as follows:



<TABLE>

| | PAYMENTS DUE BY PERIOD | | | | | |
|---|---|---|---|---|---|---|
| CONTRACTUAL OBLIGATIONS | TOTAL | 2002 | 2003 | 2004 | 2005 | 2006 |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> |
| Long-term debt, including interest** | $17,792,688 | $4,095,421 | $4,368,757 | $4,159,176 | $3,949,599 | $1,219,735 |
| Operating Leases | $3,972,688 | $1,180,029 | $1,592,658 | $849,135 | $311,178 | $39,688 |
| Total contractual cash obligations | $21,765,376 | $5,275,450 | $5,961,415 | $5,008,311 | $4,260,777 | $1,259,423 |

**Interest payments have been calculated using the fixed rate of 6.82% for the Senior notes and the average 2001 annual interest rate of 3.11% for the Industrial Revenue Bonds.

</TABLE>

We also have a commercial commitment as described below:

| OTHER COMMERCIAL COMMITMENT | TOTAL AMOUNT COMMITTED | OUTSTANDING AT 06/30/02 | DATE OF EXPIRATION |
|---|---|---|---|
| Line of Credit | $10,000,000 | $0 | January 28, 2003 |

We believe that our cash balance, availability under our line of credit, if needed, and anticipated cash flows from operations will be adequate to fund our cash requirements for 2002.

CIRITICAL ACCOUNTING POLICIES

Our significant accounting policies are summarized in the footnotes to our financial statements. Some of the most critical policies are also discussed below.

As a matter of policy, we review our major assets for impairment. Our major operating assets are accounts receivable, inventory, and property and equipment. We have not experienced significant bad debts losses and our reserve for doubtful accounts of $200,000 should be adequate for any exposure to loss in our June 30, 2002 accounts receivable. We have also established reserves for slow moving and obsolete inventories and believe them to be adequate. We depreciate our property and equipment over their estimated useful lives and during the six months ended June, 2002 and June, 2001 we have not identified any items that are impaired.

SEASONALITY

Manufacturing operations in the manufactured housing and recreational vehicle industries historically have been seasonal and are generally at the highest levels when the climate is moderate. Accordingly, the Company's sales and profits are generally highest in the second and third quarters.



INFLATION

The Company does not believe that inflation had a material effect on results of operations for the periods presented.

SAFE HARBOR STATEMENT

Statements that do not address historical performance are "forward-looking statements" within the meaning of the Private Securities Litigation reform Act of 1995 and are based on a number of assumptions, including but not limited to; (1) continued domestic economic growth and demand for the Company's products; and (2) the Company's belief with respect to its capital expenditures, seasonality and inflation. Any developments significantly deviating from these assumptions could cause actual results to differ materially from those forecast or implied in the aforementioned forward-looking statements.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

None



PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 2. Changes in Securities

None

Item 3. Defaults upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

(a) The Annual Meeting of Shareholders of the Company was held on May 15, 2002.

(b) Not applicable.

(c) 1. Set forth below is the tabulation of the votes on each nominee for election as a director:

| NAME | FOR | WITHHOLD AUTHORITY |
|---|---|---|
| Robert C. Timmins | 4,237,137 | 47,819 |
| Terrence D. Brennan | 4,239,505 | 45,451 |
| Larry D. Renbarger | 4,233,826 | 51,130 |

(d) Not applicable.

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

The following is included as an exhibit to this report on Form 10Q:

| Exhibit No. | Description |
|---|---|
| 99.1 | Certification of Chief Executive Officer and Chief Financial Officer |

(b) There were no reports filed on Form 8-K



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.

PATRICK INDUSTRIES, INC.
(Registrant)

Date August 13, 2002 /S/Harold E. Wyland

Harold E. Wyland
(Chairman of the Board)

Date August 13, 2002 /S/David D. Lung

David D. Lung
(President)

Date August 13, 2002 /S/Andy L. Nemeth

Andy L. Nemeth
(Secretary-Treasurer)
(Principal Accounting Officer)

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED
PURSUANT TO SECTIO 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Patrick Industries, Inc. (the "Company") on Form 10Q for the period ending June 30, 2002, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned Chief Executive Officer and Chief Financial Officer of the Company hereby certify, pursuant to 18 U.S.C. ss.1350, as adopted pursuant to ss.906 of the Sarbanes-Oxley Act of 2002 that, based on their knowledge: 1) the Report fully complies with the requirements of Section 13(a) or 15 (d) of the Securities Exchange Act of 1934, and 2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods covered in the Report.

/S/David D. Lung

\- -----------------------------------------------------

David D. Lung, Chief Executive Officer

/S/ Andy L. Nemeth

\- -----------------------------------------------------

Andy L. Nemeth, Chief Financial Officer

August 13, 2002 , 2002

\- -----------------------------------