UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-K

(Mark One)
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 1997 or
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

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)	(IRS Employer identification No.)

1800 South 14th Street, P.O. Box 638, Elkhart, Indiana	46515
(Address of principal executive offices)	(ZIP code)

Registrant's telephone number, including area code: (219) 294-7511

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

COMMON STOCK, WITHOUT PAR VALUE
PREFERRED SHARE PURCHASE RIGHTS
(Title of each class)

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 ________

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K [X]

The aggregate market value of the voting stock held by non-affiliates of the registrant on March 10, 1998 (based upon the closing price on NASDAQ and an estimate that 78.8% of the shares are owned by non-affiliates) was $72,060,165.

As of March 10, 1998, 5,897,766 shares of the Registrant's common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE.

Portions of the Registrant's Proxy Statement for its Annual Meeting of Shareholders to be held on May 15, 1998 are incorporated by reference into Parts III of this Form 10-K.

PART I

ITEM 1. BUSINESS

The Registrant is a leading manufacturer and supplier of building products and materials to the Manufactured Housing and Recreational Vehicle Industries. In addition, the Registrant is a supplier to certain other industrial markets, such as furniture manufacturing, marine and the automotive aftermarket. The Registrant manufactures decorative vinyl and paper panels, cabinet doors, countertops, aluminum extrusions, drawer sides, pleated shades, wood adhesives, and laminating machines. The Registrant is also an independent wholesale distributor of pre-finished wall and ceiling panels, particleboard, hardboard siding, passage doors, roofing products, building hardware, insulation and other related products.

The Registrant has a nationwide network of distribution centers for its products, thereby reducing intransit delivery time and cost to the regional manufacturing plants of its customers. The Registrant believes that it is one of the few suppliers to the Manufactured Housing and Recreational Vehicle Industries that has such a nationwide network. The Registrant maintains ten manufacturing plants and two distribution facilities near its principal offices in Elkhart, Indiana, and operates fourteen other warehouse and distribution centers and seventeen other manufacturing plants in fourteen states.

Strategy

Over time, the Registrant has developed very strong working relationships with its customers. In so doing, the Registrant has oriented its business and expansion to the needs of these customers. These customers include all of the larger Manufactured Housing and most of the Recreational Vehicle manufacturers. The Registrant's customers generally demand high quality standards and a high degree of flexibility from their suppliers. The result has been that the Registrant focuses on maintaining and improving the quality of its manufactured products, and has developed a nationwide manufacturing and distribution presence in response to its customers' need for flexibility. As the Registrant explores new markets and industries, it believes that this nationwide network provides it with a strong foundation for expansion.

The Registrant continually seeks to improve its position as a leading supplier to the Manufactured Housing and Recreational Vehicle Industries and other industries to which its products, manufacturing processes, or sales and distribution system are applicable. Currently, approximately 67% of the Registrant's sales are to the Manufactured Housing Industry and the remaining 33% is split between the Recreational Vehicle and other industries. These industries, and the impact that they have on their suppliers, are characterized by cyclical demand and production, small order quantities, and short lead times. These characteristics have an impact on the suppliers, many of whom tend to be small, regional and specific product line companies.

Management has identified several tools which it expects to utilize to accomplish its operating strategies, including the following:

Diversification into Additional Industries

While the Registrant continually seeks to improve its position as a leading supplier to the Manufactured Housing and Recreational Vehicle Industries, it is also seeking to expand its product lines into other industrial markets. Many of the Registrant's products such as its countertops, cabinet doors and shelving have applications in the furniture and cabinetry markets. In addition, the manufacturing processes for the Registrant's aluminum extrusions are easily applied to the production of products for the marine, automotive and truck accessories markets and aftermarkets, and many other markets, and the Registrant's adhesives are produced for almost all industrial applications.

Because industrial order size tends to be for larger numbers of units, the Registrant enjoys better production efficiencies for these orders. The Registrant believes that diversification into additional industries will reduce its vulnerability to the cyclical nature of the Manufactured Housing and Recreational Vehicle Industries. In addition, the Registrant believes that it's nationwide manufacturing and distribution capabilities enable it to effectively serve it's customers and position it for product expansion.

Expansion of Manufacturing Capacity

In the last 3 years, the Registrant has invested approximately $33.7 million to upgrade existing facilities and equipment and to build new manufacturing facilities for its laminated paneling products, industrial adhesives, cabinet doors and furniture components. In addition, the Registrant has invested $10.1 million to purchase existing businesses. The new capacity created by these investments has enabled the Registrant to obtain more efficiencies in its operations and will accommodate future growth in the Registrant's product lines and markets.

Strategic Acquisitions and Expansion

The Registrant supplies a broad variety of building material products and, with its nationwide manufacturing and distribution capabilities, is well-positioned for the introduction of new products. The Registrant, from time to time, considers the acquisition of additional product lines, facilities or other assets to complement or expand its existing business. In 1995 the Registrant completed the acquisition of a cabinet door manufacturer and in 1997 purchased the assets of two pleated shade manufacturers. In 1996 the Registrant expanded existing product lines and capacity with the opening of it's new manufacturing and distribution complex in Woodburn, Oregon, and in 1997 started the expansion of it's operations in North Carolina. In 1997 the Registrant also started a new plastic thermoforming operation that will begin production in mid 1998.

Principal Products

The Registrant distributes primarily prefinished wall and ceiling panels, particleboard, hardboard siding, roofing products, passage doors, building hardware, insulation and other products. Through its manufacturing divisions, the Registrant fabricates decorative vinyl and paper panels, cabinet doors, countertops, wood mouldings, aluminum extrusions, drawer sides, furniture components, wood adhesives and laminating presses.

Pre-finished wall panels contributed more than 10% to total sales. The percentage contributions of this class of product to total sales was 40.9%, 42.0%, and 39.0% for the years ended December 31, 1997, 1996, and 1995 respectively.

The Registrant has no material patents, licenses, franchises, or concessions and does not conduct significant research and development activities.

Manufacturing Processes and Operations

The Registrant's laminating facilities utilize 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.

The Registrant's metals division utilizes sophisticated technology to produce aluminum extrusions for framing and window applications. In addition, the Registrant's metals division extrudes running boards, accessories for pick-up trucks, marine industry products and construction-related materials.

The Registrant manufactures two distinct cabinet door product lines. One product line is manufactured from raw lumber utilizing solid oak and other hardwood materials. The Registrant's other line of doors is made of laminated particleboard or plywood. The Registrant's doors are sold to the Manufactured Housing and Recreational Vehicle industries, and continue to gain acceptance with cabinet manufacturers and "ready-to-assemble" furniture manufacturers.

The Registrant's wood adhesive division, which supplies adhesives used in most of the Registrant's manufacturing processes and to outside industrial customers, uses a process of mixing non-toxic non-hazardous chemicals with water to produce adhesives sold in tubes, pails, barrels, totes and rail tank cars.

Markets

The Registrant is engaged in the manufacturing and distribution of building products and material for use primarily by the Manufactured Housing and Recreational Vehicle Industries and other industrial markets.

Manufactured Housing

The Manufactured Housing Industry has historically served as a more affordable alternative to the home buyer. Because of the relatively lower cost of construction as compared to site-built homes, manufactured homes traditionally have been one of the principal means for first-time home buyers to overcome the obstacles of large down payments and higher monthly mortgage payments. Manufactured Housing also presents an affordable alternative to site-built homes for retirees and others desiring a lifestyle in which home ownership is less burdensome than in the case with site-built homes.

Manufactured homes are built in accordance with national and state building codes. Manufactured homes are factory-built and transported to a site where they are installed, often permanently. Some manufactured homes have design limitations imposed by the constraints of efficient production and over-the-road transit. Delivery expense limits the effective competitive shipping range of the manufactured homes to approximately 400 to 600 miles.

The Manufactured Housing Industry is cyclical, and is affected by the availability of alternative housing such as apartments, town houses and condominiums. In addition, interest rates, availability of financing, regional population, employment trends, and general regional economic conditions affect the sale of manufactured homes. The Manufactured Housing Institute reported that during the four-year period ended December 31, 1991, shipments of manufactured homes declined 26.6% to a total of approximately 171,000 units nationally in 1991. The reported number of units increased sharply in the five years following 1991, with increases in each of those years. Manufactured home unit shipments in 1997 were 353,000, which is 2.8% lower than 1996, but still 106% more units than shipped in 1991.

These cycles have a historic precedent. The Registrant believes that the factors responsible for the national decline prior to 1992 included weakness in the manufacturing, the agricultural and, in particular, the oil industry sectors. These industry sectors have historically provided a significant portion of the Manufactured Housing Industry's customer base. Additionally, high vacancy rates in apartments, high levels of repossession inventories, and over-built housing markets in certain regions of the country resulted in fewer sales of new manufactured homes in the past. Changes in these market characteristics have caused the Manufactured Housing cycle to change positively.

Manufactured Housing now accounts for 33% of all homes built, which is up from 25% in 1989.

Recreational Vehicles

The Recreational Vehicle Industry has been characterized by cycles of growth and contraction in consumer demand, reflecting prevailing general economic conditions which affect disposable income for leisure time activities. Fluctuations in interest rates, consumer confidence, and concerns about the availability and price of gasoline, in the past, have had an adverse impact on recreational vehicle sales. Recently the industry has been characterized by shifting demand towards lower-priced, higher-value products which appeal to economy-minded, value-conscious buyers.

Recreational Vehicle classifications are based upon standards established by the Recreational Vehicle Industry Association. The principal types of recreational vehicles include conventional travel trailers, folding camping trailers, fifth wheels, motor homes, and van conversions. These Recreational Vehicles are distinct from mobile homes, which are manufactured houses designed for permanent and semi-permanent residential dwelling.

Conventional travel trailers and folding camping trailers are non-motorized vehicles which are designed to be towed by passenger automobiles, pick-up trucks or vans. They provide comfortable, self-contained living facilities for short periods of time. Conventional travel trailers and folding camping trailers are towed by means of a frame hitch attached to the towing vehicle. Fifth wheel trailers, designed to be towed by pick-up trucks, are constructed with a raised forward section that is attached to the bed area of the pick-up truck. This allows for a bi-level floor plan and more living space than a conventional travel trailer.

A motor home is a self-powered vehicle built on a motor vehicle chassis. The interior typically includes a driver's area, kitchen, bathroom, dining and sleeping areas. Motor homes are self-contained with their own lighting, heating, cooking, refrigeration, sewage holding and water storage facilities. Although they are not designed for permanent or semi-permanent living, motor homes do provide comfortable living facilities for short periods of time.

Van conversions are conventional vans modified for recreational or other use.

Sales of Recreational Vehicle products have been cyclical. Shortages of motor vehicle fuels and significant increases in fuel prices have had a material adverse effect on the market for Recreational Vehicles in the past, and could adversely affect demand in the future. The Recreational Vehicle Industry is also affected by the availability and terms of financing to dealers and retail purchasers. Substantial increases in interest rates and decreases in the general availability of credit have had a negative impact upon the industry in the past and may do so in the future. Recession and lack of consumer confidence generally results in a decrease in the sale of leisure time products such as Recreational Vehicles.

Other Markets

Many of the Registrant's products, such as its countertops, laminated panels, cabinet doors and shelving, may be utilized in the furniture and cabinetry markets. The Registrant's aluminum extrusion process is easily applied to the production of running boards and other accessories for pick-up trucks and vans, and also certain building products. The Registrant's adhesives are marketed in many industrial adhesive markets.

While demand in these industries also fluctuates with general economic cycles, the Registrant believes that these cycles are less severe than those in the Manufactured Housing and Recreational Vehicle industries. As a result, the Registrant believes that diversification into these new markets will reduce its reliance on the markets it has traditionally served and will mitigate the impact of their historical cyclical patterns on its operating results.

Marketing and Distribution

The Registrant's sales are to Manufactured Housing and Recreational Vehicle manufacturers and other building products manufacturers. The Registrant has approximately 4,000 customers. The Registrant has three customers, who together accounted for 34.2% of the Registrant's total sales in 1997 and two of whom accounted for 21.9% in 1996. Ten other customers collectively accounted for approximately 24.8% of 1997 sales. The Registrant believes it has good relationships with its customers.

Products for distribution are purchased in carload or truckload quantities, warehoused, and then sold and delivered by the Registrant. Some of the Registrant's products are shipped directly from the suppliers to the customers. The Registrant typically experiences a two to four week delay between issuing its purchase orders and delivering of products to the

Registrant's warehouses or customers. The Registrant's customers do not maintain long-term supply contracts, and therefore the Registrant must bear the risk of accurate advance estimation of customer orders. The Registrant maintains a substantial inventory to satisfy these orders. The Registrant has no significant backlog of orders.

The Registrant operates sixteen warehouse and distribution centers and twenty-seven manufacturing plants located in Alabama, Arizona, California, Florida, Georgia, Idaho, Indiana, Kansas, New Mexico, Nevada, North Carolina, Oregon, Pennsylvania, and Texas. Through the use of these facilities, the Registrant is able to minimize its in-transit delivery time and cost to the regional manufacturing plants of its customers.

Suppliers

During the year ended December 31, 1997, the Registrant purchased approximately 65% of its raw materials and distributed products from twenty different suppliers. The five largest suppliers accounted for approximately 40% of the Registrant's purchases. Materials are primarily commodity products, such as lauan, gypsum, aluminum, particleboard and other lumber products which are available from many suppliers. Alternate sources of supply are available for all of the Registrant's important materials.

Competition

The Manufactured Housing and Recreational Vehicle industries are highly competitive with low barriers to entry. This level of competition carries through to the suppliers to these industries. Competition is based primarily on price, product features, quality and service. The Registrant has several competitors in each of its classes of products. Some manufacturers and suppliers of materials purchased by the Registrant also compete with it and sell directly to the same industries. Most of the Registrant's competitors compete with the Registrant on a regional basis. In order for a competitor to compete with the Registrant on a national basis, the Registrant believes that a substantial capital commitment and experienced personnel would be required. The industrial markets in which the Registrant continues to expand are also highly competitive.

Employees

As of December 31, 1997, the Registrant had 1,596 employees of which 1,359 employees are engaged directly in production, warehousing, and delivery operations, 49 in sales, and 188 in office and administrative activities. There are five manufacturing plants and one distribution center covered by collective bargaining agreements. The Registrant considers its relationships with its employees to be good.

The Registrant provides retirement, group life, hospitalization, and major medical plans under which the employee pays a portion of the cost.

ITEM 2. PROPERTIES AND EQUIPMENT

As of December 31, 1997, the Registrant maintained the following warehouse, manufacturing and distribution facilities:

<TABLE>

Location	Use	Area Sq. Ft.	Ownership or Lease Arrangement
<CAPTION>			
<S>	<C>	<C>	<C>
Elkhart, IN	Manufacturing(5)	40,400	Leased to 2000
Elkhart, IN	Mfg&Dist(1)(3)(5)	133,600	Leased to 2005
Elkhart, IN	Manufacturing(3)	20,000	Owned
Elkhart, IN	Manufacturing (5)	42,000	Leased to 1998
Elkhart, IN	Manufacturing(2)	31,000	Leased to 1999
Elkhart, IN	Manufacturing(2)	30,000	Leased to 2000
Elkhart, IN	Manufacturing(5)	36,000	Owned
Goshen, IN	Manufacturing(5)	50,870	Owned
Bristol, IN	Mfg. & Dist.(1)(5)	62,000	Owned
Decatur, AL	Distribution(1)	30,000	Leased to 1998
Decatur, AL	Manufacturing(2)	35,000	Owned
Decatur, AL	Manufacturing(2)	35,000	Leased to 1999
Decatur, AL	Manufacturing(4)	41,000	Owned
Eatonton, GA	Manufacturing(2)	48,300	Leased to 1998
Valdosta, GA	Mfg. & Dist.(1)(2)	30,800	Owned
Charlotte, NC	Mfg. & Dist.(1)(2)	53,000	Leased to 1998
Charlotte, NC	Manufacturing(2)	46,800	Owned
Halstead, KS	Distribution(1)	36,000	Owned
Waco, TX	Distribution(1)	57,000	Leased to 1999
Waco, TX	Manufacturing(2)	57,000	Leased to 1999
Mt. Joy, PA	Distribution(1)	58,500	Owned

Mt. Joy, PA	Manufacturing(2)	30,000	Owned
Ocala, FL	Manufacturing(3)	20,600	Leased to 1999
Ocala, FL	Manufacturing(3)	15,000	Leased to 1999
Ocala, FL	Mfg. & Dist.(1)(2)	55,500	Owned
Fontana, CA	Mfg. & Dist.(1)(2)	110,000	Owned
Fontana, CA	Manufacturing(2)	71,755	Owned
Phoenix, AZ	Manufacturing (3)	43,600	Leased to 2000
Phoenix, AZ	Manufacturing (2)	36,000	Leased to 1998
Phoenix, AZ	Manufacturing (5)	15,700	Leased to 1999
Woodburn, OR	Manufacturing(3)	21,500	Owned
Woodburn, OR	Mfg. & Dist.(1,2,3)	153,000	Owned, Subject to Mortgage
Mishawaka, IN	Manufacturing(4)	191,000	Owned, Subject to Mortgage
Elkhart, IN	Manufacturing(4)	190,500	Owned
Boulder City, NV	Manufacturing(5)	24,700	Leased to 1999
Elkhart, IN	Admin. Offices	10,000	Owned

(1) Distribution center
(2) Vinyl/paper/foil laminating
(3) Cabinet doors
(4) Aluminum and adhesives
(5) Other

</TABLE>

Additionally, the Registrant operates distribution centers out of public warehouses in Phoenix, Arizona, Woodland, California, Nampa, Idaho and Belen, New Mexico. As of December 31, 1997, the Registrant owned or leased 35 trucks, 64 tractors, 87 trailers, 138 forklifts, 28 automobiles and a corporate aircraft. All owned and leased facilities and equipment are in good condition and well maintained.

ITEM 3. LEGAL PROCEEDINGS

The Registrant is subject to claims and suits in the ordinary course of business. In management's opinion, currently pending legal proceedings and claims against the Registrant will not, individually or in the aggregate, have a material adverse effect on the Registrant's financial condition or results of operations.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

No matters were submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED SECURITY HOLDER MATTERS

The Registrant's common stock is traded on the NASDAQ/NMS under the symbol PATK. The high and low trade prices of the Registrant's common stock as reported on NASDAQ/NMS for each quarterly period during the last two years was as follows:

<TABLE>
<CAPTION>

<S>	1st Quarter <C>	2nd Quarter <C>	3rd Quarter <C>	4th Quarter <C>
1997	17 1/4 - 14	18 1/4 - 13 1/8	20 1/8 - 13 3/4	16 5/8 - 13 1/2
1996	15 1/4 - 11	14 3/4 - 12 1/4	15 3/8 - 12 1/4	16 1/2 - 14

</TABLE>

The quotations represent prices between dealers, do not include retail mark-ups, mark-downs or commissions and may not necessarily represent actual transactions.

There were approximately 710 holders of the Registrant's common stock as of December 31, 1997 as taken from the transfer agent's shareholder listing.

The Registrant declared a first time regular quarterly dividend of $.04 per common share starting June 30, 1995 and continued it through December 31, 1997. Although this is a regular quarterly dividend, any future determination to pay cash dividends will be made by the Board of Directors in light of the Registrant's earnings, financial position, capital requirements and such other factors as the Board of Directors deems relevant.

ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data for each of the five years set forth below has been derived from financial statements examined by McGladrey & Pullen, LLP, independent certified public accountants, certain of which have been included elsewhere herein. The following data should be read in conjunction with the Financial Statements and related Notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere herein:

<TABLE>
<CAPTION>

	As of or for the Year Ended December 31,				
	1997	1996	1995	1994	1993
	(dollars in thousands, except per share amounts)				
Net sales	$ 410,567	$ 403,511	$ 362,519	$ 330,981	$ 258,557
Gross profit	52,142	53,362	49,690	42,328	33,593
Warehouse and delivery expenses	15,158	14,645	13,244	12,070	10,188
Selling, general, and administrative expenses	22,145	19,909	18,809	14,792	13,099
Interest expense, net	1,149	1,078	1,200	940	918
Income taxes	5,396	6,929	6,344	5,642	3,633
Net income	8,294	10,800	10,093	8,884	5,755
Earnings per common share (1)	1.40	1.81	1.70	1.46	1.11
Weighted average common shares outstanding(1)	5,921	5,967	5,947	6,094	5,162
Cash dividends, per common share	.16	.16	.12	---	---
Working capital	40,181	45,646	43,280	35,011	27,356
Total assets	112,187	106,606	95,916	87,269	67,990
Long-term debt	25,015	26,152	26,200	21,150	11,624
Shareholders' equity	68,726	62,296	52,989	43,439	36,460

(1) Adjusted to reflect the three-for-two stock split effected in the nature of a stock dividend effective June 10, 1993 and the two-for-one stock split effective March 8, 1994.

</TABLE>

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

The Registrant's business has shown significant revenue growth since 1991, as net sales increased annually from $143 million to over $410 million in six years.

In 1997, the Registrant again achieved record annual sales of $410.6 million. The increase in sales resulted from the continued strength of both the economy and the Manufactured Housing and Recreational Vehicle Industries.

The following table sets forth the percentage relationship to net sales of certain items in the Registrant's statements of operations:

<TABLE>
<CAPTION>

	Year Ended December 31,		
	1997	1996	1995
Net sales	100.0%	100.0%	100.0%
Cost of sales	87.3	86.8	86.3
Gross profit	12.7	13.2	13.7
Warehouse and delivery	3.7	3.6	3.7
Selling, general and administrative	5.4	4.9	5.2
Operating income	3.6	4.7	4.8
Net income	2.0	2.7	2.8

</TABLE>

RESULTS OF OPERATIONS

Year Ended December 31, 1997 Compared to year Ended December 31, 1996

Net Sales. Net sales increased by 7.1 million, or 1.7%, from $403.5 million for the year ended December 31, 1996, to $410.6 million in the year ended December 31, 1997. This small sales increase was attributable to a 2.8% decrease in the year in units shipped by the Manufactured Housing Industry, which represents approximately 67% of Registrant's sales. The Registrant's sales to the Recreational Vehicle Industry were higher in the year 1997 because the Industry, which represents approximately 16% of Registrant's sales, was experiencing an increase in units shipped of the units that utilize Registrants products.

Gross Profit. Gross profit decreased by approximately $1.2 million, or 2.3%, from $53.3 million in the 1996 year to $52.1 million in the same period of 1997. As a percentage of sales, gross profit decreased from 13.2% in the year 1996 to 12.7% in 1997. This decrease was attributable to reduced volumes in certain operations and competitive market pressure on product pricing.

Warehouse and Delivery Expenses. Warehouse and delivery expenses increased by approximately $0.5 million, or 3.5%, from $14.6 million in 1996, to $15.1 million in the year 1997. As a percentage of sales, warehouse and delivery expenses increased from 3.6% in 1996 to 3.7% in 1997.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased by approximately $2.2 million, or 11.2% in the 1997 year, from $19.9 million to $22.1 million. As a percentage of net sales, these expenses increased from 4.9% to 5.4% in 1997 compared to 1996. These expense increases were partially attributable to new Management Information System expenses and additional personnel required due to the growth the Registrant has experienced over the last several years, and for management transition plans. The Registrant believes that the new Management Information System currently being implemented will improve it's information system and will be operational so that the Year 2000 will not pose significant operational problems for the Registrant's software systems.

Operating Income. Operating income decreased by approximately $4.0 million, or 21.1% from $18.8 million in 1996 to $14.8 million in 1997, because of the lower sales and the higher operating expenses. As a percentage of sales, operating income decreased from 4.7 % to 3.6% in 1997.

Interest Expense. Interest expense increased by approximately $71,000. The Registrant's borrowing levels were about the same during 1997 compared to 1996, but invested funds were lower.

Net Income. Net income decreased by approximately $2.5 million from $10.8 million in 1996 to $8.3 million in 1997. This decrease is attributable to the factors described above.

Year Ended December 31, 1996 Compared to year Ended December 31, 1995

Net Sales. Net sales increased by $41.0 million, or 11.3%, from $362.5 million for the year ended December 31, 1995, to $403.5 million in the year ended December 31, 1996. This sales increase was attributable to a 6.9% increase in 1996 units shipped by the Manufactured Housing Industry. This Industry represents approximately 69% of the Registrant's sales. The Registrant's sales to the Recreational Vehicle Industry were higher this year because the Industry was experiencing a slight increase in units shipped of the units that utilize the Registrant's products. The Recreational Vehicle Industry sales as a percent of the Registrant's total sales were 15%, down .05% from 1995 because of increased Manufactured Housing Industry sales. The Registrant's sales to furniture, marine and other industries was approximately 16% of total sales which was also less than in 1995 due to the increased Manufactured Housing sales.

Gross Profit. Gross profit increased by approximately $3.7 million, or 7.4%, from $49.7 million in the fiscal year 1995, to $53.4 million in 1996. As a percentage of sales, gross profit was lower by 0.5% due to increases in labor, building and equipment depreciation, and workers compensation and group insurance costs.

Warehouse and Delivery Expenses. Warehouse and delivery expenses increased by approximately $1.4 million, or 10.6%, from $13.2 million in fiscal 1995, to $14.6 million in 1996. This is 0.1% less as a percentage of net sales than in 1995. The increase in dollars is due to the increased sales.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased by $1.1 million, or 5.8%, in 1996, from $18.8 million in 1995 to $19.9 million in 1996. As a percentage of net sales, these expenses decreased from 5.2% in 1995 to 4.9% in 1996.

Operating Income. Operating income increased by approximately $1.2 million, from $17.6 million in 1995 to $18.8 million, because of the increased sales resulting in increased gross profits and the operating expenses being lower as percentages of sales. As a percentage of sales, operating income decreased from 4.8% to 4.7% in the year 1996 as compared to 1995.

Interest Expense. Interest expense, net of interest income, decreased by approximately $122,000. The Registrant's borrowing levels were slightly lower during most of 1996 compared to 1995, and temporary investments were higher.

Net Income. Net income increased by approximately $0.7 million from $10.1 million in 1995 to $10.8 million in 1996. This increase is attributable to the factors described above.

LIQUIDITY AND CAPITAL RESOURCES

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

The Registrant, 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 beginning September 15, 1999. These funds were used to reduce existing bank debt and for working capital needs.

The Registrant had a bank financing agreement (the Credit Agreement) with NBD Bank, N.A. In September, 1995 with funds from the insurance company private placement, the Registrant prepaid the term loan in full and paid the revolver outstanding balance. The Revolving Credit Agreement was amended on February 13, 1997 and provides loan availability of $10,000,000 with maturity in three years.

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

The Registrant 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 Registrant initiated an expansion project of approximately $6,000,000 in North Carolina in 1997. When completed in 1998, the Registrant anticipates obtaining state industrial revenue bond funding to cover the costs of this project.

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 Registrant's sales and profits are generally highest in the second and third quarters.

NEW ACCOUNTING STANDARDS

In June 1997, the Financial Accounting Standards Board (FASB) issued Statement No. 130, "Reporting Comprehensive Income" (FAS 130), which requires that all items that are required to be recognized under accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence of other financial statements. The Statement is effective for fiscal years beginning after December 15, 1997. Reclassification of comparative financial statements for earlier periods is required. The Company has evaluated the impact of FAS 130 and determined it will have no effect on its financial statements.

In June 1997, the FASB issued Statement No. 131, "Disclosures about Segments of an Enterprise and Related Information" (FAS 131), which requires that a public business enterprise report financial and descriptive information about its reportable operating segments. The Statement is effective for fiscal years beginning after December 15, 1997. In the initial year of application, comparative information for earlier years is to be restated. The Company is currently evaluating the impact FAS 131 will have on its financial statements, if any.

INFLATION

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this item is set forth in Item 14 (a) 1. on page 18 of this report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this item is set forth in the Registrant's Proxy Statement for the Annual Meeting of Shareholders to be held on May 15, 1998, under the caption "Election of Directors," which information is hereby incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is set forth in Registrant's Proxy Statement for the Annual Meeting of Shareholders to be held on May 15, 1998, under the caption "Compensation of Executive Officers and Directors," which information is hereby incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this item is set forth in Registrant's Proxy Statement for the Annual Meeting of Shareholders to be held on May 15, 1998, under the caption "Election of Directors," which information is hereby incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this item is set forth in Registrant's Proxy Statement for the Annual Meeting of Shareholders to be held on May 15, 1998, under the caption "Certain Transactions," which information is hereby incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

All other schedules have been omitted as not required, not applicable, not deemed material or because the information is included in the Notes to Financial Statements.

(a) 3. EXHIBITS

The exhibits listed in the accompanying Exhibit Index on pages 39 and 40 are filed or incorporated by reference as part of this report.

(b) REPORTS ON FORM 8-K

There were no reports on Form 8-K filed for the three months ended December 31, 1997.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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 on March 25, 1998.

PATRICK INDUSTRIES, INC

By Mervin D. Lung
Mervin D. Lung,
Chairman of the Board
and Chief Executive Officer

Pursuant to the Requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<TABLE>

Signature	Title	Date
<CAPTION>		
<S>	<C>	<C>
Mervin D. Lung Mervin D. Lung	Chairman of the Board, Chief Executive Officer and Director	March 25, 1998
David D. Lung David D. Lung	President, Chief Operating Officer and Director	March 25, 1998
Keith V. Kankel Keith V. Kankel	Vice President-Finance, Principal Accounting Officer and Director	March 25, 1998
Thomas G. Baer Thomas G. Baer	Vice President-Operations and Director	March 25, 1998
Harold E. Wyland Harold E. Wyland	Vice President-Sales and Director	March 25, 1998
Clyde H. Keith Clyde H. Keith	Director	March 25, 1998
Merlin D. Knispel Merlin D. Knispel	Director	March 25, 1998
Dorothy M. Lung Dorothy M. Lung	Director	March 25, 1998
John H. McDermott John H. McDermott	Director	March 25, 1998
Robert C. Timmins Robert C. Timmins	Director	March 25, 1998

</TABLE>

PATRICK INDUSTRIES, INC.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL REPORT

DECEMBER 31, 1997

CONTENTS

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
PATRICK INDUSTRIES, INC.
Elkhart, Indiana

We have audited the accompanying consolidated balance sheets of PATRICK INDUSTRIES, INC. AND SUBSIDIARIES as of December 31, 1997 and 1996, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of PATRICK INDUSTRIES, INC. AND SUBSIDIARIES as of December 31, 1997 and 1996, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1997, in conformity with generally accepted accounting principles.

McGLADREY & PULLEN, LLP

Elkhart, Indiana
January 28, 1998
PATRICK INDUSTRIES, INC.
AND SUBSIDIARIES

<TABLE>

CONSOLIDATED BALANCE SHEETS

<S>	<C> 1997	<C> 1996
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 3,765,171	$ 2,041,482
Investment in marketable securities		4,400,000
Trade receivables	17,127,797	15,208,671
Inventories	34,602,154	39,342,506
Prepaid expenses	608,611	393,520
Total current assets	56,103,733	61,386,179
PROPERTY and EQUIPMENT, net	48,221,356	39,759,294
Intangible and OTHER ASSETS	7,862,419	5,460,793

	$ 112,187,508	$ 106,606,266
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term debt	$ 1,138,517	$ 1,138,517
Accounts payable, trade	10,329,507	10,545,175
Accrued liabilities	4,455,005	4,056,031
Total current liabilities	15,923,029	15,739,723
LONG-TERM DEBT, less current maturities	25,015,218	26,151,527
DEFERRED COMPENSATION obligations	1,416,002	1,069,357
DEFERRED TAX LIABILITIES	1,107,000	1,350,000
COMMITMENTS and Contingencies		
ShareHOLDERS' EQUITY		
Preferred stock, no par value; authorized 1,000,000 shares		
Common stock, no par value; authorized 12,000,000 shares; issued 1997 5,895,766 shares; 1996 5,963,766 shares	21,896,822	22,138,494
Retained earnings	46,829,437	40,157,165
	68,726,259	62,295,659
	$ 112,187,508	$ 106,606,266

See Notes to Financial Statements.

</TABLE>

PATRICK INDUSTRIES, INC.
AND SUBSIDIARIES

<TABLE>

CONSOLIDATED STATEMENTS OF INCOME

<CAPTION>

<S>	<C> 1997	<C> 1996	<C> 1995
Net sales	$ 410,566,851	$ 403,510,956	$ 362,519,418
Cost of goods sold	358,425,516	350,149,363	312,829,489
Gross profit	52,141,335	53,361,593	49,689,929
Operating expenses:			
Warehouse and delivery	15,158,001	14,644,949	13,244,189
Selling, general, and administrative	22,144,623	19,909,274	18,809,458
	37,302,624	34,554,223	32,053,647
Operating income	14,838,711	18,807,370	17,636,282
Interest expense, net	1,148,955	1,078,206	1,199,742
Income before income taxes (credits)	13,689,756	17,729,164	16,436,540
Federal and state income taxes	5,395,800	6,929,000	6,344,000
Net income	$ 8,293,956	$ 10,800,164	$ 10,092,540
Basic earnings per common share	$ 1.40	$ 1.81	$ 1.70

See Notes to Financial Statements.

</TABLE>

PATRICK INDUSTRIES, INC.
AND SUBSIDIARIES

<TABLE>

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
<CAPTION>

<S>	Preferred Stock <C>	Common Stock <C>	Retained Earnings <C>	Total <C>
Balance, December 31, 1994	$	$ 21,457,167	$ 21,981,842	$ 43,439,009
Net income			10,092,540	10,092,540
Proceeds from the exercise of 26,374 stock options including related tax benefit		169,322		169,322
Dividends on common stock ($.12 per share			(712,319)	(712,319)
Balance, December 31, 1995		21,626,489	31,362,063	52,988,552
Net income			10,800,164	10,800,164
Proceeds from the exercise of 84,800 stock options including related tax benefit		545,474		545,474
Issuance of 30,000 shares of common stock for stock award plan		393,750		393,750
Repurchase and retirement of 117,900 shares of common stock		(427,219)	(1,052,257)	(1,479,476)
Dividends on common stock ($.16 per share)			(952,805)	(952,805)
Balance, December 31, 1996		22,138,494	40,157,165	62,295,659
Net income			8,293,956	8,293,956
Proceeds from the exercise of 1,500 stock options including related tax benefit		16,125		16,125
Repurchase and retirement of 69,500 shares of common stock		(257,797)	(678,203)	(936,000)
Dividends on common stock ($.16 per share)			(943,481)	(943,481)
Balance, December 31, 1997	$	$ 21,896,822	$ 46,829,437	$ 68,726,259

See Notes to Financial Statements.

</TABLE>

PATRICK INDUSTRIES, INC.
AND SUBSIDIARIES

<TABLE>

CONSOLIDATED STATEMENTS OF CASH FLOWS

<CAPTION>

<S>	1997 <C>	1996 <C>	1995 <C>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 8,293,956	$ 10,800,164	$ 10,092,540
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	5,780,713	4,506,768	3,556,512
Deferred income taxes	(243,000)	(111,000)	101,000
Other	(254,927)	488,557	183,054
Change in assets and liabilities:			
Decrease (increase) in:			
Trade receivables	(1,024,045)	5,218,684	(1,717,489)
Inventories	6,279,132	(3,880,354)	1,031,077
Prepaid expenses	(204,174)	(5,738)	(83,293)
Increase (decrease) in:			
Accounts payable and accrued liabilities	(49,892)	954,657	(4,803,782)
Income taxes payable	577,920		(306,332)
Net cash provided by operating activities	19,155,683	17,971,738	8,053,287
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(12,095,357)	(9,811,116)	(11,866,492)
Investment in marketable securities	4,400,000	(4,400,000)	

Acquisition of businesses, net of cash	(6,797,316)		(3,346,596)
Cash held in escrow			4,584,738
Other	60,344	(264,539)	(225,217)
Net cash (used in) investing activities	(14,432,329)	(14,475,655)	(10,853,567)
CASH FLOWS FROM FINANCING ACTIVITIES			
Borrowings under long-term debt agreements			24,000,000
Principal payments on long-term debt	(1,136,309)	(917,503)	(19,974,000)
Proceeds from exercise of common stock options	16,125	545,474	169,322
Repurchase of common stock	(936,000)	(1,479,476)	
Cash dividends paid	(943,481)	(952,805)	(712,319)
Net cash provided by (used in) financing activities	(2,999,665)	(2,804,310)	3,483,003
Increase in cash and cash equivalents	1,723,689	691,773	682,723
Cash and cash equivalents, beginning	2,041,482	1,349,709	666,986
Cash and cash equivalents, ending	$ 3,765,171	$ 2,041,482	$ 1,349,709

See Notes to Financial Statements.

</TABLE>

Note 1. Nature of Business, Use of Estimates, and Significant Accounting Policies

NATURE OF BUSINESS:

The Company's operations consist primarily of the manufacture and distribution of building products and materials for use primarily by the manufactured housing and recreational vehicle industries for customers throughout the United States. Credit is generally granted on an unsecured basis for terms of 30 days.

Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

SIGNIFICANT ACCOUNTING POLICIES:

PRINCIPLES OF CONSOLIDATION:

The consolidated financial statements include the accounts of Patrick Industries, Inc. and its wholly- owned subsidiaries, Harlan Machinery Company, Inc., Patrick Door, Inc., and its majority-owned subsidiary, Patrick Mouldings, L.L.C. ("the Company"). All significant intercompany accounts and transactions have been eliminated in consolidation.

CASH AND CASH EQUIVALENTS:

The Company has cash on deposit in financial institutions in amounts which, at times, may be in excess of insurance coverage provided by the Federal Deposit Insurance Corporation.

For purposes of the statement of cash flows, the Company considers all overnight repurchase agreements in connection with its sweep account arrangements with its bank to be cash equivalents.

MARKETABLE SECURITIES:

At times, the Company has investments in marketable debt securities. Management determines the classification of the securities at the time they are acquired and evaluates the appropriateness of such classifications at each balance sheet date. Available-for-sale securities are stated at fair value, and unrealized holding gains and losses, net of deferred tax effects, are reported as a separate component of shareholders' equity.

INVENTORIES:

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

PROPERTY AND EQUIPMENT:

Property and equipment is recorded at cost. Depreciation has been computed primarily by the straight-line method applied to individual items based on estimated useful lives which generally range from 10 to 40 years for buildings and improvements and from 3 to 15 years for machinery and equipment, transportation equipment, and leasehold improvements.

Goodwill:

Goodwill, the excess of cost over the fair value of net assets acquired, is amortized by the straight-line method over 15-year periods. At each balance sheet date, management assesses whether there has been a permanent impairment in the value of goodwill. In the event that an impairment is evident, the Company would record an expense for that impairment. Factors considered by management include current operating results, anticipated future cash flows, trends, and prospects, as well as the effects of obsolescence, demand, competition, and other economic factors.

Revenue recognition:

The Company ships product based on specific orders from customers. Shipments are made by the Company only after receiving authorization from the customer, and revenue is recognized upon delivery.

EARNINGS PER COMMON SHARE:

The Financial Standards Accounting Board has issued Statement No. 128, "Earnings per Share," which supersedes APB Opinion No. 15. Statement No. 128 requires the presentation of earnings per share by all entities that have common stock or potential common stock, such as options, warrants, and convertible securities, outstanding that are publicly traded. Those entities that have only common stock outstanding are required to present basic earnings per share amounts. Diluted per share amounts assume the conversion, exercise, or issuance of all potential common stock instruments unless the effect is to reduce a loss or increase the income per common share from continuing operations. All entities required to present per share amounts must initially apply Statement No. 128 for annual and interim periods ending after December 15, 1997.

Stock options outstanding are immaterial and had no effect on earnings per share. Application of Statement No. 128 had no effect on previously reported earnings per share.

Earnings per common share for the years ended December 31, 1997, 1996, and 1995 have been computed based on the weighted average common shares outstanding of 5,921,058, 5,967,489, and 5,946,948, respectively.

NEW ACCOUNTING PRONOUNCEMENTS:

In June 1997, the Financial Accounting Standards Board (FASB) issued Statement No. 130, "Reporting Comprehensive Income" (FAS 130), which requires that all items that are required to be recognized under accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence of other financial statements. The Statement is effective for fiscal years beginning after December 15, 1997. Reclassification of comparative financial statements for earlier periods is required. The Company has evaluated the impact of FAS 130 and determined it will have no effect on its financial statements.

In June 1997, the FASB issued Statement No. 131, "Disclosures about Segments of an Enterprise and Related Information" (FAS 131), which requires that a public business enterprise report financial and descriptive information about its reportable operating segments. The Statement is effective for fiscal years beginning after December 15, 1997. In the initial year of application, comparative information for earlier years is to be restated. The Company is currently evaluating the impact FAS 131 will have on its financial statements, if any.

Note 2. Investment in Marketable Securities

During the year ended December 31, 1996, the Company purchased marketable debt securities in the total amount of $4,400,000. The securities are stated at fair value which was equal to their cost at December 31, 1996. These securities were sold during the year ended December 31, 1997.

Note 3. Balance Sheet Data

TRADE RECEIVABLES:

Trade receivables in the accompanying balance sheets at December 31, 1997 and 1996 are stated net of an allowance for doubtful accounts of $125,000 and $80,000 respectively.

<TABLE>

INVENTORIES:

<CAPTION>

	1997	1996

<S> <C> <C>

Raw materials	$ 19,710,068	$ 24,204,345
Work in process	1,170,054	1,029,127
Finished goods	5,089,861	5,311,075
Materials purchased for resale	8,632,171	8,797,959
	$ 34,602,154	$ 39,342,506

Property and equipment:

	1997	1996
Land and improvements	$ 3,352,851	$ 3,084,374
Buildings and improvements	23,083,890	18,107,574
Machinery and equipment	45,857,694	38,649,613
Transportation equipment	2,883,395	3,404,977
Leasehold improvements	2,874,513	2,383,751
	78,052,343	65,630,289
Less accumulated depreciation	29,830,987	25,870,995
	$ 48,221,356	$ 39,759,294

Intangible and other assets:

Goodwill, at amortized cost	$ 5,597,062	$ 3,080,202
Other, primarily cash value of life insurance	2,265,357	2,380,591
	$ 7,862,419	$ 5,460,793

Accrued liabilities:

Payroll and related expenses	$ 2,927,304	$ 2,885,859
Property taxes	907,678	639,280
Other	620,023	530,892
	$ 4,455,005	$ 4,056,031

</TABLE>

Note 4. Pledged Assets and Long-Term Debt

Long-term debt at December 31, 1997 and 1996 is as follows:

<TABLE>
<CAPTION>

<S> <C> <C>

	1997	1996
Senior Notes, insurance company	$ 18,000,000	$ 18,000,000
Indiana Development Finance Authority Bonds	2,700,000	3,000,000
State of Oregon Economic Development Revenue Bonds	4,800,000	5,200,000
Other	653,735	1,090,044
	26,153,735	27,290,044
Less current maturities	1,138,517	1,138,517
	$ 25,015,218	$ 26,151,527

</TABLE>

The senior notes bear interest at a fixed rate of 6.82% and are unsecured. The annual principal installments of $2,571,428 commence on September 15, 1999 and the final installment is due September 15, 2005. This agreement requires that the Company maintain a minimum level of tangible net worth.

The Indiana Development Finance Authority Bonds are payable in annual installments of $300,000 plus interest at a variable tax exempt bond rate, set periodically to enable the bonds to be sold at par (3.98% at December 31, 1997). The final installment is due November 1, 2006. The bonds are collateralized by real estate and equipment purchased with the bond funds and are backed by a bank standby letter of credit.

The State of Oregon Economic Development Revenue Bonds are payable in annual installments of $400,000 plus interest at a variable tax exempt bond rate (4.25% at December 31, 1997). The final installment is due December 1, 2009. The bonds are collateralized by real estate and equipment purchased with the bond funds and are backed by a bank standby letter of credit.

The Company has an unsecured revolving credit agreement which allows borrowings up to $10,000,000 or a borrowing base defined in the agreement and which expires on February 2, 2000. Interest on this note is at either prime or the Eurodollar rate plus 1% to 1.25%. The Company pays .25% of the unused portion of the revolving line. In addition, this agreement requires the Company to, among other things, maintain minimum levels of tangible net worth, working capital, and debt to net worth. In addition, the Company is contingently liable for standby letters of credit of $2,075,000 to meet credit policies of certain suppliers.

Aggregate maturities of long-term debt for the years ending December 31, 1999 through 2002 are as follows: 1999 $3,486,646; 2000 $3,271,428; 2001 $3,271,428; and 2002 $3,271,428.

Based on the borrowing rates currently available to the Company for loans with similar terms and average maturities, the fair value of the long-term debt instruments approximates their carrying value.

Interest expense for the years ended December 31, 1997, 1996, and 1995 was approximately $1,720,000, $1,670,000, and $1,420,000 respectively.

Note 5. Equity Transactions

Common stock sold to key employees through the exercise of stock options resulted in a tax deduction for the Company equivalent to the taxable income recognized by the employee. For financial reporting purposes, the tax benefit resulting from this deduction, along with the proceeds from the exercise of the options, is accounted for as an increase to common stock.

SHAREHOLDER RIGHTS PLAN:

On February 29, 1996, the Company's Board of Directors adopted a shareholder rights agreement, granting certain new rights to holders of the Company's common stock. Under the agreement, one right was granted for each share of common stock held as of March 20, 1996, and one right will be granted for each share subsequently issued. Each right entitles the holder, in an unfriendly takeover situation, and after paying the exercise price (currently $30), to purchase Patrick common stock having a market value equal to two times the exercise price. Also, if the Company is merged into another corporation, or if 50 percent or more of the Company's assets are sold, then rightholders are entitled, upon payment of the exercise price, to buy common shares of the acquiring corporation's common stock having a then current market value equal to two times the exercise price. In either situation, these rights are not available to the acquiring party. However, these exercise features will not be activated if the acquiring party makes an offer to acquire the Company's outstanding shares at a price which is judged by the Board of Directors to be fair to all Patrick shareholders. The rights may be redeemed by the Company under certain circumstances at the rate of $.01 per right. The rights will expire on March 20, 2006. The Company has authorized 100,000 shares of preferred stock, Series A, no par value, in connection with this plan, none of which have been issued.

REPURCHASE OF COMMON STOCK:

The Company's Board of Directors from time to time has authorized the repurchase of shares of the Company's common stock, in the open market or through negotiated transactions, at such times and at such prices as management may decide.

Note 6. Commitments and Related Party Leases

The Company leases office, manufacturing, and warehouse facilities and certain equipment under various noncancelable agreements which expire at various dates through 2005. These agreements contain various renewal options and provide for minimum annual rentals plus the payment of real estate taxes, insurance, and normal maintenance on the properties. Certain of the leases are with the chairman/major shareholder and expire at various dates through September 30, 2005.

The total minimum rental commitment at December 31, 1997 under the leases mentioned above is ap- proximately $9,024,000, which is due approximately $2,828,000 in 1998, $2,043,000 in 1999, $1,488,000 in 2000, $1,062,000 in 2001, $673,000 in 2002, and $930,000 thereafter.

The total rent expense included in the statements of income for the years ended December 31, 1997, 1996, and 1995 is approximately $3,400,000 $3,400,000, and $3,000,000 respectively, of which approximately $1,300,000 was paid each year to the chairman/major shareholder.

The Company has entered into a commitment to construct and furnish new facilities at a cost of approximately $9,000,000, of which approximately $5,300,000 has been incurred prior to December 31, 1997. The Company plans to finance a portion of these costs with a bond issue of $6,000,000 which is expected to be completed during 1998.

Note 7. Major Customers

Net sales for the year ended December 31, 1997 included sales to three customers, each of which accounted for 10% or more of the total net sales of the Company for the year. The percentage of sales for these customers was 13.3%, 10.9%, and 10.0%.

Net sales for the years ended December 31, 1996 and 1995 include sales to two major customers, each of which accounted for 10% or more of the total net sales of the Company for those years. The percentage of total Company sales to one major customer was 10.6% and 11.3% and to the other was 11.2% and 12.2% for the years ended December 31, 1996 and 1995 respectively.

The balances due from these customers at December 31, 1997 and 1996 were not significant to the total trade receivables balance.

Note 8. Income Tax Matters

Federal and state income taxes for the years ended December 31, 1997, 1996, and 1995, all of which are domestic, consist of the following:

<TABLE>
<CAPTION>

<S>	<C> 1997	<C> 1996	<C> 1995
Current:			
Federal	$ 4,987,400	$ 6,016,000	$ 5,185,000
State	651,400	1,024,000	1,058,000
Deferred	(243,000)	(111,000)	101,000
	$ 5,395,800	$ 6,929,000	$ 6,344,000

</TABLE>

The provisions for income taxes for the years ended December 31, 1997, 1996, and 1995 are different from the amounts that would otherwise be computed by applying a graduated federal statutory rate of 34% to 35% to income before income taxes. A reconciliation of the differences is as follows:

<TABLE>
<CAPTION>

<S>	<C> 1997	<C> 1996	<C> 1995
Rate applied to pretax income	$ 4,791,400	$ 6,197,000	$ 5,637,000
State taxes, net of federal tax benefit	558,400	701,000	723,000
Permanent differences	46,000	31,000	(16,000)
	$ 5,395,800	$ 6,929,000	$ 6,344,000

</TABLE>

Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the current period plus or minus the change during the period in deferred tax assets and liabilities.

The composition of the deferred tax assets and liabilities at December 31, 1997 and 1996 is as follows:

<TABLE>
<CAPTION>

<S>	<C> 1997	<C> 1996
Gross deferred tax liability, accelerated depreciation	$ (2,762,000)	$ (2,634,000)
Gross deferred tax assets:		
Trade receivables allowance	48,000	31,000
Inventory capitalization	285,000	337,000
Nondeductible accruals	619,000	431,000
Deferred compensation	545,000	412,000
Unvested stock awards	120,000	44,000
Other	38,000	29,000
	1,655,000	1,284,000
Net deferred tax liabilities	$ (1,107,000)	$ (1,350,000)

</TABLE>

Note 9. Compensation Plans

DEFERRED COMPENSATION OBLIGATIONS:

The Company has deferred compensation agreements with certain key employees.

The agreements provide for monthly benefits for ten years subsequent to retirement, disability, or death. The Company has accrued an estimated liability based upon the present value of an annuity needed to provide the future benefit payments.

BONUS PLAN:

The Company pays bonuses to certain management personnel. Historically, bonuses are determined annually and are based upon corporate and divisional income levels. The charge to operations amounted to approximately $1,980,000, $2,196,000, and $2,124,000 for the years ended December 31, 1997, 1996, and 1995 respectively.

PROFIT-SHARING PLAN:

The Company has a qualified profit-sharing plan, more commonly known as a 401(k) plan, for substantially all of its employees with over one year of service and who are at least 21 years of age. The plan provides for a matching contribution by the Company as defined in the agreement and, in addition, provides for a discretionary contribution annually as determined by the Board of Directors. The amounts of contributions for the years ended December 31, 1997, 1996, and 1995 were immaterial.

STOCK OPTION PLAN:

The Company has adopted a stock option plan with shares of common stock reserved for options to key employees. These options were not included in computing earnings per common share because the effect of their inclusion was immaterial.

Following is a summary of transactions of granted shares under o
ption for the years ended December 31, 1997 and 1996:

<TABLE>
<CAPTION>

	1997		1996	
	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	Shares	Weighted Average Exercise Price
<S>	<C>	<C>	<C>	<C>
Outstanding, beginning of year	98,000	$10.75	187,800	$6.64
Canceled during the year	(500)	10.75	(5,000)	2.09
Exercised during the year	(1,500)	10.75	(84,800)	2.19
Outstanding, end of year	96,000	$10.75	98,000	$10.75
Eligible, end of year for exercise	68,750	$10.75	45,000	$10.75

</TABLE>

A further summary about fixed options outstanding at December 31, 1997 is as follows:

<TABLE>
<CAPTION>

	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
<S>	<C>	<C>	<C>	<C>	<C>
Exercise price of $10.75	96,000	2.25	$10.75	68,750	$10.75

</TABLE>

As permitted under generally accepted accounting principles, the Company's present accounting with respect to the recognition and measurement of stock-based employee compensation costs, primarily related to the Company's stock option plan, is in accordance with APB Opinion No. 25, which generally requires that compensation costs be recognized for the difference, if any, between the quoted market price of the stock and the amount an employee must pay to acquire the stock. The Company has adopted the provisions of FASB Statement No. 123 which prescribes a fair-value based method of measurement that results in the disclosure of computed compensation costs for essentially all awards of stock-based compensation to employees. This requirement is to be applied prospectively to any options granted. No options were granted during the years ended December 31, 1997 and 1996 and, therefore, there is no pro forma net income effect.

STOCK AWARD PLAN:

The Company has adopted a stock award plan for the five existing nonemployee directors. Grants awarded during May 1996 of 30,000 shares are subject to forfeiture in the event the recipient terminates as a director within two years from the date of grant. The related compensation expense is being recognized over the two-year vesting period. No grants were awarded during 1997.

Note 10. Business Combination

In January 1995, the Company purchased substantially all the assets of U.S. Door, Inc., a manufacturer of wooden cabinet doors. The purchase price of the acquired assets was $3,346,000. The excess of the total acquisition cost over the fair value of the net assets acquired of $1,876,000 is being amortized over fifteen years by the straight-line method. The acquisition has been accounted for as a purchase and the results of operations of U.S. Door, Inc. since the date of acquisition are included in the consolidated financial statements.

In August 1997, the Company purchased substantially all of the assets of United Shade, Inc., a manufacturer of window shades and blinds. The total acquisition cost was $5,810,400. The excess of the total acquisition cost over the fair value of the net assets acquired of $2,760,000 is being amortized over fifteen years by the straight-line method. The acquisition has been accounted for as a purchase and results of operations of United Shade, Inc. since the date of acquisition are included in the consolidated financial statements.

Summarized pro forma financial information for the years ended December 31, 1997 and 1996 as though United Shade, Inc. had been acquired as of January 1, 1996 follow:

<TABLE>
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<S>	<C> 1997	<C> 1996
Net sales	$ 414,074,000	$ 409,360,000
Net income	8,609,527	11,171,054
Earnings per share	1.45	1.87

</TABLE>

Note 11. Cash Flows Information

Supplemental information relative to the statements of cash flows for the years ended December 31, 1997, 1996, and 1995 is as follows:

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<S>	<C> 1997	<C> 1996	<C> 1995
Supplemental disclosures of cash flows information:			
Cash payments for:			
Interest	$ 1,720,934	$ 1,583,112	$ 1,416,133
Income taxes	$ 5,360,319	$ 7,379,844	$ 6,751,132
Supplemental schedule of noncash investing and financing activities:			
Equipment contracts incurred for use of equipment	$ -	$ 1,307,547	$ -

</TABLE>

The amounts in the statements of cash flows are stated net of the 1997 purchase of United Shade, Inc. and the 1995 purchase of U.S. Door, Inc.

Note 12. Unaudited Interim Financial Information

Presented below is certain selected unaudited quarterly financial information for the years ended Decem- ber 31, 1997 and 1996 (dollars in thousands, except per share data):

<TABLE>
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	Quarter Ended			
	March 31,	June 30,	September 30,	December 31,
1997				
<S>	<C>	<C>	<C>	<C>
Net sales	$ 96,936	$ 106,600	$ 105,126	$ 101,905

Gross profit	11,957	13,328	13,379	13,477
Net income	2,086	2,242	2,074	1,892
Earnings per common share	0.35	0.38	0.35	0.32
Weighted average common shares outstanding	5,964,594	5,929,140	5,895,766	5,895,766

1996

Net sales	$ 93,768	$ 107,395	$ 105,686	$ 96,662
Gross profit	11,753	14,443	14,480	12,685
Net income	1,945	3,204	3,285	2,366
Earnings per common share	0.33	0.54	0.55	0.40
Weighted average common shares outstanding	5,967,157	5,965,951	5,973,212	5,963,614

</TABLE>

INDEX TO EXHIBITS

Exhibit Number
Exhibits

3(a) -Amended Articles of Incorporation of the Registrant as further amended (filed as Exhibit 3(a) to the Registrant's Form 10-K/A-1 amending its report on Form 10-K for the fiscal year ended December 31, 1992 and incorporated herein by reference) ....

3(b) -By-Laws of the Registrant (filed as Exhibit 3(b) to the Registrant's Form 10-K/A-1 amending its report on Form 10-K for the fiscal year ended December 31, 1992 and incorporated herein by reference) ....

3(c) - Preferred Share Purchase Rights Agreement (filed April 3, 1996 on Form 8-A and incorporated herein by reference)

10(a) -Second Amendment to February 2, 1994 Credit Agreement, dated as of June 26, 1995 among the Registrant, NBD Bank, as agent, and NBD Bank, N.A. (filed as Exhibit 10(a) to the Registrant s Form 10-K for the fiscal year ended December 31, 1995 and incorporated herein by reference) ....

10(b) -Note Agreement, dated September 1, 1995, between the Registrant and Nationwide Life Insurance Company (filed as Exhibit 10(b) to the Registrant s Form 10-K for the fiscal year ended December 31, 1995 and incorporated herein by reference) ....

10(c) -Commercial Lease and Option to Purchase dated as of October 1, 1995 between Mervin Lung Building Company, Inc., as lessor, and the Registrant, as lessee (filed as Exhibit 10(c) to the Registrant s Form 10-K for the fiscal year ended December 31, 1995 and incorporated herein by reference) ....

10(d) -First Amendment to Credit Agreement, dated as of October 27, 1994 among the Registrant, NBD Bank, as agent, and NBD Bank, N.A. (filed as Exhibit 10(a) to the Registrant's Form 10-K for the fiscal year ended December 31, 1994 and incorporated herein by reference) ....

10(e) -Loan Agreement dated as of December 1, 1994 between the State of Oregon Economic Development Commission, along with the Pledge and Security Agreement relating thereto (filed as Exhibit 10(b) to the Registrant's Form 10-K for the fiscal year ended December 31, 1994 and incorporated herein by reference) ....

10(f) -Credit Agreement dated as of February 2, 1994 among the Registrant, NBD Bank, as agent, and NBD Bank, N.A. (filed as Exhibit 10(a) to the Registrant's Form 10-K for the fiscal year ended December 31, 1993 and incorporated herein by reference) ....

Exhibit Number Exhibits

10(g) -Loan Agreement dated as of November 1, 1991 between the Registrant and the Indiana Development Finance Authority, along with the Pledge and Security Agreement relating thereto (filed as Exhibit 10(c) to

	the Registrant's Form 10-K/A-1 amending its report on Form 10-K for the fiscal year ended December 31, 1992 and incorporated herein by reference) .....
*10(h)	-Patrick Industries, Inc. 1987 Stock Option Program, as amended (filed as Exhibit 10(e) to the Registrant's Form 10-K for the fiscal year ended December 31, 1994 and incorporated herein by reference) ....
*10(i)	-Patrick Industries, Inc. 401(k) Employee Savings Plan (filed as Exhibit 10(a) to the Registrant's Form 10-K for the fiscal year ended December 31, 1993 and incorporated herein by reference) ....
*10(j)	-Form of Employment Agreements with Executive Officers (filed as Exhibit 10(e) to the Registrant's Form 10-K/A-1 amending its report on Form 10-K for the fiscal year ended December 31, 1992 and incorporated herein by reference) .....
*10(k)	-Form of Deferred Compensation Agreements with Executive Officers (filed as Exhibit 10(f) to the Registrant's Form 10-K/A-1 amending its report on Form 10-K for the fiscal year ended December 31, 1992 and incorporated herein by reference) ....
10(l)	-Commercial Lease and dated as of October 1, 1994 between Mervin D. Lung, as lessor, and the Registrant, as lessee (filed as Exhibit 10(k) to the Registrant's Form 10-K for the fiscal year ended December 31, 1994 and incorporated herein by reference) ....
10(m)	-Commercial Lease dated September 1, 1994 between Mervin D. Lung Building Company, Inc., as lessor, and the Registrant, as lessee (filed as Exhibit 10(l) to the Registrant's Form 10-K for the fiscal year ended December 31, 1994 and incorporated herein by reference) ....
10(n)	-Commercial Lease dated November 1, 1994 between Mervin D. Lung Building Company, Inc., as lessor, and the Registrant, as lessee (filed as Exhibit 10(m) to the Registrant's Form 10-K for the fiscal year ended December 31, 1994 and incorporated herein by reference) ....
12**	-Computation of Operating Ratios ....
23	-Consent of accountants (included in Independent auditor's report on supplemental schedule & consent on page F-15) .....
27**	-Financial Data Schedule ....

*Management contract or compensatory plan or arrangement
**Filed herewith

Exhibit 12

PATRICK INDUSTRIES, INC.

Statement of Computation of Operating Ratios

Operating ratios which appear in this Form 10-K, including gross profit, warehouse and delivery expenses, selling, general and administrative expenses, operating income and net income were computed by dividing the respective amounts by net sales for the periods indicated.

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