ANNUAL REPORT

2001

GIBRALTAR

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While 2001 was the most difficult year in a decade, Gibraltar's fundamental strengths – **a diverse customer base,** participation in many of the nation's fastest-growing geographic and steel-consuming markets, a focus on high-margin value-added products and services, and the best team in the business – enabled our Company to once again **outperform** its competitors.

Even as we worked our way through the economic slowdown, we continued to position Gibraltar for **continued growth.** In February of 2001 we completed an acquisition – our 15th in the last seven years – and we have invested over $150 million in our business since our Initial Public Offering in 1993. We are aggressively seeking ways to grow our revenues, and improve our profitability and **return on capital.**

We intend to come out of this slowdown stronger, leaner, more efficient, and **positioned to fully capitalize** on our profit potential. And in spite of a temporary interruption in our long-standing record of growth, we are still very clearly focused on reaching our goals of $1 billion in sales and $45 million in net income by 2003.

COMPANY PROFILE

Gibraltar is one of North America's leading metal processors, a manufacturer of more than 5,000 steel and other metal products, and the nation's second-largest commercial heat treater.

The Company is actively seeking profitable, synergistic growth opportunities that increase its business, customer, product, and geographic diversification. It now serves more than 10,000 customers in a variety of industries in all 50 states, Canada, and Mexico.

Its approximately 3,300 employees have established Gibraltar's reputation as an industry leader in quality, service, and innovation. With 54 facilities in 20 states and Mexico, the Company has the reach and resources to continually build and diversify its customer base.

PERFORMANCE HIGHLIGHTS

- Generated sales of $616 million, and net income of $12.5 million, or $.98 per diluted share
- Reduced inventories by $25 million, or 25%, and improved inventory turnover on lower sales
- Reduced long-term debt by $44 million, bringing debt-to-cap ratio to its lowest year-end level since 1997
- Attacked expenses by reducing overtime and staffing, consolidating facilities, and reducing or eliminating discretionary spending
- Invested $14.3 million in capital expenditures, in addition to the $140 million invested between 1993 and 2000
- Acquired Pennsylvania Industrial Heat Treaters in February 2001, expanding and diversifying our heat-treating capabilities
- Increased our annual dividend by 17%, to $.14 per share
- Completed an offering of 3,150,000 shares in March 2002 that raised $50.9 million
- Expect improved performance in 2002

FINANCIAL HIGHLIGHTS

YEAR ENDED DECEMBER 31, (In thousands, except percent and per share data)	2001	2000	1999
Net sales	$ 616,028	$ 677,540	$ 621,918
Gross profit	116,083	135,797	127,973
Income from operations	37,509	59,892	55,469
Net income	12,533	24,365	25,008
Net income per share, diluted	$ 0.98	$ 1.92	$ 1.95
Weighted average shares outstanding, diluted	12,773	12,685	12,806
Long-term debt	$ 211,462	$ 255,526	$ 235,302
Shareholders' equity	218,347	208,348	185,459
Capital expenditures	14,344	19,619	21,999
Depreciation and amortization	$ 23,486	$ 21,188	$ 17,452
Return on average equity	5.9%	12.4%	14.5%
Return on sales	2.0%	3.6%	4.0%

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

CHAIRMAN'S LETTER

FELLOW SHAREHOLDERS:

As a solid affirmation of your company's consistent growth since going public, its performance during a difficult operating environment in 2001, and a belief in its strategic positioning, Gibraltar completed a highly successful follow-on stock offering on March 7, 2002.

The Company initially registered to sell 2.5 million shares and raise approximately $35 million. As a result of a highly successful road show, we were able to increase the size of the original offering by 17 percent, fully exercise the over-allotment option, and price at $17.20 per share (compared to $15 the day after the offering was registered).

The success of this offering — which generated net proceeds of approximately $51 million — demonstrates the stock market's confidence in your company's management, strategy, and future prospects.

With a much stronger balance sheet — coupled with tight operating controls, $250-$300 million of unused capacity at existing facilities, and numerous acquisition opportunities — Gibraltar is well positioned for continued growth.

DURING 2001, WE AGAIN DISTINGUISHED GIBRALTAR AS ONE OF THE BEST PERFORMERS IN THE BUSINESS, AND WE STARTED 2002 WITH A HIGHLY SUCCESSFUL STOCK OFFERING.

A SOLID PERFORMANCE IN A DIFFICULT YEAR

Even though Gibraltar did not do as well in 2001 as we did a year earlier — our sales fell by nine percent to $616 million and our earnings were down by approximately 50 percent to $12.5 million, or $.98 per diluted share — we did much better than most of our competitors, and we once again distinguished this company as one of the best performers in the business today.

While we were pleased, on a comparative basis, with our performance in a very difficult operating environment, we were not satisfied with our results, and we took — and continue to take — steps to mitigate the economic slowdown.

WE RESPONDED TO THE SLOWDOWN HEAD ON

During 2001, we improved our inventory turns (to 5.1 times in 2001 from 4.9 times in 2000) on lower sales, and we reduced our inventories by $25 million, or 25 percent. We believe Gibraltar is one of the best inventory managers in the business, and we continue to strive for even greater efficiency.

In 2001, we reduced our long-term debt by $44 million — which brought our debt to capitalization to its lowest year-end level since 1997 — in addition to funding the acquisition of Pennsylvania Industrial Heat Treaters in February. In spite of the most severe slowdown in a decade, we strengthened our balance sheet in 2001.

We also aggressively attacked our expenses. During 2001, we consolidated facilities, cut overtime costs, matched our workforce to lower sales volumes, put a wage and hiring freeze in place, and reduced or eliminated all non-essential spending. While we always work to keep our overhead low, we were relentless in our assault on expenses during 2001 — and we will maintain that focus in the year ahead.

WE CONTINUED TO INVEST IN OUR BUSINESS

In spite of the economy, we continued to invest in our business. We made capital expenditures of approximately $14 million in 2001, on top of the $140 million we invested between 1993 and 2000. Those investments have strengthened our position as the low-cost, high-quality provider of goods and services to our customers.

We also made 15 acquisitions during the last seven years. These acquisitions — which built on our core competencies — have given us strong and growing businesses in the building products and heat-treating areas.

Five years ago, we did virtually no business with the building industry. Today, we sell more than 5,000 products and have annual sales of nearly $300 million. Six years ago, we did not participate in the commercial heat-treating industry. Today, we are the nation's second-largest independent commercial heat treater, with annual sales of more than $70 million.

Both of these businesses have helped us grow and stabilize our margins, and both are poised for strong and sustained growth as the economy improves.

THE STRENGTH AND DIVERSIFICATION OF OUR BUSINESS

The mark of a great company is not so much what it accomplishes in good times, but what it does in the tough times. In the eight years since our Initial Public Offering (IPO), we have continued to build on our core competencies of processing and manufacturing by expanding our operations in the processed steel products, building products, and heat-treating areas through strategic acquisitions and internal growth. We are committed to strengthening our leadership position in each of these areas.

When we took Gibraltar public in 1993, the goal was to make this company stronger, not just bigger. We have done that in a number of ways, including extending our geographic reach, broadening and diversifying our customer base, and continuing to move more of our business into high-margin areas.

OUR STRONGER BALANCE SHEET, TIGHT OPERATING CONTROLS, INTERNAL CAPACITY, AND ACQUISITION OPPORTUNITIES POSITION GIBRALTAR FOR CONTINUED GROWTH.

Prior to our IPO, we operated nine facilities in four states, primarily around the Great Lakes. Today, we have 54 facilities in 20 states and Mexico, and we are in many of the fastest-growing regions of the country. And while we have substantially expanded our geographic footprint, there are a number of attractive markets still open to us.

By expanding our customer base more than tenfold since our IPO, we have reduced our exposure to any single customer or industry. We now have more than 10,000 active customers in all 50 states, Canada, and Mexico.

We now sell more than 5,000 manufactured end products, like mailboxes, where we are the largest producer in the United States, and quite possibly the world. The sales of manufactured end products — which today account for 51 percent of our sales, compared to 14 percent in 1993 — have helped us drive our margins higher, and stabilize them across a variety of operating environments.

Because of our geographic, customer, and product diversification — and our continuous focus on margin improvement — we believe that Gibraltar felt the downturn later, weathered it better, and will come out of it sooner. And most importantly, we have used the slowdown to strengthen our position in all of our key businesses.

WE EXPECT IMPROVED PERFORMANCE IN 2002

As a result of the many steps we have taken — and increasing signs that the economy is strengthening — we expect improved performance in 2002.

Our reduced debt level and lower interest rates should drive down our interest expense. We have attacked expenses, including re-engineering our health-care plans, to control and reduce costs. And we incurred one-time costs in 2001 — for example, to write-off our eBusiness investment and to consolidate facilities — that will not recur. The streamlining of our operations during 2001 allows us to enter 2002 in a far more productive position.

Apart from the steps we took, many favorable trends are in place. Two of our largest building products customers, The Home Depot and Lowe's, continue to pursue aggressive growth plans. With interest rates down sharply from a year ago, growth in the interest-sensitive parts of the economy, like the housing market, should stay strong. And lower utility costs should reduce our expenses in 2002 compared to year-ago levels.

SALES AND EARNINGS GOALS STILL IN PLACE

We view the economic slowdown as a temporary interruption in our record of consistent sales and earnings growth. We remain focused on our goals of generating annual sales of $1 billion and annual net income of $45 million.

We plan to come out of this slowdown as a stronger, leaner, better company, like we did after the 1990-91 recession. Following that, we began an eight-year run of stair-step, double-digit sales and earnings growth. We see similar, and perhaps even greater, opportunities coming out of this slowdown.

We have built this company on a rock-solid foundation, and we have great confidence that we will continue to meet our performance goals and increase shareholder value. Thank you for your continued confidence and support.

Sincerely,

Brian J. Lipke
Chairman and Chief Executive Officer

BUSINESS SEGMENTS

Gibraltar is organized into three segments — building products, processed steel products, and heat treating — on the basis of the production process, and products and services provided by each segment.

BUILDING PRODUCTS

BUSINESS

Our building products companies manufacture more than 5,000 products, and serve a $480-billion industry that includes a variety of large and growing markets, including the $200-billion home improvement industry, as well as the residential and commercial construction industry. With annual sales of $293 million, our building products business has grown into our largest segment.

SEGMENT DATA

Sales: $293 million
Percent of total sales: 47%
Income from operations: $18.2 million

CUSTOMERS AND INDUSTRIES SERVED

- Major home improvement centers such as The Home Depot, Lowe's, and Menards, as well as regional chains
- Discount stores such as Target and Wal-Mart
- Major roofing-oriented distributors such as ABC, Allied Building Products, and Bradco
- Lumber and building material wholesale customers, including Georgia-Pacific and Prime Source
- Buying groups, including ACE, Do It Best, and Tru-Serv
- HVAC distributors like RE Michel Company
- The general do-it-yourself market
- Manufactured housing

GROWTH DRIVERS

- By fully utilizing the equipment at acquired facilities, we can expand the annual sales of our building products companies by $200-250 million with little incremental expense.
- This is a highly fragmented industry, with numerous acquisition opportunities.
- The Home Depot, now our largest customer, plans to add 600 new stores by 2004 to its existing network of 1,350. Lowe's, another major customer, plans to add 250 more stores by 2003 to its base of 740.
- We are the nation's (and possibly the world's) largest manufacturer of mailboxes, and we recently introduced new products – including our line of upscale mailboxes and secure boxes for home package delivery – that strengthen our position.
- We are the nation's second-largest manufacturer of steel lumber connectors, and more stringent building codes and insurance company requirements are increasing the demand for these products which can withstand high winds and seismic activity.

PROCESSED STEEL PRODUCTS

BUSINESS

Our processed steel products segment includes our cold-rolled strip steel and strapping operations, coated steel products operations, just-in-time materials management facilities, and a steel pickling joint venture. Our cold-rolled strip steel operations focus on those applications that require tighter tolerances, precise widths, and improved surface conditions. Through our coated steel products operations, we are able to provide steel in more than 500 colors and a variety of coatings. Gibraltar is also one of only four domestic manufacturers of steel strapping.

SEGMENT DATA

Sales: $252 million
Percent of total sales: 41%
Income from operations: $29.2 million

CUSTOMERS AND INDUSTRIES SERVED

- Automobile manufacturers, including GM, Chrysler, Ford, and Honda, and component manufacturers such as Delphi, Emerson, and Trico
- Power and hand tool manufacturers
- Appliance manufacturers
- Industrial hardware and chain manufacturers
- Home and office furniture

GROWTH DRIVERS

- The continuing consolidation of the steel processing industry creates opportunities for well-capitalized companies like Gibraltar to gain market share, diversify products and services, and enter new markets.
- As a result of the preferred supplier status it has gained with many of its customers, Gibraltar will benefit from the growing trend to work with fewer suppliers.
- We continue to focus on the most difficult and demanding applications – like the steel that is used in clutch plates – which differentiates us from the competition, and firmly positions us in the highest-margin areas of the business.
- Gibraltar has a sterling reputation for producing the highest-quality, lowest-cost products, and delivering on time, every time. All of our locations that serve the automotive industry are registered to QS 9000 standards, and we are currently registering our facilities to ISO 14001 standards.

HEAT TREATING

BUSINESS

With annual sales of $71 million, Gibraltar is the nation’s second-largest commercial heat treater, offering a comprehensive range of services to more than 3,500 customers in a variety of industries.

SEGMENT DATA

Sales: $71 million
Percent of total sales: 12%
Income from operations: $8.8 million

CUSTOMERS AND INDUSTRIES SERVED

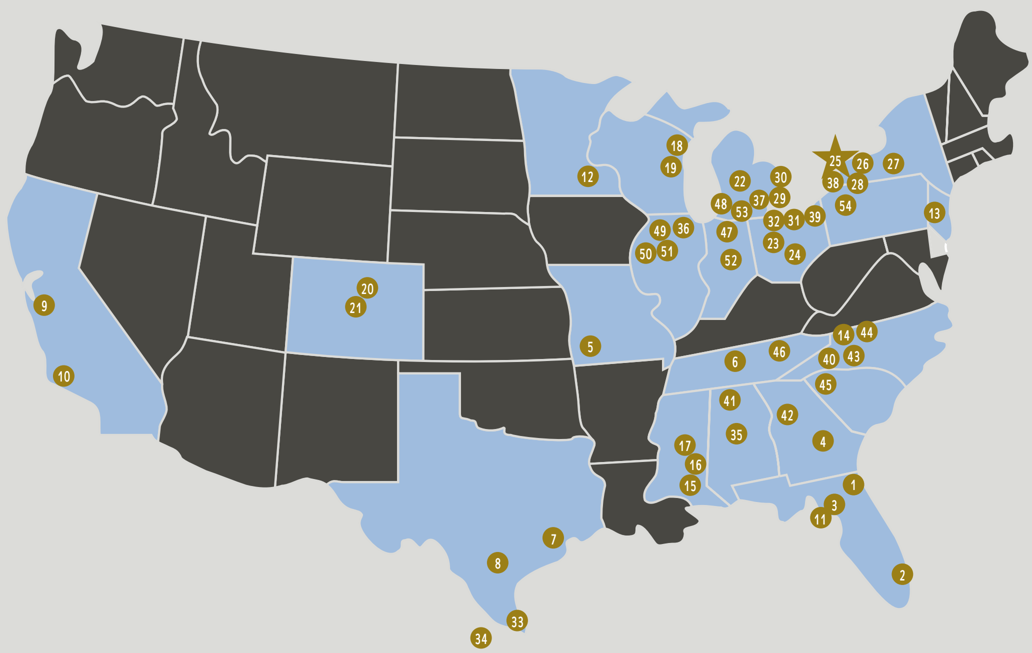
- Aerospace, Appliance, Automotive, Construction, Electrical, Fabricators, Farm Equipment, Foundries, Hardware, Machinery, Medical Equipment, Office Equipment, Platers, Stamping, Textile, Tool & Die
- GM, Elkay, Black & Decker, GE, Sears-Craftsman, Frigidare, Caterpillar

GROWTH DRIVERS

- The $20-billion heat-treating industry is highly fragmented, with more than 700 independent companies, which presents numerous acquisition opportunities.
- As a result of more and more heat treating being outsourced (currently around ten percent), commercial providers like Gibraltar are gaining an increased share of the market.
- Operating and marketing synergies between Gibraltar’s heat-treating companies will fuel continued growth.

LOCATIONS

Gibraltar has grown from nine facilities in four states in 1993 to 54 facilities in 20 states and Mexico today. This growth and diversification strategy has led the Company into many of the country's fastest-growing markets, and helped it become a leader in each of its businesses.



Building Products

1. Jacksonville, Florida
2. Miami, Florida
3. Tampa, Florida
4. Vidalia, Georgia
5. Joplin, Missouri
6. Nashville, Tennessee
7. Houston, Texas
8. San Antonio, Texas
9. Livermore, California
10. Rancho Cucamonga, California
11. Largo, Florida
12. Montgomery, Minnesota
13. Hainesport, New Jersey
14. North Wilkesboro, North Carolina
15. Enterprise, Mississippi
16. Taylorsville, Mississippi
17. (2 facilities)
18. Appleton, Wisconsin
19. (2 facilities)
20. Denver, Colorado
21. (2 facilities)
22. Coopersville, Michigan
23. Holland, Ohio
24. Lima, Ohio

Processed Steel Products

25. Buffalo, New York
26. Cheektowaga, New York
27. Ithaca, New York
28. Tonawanda, New York
29. Dearborn, Michigan
30. Troy, Michigan
31. Cleveland, Ohio
32. (2 facilities)
33. Brownsville, Texas
34. Monterrey, N.L. Mexico
35. Fairfield, Alabama
36. Franklin Park, Illinois
37. Woodhaven, Michigan
38. Lackawanna, New York
39. Twinsburg, Ohio

Heat Treating

40. Arden, North Carolina
41. Athens, Alabama
42. Conyers, Georgia
43. Charlotte, North Carolina
44. Reidsville, North Carolina
45. Fountain Inn, South Carolina
46. Morristown, Tennessee
47. South Bend, Indiana
48. Benton Harbor, Michigan
49. Northlake, Illinois
50. Rockford, Illinois
51. (2 facilities)
52. Greensburg, Indiana
53. Coldwater, Michigan
54. St. Marys, Pennsylvania

NINE-YEAR FINANCIAL HIGHLIGHTS

(In thousands, except percent and per share data)	**2001**	2000	1999	1998	1997	1996	1995	1994	1993
Net sales	**$616,028**	$677,540	$621,918	$557,944	$449,700	$342,974	$282,833	$200,142	$167,883
EBITDA	**60,995**	81,080	72,921	57,788	41,081	36,863	24,906	19,624	16,333
Income from operations	**37,509**	59,892	55,469	44,455	32,603	30,617	20,368	16,179	12,934
Interest expense	**16,446**	18,942	13,439	11,389	5,115	3,827	3,984	1,374	1,621
Income before income taxes	**21,063**	40,950	42,030	33,066	27,488	26,790	16,384	14,805	11,513
Income taxes	**8,530**	16,585	17,022	13,226	11,072	10,815	6,662	5,996	6,300
Net income	**12,533**	24,365	25,008	19,840	16,416	15,975	9,722	8,809	7,337*
Net income per share – Basic	**$ 1.00**	$ 1.94	$ 1.99	$ 1.59	$ 1.33	$ 1.42	$ 0.96	$ 0.87	$ 0.72*
Weighted average shares outstanding – Basic	**12,591**	12,577	12,540	12,456	12,357	11,261	10,164	10,163	10,163*
Net income per share – Diluted	**$ 0.98**	$ 1.92	$ 1.95	$ 1.57	$ 1.30	$ 1.39	$ 0.95	$ 0.86	$ 0.72*
Weighted average shares outstanding – Diluted	**12,773**	12,685	12,806	12,651	12,591	11,464	10,213	10,200	10,165*
Cash dividends per common share	**$ 0.135**	$ 0.115	$ 0.125	–	–	–	–	–	–
Book value per share	**$ 17.32**	$ 16.58	$ 14.75	$ 12.84	$ 11.29	$ 9.88	$ 6.91	$ 5.94	$ 5.08
Working capital	**$105,064**	$132,407	$112,923	$124,236	$ 87,645	$ 68,673	$ 57,515	$ 48,524	$ 28,597
Total assets	**535,040**	556,046	522,080	438,435	281,336	222,507	167,423	126,380	92,868
Total debt	**212,275**	255,853	236,621	200,746	83,024	49,841	59,054	38,658	14,179
Shareholders' equity	**218,347**	208,348	185,459	160,308	140,044	121,744	70,244	60,396	51,587
Capital expenditures	**14,344**	19,619	21,999	22,062	21,784	15,477	14,504	16,171	10,468
Depreciation and amortization	**$23,486**	$ 21,188	$ 17,452	$ 13,333	$ 8,478	$ 6,246	$ 4,538	$ 3,445	$ 3,399
Return on sales (%)	**2.0**	3.6	4.0	3.6	3.7	4.7	3.4	4.4	
Return on average equity (%)	**5.9**	12.4	14.5	13.2	12.5	16.6	14.9	15.7	

* Pro forma results

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

RESULTS OF OPERATIONS

Year Ended 2001 Compared to Year Ended 2000

Consolidated

Net sales decreased $61.5 million, or 9.1%, to $616.0 million in 2001 from net sales of $677.5 million in 2000. This decrease resulted primarily from changes in the general economy, particularly reduced production levels in the automotive industry, offset by including the net sales of Pennsylvania Industrial Heat Treaters, Inc. (acquired February 13, 2001) (the 2001 acquisition) and a full year's net sales of Milcor, Inc. (acquired July 17, 2000) (the 2000 acquisition).

Cost of sales decreased $41.8 million, or 7.7%, to $499.9 million in 2001 from $541.7 million in 2000. Cost of sales as a percentage of net sales increased to 81.2% in 2001 from 80.0% in 2000 primarily due to higher transportation, health insurance, utility, labor costs and fixed costs as a percentage of net sales due to lower sales volume in 2001 compared to 2000, partially offset by lower raw material costs in 2001.

Selling, general and administrative expenses increased $2.7 million, or 3.5%, to $78.6 million in 2001 from $75.9 million in 2000. Selling, general and administrative expenses as a percentage of net sales increased to 12.8% in 2001 from 11.2% in 2000 primarily due to the non-cash charge of $1.0 million relating to the Company's E-Commerce investment and costs from the 2001 and 2000 acquisitions, which have higher selling, general and administrative costs as a percentage of net sales than our existing operations, offset by decreases in incentive-based compensation.

Interest expense decreased $2.5 million from 2000 to 2001 due to reduced interest rates and decreased average borrowings in 2001.

As a result of the above, income before taxes decreased $19.9 million, or 48.6%, to $21.0 million in 2001 from $40.9 million in 2000.

Income taxes approximated $8.5 million in 2001, based on a 40.5% effective rate.

Segment Information

Processed Steel Products - Net sales decreased $69.0 million, or 21.5%, to $252.4 million in 2001, from net sales of $321.4 million in 2000. This decrease was primarily due to reduced production levels in the automotive industry.

Income from operations decreased 25.5% to $29.2 million in 2001 from $39.1 million in 2000. Operating margin decreased to 11.6% of net sales in 2001 from 12.2% in 2000, primarily due to higher health insurance, labor and utility costs as a percentage of net sales, partially offset by lower raw material costs and decreases in incentive-based compensation.

Building Products - Net sales increased $14.8 million, or 5.3%, to $292.5 million in 2001 from $277.7 million in 2000. This increase was primarily due to including the full year's net sales of Milcor (acquired July 17, 2000) (the 2000 acquisition), partially offset by a decrease in net sales of existing operations due to changes in the general economy.

Income from operations decreased 19.2% to $18.2 million in 2001 from $22.5 million in 2000. Operating margin decreased to 6.2% of net sales in 2001 from 8.1% in 2000, primarily due to higher costs as a percentage of net sales from the 2000 acquisition and higher material, transportation, health insurance and utility costs as a percentage of net sales at existing operations.

Heat Treating - Net sales decreased $7.3 million, or 9.3%, to $71.2 million in 2001 from $78.5 million in 2000. This decrease was primarily due to changes in the general economy, particularly reduced production levels in the automotive industry partially offset by including the net sales of Pennsylvania Industrial Heat Treaters, Inc. (acquired February 13, 2001) (the 2001 acquisition).

Income from operations decreased 32.6% to $8.8 million in 2001 from $13.1 million in 2000. Operating margin decreased to 12.4% of net sales in 2001 from 16.6% in 2000, primarily due to higher health insurance and utility costs as a percentage of net sales at existing operations, partially offset by decreases in incentive-based compensation and by lower costs as a percentage of net sales from the 2001 acquisition.

Year Ended 2000 Compared to Year Ended 1999

Consolidated

Net sales increased $55.6 million, or 8.9%, to a record $677.5 million in 2000 from $621.9 million in 1999, despite the elimination of $19.4 million in sales from disposed of operations that were included in 1999 sales and a slowdown in the automotive and building products markets in the fourth quarter of 2000. This increase primarily resulted from including the net sales of Milcor (acquired July 17, 2000) (the 2000 acquisition) from its acquisition date, and a full year of net sales of Southeastern Heat Treating (acquired April 1, 1999), Weather Guard (acquired July 1, 1999), Hi-Temp (acquired August 1, 1999), Brazing Concepts (acquired November 1, 1999) and Hughes (acquired December 1, 1999) (the 1999 acquisitions), together with sales growth at existing operations.

Cost of sales increased $47.8 million, or 9.7%, to $541.7 million in 2000 from $493.9 million in 1999. Cost of sales as a percentage of net sales increased to 80.0% in 2000 from 79.4% in 1999 primarily due to the impact of the slowdown in the automotive and construction products markets in the fourth quarter of 2000.

Selling, general and administrative expenses increased $3.4 million, or 4.7%, to $75.9 million in 2000 from $72.5 million in 1999. Selling, general and administrative expenses as a percentage of net sales decreased to 11.2% in 2000 from 11.7% in 1999 primarily due to the elimination of expenses from disposed of operations and decreases in performance-based compensation, partially offset by higher costs attributable to the 1999 and 2000 acquisitions.

Interest expense increased $5.5 million from 1999 to 2000 due to higher borrowings as a result of the acquisitions, current year capital expenditures and due to a higher effective interest rate in 2000 than in 1999.

As a result of the above, income before taxes decreased $1.1 million, or 2.6%, to $40.9 million in 2000 from $42.0 million in 1999.

Income taxes approximated $16.6 million in 2000, based on a 40.5% effective rate.

Segment Information

Processed Steel Products - Net sales for 2000 remained at approximately the same level as the prior year at $321.4 million compared to $322.2 million in 1999. Sales growth at continuing operations offset approximately $19.4 million in sales from disposed of operations in 1999.

Income from operations decreased .3% to $39.1 million in 2000 from $39.2 million in 1999. Operating margin for 2000 remained consistent with the prior year at 12.2% primarily as a result of the favorable effect of the elimination of higher costs related to the disposed of operations offset by reduced higher-margin sales due to the slowdown in the automotive industry in the fourth quarter of 2000, higher raw material costs related to the automotive industry and an increase in performance-based compensation.

Building Products - Sales increased $28.4 million, or 11.4%, to $277.7 million in 2000 from $249.3 million in 1999. This increase was primarily due to including the net sales of Milcor (acquired July 17, 2000) (the 2000 acquisition), Weather Guard (acquired July 1, 1999) and Hughes (acquired December 1, 1999) (the 1999 acquisitions) partially offset by a decrease in net sales of existing operations due to changes in the general economy.

Income from operations decreased by 11.8% to $22.5 million in 2000 from $25.5 million in 1999. Operating margin decreased to 8.1% in 2000 from 10.2% in 1999. This decrease was due to reduced sales volume from existing operations, increased transportation costs, fixed employee costs and higher direct labor costs related to the 2000 acquisition partially offset by a decrease in performance-based compensation.

Heat Treating - Net sales increased $28.1 million, or 55.8%, to $78.5 million in 2000 from $50.4 million in 1999. This increase was primarily due to including the net sales of Southeastern Heat Treating (acquired April 1, 1999), Hi-Temp (acquired August 1, 1999) and Brazing Concepts (acquired November 1, 1999) (the 1999 acquisitions).

Income from operations increased 55.3% to $13.1 million in 2000 from $8.4 million in 1999 primarily due to higher sales volumes from the 1999 acquisitions. Operating margin for 2000 decreased slightly to 16.6% from 16.7% in 1999 due to increases in utility and direct labor costs offset by decreased costs related to performance-based compensation and higher margins resulting from the 1999 acquisitions.

LIQUIDITY AND CAPITAL RESOURCES

During 2001, the Company's working capital decreased by $27.3 million to $105.1 million at December 31, 2001 from $132.4 million at December 31, 2000. This decrease resulted primarily from our inventory reduction efforts to match inventory levels with sales due to the general economic slowdown. Working capital was used to reduce long-term debt by $44.0 million to $211.5 million at December 31, 2001, resulting in the decrease of the ratio of long-term debt to total capitalization to 49.2%.

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

The Company's primary sources of liquidity are from cash provided by operating activities. Net cash provided by operating activities of $75.8 million resulted primarily from net income of $12.5 million, a decrease in inventory of $25.1 million, depreciation and amortization of $23.5 million, the provision for deferred income taxes of $4.5 million, a decrease in accounts receivable of $2.2 million and increases in accounts payable and accrued expenses of $5.9 million.

Borrowing under the Company's revolving credit agreement are secured with its accounts receivable, inventories and property and equipment. At December 31, 2001, the Company had interest rate swap agreements outstanding which converted $50 million of borrowings under the revolving credit agreement to fixed rates ranging from 7.97% to 8.68%. The Company accounts for interest rate swap agreements on an accrual basis. Additional borrowings under the revolving credit facility carry interest at LIBOR plus a fixed rate. The weighted average interest rate of these borrowings was 4.43% at December 31, 2001.

Net cash provided by operating activities of $75.8 million was primarily used for the reduction of debt, the acquisition of Pennsylvania Industrial Heat Treaters, Inc., capital expenditures and payment of cash dividends.

The Company believes that availability under its credit facility, together with funds generated from operations, will be more than sufficient to provide the Company with the liquidity and capital resources necessary to fund its anticipated working capital requirements, acquisitions and capital expenditure commitments for the next 12 months.

The Company believes that environmental issues will not require the expenditure of material amounts for environmental compliance in the future.

RECENT ACCOUNTING PRONOUNCEMENT

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133 *Accounting for Derivative Instruments and Hedging Activities* (FAS No. 133) which requires recognition of the fair value of derivatives in the statement of financial position, with changes in the fair value recognized either in earnings or as a component of other comprehensive income dependent upon the hedging nature of the derivative. This statement was implemented in 2001 and did not have a material impact on the Company's earnings or other comprehensive income.

In July 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 141 *Business Combinations* and Statement of Financial Accounting Standards No. 142 *Goodwill and Other Intangible Assets*. FAS No. 141 requires that all business combinations be accounted for under the purchase method only and that certain acquired intangible assets in a business combination be recognized as assets apart from goodwill. FAS No. 142 requires that ratable amortization of goodwill be replaced with periodic tests of the goodwill's impairment and that intangible assets other than goodwill should be amortized over their useful lives. Implementation of FAS No. 141 and FAS No. 142 is required for fiscal 2002. The Company is currently assessing the impact FAS No. 141 and FAS No. 142 will have on its results of operations.

CONSOLIDATED BALANCE SHEET

YEAR ENDED DECEMBER 31, (In thousands, except share and per share data)	2001	2000
Assets		
Current assets:		
Cash and cash equivalents	$ 8,150	$ 1,701
Accounts receivable	76,696	78,358
Inventories	75,847	100,987
Other current assets	5,922	6,548
Total current assets	166,615	187,594
Property, plant and equipment, net	228,443	229,159
Goodwill	132,717	130,368
Other assets	7,265	8,925
	$ 535,040	$ 556,046
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 43,612	$ 39,285
Accrued expenses	17,126	15,575
Current maturities of long-term debt	813	327
Total current liabilities	61,551	55,187
Long-term debt	211,462	255,526
Deferred income taxes	38,043	34,325
Other non-current liabilities	5,637	2,660
Shareholders' equity		
Preferred shares, $.01 par value; authorized: 10,000,000 shares; none outstanding	–	–
Common shares, $.01 par value; authorized: 50,000,000 shares; outstanding: 12,607,061 shares in 2001 and 12,567,147 shares in 2000	126	126
Additional paid-in capital	69,221	68,475
Retained earnings	150,578	139,747
Accumulated comprehensive loss	(1,578)	–
Total shareholders' equity	218,347	208,348
	$ 535,040	$ 556,046

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

CONSOLIDATED STATEMENT OF INCOME

YEAR ENDED DECEMBER 31, (In thousands, except per share data)	2001	2000	1999
Net sales	$ 616,028	$ 677,540	$ 621,918
Cost of sales	499,945	541,743	493,945
Gross profit	116,083	135,797	127,973
Selling, general and administrative expense	78,574	75,905	72,504
Income from operations	37,509	59,892	55,469
Interest expense	16,446	18,942	13,439
Income before taxes	21,063	40,950	42,030
Provision for income taxes	8,530	16,585	17,022
Net income	$ 12,533	$ 24,365	$ 25,008
Net income per share - Basic	$ 1.00	$ 1.94	$ 1.99
Weighted average shares outstanding - Basic	12,591	12,577	12,540
Net income per share - Diluted	$ 0.98	$ 1.92	$ 1.95
Weighted average shares outstanding - Diluted	12,773	12,685	12,806

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

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, (In thousands)	2001	2000	1999
Cash Flows From Operating Activities			
Net income	$ 12,533	$ 24,365	$ 25,008
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	23,486	21,188	17,452
Provision for deferred income taxes	4,545	5,252	2,383
Undistributed equity investment income	547	(253)	(466)
Other noncash adjustments	157	116	697
Increase (decrease) in cash resulting from changes in (net of effects from acquisitions):			
Accounts receivable	2,290	5,660	(118)
Inventories	25,140	(206)	6,873
Other current assets	495	(2,829)	(272)
Accounts payable and accrued expenses	5,885	(16,551)	10,242
Other assets	739	(2,622)	(1,130)
Net cash provided by operating activities	75,817	34,120	60,669
Cash Flows From Investing Activities			
Acquisitions, net of cash acquired	(10,832)	(42,880)	(65,380)
Investments in property, plant and equipment	(14,344)	(19,619)	(21,999)
Net proceeds from sale of property and equipment	435	7,753	2,838
Net cash used in investing activities	(24,741)	(54,746)	(84,541)
Cash Flows From Financing Activities			
Long-term debt reduction	(92,843)	(63,157)	(67,160)
Proceeds from long-term debt	49,265	82,389	94,081
Repurchase of common stock	–	(181)	–
Net proceeds from issuance of common stock	589	36	1,014
Payment of dividends	(1,638)	(1,447)	(1,253)
Net cash (used in) provided by financing activities	(44,627)	17,640	26,682
Net increase (decrease) in cash and cash equivalents	6,449	(2,986)	2,810
Cash and cash equivalents at beginning of year	1,701	4,687	1,877
Cash and cash equivalents at end of year	$ 8,150	$ 1,701	$ 4,687

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

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

(In thousands)	Common Shares Shares	Common Shares Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Comprehensive Loss
Balance at December 31, 1998	12,484	$ 125	$ 66,613	$ 93,570	$ –
Net income	–	–	–	25,008	–
Stock options exercised and tax benefit	72	1	1,124	–	–
Cash dividend - $.125 per share	–	–	–	(1,568)	–
Earned portion of restricted stock	–	–	116	–	–
Profit sharing plan contributions	21	–	470	–	–
Balance at December 31, 1999	12,577	126	68,323	117,010	–
Net income	–	–	–	24,365	–
Stock options exercised and tax benefit	3	–	36	–	–
Cash dividend - $.115 per share	–	–	–	(1,447)	–
Earned portion of restricted stock	–	–	116	–	–
Repurchase of common stock	(13)	–	–	(181)	–
Balance at December 31, 2000	12,567	126	68,475	139,747	–
Implementation of FAS 133	–	–	–	–	(191)
Net income	–	–	–	12,533	–
Stock options exercised and tax benefit	40	–	629	–	–
Cash dividend - $.135 per share	–	–	–	(1,702)	–
Earned portion of restricted stock	–	–	117	–	–
Interest rate swap adjustments	–	–	–	–	(1,387)
Balance at December 31, 2001	**12,607**	**$ 126**	**$ 69,221**	**$150,578**	**$ (1,578)**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Gibraltar Steel Corporation and subsidiaries (the Company). Significant intercompany accounts and transactions have been eliminated.

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, checking accounts and all highly liquid investments with a maturity of three months or less.

Inventories

Inventories are valued at the lower of cost or market. Cost is determined using the first-in, first-out method.

Property, Plant and Equipment

Property, plant and equipment are stated at cost and depreciated over their estimated useful lives using the straight-line method. Accelerated methods are used for income tax purposes. Interest is capitalized in connection with construction of qualified assets. Under this policy, interest of $469,000, $552,000 and $357,000 was capitalized in 2001, 2000 and 1999, respectively.

Goodwill

Goodwill is amortized over 35 years. Amortization expense related to goodwill was $4,168,000, $3,710,000 and $2,647,000 in 2001, 2000, and 1999, respectively. Accumulated amortization was $14,129,000 and $9,961,000 at December 31, 2001 and 2000.

Shareholders' Equity

In 1999, the Company issued 20,572 of its common shares as contributions to its profit-sharing plans. The Company did not contribute any of its shares to its profit-sharing plans during 2001 or 2000.

During 2001 and 2000, the Company declared dividends of $1,702,000 and $1,447,000, respectively, of which $442,000 and $377,000 are accrued at December 31, 2001 and 2000, respectively.

During 2000, the Company purchased 12,572 shares of its outstanding common stock at a cost of $14.38 per share. The Company did not repurchase any shares of its common stock in either 2001 or 1999.

Interest Rate Exchange Agreements

Interest rate swap agreements, which are used by the Company in the management of interest rate risk, are accounted for on an accrual basis. Amounts to be paid or received under interest rate swap agreements are recognized as interest expense or income in the periods in which they accrue. Swaps are not used for trading purposes.

Income Taxes

The financial statements of the Company have been prepared using the asset and liability approach in accounting for income taxes which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of other assets and liabilities.

Earnings Per Share

Basic net income per share equals net income divided by the weighted average shares outstanding during the year. The computation of diluted net income per share includes all dilutive common stock equivalents in the weighted average shares outstanding.

2. ACQUISITIONS

On February 13, 2001, the Company purchased all the outstanding capital stock of Pennsylvania Industrial Heat Treaters, Inc. (PIHT) for approximately $11 million, net of cash acquired. PIHT provides metallurgical heat-treating services and specializes in heat treating powdered metal parts.

On July 17, 2000, the Company purchased all the outstanding capital stock of Milcor Limited Partnership (Milcor) for approximately $43 million in cash. Milcor manufactures a complete line of metal building products, including registers, vents, bath cabinets, access doors, roof hatches and telescoping doors.

These acquisitions have been accounted for under the purchase method with the results of their operations consolidated with the Company's results of operations from the respective acquisition dates. The aggregate excess of the purchase prices of these acquisitions over the fair market values of the net assets of the acquired companies is being amortized over 35 years from the acquisition dates using the straight-line method.

The following information presents the pro forma consolidated condensed results of operations as if the acquisitions had occurred on January 1, 2000. The pro forma amounts may not be indicative of the results that actually would have been achieved had the acquisitions occurred as of January 1, 2000 and are not necessarily indicative of future results of the combined companies.

(In thousands, except per share data) YEAR ENDED DECEMBER 31,	2001	2000
(unaudited)		
Net sales	$ 616,688	$ 710,576
Income before taxes	$ 21,121	$ 42,914
Net income	$ 12,568	$ 25,532
Net income per share - Basic	$ 1.00	$ 2.03

3. ACCOUNTS RECEIVABLE

Accounts receivable are expected to be collected within one year and are net of reserves for doubtful accounts of $1,937,000 and $1,643,000 at December 31, 2001 and 2000, respectively.

4. INVENTORIES

Inventories at December 31 consist of the following:

(In thousands)	2001	2000
Raw material	$ 36,378	$ 54,640
Finished goods and work-in-process	39,469	46,347
Total inventories	$ 75,847	$ 100,987

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, at cost less accumulated depreciation, at December 31 consists of the following:

(In thousands)	2001	2000
Land and land improvements	$ 7,570	$ 7,507
Building and improvements	64,979	61,968
Machinery and equipment	240,472	222,811
Construction in progress	6,811	10,101
	319,832	302,387
Less accumulated depreciation and amortization	91,389	73,228
Property, plant and equipment, net	$ 228,443	$ 229,159

6. OTHER ASSETS

Other assets at December 31 consist of the following:

The Company's 31% partnership interest is accounted for using the equity method of accounting. The partnership provides a steel cleaning process called pickling to steel mills and steel processors, including the Company.

(In thousands)	2001	2000
Equity interest in partnership	$ 4,192	$ 4,738
Other	3,073	4,187
Total other assets	$ 7,265	$ 8,925

7. DEBT

Long-term debt at December 31 consists of the following:

(In thousands)	2001	2000
Revolving credit notes payable	$ 207,000	$ 250,251
Industrial Development Revenue Bonds	3,300	3,500
Other debt	1,975	2,102
	212,275	255,853
Less current maturities	813	327
Total long-term debt	$ 211,462	$ 255,526

The Company's revolving credit facility of $310,000,000 is secured by the Company's accounts receivable, inventories, and property and equipment and is committed through April 2003. This facility has various interest rate options which are no greater than the bank's prime rate. In addition, the Company may enter into interest rate exchange agreements (swaps) to manage interest costs and exposure to changing interest rates. At December 31, 2000 the Company had interest rate swap agreements outstanding which effectively converted $50,000,000 of floating rate debt to fixed rates ranging from 7.97% to 8.68%. At December 31, 2001, additional credit facility borrowings consisted of $157,000,000 with an interest rate of LIBOR plus a fixed rate. The weighted average interest rate of these borrowings was 4.43% at December 31, 2001.

In addition, the Company has Industrial Development Revenue Bonds payable in installments through September 2018, with interest rates ranging from a fixed rate of 4.22% to variable rates of up to 3.45% at December 31, 2001, which financed the cost of the expansion of its Coldwater, Michigan heat-treating facility, under a capital lease agreement. The cost of the facility and equipment equals the amount of the bonds and includes accumulated amortization of $350,000. The agreement provides for the purchase of the facility and equipment at any time during the lease term at scheduled amounts or at the end of the lease for a nominal amount.

The aggregate maturities on long-term debt including lease purchase obligations for the five years following December 31, 2001 are as follows: 2002, $813,000; 2003, $207,624,000; 2004, $629,000; 2005, $480,000 and 2006, $486,000. The Company had no amounts outstanding under short-term borrowing for the years ended December 31, 2001 and 2000.

The various loan agreements, which do not require compensating balances, contain provisions that limit additional borrowings and require maintenance of minimum net worth and financial ratios. The Company is in compliance with the terms and provisions of all its financing agreements.

Total cash paid for interest in the years ended December 31, 2001, 2000 and 1999 was $17,122,000, $19,935,000 and $13,357,000, respectively.

8. LEASES

The Company leases certain facilities and equipment under operating leases. Rent expense under operating leases for the years ended December 31, 2001, 2000 and 1999 was $5,433,000, $5,187,000 and $4,899,000, respectively. Future minimum lease payments under these operating leases are $5,253,000, $4,231,000, $2,858,000, $2,142,000 and $1,885,000 for the years 2002, 2003, 2004, 2005 and 2006, respectively, and $7,789,000 thereafter through 2038.

9. EMPLOYEE RETIREMENT PLANS

Certain subsidiaries participate in the Company's 401(k) Plan. In addition, certain subsidiaries have multi-employer non-contributory retirement plans providing for defined contributions to union retirement funds.

A supplemental pension plan provides defined pension benefits to certain salaried employees upon retirement. Net unfunded periodic pension costs of $171,000 were accrued under this plan in both 2001 and 2000 and consisted primarily of service cost using a discount rate of 8.0% in each year.

Total expense for all retirement plans was $2,200,000, $2,204,000 and $1,957,000 for the years ended December 31, 2001, 2000 and 1999, respectively.

10. OTHER POST-RETIREMENT BENEFITS

Certain subsidiaries of the Company provide health and life insurance to substantially all of their employees and to a number of retirees and their spouses. The net periodic post-retirement benefit cost charged to expense consisting of service cost, interest cost and amortization of transition obligations was $237,000, $261,000 and $291,000 for the years ended December 31, 2001, 2000 and 1999, respectively.

The approximate unfunded accumulated post-retirement benefit obligation at December 31, consists of the following:

(In thousands)	Benefit Obligation at January 1	Service Cost	Interest Cost	Amendments	Actuarial (Gain)/Loss	Benefit Payments	Benefit Obligation at December 31
2001	**$ 1,983**	**52**	**131**	**(686)**	**842**	**(50)**	**$ 2,272**
2000	$ 1,844	71	145	–	(1)	(76)	$ 1,983

The accumulated post-retirement benefit obligation was determined using a weighted average discount rate of 7.25% in 2001 and 8.0% in 2000. The medical inflation rate was assumed to be 10.0% in 2001 and decreasing gradually to 5.0% in 2006. The effect of a 1% increase or decrease in the annual medical inflation rate would increase or decrease the accumulated post-retirement benefit obligation at December 31, 2001 by approximately $365,000 and $316,000, respectively, and increase or decrease the annual service and interest costs by approximately $30,000.

One of the Company's subsidiaries also provides post-retirement health care benefits to its unionized employees through contributions to a multi-employer health care plan.

11. INCOME TAXES

The provision for income taxes consists of the following:

(In thousands)	2001	2000	1999
Current tax expense			
Federal	$ 3,355	$ 9,507	$ 12,332
State	630	1,826	2,307
Total current	3,985	11,333	14,639
Deferred tax expense			
Federal	4,109	4,593	2,040
State	436	659	343
Total deferred	4,545	5,252	2,383
Total provision	$ 8,530	$ 16,585	$ 17,022

Deferred tax liabilities (assets) at December 31, consist of the following:

(In thousands)	2001	2000
Depreciation	$ 37,316	$ 33,773
Goodwill	4,691	3,167
Other	878	1,002
Gross deferred tax liabilities	42,885	37,942
State taxes	(1,604)	(1,652)
Other	(5,958)	(4,504)
Gross deferred tax assets	(7,562)	(6,156)
Net deferred tax liabilities	$ 35,323	$ 31,786

The provision for income taxes differs from the amount of income tax determined by applying the applicable U.S. statutory federal income tax rate to income before taxes as a result of the following differences:

(In thousands)	2001	2000	1999
Statutory U.S. tax rates	$ 7,372	$ 14,333	$ 14,711
Increase in rates resulting from:			
State and local taxes, net	693	1,615	1,723
Goodwill	431	431	373
Other	34	206	215
	$ 8,530	$ 16,585	$ 17,022

Cash paid for income taxes, net of tax refunds, in the years ended December 31, 2001, 2000 and 1999 was $3,570,000, $16,189,000 and $11,857,000, respectively.

12. EARNINGS PER SHARE

Statement of Financial Accounting Standards No. 128 *Earnings Per Share* requires dual presentation of basic and diluted earnings per share on the face of the income statement. The reconciliation between the computations is as follows:

	Income	Basic Shares	Basic EPS	Diluted Shares	Diluted EPS
2001	**$ 12,533,000**	**12,590,625**	**$ 1.00**	**12,772,808**	**$ 0.98**
2000	$ 24,365,000	12,577,240	$ 1.94	12,685,072	$ 1.92
1999	$ 25,008,000	12,540,105	$ 1.99	12,806,338	$ 1.95

Included in diluted shares are common stock equivalents of 182,183, 107,832 and 266,233 relating to options for the years ended December 31, 2001, 2000 and 1999, respectively.

13. STOCK OPTIONS

The Company may grant non-qualified stock options to officers, employees, non-employee directors and advisers at an exercise price equal to 100% of market price, and incentive stock options to officers and other key employees at an exercise price not less than 100% of market price, up to an aggregate of 400,000 and 1,475,000 shares, respectively. The options may be exercised over a four-year period from the grant date and expire ten years after the date of grant.

Options outstanding at December 31, 2001 consisted of:

Range of Exercise Prices	Options Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price
$10.00 - $14.07	499,576	4.3 years	$ 12.39	314,176	$ 11.41
$15.63 - $22.50	575,104	4.9 years	$ 18.82	503,566	$ 18.99
	1,074,680	4.6 years	$ 15.84	817,742	$ 16.08

The following table summarizes information about stock option transactions:

	Options Outstanding	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price
Balance at December 31, 1998	996,630	$ 16.24	406,993	$ 13.30
Granted	10,000	20.56		
Exercised	(72,474)	13.99		
Forfeited	(11,450)	18.54		
Balance at December 31, 1999	922,706	$ 16.44	528,819	$ 14.88
Granted	270,250	14.07		
Exercised	(2,255)	15.52		
Forfeited	(30,107)	17.68		
Balance at December 31, 2000	1,160,594	$ 15.86	686,582	$ 15.72
Granted	–	–		
Exercised	(39,914)	14.76		
Forfeited	(46,000)	17.19		
Balance at December 31, 2001	**1,074,680**	**$ 15.84**	**817,742**	**$ 16.08**

Tax benefits of $40,000 and $111,000 realized in the years ended December 31, 2001 and 1999, respectively, associated with the exercise of certain stock options have been credited to additional paid-in-capital. The Company did not realize any related tax benefit during 2000.

The Company has adopted the disclosure-only provisions of Statement of Financial Accounting Standards No. 123 *Accounting for Stock-Based Compensation* (FAS No. 123). Accordingly, no compensation cost has been recognized for the option plans as stock options granted under these plans have an exercise price equal to 100% of the market price on the date of grant. If the compensation cost for these plans had been determined based on the fair value at the grant dates for awards consistent with the method of FAS No. 123, the unaudited pro forma effect on the years ended December 31, 2001 and 2000 is as follows:

	As Reported 2001	Pro Forma 2001	As Reported 2000	Pro Forma 2000
Net Income	$ 12,533,000	$ 10,975,000	$ 24,365,000	$ 23,073,000
Net Income per Share - Basic	$ 1.00	$ 0.87	$ 1.94	$ 1.83

The Black-Scholes option-pricing model was used to estimate the fair value of the options granted on the date of grant. The fair values and assumptions used in the model, assuming no dividends, are as follows:

	Fair Value	Expected Life	Stock Volatility	Risk-Free Interest Rate	Dividend Yield
2000 Grant	$ 6.31	5 years	43.7%	6.3%	0.7%
1999 Grant	$ 9.18	5 years	45.1%	4.4%	0.2%

The Company also has a Restricted Stock Plan reserved for issuance of 100,000 common shares for the grant of restricted stock awards to employees and non-employee directors at a purchase price of $.01 per share. Since the inception of this plan, 59,000 common shares have been awarded.

14. SEGMENT INFORMATION

The Company is organized into three reportable segments on the basis of the production process, and products and services provided by each segment, identified as follows:

(i) Processed steel products, which primarily includes the intermediate processing of wide, open tolerance flat-rolled sheet steel through the application of several different processes to produce high-quality, value-added coiled steel products to be further processed by customers.

(ii) Building products, which primarily includes the processing of sheet steel to produce a wide variety of building and construction products.

(iii) Heat treating, which includes a wide range of metallurgical heat-treating processes in which customer-owned metal parts are exposed to precise temperatures, atmospheres and quenchants to improve their mechanical properties, durability and wear resistance.

The following table illustrates certain measurements used by management to assess the performance of the segments described above as of and for the years ended December 31, 2001, 2000 and 1999.

(In thousands)	**2001**	2000	1999
Net sales			
Processed steel products	$ 252,382	$ 321,361	$ 322,216
Building products	292,464	277,706	249,320
Heat treating	71,182	78,473	50,382
	$ 616,028	$ 677,540	$ 621,918
Income from operations			
Processed steel products	$ 29,156	$ 39,111	$ 39,216
Building products	18,174	22,491	25,507
Heat treating	8,798	13,059	8,408
Corporate	(18,619)	(14,769)	(17,662)
	$ 37,509	$ 59,892	$ 55,469
Depreciation and amortization			
Processed steel products	$ 5,681	$ 5,853	$ 6,181
Building products	6,986	5,747	4,692
Heat treating	5,756	5,112	3,465
Corporate	5,063	4,476	3,114
	$ 23,486	$ 21,188	$ 17,452
Total assets			
Processed steel products	$ 137,942	$ 155,740	$ 170,715
Building products	151,993	157,962	123,221
Heat treating	80,515	80,048	79,259
Corporate	164,590	162,296	148,885
	$ 535,040	$ 556,046	$ 522,080
Capital expenditures			
Processed steel products	$ 3,980	$ 5,313	$ 7,046
Building products	7,637	7,304	6,363
Heat treating	2,151	5,902	7,615
Corporate	576	1,100	975
	$ 14,344	$ 19,619	$ 21,999

15. COMMITMENTS AND CONTINGENCIES

The Company is a party to certain claims and legal actions generally incidental to its business. Management does not believe that the outcome of these actions, which is not clearly determinable at the present time, would significantly affect the Company's financial condition or results of operations.

16. RECENT ACCOUNTING PRONOUNCEMENTS

In July 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 141 *Business Combinations* and Statement of Financial Accounting Standards No. 142 *Goodwill and Other Intangible Assets*. FAS No. 141 requires that all business combinations be accounted for under the purchase method only and that certain acquired intangible assets in a business combination be recognized as assets apart from goodwill. FAS No. 142 requires that ratable amortization of goodwill be replaced with periodic tests of the goodwill's impairment and that intangible assets other than goodwill should be amortized over their useful lives. Implementation of FAS No. 141 and FAS No. 142 is required for fiscal 2002. The Company is currently assessing the impact FAS No. 141 and FAS No. 142 will have on its results of operations

17. SUBSEQUENT EVENT

In March 2002, the Company issued an additional 3,150,000 shares of its common stock at $17.20 per share. Net proceeds to the Company were approximately $51 million and were used to pay down the Company's revolving credit facility.

QUARTERLY UNAUDITED FINANCIAL DATA

(In thousands, except per share data)

2001 Quarter Ended	March 31	June 30	Sept. 30	Dec. 31	Total
Net Sales	$ 150,550	$ 163,550	$ 161,484	$ 140,444	$ 616,028
Gross Profit	28,485	32,081	30,330	25,187	116,083
Income From Operations	9,742	12,054	9,851	5,862	37,509
Net Income	2,886	4,518	3,594	1,535	12,533
Net Income Per Share-Basic	$ 0.23	$ 0.36	$ 0.29	$ 0.12	$ 1.00
Net Income Per Share-Diluted	$ 0.23	$ 0.35	$ 0.28	$ 0.12	$ 0.98

2000 Quarter Ended	March 31	June 30	Sept. 30	Dec. 31	Total
Net Sales	$ 167,634	$ 181,523	$ 178,326	$ 150,057	$ 677,540
Gross Profit	34,548	36,616	35,863	28,770	135,797
Income From Operations	14,318	17,416	17,268	10,890	59,892
Net Income	6,015	7,854	7,248	3,248	24,365
Net Income Per Share-Basic	$ 0.48	$ 0.62	$ 0.58	$ 0.26	$ 1.94
Net Income Per Share-Diluted	$ 0.47	$ 0.62	$ 0.57	$ 0.26	$ 1.92

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of Gibraltar Steel Corporation

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of cash flows and of changes in shareholders' equity present fairly, in all material respects, the financial position of Gibraltar Steel Corporation and its subsidiaries at December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America. 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 of these statements in accordance with auditing standards generally accepted in the United States of America, which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP
Buffalo, New York
March 8, 2002,
Except as to Note 17, for which
the date is March 13, 2002

COMPANY RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Gibraltar Steel Corporation have been prepared by management, which is responsible for their integrity and objectivity. The statements have been prepared in conformity with accounting principles generally accepted in the United States and include amounts based on management's best estimates and judgments. Financial information elsewhere in this Annual Report is consistent with that in the consolidated financial statements.

The Company has established and maintains a system of internal control designed to provide reasonable assurance that assets are safeguarded and that the financial records reflect the authorized transactions of the Company.

The financial statements have been audited by PricewaterhouseCoopers LLP, independent accountants. As part of their audit of the Company's 2001 financial statements, PricewaterhouseCoopers LLP considered the Company's system of internal control to the extent they deemed necessary to determine the nature, timing and extent of their audit tests.

The Board of Directors pursues its responsibility for the Company's financial reporting through its Audit Committee, which is composed entirely of outside directors. The independent accountants have direct access to the Audit Committee, with and without the presence of management representatives, to discuss the results of their audit work and their comments on the adequacy of internal accounting controls and the quality of financial reporting.

Brian J. Lipke
Chairman of the Board
and Chief Executive Officer

Walter T. Erazmus
President

John E. Flint
Vice President
and Chief Financial Officer

SHAREHOLDER AND CORPORATE INFORMATION

TRADING INFORMATION
Gibraltar's stock trades on The Nasdaq Stock Market® under the symbol "ROCK."

QUARTERLY STOCK PRICE DATA
The following table represents the quarterly high, low, and closing prices of Gibraltar's common stock for 2001.

2001	High	Low	Close
Q1	18.13	14.25	15.94
Q2	22.00	15.69	19.60
Q3	20.22	13.43	15.10
Q4	20.96	15.15	17.52

SHAREHOLDERS
As of December 31, 2001, there were 122 shareholders of record of the Company's stock. The Company believes it has a significantly higher number of shareholders because of the number of shares that are held by nominees.

COMPANY INFORMATION ON THE INTERNET
Gibraltar maintains a comprehensive Web site, which can be accessed at www.gibraltar1.com.

FORM 10-K AND OTHER INFORMATION
In addition to the Company's Web site, information may be requested by writing or calling: Kenneth P. Houseknecht, Director of Investor Relations, PO Box 2028, Buffalo, NY 14219-0228, 716/826-6500 phone; 716/826-1589 fax; khouseknecht@gibraltar1.com

TRANSFER AGENT
Please direct questions about lost certificates, changes of address, and consolidation of accounts to the Company's transfer agent and registrar: American Stock Transfer and Trust Company, 40 Wall Street, New York, NY 10005; 212/936-5100.

INDEPENDENT ACCOUNTANTS
PricewaterhouseCoopers LLP, 3600 HSBC Center, Buffalo, NY 14203

ANNUAL MEETING
May 21, 2002, 10 a.m., Gibraltar, 3556 Lake Shore Road, Buffalo, NY 14219-0228.

DIVIDEND POLICY
In 2001, Gibraltar's Board paid an annual cash dividend of $.14 per share, payable at the quarterly rate of $.035, and it reviews the payment of this quarterly.

ANALYST COVERAGE
BB&T Capital Markets
Lloyd T. O'Carroll
804/782-8773

H&R Block Financial Advisors
Lori Wilking
313/961-6666

McDonald & Co.
Mark L. Parr
216/443-3858

Merrill Lynch & Co.
Mark Roggensinger
212/449-1899

Salomon Smith Barney
Michelle Galanter Applebaum
847/266-7080

OFFICERS AND DIRECTORS
Brian J. Lipke
Chairman of the Board, Chief Executive Officer, and Director

Walter T. Erazmus
President

Neil E. Lipke
Senior Executive Vice President, Secretary, and Director

Joseph A. Rosenecker
Executive Vice President

Carl P. Spezio
Executive Vice President

Eric R. Lipke
Vice President

Henning Kornbrekke
Vice President

Kenneth W. Matz
Vice President

John E. Flint
Vice President and Chief Financial Officer

Richard A. Pytak Jr.
Treasurer

Gerald S. Lippes
Director
Partner, Lippes, Silverstein, Mathias & Wexler LLP

Arthur A. Russ, Jr.
Director
Partner, Phillips, Lytle, Hitchcock, Blaine & Huber

David N. Campbell
Director
Managing Director, Innovation Advisors, LLC

William P. Montague
Director
President, Chief Operating Officer, and Director, Mark IV Industries, Inc.

INVESTOR MISSION STATEMENT

Gibraltar is committed to achieving 20% compound average annual growth of sales and earnings. This will be accomplished by internal growth, geographic and product expansion, joint ventures, and strategic acquisitions. The company's goals are to generate $1 billion in revenues and $45 million in net income by 2003.

GIBRALTAR

3556 Lake Shore Road ▪ Post Office Box 2028 ▪ Buffalo, New York 14219-0228 ▪ Phone: 716.826.6500 ▪ www.gibraltar1.com