Performance Highlights

Generated Record Sales and Earnings

Sales increased by 31 percent in 1997 to $450 million, and net income grew to $16.4 million – the sixth straight year of sales and earnings growth.

Acquired SEMCO

Gibraltar acquired Southeastern Metals Manufacturing Company, Inc. (SEMCO) in January 1997, further diversifying its revenues and customer base.

Expanded Heat Treating Operations

In May, Gibraltar acquired an Athens, Alabama, heat-treating facility, solidifying its position as the leading commercial heat treater in the southeast.

Began Operation of New Mill in Cleveland

The new 56-inch mill in Cleveland, Ohio – which Gibraltar believes will be the low-cost producer of cold-rolled strip steel in North America – is expected to add $80-85 million in annual sales when it reaches its full capacity in three years.

Solidified Commitment to Quality

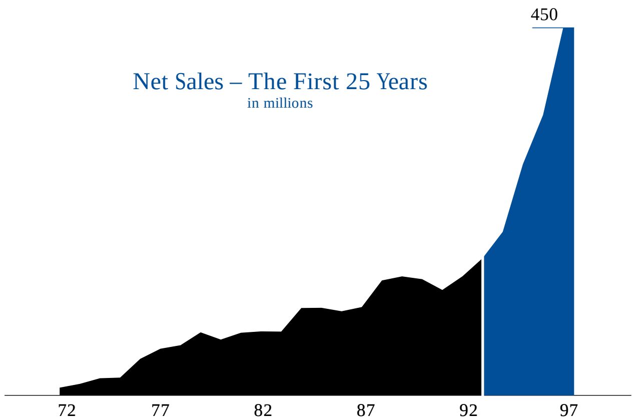
Every facility that serves the automotive industry is now certified to QS 9000 standards, and in 1997 Gibraltar became the first strapping manufacturer to earn QS 9000 certification.

Expanded Capacity for Growth

The credit facility with its banks was increased to $185 million (from $125 million) to provide additional funds for growth.

Acquired The Solar Group

The Solar Group, which manufactures a line of steel products complementary to those produced by other Gibraltar divisions, was acquired in March 1998.



Gibraltar's sales growth has averaged approximately 17% a year since the Company's founding in 1972, and nearly 28% a year since its 1993 Initial Public Offering.

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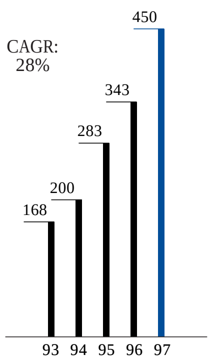
Financial Highlights

in thousands, except per share data	YEAR ENDED DECEMBER 31, 1997	1996	1995	1994	1993	1993-1997 CAGR**
Net sales	$ 449,700	$ 342,974	$ 282,833	$ 200,142	$ 167,883	28%
Income from operations	32,603	30,617	20,368	16,179	12,934	26%
Interest expense	5,115	3,827	3,984	1,374	1,621	
Income before income taxes	27,488	26,790	16,384	14,805	11,513	24%
Income taxes	11,072	10,815	6,662	5,996	6,300	
Net income	16,416	15,975	9,722	8,809	7,337 *	22%
Net income per share	$ 1.33	$ 1.42	$ .96	$ .87	$ .72 *	17%
Weighted average shares outstanding	12,357	11,261	10,164	10,163	10,163 *	
Current assets	$ 130,746	$ 109,526	$ 86,995	$ 70,552	$ 50,502	
Current liabilities	43,101	40,853	29,480	22,028	21,905	
Total assets	281,336	222,507	167,423	126,380	92,868	
Total debt	83,024	49,841	59,054	38,658	14,179	
Shareholders' equity	140,044	121,744	70,244	60,396	51,587	
Capital expenditures	21,784	15,477	14,504	16,171	10,468	
Depreciation and amortization	8,478	6,246	4,538	3,445	3,399	
Return on average equity	12.5%	16.6%	14.9%	15.7%		
Return on average assets	6.5%	8.2%	6.6%	8.0%		
Return on sales	3.7%	4.7%	3.4%	4.4%		

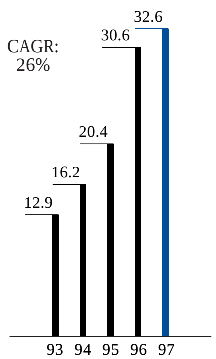
** pro forma results*
*** CAGR = Compound Annual Growth Rate*

Net Sales
in millions



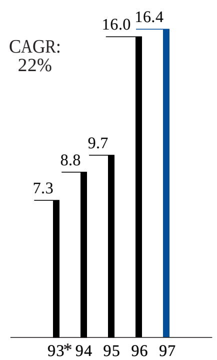
Sales have nearly tripled in the last four years.

Income from Operations
in millions



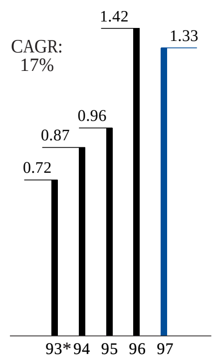
Operating income has grown at a compound annual growth rate of 26% since 1993.

Net Income
in millions



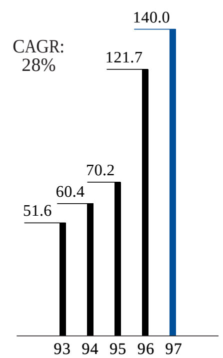
Net income has increased for six straight years.

Earnings Per Share



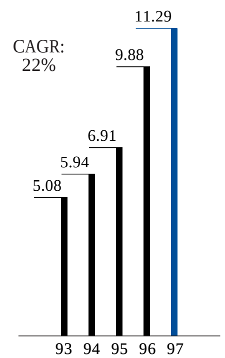
A secondary offering and tighter margins slowed EPS growth in 1997.

Shareholders' Equity
in millions



Sustained profitability has contributed to the steady growth of shareholders' equity.

Book Value Per Share



Book value has more than doubled since the Initial Public Offering.

Chairman's Letter

Fellow Shareholders:

In 1997, there was a lot of good news, and some not-so-good news for Gibraltar. The very good news is that we generated another year of record sales and earnings, made two strategic acquisitions, and completed our largest capital expenditure project on time and within budget, all of which will create a lot of long-term value. The not-so-good news is that the stock market obviously did not recognize these achievements in 1997.

So what did we learn from this? Not only do we have to continue to work very hard at increasing our sales and earnings, making our strategic acquisitions, and bringing our capital projects in on time and within budget, but we also have to consistently meet or exceed our average annual objective of 20 percent top and bottom line growth. Hitting those targets is crucial to enhancing long-term value to you, our shareholders.

What can we do – and what have we done – to help make sure we accomplish this? First, we have improved our planning and managerial process by developing a well-defined plan, from the business unit to the corporate level, that is focused on attaining our stated objective.

Second, we've made sure that every member of the Gibraltar team understands why this is important to our shareholders, and to them. Everyone in our organization, from the boardroom to the shop floor, now knows that hitting our goals much of the time, or even most of the time, just doesn't cut it. We have to do it all of the time, it's just that simple.

> "Gibraltar is a high-end processor, has exhibited better-than-average growth potential, and management is extremely focused on enhancing shareholder value."
>
> **Anthony H. Carpet**
> Goldman, Sachs & Co.

Our philosophy is to link pay to performance to the greatest extent possible. Consequently, when we consistently generate results that meet or exceed our stated objectives, it benefits our shareholders and our employees. As our company grows stronger, we improve our ability to provide secure jobs and increased benefits and compensation. Additionally, the many Gibraltar employees who own our stock – either outright, or through their profit-sharing or 401(k) plans – have an added incentive to generate improved earnings which will help drive shareholder value higher.

Our entire Gibraltar team now understands that profits and shareholder returns are directly linked to job security and compensation. Improve one and you improve the other. As we move into 1998, our focus has never been clearer.

Gibraltar's Executive Management Team

from left to right:

Eric Lipke, Carl Spezio, Walt Erazmus, Brian Lipke, Neil Lipke, Joe Rosenecker, Andy Tsakos

1997 Financial Results

In 1997, rising raw material costs, especially in the second half of the year, put pressure on our margins and slowed our earnings growth. As a result, our sales in 1997 grew by 31 percent to $450 million, while our net income advanced at a much slower pace, increasing by three percent to $16.4 million.

Because of nominal bottom line growth – and our June 1996 secondary offering, which increased our shares outstanding by approximately two million – our 1997 earnings per share were $1.33, compared to $1.42 a year earlier.

In its September 29, 1997 issue, Fortune *magazine named Gibraltar one of the 100 Fastest-Growing Companies in America.*

Looking ahead, we believe our unbending commitment to be the low-cost, high-quality supplier of products and services – which drives us to continually find ways to lower costs and enhance productivity – has enabled us to enter 1998 with great strength and momentum.

The many initiatives started during 1997 will fuel the growth of our existing operations, and the current acquisition environment provides additional opportunities to expand each area of our business.

We continue to seek value-added products and services that will generate improvements and greater stability in our margins.

1997 Highlights

<u>SEMCO Acquisition Doubles Building Products Business</u> – Our January acquisition of Southeastern Metals Manufacturing Company (SEMCO) doubled the size of our building products business, which we entered in April of 1995 with the acquisition of Hubbell Steel. SEMCO is one of the largest manufacturers of metal building products – used by contractors and "do-it-yourselfers" – in the southeastern United States.

<u>Heat Treating Business Continues to Grow</u> – We made investments in all four of the Carolina Commercial Heat Treating (CCHT) facilities we acquired in February of 1996. And with the addition of a fifth CCHT location as a result of our May acquisition of a facility in Athens, Alabama, we strengthened our position as the leading heat treater in the southeastern United States.

<u>New Cold-rolled Strip Mill Begins Operations</u> – The new 56-inch mill in our Cleveland, Ohio, facility – which we believe will be the low-cost producer of cold-rolled strip steel in North America – came on line early this year. We expect this mill to add $80-85 million to our annual sales when it reaches its full capacity in three years.

<u>Expanding Our Capacity for Growth</u> – We increased the credit facility with our banks to $185 million (from $125 million) to provide additional funds to grow our business through internal expansion, acquisitions, and greenfield sites. At the end of 1997, approximately $108 million of this facility was available to us.

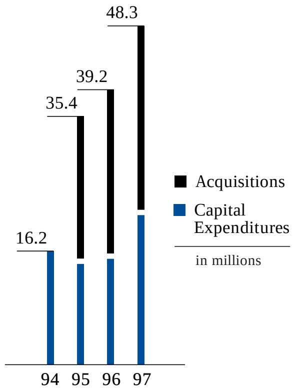
A Tradition of Growth

During Gibraltar's first 25 years, our sales increased fifty-fold, climbing from $9 million in 1972 to $450 million in 1997 – an average annual increase of 17 percent. We also generated steady growth in net income during that time. And we extended our reach from a single facility in Buffalo, New York, to 33 locations in 13 states and Mexico.

In the years since our Initial Public Offering (1993-1997), our growth has accelerated, with sales increasing by 28 percent a year and net income advancing by 22 percent a year.

To a great extent, this growth is the result of the many actions we've taken to broaden our range of products and services, diversify our customer base, and extend the geographic reach of our company. We have made – and will continue to make – our business stronger by serving a greater number and diversity of markets.

Funding the Future



During the last four years, Gibraltar has invested nearly $140 million in capital expenditures and acquisitions to grow its business.

To give you a fuller appreciation of the reach of our business, and to underscore the growth opportunities we are cultivating in every area of our operations, let me give you an update on the most important steps we took in 1997, discuss some of our plans for the coming year, and highlight the dynamics driving the growth of our company.

Our goal is to establish a leadership position in every area of our business.

Core Business Generating Strong Growth

In 1972, Gibraltar was a steel processing business offering a limited range of services from a single facility in Buffalo, New York. Today, we operate ten rolling mills at facilities in Buffalo; Cleveland, Ohio; and Chattanooga, Tennessee.

Throughout our history, we have invested in extensive precision processing equipment, and we now utilize more than 20 different processes – like pickling, slitting, cold rolling, and annealing – to transform raw steel into products that meet the most critical tolerances and specifications. We specialize in the very high end of this market, where margins are highest and most stable. We are also one of only four major domestic manufacturers of steel strapping, which is used to package and ship heavy products such as steel, paper, and lumber.

Growth in this part of our business is being driven by massive industry consolidation that is concentrating an increasing share of the market into the hands of those companies, like Gibraltar, that can meet higher quality standards, continually invest in new technology, and offer a comprehensive range of value-added services.

Our goal is to continue to expand our share of the cold-rolled strip steel market – which has grown by approximately 50 percent in the last five years – to approximately 25 percent. We are also looking to capture an increased share of the strapping market.

Building Products Business Growing Rapidly

Our building products business – only 32 months after beginning it – generated more revenue in 1997 than Gibraltar did in 1993.

Customer Diversification

YEAR	AUTOMOTIVE/ AUTOMOTIVE SUPPLY	BUILDING PRODUCTS/ CONSTRUCTION	STEEL/ OTHER METALS	OTHER
1994	61%	N/A	16%	23%
1995	51%	18%	10%	21%
1996	45%	22%	12%	21%
1997	36%	39%	10%	15%

While the automotive business now represents a lower share of total sales, actual dollar sales in this area have grown by $38 million – or 31 percent – in the last four years.

Hubbell Steel – which we acquired in April 1995 – supplies prepainted steel to the commercial and residential construction industries. With sales of approximately $72 million prior to becoming a Gibraltar company, Hubbell's top line climbed to approximately $100 million in 1997.

On January 31, 1997, we acquired SEMCO, one of the largest manufacturers of metal building products used by the consumer "do it yourself" and professional builder markets in the southeastern United States. For the 11 months it was a Gibraltar company in 1997, SEMCO's sales were approximately the same as the $90 million it generated in 1996.

As natural disasters (like earthquakes and hurricanes) vividly demonstrate the advantages of metal building products, and as stringent building codes continue to dictate an increased demand for these products, the enormous growth potential in this area is evident.

On March 1, 1998, we acquired The Solar Group, which had 1997 sales of approximately $45 million. Solar is the nation's leading manufacturer of mailboxes, most of which are made from galvanized steel. It also has a line of high-margin ventilation equipment and accessories, which complements SEMCO's product line.

CCHT Business "Heating Up"

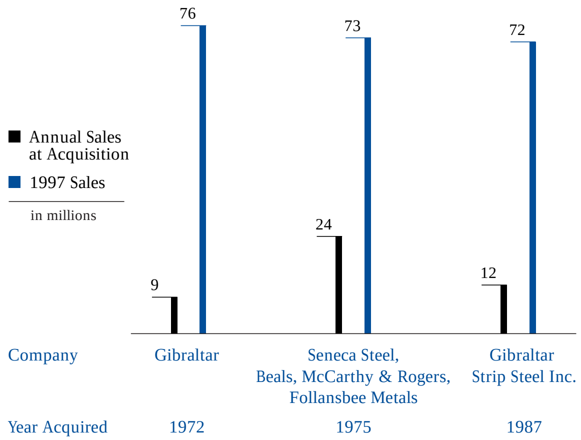
In February 1996, we acquired CCHT, one of the nation's five largest independent heat-treating companies, and the largest in the southeast. CCHT provides heat treating, brazing, and related metal-processing services to more than 2,000 customers in a number of industries.

We continue to look for ways to grow this part of our business, as we did with the May 1 acquisition of the Athens, Alabama, facility, our fifth heat-treat location. In 1997, CCHT's sales increased to approximately $23 million.

We see numerous opportunities to expand our heat-treating operations, through our existing facilities and with additional acquisitions. Commercial heat-treating is a $1.5 billion-a-year business (with approximately 900 independent heat treaters), but the real growth here will come from increased outsourcing. Right now, ten percent or less of all heat-treating work is done commercially, but as companies like CCHT extend their geographic reach and continue to invest in new technologies, they will capture a greater share of this market.

Our goal is to have annual sales from this part of our business of at least $100 million – more than a four-fold increase from our current revenues – in five years or less.

A History of Successful Acquisitions



Throughout its first 25 years, companies acquired by Gibraltar have generated strong sales growth.

Additional Revenue and Service Opportunities

Our materials management facilities, pickling joint venture, and trucking operations offer Gibraltar additional opportunities to grow our business and solidify important customer relationships.

We opened our first materials management facility in Buffalo, New York, in 1990, and it has grown into a solid, steady, and proven performer. Our second location – which we opened near Detroit, Michigan, in 1995 – continues to develop its business.

Our trucking operations – like our materials management facilities and our pickling joint venture – provide an essential service for our customers, while creating an additional source of revenue for Gibraltar.

Since the goal of our trucking operations is to meet as many of our transportation needs as possible, they will grow right along with Gibraltar.

Moving Toward the $1 Billion Sales Mark

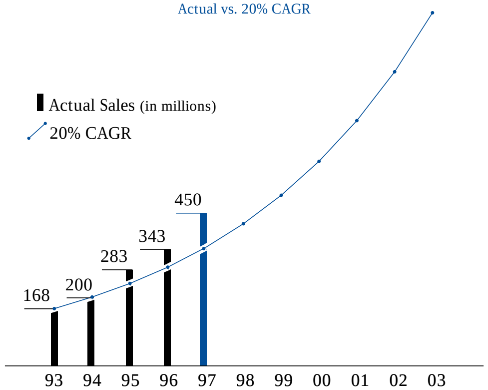
When we became a public company in November 1993, we set some aggressive, long-term goals for Gibraltar. We wanted to increase our sales and earnings, on average, by 20 percent a year and grow our annual revenues beyond the $1 billion mark and generate net income of at least $45 million by 2003, or sooner.

We have now completed four of the ten years in this plan, and we believe we are already 12 to 18 months ahead of our timetable. With improved performances from our existing businesses – and the successful acquisition of at least one company per year, as we have done in each of the last four years – we should further accelerate our progress.

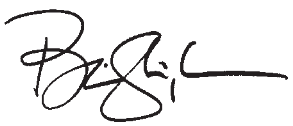
To make sure that everyone in our company is focused on consistently hitting our performance goals and steadily increasing shareholder value, we recently gave each of the 1,900 men and women on the Gibraltar team a copy of our Corporate Mission Statement. It says, "Gibraltar's primary mission is…to maximize the total return to shareholders over the long term." That clear objective will continue to guide our actions in the year ahead.

Annual Sales Growth (1993–2003)

Actual vs. 20% CAGR



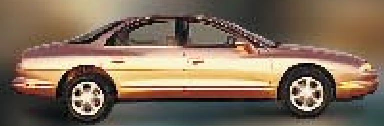
Gibraltar believes it is already 12 to 18 months ahead of the long-range sales goals it established before its Initial Public Offering in 1993.



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

Gibraltar processes steel that meets the most critical specifications, like those for seat belts and clutch plates, for leading auto makers.

The metals processing/service center industry in the United States generates more than $75 billion in annual revenues. Massive industry consolidation is concentrating an increasing share of this business into the hands of fewer companies.

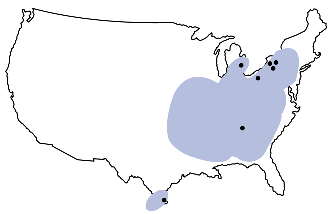


Core Business

Cold-rolled strip steel, a growing segment of the steel market defined by narrow widths, improved surface conditions, and tighter gauge tolerances, has been Gibraltar's core business since the Company's formation in 1972.

Through its ten rolling mills (ranging from 16 to 56 inches in width), Gibraltar produces steel to tolerances of +/– .0002 inches, 1⁄12 the thickness of a sheet of paper, the most precise in the industry. And with its new 56-inch mill in Cleveland, Gibraltar now has the widest rolling capability in North America.

Core Products
Facilities and Markets



Gibraltar is also one of four major domestic producers of high-tensile steel strapping, which is used to package and reinforce various shipping units, such as bales, boxes, cartons, large steel coils, crates, and skids.

Focus on High-margin Products and Services

Gibraltar focuses on those products – like clutch plates, seat tracks, and windshield wipers in the automotive market; various power and hand tool components; and appliance parts – that add the most possible value to raw steel. This allows the Company to improve margins, differentiate itself from the mass of competition, and compete from a quality and service standpoint – not simply based on price, like commodity-oriented companies.

The Company has extensive precision processing equipment and utilizes more than 20 different processes to transform raw steel into the customer's desired specifications. These processes can be done individually or in combination. Each process adds value and margin to the product. Since no single competitor can do all of these things, Gibraltar occupies a unique niche in the market as a result of its broader range of capabilities. It can, in effect, offer its customers one-stop shopping.

Gibraltar's new mill in Cleveland is expected to increase annual sales by $80–85 million.

Extending its Quality Leadership

Gibraltar has a sterling reputation for producing high-quality products and delivering on time, every time. Throughout its 25-year history, the Company has earned numerous quality awards and citations, including the Chrysler Pentastar Award (earned seven years in a row), the Ford Q1 Award, Emerson Electric's Distinguished Supplier Award, Trico Products' Supplier of the Year Award, and the GM Targets for Excellence designation.

During 1997, every Gibraltar facility that processes cold-rolled strip steel was registered to QS 9000 standards. And the Company became the first strapping manufacturer to earn QS 9000 certification.

The Company systematically invests in equipment, technology, facilities, and people to provide the highest-quality products and services. Gibraltar has made capital expenditures of nearly $68 million in the four years since its 1993 Initial Public Offering.

A Growing Share of a Growing Business

Due to increasing quality demands and a desire to reduce the number of vendor relationships, suppliers of choice are those companies, like Gibraltar, who can offer the broadest range of quality products and just-in-time service. Gibraltar's reputation for quality, and its processing flexibility, has enabled the Company to grow its share of the cold-rolled strip steel market to approximately 25 percent – a nearly 50 percent increase during the last four years. Sales from this part of Gibraltar's business increased from $89 million in 1992 to $157 million in 1997.

> "Gibraltar is a dominant player in the highest-margin specialized segment, due to the consistent quality of the products and services that it provides."
>
> **Robert J. Schenosky**
> Merrill Lynch & Co.

The Company's commitment to remain the low-cost, high-quality supplier of cold-rolled strip steel products – and the additional capacity and capabilities created by its new mill in Cleveland – give Gibraltar the opportunity to significantly grow its sales and share of this expanding market in the next three years.

New Mill in Cleveland is Nation's Widest

The 56-inch cold-rolled reversing mill – which began operations at Gibraltar's Cleveland facility in January of 1998 – is the widest of its kind in North America. Because it was built in an existing facility and will be operated by an existing (and proven) organization, the Company also believes this will be the low-cost producer of cold-rolled strip steel in North America.

The new mill – the largest capital expenditure project in Gibraltar's history – is expected to add $80-85 million of new sales annually when it reaches its full capacity in three years.

The new mill will cold reduce and temper roll coils up to 50 inches wide, which complements and extends the capabilities of the Company's existing rolling mills. This will allow Gibraltar to increase its business with existing customers and develop new relationships. The transplant automotive manufacturers (foreign companies with operations based in the U.S.) and their suppliers are one important new market recently entered by Gibraltar.

Steel Strapping: a Proven Performer

Gibraltar is one of only four major domestic manufacturers of high-tensile steel strapping used by producers of large, heavy products such as steel, paper, and lumber. Steel strapping is used when the reliability of the packaging material is critical for safe and secure transportation.

Like cold-rolled strip steel, strapping is a high value-added, high-margin product for Gibraltar. The Company first slits and cold rolls the steel to a precise gauge and tolerance, then further processes it by oscillate slitting, heat treating, painting, and packaging.

By offering coils of various thicknesses, widths, and sizes – and by customizing its strapping with customer logos, messages, and painting requirements – Gibraltar has differentiated itself at the specialty, high-margin end of the market.

The Company's strapping operation is a proven performer, generating a solid base of business and excellent cash flow.

Core Business Growth Drivers

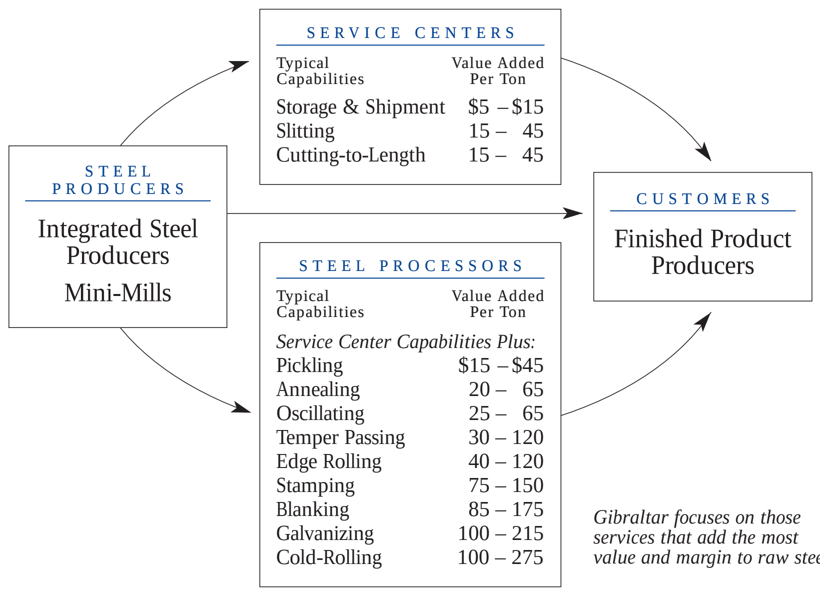
A number of dynamics are driving the growth of Gibraltar's core business, including continued industry consolidation, the increasing importance of preferred supplier relationships, and a growing demand for low-cost, high-quality products.

While the steel processing/service center business has undergone massive consolidation during the last decade, most industry analysts believe that trend will accelerate in the next ten years. Well-capitalized, geographically diverse companies like Gibraltar that offer a wide range of products and services will benefit from, and actually facilitate, this consolidation.

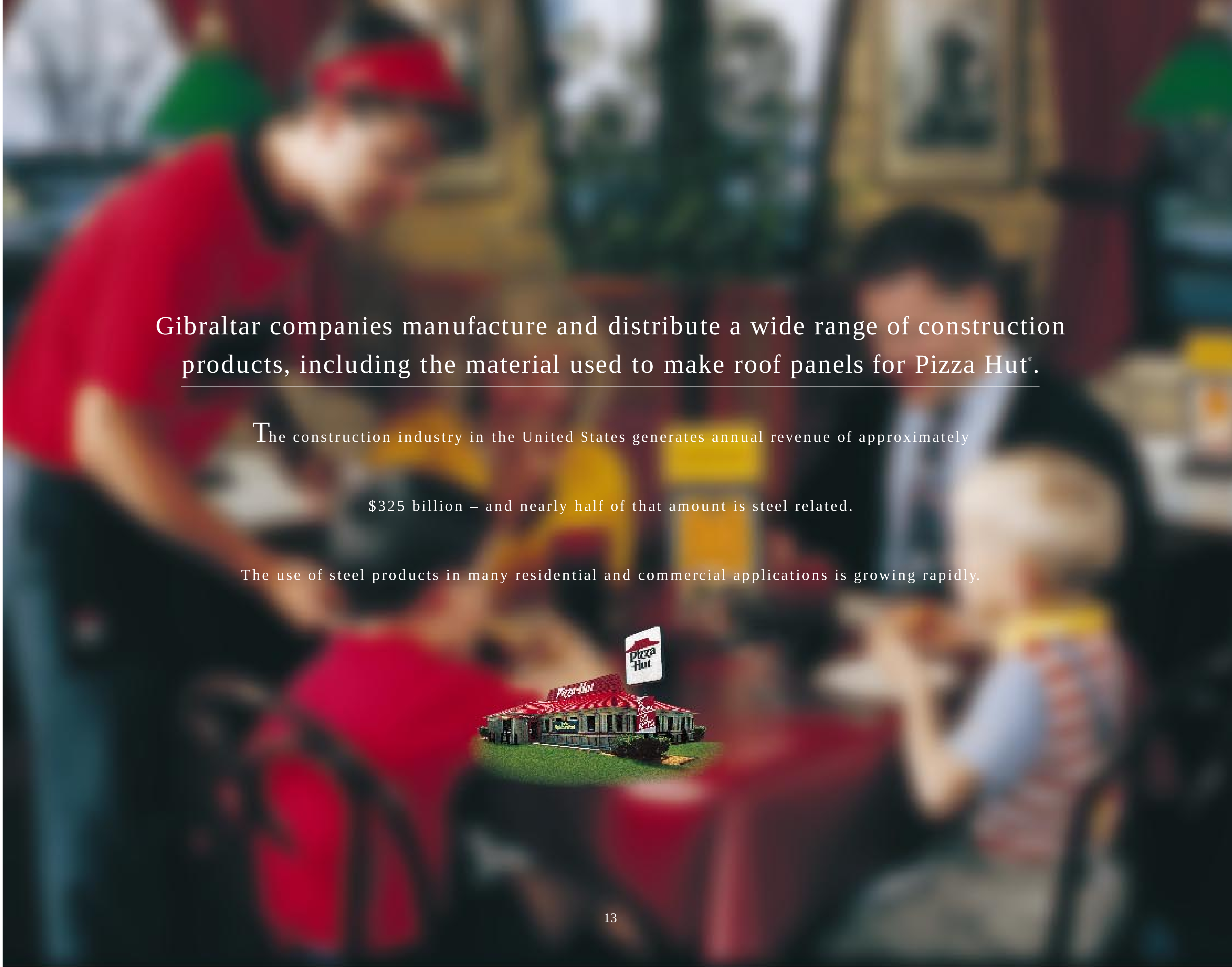
Increasingly, automotive, appliance, and other steel-consuming businesses are looking to forge relationships with those suppliers – like Gibraltar – who can meet higher quality standards, offer a fuller range of products and services, and partner with them from a geographically diverse base of operations.

Finally, as quality standards are pushed ever higher, companies like Gibraltar that systematically invest in new equipment and facilities, continually seek yield and productivity gains, and develop consistent training programs, will gain a competitive advantage that will fuel revenue and earnings growth.

Role of Steel Processors



Gibraltar focuses on those services that add the most value and margin to raw steel.



Gibraltar companies manufacture and distribute a wide range of construction products, including the material used to make roof panels for Pizza Hut®.

The construction industry in the United States generates annual revenue of approximately $325 billion – and nearly half of that amount is steel related.

The use of steel products in many residential and commercial applications is growing rapidly.

Building Products

The use of steel building products – in residential and commercial construction, by professionals and "do-it-yourselfers," in the United States and abroad – continues to show strong growth because of cost, performance, and environmental advantages.

Gibraltar first entered the metal building products business with its April 1995 acquisition of Hubbell Steel Corporation, a leading supplier of Galvalume®, galvanized, and prepainted steel products to the commercial and residential construction industries.

The Solar Group is the nation's leading manufacturer of mailboxes, most of which are made from galvanized steel.

In January 1997, Gibraltar acquired Southeastern Metals Manufacturing Company, Inc. (SEMCO), one of the largest manufacturers of metal building products in the southeastern United States.

On March 1, 1998, Gibraltar acquired The Solar Group, the nation's leading manufacturer of mailboxes, most of which are made from galvanized steel. Solar also has a line of high-margin ventilation equipment and accessories.

Hubbell: A Leading Supplier of Prepainted Steel

Hubbell Steel purchases Galvalume® and galvanized steel from its base of suppliers, and then works with a number of painting companies to provide steel in more than 500 different colors and a variety of coatings for use in standing seam roofs, building panels, steel framing, garage doors, and a host of residential and commercial applications.

As a recognized leader in the prepainted steel industry, Hubbell has the expertise to meet the diverse needs of customers in the HVAC (heating, ventilation, and air conditioning), construction and building products, agricultural, and automotive markets.

With 1996 sales of approximately $90 million – its first full year as a Gibraltar company – Hubbell generated strong growth in 1997, as its sales grew to approximately $100 million.

Painting a Bright Future with Hubbell

Hubbell will build on this momentum in the coming year with a number of initiatives designed to solidify its existing business, extend its domestic and international reach, and broaden its product line.

Through its facility in Birmingham, Alabama, Hubbell continues to expand its operations in the southeast. In 1998, the company will explore a number of other new markets for possible expansion.

On the international front, Hubbell will continue to grow its Mexican business – now more than 12 years old – where it competes in both the import and export markets.

Construction Products
Facilities and Markets

Hubbell International has worked with Mexican, European, and Middle Eastern companies. In addition to meeting their product needs, Hubbell offers an array of technical and support services that build lasting relationships.

As environmental concerns and sensitivities continue to mount, prepainted steel is emerging as the preferred solution in a number of industries. In the HVAC, appliance, lighting, and automotive markets, Hubbell is actively pursuing numerous avenues of growth.

SEMCO: A Metal Building Products Leader

On January 31, 1997, Gibraltar acquired SEMCO, one of the largest manufacturers of metal building products in the southeastern United States. SEMCO provides the construction industry with more than 3,500 galvanized steel, aluminum, and copper products, including metal roofing and accessories, drywall products, steel framing, gutters and gutter accessories, ventilation products, and storm panel systems.

Through its Global Metal Buildings division, SEMCO also manufactures and packages a variety of easy-to-assemble, pre-engineered steel frame building kits. There are kits for single and multifamily homes, utility and mini-storage buildings, shops and garages, and light commercial structures.

Some of SEMCO's key customers include distributors to the roofing, lumberyard, drywall, and concrete industries, as well as a number of regional and national chain stores that serve the "do it yourself" market.

For the 11 months it was a Gibraltar company in 1997, SEMCO's sales were approximately the same as the $90 million it generated in 1996.

> "The Solar acquisition has some synergies with the existing construction products business (SEMCO and Hubbell), but also provides significant product diversification."
>
> **Mark L. Parr, CFA**
> McDonald & Co.

SEMCO Builds for the Future

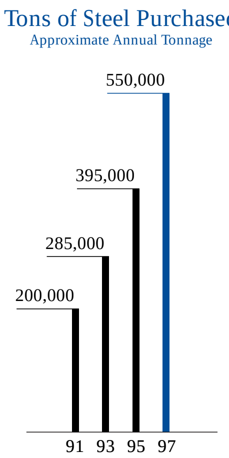
From its founding in 1963, SEMCO has steadily grown its business by expanding its product line, extending the geographic reach of its operations, consistently adhering to high quality standards, and demonstrating the flexibility and creativity necessary to adapt to the changing needs of the marketplace and its customers.

In 1997, SEMCO opened its eighth location – in Miami, Oklahoma – giving it another gateway to America's heartland. Together with its three facilities in Florida, two in Texas, one in Tennessee, and another in Georgia, SEMCO has strategically positioned its eight-office network in the highest growth areas in the United States.

Growth in its Global Metal Buildings division, capacity expansions at existing facilities, additional locations in new markets, and product line extensions done internally or through acquisitions are some of the ways SEMCO will continue to grow its business.

The Solar Group: The Nation's Leading Manufacturer of Mailboxes

Solar had 1997 sales of approximately $45 million. It operates three manufacturing facilities in Mississippi and markets its products throughout the United States, Canada, Germany, and Japan. It is the nation's leading manufacturer of mailboxes, most of which are made from galvanized steel. Solar also has a line of high-margin ventilation equipment and accessories, which complements and helps to round out SEMCO's product line.



As it purchases increasing amounts of steel, Gibraltar is able to strengthen its relationships with suppliers and draw from a larger and more diverse base.

Solar has an established record of growth and profitability. It also has a proven and experienced management team that, like every Gibraltar acquisition since 1987, is staying in place. The Solar acquisition also moves Gibraltar downstream into high value-added, high-margin products.

Construction Products Growth Drivers

A number of favorable trends and developments will continue to fuel growth in the metal building products business. These include a huge housing deficit in many parts of the world (especially in many areas of Central and South America), natural disasters (such as earthquakes and hurricanes), and stringent building codes that require the use of more durable products.

Many parts of the world have an acute need for affordable housing. In Brazil alone, estimates show a housing deficit of more than 12 million units. With many Central and South American economies continuing to generate sustained economic growth, opportunities to export to these markets are plentiful.

The recent spate of hurricanes and earthquakes – along with the ravages of fires and insect damage – has vividly demonstrated the unique advantages of metal building products. In those parts of the world where the wind blows, the earth shakes, and the insects eat, metal buildings consistently show that they are an ideal choice.

As the price tag for many hurricane cleanups runs into the billions, insurance companies in many coastal areas now reward the use of metal building products with lower rates. And public building codes, with an eye on safety, require the use of products that can withstand high winds, driving rains, and seismic shifts.

Gibraltar heat treats the steel and other metals in a host of products, like this J.H. Williams® socket wrench set, to make them stronger.

J.H. Williams is a division of Snap-on.

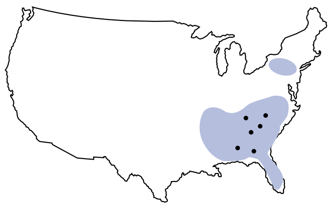
The heat-treating industry employs more than 140,000 people who add more than $15 billion in value to metal components every year. The nation's 900 independent heat treaters continue to capture an increasing share of this market.

Williams® is a registered trademark of Snap-on Technologies, Inc.

Heat Treating

Heat treating is used to harden, soften, and impart other desired properties to parts made of steel, copper, and various other alloys and metals. A wide range of processes – and an assortment of furnaces and other equipment – are used by heat-treating companies.

Heat Treating
Facilities and Markets



According to the Metal Treating Institute (MTI), the heat-treating industry currently employs approximately 140,000 people who add $15 billion in value to metal components each year. Estimates show that ten percent of this work – roughly $1.5 billion a year – is done by the nation's approximately 900 commercial heat treaters, with the balance performed by internal or proprietary heat-treating shops. MTI estimates that commercial heat treating is growing at an annual rate of approximately eight percent.

While Gibraltar had long-standing expertise and experience with heat treating through the annealing furnaces it uses in its cold-rolled strip steel operations and the electro-tempering process it employs in the production of steel strapping, the Company significantly expanded its reach into this business with its February 1996 acquisition of Carolina Commercial Heat Treating (CCHT), one of the nation's five largest independent heat-treating companies, and the largest in the southeast.

CCHT: A Quality and Service Leader

From its founding in 1945, CCHT steadily built its business by investing in the technology, meeting the quality standards, and delivering the service demanded by the industry's most discriminating customers. Markets served by CCHT include the military, aerospace, power and hand tools, and automotive. Customers include TRW, Caterpillar, GE, Cutler-Hammer, and Sears/Craftsman Tools.

CCHT invests in the technology, meets the quality standards, and delivers the service demanded by the most discriminating customers.

CCHT operates more than 110 furnaces at its five locations in Fountain Inn, SC (opened in 1968); Reidsville, NC (opened in 1971); Morristown, TN (opened in 1977); Conyers, GA (opened in 1994); and Athens, AL (acquired in 1997).

Two CCHT locations earned QS 9000 certification in 1997, and the other three will do so in 1998. CCHT believes it was the first commercial heat treater to earn that designation in the southeast – and one of the initial four or five in the nation – and QS 9000 certification has created numerous opportunities to grow its business.

Products heat treated by CCHT span the gamut from very sophisticated medical equipment (such as dental drills and picks) to hair clips, and range in size from pins to industrials screws more than four feet long and engine blocks. CCHT also heat treats products such as crank shafts, bearings, gears, nails, screws, and hand and power tools; they even heat treat the kitchen sink!

Growth Initiatives in 1997

During 1997, investments were made in every CCHT facility, as it looked for ways to boost yield, improve process flow, and enhance productivity. New equipment was installed and training initiatives were accelerated.

In May, CCHT added a fifth location – in Athens, Alabama – solidifying its position as the leading commercial heat treater in the southeast. The Athens facility has a diverse customer base, excellent equipment, a talented and capable staff, and is well-known for its advanced heat-treating technology.

In 1997 – its first full year as a Gibraltar company – CCHT's sales grew to approximately $23 million. CCHT has followed a consistent pattern of growth and profitability.

> "Today, the consolidators in the industry, such as Gibraltar, are redefining their niche to include services that have been called the 'brain surgery' of the processing realm, such as commercial heat treating."
>
> **Michelle Galanter Applebaum**
> Salomon Smith Barney

Heat Treating Sales Goal: $100 Million in Five Years

Gibraltar's goal is to have annual sales of $100 million or more in five years or less from its heat-treating operations, a more than four-fold increase from its current level. It will accomplish that by growing its existing heat-treating operations and through selective acquisitions.

CCHT has a number of plans to grow the business at its existing facilities. In 1998, it will install new furnaces and equipment (including a high-pressure quench furnace at Athens, which will give that facility the most advanced capabilities in the southeast), put a new Management Information System in place company wide that will enhance service and accommodate growth, and evaluate expansions of existing facilities (each of which is presently at or near full capacity).

A major focus in the coming year will center on efforts to improve profitability. This will be done through yield, productivity, and process flow improvements, and also by intensifying other initiatives to control and reduce costs.

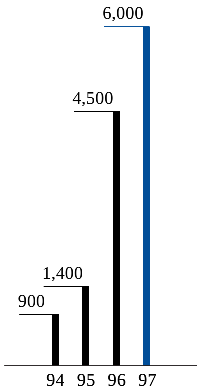
Heat Treating Growth Drivers

Three main trends will continue to propel growth in the heat-treating business: continued consolidation of this highly fragmented industry, increased outsourcing placing a greater share of the business into the hands of commercial companies (like CCHT), and the growing importance of new technology.

Much like the steel processing/service center business, the commercial heat-treating industry is in the throes of consolidation. While it has historically been a local or regional business, a number of dynamics are now fostering a move toward super-regional – and eventually, national – heat-treat companies that can meet the needs of customers from a geographically diverse base of operations.

Today, most heat treating is done in house, by captive shops which are part of a larger facility (such as an industrial equipment manufacturer or an automotive components factory). In the future, more of this work will be outsourced as commercial companies, like CCHT, continue to broaden their range of services, invest in new technologies and equipment, and extend the geographic reach of their operations. With 90 percent of the $15 billion of annual heat-treating work still done in house, the growth opportunities here are enormous.

Gibraltar's Customer Base



Gibraltar's customer base has grown more than six fold in the last three years, significantly diversifying the Company's business, and creating numerous synergistic growth opportunities.

As demands for improved energy efficiency, shorter cycle times, better environmental performance, and greater cost competitiveness escalate – and as customers look to those firms who can steadily invest in the broadest range of heat-treating processes and more sophisticated services – companies like CCHT, who regularly make those investments, will garner an increased share of the market.

The continued expansion of Gibraltar's heat-treating operations will create synergistic growth opportunities for the rest of its business. In addition to significantly expanding its customer base – which has grown from approximately 900 in 1994 to more than 6,000 in 1997 – this growth gives Gibraltar the opportunity to provide additional services to its existing customers.

Gibraltar operates materials management facilities and transportation services that link steel producers with end-user manufacturers.

In the United States alone, the movement of goods and services by truck

is a $200 billion-a-year business. It is expected to grow by another $50 billion in the next ten years.

And a growing number of businesses are outsourcing their materials management operations.

Distribution and Services

Gibraltar's materials management facilities, pickling joint venture, and trucking operations create additional opportunities for the Company to grow its business (both top and bottom line), enhance its margins, and solidify important customer relationships.

Its pickling joint venture, where Gibraltar has an approximate 26% equity stake, has proven to be a very successful business arrangement.

Materials Management: Innovating to Meet Customer Needs

To meet the materials storage and transfer needs of its customers, Gibraltar developed an innovative and profitable solution that provides a true just-in-time service. It designed a materials management facility that integrates inventory purchasing, receiving, inspection, billing, storage, and shipping in a climate-controlled environment, with the ability to deliver to a targeted location within an hour of receiving an order.

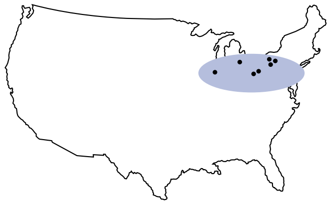
The Company's first facility – which opened in Buffalo in 1990 – has matured into a proven and consistent performer. A second location, near Detroit, opened in 1995 and continues to develop its business. Together, these facilities are capable of handling approximately 950,000 tons of coiled steel annually.

Pickling Joint Venture: Providing a Vital and Profitable Service

Since 1988, Gibraltar has participated in a pickling joint venture in Cleveland with Samuel Steel, a publicly-traded company with vast experience and expertise in the construction and operation of pickling facilities around the world. Pickling is a chemical cleaning process that removes the scale that forms on the surface of steel during its initial production. Normally, this step must be completed before any other processing can be done to cold-rolled strip steel.

To meet this increased demand, the joint venture opened a second state-of-the-art pickling line – that more than doubled annual capacity to nearly 800,000 tons – in 1995. Like its materials management facilities, the joint venture, where Gibraltar has an approximate 26 percent equity stake, has proven to be a very successful business arrangement.

Distribution and Services
Facilities and Markets



It ensures that the Company has all the capacity it needs to treat its own cold-rolled strip steel, while also making a solid contribution to earnings.

Trucking Operations: Another Essential Service Contributes to Profitability and Growth

Gibraltar also provides trucking operations that transport the raw material for its processing and manufacturing facilities, and also deliver the processed steel and finished products to its customers. While the primary focus of its trucking operations is to meet Gibraltar's own transportation needs, it will – to round out a route, and to generate additional revenue and earnings – provide transportation services for other organizations.

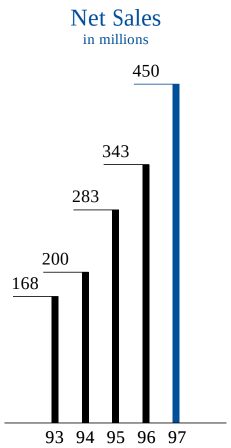
> "Gibraltar's acquisition strategy focuses on businesses which not only have a strong strategic fit, but also a high value-added position in the market and solid growth potential."
>
> **Russell T. Price**
> Olde Discount Stockbrokers

Its trucking operations, like Gibraltar's materials management facilities and pickling joint venture, safeguard the quality of an essential service for its customers. It also creates an additional source of revenue that will grow as the Company adds new facilities and operations, each of which have their own transportation needs and opportunities. This represents another way of capitalizing on the critical mass that Gibraltar has built, and which it continues building.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations Year Ended 1997 Compared to Year Ended 1996

Net sales increased by $106.7 million, or 31%, to a record $449.7 million in 1997 from $343.0 million in 1996. This increase primarily resulted from the inclusion of net sales of SEMCO (acquired January 1997) and sales growth at existing operations.



Cost of sales increased $93.8 million, or 33%, to $375.5 million in 1997 from $281.7 million in 1996. Cost of sales increased to 83.5% of net sales in 1997 from 82.1% of net sales in 1996. This increase was due to higher raw material costs which were not fully passed through to customers, partially offset by higher margins on SEMCO sales.

Selling, general and administrative expense increased by $10.9 million, or 36%, to $41.6 million in 1997 from $30.6 million in 1996. As a percentage of net sales, selling, general and administrative expenses increased from 8.9% in 1996 to 9.2% in 1997. This increase was primarily due to higher costs as a percentage of sales attributable to SEMCO.

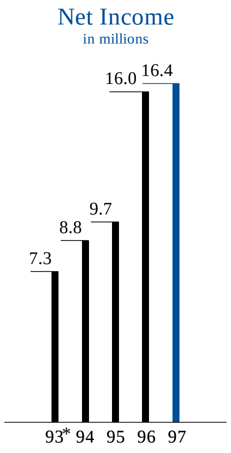
Interest expense increased by $1.3 million from 1996 to 1997 primarily due to higher average borrowings as a result of the SEMCO acquisition and capital expenditures.

As a result of the above, income before taxes increased by $.7 million, or 3%, to a record $27.5 million in 1997 from $26.8 million in 1996.

Income taxes approximated $11.1 million in 1997, an effective rate of 40.3% in comparison with 40.4% in 1996.

Year Ended 1996 Compared to Year Ended 1995

Net sales increased by $60.1 million, or 21%, to $343.0 million in 1996 from $282.8 million in 1995. This increase primarily resulted from including twelve months of net sales of Hubbell Steel (acquired April 1995) for 1996 compared to nine months in 1995, including net sales of CCHT (acquired February 14, 1996) and sales growth at existing operations.



** pro forma*

Cost of sales increased by $41.3 million, or 17%, to $281.7 million in 1996 from $240.3 million in 1995. As a percentage of net sales, cost of sales decreased to 82% of net sales from 85%. This decrease was primarily due to higher margins attributable to CCHT sales and lower raw material costs at other operations.

Selling, general and administrative expense increased by $8.5 million, or 39%, to $30.6 million in 1996 from $22.1 million in 1995. As a percentage of net sales, selling, general and administrative expense increased to 8.9% from 7.8% in 1995 primarily due to higher costs as a percentage of sales attributable to

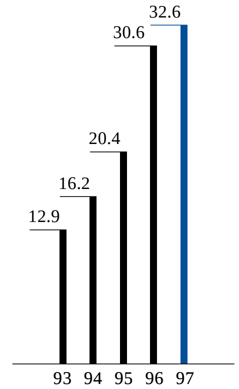
CCHT and performance based compensation linked to the Company's sales and profitability.

Interest expense decreased by $.2 million primarily due to lower interest rates in 1996 compared to 1995 which were partially offset by higher average borrowings resulting from higher inventory levels to service increased sales and capital expenditures.

As a result of the above, income before taxes increased by $10.4 million, or 64%, to $26.8 million in 1996 from $16.4 million in 1995.

Income taxes approximated $10.8 million in 1996, an effective rate of 40.4% in comparison with 40.7% for 1995.

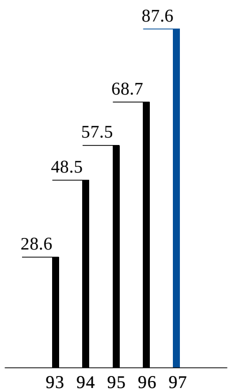
Income from Operations
in millions



Liquidity and Capital Resources

During 1997, the Company increased working capital by $19 million to $87.6 million and the current ratio improved to 3.0 to 1 versus 2.7 to 1 at December 31, 1996. Long term debt increased by $33.2 million to $81.8 million and to 37% of total capitalization. Additionally, shareholders' equity increased by 15% to $140 million at December 31, 1997.

Working Capital
in millions

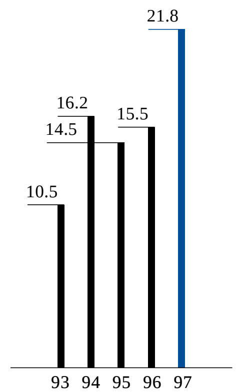


The Company's principal capital requirements are to fund its operations including working capital requirements, the purchase and funding of improvements to its facilities, machinery and equipment and to fund acquisitions.

Net cash provided by operations of $24.4 million resulted primarily from net income of $16.4 million, depreciation and amortization of $8.5 million and provision for deferred income taxes of $2.2 million, offset by the decrease in accounts payables and accrued expenses of $2.6 million.

Net cash provided by operations of $24.4 million combined with net proceeds from long-term debt of $18.5 million and $3.1 million of cash on hand were used for the acquisition of SEMCO and capital expenditures. The most significant capital expenditure included the construction and installation of a new cold rolling mill at the Cleveland, Ohio facility.

Capital Expenditures
in millions



During 1997, the Company amended its revolving credit agreement with its bank group to increase the capacity of the revolver to $185 million and borrow on an unsecured basis. At December 31, 1997, $107.6 million of the revolver was unused.

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 twelve months.

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

Consolidated Balance Sheet

	in thousands, except share and per share data	YEAR ENDED DECEMBER 31, 1997	1996
Assets	Current assets:		
	Cash and cash equivalents	$ 2,437	$ 5,545
	Accounts receivable	49,151	40,106
	Inventories	76,701	62,351
	Other current assets	2,457	1,524
	Total current assets	130,746	109,526
	Property, plant and equipment, net	115,402	88,670
	Other assets	35,188	24,311
		$ 281,336	$ 222,507
Liabilities and Shareholders' Equity	Current liabilities:		
	Accounts payable	$ 38,233	$ 35,397
	Accrued expenses	3,644	4,238
	Current maturities of long-term debt	1,224	1,218
	Total current liabilities	43,101	40,853
	Long-term debt	81,800	48,623
	Deferred income taxes	15,094	10,364
	Other non-current liabilities	1,297	923
	Shareholders' equity		
	Preferred shares, $.01 par value; authorized: 10,000,000 shares; none outstanding	—	—
	Common shares, $.01 par value; authorized: 50,000,000 shares; issued and outstanding: 12,409,619 shares in 1997 and 12,322,400 in 1996	124	123
	Additional paid-in capital	66,190	64,307
	Retained earnings	73,730	57,314
	Total shareholders' equity	140,044	121,744
		$ 281,336	$ 222,507

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

Consolidated Statement of Income

in thousands, except per share data	YEAR ENDED DECEMBER 31, 1997	1996	1995
Net sales	$ 449,700	$ 342,974	$ 282,833
Cost of sales	375,537	281,717	240,370
Gross profit	74,163	61,257	42,463
Selling, general and administrative expense	41,560	30,640	22,095
Income from operations	32,603	30,617	20,368
Interest expense	5,115	3,827	3,984
Income before taxes	27,488	26,790	16,384
Provision for income taxes	11,072	10,815	6,662
Net income	$ 16,416	$ 15,975	$ 9,722
Net income per share – Basic	$ 1.33	$ 1.42	$ .96
Weighted average shares outstanding – Basic	12,357	11,261	10,164
Net income per share – Diluted	$ 1.30	$ 1.39	$ .95
Weighted average shares outstanding – Diluted	12,591	11,464	10,213

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

Gibraltar Steel Corporation

Consolidated Statement of Cash Flows

	in thousands	YEAR ENDED DECEMBER 31, 1997	1996	1995
Cash Flows From Operating Activities	Net income	$ 16,416	$ 15,975	$ 9,722
	Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
	Depreciation and amortization	8,478	6,246	4,538
	Provision for deferred income taxes	2,227	774	218
	Undistributed equity investment income	(444)	(528)	(366)
	Gain on disposition of property and equipment	(68)	(4)	(146)
	Increase (decrease) in cash resulting from changes in (net of effects from acquisitions):			
	Accounts receivable	(176)	(1,225)	838
	Inventories	1,607	(17,077)	17,979
	Other current assets	(726)	411	(503)
	Accounts payable and accrued expenses	(2,597)	9,275	3,390
	Other assets	(289)	(244)	70
	Net cash provided by operating activities	24,428	13,603	35,740
Cash Flows From Investing Activities	Acquisitions, net of cash acquired	(26,475)	(23,715)	(20,859)
	Investments in property, plant and equipment	(21,784)	(15,477)	(14,504)
	Proceeds from sale of property and equipment	1,118	775	317
	Net cash used in investing activities	(47,141)	(38,417)	(35,046)
Cash Flows From Financing Activities	Long-term debt reduction	(79,962)	(78,195)	(64,527)
	Proceeds from long-term debt	98,417	68,906	66,832
	Net proceeds from issuance of common stock	1,150	35,525	—
	Net cash provided by financing activities	19,605	26,236	2,305
	Net (decrease) increase in cash and cash equivalents	(3,108)	1,422	2,999
	Cash and cash equivalents at beginning of year	5,545	4,123	1,124
	Cash and cash equivalents at end of year	$ 2,437	$ 5,545	$ 4,123

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
Balance at December 31, 1994	10,163	$ 102	$ 28,677	$ 31,617
Net income	—	—	—	9,722
Profit sharing plan contribution	11	—	126	—
Balance at December 31, 1995	10,174	102	28,803	41,339
Net income	—	—	—	15,975
Public offering	2,050	20	34,370	—
Profit sharing plan contribution	11	—	184	—
Stock options exercised	87	1	950	—
Balance at December 31, 1996	12,322	123	64,307	57,314
Net income	—	—	—	16,416
Stock options exercised and related tax benefit	73	1	1,562	—
Stock awards	4	—	82	—
Profit sharing plan contribution	11	—	239	—
Balance at December 31, 1997	12,410	$ 124	$ 66,190	$ 73,730

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 $963,000, $522,000 and $683,000 was capitalized in 1997, 1996 and 1995, respectively.

Other Assets

Goodwill is amortized over 35 years. Amortization expense was $880,000, $557,000 and $218,000 in 1997, 1996, and 1995, respectively.

Shareholders' Equity

In both July 1997 and 1996, the Company issued 11,000 of its common shares as a contribution to one of its profit sharing plans.

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 January 31, 1997, the Company acquired the stock of Southeastern Metals Manufacturing Company, Inc. (SEMCO) for approximately $25 million in cash. In addition, the Company repaid approximately $15 million of SEMCO's bank indebtedness. SEMCO manufactures a wide array of metal products for the residential and commercial construction markets.

On February 14, 1996, the Company acquired the stock of Carolina Commercial Heat Treating, Inc. (CCHT) for approximately $25 million in cash. CCHT, headquartered in Charlotte, North Carolina, provides heat treating, brazing and related metal-processing services to a broad range of industries, including the automotive, hand tools, construction equipment and industrial machinery industries.

These acquisitions have been accounted for using purchase accounting with SEMCO's and CCHT's results of operations included from the respective acquisition dates. The purchase price exceeded the fair market value of the net assets by approximately $11 million each for both SEMCO and CCHT.

Notes To Consolidated Financial Statements

The following pro forma information presents the condensed results of operations of the Company as if the acquisitions had occurred at the beginning of each period presented. The pro forma amounts may not be indicative of the results that would have actually been achieved and are not necessarily indicative of future results.

	YEAR ENDED DECEMBER 31,	
(in thousands, except per share data)	1997	1996
	(unaudited)	
Net sales	$ 456,224	$ 434,928
Income before taxes	$ 27,198	$ 28,067
Net income	$ 16,234	$ 16,600
Net income per share	$ 1.31	$ 1.47

3. Accounts Receivable

Accounts receivable are expected to be collected within one year and are net of reserves for doubtful accounts of $990,000 and $698,000 at December 31, 1997 and 1996, respectively.

4. Inventories

Inventories at December 31 consist of the following:

(in thousands)	1997	1996
Raw material	$ 51,804	$ 45,258
Finished goods and work-in-process	24,897	17,093
Total inventories	$ 76,701	$ 62,351

5. Property, Plant and Equipment

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

(in thousands)	1997	1996
Land and land improvements	$ 2,984	$ 2,978
Building and improvements	32,420	29,145
Machinery and equipment	99,737	78,018
Construction in progress	16,503	7,894
	151,644	118,035
Less accumulated depreciation and amortization	36,242	29,365
Property, plant and equipment, net	$ 115,402	$ 88,670

6. Other Assets

Other assets at December 31 consist of the following:

(in thousands)	1997	1996
Goodwill, net	$ 30,275	$ 20,199
Equity interest in partnership	3,736	3,292
Other	1,177	820
Total other assets	$ 35,188	$ 24,311

The Company's 26% 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.

7. Debt

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

(in thousands)	1997	1996
Revolving credit notes payable	$ 77,400	$ 43,000
Industrial Development Revenue Bond	5,048	6,190
Other debt	576	651
	83,024	49,841
Less current maturities	1,224	1,218
Total long-term debt	$ 81,800	$ 48,623

In September 1997, the Company amended its debt agreement increasing its revolving credit facility to $185,000,000. The facility is unsecured and is committed through September 2002. 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, 1997, the Company had three interest rate swap agreements outstanding that effectively converted $55,000,000 of floating rate debt to fixed rates ranging from 6.39% to 6.78% which terminate at different dates beginning November 2000. At December 31, 1997, additional borrowings consisted of $22,400,000 with an interest rate of LIBOR plus a fixed rate. The weighted average interest rate of these borrowings was 6.78% at December 31, 1997.

In addition, the Company has an Industrial Development Revenue Bond payable in equal installments through May 2002, with an interest rate of LIBOR plus a fixed rate (6.57% at December 31, 1997), which financed the cost of its Tennessee expansion under a capital lease agreement. The cost of the facility and equipment equal the amount of the bond and includes accumulated amortization of $1,015,000. The agreement provides for the purchase of the facility and equipment at any time during the term of the lease 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, 1997 are as follows: 1998, $1,224,000; 1999, $1,306,000; 2000, $1,158,000; 2001, $1,159,000 and 2002, $78,177,000.

The Company had no amounts outstanding under short-term borrowing for the years ended December 31, 1997 and 1996.

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, 1997, 1996 and 1995 was $6,155,000, $4,701,000 and $4,715,000, respectively.

8. Leases

The Company leases certain facilities and equipment under operating leases. Rent expense under operating leases for the years ended December 31, 1997, 1996 and 1995 was $3,771,000, $2,358,000 and $1,693,000, respectively. Future minimum lease payments under these operating leases are $2,509,000, $1,668,000, $1,464,000, $1,404,000 and $1,308,000 for the years 1998, 1999, 2000, 2001 and 2002, respectively, and $6,167,000 thereafter through 2038.

9. Employee Retirement Plans

Non-union employees participate in various profit sharing plans. Contributions to these plans are funded annually and are based on a percentage of pretax income or amounts determined by the Board of Directors.

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 $154,000 and $106,000 were accrued under this plan in 1997 and 1996, respectively, and consisted primarily of service cost using a discount rate of 7.0% and 7.5%, respectively.

Total expense for all plans was $1,258,000, $1,066,000 and $637,000 for the years ended December 31, 1997, 1996 and 1995, 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 $223,000, $237,000 and $207,000 for 1997, 1996 and 1995, respectively.

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

(in thousands)	1997	1996
Retirees	$ 482	$ 468
Other fully eligible participants	308	200
Other active participants	1,018	943
	$ 1,808	$ 1,611

The accumulated post-retirement benefit obligation was determined using a weighted average discount rate of 7.0% in 1997 and 7.5% in 1996. The medical inflation rate was assumed to be 8% in 1997, with a gradual reduction to 5% over three years. The effect of a 1% annual increase in the medical inflation rate would increase the accumulated post-retirement benefit obligation by approximately $305,000 and $286,000 and the annual service and interest costs by approximately $35,000 and $37,000 for 1997 and 1996, respectively.

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)	1997	1996	1995
Current tax expense			
Federal	$ 7,514	$ 8,774	$ 5,611
State	1,331	1,267	833
Total current	8,845	10,041	6,444
Deferred tax expense			
Federal	2,036	670	198
State	191	104	20
Total deferred	2,227	774	218
Total provision	$ 11,072	$ 10,815	$ 6,662

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

(in thousands)	1997	1996
Depreciation	$ 14,129	$ 9,026
Inventory method change	1,588	1,752
Other	1,371	1,034
Gross deferred tax liabilities	17,088	11,812
State taxes	(656)	(528)
Other	(2,074)	(1,187)
Gross deferred tax assets	(2,730)	(1,715)
Net deferred tax liabilities	$ 14,358	$ 10,097

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 pretax income from continuing operations as a result of the following differences:

(in thousands)	1997	1996	1995
Statutory U.S. tax rates	$ 9,621	$ 9,376	$ 5,734
Increase in rates resulting from:			
State and local taxes, net	989	891	554
Other	462	548	374
	$ 11,072	$ 10,815	$ 6,662

Total cash paid for income taxes in the years ended December 31, 1997, 1996 and 1995 was $9,100,000, $9,639,000 and $6,250,000, respectively.

12. Earnings Per Share

Financial Accounting Standards Board (FASB) Statement 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
1997	$ 16,416,000	12,357,186	$ 1.33	12,591,019	$ 1.30
1996	$ 15,975,000	11,260,956	$ 1.42	11,463,508	$ 1.39
1995	$ 9,722,000	10,163,187	$ .96	10,213,329	$ .95

Included in diluted shares are common stock equivalents relating to options of 233,833, 202,552, and 49,512 for 1997, 1996 and 1995, 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 share 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 850,000 shares, respectively. The options may be exercised in cumulative annual increments of 25% commencing one year from the date of grant and expire ten years from the date of grant.

The following table summarizes the option plans' activity for the years ended December 31:

	OPTIONS OUTSTANDING	WEIGHTED-AVERAGE EXERCISE PRICE	OPTIONS EXERCISABLE	WEIGHTED-AVERAGE EXERCISE PRICE
Balance at January 1, 1995	397,500	$ 10.74		
Granted	75,000	11.00		
Forfeited	(2,500)	10.00		
Balance at December 31, 1995	470,000	10.78	171,875	$ 10.85
Granted	173,750	16.75		
Exercised	(87,500)	10.87		
Balance at December 31, 1996	556,250	12.63	201,875	$ 10.80
Granted	220,450	21.75		
Exercised	(72,219)	11.49		
Forfeited	(11,250)	10.75		
Balance at December 31, 1997	693,231	$ 15.68	282,781	$ 11.55

The Company realized tax benefits of $733,000 associated with the exercise of certain stock options which has been credited to paid in capital.

Options outstanding at December 31, 1997 consisted of:

RANGE OF EXERCISE PRICES	OPTIONS OUTSTANDING	WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED-AVERAGE EXERCISE PRICE	OPTIONS EXERCISABLE	WEIGHTED-AVERAGE EXERCISE PRICE
$10-$11	309,189	6.4 years	$ 10.79	248,564	$ 10.83
$16.75-$21.75	384,042	9.1 years	$ 19.62	34,217	$ 16.75
	693,231	7.9 years	$ 15.68	282,781	$ 11.55

The Company has adopted the disclosure-only provisions of FASB No. 123 “Accounting for Stock-Based Compensation.” 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 FASB No. 123, there would have been no effect on the Company's net income and earnings per share in 1995. The pro forma effect for 1996 and 1997 is as follows:

	AS REPORTED 1997	PRO FORMA 1997	AS REPORTED 1996	PRO FORMA 1996
Net Income	$16,416,000	$16,108,000	$15,975,000	$15,890,000
Net Income per Share	$1.33	$1.30	$1.42	$1.41

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	VOLATILITY	RISK-FREE INTEREST RATE
1997 Grant	$ 9.77	5 years	40.19%	6.14%
1996 Grant	$ 7.44	5 years	38.07%	6.64%
1995 Grant	$ 4.56	5 years	36.16%	5.70%

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. In December 1997, 4,000 shares were awarded to non-employee directors under this plan.

14. 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.

Quarterly Unaudited Financial Data

in thousands, except per share data

1997 QUARTER ENDED	MARCH 31	JUNE 30	SEPT. 30	DEC. 31
Net Sales	$ 108,277	$ 119,213	$ 114,249	$ 107,961
Gross Profit	18,698	19,917	18,147	17,401
Net Income	4,446	4,697	3,787	3,486
Net Income Per Share-Basic	$ .36	$ .38	$ .31	$ .28
Net Income Per Share-Diluted	$ .35	$ .37	$ .30	$ .28

1996 QUARTER ENDED	MARCH 31	JUNE 30	SEPT. 30	DEC. 31
Net Sales	$ 82,034	$ 86,476	$ 87,994	$ 86,470
Gross Profit	14,029	15,867	15,979	15,382
Net Income	3,334	4,155	4,414	4,072
Net Income Per Share-Basic	$ .33	$ .40	$ .36	$ .33
Net Income Per Share-Diluted	$ .32	$ .40	$ .35	$ .32

1995 QUARTER ENDED	MARCH 31	JUNE 30	SEPT. 30	DEC. 31
Net Sales	$ 58,765	$ 76,337	$ 74,691	$ 73,040
Gross Profit	10,186	11,240	10,019	11,018
Net Income	2,677	2,804	2,002	2,239
Net Income Per Share-Basic	$ .26	$ .28	$ .20	$ .22
Net Income Per Share-Diluted	$ .26	$ .27	$ .20	$ .22

1994 QUARTER ENDED	MARCH 31	JUNE 30	SEPT. 30	DEC. 31
Net Sales	$ 49,949	$ 51,316	$ 48,029	$ 50,848
Gross Profit	8,232	8,754	8,123	8,590
Net Income	2,281	2,421	2,092	2,015
Net Income Per Share-Basic	$ .22	$ .24	$ .21	$ .20
Net Income Per Share-Diluted	$ .22	$ .24	$ .20	$ .20

Report of Independent Accountants

To the Board of Directors and Shareholders of Gibraltar Steel Corporation

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income and stockholders' equity and of cash flows present fairly, in all material respects, the financial position of Gibraltar Steel Corporation and its subsidiaries at December 31, 1997 and 1996, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1997, in conformity with generally accepted accounting principles. 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 generally accepted auditing standards 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.

Price Waterhouse LLP

Price Waterhouse LLP, Buffalo, New York, January 19, 1998

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 generally accepted accounting principles 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 Price Waterhouse LLP, independent accountants. As part of their audit of the Company's 1997 financial statements, Price Waterhouse 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, President and Chief Executive Officer

Walter T. Erazmus
Executive Vice President and Chief Financial Officer

Officers & Directors

Brian J. Lipke
has been Chairman of the Board, President, and Chief Executive Officer since the Company's formation. He had been President and CEO of Gibraltar Steel Corporation of New York and also held production, purchasing, and general management positions during his 26 years with the Company. He also serves on the boards of C.H. Heist Corporation, Dunlop Tire Corporation, and the Chase Manhattan Bank, N.A. Regional Advisory Board.

Neil E. Lipke
has been Executive Vice President and a Director of the Company since its formation. He had been Executive Vice President of Gibraltar Steel Corporation of New York since 1988. During his 25 years with the Company he has held various production, sales, and marketing positions, including Corporate Director of Marketing.

Walter T. Erazmus
has been Executive Vice President–Finance of the Company and Chief Financial Officer since 1994. He has served as Secretary and Treasurer since the Company's formation and as Vice President–Finance and Chief Financial Officer of Gibraltar Steel Corporation of New York since 1977. He has been with Gibraltar for 25 years.

Joseph A. Rosenecker
has served as Executive Vice President since 1994. He began his career with Gibraltar 33 years ago, serving as a sales associate, Director of Purchasing, Vice President of Sales, President of the Company's strip division, and Corporate Director of Cold-rolled Strip Operations.

Carl P. Spezio
was named Executive Vice President in 1994. During his 29-year career with Gibraltar he has served in various production capacities as Plant Manager, Vice President of Operations, President of the Company's metals division, and Corporate Director of Metals Processing Operations.

Eric R. Lipke
has headed the Company's Distribution & Services area since March of 1997. He had been Vice President—Administration. During his 21 years with the Company he has held various positions in traffic and operations management.

Andrew S. Tsakos
has headed the Company's Construction Products area since March of 1997. During his 28 years with Gibraltar he has held various sales and sales management positions. He has also held the position of Corporate Director, Purchasing and Distribution Services.

Gerald S. Lippes
Director since 1993. Partner with the law firm of Lippes, Silverstein, Mathias & Wexler. He also serves on the board of Mark IV Industries, Inc., National Health Care Affiliates, SoftBank Net Solutions, and The Wolf Group. He is a member of Gibraltar's compensation and audit committees.

Arthur A. Russ, Jr.
Director since 1993. Partner in the law firm of Albrecht, Maguire, Heffern & Gregg, P.C. He serves as a board member with numerous privately held companies and not-for-profit organizations. He is past Chairman of the Board of Mercy Hospital of Buffalo, and a board member of the Catholic Health System of Western New York. He is a member of Gibraltar's audit committee.

David N. Campbell
Director since 1993. President of BBN Systems and Technologies, a global networking company. He is the former Chairman of the Board and Chief Executive Officer of Computer Task Group, Inc., and former Chairman of the Board of Dunlop Tire Corporation. He also serves on the advisory board of First Empire State Corporation and on Gibraltar's audit committee.

William P. Montague
Director since 1993. President, Chief Operating Officer, and Director of Mark IV Industries, Inc., a manufacturer of power transmission, fluid transfer, and filtration systems and components for global industrial and automotive markets. He is also a Director of Gleason Corporation, a manufacturer of machines and tooling used in the production of all forms of gears. He is a member of Gibraltar's compensation committee.

Shareholder & Corporate Information

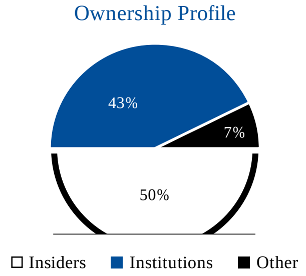
Trading Information

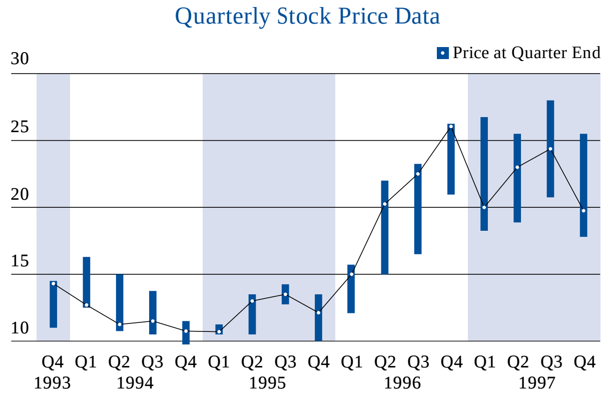
The Company's common stock is traded in the over-the-counter market and quoted on the National Association of Securities Dealers Automated Quotation (Nasdaq)—National Market System. Its trading symbol is "ROCK."

Quarterly Stock Price Data

The following table presents the quarterly high, low, and closing prices of Gibraltar's common stock—and quarterly share volume—since the Company's Initial Public Offering on November 4, 1993.

1997	HIGH	LOW	CLOSE	VOLUME
4th Quarter	25 ½	17 ¾	19 ¾	1,629,000
3rd Quarter	28	20 ¾	24 ⅜	1,870,000
2nd Quarter	25 ½	18 ⅞	23	3,012,000
1st Quarter	26 ¾	18 ¼	20	5,346,000
1996				
4th Quarter	26 ¼	21	26 ¼	2,441,000
3rd Quarter	23 ¼	16 ½	22 ½	3,869,000
2nd Quarter	22	15	20 ¼	2,764,000
1st Quarter	15 ¾	12 ⅛	15	1,182,000
1995				
4th Quarter	13 ½	10	12 ⅛	616,000
3rd Quarter	14 ¼	12 ¾	13 ½	667,000
2nd Quarter	13 ½	10 ½	13	1,441,000
1st Quarter	11 ¼	10 ½	10 ½	1,107,000
1994				
4th Quarter	11 ½	9 ¾	10 ¾	1,850,000
3rd Quarter	13 ¾	10 ½	11 ½	521,000
2nd Quarter	15	10 ¾	11 ¼	826,000
1st Quarter	16 ¼	12 ½	12 ½	1,358,000
1993				
4th Quarter	14 ½	11	14 ½	2,426,000





Shareholder & Corporate Information

Shareholders

As of December 31, 1997, there were 147 shareholders of record of the Company's common stock. The Company believes it has a significantly higher number of shareholders because of the number of shares that are held by nomineees.

Form 10-K and Other Information

Furnished to shareholders upon request. Please call or write: Kenneth P. Houseknecht, Director of Investor Relations, PO Box 2028, Buffalo, NY 14219-0228 (716) 826-6500 phone, (716) 826-1589 fax, KenHousekn@aol.com

Gibraltar's news releases are available at no charge through PR Newswire's "Company News On Call" fax service and on PR Newswire's web site.
For a menu of news releases, or to receive a specific release, call 1-800-758-5084, ext. 103722, or visit the Internet site:
http://www.prnewswire.com/gh/cnoc/comp/103722.html

Transfer Agent

Please direct questions about lost certificates, change of address, and consolidation of accounts to the Company's transfer agent and registrar:
American Stock Transfer & Trust Company, 40 Wall Street, New York, NY 10005, (212) 936-5100

Independent Accountants

Price Waterhouse LLP, 3600 Marine Midland Center, Buffalo, NY 14203

Annual Meeting

May 19, 1998, 10 a.m., Gibraltar Steel Corporation, 3556 Lake Shore Road, Buffalo, NY 14219-0228

Dividend Policy

The Company has never paid cash dividends on its common stock and it is currently the Company's policy to invest earnings in its future development and growth.

Analyst Coverage

Some of the analysts who have recently published research about Gibraltar include:

Firm	Analyst	Telephone
Bear, Stearns & Co.	Robert K. Winters	(212) 272-6844
Credit Suisse First Boston	Thomas E. Abrams	(212) 325-4450
Goldman, Sachs & Co.	Anthony H. Carpet	(212) 902-1000
McDonald & Co.	Mark L. Parr	(216) 443-3858
Merrill Lynch & Co.	Robert J. Schenosky	(212) 449-2341
Olde Discount Stockbrokers	Russell T. Price	(313) 961-6666
Salomon Smith Barney	Michelle Galanter Applebaum	(847) 266-7080

Company Profile

Gibraltar is a growth-oriented company and a leader in the intermediate steel processing industry, specializing in high value-added, high-margin processes and services. It provides steel products and related services to approximately 7,000 customers in the automotive, automotive supply, appliance, metal building and construction, machinery, and steel industries, among others.

The Company uses more than 20 different processes and services to produce, manufacture, and distribute high-quality steel products such as cold-rolled strip steel; heavy-duty steel strapping; galvanized, Galvalume®, and prepainted sheet steel; and a wide array of metal products for the residential and commercial construction markets. Gibraltar also provides specialized heat-treating services of customer-owned parts and materials; operates state-of-the-art materials management facilities; and through its joint venture partnership, provides steel pickling.

Its approximately 1,900 employees have established Gibraltar's reputation as an industry leader in quality, service, and innovation. With 33 facilities in 13 states and Mexico, the Company has the reach and resources to continually build and diversify its customer base.

Gibraltar's stock trades on The Nasdaq Stock Market℠ under the symbol, "ROCK."

Safe Harbor Statement

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

“Make no little plans, they have no magic to stir men’s blood, and probably themselves will not be realized. Make big plans, aim high and hope, and work.”

Dr. Ken Lipke had big plans for Gibraltar right from the very beginning. He planned to increase annual sales, which were $9 million when he acquired the company in 1972, to $100 million in ten years. And in an era when many businesses were suffering a crisis of confidence, he forged a rock-solid conviction in every member of the team that Gibraltar could and would be successful. Dr. Lipke believed the only real limitations a person or business has are the ones they set (or accept) themselves. While Gibraltar has had to continually revise and raise its financial goals – to make even bigger plans and to aim ever higher – Dr. Lipke’s guiding principles remain as firmly in place today as they were 25 years ago. The continued vitality and vigor of his vision and principles stand as a living memorial to the man who transformed a struggling company into an industry leader.

Dr. Ken Lipke