Gibraltar
different by design

1998 annual report

different by design

In 1993, we were a good company, maybe even a very good company. But to be a great one, we knew we had to change. We had to broaden our product and service line, extend our geographic and customer reach, and stabilize and enhance our margins.

We designed a ten-year plan to do just that. We set aggressive goals for our Company: annual sales of $1 billion or more and net income of at least $45 million by 2003, or sooner. We said we'd grow our top and bottom lines, on average, by 20 percent a year. In the five years since our Initial Public Offering, we've expanded our existing operations, built new plants, increased our joint venture activity, and made eight acquisitions. At the mid-point of our ten-year plan, we're nearly two years ahead of our timetable, and we believe we can further accelerate our schedule. Clearly, Gibraltar today is much stronger than it was in 1993. It is different, by design.

As we've done in our core business, we're finding fragmented, high-growth markets – like commercial heat treating and building and construction products – where we can become a dominant company. As a result of our growth and diversification, today there is no single company that competes with Gibraltar in every part of our business. That, too, is by design.

While we're much different (and stronger) than we were in 1993 – and far different than other steel processors – no change is more significant than the amount, quality, and magnitude of growth opportunities now available to our Company.

Today, we participate in more markets and businesses, serve more customers, have greater synergies, and enjoy a higher visibility and awareness than at any point in our history. We have never been in a better position to continue, and possibly accelerate, our sales and earnings growth. While we were a good company in 1993, we're a much better one today. And with more growth opportunities than ever, we believe our best days are yet to come.

Gibraltar: different, by design.

company profile

Gibraltar is a growth-oriented company that continues to build on its core competencies in the building and construction products, metal processing, and commercial heat-treating markets.

The Company is actively seeking profitable, synergistic growth opportunities that increase its business, customer, and geographic diversification. It now serves more than 9,000 customers in a variety of industries.

Its approximately 2,700 employees have established Gibraltar's reputation as an industry leader in quality, service, and innovation. With 45 facilities in 18 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."

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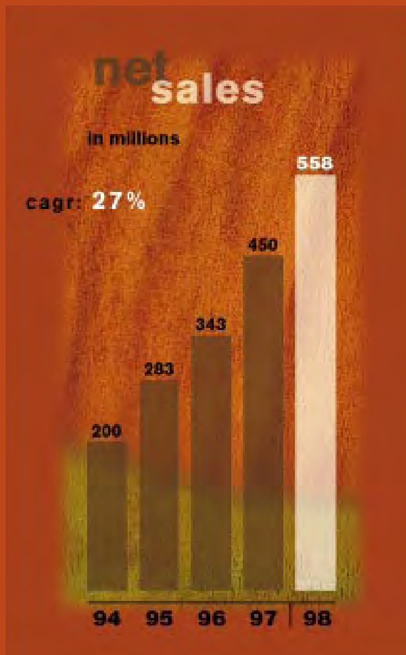
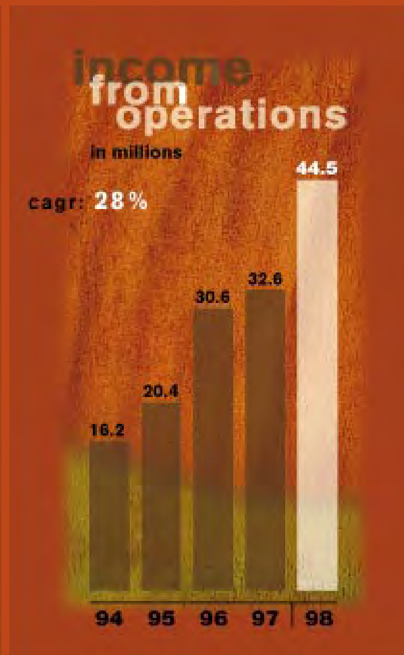
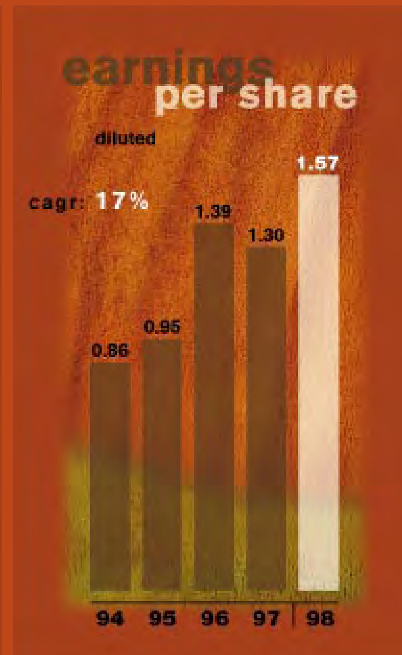
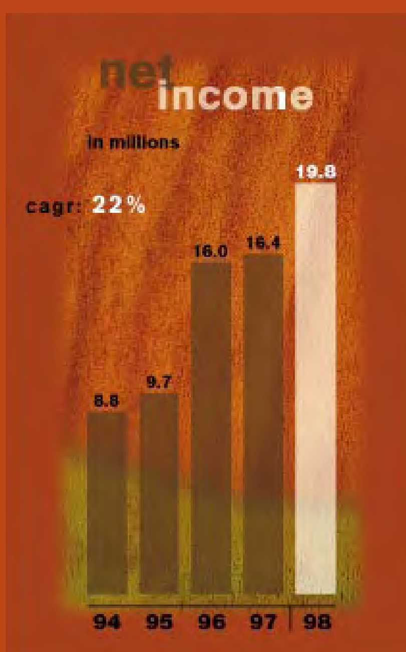
financial highlights

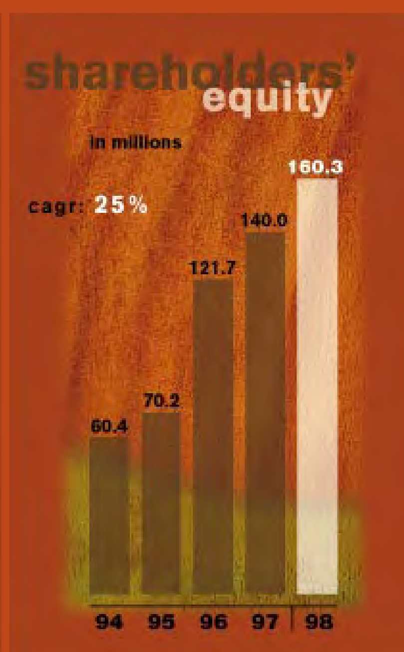


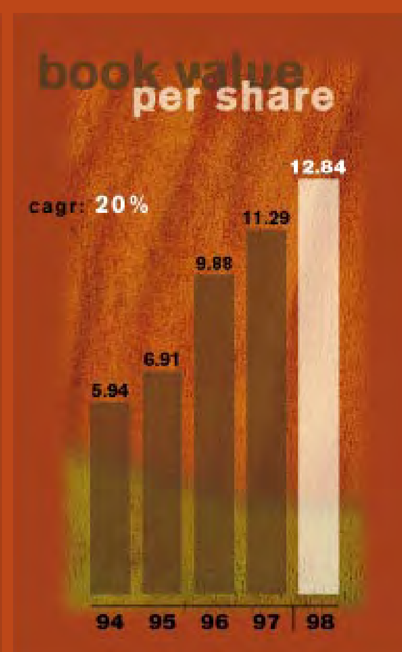




27% Gibraltar has produced a 27% compound annual growth rate (CAGR) in net sales since its Initial Public Offering in November 1993.







22% Gibraltar has also generated a 22% CAGR in net income during this time. Both CAGRs are higher than the Company's stated goals of growing its top and bottom lines by an average of 20% per year.

performance highlights

record sales and earnings in 1998 – Sales in 1998 were up 24 percent to $558 million, and net income grew to $19.8 million, or $1.57 per share. This was the seventh straight year of sales and earnings growth.

strong growth since initial public offering – In the five years since its Initial Public Offering (1994-1998), sales have increased at a compound annual growth rate (CAGR) of 27 percent, and net income has advanced at a 22 percent CAGR.

company is ahead of long-range growth goals – At the midpoint of its ten-year plan (1994-2003) to grow annual sales to $1 billion or more and net income to at least $45 million, Gibraltar is nearly two years ahead of schedule and believes it can further accelerate its progress.

recent growth initiatives bode well for 1999 – As a result of its growth initiatives in 1998 – four acquisitions, the new mill in Cleveland, and capitalizing on unused plant capacity – Gibraltar has a running start on generating another record year in 1999.

acquisitions will continue to fuel growth – Gibraltar now has a greater number, quality, and magnitude of acquisition opportunities than ever. The challenge is to select only the best companies from a growing list of very good ones.

quarterly cash dividend initiated – In recognition of its solid financial position and its positive outlook for the future, Gibraltar's Board of Directors approved the initiation of an annual dividend of $.10 per share, payable at a quarterly rate of $.025 per share, and will review the payment of this quarterly.

in thousands, except percent and per share data	year ended December 31,				
	1998	1997	1996	1995	1994
income statement data:					
Net sales	**$ 557,944**	$ 449,700	$ 342,974	$ 282,833	$ 200,142
Income from operations	**44,455**	32,603	30,617	20,368	16,179
Interest expense	**11,389**	5,115	3,827	3,984	1,374
Income before taxes	**33,066**	27,488	26,790	16,384	14,805
Net income	**19,840**	16,416	15,975	9,722	8,809
Net income per share – Basic	**$ 1.59**	$ 1.33	$ 1.42	$ .96	$ .87
Weighted avg. shares – Basic	**12,456**	12,357	11,261	10,164	10,163
Net income per share – Diluted	**$ 1.57**	$ 1.30	$ 1.39	$ .95	$ .86
Weighted avg. shares – Diluted	**12,651**	12,591	11,464	10,213	10,200
balance sheet data:					
Current assets	**$ 175,834**	$ 130,746	$ 109,526	$ 86,995	$ 70,552
Current liabilities	**51,598**	43,101	40,853	29,480	22,028
Total assets	**438,435**	281,336	222,507	167,423	126,380
Total debt	**200,746**	83,024	49,841	59,054	38,658
Shareholders' equity	**160,308**	140,044	121,744	70,244	60,396
selected financial data:					
Return on average equity	**13.2%**	12.5%	16.6%	14.9%	15.7%
Return on sales	**3.6%**	3.7%	4.7%	3.4%	4.4%
Book value per share	**$ 12.84**	$ 11.29	$ 9.88	$ 6.91	$ 5.94
Depreciation and amortization	**13,333**	8,478	6,246	4,538	3,445
Capital expenditures	**22,062**	21,784	15,477	14,504	16,171

Gibraltar's top seven managers have nearly 200 years of combined experience with the Company, giving it a tested and proven team to lead it for many years to come.

chairman's letter

executive management team

(from left to right)

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

fellow shareholders:

Five years ago, before becoming a public company, we set some aggressive, long-term goals for Gibraltar. We said we would grow our sales and earnings, on average, by 20 percent a year, and generate annual sales of $1 billion or more and net income of at least $45 million by 2003, or sooner.

As part of our strategic growth plan, we set out to broaden our product and service line, extend our geographic and customer reach, reduce our exposure to any single industry or customer, and stabilize and enhance our margins.

Gibraltar's growth will be driven by more customers, distribution channels, sales representatives, and cross-selling opportunities than ever.

Our goal was to make Gibraltar a much different – and we believe, much stronger – company than it was. We also wanted to differentiate and distinguish our Company by building on our core competencies and expanding the traditional definition of a steel processor. Today, Gibraltar is clearly different, by design.

In the five years since our Initial Public Offering (1994-1998), we have expanded our existing operations, built new plants, increased our joint venture activity, and made eight acquisitions. As a result of these growth initiatives, we are nearly two years ahead of our timetable, and we believe we will further accelerate our progress.

More importantly, because of the steps we have taken to build our Company, we now participate in more markets and businesses, serve more customers, perform with greater consistency, and have more growth opportunities than at any point in our history.

In 1998, we clearly saw the benefit of our growth and diversification strategy. We generated record sales and earnings – our seventh straight year of sales and earnings growth – in spite of a nearly two-month strike at our largest customer.

1998: our best year ever

Sales in 1998 grew by 24 percent to $558 million, while our net income climbed to $19.8 million, or $1.57 per share, a gain of 21 percent.

During the year, we initiated a number of actions that will fuel our growth in 1999 and beyond, including:

made four acquisitions – We acquired four companies – The Solar Group in March, Appleton Supply Company in April, United Steel Products in June, and Harbor Metal in October – which together have annual sales of approximately $125 million. In 1999, all four companies will contribute a full year's results to Gibraltar.

use our capacity to its fullest – Since the companies we acquired in 1998 run one or two shifts, while most of our other facilities run three, we believe we can increase their annual sales by approximately $75-100 million by more fully utilizing their equipment. Importantly, we can gain those incremental sales with very little additional cost.

began operations at new mill in cleveland – Our new mill, which expands our annual sales capacity by $80-85 million, is now in its second year and continues to build its business and increase its profitability.

As a result of these growth initiatives, we expanded Gibraltar's annual sales capacity by more than $300 million in 1998. This gives us a running start on generating another record year in 1999, and puts us in an excellent position to meet (or exceed) our goal of 20 percent top and bottom line growth.

With our focus on continually growing our existing businesses through yield and productivity improvements, more fully capitalizing on the many synergies in our growing family of companies, and annual capital expenditures in the range of $15-20 million, we see many other ways to further strengthen our Company.

gibraltar: an acquirer of choice

Since acquisitions have played – and will continue to play – a major part in our growth, let's take a closer look at Gibraltar's acquisition philosophy.

enhancing earnings with every acquisition – From day one, every Gibraltar acquisition makes a positive contribution to the bottom line. Only companies with established records of profitability and growth are considered.

keeping the management team in place – Gibraltar only acquires companies with proven and experienced management teams who want to grow their business. They receive performance incentives, which align their interests with shareholders.

making good companies even better – With every acquisition, we look for ways to accelerate sales and earnings growth. Our family of companies work together to generate purchasing, manufacturing, sales and marketing, and distribution synergies.

increasing and stabilizing margins – Our two primary areas of acquisition activity are engineered end products and commercial heat treating. Both allow us to generate substantially higher margins and reduce margin volatility.

extending our geographic reach – Geographic expansion gives us the opportunity to sell our current products in new markets. It also enables us to target high-growth areas for diversification, which spreads risk and reduces volatility.

expanding our range of services – Increasingly, customers want to deal with suppliers that offer the widest possible range of services. Our acquisitions allow us to extend and build on our core competencies.

diversifying our customer base – By broadening and diversifying our customer base, we multiply our opportunities for sales and earnings growth. We also reduce our exposure to and reliance on any single customer or industry.

broadening our line of manufactured end products – Gibraltar companies manufacture thousands of products that are sold to consumers, contractors, and major retail chains. We are able to put more value and margin into the process by manufacturing products, especially those that are highly engineered like our steel lumber connectors.

Engineered end products and heat treating, our two primary areas of growth, also give us the capability to stabilize and enhance our margins. Our goals are to increase our gross margin to 20 percent or higher, and our operating margin to ten percent or higher, and we made substantial progress in that regard in 1998.

market diversification
(as a percentage of net sales)

year	cold-rolled strip steel	building & construction products	precision metal products	other
1996	43%	—	44%	13%
1997	35%	20%	36%	9%
1998	**30%**	**32%**	**31%**	**7%**

Gibraltar has broadened and diversified its products and markets, which reduces exposure to any single customer or industry.

In 1993, only 14 percent of our sales were manufactured end products. By 1998, that had grown to 41 percent. Just as we have done in our core business, we are finding fragmented, high-growth markets, such as building and construction products and commercial heat treating, where we can become a dominant company.

On the acquisition front, we now have a larger number, a higher quality, and a greater magnitude of growth opportunities than ever before. Our challenge, quite honestly, is to select only the best companies from a growing list of very good ones. While we could grow our Company even faster than we have, our goal is to build value, strength, quality, and opportunity – not simply to build mass.

Because of the way we acquire and subsequently integrate companies into the Gibraltar family – by focusing on ways to grow and improve the business, rather than cutting jobs or changing managements – we have become an acquirer of choice. Some of our best ambassadors are the managers (and former owners) of the companies that are now part of our team. In fact, a number of our acquisitions have come from these types of contacts.

With that as a backdrop, let me highlight some of the major developments in each part of our business.

building and construction products business is gibraltar's fastest growing

Our building and construction products business is a growing and increasingly important part of our Company. In 1998, our four building products companies (Southeastern Metals, Solar, Appleton Supply, and United Steel Products) produced revenues in excess of $200 million. This part of our Company, less than two years after we started it, is now larger than all of Gibraltar in 1994.

While our building and construction products companies are generating strong growth, the real expansion in this part of our business will come from better leveraging our increasing portfolio of assets. We are looking at every plant and piece of equipment, every customer and distribution channel, our thousands of products, our sales and marketing teams, and our many business partners to make sure we fully capitalize on the many synergies.

For example, the United Steel Products acquisition gives us our first manufacturing and distribution facilities on the West Coast. This opens up tremendous opportunities for all of our building and construction products companies. It also gives us a bird's eye view to better assess the many acquisition possibilities in that part of the country.

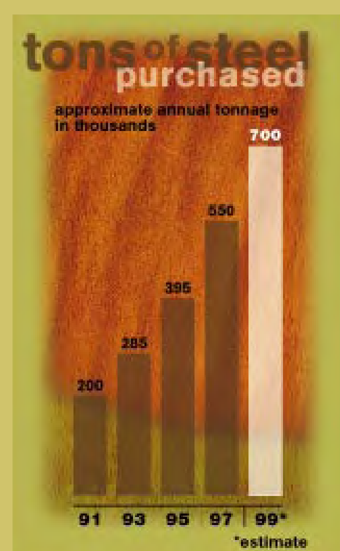
Increasingly rigorous building codes are another growth driver in the building and construction products business. As a result of the damage and destruction caused by recent hurricanes, tornadoes, and earthquakes, many municipalities have mandated an increased use of steel building materials, making this a true growth market for many of our products.

As we look to further expand our product line and extend the geographic reach of our Company, additional acquisitions in the highly fragmented building products market will create even more growth in this part of Gibraltar.

new mill driving growth of core business

Our new mill in Cleveland, which we believe is the low-cost producer of cold-rolled strip steel in North America, came on line in early 1998 and had an exceptional start-up. It contributed to our earnings in only its second quarter of operation. The new mill expands our annual sales capacity by $80-85 million, which will help us continue building our business in 1999 and beyond.

Together with nine other mills at our steel processing facilities in Buffalo, New York; Cleveland, Ohio; and Chattanooga, Tennessee – and a wide array of other precision processing equipment that allows us to transform raw steel into products that meet the most critical tolerances and demanding specifications – we look to expand our 25 percent share of the cold-rolled strip steel market.



As Gibraltar buys more steel, it is able to strengthen relationships with existing suppliers and draw from a larger and more globally diverse base.

Our existing businesses improve their profitability by generating an increased volume of activity, controlling and reducing costs, expanding capacity, diversifying capabilities, and committing to a process of continuous quality improvements. By way of illustration, our Cleveland facility, which generated $12 million in sales in 1987 with 63 people, had sales of $90 million in 1998 with 127 people.

We are also looking at a number of ways to grow our strapping business, which generated sales approaching $30 million in 1998.

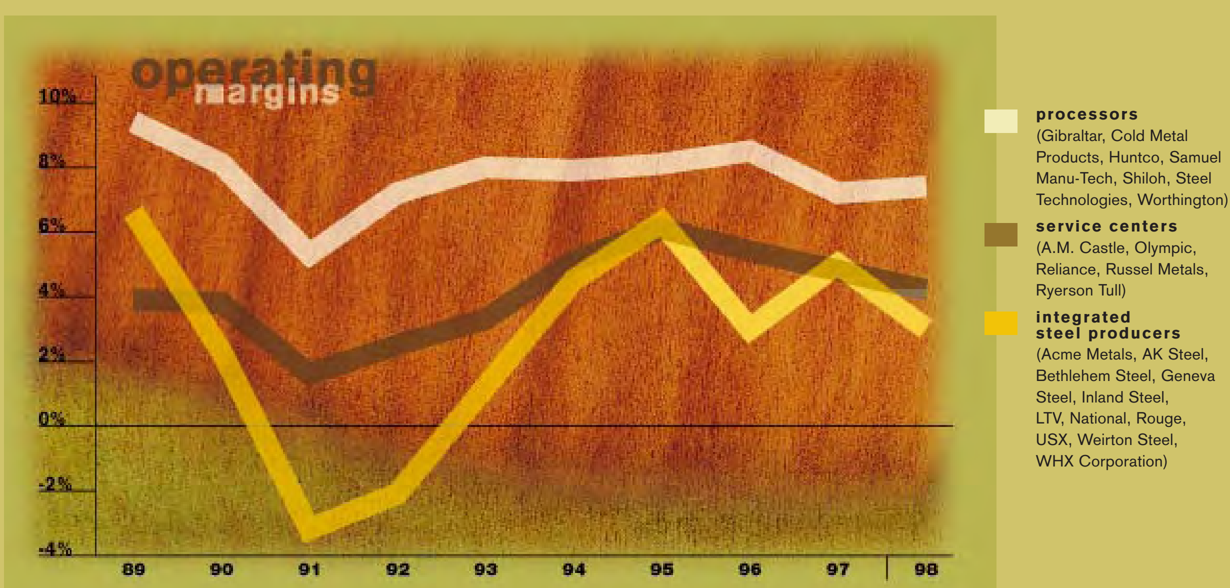
The massive consolidation that continues to reshape the steel processing industry – which went from approximately 7,000 companies in 1980 to less than 3,000 today, and which analysts expect will number fewer than 1,000 in ten years – will benefit well-capitalized, geographically diverse companies like Gibraltar.

heat treating moves toward $100 million revenue goal

Heat treating is our third major business, and acquiring three commercial heat-treating companies was another way for Gibraltar to build on a core competency. We established a foothold in this high-margin business in February 1996 with our acquisition of Carolina Commercial Heat Treating (CCHT), the leading heat treater in the Southeast. We acquired another heat-treating facility in Athens, Alabama, in May 1997.

In October 1998, our acquisition of Harbor Metal Treating Company, one of the leading commercial heat treaters in the Midwest, substantially expanded the size and geographic reach of this part of our Company. Harbor, which had 1997 revenues of approximately $12 million, has facilities in Illinois (two locations), Michigan, and Indiana.

We believe that synergies – in sales and marketing, shared technologies, and quality control – between CCHT, Harbor Metal, and future heat-treating acquisitions will accelerate the growth in this part of our business. Our goal is to have annual heat-treating sales of $100 million or more in



The operating margins of processors like Gibraltar are higher and more stable than service centers and integrated steel producers.

four years or sooner, and we are close to halfway there. While the sales volume from this part of our business is smaller (there's no raw material cost, since we heat treat parts and materials that our customers own), it is one of our highest-margin businesses.

Industry consolidation and increased outsourcing will generate additional growth. Today, many of the 900 independent heat treaters – smaller businesses, with local or regional operations – find it increasingly difficult to compete, and are receptive to merging with a larger, national company like Gibraltar. Additionally, since 90 percent of the $15 billion of annual heat-treating work is still done in-house, the opportunities for companies like Gibraltar to capture a greater share through outsourcing are enormous.

our growing business keeps on trucking

Our growth is creating additional revenue and service opportunities in other parts of our Company, most notably in our trucking operations. Our two materials management facilities and our pickling joint venture give us other ways to diversify our earnings and solidify important customer relationships.

Our trucking operations bring the raw material to our processing and manufacturing facilities, and deliver the processed steel and finished products to our customers. With our Company expanding rapidly – from nine facilities in 1993 to 45 locations today – our goal is to grow this part of our business by handling more of the transportation needs of our growing family of companies.

building on a rock solid foundation

During our first 25 years (1972-1997), we generated a fifty-fold increase in sales, with a compound annual growth rate of 17 percent. Since becoming a public company, our growth has accelerated, increasing at a compound annual growth rate of 27 percent.

We have been a solid and consistent performer since 1972, and our growth, especially the growth since our Initial Public Offering, has enabled us to build a company with much greater stability and a far broader range of growth opportunities. Our five-year record as a public company (1994-1998) is one of consistency, achievement, and success.

As a result of the steps we took in 1998 – our four acquisitions, capitalizing on unused plant capacity, and the continuing ramp-up of our new mill in Cleveland – we have a running start on generating another record year in 1999. And with an acquisition pipeline that's never been fuller, we see numerous opportunities to continue the strategic growth of our Company.

While our goals remain constant, the size and sheer number of opportunities that now hit our radar screen – and consequently the pace of growth – could accelerate.

In recognition of our solid financial position and our positive outlook for the future, our Board recently initiated an annual cash dividend of $.10 per share, payable at the quarterly rate of $.025 per share, and will review the payment of this quarterly. Since many institutions and individuals specifically invest in companies that pay dividends, we expect to broaden and diversify our shareholder base as a result of this.

Our goals are clearly aligned with those of our shareholders. The officers and directors of the Company own nearly 50 percent of the stock. The compensation of our senior management team is directly tied to increases in net income. Our option program encourages our people to build the long-term value of this Company. A growing number of our employees own Gibraltar stock, either outright or through our 401(k) plan. And the vast majority of our people participate in profit-sharing plans, which link pay to performance.

While we were a good company before our Initial Public Offering in 1993, we are clearly a much better one today. We are, as the theme of this year's annual report aptly notes, "different, by design." And with more opportunities than ever to continue our growth, we believe our best days are yet to come.

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

performance

consistency

leadership

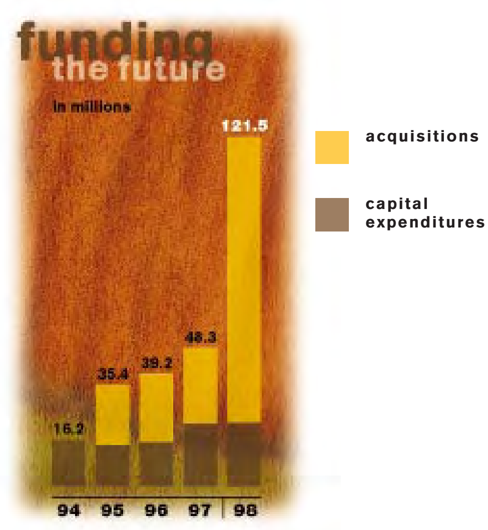
Every member of the Gibraltar team plays a part in the Company's success. We work hard to create an environment where every team member can do their best work, and then be recognized and rewarded for their performance. We believe there is a limit to what any one can do alone, but no limit to what a motivated team of people can accomplish.

building and construction products

As a result of three 1998 acquisitions – The Solar Group on March 1, Appleton Supply Company on April 1, and United Steel Products on June 1 – Gibraltar's building and construction products business has grown substantially.

All of its building and construction products companies – the three 1998 acquisitions and Southeastern Metals Manufacturing Company, Inc. (acquired in January 1997) – process steel and other metals, and each extends and builds on Gibraltar's core competencies. Like its longstanding businesses, these companies purchase, slit, roll, cut, and stamp steel.

But they also manufacture products: 3,500 at Southeastern Metals (SEMCO), 3,000 at United Steel Products, and many more at Appleton and Solar. This allows Gibraltar to put more engineering time into the process, which helps to generate higher and more stable margins, and improve profitability.



Gibraltar has invested more than $260 million in the last five years to grow its business.

There are numerous opportunities to grow each of the building and construction products companies. In fact, its three most recent acquisitions all grew at double-digit rates in 1998. And as Gibraltar begins to integrate and more fully leverage the assets in this part of the company – its various plants and pieces of equipment, products and service lines, distribution channels and relationships with key customers – growth could accelerate.

solar makes four million mailboxes a year

The Solar Group manufactures a line of ventilation products and accessories that complement those produced by SEMCO and Appleton. These products are sold in all 50 states and Canada, primarily through one- and two-step distributors.

It is also the nation's leading manufacturer of mailboxes, with more than 50 percent of the market. Solar produced nearly four million mailboxes in 1998, which are made in a variety of sizes, colors, and materials including galvanized steel. Some of its major customers for mailboxes are Wal-Mart, Home Depot, Hechinger, Menards, Target, ACE Hardware, and Lowes.

Solar had 1997 sales of approximately $45 million, which it nearly equalled in the ten months it was part of the Gibraltar family in 1998. Future growth will be driven by additional product line extensions, geographic expansion, greater capacity utilization, and more fully capitalizing on its many synergies with other Gibraltar companies.

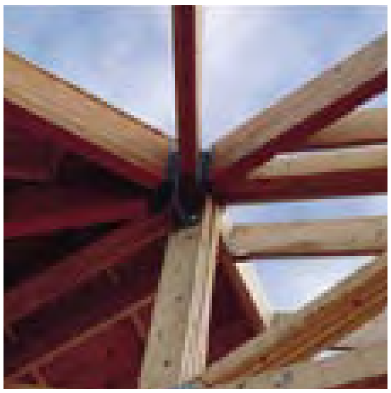
appleton solidifies presence in midwest

Appleton Supply Company manufactures a full range of ventilation products and accessories; roof edging, flashing, and other roofing products; drywall corner bead, wind brace, and starter strip; an aluminum soffit system and gutter line; and painted coil stock.

With more than half its sales in Wisconsin, Minnesota, Illinois, and Iowa, Appleton significantly strengthened Gibraltar's building and construction products business in the Midwest. It had 1997 sales of approximately $28 million, and it nearly equalled that total in only nine months as a Gibraltar company in 1998.

united steel products and gibraltar: a great "connection"

United Steel Products (USP) is the nation's second largest manufacturer of steel lumber connectors, which are used in wood-to-wood and wood-to-concrete building construction. It had 1997 sales of approximately $40 million, and currently produces nearly 3,000 finished parts that are sold to the residential and commercial building industries. Because design is such an integral part of their products, they focus their marketing efforts on engineers, technical markets, and professional builders.



Sales of manufactured end products have grown from 14% of Gibraltar's total in 1993 to 41% in 1998 as products like these steel lumber connectors were added to its line.

The United Steel Products acquisition gave Gibraltar its first manufacturing and distribution facilities on the West Coast, with plants located near San Francisco and Los Angeles. Through these locations, Gibraltar now has the potential to cost-effectively manufacture and distribute all of its building and construction products to that vitally important market.

The continuing modification of building codes (and insurance company requirements) is a major growth driver for United Steel Products. These codes govern both residential and commercial construction, resulting in an increased use of materials designed to withstand high winds and seismic activity. This has substantially increased the demand for many of USP's products. For example, a house in an earthquake or hurricane zone may contain nearly $2,000 worth of connectors, compared to $200 for a home in another area.

Appleton, Solar, and United Steel Products only run one or two shifts, unlike Gibraltar's other facilities which run around the clock to fully use their capacity. By more fully utilizing the equipment already in place, the annual sales of these three companies could be increased by $75-100 million, with very little additional cost. Capitalizing on this unused capacity will be a major focus in 1999.

semco sales pass $100 million mark

SEMCO provides its customers 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. It is one of the largest manufacturers of building and construction products in the Southeastern United States.

Key customers include distributors to the roofing, lumberyard, drywall, and concrete industries, along with a number of regional and national chains – like Georgia Pacific, Home Depot, and Lowes – that serve the "do it yourself" and small contractor market. SEMCO generated strong growth in 1998, as revenues passed the $100 million mark for the first time.

growth

profits

acquisitions

Gibraltar aggressively pursues continued growth and development through acquisitions, mergers, joint ventures, new facilities, and systematic investments in existing operations. We are also committed to providing regular training for all of our people.

As our people solidify and expand their skills, we improve our ability to exceed customer expectations and to maximize the total return to our shareholders.

SEMCO was instrumental in the acquisitions of Solar, Appleton, and United Steel Products, as it identified those companies – and their cultures and capabilities – as ideally suited to Gibraltar's goal to grow its building and construction products business.

synergies, other acquisitions will fuel continued growth

In less than two years, Gibraltar has assembled four companies – with annual sales in excess of $200 million, 19 facilities in 11 states, thousands of products, and a myriad of distribution channels and customers – into its building and construction products group. In 1999, as the many synergies in this area are more fully realized, growth will accelerate.

While top-line growth has always been an important goal at Gibraltar, its primary focus has always been on increasing profitability and investing in the future. Interestingly, the building and construction products business is much less capital intensive than Gibraltar's core business, which means that capital expenditures can either be kept at current levels and produce a bigger "bang for the buck," or those dollars can be deployed elsewhere.

Because the building and construction products industry is highly fragmented, Gibraltar is constantly evaluating additional acquisitions that would further expand its product line, extend its reach into new markets, and increase the synergies and growth opportunities in this part of its business.

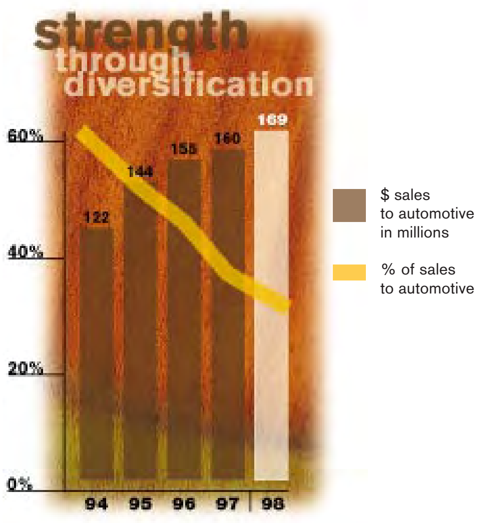
core business

In Gibraltar's core business – cold-rolled strip steel, precision metal processing, and steel strapping – growth is being fueled by a number of industry dynamics, as well as steps the Company is taking. The major growth driver in this part of its business is the new 56-inch cold-rolled reversing mill in Cleveland, which expanded Gibraltar's annual sales capacity by $80-85 million.

Major trends include continued industry consolidation, the increasing importance of preferred supplier relationships, the growth of outsourcing, and more stringent product specifications and quality demands. All of this favors well-capitalized, geographically diverse companies like Gibraltar which offer a wide range of processes and services.

In its strip steel business, 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 value to raw steel. Its reputation for quality, and its processing flexibility, have enabled Gibraltar to grow its share of this high-margin business to approximately 25 percent, which it expects to expand in 1999.

Gibraltar is also one of four major domestic manufacturers of high-tensile steel strapping, which is used by producers of large, heavy products such as steel, paper, and lumber. Steel strapping is used when the strength and reliability of the packaging material is crucial for safe and secure transportation. Gibraltar is evaluating a number of options to grow its strapping business, which generated record sales in 1998.



While its automotive business now represents a lower share of total sales, actual dollar sales in this area have grown by $47 million – or 39 percent – in the last four years.

new mill was profitable in its second quarter

The 56-inch mill – which began operations at Gibraltar's Cleveland facility in January of 1998 – contributed to the Company's profitability in only its second quarter. It had an excellent start-up, and steadily built its business throughout the year. It will continue to build its volume throughout 1999 and into 2000 as it moves toward full capacity.

Because this mill was built in an existing facility, and is operated by an existing and experienced staff, Gibraltar believes it is the low-cost producer of cold-rolled strip steel in North America. And because it is the widest mill of its kind in North America, it extended and built on the capabilities of Gibraltar's nine other rolling mills.

This combination of expanded capabilities and lower costs enabled the Company to increase its business with existing customers, while developing new relationships. One market recently entered by Gibraltar as a result of the new mill is the transplant automotive companies and their suppliers, who are gaining an increasing share of domestic production.

To better support the expanded capabilities of the new mill, in 1998 the Cleveland facility installed two additional hydrogen annealing furnaces, which produce a cleaner and more uniform steel. A new 52-inch slitter is also being installed and will be operational in the fourth quarter of 1999, further diversifying and building Gibraltar's capabilities.

a quality leader with a wide range of services

Every Gibraltar facility that processes cold-rolled strip steel is registered to QS 9000 standards, and in 1997 the Company became the first strapping manufacturer to earn QS 9000 certification. In 1998, for the second time in three years, Gibraltar won Emerson Electric's Distinguished Supplier Award, as one of its top suppliers from thousands worldwide. There are only a handful of companies that have won that honor more than once.

Gibraltar is among the handful of companies to be selected as one of Emerson Electric's Distinguished Suppliers more than once.

Gibraltar specializes in the very high end of the strip steel market, where margins are highest and most stable. It utilizes more than 20 different processes – done individually or in combination, with each adding value and margin – to transform raw steel into products that meet the most critical tolerances and specifications. No single competitor can do all of those things, which gives Gibraltar a unique niche in the market.

opportunities expanding unlimited

We now participate in more markets and businesses, serve more customers, have greater synergies, and enjoy a higher visibility and awareness than at any point in our history. Yet our focus has never been clearer: to increase shareholder value by continuing, and possibly accelerating, our sales and earnings growth.

hubbell expands to better serve the southeast

Hubbell Steel is a national leader in the prepainted steel industry. It provides steel in more than 500 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. Hubbell serves customers in the HVAC (heating, ventilation, and air conditioning), building and construction products, agricultural, and automotive markets.

In 1998, Hubbell opened a 100,000 square-foot processing, distribution, and storage facility on the outskirts of Birmingham, Alabama, to better serve the growing needs of the commercial, industrial, and residential markets in the Southeast. The new facility features a 60-inch Stamco slitter for precision cutting of all flat-rolled steel, including high-quality painted products.

The entire Hubbell organization is focusing on ways to improve profitability by operating more efficiently and cutting costs. A major part of Hubbell's cost-cutting effort – which is part of a larger program at Gibraltar – is to broaden the company's base of suppliers, giving it the opportunity to reduce its single-largest expense: raw materials.

heat treating

The acquisition of Harbor Metal Treating Company on October 1, 1998, substantially expanded the size and geographic reach of Gibraltar's heat-treating business. Together with continued growth at its Carolina Commercial Heat Treating (CCHT) subsidiary, this acquisition gives Gibraltar annual heat-treating revenue of approximately $40 million, and moves it closer to its annual sales goal of $100 million or more in four years, or sooner, in this high-margin business.

Growth of its heat-treating business will be driven by steady expansion at existing facilities, additional acquisitions, and an increasing amount of work being outsourced by captive (or in-house) shops to commercial heat-treating companies like Gibraltar. In 1998, CCHT generated solid top-line growth, but more importantly managed to increase its earnings at an even faster rate through a comprehensive profitability enhancement program.

The highly fragmented commercial heat-treating industry – with 900 smaller, independent companies operating local or regional businesses – holds numerous opportunities for additional acquisitions. Gibraltar is looking for companies that will further diversify its customer base and business mix, extend its reach into new geographic markets, and create more synergies for its heat-treating operations.

With 90 percent of the $15 billion of annual heat-treating work still done in house by major parts manufacturers, the opportunities for commercial providers like Gibraltar to capture a larger share of that business are enormous. Gibraltar is actively exploring ways to capitalize on this trend, and recently one of CCHT's customers did, in fact, build a facility without a heat-treat operation, choosing instead to outsource that work to them.

harbor metal: a leading heat treater in the midwest

All of Gibraltar's heat-treating facilities have a complete metallurgical laboratory, equipped with advanced instrumentation.

With facilities in Benton Harbor, Michigan; Rockford, Illinois (two locations); and South Bend, Indiana – and 1997 sales of approximately $12 million – Harbor Metal is one of the leading heat treaters in the Midwest. The company was founded in 1972, and has steadily grown and expanded by continually investing in leading-edge technology and its highly skilled team of people.

Harbor Metal serves more than 1,000 customers in a wide range of industries, including tool and dye manufacturing, fasteners, medical equipment, and aerospace. It provides heat treating and related metal processing services for a variety of materials. Quality control and customer service are vital parts of every job at Harbor Metal. In 1999, its facilities will move toward ISO 9002 or QS 9000 certification.

Since there was virtually no geographic or customer overlap with CCHT, Harbor is an excellent complement to Gibraltar's other heat-treating operations. Synergies between those companies, and future acquisitions – in sales and marketing, shared technologies, and quality control – will accelerate growth in this part of the Company.

ccht focuses on profitability enhancement

In 1998, even though it successfully took steps to grow its top line, CCHT's major focus centered on improving profitability. Every business unit and piece of equipment was treated as a profit center, process flow was improved, inefficient equipment was replaced to enhance automation and productivity, and moves to control and lower costs were initiated. The result: a bottom line that grew at a much faster rate than the top line.

While CCHT invested in all five of its facilities in 1998, its major project involved the installation of a new high-pressure quench furnace at its Athens, Alabama, location. That furnace, which came on line in the fourth quarter, is the only one of its kind in the South, and gives CCHT access to new business with automotive tool and die manufacturers, and other heavy-die producers in that part of the country. Gibraltar's heat-treating business, like its building and construction products operations, requires lower capital expenditure levels than its core business.

Since every CCHT location is now operating at or near capacity, it is actively evaluating several projects to expand or relocate facilities, as it adds new equipment. Five of its facilities are now QS 9000 certified, and one is certified to AS 9000 standards. These prestigious designations reinforce its reputation of quality leadership and continue to open doors to new business for CCHT.

a high-margin business

Heat treating is one of Gibraltar's highest-margin businesses. While the sales volume from this part of the Company is smaller than other areas (since it is a service provider, not a raw material provider), it makes an excellent contribution to profitability. With numerous acquisition opportunities, growth at existing facilities, various service line extension possibilities, and more work being outsourced to commercial heat treaters like Gibraltar, this part of the Company is poised for rapid growth and expansion.

distribution and services

The fourth major part of Gibraltar is its distribution and services area, which is comprised of two materials management facilities, the Company's pickling joint venture, and its trucking operations. These businesses give Gibraltar additional ways to build its sales and earnings, enhance margins, and strengthen important customer relationships.

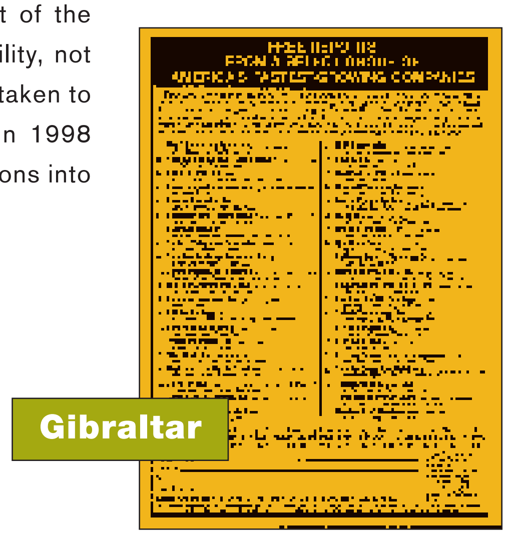
Gibraltar operates two state-of-the-art materials management facilities, one in Buffalo that opened in 1990, and a second near Detroit that began operations in 1995. These locations, which together can handle nearly 1,000,000 tons of coiled steel a year, allow Gibraltar to offer its customers a true just-in-time materials storage and transfer service. Both facilities are ISO 9002 certified, and can deliver steel to a targeted location an hour or less after they receive an order. A computerized inventory system – which tracks a coil from when it is received through storage, shipping, and delivery – provides efficiencies to both suppliers and their customers.

The Company also participates in a pickling joint venture which operates two facilities in the Cleveland area. Gibraltar's involvement in this venture, where it has an equity stake of approximately 26 percent, ensures that it has enough capacity to treat its own steel before additional processing, while also making a solid contribution to earnings.

as gibraltar grows, so too will its trucking business

All eight of the companies that Gibraltar acquired in the last four years had transportation needs: to bring the raw material to their processing and manufacturing facilities, and then deliver the processed steel and finished products to their customers. With the rapid growth in this part of its business, Gibraltar has outlined a number of steps to capture more of the transportation synergies in its expanding family of companies. There are, for example, opportunities to more effectively negotiate the purchase and lease of equipment from a national level, rather than locally. And by creating a centralized vehicle maintenance program, there are ways to improve efficiency and profitability.

With Gibraltar's trucking operations, as with the rest of the Company, the emphasis is clearly on building profitability, not merely increasing sales. Wherever possible, steps are taken to control and reduce costs. A clear example of that in 1998 involved the consolidation of Hubbell's trucking operations into those of Gibraltar.

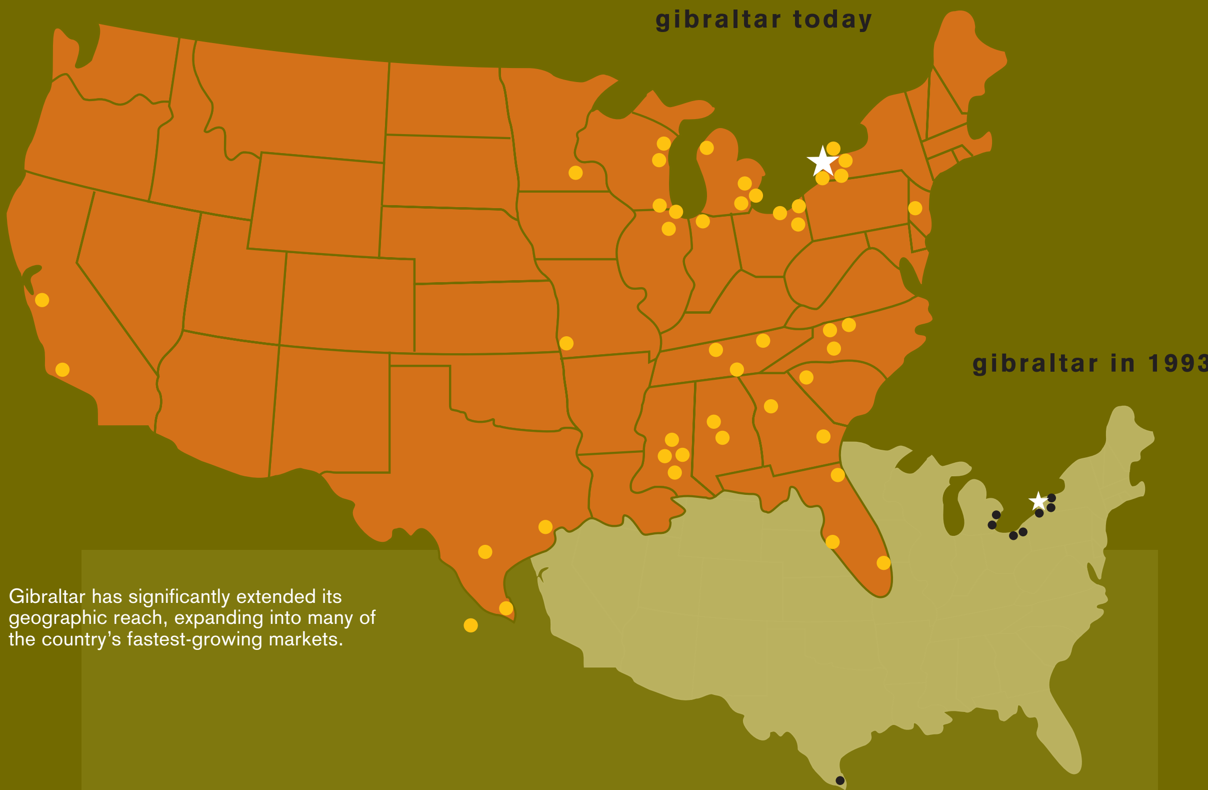


Gibraltar ranks in the top 15% for growth among all actively traded public companies in America, according to a study by National Corporate Services, working in conjunction with Standard & Poor's Compustat Services.

strengthening gibraltar through **acquisitions**

date acquired	company	business description	facilities	customers
April 1995	**Hubbell Steel Corporation**	Processor and supplier of galvanized, Galvalume, and prepainted steel products to the residential and commercial building industries	IL, AL	The HVAC (heating, ventilation, and air conditioning), building and construction products, automotive, and agricultural markets
February 1996	**Carolina Commercial Heat Treating (CCHT)**	Provides heat-treating, brazing, and related metal processing services	NC (2), SC, GA, TN	TRW, Caterpillar, General Electric, Cutler-Hammer, Sears/Craftsman Tools, and J.H. Williams
January 1997	**Southeastern Metals Manufacturing Company (SEMCO)**	Manufactures 3,500 galvanized steel, aluminum, and copper products for the residential and commercial building industries	FL (3), TX (2), GA, TN, MS	Georgia Pacific, Home Depot, and Lowes, as well as distributors to the roofing, lumberyard, drywall, and concrete industries
May 1997	**Heat-Treating Facility**	Operates as a division of CCHT	AL	See CCHT
March 1998	**The Solar Group**	Manufactures a line of building products (including ventilation products and accessories) and a complete line of mailboxes (Solar is the national leader)	MS (3)	Some of its major mailbox customers are Wal-Mart, Home Depot, Hechinger, Menards, Target, ACE Hardware, and Lowes. Ventilation products are sold primarily through one- and two-step distributors
April 1998	**Appleton Supply Company, Inc.**	Manufactures a full line of metal building products, including roof edging, flashing, and other products	WI (2), MO	Retail mass merchandisers, wholesalers, and one-step distributors
June 1998	**United Steel Products Company (USP)**	Manufactures 3,000 finished parts that are sold to the residential and commercial building industries; the nation's second largest manufacturer of steel lumber connectors	MN, CA (2), NJ, NC	USP products are sold into the residential and commercial building industries through marketing efforts targeted at engineers and professional builders
October 1998	**Harbor Metal Treating Company**	Provides heat-treating and related metal processing services	IL (2), IN, MI	The tool and dye manufacturing, fastener, medical equipment, and aerospace markets

geographic diversification



Gibraltar has significantly extended its geographic reach, expanding into many of the country's fastest-growing markets.

building and construction products

semco:
Jacksonville, Florida
Miami, Florida
Tampa Bay, Florida
Vidalia, Georgia
Port Gibson, Mississippi
Nashville, Tennessee
Houston, Texas
San Antonio, Texas

united steel products:
Livermore, California
Rancho Cucamonga, California
Montgomery, Minnesota
Hainesport, New Jersey
North Wilkesboro, North Carolina

the solar group:
Enterprise, Mississippi
Taylorsville, Mississippi (2 facilities)

appleton supply company:
Joplin, Missouri
Appleton, Wisconsin (2 facilities)

core business

Dearborn, Michigan
Troy, Michigan
Buffalo, New York
Cheektowaga, New York
Tonawanda, New York
Cleveland, Ohio
Chattanooga, Tennessee
Brownsville, Texas
Monterrey, N.L. Mexico

hubbell steel:
Fairfield, Alabama
Franklin Park, Illinois

heat treating

carolina commercial heat treating (ccht):
Athens, Alabama
Conyers, Georgia
Reidsville, North Carolina
Charlotte, North Carolina
Fountain Inn, South Carolina
Morristown, Tennessee

harbor metal treating company:
Rockford, Illinois (2 facilities)
South Bend, Indiana
Benton Harbor, Michigan

distribution and services

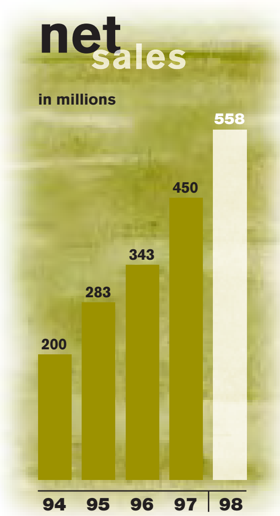
Woodhaven, Michigan
Buffalo, New York
Lackawanna, New York
Cleveland, Ohio
Twinsburg, Ohio

management's discussion and analysis of financial condition and results of operations

results of operations

year ended 1998 compared to year ended 1997

Net sales increased $108.2 million, or 24%, to a record $557.9 million in 1998 from $449.7 million in 1997. This increase primarily resulted from including the net sales of The Solar Group (acquired March 1, 1998), Appleton Supply Co. (acquired April 1, 1998), United Steel Products (acquired June 1, 1998) and Harbor Metal (acquired October 1, 1998) (collectively, the 1998 acquisitions) from their respective acquisition dates with the net sales of the Company's existing operations, and from sales growth at existing operations.



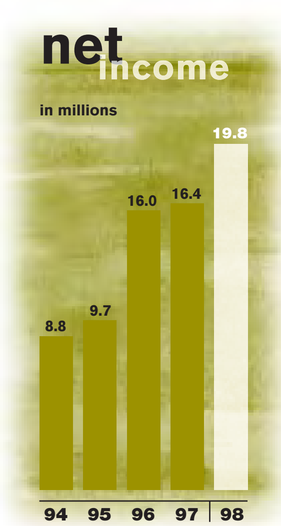
Cost of sales increased $80.9 million, or 22%, to $456.4 million in 1998 from $375.5 million in 1997. Cost of sales as a percentage of net sales decreased to 81.8% in 1998 from 83.5% in 1997. This improvement was due to the 1998 acquisitions, which have historically generated higher margins than the Company's existing operations, and due to lower raw material costs at existing operations.

Selling, general and administrative expenses increased $15.5 million, or 37%, to $57.0 million in 1998 from $41.6 million in 1997. Selling, general and administrative expenses as a percentage of net sales increased to 10.2% in 1998 from 9.2% in 1997. This increase was primarily due to higher costs as a percentage of net sales due to acquisitions and performance based compensation linked to the Company's sales and profitability.

Interest expense increased by $6.3 million from 1997 to 1998 primarily due to higher average borrowings during 1998 as a result of current year acquisitions and capital expenditures, partially offset by a decrease in interest rates in the fourth quarter of 1998.

As a result of the above, income before taxes increased by $5.6 million, or 20%, to a record $33.1 million in 1998 from $27.5 million in 1997.

Income taxes approximated $13.2 million in 1998, based on a 40.0% effective rate compared with a 40.3% effective rate in 1997.



year ended 1997 compared to year ended 1996

Net sales increased by $106.7 million, or 31%, to $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.

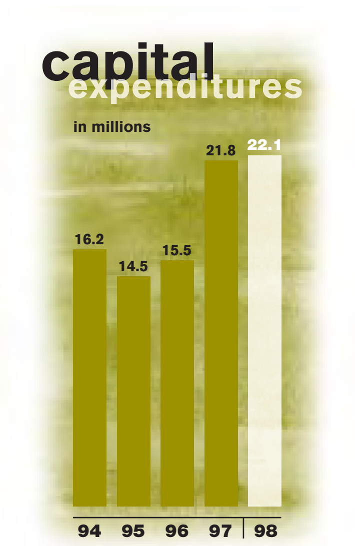
Interest expense increased by $1.3 million from 1996 to 1997 primarily due to higher average borrowings as a result of the SEMCO acquisition and capital expenditures.

As a result of the above, income before taxes increased by $.7 million, or 3%, to $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.

liquidity and capital resources

During 1998, the Company increased its working capital by $36.6 million to $124.2 million as a result of the addition of working capital from the 1998 acquisitions and due to working capital increases at the Company's existing operations. As a result, the Company's current ratio improved to 3.4 to 1 at December 31, 1998 from 3.0 to 1 at December 31, 1997. Long-term debt increased by $117.6 million to $199.4 million and to 55% of total capitalization at December 31, 1998. Additionally, shareholders' equity increased by 14% to $160.3 million.



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 and the Company's revolving credit facility. Net cash provided by operations of $13.3 million resulted primarily from net income of $19.8 million and depreciation and amortization of $13.3 million, offset by increases in accounts receivable and inventories of $11.7 million, necessary to service increased sales levels, and the decrease in accounts payable and accrued expenses of $7.6 million.

During 1998, the Company amended its revolving credit agreement with its bank group to increase the capacity of its revolver to $240 million and secure borrowings thereunder with its accounts receivable, inventories and property. At December 31, 1998, the Company had five interest rate swap agreements outstanding which effectively converted $75 million of borrowings under the revolving credit agreement to fixed rates ranging from 6.60% to 7.31% and which terminate at different dates beginning in November 2000. 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 6.71% at December 31, 1998.

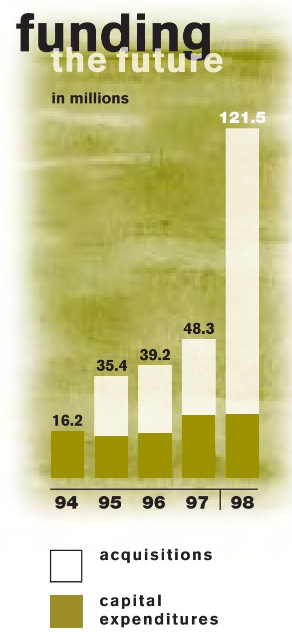
Net cash provided by operations of $13.3 million combined with net proceeds from long-term debt of $107.3 million and $.6 million of cash on hand were primarily used for the acquisition of Solar, Appleton, USP and Harbor Metal, and for capital expenditures.

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.

impact of year 2000

The Year 2000 issue concerns the inability of some computer hardware and software to distinguish between the year 1900 and the year 2000. If not corrected, computer applications could fail or create erroneous results.



The Company is conducting a detailed assessment of all of its information technology and non-information technology hardware and software with regard to Year 2000 issues. The Company's plan to ensure that its systems are Year 2000 ready is comprised of: cataloging all processes and systems which may have a date-related component and identifying those which are not Year 2000 ready; correcting or replacing those systems which are not Year 2000 ready; and testing the corrected or replaced processes and systems to insure that they will, in fact, operate as desired according to Year 2000 requirements. The Company is in various stages of its Year 2000 readiness process at each of its facilities and expects to complete testing of the corrected or replaced systems and be fully Year 2000 ready by July 1999. In addition, the Company is working with its major customers and major vendors, including raw material suppliers and utility companies, to assess their internal state of Year 2000 readiness. These customer and vendor responses are evaluated for any possible risk to, or effect on, the Company's operations and are incorporated into its own detailed Year 2000 readiness assessment.

Costs specifically associated with modifying internal use software for Year 2000 readiness are expensed as incurred but have not been, and are not expected to be, material to the Company's net income. Costs of replacing some of the Company's systems with Year 2000 ready systems have been capitalized as these new systems were acquired for business reasons and not to remediate Year 2000 problems, if any, in the former systems.

Based upon the results of Year 2000 readiness efforts underway, the Company believes that all critical information and non-information technology systems and processes will be Year 2000 ready and allow the Company to continue operations beyond the Year 2000 without a material impact on its results of operations or financial position. However, unanticipated problems which may be identified in the ongoing Year 2000 readiness process could result in an undetermined financial risk. Contingency plans to counter these unanticipated problems will be developed as part of the ongoing Year 2000 readiness process.

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. Implementation of FAS No. 133 is required for fiscal 2000. FAS No. 133 will not have a material impact on the Company's earnings or other comprehensive income.

consolidated balance sheet

in thousands, except share and per share data	December 31, 1998	1997
assets		
Current assets:		
Cash and cash equivalents	**$ 1,877**	$ 2,437
Accounts receivable	**71,070**	49,151
Inventories	**99,351**	76,701
Other current assets	**3,536**	2,457
Total current assets	**175,834**	130,746
Property, plant and equipment, net	**176,221**	115,402
Other assets	**86,380**	35,188
	$ 438,435	$ 281,336
liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	**$ 38,601**	$ 38,233
Accrued expenses	**11,646**	3,644
Current maturities of long-term debt	**1,351**	1,224
Total current liabilities	**51,598**	43,101
Long-term debt	**199,395**	81,800
Deferred income taxes	**25,289**	15,094
Other non-current liabilities	**1,845**	1,297
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: 12,484,418 shares in 1998 and 12,409,619 in 1997	**125**	124
Additional paid-in capital	**66,613**	66,190
Retained earnings	**93,570**	73,730
Total shareholders' equity	**160,308**	140,044
	$ 438,435	$ 281,336

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

consolidated statement of income

in thousands, except per share data	1998	1997	1996
		year ended December 31,	
Net sales	$557,944	$449,700	$342,974
Cost of sales	456,449	375,537	281,717
Gross profit	101,495	74,163	61,257
Selling, general and administrative expense	57,040	41,560	30,640
Income from operations	44,455	32,603	30,617
Interest expense	11,389	5,115	3,827
Income before taxes	33,066	27,488	26,790
Provision for income taxes	13,226	11,072	10,815
Net income	$ 19,840	$ 16,416	$ 15,975
Net income per share – Basic	$ 1.59	$ 1.33	$ 1.42
Weighted average shares outstanding – Basic	12,456	12,357	11,261
Net income per share – Diluted	$ 1.57	$ 1.30	$ 1.39
Weighted average shares outstanding – Diluted	12,651	12,591	11,464

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

consolidated statement of cash flows

in thousands	year ended December 31, 1998	1997	1996
cash flows from operating activities			
Net income	**$ 19,840**	$ 16,416	$ 15,975
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**13,333**	8,478	6,246
Provision for deferred income taxes	**1,693**	2,227	774
Undistributed equity investment income	**(284)**	(444)	(528)
Other noncash adjustments	**304**	239	184
Increase (decrease) in cash resulting from changes in (net of effects from acquisitions):			
Accounts receivable	**(5,363)**	(176)	(1,225)
Inventories	**(6,309)**	1,607	(17,077)
Other current assets	**(1,430)**	(726)	411
Accounts payable and accrued expenses	**(7,572)**	(2,597)	9,275
Other assets	**(899)**	(289)	(244)
Net cash provided by operating activities	**13,313**	24,735	13,791
cash flows from investing activities			
Acquisitions, net of cash acquired	**(99,415)**	(26,475)	(23,715)
Investments in property, plant and equipment	**(22,062)**	(21,784)	(15,477)
Net proceeds from sale of property and equipment	**187**	1,050	771
Net cash used in investing activities	**(121,290)**	(47,209)	(38,421)
cash flows from financing activities			
Long-term debt reduction	**(61,508)**	(79,962)	(78,195)
Proceeds from long-term debt	**168,825**	98,417	68,906
Net proceeds from issuance of common stock	**100**	911	35,341
Net cash provided by financing activities	**107,417**	19,366	26,052
Net (decrease) increase in cash and cash equivalents	**(560)**	(3,108)	1,422
Cash and cash equivalents at beginning of year	**2,437**	5,545	4,123
Cash and cash equivalents at end of year	**$ 1,877**	$ 2,437	$ 5,545

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

consolidated statement of shareholders' equity

in thousands	common shares		additional paid-in capital	retained earnings
	shares	amount		
Balance at December 31, 1995	10,174	$ 102	$ 28,803	$ 41,339
Net income	—	—	—	15,975
Public offering	2,050	20	34,370	—
Stock options exercised	87	1	950	—
Profit sharing plan contribution	11	—	184	—
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
Net income	—	—	—	19,840
Stock options exercised and related tax benefit	8	—	119	—
Restricted stock granted	55	1	—	—
Earned portion of restricted stock	—	—	87	—
Profit sharing plan contribution	11	—	217	—
Balance at December 31, 1998	**12,484**	**$ 125**	**$ 66,613**	**$ 93,570**

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 $404,000, $963,000 and $522,000 was capitalized in 1998, 1997 and 1996, respectively.

other assets
Goodwill is amortized over 35 years. Amortization expense was $1,949,000, $880,000 and $557,000 in 1998, 1997, and 1996, respectively.

shareholders' equity
In both July 1998 and 1997, 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 October 1, 1998, the Company purchased all the outstanding capital stock of Harbor Metal Treating Co., Inc. and its affiliates (Harbor) for $13.5 million in cash. Harbor provides metallurgical heat treating services in which customer-owned parts are exposed to precise temperature and other conditions to improve their material properties, strength and durability.

On June 1, 1998, the Company purchased all the outstanding common stock of United Steel Products Company (USP) for approximately $24 million in cash. USP designs and manufacturers steel lumber connector products for the building construction market.

On April 1, 1998, the Company purchased the assets and business of Appleton Supply Co., Inc. (Appleton) for approximately $28 million in cash. Appleton manufactures louvers, roof edging, soffits and other metal building products.

On March 1, 1998, the Company purchased the assets and business of The Solar Group (Solar) for approximately $35 million in cash. Solar manufactures a line of construction products as well as a complete line of mailboxes, manufactured primarily with galvanized steel.

On January 31, 1997, the Company purchased all of the outstanding capital stock of Southeastern Metals Manufacturing Company, Inc. (SEMCO) for approximately $25 million in cash. SEMCO manufactures a wide array of metal products for the residential and commercial construction markets.

These acquisitions have been accounted for under the purchase method. Results of operations of Harbor, USP, Appleton, Solar and SEMCO have been 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, 1997. The pro forma amounts may not be indicative of the results that actually would have been achieved had the acquisitions occurred as of January 1, 1997 and are not necessarily indicative of future results of the combined companies.

in thousands, except per share data (unaudited)	year ended December 31, 1998	1997
Net sales	**$596,437**	$580,447
Income before taxes	**$ 34,309**	$ 29,242
Net income	**$ 20,495**	$ 17,260
Net income per share – Basic	**$ 1.65**	$ 1.40

3. accounts receivable

Accounts receivable are expected to be collected within one year and are net of reserves for doubtful accounts of $1,230,000 and $990,000 at December 31, 1998 and 1997, respectively.

4. inventories

Inventories at December 31 consist of the following:

in thousands	1998	1997
Raw material	**$60,665**	$51,804
Finished goods and work-in-process	**38,686**	24,897
Total inventories	**$99,351**	$76,701

5. property, plant and equipment

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

in thousands	1998	1997
Land and land improvements	**$ 5,290**	$ 2,984
Building and improvements	**48,506**	32,420
Machinery and equipment	**160,633**	99,737
Construction in progress	**8,730**	16,503
	223,159	151,644
Less accumulated depreciation and amortization	**46,938**	36,242
Property, plant and equipment, net	**$176,221**	$115,402

6. other assets

Other assets at December 31 consist of the following:

in thousands	1998	1997
Goodwill, net	**$79,971**	$30,275
Equity interest in partnership	**4,020**	3,736
Other	**2,389**	1,177
Total other assets	**$86,380**	$35,188

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	1998	1997
Revolving credit notes payable	**$196,047**	$77,400
Industrial Development Revenue Bond	**3,905**	5,048
Other debt	**794**	576
	200,746	83,024
Less current maturities	**1,351**	1,224
Total long-term debt	**$199,395**	$81,800

In October 1998, the Company amended its debt agreement increasing its revolving credit facility to $240,000,000. The facility is secured by the Company's accounts receivable, inventories, 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, 1998 the Company had five interest rate swap agreements outstanding which effectively converted $75,000,000 of floating rate debt to fixed rates ranging from 6.60% to 7.31% and which terminate at different dates beginning November 2000. At December 31, 1998, additional borrowings consisted of $121,047,000 with an interest rate of LIBOR plus a fixed rate. The weighted average interest rate of these borrowings was 6.71% at December 31, 1998.

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 (6.67% at December 31, 1998), 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 $1,321,000. 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, 1998 are as follows: 1999, $1,351,000; 2000, $1,203,000; 2001, $1,209,000; 2002, $825,000 and 2003, $196,102,000.

The Company had no amounts outstanding under short-term borrowings for the years ended December 31, 1998 and 1997.

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, 1998, 1997 and 1996 was $11,257,000, $6,155,000 and $4,701,000, respectively.

8. leases

The Company leases certain facilities and equipment under operating leases. Rent expense under operating leases for the years ended December 31, 1998, 1997 and 1996 was $3,554,000, $3,771,000 and $2,358,000, respectively. Future minimum lease payments under these operating leases are $2,899,000, $2,446,000, $2,159,000, $1,916,000 and $1,817,000 for the years 1999, 2000, 2001, 2002 and 2003, respectively, and $4,979,000 thereafter through 2038.

9. employee retirement plans

During 1998, the Company adopted the provisions of Statement of Financial Accounting Standards No. 132 "Employers' Disclosures about Pensions and other Post-Retirement Benefits" (FAS No. 132). Adoption of FAS No. 132 did not affect the Company's results of operations or financial position.

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 $166,000 and $154,000 were accrued under this plan in 1998 and 1997, respectively, and consisted primarily of service cost using a discount rate of 6.5% and 7.0%, respectively.

Total expense for all retirement plans was $1,774,000, $1,258,000 and $1,066,000 for the years ended December 31, 1998, 1997 and 1996, 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 $255,000, $223,000 and $237,000 for the years ended December 31, 1998, 1997 and 1996, respectively.

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

in thousands	1998	1997
Retirees	**$ 474**	$ 482
Other fully eligible participants	**341**	308
Other active participants	**1,290**	1,018
	$ 2,105	$ 1,808

The accumulated post-retirement benefit obligation was determined using a weighted average discount rate of 6.5% in 1998 and 7.0% in 1997. The medical inflation rate was assumed to be 7% in 1998, with a gradual reduction to 5% over two years. 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, 1998 by approximately $371,000 and increase or decrease the annual service and interest costs by approximately $39,000.

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	1998	1997	1996
Current tax expense			
Federal	**$ 9,749**	$ 7,514	$ 8,774
State	**1,784**	1,331	1,267
Total current	**11,533**	8,845	10,041
Deferred tax expense			
Federal	**1,628**	2,036	670
State	**65**	191	104
Total deferred	**1,693**	2,227	774
Total provision	**$ 13,226**	$ 11,072	$ 10,815

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

in thousands	1998	1997
Depreciation	**$ 25,088**	$ 14,129
Inventory method change	**1,344**	1,588
Other	**2,011**	1,371
Gross deferred tax liabilities	**28,443**	17,088
State taxes	**(1,062)**	(656)
Other	**(3,849)**	(2,074)
Gross deferred tax assets	**(4,911)**	(2,730)
Net deferred tax liabilities	**$ 23,532**	$ 14,358

11. income taxes (continued)

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	1998	1997	1996
Statutory U.S. tax rates	**$ 11,573**	$ 9,621	$ 9,376
Increase in rates resulting from:			
State and local taxes, net	**1,202**	989	891
Other	**451**	462	548
	$ 13,226	$ 11,072	$ 10,815

Total cash paid for income taxes in the years ended December 31, 1998, 1997 and 1996 was $9,180,000, $9,100,000 and $9,639,000, 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
1998	**$ 19,840,000**	**12,455,554**	**$ 1.59**	**12,651,119**	**$ 1.57**
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

Included in diluted shares are common stock equivalents of 195,565, 233,833, and 202,552 relating to options for the years ended December 31, 1998, 1997 and 1996, 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 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 table at the right 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 Jan. 1, 1996	470,000	$10.78	171,875	$10.85
Granted	173,750	16.75		
Exercised	(87,500)	10.87		
Balance at Dec. 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 Dec. 31, 1997	693,231	$15.68	282,781	$11.55
Granted	336,650	17.36		
Exercised	(8,749)	11.12		
Forfeited	(24,502)	17.48		
Balance at Dec. 31, 1998	**996,630**	**$16.24**	**406,993**	**$13.30**

The Company realized tax benefits of $20,000 and $733,000 in the years ended December 31, 1998 and 1997, respectively, associated with the exercise of certain stock options which have been credited to paid in capital.

Options outstanding at December 31, 1998 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 – $11.00	297,001	5.3 years	$10.79	280,439	$10.77
$15.63 – $22.50	699,629	8.8 years	$18.56	126,554	$18.88
	996,630	7.8 years	$16.24	406,993	$13.30

13. stock options (continued)

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 pro forma effect on the years ended December 31, 1998 and 1997 is as follows:

	as reported 1998	pro forma 1998	as reported 1997	pro forma 1997
Net Income	$19,840,000	$18,976,000	$16,416,000	$16,108,000
Net Income per Share – Basic	$1.59	$1.52	$1.33	$1.30

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
1998 Grant	**$7.74**	**5 years**	**43.7%**	**4.4%**
1997 Grant	$9.77	5 years	40.2%	6.1%
1996 Grant	$7.44	5 years	38.1%	6.6%
1995 Grant	$4.56	5 years	36.2%	5.7%

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 1997, 4,000 shares were awarded to non-employee directors under this plan and in 1998, 55,000 shares were awarded to employees.

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

1998 Quarter Ended	March 31	June 30	Sept. 30	Dec. 31	Total
Net Sales	$116,383	$144,882	$152,628	$144,051	$ 557,944
Gross Profit	20,160	26,893	27,691	26,751	101,495
Income From Operations	8,474	12,330	11,914	11,737	44,455
Net Income	4,121	5,751	5,146	4,822	19,840
Net Income Per Share – Basic	$ .33	$ .46	$ .41	$ .39	$ 1.59
Net Income Per Share – Diluted	$ .33	$ .45	$ .41	$ .38	$ 1.57
1997 Quarter Ended	**March 31**	**June 30**	**Sept. 30**	**Dec. 31**	**Total**
Net Sales	$108,277	$119,213	$114,249	$107,961	$449,700
Gross Profit	18,698	19,917	18,147	17,401	74,163
Income From Operations	8,622	9,341	7,622	7,018	32,603
Net Income	4,446	4,697	3,787	3,486	16,416
Net Income Per Share – Basic	$ .36	$ .38	$ .31	$ .28	$ 1.33
Net Income Per Share – Diluted	$ .35	$ .37	$ .30	$ .28	$ 1.30

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, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998, 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.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Buffalo, New York
January 21, 1999

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 PricewaterhouseCoopers LLP, independent accountants. As part of their audit of the Company's 1998 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, President
and Chief Executive Officer

Walter T. Erazmus
Executive Vice President
and Chief Financial Officer

officers and 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 has also held production, purchasing, and divisional and general management positions during his 27 years with the Company. He also serves on the board of Merchants Mutual Insurance Company 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 26 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 26 years.

Joseph A. Rosenecker

has served as Executive Vice President since 1994. He began his career with Gibraltar 34 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 30-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. He has headed the Company's Heat Treating area since March of 1997.

Eric R. Lipke

has headed the Company's Distribution & Services area since March of 1997. He had been Vice President – Administration. During his 22 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 29 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 LLP. He also serves on the boards of Mark IV Industries, Inc., National Health Care Affiliates, the Rights Exchange, 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 GTE Laboratories and Technologies, a part of GTE Corporation. 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 and corporate information

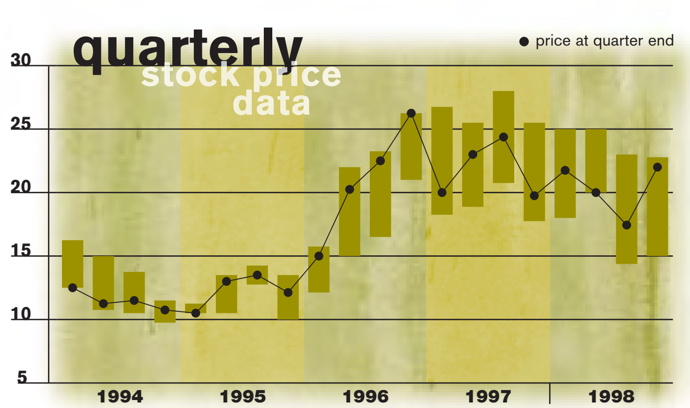
Trading Information

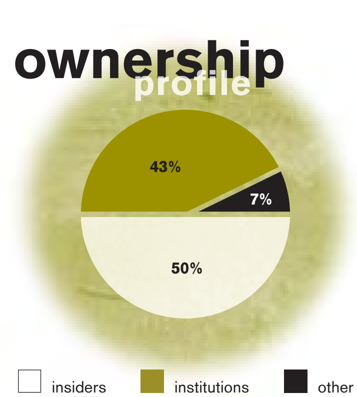
Gibraltar's stock trades on The Nasdaq Stock Market® under the symbol, "ROCK."

Quarterly Stock Price Data

The following table presents the quarterly high, low, and closing prices of Gibraltar's common stock – and quarterly share volume – for the last five years.

	high	low	close	volume
1998				
4th Quarter	22 7/8	15	22 3/4	452,000
3rd Quarter	23	14 3/8	17 7/16	1,446,000
2nd Quarter	25 1/4	20 1/2	20 1/2	883,000
1st Quarter	25 3/4	18 1/2	21 3/8	1,149,000
1997				
4th Quarter	25 1/2	17 3/4	19 3/4	1,629,000
3rd Quarter	28	20 3/4	24 3/8	1,870,000
2nd Quarter	25 1/2	18 7/8	23	3,012,000
1st Quarter	26 3/4	18 1/4	20	5,346,000
1996				
4th Quarter	26 1/4	21	26 1/4	2,441,000
3rd Quarter	23 1/4	16 1/2	22 1/2	3,869,000
2nd Quarter	22	15	20 1/4	2,764,000
1st Quarter	15 3/4	12 1/8	15	1,182,000
1995				
4th Quarter	13 1/2	10	12 1/8	616,000
3rd Quarter	14 1/4	12 3/4	13 1/2	667,000
2nd Quarter	13 1/2	10 1/2	13	1,441,000
1st Quarter	11 1/4	10 1/2	10 1/2	1,107,000
1994				
4th Quarter	11 1/2	9 3/4	10 3/4	1,850,000
3rd Quarter	13 3/4	10 1/2	11 1/2	521,000
2nd Quarter	15	10 3/4	11 1/4	826,000
1st Quarter	16 1/4	12 1/2	12 1/2	1,358,000





Shareholders

As of December 31, 1998, there were 140 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 & Trust Company, 40 Wall Street, New York, NY 10005; 212/936-5100

Independent Accountants

PricewaterhouseCoopers LLP, 3600 Marine Midland Center, Buffalo, NY 14203

Annual Meeting

May 18, 1999, 10 a.m., Gibraltar Steel Corporation, 3556 Lake Shore Road, Buffalo, NY 14219-0228

Dividend Policy

On February 9, 1999, Gibraltar's Board initiated an annual cash dividend of $.10 per share, payable at the quarterly rate of $.025 per share, and will review the payment of this quarterly.

Analyst Coverage

During 1998, the following analysts published research about Gibraltar:

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

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; the impact of the Year 2000 issue; and changes in interest or tax rates.

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, and will result in more than $1 billion in revenues and more than $45 million in net income by 2003, or sooner.

GIBRALTAR

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