Gibraltar is a manufacturer and distributor of more than 5,000 residential and commercial building products, one of North America's leading metal processors, and North America's second-largest commercial heat treater. The Company serves approximately 10,000 customers in a variety of industries in all 50 states, Canada, and Mexico. It has approximately 3,600 employees and operates 70 facilities in 26 states, Canada, and Mexico.

GIBRALTAR

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Geared up for greater growth.

Gibraltar ANNUAL REPORT 2003

Geared up for **greater** growth.

# Gibraltar
## ANNUAL REPORT
## 2003

# Geared up for **greater** growth.

For more than 30 years, and especially during our first decade as a public company (1994-2003), Gibraltar has worked diligently to make itself a stronger, not just bigger, company.

**DURING THIS TIME, WE'VE:**

Focused on **continuously improving** every area of our operations

Extended our reach into many of the fastest-growing geographic and steel-consuming markets

Committed to a disciplined acquisition strategy

Expanded and strengthened our existing operations

Become a **proven performer** for our customers and shareholders

While we have done well and take pride in our accomplishments, we believe our performance in the past is merely a prelude to even better results in the future.

All of our investments, acquisitions, and actions during the last 30 years have given us the **critical mass** – the size, reputation, capabilities, and financial strength – to accelerate the growth in every part of our company.

This has brought us to an **inflection point,** where we see opportunities to transform Gibraltar into a much larger, stronger, and more valuable company for its employees, its customers, and its shareholders.

We believe we can – and will – grow all of our existing businesses, some dramatically. We are also evaluating many related and new markets, some of which could significantly transform the trajectory of our growth.

We are proud of our past. We are excited about the future. We see opportunities around the block… and around the world.

We are geared up for greater growth.

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**Metal Roofing**
Manufacture a complete line of roof, wall, and fascia panel systems for residential, agricultural, commercial, and industrial applications.

**Grilles & Registers**
Make a full line of grilles, registers, and diffusers for both residential and commercial applications.

**Air Conditioners**
Heat treat more than four million compressor crank shafts for air conditioners annually.

**Appliances**
Heat treat and process steel used in large appliances, such as washers, ovens and refrigerators, and small ones such as blenders, toasters and microwaves.

**Bath Cabinets**
Produce a complete product line in a variety of sizes, styles, and price points.

### Structural Connectors

North America's 2nd-largest manufacturer in rapidly growing industry, with both U.S. and Canadian operations.

### Stucco and Plaster Lathe

Make a line of drywall, masonry, and stucco products, including corner bead, lathe, and expansion joints.

### Soffit and Siding

Manufacture complete aluminum soffit and siding systems, including fascia, channel, trim and flashing lines.

### Gutters and Rain-Carrying Systems

Produce multiple styles and colors in galvanized steel, aluminum, copper, and Rheinzink®.

### Wrench/Socket Sets

Heat treat two million pounds of wrench and socket sets each year, and often process the steel used to make these and other hand tools in the first place.

### Mailboxes

Manufacture more than five million per year in steel, plastic, brass, wood, and other materials.

### Ventilation Products

Make a full line of products and accessories, and lead the industry in ridge, foundation, and powered ventilation systems.

### Automotive Components

Process the steel that is used in power transmissions, seat belts, windshield wipers, and many other applications.

### Power Tools

Process and heat treat steel and other metals used in a variety of power tools found in woodworking, construction, and lawn & garden settings.

### Sinks

Heat treat stainless steel sinks of all types, including kitchen, mini-bar, and RV sinks.

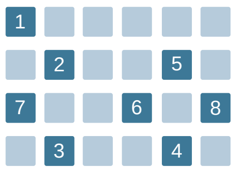
## Fellow Shareholders:

In 2003 we generated record sales and earnings, made two highly strategic acquisitions, formed a joint venture with a recognized leader in the international steel industry, finalized heat-treating agreements with two major automotive customers, broadened and strengthened our management team and board, and successfully completed our largest stock offering.

As a result of those actions, and an economy that gained strength as the year progressed, our stock reached its highest-ever price during the fourth quarter, and ended the year up by more than 30%.

This past year was a fitting capstone to our first decade as a public company. During those ten years, we set sales and earnings records eight times, increased sales at a 16% compound annual growth rate (CAGR), and grew our net income at a 14% CAGR. These results are even more impressive considering we generated them during a severe recession and a prolonged slowdown in the industrial economy. This clearly established Gibraltar as a top performer in its peer group during that period.

And while the numbers are good, they only tell part of the story. The solid foundation and broad infrastructure we built over the last decade, especially our progress in the last year, has put us in a position where we are clearly "geared up for greater growth."




Gibraltar's Executive Management Team

1 Brian Lipke
2 Henning Kornbrekke
3 Carl Spezio
4 Ken Matz
5 Jack Flint
6 Bob Brunson
7 Cliff Tucker
8 Jim Tomkinson

With David Kay joining Gibraltar in April 2004 as our new CFO, Jack Flint heading up our accounting area, and several other additions to our executive management and board in the last year, we have significantly enhanced the team that will aggressively move our company forward. Two of our key executives, our President, Henning Kornbrekke, and CFO, David Kay, have experience as senior managers at multi-billion dollar international companies. Their expertise will be invaluable as we set our sights on our next set of growth goals.

## The Next Six Years.

**GIBRALTAR'S INVESTOR MISSION STATEMENT**

Gibraltar is committed to achieving $2 billion in annual sales, with net income of $100 million, by 2009. To reach this goal, we seek to generate top- and bottom-line growth that averages 20% per year.

These goals can be reached by staying true to our vision of:

Becoming a true leader in all of our businesses, with the first or second-largest market share in each of our operations. We'll focus on businesses that add the most value and margin, and which differentiate us from our competition.

Serving a diverse group of customers and markets, to reduce our exposure to any single industry or customer, while focusing our activities on high-growth markets.

Creating the best team in each of our businesses, by fostering an environment where every member of the Gibraltar Team can do his or her best work – and be recognized and rewarded for his or her contributions.

### A Breakthrough Year for Building Products

At 53% of sales, Building Products has become our largest segment, and we took steps in 2003 – and early in 2004 – to strengthen our leadership in this business.

In 2003, we acquired Construction Metals Inc. (CMI) and Air Vent, which together have annual sales of approximately $100 million. CMI gave us manufacturing and distribution on the West Coast, including a presence in five new states. The Air Vent acquisition made us the largest manufacturer of ventilation products in North America. We will get a full year's contribution from both companies in 2004.

In January of 2004, we acquired Renown Specialties, a leading Canadian manufacturer and distributor of construction hardware, with annual sales of $10 million Canadian. And in February, we purchased a line of specialty anchoring products, including epoxy adhesives. Both of these transactions strengthen our position as the second-largest manufacturer of structural connectors in North America.

The building products market is highly fragmented, and we continue to look at numerous acquisition candidates that would solidify our existing product offering, expand our line, extend our reach into new markets, and drive our sales of manufactured end products even higher.

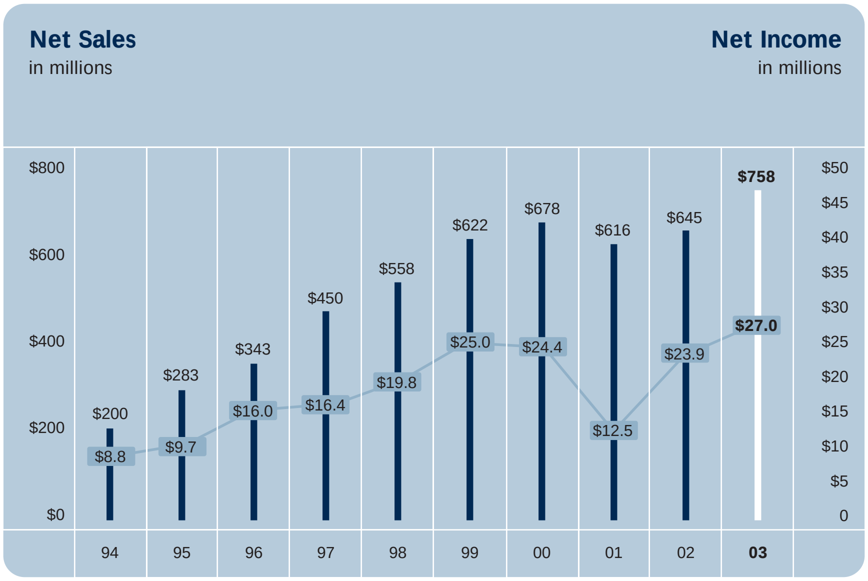
We are also taking steps to grow the sales and improve the profitability of our existing operations, and we made great progress in 2003. Sales to "Big Box" retailers, like The Home Depot, Menards, Lowe's, and Wal-Mart, climbed 13% – excluding acquisitions! Given the aggressive expansion plans of these customers, we see strong growth coming from this part of our company for many years. Similarly, sales through commercial distribution channels, to customers like Ace Hardware and Georgia-Pacific, increased by 15% in 2003. This demonstrates our ability to grow our consumer and commercial business through the national – and now, international – manufacturing, marketing, and distribution capabilities we possess, what we call our "critical mass."

With a leading position in many product lines, an international presence, and stronger relationships with the top customers in every major channel, we believe we can accelerate our growth and profitability. Evidence of that was seen in our performance last year, as building products sales grew by 37%, operating margins advanced to 10% (from 7.3% just one year earlier), and income from operations nearly doubled.

### A New Partner in Processed Steel Products

Our Processed Steel Products segment, which accounts for 35% of our business, took steps in 2003, which will strengthen its performance, most notably its joint venture with Duferco Farrell. In December, we acquired a 50% interest in Duferco's strip steel division, which had 2003 sales of approximately $55 million. This puts us in a partnership with a recognized leader in international steel trading and production, expands our processing capabilities, and gives us access to the full range of high-quality strip steel products manufactured at their facility. The equipment and capabilities at our joint venture complements our three other strip steel operations – one in Cleveland and two in the Buffalo area – further strengthening our leadership position in the strip steel market.

The automotive market is important in this part of our company. We continue to build our relationships with foreign auto makers and their suppliers, which complement our longstanding partnerships with the domestic industry. One forecast recently estimated that auto production will climb by 25% over the next five years, as more of the cars sold in the U.S. are built here. That, obviously, bodes well for us.




We also restructured our coated steel products business in 2003, so another part of our company, through which we provide steel in more than 500 colors and a variety of coatings, should show improved performance in 2004, and beyond.

## Heat Treating Gets Even Hotter

Our Heat Treating segment, which represents 12% of total sales and serves a broad array of customers and industries, had double-digit sales growth in 2003 and margins that stabilized later in the year.

This is another part of our business where we are looking to more aggressively leverage Gibraltar's overall size, reputation, capabilities, and financial strength – our critical mass – to generate greater growth. In 2003, we finalized agreements with two major automotive manufacturers that will add approximately $75 million in new business over the next seven years. These are powerful examples, in another part of our company, of the opportunities available to us as we take full advantage of the Gibraltar brand.

With more than 700 independent heat treaters in this highly fragmented market, acquisition opportunities remain plentiful. And with more than 90% of all heat-treating work currently done "in-house" by major manufacturers, there is great potential for future growth as more of that work is outsourced.

## Geared Up for Greater Growth

As a result of our progress in 2003, and the many steps we took to strengthen and strategically realign Gibraltar over the last ten years, we expect to generate record results once again in 2004, even if the economy stays flat! As it gets stronger, our progress should accelerate.

While we did well in our first decade as a public company, producing record sales and earnings in eight of the last ten years, we've marked out a path that will allow us to do better…much better, as we move into the future. Just as we

## Financial Highlights

| Year Ended<br>(In thousands, except percent and per share data) | DECEMBER 31, 2003 | DECEMBER 31, 2002 | CHANGE |
|---|---|---|---|
| Net sales | $ 758,261 | $ 645,114 | 17.5 % |
| Gross profit | 148,114 | 127,289 | 16.4 % |
| Income from operations | 58,802 | 50,160 | 17.2 % |
| Net Income | 26,953 | 23,854 | 13.0 % |
| Net income per share, diluted | $ 1.66 | $ 1.54 | 7.8 % |
| Weighted average shares outstanding, diluted | 16,258 | 15,519 | 4.8 % |
| Long-term debt | $ 222,402 | $ 166,308 | 33.7 % |
| Shareholders' equity | 394,181 | 293,117 | 34.5 % |
| Capital expenditures | 22,571 | 15,995 | |
| Depreciation and amortization | $ 22,448 | $ 20,481 | |
| Return on average equity | 7.8 % | 9.3 % | |
| Return on sales | 3.6 % | 3.7 % | |

grew tenfold in our first 12 years, and later mapped out ambitious goals during our 1993 initial public offering, we stand on the brink of the next big step, an "inflection point," which will allow us to become a much bigger, much stronger, and much more valuable company.

From day one, we focused on continuous improvement, which established us as a "best in class" performer in many areas of our business. Our 20 acquisitions, recent joint venture, and the investment of nearly $200 million in our existing operations over the last ten years gave us critical mass in building products, processed steel products, and heat treating. To our shareholders and customers, we have become a trusted and proven performer, with an expanding record of achievement and success.

While we are proud of our past, it is the future – and the many ways that we are geared up for greater growth – that really energizes us!

### The People Who Make it All Possible

It is only fitting to end this letter with a special word of thanks to the 3,600 men and women on the Gibraltar Team, who are the best in the business, hands down.

**2003 Performance Highlights**

- Best-ever annual sales, up 18% to $758 million
- Record net income, up by 13% to $27 million
- Immediately accretive acquisitions of Construction Metals and Air Vent add approximately $100 million to annual sales
- Joint venture with Duferco Farrell puts us in a partnership with a recognized leader in the international steel industry
- Earned major heat-treating agreements with two major auto makers, which will add approximately $75 million in new business over the next seven years
- Generated net proceeds of approximately $75 million from our recent stock offering, reducing our net debt-to-cap ratio to 35% (from 51% six months earlier)
- Improved our stock's liquidity with 4.5 million shares added to the public float
- Reached our highest-ever share price of $27.32 on December 9, and finished the year up more than 30%

Just as we took steps to make Gibraltar financially and operationally stronger today than at any point in the company's history, we have also broadened and strengthened our management team, putting in place a group of leaders who will guide our company to even higher levels of performance and success.

On January 1, we named Henning Kornbrekke – who for the last two years successfully led the effort to grow and strengthen our Building Products segment (now the largest part of our company) – as Gibraltar's President. Prior to joining Gibraltar, Henning served as Chief Executive Officer of a division of Rexam, PLC, and before that he was President and General Manager of the hardware division of The Stanley Works. Henning has a vast amount of manufacturing, marketing, distribution, and international business experience.

With Henning's promotion, three other members of our management team – Bob Brunson, Cliff Tucker, and Jim Tomkinson – were promoted to Group President, and given expanded responsibilities.

As our annual report went to press, we announced that David Kay had joined Gibraltar as Executive Vice President, Chief Financial Officer, and Treasurer. Dave's addition to our leadership team significantly strengthens Gibraltar.

We also strengthened our board of directors in 2003, with the additions of Bill Colombo (President and Chief Operating Officer of Dick's Sporting Goods, Inc.) and Bob Sadler (Chairman and Chief Executive Officer of M&T Bank). Their combined experience and expertise certainly makes us an even stronger company.

Finally, a word of thanks to all our shareholders, from the individuals and institutions that purchased stock during our recent offering to those who have been with us from the beginning. We truly appreciate your trust and confidence. Please know that all of us are focused on maximizing the value of your investment by consistently generating great results, and building this company for the long haul.

Sincerely,

**Brian J. Lipke**
Chairman and
Chief Executive Officer

**Henning N. Kornbrekke**
President

## Continuous Improvement

From the earliest decision of our founder, Dr. Ken Lipke, to acquire a small steel processor in 1972, our commitment to continuous improvement has been at the heart of our success. At Gibraltar, innovation is a way of life. Every member of the Gibraltar Team is constantly evaluating every product, process, and service – and looking for ways to improve it. For us, good enough is never good enough. This relentless determination has allowed us to grow from a single-facility, $9-million, Buffalo-based company into a 70-location, international organization approaching $1 billion in sales.

Gibraltar heat treats various parts for the aerospace industry, such as brakes used on passenger jets and military aircraft, as well as components used in satellites and NASA space shuttles.

Our Building Products Group, where we are the largest manufacturer of mailboxes in North America (and possibly the world), exemplifies our commitment to continuous improvement. We make more than five million mailboxes every year, in a variety of sizes and colors. We make them in galvanized steel, aluminum, plastic, brass, nickel, and cedar. Through constant innovation, we are redefining this product category, which allows us to increase its applications, heighten its demand, and create products with even higher margins. This has led us to produce more decorative, elaborate and technical products, such as lockable, cast aluminum, and post-mounted mailboxes. It has also led us to develop products that are not mailboxes at all, like lock-boxes, trunks, and other heavy-duty storage devices.

Gibraltar heat treats nearly two million lawn mower blades, as well as 100,000 golf cart steering racks, per year for both the rapidly growing golfing and lawn & gardening industries.

We have also fostered this spirit by aligning ourselves with those industries where science and technology play a central role, and constant improvement is a must. Here, new and innovative ideas are such a part of the day-to-day life of these businesses that they've become second nature to Gibraltar's people.

Our structural connectors, for example, are always under our own microscope, as well as the standards of insurance companies, government agencies, and home builders. Design and quality requirements are always being raised, as strength and safety concerns become increasingly stringent. Through constant innovation, product line expansions, and meeting the highest quality standards, we are strengthening our position as North America's second-largest manufacturer of these products.

Similarly, our Heat Treating Group treats critical parts used in numerous aerospace applications, such as passenger jet brakes, F-15 fighter jet engine assemblies, and various components of weather satellites and NASA's space shuttles. There are few industries where safety standards are more imperative, so we are constantly looking for ways to heat treat these parts to help make them stronger and more reliable. Our drive to be the best has made us a leader in heat treating powdered metal parts, metal joining and assembly services, aluminum processing, and other services that require the most technical precision, the best trained people, and the highest quality standards.

By automating our operations – and constantly looking to drive out costs – we improve our productivity and profitability, as we did with our new brazing facility near Cincinnati, which opened in 2003.

Our Processed Steel Products Group has been synonymous with safety and constant improvement in the auto industry for more than three decades. That's why Gibraltar is trusted by the leading global automakers and their suppliers to work on the most critical automotive parts, including transmission components, brakes, seat belts, shocks and struts, door locks and hinges, windshield wipers, and engines.

We continually look for ways to operate all of our facilities more efficiently, as we have at our Cleveland plant, which today generates nearly nine times the sales it did in 1987, with only twice as many people. This is a compelling example of the power of continuous improvement over time.

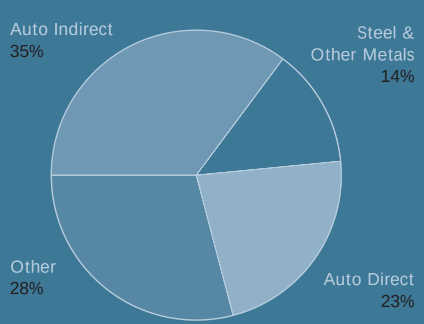
In addition, as we have become a larger company, even small improvements can make a huge difference in our results. And since most of our people participate in profit-sharing plans, which link pay to performance, they are clearly focused on finding ways to steadily improve our results.

We feel privileged to play such a pivotal role in ensuring and improving a home's ability to withstand heavy snow, high winds, or seismic activity. Or an airplane's performance and maintenance benchmarks. Or a car's chances of keeping its passengers safe during a collision. Because when it comes to the safety of families, our family is more than happy to put in the extra effort.

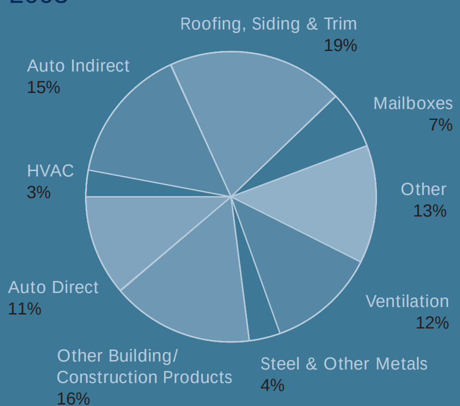
**Revenue Diversification**

In the last ten years, we have made Gibraltar a much stronger company by broadening and diversifying our business.

1993




2003



We are North America's largest manufacturer of mailboxes (possibly the largest in the world), making more than five million per year.

## Critical Mass

We have made Gibraltar a much stronger company by serving a greater number and diversity of markets and customers. By focusing on many of the fastest-growing geographic and steel-consuming areas, we have grown from a small regional steel processor into an international product manufacturer and metals processor. In the last ten years alone, we made 20 acquisitions, invested nearly $200 million in our existing operations, and formed a joint venture with Duferco Farrell. We now have the "critical mass" – the size, reputation, capabilities, and financial strength – necessary to accelerate the growth in every part of our company.

Our ventilation products, such as the attic and ridge vents seen here, generated approximately $100 million in sales in 2003, making Gibraltar the largest producer in North America.

Ten years ago we had 900 customers, and 58% of our sales came from the automotive industry. Today, we have more than 10,000 customers, and even though automotive now accounts for just 26% of our business, our automotive sales have nearly doubled – and we offer a much wider range of higher-margin services.

Today, we manufacture more than 5,000 products – which account for 56% of our sales – and we are North America's leading producer of ventilation products and mailboxes, the second-largest maker of structural connectors, and a national leader in metal building accessories (like metal roofing).

We are also the second-largest commercial heat treater in North America, and a leader in many of the most technical and fastest-growing areas like aluminum processing, metal joining and assembly, powder metal parts, and controlled gas nitriding.

**Gibraltar Facilities**

In just over ten years, Gibraltar has grown from a company with nine facilities mainly in the Great Lakes region, to one today which operates coast-to-coast with 70 facilities in 26 states, Canada, and Mexico. We will continue to strengthen our North American operations, and look for additional growth opportunities in international markets.

Critical mass allows our companies, as part of Gibraltar, to pursue opportunities that would not be available to them on their own. Increasingly, many of our customers (especially the larger ones) want to consolidate their relationships, and work with fewer, stronger, and more diverse suppliers. The size, strength, and scope of Gibraltar may open the door, but it still takes the expertise of our companies to close the sale.

At the 2004 International Builders Show in Las Vegas, all of our building products companies presented under the Gibraltar banner (not as separate companies) for the first time, and we showcased our full line of products to the more than 100,000 people at the show. Similarly, all of our heat-treating companies are currently developing a unified Web site, which will integrate all of our services at a single location. These efforts to build and leverage the Gibraltar brand, in every part of our company, should allow us to accelerate our growth and profitability.

As a larger company, we have many opportunities to strengthen and improve our operations. We are, for example, consolidating the shipping of our raw materials and finished goods, company-wide, which we expect will generate substantial annual savings. We are also integrating our line of ventilation products – which generates annual sales of approximately $100 million – from five separate companies into one (Air Vent); this should also generate significant savings.

We have built critical mass by growing our existing operations, forming joint ventures and strategic alliances, and making acquisitions. We have a disciplined and focused approach with acquisitions, each of which must:

- Immediately enhance our earnings;
- Extend our geographic penetration and reach;
- Expand our products, processes, and services;
- Diversify our customer base and business mix;
- Offer significant long-term growth potential;
- Feature a culture compatible with our own; and
- Include a proven management team that will stay on after the transaction.

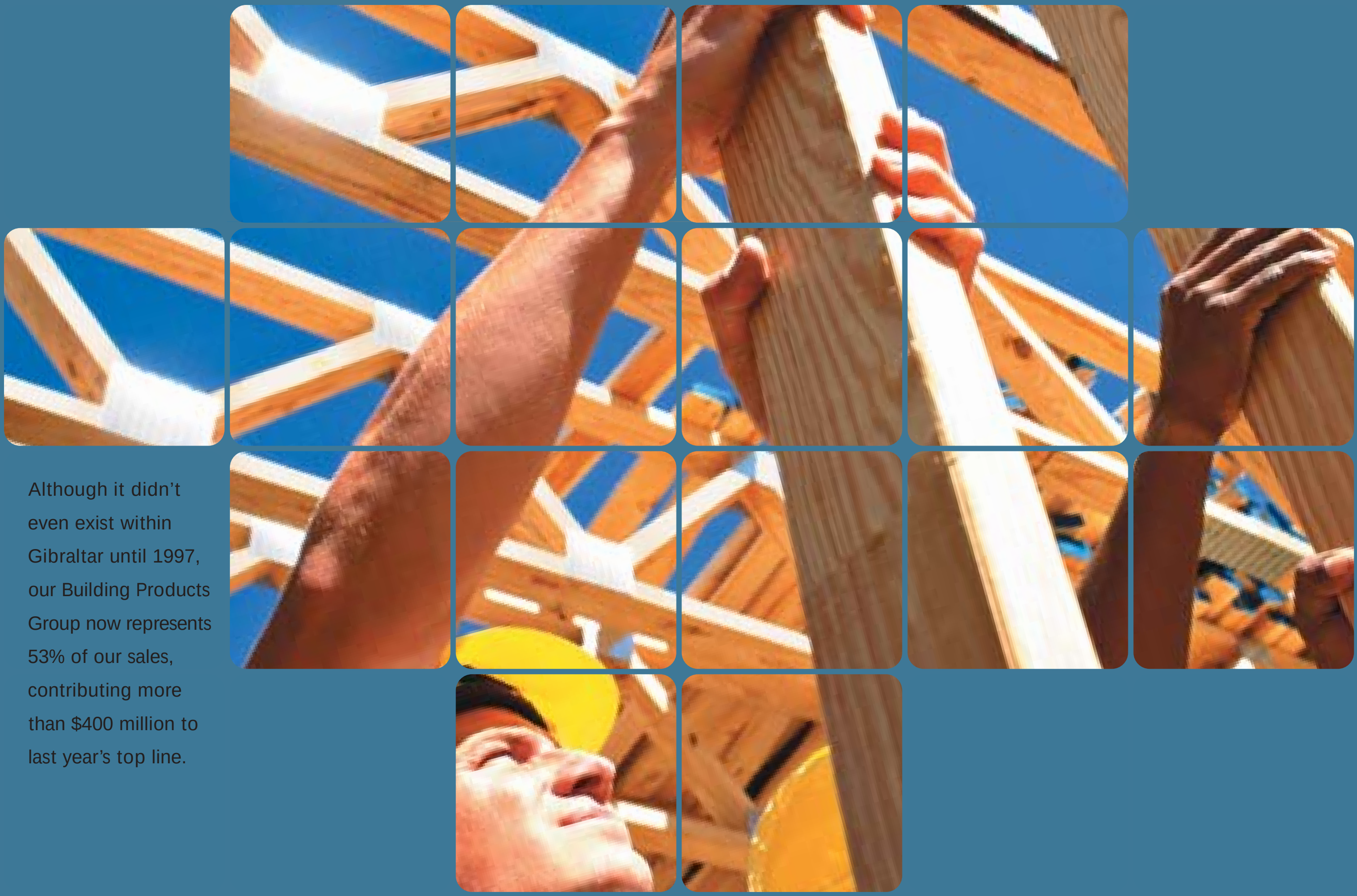
Just as impressive, to our way of thinking, are the many acquisitions we chose not to make. Countless opportunities exist within the fragmented industries in which we compete, and it would have been all too easy to add companies that did not meet the strict criteria detailed above. However, we are a strategic acquirer, not a "roll-up" consolidator. While we could have grown even faster, those decisions would not have made us stronger, which is the clear goal.

We will continue to build critical mass in every part of our company. There are numerous opportunities still available, in every area of our business, through a variety of avenues. We will be strategic and selective, only pursuing those activities that give us the highest returns today and the greatest growth tomorrow.

Higher safety and performance standards by builders and insurers have created increased demand for Gibraltar's structural connectors. As North America's second-largest manufacturer, we make more than 500,000 connectors every day.

## Proven Performance

There are many ways to measure success: Sales and earnings growth, quality designations, customer awards, share price appreciation, growth of market capitalization, and cumulative return to shareholders, to name a few. Most companies do well in some areas. A few do well in most. And then there are those rare companies – like Gibraltar – that are across-the-board proven performers.



Although it didn't even exist within Gibraltar until 1997, our Building Products Group now represents 53% of our sales, contributing more than $400 million to last year's top line.

Gibraltar has been a growth-oriented company from its inception, with a sales CAGR (compound annual growth rate) of 15% over the last 31 years. In the last decade – in spite of a severe and prolonged slowdown in the industrial economy – our sales CAGR increased to 16%, and we grew earnings nearly as fast, at a 14% CAGR.

Gibraltar is already a leader – and is gaining market share – within the $2.3-billion metal roofing market, which itself is growing as more consumers and builders recognize the advantages of metal roofing.

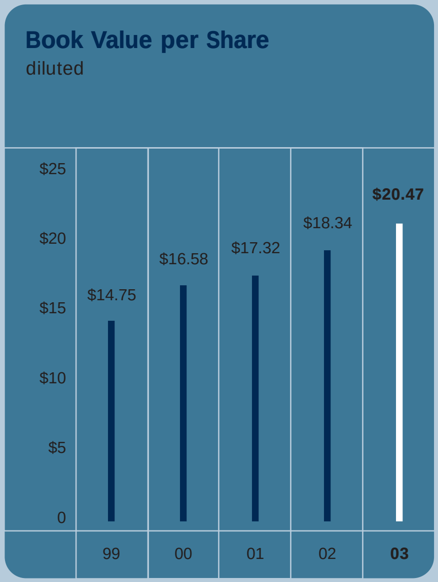
We have also distinguished ourselves by embracing ever-higher quality standards. We have always focused on the most difficult and demanding processes and services, because this separates us from our competitors, and allows us to generate higher margins and earnings. Many Gibraltar facilities have ISO, QS, and other quality certifications, including the ISO 14001 environmental requirements and the new automotive standard, TS 16949.

Over the years, Gibraltar has received preferred supplier and top customer honors from a blue-chip group of companies, including General Motors, Ford, DaimlerChrysler, Emerson, Parker Hannifin, BorgWarner, Caterpillar, TruServ, and Allied Building Stores.

Steady performance, over time, will drive a company's share price and market capitalization higher, and that has certainly been the case with Gibraltar. In our first ten years as a public company, our share price more than doubled, and our market cap – buoyed by the higher share price and three secondary offerings – increased more than fourfold. Most importantly, the total return to our shareholders (share-price appreciation plus dividends) was more than 135% in our first ten years.

Gibraltar is proud of its results over the last decade, both in good and bad economic times. Whether entering new markets, developing new products and services, creating new business segments, or making strategic acquisitions, our decisions – over time – have produced a stronger, more diverse company that has consistently delivered outstanding results for our shareholders and our customers.

As we move toward the even bigger and bolder goals we have established for our company, we are building on a firm foundation of proven performance.




The products heat treated by Gibraltar span the gamut from very sophisticated medical equipment (like these dental tools) to hair clips.

Even though the automotive industry now accounts for just 26% of our business (vs. 58% a decade ago), our sales in this area have nearly doubled, and we offer a much wider range of higher-margin services.

## Point of Inflection

While Gibraltar has always been a growth-oriented company, there have been times in its history when it reached an “inflection point,” a unique moment which brought with it the opportunity to accelerate its growth. During each of those times, Gibraltar has transformed itself into a larger, stronger, and more valuable company for its employees, its customers, and its shareholders.

Both our Processed Steel Products and Heat Treating segments perform work on a variety of components for dozens of large and small household appliances made by such customers as GE, Frigidaire, and Whirlpool.

Back in 1972, when Gibraltar was a small and struggling steel processor with $9 million in annual sales, we set a goal to grow to $100 million in ten years; because of a deep recession in the early '70s, it took 12 years. Then, in 1993, at the time of our initial public offering when we had $168 million in annual sales, we mapped out our goal to reach $1 billion in sales over the next decade; as a result of the severe slowdown in the economy over the last few years, it will take us 11 or 12 years to hit that mark.

Now, having successfully completed our first decade as a public company (1994-2003), Gibraltar once again finds itself at an inflection point.

Because we serve more customers, operate in more markets, produce more products, offer more services, and have access to more growth opportunities than at any time in our history, this inflection point could be our most dramatic.

Consider the size and scope of our markets. Today, the steel we process ends up in more than 14 million vehicles every year—and all of the leading automakers on the planet are our customers. Each year our building products, from vents and registers to roofing and mailboxes, go into more than 12 million homes. And every year, our heat-treating companies make millions of parts stronger, safer, and more durable for many of the world's leading manufacturers.

As impressive as our growth over the last decade has been, we feel we are only scratching the surface. We believe we can – and will – grow all of our existing businesses, some dramatically. We also know there are many adjacent markets available to us, some of which could truly transform our growth trajectory. We see opportunities around the block, and around the world, to grow our company.

Since many of the companies we've acquired have only operated on a one- or two-shift basis, we estimate that there is $200-$250 million of untapped capacity at our existing facilities. That is business that we can grow with very little incremental expense.

In light of our recent growth, the size, scope, and number of opportunities to continue – and accelerate, perhaps dramatically – our transformation has never been greater.

We stand on the cusp of big and bold changes. While we are proud of our past, our future holds even greater promise. We truly are "geared up for greater growth."

**Financial Goals**

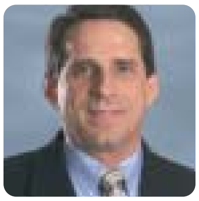
We have established a number of benchmarks during the past ten years to measure our performance:

- 20% average annual sales growth
- 20% average annual net income growth
- 20%+ gross margin
- 10%+ operating margin
- 15% minimum ROE
- 5+ inventory turns/year
- Capex less than depreciation and amortization
- No restructuring charges

## Board of Directors

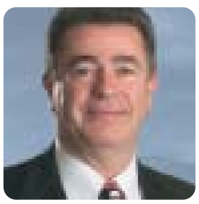
**Brian J. Lipke** has been Chairman of the Board and Chief Executive Officer and a Director of the Company since its formation. He has been Chief Executive Officer of Gibraltar Steel Corporation of New York ("Gibraltar New York"), a predecessor and current subsidiary of the Company, since 1987, and has been in charge of the Company's other subsidiaries since their formation. He also served as President of both the Company and Gibraltar New York through 1999. From 1972 to 1987, Mr. Lipke held various positions with Gibraltar New York in production, purchasing, and divisional management. He is also a director of Merchants Mutual Insurance Company, Moog Inc., and the Buffalo Branch of the Federal Reserve Board.

**David N. Campbell** has served as a Director of the Company since its Initial Public Offering. Mr. Campbell is currently a Managing Director of Innovation Advisors, an investment banking firm. He served as President and Chief Executive Officer of Xpedior, Inc. from 1999 through 2000. From 1995 to 1999, he was President of BBN Systems & Technologies and its successor, GTE Laboratories and Technologies. Mr. Campbell also is the former Chairman of the Board and Chief Executive Officer of Computer Task Group, Inc. and the former Chairman of the Board of Dunlop Tire Corporation. He also serves as a Director of Tektronix Corporation, Apropos Technology, and Power Steering, Inc.



**William J. Colombo** has served as a Director of the Company since August 2003. Mr. Colombo is currently the President and Chief Operating Officer of Dick's Sporting Goods, Inc. (NYSE:DKS). He joined Dick's in 1988 and was elected to his current position and to Dick's Board of Directors in 2002. Prior to that, he served as President of Dick's Internet subsidiary, dsports.com LLC, from 1998-2001. From 1995-1998, he was Dick's Executive Vice President and Chief Operating Officer. Before joining Dick's, he had an 11-year career with JC Penney Company.

**Gerald S. Lippes** has served as a Director of the Company since its formation. He has been engaged in the private practice of law since 1965 and is a partner of the firm of Lippes, Silverstein, Mathias & Wexler LLP, Buffalo, New York. Mr. Lippes is also a director of several private companies.



**William P. Montague** has served as a Director of the Company since its Initial Public Offering. He served as Executive Vice President and Chief Financial Officer of Mark IV Industries, Inc. from 1986 to 1996 and, since 1996, as President and Director. He is also a director of IIMAK (International Imaging Materials, Inc.).

**Arthur A. Russ, Jr.** has served as a Director of the Company since its formation. He has been engaged in the private practice of law since 1969 and is a partner of the firm of Phillips Lytle, LLP, Buffalo, New York. Mr. Russ is also a director of several private companies and nonprofit entities.

**Robert E. Sadler, Jr.** has served as a Director of the Company since January 2004. He is currently the Chairman of M&T Bank. He is also Executive Vice President for its parent company, M&T Bank Corporation (NYSE:MTB), one of the 20 largest banks in the U.S. Mr. Sadler also serves on the board of Delaware North Companies, Inc. and Security Mutual Life Insurance Company of New York.

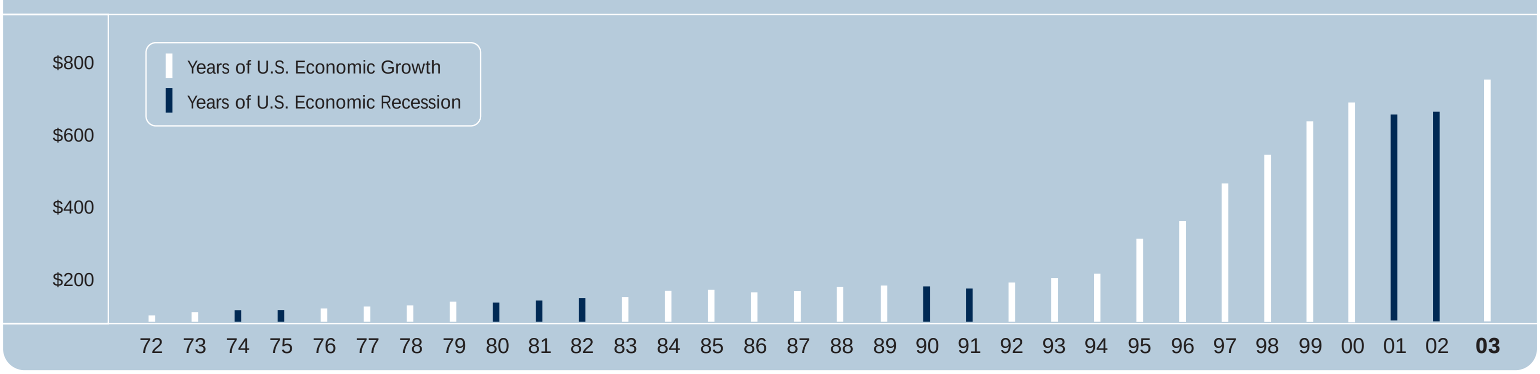
## Ten-Year Financial Highlights

| (In thousands, except percent and per share data) | 2003 | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 | 1996 | 1995 | 1994 |
|---|---|---|---|---|---|---|---|---|---|---|
| Net sales | **$758,261** | $645,114 | $616,028 | $677,540 | $621,918 | $557,944 | $449,700 | $342,974 | $282,833 | $200,142 |
| Income from operations | **58,802** | 50,160 | 37,509 | 59,892 | 55,469 | 44,455 | 32,603 | 30,617 | 20,368 | 16,179 |
| Interest expense | **14,252** | 10,403 | 16,446 | 18,942 | 13,439 | 11,389 | 5,115 | 3,827 | 3,984 | 1,374 |
| Income before income taxes | **44,550** | 39,757 | 21,063 | 40,950 | 42,030 | 33,066 | 27,488 | 26,790 | 16,384 | 14,805 |
| Income taxes | **17,597** | 15,903 | 8,530 | 16,585 | 17,022 | 13,226 | 11,072 | 10,815 | 6,662 | 5,996 |
| Net income | **26,953** | 23,854 | 12,533 | 24,365 | 25,008 | 19,840 | 16,416 | 15,975 | 9,722 | 8,809 |
| Net income per share – Basic | **$ 1.67** | $ 1.56 | $ 1.00 | $ 1.94 | $ 1.99 | $ 1.59 | $ 1.33 | $ 1.42 | $ 0.96 | $ 0.87 |
| Weighted average shares outstanding – Basic | **16,095** | 15,280 | 12,591 | 12,577 | 12,540 | 12,456 | 12,357 | 11,261 | 10,164 | 10,163 |
| Net income per share – Diluted | **$ 1.66** | $ 1.54 | $ 0.98 | $ 1.92 | $ 1.95 | $ 1.57 | $ 1.30 | $ 1.39 | $ 0.95 | $ 0.86 |
| Weighted average shares outstanding – Diluted | **16,258** | 15,519 | 12,773 | 12,685 | 12,806 | 12,651 | 12,591 | 11,464 | 10,213 | 10,200 |
| Cash dividends per common share | **$ 0.175** | $ 0.155 | $ 0.135 | $ 0.115 | $ 0.125 | – | – | – | – | – |
| Book value per share | **$ 20.47** | $ 18.34 | $ 17.32 | $ 16.58 | $ 14.75 | $ 12.84 | $ 11.29 | $ 9.88 | $ 6.91 | $ 5.94 |
| Working capital | **$150,694** | $138,246 | $105,064 | $132,407 | $112,923 | $124,236 | $ 87,645 | $ 68,673 | $ 57,515 | $ 48,524 |
| Total assets | **777,743** | 576,568 | 535,040 | 556,046 | 522,080 | 438,435 | 281,336 | 222,507 | 167,423 | 126,380 |
| Total debt | **242,250** | 166,932 | 212,275 | 255,853 | 236,621 | 200,746 | 83,024 | 49,841 | 59,054 | 38,658 |
| Shareholders' equity | **394,181** | 293,117 | 218,347 | 208,348 | 185,459 | 160,308 | 140,044 | 121,744 | 70,244 | 60,396 |
| Capital expenditures | **22,571** | 15,995 | 14,344 | 19,619 | 21,999 | 22,062 | 21,784 | 15,477 | 14,504 | 16,171 |
| Depreciation and amortization | **$ 22,448** | $ 20,481 | $ 23,486 | $ 21,188 | $ 17,452 | $ 13,333 | $ 8,478 | $ 6,246 | $ 4,538 | $ 3,445 |
| Return on sales (%) | **3.6** | 3.7 | 2.0 | 3.6 | 4.0 | 3.6 | 3.7 | 4.7 | 3.4 | 4.4 |
| Return on average equity (%) | **7.8** | 9.3 | 5.9 | 12.4 | 14.5 | 13.2 | 12.5 | 16.6 | 14.9 | 15.7 |

## Growing... In Good Times and Bad

Sales in millions

Sales CAGR: 1972-2003=**15.4%,** 1993-2z003=**16.3%**




There have been four recessions during Gibraltar's 31-year history. Following each, Gibraltar generated strong and sustained growth. After the 1990-91 recession, Gibraltar generated nine consecutive years of sales growth and eight straight years of record earnings.

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

The following Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the Company's consolidated financial statements and notes thereto included in this annual report

## Overview

The consolidated financial statements present the financial condition of the Company as of December 31, 2003 and 2002, and the consolidated results of operations and cash flows of the Company for the years ended December 31, 2003, 2002 and 2001.

The Company is organized into three reportable segments – Processed Steel Products, Building Products and Heat Treating. The Company also held equity positions in two joint ventures as of December 31, 2003.

The Processed Steel Products segment produces a wide variety of cold-rolled strip steel products, coated sheet steel products and strapping products. This segment primarily serves the automotive industry's leaders, such as General Motors, Ford, Chrysler, and Honda. This segment also serves the automotive supply and commercial and residential metal building industry, as well as the power and hand tool and hardware industries. During 2003, the Company strengthened its Processed Steel Products segment through its joint venture with Duferco Farrell Corporation, in which the Company acquired a 50% partnership interest in Gibraltar DFC Strip Steel, LLC. The automotive market is a very important part of the Company's Processed Steel segment. In 2004, the Company plans to continue its longstanding relationships with the domestic automotive manufacturers, as well as enhance its present relationships with the transplant automobile manufacturers and their suppliers.

The Building Products segment processes sheet steel to produce a wide variety of building and construction products. This segment's products are sold to major retail home centers, such as The Home Depot, Lowe's, Menards and Wal-Mart. During 2003, the Company eliminated competitors and strengthened its position in the Building Products market through the acquisitions of Construction Metals (acquired April 1, 2003) and Air Vent (acquired May 1, 2003). These strategic acquisitions enabled the Company to broaden its geographic markets, solidify product offerings and added approximately $82.4 million to the Company's consolidated net sales for 2003. In addition, in January 2004, the Company acquired Renown Specialties Company Ltd., which is a manufacturer and distributor of construction hardware products in Canada. The acquisition of Renown serves to broaden the Company's product lines and strengthen its existing customer relationships. In 2004, the Company believes the ongoing trend of increased use of metal building products will continue because of favorable environmental characteristics, cost efficiency and architectural design enhancements.

The Heat Treating segment provides a wide array of processes which refine the metallurgical properties of customer-owned metal products for a variety of consumer and industrial applications where critical performance characteristics are required. This segment services such customers as General Motors, Ford, Eaton Corporation, Dana Corporation, and International Truck. In 2004, the Company believes the growing trend in the outsourcing of heat treating operations will continue and that its heat treating facilities are strategically located to meet the needs of customers from a geographically diverse base of operations.

The following table sets forth the Company's net sales by reportable segment for the period ending December 31:

| (In thousands) | 2003 | 2002 | 2001 |
|---|---|---|---|
| Net sales | | | |
| Processed steel products | **$ 268,512** | $ 272,796 | $ 252,382 |
| Building products | **400,412** | 292,161 | 292,464 |
| Heat treating | **89,337** | 80,157 | 71,182 |
| Total consolidated net sales | **$ 758,261** | $ 645,114 | $ 616,028 |

## Results of Operations

### Year Ended 2003 Compared to Year Ended 2002

*Consolidated*

Net sales increased by approximately $113.1 million, or 17.5%, to $758.3 million in 2003, from net sales of $645.1 million in 2002. The increase in net sales was primarily due to the addition of net sales of B&W Heat Treating (acquired July 1, 2002), Construction Metals (acquired April 1, 2003) and Air Vent (acquired May 1, 2003), which contributed approximately $87.9 million in additional sales in 2003. The remaining increase in net sales is the result of expanded sales penetration achieved through the Company's national manufacturing, marketing and distribution capabilities, as well as through new product offerings, design enhancements on existing product lines and new market opportunities.

Cost of sales increased by approximately $92.3 million, or 17.8%, to $610.1 million in 2003, from cost of sales of $517.8 million in 2002. The dollar-for-dollar increase in 2003 cost of sales was primarily due to higher sales volume as a result of the B&W Heat Treating, Construction Metals and Air Vent acquisitions. Cost of sales as a percentage of net sales increased to 80.5% in 2003 from 80.3% in 2002. The slight increase in cost of sales as a percentage of net sales in 2003, was the result of an increase in raw material, utility, workers compensation and transportation costs, as well as increases in fringe benefit costs as a percentage of net sales when compared to 2002.

Selling, general and administrative expenses increased by approximately $12.2 million, or 15.8%, to $89.3 million in 2003, from selling, general and administrative expenses of $77.1 million in 2002. The dollar-for-dollar increase in 2003 selling, general and administrative expenses was due primarily to the addition of costs from the 2003 acquisitions. Selling, general and administrative expenses as a percentage of net sales decreased to 11.8% in 2003 from 12.0% in 2002. This decrease was primarily due to the impact of the Company's recent acquisitions, which have lower selling, general and administrative costs as a percentage of net sales than the Company's existing operations.

Interest expense increased by approximately $3.8 million in 2003, primarily due to an increase in debt used to finance the 2003 acquisitions of Construction Metals and Air Vent, as well as the Company's 50% interest in Gibraltar DFC Strip Steel, LLC.

As a result of the above, income before taxes increased by $4.8 million, or 12.1%, to $44.6 million in 2003 from income before taxes of $39.8 million in 2002.

Income taxes approximated $17.6 million in 2003, based on a 39.5% effective rate compared with a 40% effective rate in 2002.

### *Segment Information*

Processed Steel Products – Net sales decreased by approximately $4.3 million, or 1.6%, to $268.5 million in 2003, from net sales of $272.8 million in 2002. This decrease was primarily due to decreases in automotive production levels by the "Big Three" automotive manufacturers, as well as reduced sales in the service center business attributable to the reduction in processed steel demand for use in commercial building industry applications.

Income from operations decreased by approximately $6.9 million, or 21.1%, to $25.9 million in 2003, compared to income from operations of $32.8 million in 2002. Operating margin decreased to 9.6% of net sales in 2003 compared to 12.0% in 2002, primarily due to higher raw material, transportation, and workers compensation costs as well as increases in fringe benefit costs as a percentage of lower net sales.

Building Products – Net sales increased by approximately $108.3 million, or 37.1%, to $400.4 million in 2003, from net sales of $292.2 million in 2002. The increase in net sales was due primarily to the addition of net sales of Construction Metals (acquired April 1, 2003) and Air Vent (acquired May 1, 2003), which contributed approximately $82.4 million in additional net sales in 2003. The remaining increase in net sales was the result of expanded sales penetration through both new and redesigned product offerings as well as new market opportunities.

Income from operations increased by approximately $18.8 million, or 88.1%, to $40.1 million in 2003, compared to income from operations of $21.3 million in 2002. Operating margin increased to 10.0% of net sales in 2003, compared to 7.3% in 2002 primarily due to higher income from operations of the 2003 acquisitions, and was partially offset by increases in raw material costs during 2003.

Heat Treating – Net sales increased by approximately $9.2 million, or 11.5%, to $89.3 million in 2003 from net sales of $80.2 million in 2002. This increase was due primarily to the addition of a full year of net sales of B&W Heat Treating (acquired July 1, 2002), which contributed approximately $5.5 million in additional net sales in 2003. The remaining increase in net sales was primarily the result of increased sales penetration by the Company's new brazing operation in Fairfield, Ohio.

Income from operations decreased by approximately $.5 million, or 5.2%, to $9.4 million in 2003, compared to income from operations of $9.9 million in 2002. Operating margin decreased to 10.5% of net sales in 2003, compared to 12.4% of net sales in 2002 primarily due to higher material, utility and workers compensation costs, as well as increases in fringe benefit costs.

## Year Ended 2002 Compared to Year Ended 2001

### *Consolidated*

Net sales increased by approximately $29.1 million, or 4.7%, to $645.1 million in 2002, from net sales of $616.0 million in 2001. This increase resulted primarily from increased sales resulting from increased production levels in the automotive industry and the July 1, 2002 acquisition of B&W Heat Treating.

Cost of sales increased by approximately $17.9 million, or 3.5%, to $517.8 million in 2002 from cost of sales of $499.9 million in 2001. Cost of sales as a percentage of net sales decreased to 80.3% in 2002 from 81.2% in 2001 primarily due to lower raw material and freight costs partially offset by increased direct labor and health-care costs and general insurance expense.

Selling, general and administrative expenses decreased by approximately $1.4 million, or 1.8%, to $77.1 million in 2002 from selling, general and administrative expenses of $78.6 million in 2001. Selling, general and administrative expenses as a percentage of net sales decreased to 12.0% for 2002 from 12.8% for 2001 primarily due to the elimination of goodwill amortization as a result of the implementation of new accounting rules in 2002, partially offset by increased incentive compensation. Additionally, in 2001 we had a non-cash charge of $1.0 million relating to the Company's E-Commerce investment.

Interest expense decreased by approximately $6.0 million in 2002 primarily due to lower average borrowings during 2002 due to the use of proceeds from the Company's stock offering in mid-March 2002 and lower interest rates.

As a result of the above, income before taxes increased by $18.7 million, or 88%, to $39.8 million in 2002, from income before taxes of $21.1 million in 2001.

Income taxes approximated $15.9 million in 2002, based on a 40% effective rate compared with a 40.5% effective rate in 2001.

*Segment Information*

Processed Steel Products – Net sales increased by approximately $20.4 million, or 8.1%, to $272.8 million in 2002, from net sales of $252.4 million in 2001. This increase was due primarily to increased sales resulting from increased production levels in the automotive industry in 2002.

Income from operations increased by approximately $3.7 million, or 12.6%, to $32.8 million in 2002, compared to income from operations of $29.2 million in 2001. Operating margin increased to 12.0% of net sales in 2002 compared to 11.6% in 2001, primarily due to lower raw material and freight costs, partially offset by increased direct labor costs and incentive-based compensation.

Building Products – Net sales for 2002 of $292.2 million were comparable to net sales of $292.4 million for 2001. Weaker demand due to general economic conditions in this segment's industry early in the year were offset by an improvement in these conditions during the third and fourth quarters, especially through sales to major retail outlets.

Income from operations increased by approximately $3.2 million, or 17.4%, to $21.3 million in 2002, compared to income from operations of $18.2 million in 2001. Operating margin increased to 7.3% of net sales in 2002, compared to 6.2% in 2001 primarily due to lower raw material costs, partially offset by increased health-care costs, general insurance expense and incentive-based compensation.

Heat Treating – Net sales increased by approximately $9.0 million, or 12.6%, to $80.2 million in 2002, from net sales of $71.2 million in 2001. This increase was due primarily to the July 1, 2002 acquisition of B&W Heat Treating and increased sales resulting from increased production levels in the automotive industry.

Income from operations increased by approximately $1.1 million, or 12.6%, to $9.9 million in 2002, compared to income from operations of $8.8 million in 2001. Operating margin as a percentage of net sales of 12.4% for 2002 was comparable to 2001.

## Critical Accounting Policies

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make decisions based upon estimates, assumptions, and factors it considers relevant to the circumstances. Such decisions include the selection of applicable principles and the use of judgment in their application, the results of which could differ from those anticipated.

A summary of the Company's significant accounting policies are described in Note 1 of the Company's consolidated financial statements included in this annual report.

The Company's most critical accounting policies include: valuation of accounts receivable, which impacts general and administrative expense; valuation of inventory, which impacts cost of sales and gross margin; and the assessment of recoverability of goodwill and other intangible and long-lived assets, which impacts write-offs of goodwill, intangibles and long-lived assets. Management reviews the estimates, including, but not limited to, the allowance for doubtful accounts and inventory reserves on a regular basis and makes adjustments based on historical experiences, current conditions and future expectations. The reviews are performed regularly and adjustments are made as required by current available information. Management believes these estimates are reasonable, but actual results could differ from these estimates.

The Company's accounts receivable represent those amounts which have been billed to the Company's customers but not yet collected. Management analyzes various factors including historical experience, credit worthiness of customers and current market and economic conditions. The allowance for doubtful accounts balance is established based on the portion of those accounts receivable which are deemed to be potentially uncollectible. Changes in judgments on these factors could impact the timing of costs recognized.

The Company states its inventories at lower of cost or market. The cost basis of the Company's inventory is determined on a first-in-first-out basis using either actual costs or a standard cost methodology which approximates actual cost.

Intangible assets with estimable useful lives (which consist primarily of non-competition agreements) are amortized to their residual values over those estimated useful lives in proportion to the economic benefit consumed.

Long-lived assets with estimated useful lives are depreciated to their residual values over those useful lives in proportion to the economic value consumed. Long-lived assets are tested for impairment when events or changes in circumstances indicate that the carrying amount of a long-lived asset may not be recoverable and exceeds its fair market value. This circumstance exists if the carrying amount of the asset in question exceeds the sum of the undiscounted cash flows expected to result from the use of the asset. The impairment loss would be measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value as determined by discounted cash flow method or in the case of negative cash flow, an independent market appraisal of the asset.

Goodwill is tested annually, or sooner if indicators of impairment exist, for impairment at the reporting unit level by comparing the fair value of the reporting unit with its carrying value. A reporting unit is either the same as, or one level below, an operating segment. The primary valuation method for determining the fair value of the reporting unit is a discounted cash flow analysis. If the goodwill is indicated as being impaired (the fair value of the reporting unit is less than the carrying amount), the fair value of the reporting unit would then be allocated to its assets and liabilities in a manner similar to a purchase price allocation in order to determine the implied fair value of the reporting unit goodwill. This implied fair value of the reporting unit goodwill would then be compared with the carrying amount of the reporting unit goodwill and, if it is less, the Company would then recognize an impairment loss.

The projection of future cash flows for the goodwill impairment analysis requires significant judgments and estimates with respect to future revenues related to the assets and the future cash outlays related to those revenues. Actual revenues and related cash flows, changes in anticipated revenues and related cash flows or use of different assumptions could result in changes in this assessment.

## Liquidity and Capital Resources

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

The Company's shareholders' equity increased by approximately $101.1 million or 34.5%, to $394.2 million, at December 31, 2003. This increase was primarily due to the receipt of $70.0 million in net proceeds from the Company's common stock offering in December 2003, proceeds of $3.6 million from the exercise of stock options, as well as net income of $27.0 million, including earnings from the Company's 2003 acquisitions.

During 2003, the Company's working capital increased $12.5 million, or 9.0%, to approximately $150.7 million. The increase in working capital was primarily the result of an increase in cash and cash equivalents due to the cash proceeds received from the December 2003 common stock offering. The net proceeds to the Company from the common stock offering approximated $70.0 million and approximately $45.0 million was used to pay off the Company's LIBOR debt that matured in December 2003. The remaining $25.0 million in cash proceeds received from the offering was held in cash and cash equivalents at December 31, 2003. Subsequent to year-end, the Company used this $25.0 million in cash to pay down the Company's LIBOR debt that matured in January 2004. The remaining change in working capital was primarily the result of increases in accounts receivable of $16.8 million, offset by increases in the current portion of long-term debt of $19.2 million and the aggregate increase in accounts payable and accrued expenses of $14.8 million, primarily due to the acquisitions of Construction Metals and Air Vent.

On April 1, 2003, the Company purchased all of the outstanding capital stock of Construction Metals and on May 1, 2003, the Company purchased all of the outstanding capital stock of Air Vent. The Company paid approximately $147 million for both acquisitions, comprised of $87.2 million in cash, which included direct acquisition costs, and $59.8 million in unsecured subordinated debt payable to the former owners of the acquired companies over three to five years at annual interest rates ranging from 4.0% to 5.0%.

The Company's primary sources of liquidity are cash provided by operating activities and its revolving credit facility. Net cash provided by operating activities for the year ended December 31, 2003 was $64.7 million and primarily represents net income plus non-cash charges for depreciation and amortization and changes in working capital positions. Net cash provided by operating activities in 2003 was due primarily to net income of $27.0 million combined with depreciation and amortization of $22.4 million, the provision for deferred income taxes of $6.5 million, reductions in inventories of $11.1 million and increases in accounts payable and accrued expenses of $1.0 million offset by increases in accounts receivable and other current assets which aggregated $5.0 million.

The $64.7 million of net cash provided by operating activities and the net proceeds of $70.0 million from the Company's 2003 stock offering plus cash on hand at the beginning of the period and cash generated by the exercise of stock options of $3.6 million, were used to pay down $118.1 million of the Company's long-term debt, to fund current operations, the acquisitions of Construction Metals and Air Vent of $84.2 million (net of cash acquired), capital expenditures of $22.6 million and pay cash dividends of $2.7 million.

In April 2003, the Company amended its revolving credit facility, which expires in June 2007, to increase the aggregate borrowing limit to $290.0 million. Additionally, the revolving credit facility contains a $10.0 million expansion feature at the Company's option, subject to approval by participating financial institutions. Borrowings thereunder are secured with the Company's accounts receivable, inventories and personal property and equipment. At December 31, 2003, the Company had used approximately $125.0 million of the revolving credit facility, resulting in $165.0 million in availability. At December 31, 2003, the Company had interest rate swap agreements outstanding which effectively converted $50 million of borrowings under its revolving credit agreement to fixed interest rates ranging from 7.72% to 8.43%. Additional borrowings under the revolving credit facility carry interest at LIBOR plus a fixed rate. At December 31, 2003, additional borrowings under the revolving credit facility aggregated $75.0 million. The weighted average interest rate of these additional borrowings was 3.55% at December 31, 2003.

The Company's revolving credit facility contains various debt covenants. At December 31, 2003 the Company was in compliance with all covenants.

In 2002, the Company entered into a $50 million private placement of debt with The Prudential Insurance Company of America, which consists of a $25 million senior secured note bearing interest at 7.35% annually, due on July 3, 2007 and a $25 million senior subordinated note, bearing interest at 8.98% annually, due on January 3, 2008. At December 31, 2003, the total principal balance of the private placement debt aggregated $50 million, none of which is due within the next 12 months.

In January 2004, the underwriters of the Company's December 2003 common stock offering exercised a portion of their over-allotment option, and purchased an additional 214,625 shares of the Company's common stock at $24.75 per share. Net proceeds to the Company from the purchase of these additional shares was approximately $5.0 million and was used to further reduce the Company's outstanding debt.

The Company believes that availability of funds under its credit facility together with cash generated from operations will be sufficient to provide the Company with the liquidity and capital resources necessary to support its principal capital requirements, including operating activities, capital expenditures, and dividends.

## Contractual Obligations

The following table summarizes the Company's contractual obligations at December 31, 2003:

| Payments Due By Period (In thousands) | TOTAL | LESS THAN 1 YEAR | 2 - 3 YEARS | 4 - 5 YEARS | MORE THAN 5 YEARS |
|---|---|---|---|---|---|
| Revolving credit facility | **$ 125,000** | $ – | $ – | $ 125,000 | $ – |
| Long-term debt | **117,250** | 19,848 | 29,184 | 67,218 | 1,000 |
| Operating lease obligations | **35,531** | 7,743 | 12,847 | 7,669 | 7,272 |
| Total | **$ 277,781** | $ 27,591 | $ 42,031 | $ 199,887 | $ 8,272 |

## Related Party Transactions

In connection with the acquisition of Construction Metals in April 2003, the Company entered into two unsecured subordinated notes payable, each in the amount of $8.75 million (aggregate total of $17.5 million). These notes are payable to the former owners of Construction Metals and are considered related party in nature due to the former owners' current employment relationship with the Company. These notes are payable in three equal annual principal installments of approximately $2.9 million per note, beginning on April 1, 2004, with the final principal payment due on April 1, 2006. These notes require quarterly interest payments at an interest rate of 5.0% per annum. Interest expense related to these notes payable aggregated approximately $660,000 in 2003. At December 31, 2003, the current portion of these notes payable aggregated approximately $5.8 million and accrued interest aggregated approximately $221,000.

The Company has certain operating lease agreements related to operating locations and facilities with the former owners of Construction Metals (related parties) or companies controlled by these parties. Rental expense associated with these related party operating leases aggregated approximately $512,000 in 2003.

## Recent Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 143, *Accounting for Asset Retirement Obligations (SFAS 143).* SFAS 143 requires that the fair value of an asset retirement obligation be recognized in the period in which it is incurred. The adoption of SFAS 143 did not have a material impact on the Company's results of operations.

In June 2002, the FASB issued SFAS 146, *Accounting for Exit or Disposal Activities.* SFAS 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. The provisions of SFAS 146 are effective for exit or disposal activities that were initiated after December 31, 2002 and did not have a material impact on the Company's financial position or results of operations.

In November 2002, the FASB issued FASB Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others* (FIN 45). FIN 45 requires the fair-value measurement and recognition of a liability for the issuance of certain guarantees issued or modified on January 1, 2003 or after. Implementation of the fair-value measurement and recognition provisions of FIN 45 did not have a material impact on the Company's financial position or results of operations.

In December 2002, the FASB issued SFAS 148, *Accounting for Stock-Based Compensation–Transition and Disclosure,* an Amendment of SFAS No. 123. SFAS 148 amends SFAS 123, *Accounting for Stock-Based Compensation,* to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS 148 amends the disclosure requirements of SFAS 123 to require more prominent and more frequent disclosures in the financial statements regarding the effects of stock-based compensation. SFAS 148 is effective for financial statements for fiscal years ending after December 15, 2002, including certain amendments to required disclosures related to stock-based compensation included in condensed financial statements for interim periods beginning after December 15, 2002. Adoption of SFAS 148 did not have a material impact on the Company's financial position, results of operations or cash flows. For further discussion of the Company's stock-based compensation arrangements, see Note 1 of the Company's consolidated financial statements.

In January 2003, the FASB issued FIN 46, *Consolidation of Variable Interest Entities.* This interpretation of Accounting Research Bulletin No. 51, Consolidated Financial Statements, addresses consolidation of variable interest entities. FIN 46 requires certain variable interest entities to be consolidated by the primary beneficiary if the entity does not effectively disperse risks among the parties involved. The provisions of FIN 46 are effective immediately for those variable interest entities created after January 31, 2003. The provisions are effective for financial statements issued for the first interim or annual period ending after December 15, 2003 for those variable interests held prior to February 1, 2003. The adoption of this Interpretation did not have any effect on the Company's financial position or results of operations.

In April 2003, the FASB issued SFAS 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities.* SFAS 149 clarifies the accounting for derivatives, amending the previously issued SFAS 133, *Accounting for Derivative Instruments and Hedging Activities.* SFAS 149 clarifies under what circumstances a contract with an initial net investment meets the characteristics of a derivative, amends the definition of any underlying contract, and clarifies when a derivative contains a financing components in order to increase the comparability of accounting practices under SFAS 133. SFAS 149 is effective for contracts entered into or modified after June 30, 2003. The adoption of SFAS 149 did not have a material impact on the Company's consolidated financial statements.

In May 2003, the FASB issued SFAS 150, *Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity.* SFAS 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. SFAS 150 applies specifically to a number of financial instruments that companies have historically presented within their financial statements either as equity or between the liabilities section and the equity section, rather than as liabilities. SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. Implementation of SFAS 150 did not have a material impact on the Company's consolidated financial statements.

In December 2003, the FASB issued SFAS 132 (revised 2003), *Employer's Disclosures About Pensions and Other Postretirement Benefits.* SFAS 132 (revised 2003), revises employers' disclosures about pension plans and other postretirement benefit plans. SFAS 132 (revised 2003), does not change the measurement and recognition of those plans required by SFAS 87, *Employers' Accounting for Pensions,* SFAS 88, *Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits,* and SFAS 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions.* SFAS 132 (revised 2003), retains the original disclosure requirements of SFAS 132 and requires additional expanded annual and interim disclosures to those in the original SFAS 132 about the assets, obligations, cash flows, and net periodic benefit costs of defined benefit pension plans and other defined benefit postretirement benefit plans. Except for certain provisions, the adoption of this Statement is required for financial statements with fiscal years ending after December 15, 2003. Implementation of SFAS 132 (revised 2003) did not have a material impact on the Company's consolidated financial statements. The revised disclosure requirements of this Statement are reflected in Notes 8 and 9 of the consolidated financial statements.

## QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the ordinary course of business, the Company is exposed to various market risk factors, including changes in general economic conditions, competition and raw materials pricing and availability. In addition, the Company is exposed to market risk, primarily related to its long-term debt. To manage interest rate risk, the Company uses both fixed and variable interest rate debt. The Company also entered into interest rate swap agreements that converted a portion of its variable-rate debt to fixed rate debt. At December 31, 2003, the Company had $50 million of revolving credit borrowings that was fixed-rate debt pursuant to these agreements.

The following table summarizes the principal cash flows and related interest rates of the Company's long-term debt at December 31, 2003 by expected maturity dates. The weighted average interest rates are based on the actual rates that existed at December 31, 2003. The variable rate debt consists primarily of the credit facility, of which $125 million is outstanding at December 31, 2003. A hypothetical 1% increase or decrease in interest rates would have changed the 2003 interest expense by approximately $1.3 million.

The fair value of the Company's debt was $249.9 million at December 31, 2003.

| (In thousands) | 2004 | 2005 | 2006 | 2007 | 2008 | THEREAFTER | TOTAL |
|---|---|---|---|---|---|---|---|
| Long-term debt (fixed) | $ 19,348 | $ 14,292 | $ 14,292 | $ 33,459 | $ 33,459 | – | $114,850 |
| Weighted average interest rate | 6.16% | 6.66% | 6.95% | 7.36% | 7.97% | – | |
| Long-term debt (variable) | $ 500 | $ 400 | $ 200 | $125,200 | $ 100 | $ 1,000 | $127,400 |
| Weighted average interest rate | 5.39% | 5.40% | 5.41% | 5.41% | 3.45% | 3.45% | |
| Interest rate swaps (notional amounts) | $ 30,000 | $ 20,000 | | | | | |
| Interest pay rate | 8.43% | 7.96% | | | | | |
| Interest receive rate | 1.17% | 1.17% | | | | | |

## 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; risks associated with the integration of acquisitions; and changes in interest or tax rates.

## Consolidated Balance Sheets

| As of December 31, (In thousands, except share and per share data) | 2003 | 2002 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | **$ 29,019** | $ 3,662 |
| Accounts receivable | **102,591** | 85,746 |
| Inventories | **107,531** | 106,155 |
| Other current assets | **10,309** | 7,431 |
| Total current assets | **249,450** | 202,994 |
| Property, plant and equipment, net | **250,029** | 231,526 |
| Goodwill | **267,157** | 133,452 |
| Investments in partnerships | **5,044** | 3,852 |
| Other assets | **6,063** | 4,744 |
| | **$ 777,743** | $ 576,568 |
| **Liabilities and Shareholders' Equity** | | |
| Current liabilities: | | |
| Accounts payable | **$ 49,879** | $ 42,074 |
| Accrued expenses | **29,029** | 22,050 |
| Current maturities of long-term debt | **19,848** | 624 |
| Total current liabilities | **98,756** | 64,748 |
| Long-term debt | **222,402** | 166,308 |
| Deferred income taxes | **55,982** | 44,656 |
| Other non-current liabilities | **6,422** | 7,739 |
| Shareholders' equity: | | |
| Preferred stock $.01 par value; authorized: 10,000,000 shares; none outstanding | **–** | – |
| Common stock, $.01 par value; authorized: 50,000,000 shares; issued 19,274,069 and 15,996,999 shares in 2003 and 2002, respectively | **193** | 160 |
| Additional paid-in capital | **199,206** | 124,825 |
| Retained earnings | **196,138** | 172,147 |
| Unearned compensation | **(818)** | (1,086) |
| Accumulated other comprehensive loss | **(538)** | (2,929) |
| | **394,181** | 293,117 |
| Less: cost of 19,000 and 15,000 common shares held in treasury in 2003 and 2002, respectively | **–** | – |
| Total shareholders' equity | **394,181** | 293,117 |
| | **$ 777,743** | $ 576,568 |

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

## Consolidated Statements of Income

| Year Ended December 31, (In thousands, except per share data) | 2003 | 2002 | 2001 |
|---|---|---|---|
| Net sales | **$ 758,261** | $ 645,114 | $ 616,028 |
| Cost of sales | **610,147** | 517,825 | 499,945 |
| Gross profit | **148,114** | 127,289 | 116,083 |
| Selling, general and administrative expense | **89,312** | 77,129 | 78,574 |
| Income from operations | **58,802** | 50,160 | 37,509 |
| Interest expense | **14,252** | 10,403 | 16,446 |
| Income before taxes | **44,550** | 39,757 | 21,063 |
| Provision for income taxes | **17,597** | 15,903 | 8,530 |
| Net income | **$ 26,953** | $ 23,854 | $ 12,533 |
| Net income per share – Basic | **$ 1.67** | $ 1.56 | $ 1.00 |
| Weighted average shares outstanding – Basic | **16,095** | 15,280 | 12,591 |
| Net income per share – Diluted | **$ 1.66** | $ 1.54 | $ 0.98 |
| Weighted average shares outstanding – Diluted | **16,258** | 15,519 | 12,773 |

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

## Consolidated Statements of Cash Flows

| Year Ended December 31, (In thousands) | 2003 | 2002 | 2001 |
|---|---|---|---|
| **Cash Flows From Operating Activities** | | | |
| Net income | **$ 26,953** | $ 23,854 | $ 12,533 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | **22,448** | 20,481 | 23,486 |
| Provision for deferred income taxes | **6,502** | 5,800 | 4,545 |
| Undistributed equity investment income | **316** | 340 | 547 |
| Tax benefit from exercise of stock options | **949** | 349 | 40 |
| Unearned compensation | **212** | 258 | 117 |
| Other non-cash adjustments | **172** | 9 | – |
| Increase (decrease) in cash resulting from changes in (net of acquisitions): | | | |
| Accounts receivable | **(2,880)** | (7,204) | 2,290 |
| Inventories | **11,056** | (30,308) | 25,140 |
| Other current assets | **(2,108)** | (1,883) | 495 |
| Accounts payable and accrued expenses | **1,047** | 3,468 | 5,885 |
| Other assets | **(4)** | (2,959) | 739 |
| Net cash provided by operating activities | **64,663** | 12,205 | 75,817 |
| **Cash Flows From Investing Activities** | | | |
| Acquisitions, net of cash acquired | **(84,243)** | (8,847) | (10,832) |
| Purchase of equity investment | **(7,797)** | – | (14,344) |
| Purchases of property, plant and equipment | **(22,571)** | (15,995) | – |
| Net proceeds from sale of property and equipment | **436** | 2,118 | 435 |
| Net cash used in investing activities | **(114,175)** | (22,724) | (24,741) |
| **Cash Flows From Financing Activities** | | | |
| Long-term debt reduction | **(118,100)** | (129,945) | (92,843) |
| Proceeds from long-term debt | **122,144** | 84,571 | 49,265 |
| Net proceeds from issuance of common stock | **73,558** | 53,674 | 589 |
| Payment of dividends | **(2,733)** | (2,269) | (1,638) |
| Net cash provided by (used in) financing activities | **74,869** | 6,031 | (44,627) |
| Net increase (decrease) in cash and cash equivalents | **25,357** | (4,488) | 6,449 |
| Cash and cash equivalents at beginning of year | **3,662** | 8,150 | 1,701 |
| Cash and cash equivalents at end of year | **$ 29,019** | $ 3,662 | $ 8,150 |

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

## Consolidated Statements of Shareholders' Equity and Comprehensive Income

| (In thousands, except per share data) | COMPREHENSIVE INCOME | COMMON STOCK SHARES | COMMON STOCK AMOUNT | ADDITIONAL PAID-IN CAPITAL | RETAINED EARNINGS | UNEARNED COMPENSATION | ACCUMULATED OTHER COMPREHENSIVE LOSS | TREASURY STOCK SHARES | TREASURY STOCK AMOUNT | TOTAL SHAREHOLDERS' EQUITY |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at Dec. 31, 2000** | | 12,567 | $ 126 | $ 69,434 | $ 139,747 | $ (959) | $ – | – | $ – | $ 208,348 |
| Comprehensive income (loss): | | | | | | | | | | |
| Net income | $ 12,533 | – | – | – | 12,533 | – | – | – | – | 12,533 |
| Other comprehensive loss: | | | | | | | | | | |
| Implementation of SFAS 133 | (191) | – | – | – | – | – | – | – | – | – |
| Unrealized loss on interest rate swaps, net of tax of $1,008 | (1,387) | – | – | – | – | – | – | – | – | – |
| Other comprehensive loss | (1,578) | – | – | – | – | – | (1,578) | – | – | (1,578) |
| Total comprehensive income | $ 10,955 | | | | | | | | | |
| Stock options exercised | | 40 | – | 589 | – | – | – | – | – | 589 |
| Tax benefit from exercise of stock options | | – | – | 40 | – | – | – | – | – | 40 |
| Cash dividends–$.135 per share | | – | – | – | (1,702) | – | – | – | – | (1,702) |
| Earned portion of restricted stock | | – | – | – | – | 117 | – | – | – | 117 |
| **Balance at Dec. 31, 2001** | | 12,607 | 126 | 70,063 | 150,578 | (842) | (1,578) | – | – | 218,347 |
| Comprehensive income (loss): | | | | | | | | | | |
| Net income | $ 23,854 | – | – | – | 23,854 | – | – | – | – | 23,854 |
| Other comprehensive loss: | | | | | | | | | | |
| Foreign currency translation adjustment, net of tax of $0 | (369) | – | – | – | – | – | – | – | – | – |
| Unrealized loss on interest rate swaps, net of tax of $629 | (982) | – | – | – | – | – | – | – | – | – |
| Other comprehensive loss | (1,351) | – | – | – | – | – | (1,351) | – | – | (1,351) |
| Total comprehensive income | $ 22,503 | | | | | | | | | |
| Issuance of stock associated with public offering | | 3,150 | 32 | 50,678 | – | – | – | – | – | 50,710 |
| Stock options exercised | | 151 | 1 | 2,303 | – | – | – | – | – | 2,304 |
| Tax benefit from exercise of stock options | | – | – | 349 | – | – | – | – | – | 349 |
| Cash dividends–$.155 per share | | – | – | – | (2,466) | – | – | – | – | (2,466) |
| Issuance of restricted stock | | 56 | 1 | 1,303 | – | (782) | – | – | – | 522 |
| Earned portion of restricted stock | | – | – | – | – | 258 | – | – | – | 258 |
| Forfeiture of restricted stock awards | | (15) | – | (348) | – | 280 | – | 15 | – | (68) |
| Issuance of stock in connection with acquisition | | 33 | – | 477 | 181 | – | – | – | – | 658 |
| **Balance at Dec. 31, 2002** | | 15,982 | 160 | 124,825 | 172,147 | (1,086) | (2,929) | 15 | – | 293,117 |
| Comprehensive income (loss): | | | | | | | | | | |
| Net income | $ 26,953 | – | – | – | 26,953 | – | – | – | – | 26,953 |
| Other comprehensive income (loss): | | | | | | | | | | |
| Foreign currency translation adjustment, net of tax of $637 | 1,346 | – | – | – | – | – | – | – | – | – |
| Minimum pension liability adjustment, net of tax of $38 | (58) | – | – | – | – | – | – | – | – | – |
| Unrealized gain on interest rate swaps, net of tax of $706 | 1,103 | – | – | – | – | – | – | – | – | – |
| Other comprehensive income | 2,391 | – | – | – | – | – | 2,391 | – | – | 2,391 |
| Total comprehensive income | $ 29,344 | | | | | | | | | |
| Issuance of stock associated with public offering | | 3,000 | 30 | 69,967 | – | – | – | – | – | 69,997 |
| Stock options exercised | | 277 | 3 | 3,558 | – | – | – | – | – | 3,561 |
| Tax benefit from exercise of stock options | | – | – | 949 | – | – | – | – | – | 949 |
| Cash dividends–$.130 per share | | – | – | – | (2,962) | – | – | – | – | (2,962) |
| Earned portion of restricted stock | | – | – | – | – | 212 | – | – | – | 212 |
| Forfeiture of restricted stock awards | | (4) | – | (93) | – | 56 | – | 4 | – | (37) |
| **Balance at Dec. 31, 2003** | | **19,255** | **$ 193** | **$199,206** | **$196,138** | **$ (818)** | **$ (538)** | **19** | **$ –** | **$ 394,181** |

The accompanying notes are an integral part of these 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). All significant intercompany accounts and transactions have been eliminated in consolidation.

### Use of Estimates
The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

### Revenue Recognition
Revenue is recognized when products are shipped and the customer takes ownership and assumes the risk of loss, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable. Sales returns and allowances are treated as reductions to sales and are provided for based on historical experience and current 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.

### Accounts Receivable
Accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable. The Company determines the allowance based on a number of factors, including historical experience, credit worthiness of customers and current market and economic conditions. The Company reviews the allowance for doubtful accounts on a regular basis. Account balances are charged against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company does not have any off-balance sheet exposure related to its customers.

Accounts receivable are expected to be collected within one year and are net of the allowance for doubtful accounts of $2,610,000 and $2,250,000 at December 31, 2003 and 2002, respectively.

### Inventories
Inventories are valued at the lower of cost or market. The cost basis of the inventory is determined on a first-in, first-out basis using either actual costs or a standard cost methodology which approximates actual cost.

### Property, Plant and Equipment
Property, plant and equipment are stated at cost and depreciated over their estimated useful lives using the straight-line method. Expenditures that extend the useful lives of assets are capitalized, while repair and maintenance costs are expensed as incurred. The estimated useful lives of land improvements and buildings and building improvements is 15 to 40 years, while machinery and equipment is 3 to 20 years. Accelerated methods are used for income tax purposes. Depreciation expense aggregated $21,644,000, $19,927,000 and $18,976,000 in 2003, 2002 and 2001, respectively.

Interest is capitalized in connection with construction of qualified assets. Under this policy, interest of $156,000, $105,000 and $469,000 was capitalized in 2003, 2002 and 2001, respectively.

### Goodwill and Other Intangible Assets
Goodwill represents the excess of costs over fair value of assets of businesses acquired. The Company adopted the provisions of Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets* (SFAS 142), as of January 1, 2002. Pursuant to SFAS 142, goodwill and intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized, but instead tested for impairment at least annually in accordance with the provisions of SFAS 142. SFAS 142 also requires that intangible assets with estimable useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with SFAS 144, *Accounting for Impairment or Disposal of Long-Lived Assets.*

### Investments in Partnerships
The Company's investments in partnerships are accounted for using the equity method of accounting, under which the Company's share of the earnings of the partnership is recognized in income as earned, and distributions are credited against the investment when received.

Equity method goodwill arises when the Company's investment in the partnership exceeds its applicable share of the fair market value of the partnership's net assets at the date the partnership was formed. In accordance with SFAS 142, equity method goodwill is not amortized or tested for impairment in accordance with this standard. The Company reviews the equity method goodwill in accordance with Accounting Principles Board Opinion No. 18, *The Equity Method of Accounting for Investments in Common Stock* (APB Opinion No. 18), under which the Company would recognize an impairment loss when there is a loss in the value of the equity method investment which is deemed to be other than a temporary decline.

### Interest Rate Exchange Agreements

Interest rate swap agreements are used by the Company in the management of interest rate risk. The interest rate swaps are not used for trading purposes and are accounted for as cash flow hedges under SFAS 133, *Accounting for Derivative Instruments and Hedging Activities.* The Company has determined that there is no ineffectiveness in these hedging relationships based on the criteria set forth in SFAS 133. The fair value of interest rate swap agreements are recognized as other non-current liabilities and aggregated $2,387,000 at December 31, 2003. Gains or losses from changes in the fair value of the swap agreements are recorded, net of taxes, as components of Accumulated Other Comprehensive Loss.

### Translation of Foreign Currency

The assets and liabilities of the Company's foreign subsidiary are translated into U.S. dollars at the rate of exchange in effect at the balance sheet date. Income and expense items are translated at the average exchange rates prevailing during the period. Gains and losses resulting from foreign currency transactions are recognized currently in income and those resulting from the translation of financial statements are accumulated as a separate component of comprehensive income net of related taxes.

### Shareholders' Equity

During 2003 and 2002, the Company declared dividends of $2,962,000 and $2,466,000, respectively, of which $869,000 and $640,000 are accrued at December 31, 2003 and 2002, respectively.

The Company reacquired 4,000 shares and 15,000 shares of forfeited restricted common stock in 2003 and 2002, respectively, at a cost of $.01 per share and reduced additional paid-in capital for an amount equal to the gross unvested portion of the restricted stock award at the date of forfeiture. These reacquired shares and related cost are reflected as treasury stock in the consolidated balance sheets at December 31, 2003 and 2002.

### Comprehensive Income

Comprehensive income includes net income as well as accumulated other comprehensive loss. The Company's accumulated other comprehensive loss consists of unrealized gains and losses on interest rate swaps, minimum pension liability and foreign currency translation adjustments, which are recorded net of related taxes.

### Net Income 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. A reconciliation between basic net income per share and diluted net income per share for the years ended December 31, 2003, 2002 and 2001 is displayed in Note 12.

### Income Taxes

The consolidated 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.

### Fair Market Value Disclosures

SFAS 107, *Disclosures About Fair Market Value of Financial Instruments,* defines the fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between willing parties. The Company's cash and cash equivalents are stated at cost which approximates fair value at December 31, 2003. The fair value of the Company's debt approximated $249,910,000 at December 31, 2003.

Fair market value estimates are made at a specific point in time based on relevant market information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

### Stock Based Compensation

*Stock options*

In December 2002, the Financial Accounting Standards Board (FASB) issued SFAS 148, *Accounting for Stock-Based Compensation-Transition and Disclosure* which amends SFAS 123, *Accounting for Stock-Based Compensation.* SFAS 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation and amends the disclosure requirements of SFAS 123 to require disclosures in both the annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. As allowed by SFAS 123, the Company follows the disclosure requirements of SFAS 123 and SFAS 148, but continues to account for its stock options using the intrinsic value-based method of accounting as prescribed by APB Opinion No. 25, *Accounting for Stock Issued to Employees* (APB Opinion No. 25). Accordingly, no compensation cost has been recognized for the stock option plans, as stock options granted under these plans have an exercise price equal to 100% of the market price of the underlying stock on the date of grant. The Company's stock option plans are discussed in more detail in Note 13.

The following table illustrates the pro forma effect on net income and net income per share, had the Company used the Black-Scholes option pricing model to calculate the fair value of stock option-based employee compensation pursuant to the provisions of SFAS 123 and SFAS 148:

| Year Ended December 31,<br>(In thousands, except per share data) | 2003 | 2002 | 2001 |
|---|---|---|---|
| Net income, as reported | **$ 26,953** | $ 23,854 | $ 12,533 |
| Deduct: Stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects | **357** | 1,000 | 794 |
| Pro forma net income | **$ 26,596** | $ 22,854 | $ 11,739 |
| Net income per share: | | | |
| Basic – as reported | **$ 1.67** | $ 1.56 | $ 1.00 |
| Basic – pro forma | **$ 1.65** | $ 1.50 | $ .93 |
| Diluted – as reported | **$ 1.66** | $ 1.54 | $ .98 |
| Diluted – pro forma | **$ 1.64** | $ 1.47 | $ .92 |

The fair values and assumptions used in the Black-Scholes option pricing model are as follows:

| | FAIR VALUE | EXPECTED LIFE | STOCK VOLATILITY | RISK-FREE INTEREST RATE | DIVIDEND YIELD |
|---|---|---|---|---|---|
| 2000 Grant | $ 6.31 | 5 Years | 43.7% | 6.3% | .7% |
| 1999 Grant | $ 9.18 | 5 Years | 45.1% | 4.4% | .2% |

*Restricted stock plan*

The Company has a restricted stock plan for the grant of restricted stock awards to employees and non-employee directors at a purchase price of $.01 per share. Upon issuance of the restricted shares, a charge equivalent to the market value of the shares on the date of grant less the purchase price of $.01 per share is charged to shareholders' equity (net of applicable tax effects), as unearned compensation (a contra equity account) and is amortized on a straight-line basis over the related share restriction period. The Company's restricted stock plan is discussed in more detail in Note 14.

### Recent Accounting Pronouncements

In June 2001, the FASB issued SFAS 143, *Accounting for Asset Retirement Obligations.* SFAS 143 requires that the fair value of an asset retirement obligation be recognized in the period in which it is incurred. The adoption of SFAS 143 did not have a material impact on the Company's results of operations.

In June 2002, the FASB issued SFAS 146, *Accounting for Exit or Disposal Activities.* SFAS 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. The provisions of SFAS 146 are effective for exit or disposal activities that were initiated after December 31, 2002 and did not have a material impact on the Company's financial position or results of operations.

In November 2002, the FASB issued FASB Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others* (FIN 45). FIN 45 requires the fair-value measurement and recognition of a liability for the issuance of certain guarantees issued or modified on January 1, 2003 or after. Implementation of the fair-value measurement and recognition provisions of FIN 45 did not have a material impact on the Company's financial position or results of operations.

In January 2003, the FASB issued FIN 46, *Consolidation of Variable Interest Entities.* This interpretation of Accounting Research Bulletin No. 51, *Consolidated Financial Statements,* addresses consolidation of variable interest entities. FIN 46 requires certain variable interest entities to be consolidated by the primary beneficiary if the entity does not effectively disperse risks among the parties involved. The provisions of FIN 46 are effective immediately for those variable interest entities created after January 31, 2003. The provisions are effective for financial statements issued for the first interim or annual period ending after December 15, 2003 for those variable interests held prior to February 1, 2003. The adoption of this Interpretation did not have any effect on the Company's financial position or results of operations.

In April 2003, the FASB issued SFAS 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities.* SFAS 149 clarifies the accounting for derivatives, amending the previously issued SFAS 133, *Accounting for Derivative Instruments and Hedging Activities.* SFAS 149 clarifies under what circumstances a contract with an initial net investment meets the characteristics of a derivative, amends the definition of any underlying contract, and clarifies when a derivative contains a financing component in order to increase the comparability of accounting practices under SFAS 133. SFAS 149 is effective for contracts entered into or modified after June 30, 2003. The adoption of SFAS 149 did not have a material impact on the Company's consolidated financial statements.

In May 2003, the FASB issued SFAS 150, *Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity.* SFAS 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. SFAS 150 applies specifically to a number of financial instruments that companies have historically presented within their financial statements either as equity or between the liabilities section and the equity section, rather than as liabilities. SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. Implementation of SFAS 150 did not have a material impact on the Company's consolidated financial statements.

In December 2003, the FASB issued SFAS 132 (revised 2003), *Employer's Disclosures About Pensions and Other Postretirement Benefits.* SFAS 132 (revised 2003), revises employers' disclosures about pension plans and other postretirement benefit plans. SFAS 132 (revised 2003), does not change the measurement and recognition of those plans required by SFAS 87, *Employers' Accounting for Pensions,* SFAS 88, *Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits,* and SFAS 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions.* SFAS 132 (revised 2003), retains the original disclosure requirements of SFAS 132 and requires additional expanded annual and interim disclosures to those in the original SFAS 132 about the assets, obligations, cash flows, and net periodic benefit costs of defined benefit pension plans and other defined benefit postretirement benefit plans. Except for certain provisions, the adoption of this Statement is required for financial statements with fiscal years ending after December 15, 2003. Implementation of SFAS 132 (revised 2003) did not have a material impact on the Company's consolidated financial statements. The revised disclosure requirements of this Statement are reflected in Notes 8 and 9.

### Reclassifications

Certain 2002 amounts have been reclassified to conform with 2003 presentation.

## 2. Acquisitions

On February 13, 2001, the Company purchased all of the outstanding capital stock of Pennsylvania Industrial Heat Treaters, Inc. (PIHT) for approximately $11,000,000, net of cash acquired. PIHT provides metallurgical heat-treating services and specializes in heat treating powdered metal parts. The acquisition of PIHT was accounted for using the purchase method of accounting for business combinations with the results of PIHT's operations consolidated with the Company's results of operations from its acquisition date.

On July 1, 2002, the Company purchased all of the outstanding capital stock of B&W Heat Treating (1975) Limited (B&W) for approximately $9,200,000. The purchase price consisted of approximately $8,500,000 payable in cash and 32,655 shares of the Company's common stock valued at $700,000, including 12,572 treasury shares. B&W, located in Ontario, Canada, specializes in commercial heat treating. The results of operations of B&W have been included in the Company's consolidated financial statements since the date of acquisition.

On April 1, 2003, the Company acquired all of the outstanding stock of Construction Metals, Inc. (Construction Metals). Construction Metals is headquartered in Ontario, California and is a manufacturer of a wide array of building and construction products that are sold to retail and wholesale customers throughout the western United States. The acquisition of Construction Metals allowed the Company to eliminate a competitor and strengthen its distribution network in the building products market. The results of operations of Construction Metals have been included in the Company's consolidated financial statements since the date of acquisition.

The aggregate purchase consideration for the acquisition of Construction Metals was approximately $29,185,000, which was comprised of approximately $11,685,000 in cash, including direct acquisition costs, and $17,500,000 of unsecured subordinated debt, payable to the former owners of Construction Metals. The purchase price was allocated to the assets acquired and liabilities assumed based upon respective fair market values. The fair market values of the property, plant and equipment and identifiable intangible assets were determined by an independent valuation. The identifiable intangible assets consisted of non-competition agreements with an aggregate fair market value of approximately $830,000 (5-year weighted average useful life). The excess consideration over such fair value was recorded as goodwill and aggregated approximately $19,201,000, none of which is deductible for tax purposes. The allocation of purchase consideration to the assets acquired and liabilities assumed is as follows:

| (In thousands) | | |
|---|---|---|
| Working capital | $ | 3,485 |
| Property, plant and equipment | | 5,669 |
| Intangible assets | | 830 |
| Goodwill | | 19,201 |
| | $ | 29,185 |

As part of the purchase agreement between the Company and the former owners of Construction Metals, the Company may be required to pay additional consideration if certain net sales levels as defined in the purchase agreement are achieved during the period from acquisition up to March 31, 2006.

On May 1, 2003, the Company acquired all of the outstanding stock of Air Vent Inc. (Air Vent). Air Vent is headquartered in Dallas, Texas and is primarily engaged in the manufacture and distribution of a complete line of ventilation products and accessories. The acquisition of Air Vent allowed the Company to eliminate a competitor and strengthen its position in the building products market. The results of operations of Air Vent have been included in the Company's consolidated financial statements since the date of acquisition.

The aggregate purchase consideration for the acquisition of Air Vent was approximately $117,798,000, which was comprised of approximately $75,503,000 in cash, including direct acquisition costs, and $42,295,000 of unsecured subordinated debt, payable to the former owner of Air Vent. The purchase price was allocated to the assets acquired and liabilities assumed based upon respective fair market values. The fair market values of the property, plant and equipment and identifiable intangible assets were determined by an independent valuation. The identifiable intangible assets consisted of non-competition agreements with an aggregate fair market value of approximately $1,400,000 (10-year weighted average useful life). The excess consideration over such fair value was recorded as goodwill and aggregated approximately $103,104,000. The allocation of purchase consideration to the assets acquired and liabilities assumed is as follows:

| (In thousands) | | |
|---|---|---|
| Working capital | $ | 2,997 |
| Property, plant and equipment | | 10,297 |
| Intangible assets | | 1,400 |
| Goodwill | | 103,104 |
| | $ | 117,798 |

The Company and the former owner of Air Vent have made a joint election under Internal Revenue Code (IRC) Section 338(h)(10) which allows the Company to treat the stock purchase as an asset purchase for tax purposes. As a result of the 338(h)(10) election, goodwill in the amount of $103,104,000 is expected to be fully deductible for tax purposes.

The following unaudited pro forma financial information presents the combined results of operations as if the acquisitions had occurred on January 1, 2002. The pro forma information includes certain adjustments, including depreciation expense, interest expense and certain other adjustments, together with related income tax effects. 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, 2002 and are not necessarily indicative of future results of the combined companies:

| Year Ended December 31,<br>(In thousands, except per share data) | **2003** | **2002** |
|---|---|---|
| (Unaudited) | | |
| Net sales | **$ 785,604** | $ 743,892 |
| Net income | **$ 28,130** | $ 30,581 |
| Net income per share – Basic | **$ 1.75** | $ 2.00 |
| Net income per share – Diluted | **$ 1.73** | $ 1.97 |

## 3. Goodwill and Related Intangible Assets

### Goodwill

The changes in the approximate carrying amount of goodwill by reportable segment for the years ended December 31, 2003 and 2002 are as follows:

| (In thousands) | PROCESSED STEEL PRODUCTS SEGMENT | BUILDING PRODUCTS SEGMENT | HEAT TREATING SEGMENT | TOTAL |
|---|---|---|---|---|
| Balance as of December 31, 2001 | $ 8,058 | $ 79,401 | $ 45,258 | $ 132,717 |
| Goodwill acquired | – | – | 735 | 735 |
| Balance as of December 31, 2002 | 8,058 | 79,401 | 45,993 | 133,452 |
| Goodwill acquired | 11,289 | 122,305 | 111 | 133,705 |
| Balance as of December 31, 2003 | **$ 19,347** | **$ 201,706** | **$ 46,104** | **$ 267,157** |

In connection with the adoption (effective January 1, 2002) of SFAS 142, *Goodwill and Intangible Assets,* the Company completed the transitional goodwill impairment assessment within six months from the date of adoption as allowed by the standard. Subsequently, goodwill subject to the provisions of SFAS 142 has been tested for impairment (annual reassessment date as of October 31). The result of the annual reassessment determined that no goodwill impairments were indicated.

As described in Note 6, the Company entered into a joint venture with Duferco Farrell Corporation, in which the Company acquired a 50% partnership interest in Gibraltar DFC Strip Steel, LLC. The Company's investment in Gibraltar DFC Strip Steel, LLC. exceeded its applicable share of the fair market value of the partnership's net assets at the date the partnership was formed and resulted in equity method goodwill of approximately $11,289,000. There was no impairment associated with this equity method goodwill.

The impact that the adoption of SFAS 142 had on net income per share for the years ended December 31, is summarized as follows:

| (In thousands, except for per share data) | 2003 | 2002 | 2001 |
|---|---|---|---|
| Net income as reported | **$ 26,953** | $ 23,854 | $ 12,533 |
| Goodwill amortization after-tax | **–** | – | 2,480 |
| Adjusted net income | **$ 26,953** | $ 23,854 | $ 15,013 |
| Basic net income per share: | | | |
| Net income as reported | **$ 1.67** | $ 1.56 | $ 1.00 |
| Goodwill amortization after-tax | **–** | – | .19 |
| Adjusted net income | **$ 1.67** | $ 1.56 | $ 1.19 |
| Diluted net income per share: | | | |
| Net income as reported | **$ 1.66** | $ 1.54 | $ .98 |
| Goodwill amortization after-tax | **–** | – | .19 |
| Adjusted net income | **$ 1.66** | $ 1.54 | $ 1.17 |

### Intangible Assets

At December 31, 2003 non-competition agreements related to the 2003 acquisitions are included as part of the total assets of the Company's Building Products segment. At December 31, 2003, the gross carrying amount and accumulated amortization of these non-competition agreements aggregated approximately $2,230,000 and $218,000, respectively.

Amortization expense related to these agreements for the year ended December 31, 2003 and 2002 aggregated approximately $218,000 and $0, respectively. Amortization expense related these agreements for the next five years is as follows: 2004 - $306,000; 2005 - $306,000; 2006 - $306,000; 2007 - $306,000; and 2008 - $182,000.

## 4. Inventories

Inventories at December 31 consist of the following:

| (In thousands) | 2003 | 2002 |
|---|---|---|
| Raw Material | **$ 53,737** | $ 57,262 |
| Work-in-process | **21,033** | 19,326 |
| Finished goods | **32,761** | 29,567 |
| Total inventory | **$ 107,531** | $ 106,155 |

## 5. Property, Plant and Equipment

Components of property, plant and equipment at December 31 consists of the following:

| (In thousands) | 2003 | 2002 |
|---|---|---|
| Land and land improvements | **$ 9,046** | $ 8,608 |
| Building and improvements | **79,099** | 73,636 |
| Machinery and equipment | **283,271** | 254,740 |
| Construction in progress | **9,670** | 4,803 |
| | **381,086** | 341,787 |
| Less accumulated depreciation and amortization | **131,057** | 110,261 |
| Property, plant and equipment, net | **$ 250,029** | $ 231,526 |

## 6. Investments in Partnerships

The Company has a 31% partnership interest in a steel pickling joint venture with Samuel Manu-Tech, Inc. The partnership provides a steel cleaning process called pickling to steel mills and steel processors. The investment is accounted for using the equity method of accounting. The Company's investment in the partnership was approximately $3,454,000 and $3,852,000 at December 31, 2003 and 2002, respectively.

In December 2003, the Company entered into a joint venture with Duferco Farrell Corporation, in which the Company acquired a 50% partnership interest in Gibraltar DFC Strip Steel, LLC. The joint venture was formed for the purpose of manufacturing and distributing cold-rolled strip steel products. The investment is accounted for using the equity method of accounting. The Company's investment in the joint venture was approximately $1,590,000 at December 31, 2003.

## 7. Debt

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

| (In thousands) | 2003 | 2002 |
|---|---|---|
| Revolving credit facility | **$ 125,000** | $ 112,470 |
| Acquisition notes payable | **59,795** | – |
| Private placement demand notes | **50,000** | 50,000 |
| Industrial Development Revenue Bonds | **2,400** | 2,900 |
| Short-term borrowings | **5,000** | – |
| Other debt | **55** | 1,562 |
| | **242,250** | 166,932 |
| Less current maturities | **19,848** | 624 |
| Total long-term debt | **$ 222,402** | $ 166,308 |

The Company's revolving credit facility of $290,000,000 is collateralized by the Company's accounts receivable, inventories, and personal property and equipment, and is committed through June 2007 and contains a $10,000,000 expansion feature at the Company's option, subject to approval by the participating financial institutions. 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, 2003, the Company had interest rate swap agreements outstanding which expire starting in 2004 and effectively converted $50,000,000 of floating-rate debt to fixed rates ranging from 7.72% to 8.43%. Additional borrowings under the revolving credit facility aggregated $75,000,000 and $62,470,000 with an interest rate of LIBOR plus a fixed rate at December 31, 2003 and 2002, respectively. The weighted average interest rate of these additional borrowings was 3.55% and 3.23% at December 31, 2003 and 2002, respectively.

The Company's acquisition notes payable consists of debt incurred in connection with the 2003 acquisitions of Construction Metals and Air Vent. In connection with the acquisition of Construction Metals, the Company entered into two unsecured subordinated notes payable each in the amount of $8,750,000 (aggregate total of $17,500,000). These notes are payable to the two former owners of Construction Metals and are considered related party in nature due to the former owners' current employment relationship with the Company. These notes are payable in three equal annual principal installments of $2,917,000 per note, beginning on April 1, 2004, with the final principal payment due on April 1, 2006. These notes require quarterly interest payments at an interest rate of 5.0% per annum. Interest expense related to these notes payable aggregated approximately $660,000 in 2003. At December 31, 2003, the current portion of these notes aggregated approximately $5,834,000 and accrued interest aggregated approximately $221,000.

In connection with the acquisition of Air Vent, the Company entered into an unsecured subordinated note payable to the former owner of Air Vent, in the amount of $42,295,000. The note is payable in five annual principal installments of $8,459,000 beginning on May 1, 2004, with the final principal payment due on May 1, 2008. The unpaid principal balance of $40,000,000 accrues interest at a rate of 5.0% per annum and $2,295,000 of the unpaid principal balance accrues interest at a rate of 4.0% per annum.

The Company's private placement demand notes consist of a $25,000,000 senior secured note bearing interest at 7.35% annually, due on July 3, 2007 and a $25,000,000 senior subordinated note bearing interest at 8.98% annually, due on January 3, 2008.

In addition, the Company has Industrial Development Revenue Bonds payable in installments through September 2018, with interest rates ranging from a fixed rate of 4.22% to variable rates of up to 2.90% at December 31, 2003, which financed the cost of the expansion of its Coldwater, Michigan heat-treating facility under a capital lease agreement. The cost of the facility and equipment equals the amount of the bonds and includes accumulated amortization of $678,000. The agreement provides for the purchase of the facility and equipment at any time during the lease term at scheduled amounts or at the end of the lease for a nominal amount.

In connection with the Company's purchase of a 50% partnership interest in Gibraltar DFC Strip Steel, LLC, the Company entered into a short-term note payable to Duferco Farrell Corporation in the amount of $5,000,000. The note bears no interest and is payable in ten monthly installments of $500,000 beginning in January 2004.

The aggregate maturities on long-term debt for the next five years and thereafter are as follows: 2004 - $19,848,000; 2005 - $14,692,000; 2006 - $14,492,000; 2007 - $158,659,000; 2008 - $33,559,000; and $1,000,000, thereafter.

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, 2003, 2002 and 2001 was $12,632,000, $10,050,000 and $17,122,000, respectively.

## 8. Employee Retirement Plans

Certain subsidiaries participate in the Company's 40l(k) Plan. In addition, certain subsidiaries have multi-employer non-contributory retirement plans providing for defined contributions to union retirement funds.

The Company has a supplemental pension plan which provides defined pension benefits to certain salaried employees upon retirement. Benefits under the plan are based on the salaries of individual plan participants. The Company is accruing for these benefit payments based upon an independent actuarial calculation. The following table presents the changes in the plan's projected benefit obligation, fair value of plan assets and funded status for the years ended December 31:

| (In thousands) | 2003 | 2002 | 2001 |
|---|---|---|---|
| Change in projected benefit obligation: | | | |
| Projected benefit obligation at beginning of year | **$ 1,652** | $ 1,269 | $ 912 |
| Service cost | **156** | 151 | 128 |
| Interest cost | **107** | 92 | 76 |
| Actuarial (gain) loss | **(106)** | 140 | 153 |
| Benefits paid | **(18)** | – | – |
| Projected benefit obligation at end of year | **$ 1,791** | $ 1,652 | $ 1,269 |
| Fair value of plan assets | **$ –** | $ – | $ – |
| Funded status | **$ (1,791)** | $ (1,652) | $ (1,269) |
| Unrecognized loss | **96** | 206 | 66 |
| Net amount recognized | **$ (1,695)** | $ (1,446) | $ (1,203) |
| Amounts recognized in the consolidated financial statements consist of: | | | |
| Accrued pension liability | **$ (1,791)** | $ (1,652) | $ (1,269) |
| Accumulated other comprehensive loss-additional minimum pension liability (pre-tax) | **96** | 206 | 66 |
| Net amount recognized | **$ (1,695)** | $ (1,446) | $ (1,203) |

The plan's accumulated benefit obligation was $1,791,000, $1,652,000 and $1,269,000 at December 31, 2003, 2002 and 2001, respectively.

The measurement date used to determine pension benefit measures is December 31.

Components of net periodic pension cost for the years ended December 31 are as follows:

| (In thousands) | 2003 | 2002 | 2001 |
|---|---|---|---|
| Service cost | **$ 156** | $ 151 | $ 128 |
| Interest cost | **107** | 92 | 76 |
| Loss amortization | **4** | – | – |
| Net periodic pension cost | **$ 267** | $ 243 | $ 204 |
| Weighted average assumptions: | | | |
| Discount rate | **6.00 %** | 6.50 % | 7.25 % |
| Expected return on plan assets | **–** | – | – |
| Rate of compensation increase | **–** | – | – |

Employer contributions to the plan for 2004 are expected to be $25,000.

Total expense for all retirement plans was $3,130,000, $2,709,000 and $2,200,000 for the years ended December 31, 2003, 2002 and 2001, respectively.

## 9. Other Postretirement 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 following table presents the changes in the accumulated postretirement benefit obligation related to the Company's postretirement healthcare benefits at December 31:

| (In thousands) | 2003 | 2002 | 2001 |
|---|---|---|---|
| Benefit obligation at beginning of year | **$ 2,974** | $ 2,272 | $ 1,983 |
| Service cost | **99** | 81 | 52 |
| Interest cost | **191** | 177 | 131 |
| Amendments | **–** | – | (686) |
| Actuarial loss | **227** | 499 | 842 |
| Benefits paid | **(87)** | (55) | (50) |
| Benefit obligation at end of year | **$ 3,404** | $ 2,974 | $ 2,272 |
| Fair value of plan assets | **$ –** | $ – | $ – |
| Under funded status | **$ (3,404)** | $ (2,974) | $ (2,272) |
| Unrecognized prior service costs | **$ (106)** | $ (120) | $ (134) |
| Unrecognized loss | **1,362** | 1,225 | 797 |
| Accumulated postretirement benefit obligation | **$ (2,148)** | $ (1,869) | $ (1,609) |

Components of net periodic postretirement benefit cost charged to expense for the years ended December 31 are as follows:

| (In thousands) | 2003 | 2002 | 2001 |
|---|---|---|---|
| Service cost | **$ 99** | $ 81 | $ 52 |
| Interest cost | **191** | 177 | 131 |
| Amortization of unrecognized prior service cost | **(14)** | (14) | (14) |
| Loss amortization | **90** | 71 | 16 |
| Net periodic pension cost | **$ 366** | $ 315 | $ 185 |
| Weighted average assumptions: | | | |
| Discount rate | **6.00%** | 6.50% | 7.25% |
| Expected return on plan assets | **–** | – | – |
| Rate of compensation increase | **–** | – | – |

The medical inflation rate was assumed to be 8.0% in 2003, decreasing gradually to 5.0% in 2006. The effect of a 1% increase or decrease in the annual medical inflation rate would increase or decrease the accumulated postretirement benefit obligation at December 31, 2003, by approximately $544,000 and $471,000, respectively and increase or decrease the annual service and interest costs by approximately $51,000 and $43,000, respectively.

The measurement date used to determine postretirement benefit obligation measures is December 31.

One of the Company's subsidiaries also provides postretirement healthcare benefits to its unionized employees through contributions to a multi-employer healthcare plan.

## 10. Income Taxes

The provision for income taxes for the years ending December 31 consisted of the following:

| (In thousands) | 2003 | 2002 | 2001 |
|---|---|---|---|
| Current tax provision | | | |
| U.S. Federal | **$ 9,374** | $ 8,527 | $ 3,355 |
| State and Foreign | **1,721** | 1,576 | 630 |
| Total current tax provision | **11,095** | 10,103 | 3,985 |
| Deferred tax provision | | | |
| U.S. Federal | **5,857** | 5,243 | 4,109 |
| State and Foreign | **645** | 557 | 436 |
| Total deferred tax provision | **6,502** | 5,800 | 4,545 |
| Total provision for income taxes | **$ 17,597** | $ 15,903 | $ 8,530 |

The provision for income taxes differs from the federal statutory rate of 35% due to the following:

| (In thousands) | 2003 | 2002 | 2001 |
|---|---|---|---|
| Statutory rate | **$ 15,593** | $ 13,915 | $ 7,372 |
| State income taxes, less federal effect | **1,538** | 1,333 | 693 |
| Goodwill | **–** | – | 431 |
| Other | **466** | 655 | 34 |
| | **$ 17,597** | $ 15,903 | $ 8,530 |

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

| (In thousands) | 2003 | 2002 |
|---|---|---|
| Depreciation | **$ 46,029** | $ 40,755 |
| Goodwill | **12,107** | 7,417 |
| Other | **1,193** | 709 |
| Gross deferred tax liabilities | **59,329** | 48,881 |
| State taxes | **(2,009)** | (1,694) |
| Other | **(6,544)** | (6,680) |
| Gross deferred tax assets | **(8,553)** | (8,374) |
| Net deferred tax liabilities | **$ 50,776** | $ 40,507 |

Cash paid for income taxes, net of tax refunds, in the years ended December 31, 2003, 2002 and 2001 was $12,823,000, $7,320,000 and $3,570,000, respectively.

## 11. Common Stock

In December 2003, the Company completed an offering of 3,000,000 shares of common stock at a price of $24.75 per share. Net proceeds to the Company aggregated approximately $70,000,000.

## 12. Net Income Per Share

SFAS 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:

| | NET INCOME | BASIC SHARES | BASIC EPS | DILUTED SHARES | DILUTED EPS |
|---|---|---|---|---|---|
| **2003** | **$26,953,000** | **16,095,063** | **$ 1.67** | **16,258,155** | **$ 1.66** |
| 2002 | $23,854,000 | 15,280,364 | $ 1.56 | 15,519,026 | $ 1.54 |
| 2001 | $12,533,000 | 12,590,625 | $ 1.00 | 12,772,808 | $ 0.98 |

Basic net income per share equals net income divided by the weighted average shares outstanding for the years ended December 31, 2003, 2002 and 2001, respectively. The computation of diluted net income per share includes all dilutive common stock equivalents in the weighted average shares outstanding. The treasury stock method is used to calculate dilutive shares which reduces the gross number of dilutive shares by the number of shares purchasable from the assumed proceeds of common stock equivalents. Included in diluted shares are common stock equivalents relating to stock options and restricted stock awards of 163,092, 238,662 and 182,183 for the years ended December 31, 2003, 2002 and 2001, respectively.

## 13. Stock Option Plans

The Company has a non-qualified stock option plan, whereby the Company may grant non-qualified stock options to officers, employees, non-employee directors and advisers. Under the non-qualified stock option plan, 400,000 shares of common stock were reserved for the granting of options. Options are granted under this plan at an exercise price not less than the fair market value of the shares at the date of grant. These options vest ratably over a four-year period from the grant date and expire ten years after the date of grant. At December 31, 2003, 152,500 shares remain available for issuance under the non-qualified stock option plan.

In 1993, the Company adopted an incentive stock option plan, whereby the Company may grant incentive stock options to officers and other key employees. Under this plan, 1,625,000 shares of common stock were reserved for the granting of stock options at an exercise price not less than the fair market value of the shares at the date of grant. Options granted under this plan vest ratably over a four-year period from the grant date and expire ten years after the date of grant. In September 2003, this plan expired. The expiration of this plan did not modify, amend or otherwise affect the terms of any outstanding options on the date of the plan's expiration.

In 2003, the Company's Board of Directors approved the adoption of a new incentive stock option plan, whereby the Company may grant incentive stock options to officers and other key employees. Under this plan, 1,500,000 shares of common stock were reserved for the granting of stock options. These options are granted at an exercise price not less than the fair market value of the shares at the date of grant. Options granted under this plan vest ratably over a four-year period from the grant date and expire ten years after the date of grant. As of December 31, 2003, this plan had not yet been approved by the Company's shareholders, and 1,500,000 shares remain available for issuance under this plan.

The following table summaries the ranges of outstanding and exercisable options at December 31, 2003:

| RANGE OF EXERCISE PRICES | OPTIONS OUTSTANDING | WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE | WEIGHTED AVERAGE EXERCISE PRICE | OPTIONS EXERCISABLE | WEIGHTED AVERAGE EXERCISE PRICE |
|---|---|---|---|---|---|
| $10.00 - $14.07 | 200,144 | 5.3 years | $ 13.16 | 151,157 | $ 12.80 |
| $15.63 - $22.50 | 371,679 | 3.8 years | $ 19.02 | 371,679 | $ 19.02 |
| | 571,823 | 4.4 years | $ 16.97 | 522,836 | $ 17.24 |

The following table summarizes information about stock option transactions:

| | OPTIONS OUTSTANDING | WEIGHTED AVERAGE EXERCISE PRICE | OPTIONS EXERCISABLE | WEIGHTED AVERAGE EXERCISE PRICE |
|---|---|---|---|---|
| Balance at December 31, 2000 | 1,160,594 | $ 15.86 | 686,582 | $ 15.72 |
| Granted | – | – | | |
| Exercised | (39,914) | 14.76 | | |
| Forfeited | (46,000) | 17.19 | | |
| Balance at December 31, 2001 | 1,074,680 | $ 15.84 | 817,742 | $ 16.08 |
| Granted | – | – | | |
| Exercised | (151,283) | 15.23 | | |
| Forfeited | (16,189) | 16.12 | | |
| Balance at December 31, 2002 | 907,208 | $ 15.93 | 793,608 | $ 16.20 |
| Granted | – | – | | |
| Exercised | (277,070) | 12.85 | | |
| Forfeited | (58,315) | 20.42 | | |
| **Balance at December 31, 2003** | **571,823** | **$ 16.97** | **522,836** | **$ 17.24** |

At December 31, 2003, all exercisable options had an exercise price below the $25.17 per share market price of the Company's common stock.

Tax benefits of $949,000, $349,000 and $40,000 realized in the years ended December 31, 2003, 2002 and 2001, respectively, associated with the exercise of certain stock options have been credited to additional paid-in-capital.

### 14. Restricted Stock Plan

The Company has a restricted stock plan and has reserved for issuance 250,000 common shares for the grant of restricted stock awards to employees and non-employee directors at a purchase price of $.01 per share. Shares of restricted stock issued under this plan vest on a straight-line basis over a period of 5 to 10 years. The Company recognized compensation expense associated with the lapse of restrictions in the amounts of $282,000, $287,000 and $117,000, during 2003, 2002 and 2001, respectively. At December 31, 2003, 135,000 shares remain available for issuance under the restricted stock plan.

### 15. Segment Information

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

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

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

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

The following table illustrates certain measurements used by management to assess the performance of the segments described above as of and for the years ended December 31, 2003, 2002 and 2001:

| (In thousands) | 2003 | 2002 | 2001 |
|---|---|---|---|
| Net sales | | | |
| Processed steel products | **$ 268,512** | $ 272,796 | $ 252,382 |
| Building products | **400,412** | 292,161 | 292,464 |
| Heat treating | **89,337** | 80,157 | 71,182 |
| | **$ 758,261** | $ 645,114 | $ 616,028 |
| Income from operations | | | |
| Processed steel products | **$ 25,899** | $ 32,843 | $ 29,156 |
| Building products | **40,142** | 21,338 | 18,174 |
| Heat treating | **9,387** | 9,904 | 8,798 |
| Corporate | **(16,626)** | (13,925) | (18,619) |
| | **$ 58,802** | $ 50,160 | $ 37,509 |
| Depreciation and amortization | | | |
| Processed steel products | **$ 5,590** | $ 5,874 | $ 5,681 |
| Building products | **8,809** | 7,453 | 6,986 |
| Heat treating | **6,665** | 6,057 | 5,756 |
| Corporate | **1,384** | 1,097 | 5,063 |
| | **$ 22,448** | $ 20,481 | $ 23,486 |
| Total assets | | | |
| Processed steel products | **$ 161,334** | $ 163,480 | $ 146,000 |
| Building products | **406,792** | 242,406 | 183,326 |
| Heat treating | **142,575** | 140,027 | 120,361 |
| Corporate | **67,042** | 30,655 | 85,353 |
| | **$ 777,743** | $ 576,568 | $ 535,040 |
| Capital expenditures | | | |
| Processed steel products | **$ 5,909** | $ 3,211 | $ 3,980 |
| Building products | **6,993** | 5,868 | 7,637 |
| Heat treating | **6,030** | 6,057 | 2,151 |
| Corporate | **3,639** | 859 | 576 |
| | **$ 22,571** | $ 15,995 | $ 14,344 |

## 16. Commitments and Contingencies

The Company leases certain facilities and equipment under operating leases. Rent expense under operating leases for the years ended December 31, 2003, 2002 and 2001 aggregated $6,358,000, $3,966,000 and $5,433,000, respectively. Future minimum lease payments under these operating leases at December 31, 2003 are as follows: 2004 - $7,743,000; 2005 -$6,915,000; 2006 - $5,932,000; 2007 - $4,393,000; 2008 - $3,276,000; and $7,272,000, thereafter.

The Company entered into certain operating lease agreements, related to acquired operating locations and facilities, with the former owners of Construction Metals. These operating leases are considered to be related party in nature. Rental expense associated with these related party operating leases aggregated approximately $512,000 in 2003.

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 are not clearly determinable at the present time, would significantly affect the Company's financial condition or results of operations.

The Company offers various product warranties to its customers concerning the quality of its products and services. Based upon the short duration of warranty periods and favorable historical warranty experience, the Company determined that a related warranty accrual at December 31, 2003 and 2002 is not required.

## 17. Accumulated Other Comprehensive Loss

The cumulative balance of each component of accumulated other comprehensive loss is as follows:

| (In thousands) | FOREIGN CURRENCY TRANSLATION ADJUSTMENT | MINIMUM PENSION LIABILITY ADJUSTMENT | UNREALIZED GAIN/(LOSS) ON INTEREST RATE SWAPS | ACCUMULATED OTHER COMPREHENSIVE LOSS |
|---|---|---|---|---|
| Balance at December 31, 2002 | $ (369) | $ – | $ (2,560) | $ (2,929) |
| Current period change | 1,346 | (58) | 1,103 | 2,391 |
| **Balance at December 31, 2003** | **$ 977** | **$ (58)** | **$ (1,457)** | **$ (538)** |

## 18. Subsequent Event (Unaudited)

In January 2004, the Company acquired all of the outstanding stock of Renown Specialties Company Ltd (Renown) for approximately $5,800,000. Renown is located in Thornhill, Ontario and is a designer, manufacturer and distributor of structural connectors that are used to join wood to wood, wood to concrete, and wood to masonry. Renown will be a part of the Company's Building Products segment. The results of Renown's operations will be consolidated with the Company's results of operations from the acquisition date for the quarter ending March 31, 2004.

In connection with the Company's common stock offering, as discussed in Note 11, the Company granted the underwriters an option to purchase additional shares of common stock to cover over-allotments. In January 2004, the underwriters exercised a portion of this option and purchased an additional 214,625 shares of the Company's common stock at a price of $24.75 per share. Net proceeds to the Company associated with the purchase of these additional shares aggregated approximately $5,000,000.

## QUARTERLY UNAUDITED FINANCIAL DATA

(In thousands, except per share data)

| 2003 Quarter Ended | MARCH 31 | JUNE 30 | SEPT. 30 | DEC. 31 | TOTAL |
|---|---|---|---|---|---|
| Net sales | $ 161,532 | $ 203,406 | $ 208,033 | $ 185,290 | $ 758,261 |
| Gross profit | 29,146 | 40,641 | 43,066 | 35,261 | 148,114 |
| Income from operations | 10,713 | 17,456 | 17,290 | 13,343 | 58,802 |
| Net income | 4,904 | 8,251 | 7,978 | 5,820 | 26,953 |
| Net income per share – Basic | $ 0.31 | $ 0.52 | $ 0.50 | $ 0.35 | $ 1.67 |
| Net income per share – Diluted | $ 0.30 | $ 0.51 | $ 0.49 | $ 0.35 | $ 1.66 |

| 2002 Quarter Ended | MARCH 31 | JUNE 30 | SEPT. 30 | DEC. 31 | TOTAL |
|---|---|---|---|---|---|
| Net sales | $ 144,713 | $ 171,520 | $ 173,160 | $ 155,721 | $ 645,114 |
| Gross profit | 27,214 | 35,397 | 34,643 | 30,035 | 127,289 |
| Income from operations | 9,617 | 15,520 | 14,758 | 10,265 | 50,160 |
| Net income | 4,078 | 7,962 | 7,111 | 4,703 | 23,854 |
| Net income per share – Basic | $ 0.31 | $ 0.50 | $ 0.45 | $ 0.29 | $ 1.56 |
| Net income per share – Diluted | $ 0.30 | $ 0.49 | $ 0.44 | $ 0.29 | $ 1.54 |

| 2001 Quarter Ended | MARCH 31 | JUNE 30 | SEPT. 30 | DEC. 31 | TOTAL |
|---|---|---|---|---|---|
| Net sales | $ 150,550 | $ 163,550 | $ 161,484 | $ 140,444 | $ 616,028 |
| Gross profit | 28,485 | 32,081 | 30,330 | 25,187 | 116,083 |
| Income from operations | 9,742 | 12,054 | 9,851 | 5,862 | 37,509 |
| Net income | 2,886 | 4,518 | 3,594 | 1,535 | 12,533 |
| Net income per share – Basic | $ 0.23 | $ 0.36 | $ 0.29 | $ 0.12 | $ 1.00 |
| Net income per share – Diluted | $ 0.23 | $ 0.35 | $ 0.28 | $ 0.12 | $ 0.98 |

## REPORT OF INDEPENDENT AUDITORS

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 and comprehensive income present fairly, in all material respects, the financial position of Gibraltar Steel Corporation and its subsidiaries at December 31, 2003 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
January 30, 2004

## CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHAIRMAN OF THE BOARD PURSUANT TO TITLE 18, UNITED STATES CODE, SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Brian J. Lipke, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge, Gibraltar Steel Corporation's Annual Report on Form 10-K for the year ended December 31, 2003 fully complies with the requirement of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Annual Report on Form 10-K fairly presents in all material respects the financial condition and results of operations of Gibraltar Steel Corporation.

Brian J. Lipke
Chief Executive Officer and Chairman of the Board
February 25, 2004

## CERTIFICATION OF PRESIDENT PURSUANT TO TITLE 18, UNITED STATES CODE, SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Henning N. Kornbrekke, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge, Gibraltar Steel Corporation's Annual Report on Form 10-K for the year ended December 31, 2003 fully complies with the requirement of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Annual Report on Form 10-K fairly presents in all material respects the financial condition and results of operations of Gibraltar Steel Corporation.

Henning N. Kornbrekke
President
February 25, 2004

## CERTIFICATION OF VICE PRESIDENT AND CHIEF FINANCIAL OFFICER PURSUANT TO TITLE 18, UNITED STATES CODE, SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, John E. Flint, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge, Gibraltar Steel Corporation's Annual Report on Form 10-K for the year ended December 31, 2003 fully complies with the requirement of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Annual Report on Form 10-K fairly presents in all material respects the financial condition and results of operations of Gibraltar Steel Corporation.

John E. Flint
Vice President and Chief Financial Officer
February 25, 2004

## Shareholder and Corporate Information

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

**QUARTERLY STOCK PRICE DATA**
The following table represents the quarterly high, low, and closing prices of Gibraltar's common stock for 2003.

| 2003 | High | Low | Close |
|---|---|---|---|
| Q1 | 20.47 | 16.71 | 18.64 |
| Q2 | 21.29 | 16.65 | 20.48 |
| Q3 | 24.22 | 20.00 | 21.70 |
| Q4 | 27.32 | 21.80 | 25.17 |

**SHAREHOLDERS**
As of December 31, 2003, there were 120 shareholders of record of the Company's stock. The Company believes it has a significantly higher number of shareholders because of the number of shares that are held by nominees.

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

**FORM 10-K AND OTHER INFORMATION**
In addition to the Company's Web site, information may be requested by writing or calling:

Kenneth P. Houseknecht
Director of Investor Relations
PO Box 2028
Buffalo, NY 14219-0228
716/826-6500 phone
716/826-1589 fax
khouseknecht@gibraltar1.com

**TRANSFER AGENT**
Please direct questions about lost certificates, changes of address, and consolidation of accounts to the Company's transfer agent and registrar:

American Stock Transfer and Trust Company
59 Maiden Lane, Plaza Level
New York, NY 10038
212/936-5100

**INDEPENDENT AUDITORS**
PricewaterhouseCoopers LLP
3600 HSBC Center
Buffalo, NY 14203

**ANNUAL MEETING**
May 20, 2004, 10 a.m.
Gibraltar, 3556 Lake Shore Road
Buffalo, NY 14219-0228

**DIVIDEND POLICY**
In 2003, Gibraltar's Board increased its annual cash dividend to $.18 per share, payable at the quarterly rate of $.045, and it reviews the payment of this quarterly.

**ANALYST COVERAGE**

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

Jefferies & Company
Robert J. Schenosky
212/284-2120

CIBC World Markets
Robert LaGaipa
212/667-7062

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

**CORPORATE MANAGEMENT**

Brian J. Lipke
Chief Executive Officer

Henning N. Kornbrekke
President

David W. Kay
Executive Vice President, Chief Financial Officer, and Treasurer

Robert C. Brunson
Group President

Kenneth W. Matz
Group President

Carl P. Spezio
Group President

James T. Tomkinson
Group President

Clifton A. Tucker
Group President

John E. Flint
Senior Vice President, Controller, and Secretary

**DIRECTORS**

Brian J. Lipke
Chairman of the Board

David N. Campbell
Managing Director, Innovation Advisors, LLC

William J. Colombo
President and Chief Operating Officer, Dick's Sporting Goods, Inc.

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

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

Arthur A. Russ, Jr.
Partner, Phillips Lytle, LLP

Robert E. Sadler, Jr.
Chairman, M&T Bank and EVP, M&T Bank Corp.

Over the last 30 years, few, if any, members of the Gibraltar Team worked harder or contributed more than Walt Erazmus, who retired as President at the end of the year, capping a career that crossed four decades. He deserves a significant measure of credit for helping to build the strong company we have today. We wish him a long and enjoyable retirement. He certainly earned it.