



Excellence and Innovation

ANNUAL REPORT 2005

## Excellence and Innovation

Gibraltar has continuously focused on improving stakeholder value through the excellence and innovation of its people, processes, and products.

### Our People: Strengthening the Best Team in The Business

We work hard to create an environment where respect, dignity, fairness, and opportunity are valued; there are solid, stable, and safe jobs; teamwork is emphasized; and, to the greatest extent possible, we promote from within.



### Our Processes: Putting the Right Systems and Structure in Place

Our focus on continuous improvement has strengthened the operating characteristics of our company. We will continue to drive improvements in our operations and capitalize on the many synergies that exist throughout our company.

### Our Products: Building Leadership Positions in Niche Markets

Today approximately 80% of our sales come from products where we hold the #1 or #2 market share. We will concentrate our activities on those businesses that add the most value and margin and which differentiate us from our competitors.



## Company Profile

Gibraltar Industries is a leading manufacturer, processor, and distributor of metals and other engineered materials for the building products, vehicular, and other industrial markets. We classify our operations into three segments: Building Products, Processed Metal Products, and Thermal Processing (Heat Treating). In the 12 years since our Initial Public Offering, we have strategically repositioned Gibraltar, dramatically changing its size, scope, product offering, customer mix, and geographic coverage, all of which position the Company for even stronger performance in the future. Gibraltar serves approximately 24,000 customers in a variety of industries in all 50 states, Canada, Mexico, Europe, Asia, and Central and South America. It has approximately 4,400 employees and operates 93 facilities in 29 states, Canada, Mexico, and China.

FELLOW STAKEHOLDERS :

In 2005, Gibraltar delivered another strong performance.

We generated sales and earnings gains, made four acquisitions (including Alabama Metal Industries Corporation, or AMICO, the largest purchase in Gibraltar's history), continued to grow and improve our existing businesses, and restructured our balance sheet.

Looking ahead, we will continue to focus on building our product leadership position in niche markets, diversifying



**AMICO is the U.S. and Canadian market leader in expanded metal, an increasingly popular material used by many architects in signature projects such as the Los Angeles subway system.**

our business, driving continuous improvements through our operations, actively managing our portfolio of companies, and developing our organization. All of this sets the stage for our continued strong performance in 2006 and beyond.

**AMICO Strengthens Our Leadership Position in Niche Markets**

As a result of our 2005 acquisitions and growth at our existing operations, we improved our leadership position in niche markets. Today, approximately 80% of our sales come from products or services where we hold the #1 or #2 market share.

AMICO, for example, is a U.S. and Canadian market leader in the manufacturing of metal bar grating, expanded metal, and metal lath. It also has leading positions in the production of perforated metal, fiberglass grating, safety/plank grating, and vinyl bead accessories. Because AMICO is the leader in a number of expanding and fragmented markets, it is well positioned for continued growth. Opportunities for more aggressive growth, through product line extensions and industry consolidation, are excellent.

AMICO serves more than 7,000 customers in the U.S. and another 1,000 in Canada. No customer has more than 2% of total sales and there is very little overlap with Gibraltar's other building products operations.

AMICO expands our opportunities with existing and new customers, while providing end-market diversification.

Approximately two-thirds of AMICO's sales go to the commercial, industrial, and architectural markets, areas where we had very little participation before this acquisition, which provides numerous opportunities for cross selling.

AMICO's margins are in line with – or above – Gibraltar's longstanding targets, and there are good opportunities for synergistic improvements, both through purchasing and operations. An example of possible synergies would be most evident in purchasing.

Approximately 85% of AMICO sales come from products where it holds the Number 1 or Number 2 market share.

**Gutter Helmet, SCM-Asia, and American Wilcon Also Acquired in 2005**

In 2005, Gibraltar also acquired the Gutter Helmet® product line; a copper powder manufacturing facility in Suzhou, China; and American Wilcon Plastics, a manufacturer of plastic injection-molding products.



**Gutter Helmet pioneered the professionally installed gutter protection industry more than 20 years ago and today is the industry leader.**

Gutter Helmet broadens our range of rain-carrying products and accessories and gives us a leadership position in this market, which we first entered with our 1999 acquisition of Weather Guard. This is a product category where we see significant growth opportunities.



**Powdered metal oxides made by SCM Metal Products prevent algae growth when used in marine paints. SCM-Asia is an excellent complement to our existing operations, acquired in 2004.**

The acquisition of our SCM-Asia facility, located 60 miles west of Shanghai, gives us an on-the-ground presence in the center of the rapidly growing Chinese industrial market. Many of our existing customers are expanding their operations in China, and this facility better

positions us to service the projected growth in this region. We also plan to actively grow our business with new customers.

American Wilcon, a state-of-the-art, plastic injection-molding business, was a key supplier to two Gibraltar companies – Air Vent (acquired in 2003) and Solar (acquired in 1998) – as well as a number of other customers. We now have the ability to consolidate our plastic-injection molding activities and make process improvements, increasing our efficiency and output.

### **Delivering Consistent Results by Diversifying Our Business**

Over the last 12 years, we significantly expanded our product offering and market participation, moved a

greater share of our sales into manufactured end products, broadened and diversified our customer base, and extended our geographic reach. This has enhanced our ability to deliver consistent and steadily improving results – in a variety of operating environments – as we have continued to develop and strategically transform the business.

We now sell more than 5,000 manufactured end products, which today account for approximately two-thirds of our sales, and we have strengthened our relationships with all the leading companies in every major distribution channel. Today, Gibraltar serves more than 24,000 customers,



**Many of our building products, like the ridge vent pictured above, are made using the plastic injection molding process, and American Wilcon strengthened our manufacturing competence in this area.**

including many of the world's leading industrial companies, compared to 900 customers 12 years ago.

As we have diversified our business, we have also reduced our exposure to the automotive industry, which decreased from 58% of total sales in 1993 to approximately 22% in 2005, while

## **Financial Highlights**

(In thousands, except percent and per share data)

	DECEMBER 31, 2005	DECEMBER 31, 2004	DECEMBER 31, 2003
Net sales	\$ 1,178,236	\$ 976,255	\$ 729,806
Gross profit	218,481	201,285	142,678
Income from operations	97,702	89,548	56,876
Income from continuing operations, excluding 2005 special charges <sup>(1)</sup>	51,600	49,711	26,903
Income from continuing operations per share, excluding 2005 special charges <sup>(1)</sup>	\$ 1.73	\$ 1.68	\$ 1.11
Weighted average shares outstanding, diluted	29,810	29,596	24,387
Total debt	\$ 463,013	\$ 310,039	\$ 242,250
Shareholders' equity	494,025	453,743	394,181
Capital expenditures	22,122	24,330	22,050
Depreciation and amortization	\$ 28,607	\$ 24,198	\$ 21,783
Return on average equity	9.4%	11.7%	7.8%
Return on sales	3.8%	5.1%	3.6%

<sup>(1)</sup> 2005 special charges, net of taxes, included approximately \$4.5 million of pre-payment penalties incurred, and associated deferred financing costs written off, due to the restructuring of our capital structure and \$2.4 million of additional cost of sales resulting from the adjustment of acquired inventories to fair market value in 2005. Reported income from continuing operations and income from continuing operations per share were \$44,681 and \$1.50 in 2005, respectively.



our actual sales volume has more than doubled during that time. We have also continued to broaden our customer base, growing our relationships with the major “transplant” manufacturers and their suppliers, and our products are now on Toyota, Honda, BMW, and Mercedes vehicles, as well as products made by The Big Three (General Motors, Ford, and DaimlerChrysler).

**Continuous Improvement: A Key to Gibraltar’s Success**

For more than 30 years, the Gibraltar Team has constantly evaluated every product, process, and service we provide, looking for ways to improve. Today, for example, we are



**The auto industry now represents just 22% of our sales, compared to almost 60% a decade ago. Yet, our actual sales have more than doubled as we’ve remained a key partner to manufacturers seeking to improve vehicle efficiency, without sacrificing safety or quality.**

leveraging our critical mass by moving toward a “shared services” approach with a number of corporate functions, which will further streamline our operations and extract cost reductions. We are also aggressively moving to better leverage the size and strength of Gibraltar to

drive down costs. Our goal of reducing our selling, general, and administrative (SG&A) expenses and streamlining our systems and processes is an integral element of our business rhythm and helped in optimizing our 2005 results.

We are also taking steps to improve the performance of our existing operations, and in 2005 we had 10 businesses that generated organic sales growth above 1.5 times GDP. Many also improved their operating margins and returns on investment. Throughout the year, we continued to put the structure and systems in place that are necessary as we become a larger and more structured, but agile, company.

Our focus on continuous improvement has strengthened our operating characteristics. In the year ahead, we will continue to drive improvements in our operations and capitalize on the many synergies that exist throughout our company.

**Actively Managing Our Portfolio of Companies**

We are also reviewing our portfolio of existing companies, with the goal of participating only in businesses where we have, or can gain, market share leadership. The sale of our Milcor division in January of 2005 was our first strategic divestiture. We continue to evaluate – and expect to complete – additional activities in this area.

Product and market adjacencies are also keenly in our sights, as are product line extensions, including additional expansion through bolt-on acquisitions.

## Developing Our People and Our Organization Is a Top Priority

We thank the 4,400 men and women on the Gibraltar Team for another outstanding effort in 2005, and we have asked them to reach even higher in the coming year. We have made individual and organizational development a top priority in 2006.



**AMICO significantly broadened the scope of the industries we serve. Its SeaSafe division, for example, has provided structural products used in many of the world's most famous aquariums, including Sea World of Orlando, The Living Seas at Disney's Epcot, and the recently completed Georgia Aquarium – the world's largest – in Atlanta.**

To stay ahead of our competitors, better serve our customers, and meet the needs of an ever-changing market, we are providing more aggressively paced on-the-job, safety, quality, and personal health and wellness training, along with independent educational assistance. Gibraltar will strengthen its competitive advantage by continuously developing the skills and abilities of its team members.

## Our Goals: \$2 Billion in Sales and \$120 Million in Net Income by 2009, or Sooner

Our 2005 results demonstrated that – in spite of economic and operating variables such as material cost volatility, record-high energy costs, and competitive pricing pressures – we were able to deliver another year of strong performance, a testament to our market, product, and customer diversification.

The growth at our existing operations, together with our 2005 acquisitions, increased our pro forma annualized sales to approximately \$1.4 billion, moving us much closer to our goal of \$2 billion in annual sales by 2009, or sooner.

In addition to the growth initiatives in all of our existing operations, we continue to evaluate acquisition opportunities



**USP is North America's second-largest manufacturer of structural connectors. Its line of more than 4,000 products includes standard construction hardware for the light construction and retail/do-it-yourself markets, and a complete product line for the engineered lumber and plated truss industries.**

in every part of our company. We will continue to be highly strategic and selective and acquire only those companies with accretive financial and market characteristics with long-term growth potential.

We are indebted to our board for continuing to guide Gibraltar to successively higher levels of achievement and

performance. We thank our shareholders for their steadfast support. And we are pleased to welcome a new group of stakeholders, the owners of Gibraltar's publicly traded debt.

While proud of our accomplishments in 2005, we believe we are well positioned to generate an even stronger performance in the year ahead.

Sincerely,

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

**Henning N. Kornbrenke**  
President and Chief Operating Officer



## Board of Directors

Brian J. Lipke  
Chairman and  
Chief Executive Officer,  
Gibraltar Industries, Inc.

David N. Campbell  
Managing Director,  
Innovation Advisors

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

Gerald S. Lippes  
Partner,  
Lippes Mathias Wexler  
Friedman, LLP

William P. Montague  
Chief Executive Officer,  
Mark IV Industries, Inc.

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

Robert E. Sadler, Jr.  
President and  
Chief Executive Officer,  
M&T Bank Corporation

## Senior Management Team

Brian J. Lipke <sup>(1)</sup>  
Chairman and  
Chief Executive Officer

Henning N. Kornbrekke <sup>(1)</sup>  
President and  
Chief Operating Officer

David W. Kay <sup>(1)</sup>  
Executive Vice President,  
Chief Financial Officer,  
and Treasurer

Robert C. Brunson  
Group President,  
Building Products

Kenneth W. Matz  
Group President,  
Processed Metal Products

Roland T. Short  
President and  
Chief Executive Officer,  
Alabama Metal  
Industries Corporation

Carl P. Spezio  
Group President,  
Thermal Processing

Cliff A. Tucker  
Group President,  
Building Products

Timothy J. Heasley  
Senior Vice President,  
Controller, and Secretary

Paul M. Murray <sup>(1)</sup>  
Senior Vice President  
of Human Resources and  
Organizational Development

Kenneth P. Houseknecht  
Vice President  
of Communications  
and Investor Relations

David A. McCartney  
Vice President  
of Information Services

John E. Wagner  
Vice President  
of Supply Chain Management

<sup>(1)</sup> Executive Officer

## 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: general economic conditions; the impact of the availability and the effects of changing raw material prices on the Company's results of operations; natural gas and electricity prices and usage; the ability to pass through cost increases to customers; changing demand for the Company's products and services; risks associated with the integration of acquisitions; and changes in interest or tax rates.

## 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 high, low, and closing prices of Gibraltar's common stock, and average daily trading volume, during each quarter of 2005.

2005	High	Low	Close	Average Daily Volume
Q1	\$26.70	\$20.91	\$21.94	169,000
Q2	\$22.23	\$18.10	\$18.46	148,000
Q3	\$24.86	\$18.52	\$22.87	135,000
Q4	\$23.75	\$18.30	\$22.94	153,000

### Shareholders

As of December 31, 2005, there were 132 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.

### Dividend Policy

Gibraltar pays an annual cash dividend of \$.20 per share, payable at the quarterly rate of \$.05, and it reviews the payment of this quarterly.

### 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  
Vice President of Communications  
and Investor Relations  
PO Box 2028  
Buffalo, NY 14219-0228  
716 826 6500 phone  
716 826 1592 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

Ernst & Young LLP  
1400 Key Tower  
50 Fountain Plaza  
Buffalo, NY 14202

### Annual Meeting

May 18, 2006, 11 a.m.  
Albright-Knox Art Gallery  
1285 Elmwood Avenue  
Buffalo, NY 14222

### Company Information on the Internet

Gibraltar maintains a comprehensive Web site, which can be accessed at [www.gibraltar1.com](http://www.gibraltar1.com)

### Analyst Coverage

Robert W. Baird  
Peter Lisnic CFA 312 609 5431

CIBC World Markets  
Robert LaGaipa 212 667 7062

Citigroup  
David B. Smith CFA 212 816 2654

Goldman Sachs  
Sal Tharani 212 357 0695

Jefferies & Company  
Yvonne M. Varano 212 284 2149

KeyBanc Capital Markets  
Mark L. Parr CFA 216 443 2379

Needham & Company  
Mark E. Grzymiski 212 705 0407

Standard & Poor's  
Leo Larkin 212 438 9530

## Gibraltar's Investor Mission Statement

Gibraltar is committed to achieving \$2 billion in annual sales, with net income of \$120 million, by 2009, or sooner. 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 significant market share in each of our operations. We'll focus on businesses with accretive financial characteristics 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; and

“ 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.



Gibraltar Industries, Inc.

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