

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES ACT OF 1934
For The Fiscal Year Ended December 31, 2001

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period From _____ to _____
Commission File Number 0-22462

GIBRALTAR STEEL CORPORATION
(Exact name of Registrant as specified in its charter)

Delaware 16-1445150
(State or other jurisdiction of incorporation organization) (I.R.S. Employer Identification No.)
3556 Lake Shore Road, P.O. Box 2028, Buffalo, New York 14219-0228
(address of principal executive offices) (Zip Code)

(716) 826-6500

Registrant's telephone number, including area code

Securities registered pursuant to Section 12(b) of the Act:

| <u>Title of each class</u> | <u>Name of each exchange on which registered</u> |
|-------------------------------|--|
| Common Stock, \$.01 par value | NASDAQ National Market System |

Securities registered pursuant to Section 12(g) of the Act:

NONE

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of the Form 10-K or any amendment to this Form 10-K.

As of December 31, 2001, the aggregate market value of the voting stock held by nonaffiliates of the Registrant amounted to \$111,167,000.

As of December 31, 2001, the number of common shares outstanding was: 12,607,061.

DOCUMENT INCORPORATED BY REFERENCE

Portions of the Registrant's definitive Proxy Statement for the Annual Meeting of Shareholders to be held May 21, 2002, are incorporated by reference into Part III of this report.

Exhibit Index is on Page 41

PART I

Item 1 **Description of Business**

General

The Company is a processor, manufacturer and provider of a broad array of high value-added, technically sophisticated steel and other metal products. The Company utilizes any one or a combination of several different processes at each of its operating facilities to add substantial margin and value to raw material acquired from primary steel and other metal producers. Underlying each of these processes is a common set of steel and metal processing core competencies. These core competencies are the foundation upon which all the Company's operations and customer offerings are based.

The Company is organized into three segments - Processed Steel Products, Building Products and Heat Treating. The Processed Steel Products segment 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. This segment produces a wide variety of cold-rolled strip steel products, coated sheet steel products and strapping products. The Company's processed cold-rolled strip steel products comprise a part of the cold-rolled sheet steel market that is defined by more precise widths, improved surface conditions, more diverse chemistry and tighter gauge tolerances than are supplied by primary manufacturers of flat-rolled steel products. The Company's cold-rolled strip steel products are sold to manufacturers in the automotive, automotive supply, power and hand tool and hardware industries, as well as to other customers who demand critical specifications in their raw material needs. The Company's coated sheet steel products, which include galvanized, galvalume and pre-painted sheet products, are sold primarily to the commercial and residential metal building industry for roofing and siding applications. The Company's heavy duty steel strapping products are used to close and reinforce packages such as cartons and crates for shipping. The Company also operates two material management facilities that link primary steel producers and end-user manufacturers.

The Building Products segment primarily includes the processing of sheet steel to produce a wide variety of building and construction products. Many of the Company's building and construction products meet and exceed increasingly stringent building codes and insurance company requirements governing both residential and commercial construction. This segment's products are sold to major home center stores, lumber and building material wholesalers, buying groups, discount stores, distributors and general contractors engaged in residential, industrial and commercial construction.

The Company's 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.

Note 14 to the Company's consolidated financial statements included elsewhere herein provides information related to the Company's business segments in accordance with generally accepted accounting principles.

Industry Overview

Steel and metal processors occupy a market niche that exists between the primary steel and metal producers and end-users and others. Primary steel and metal producers typically focus on the sale of standard size and tolerance steel and other metals to large volume purchasers, including steel and metal processors. At the same time, end-users require steel with closer tolerances and with shorter lead times than the primary steel and metal producers can provide efficiently. Steel processors, through the application of various higher value-added processes such as cold-rolling and specialized heat-treating methods, process steel of a precise grade, temper, tolerance and finish. End product manufacturers incorporate the processed steel into finished goods.

Products and Services

Processed Steel Products Segment

The Company's cold-rolled strip steel is used in applications which demand more precise widths, improved surface conditions and tighter gauge tolerances than are supplied by primary producers of flat-rolled steel products. Consistent with its strategy of focusing on high value-added products and services, the Company produces a broad range of fully processed cold-rolled strip steel products. The Company buys wide, open tolerance sheet steel in coils from primary steel producers and processes it to specific customer orders by performing such computer-aided processes as cold reduction, annealing, edge rolling and slitting. Cold reduction is the rolling of steel to a specified thickness, tolerance and finish. Annealing is a thermal process which changes hardness and certain metallurgical characteristics of steel. Temper rolling is the rolling of steel to a specific hardness. Edge rolling involves conditioning edges of processed steel into square, full round or partially round shapes. Slitting is the cutting of steel to specified widths. Depending on customer specifications, one or more of these processes are utilized to produce steel strip of a precise grade, temper, tolerance and finish. Customers for the Company's strip steel products include manufacturers in the automotive, automotive supply, power and hand tool, hardware and other industries.

The Company operates nine rolling mills at its facilities in Cleveland, Ohio and Buffalo, New York, all of which are QS 9000 certified. Equipment at these facilities includes a computerized, three-stand, four-high tandem mill and eight single-stand, two- and four-high mills. The Company has the capability to process coils up to a maximum of 72 inch outside diameter and roll widths of up to 50 inches. Its rolling mills include automatic gauge control systems with hydraulic screw downs allowing for microsecond adjustments during processing. Its computerized mills enable it to satisfy industry demand for a wide range of steel from heavier gauge and special alloy steels to low carbon and light gauge steels, in each case having a high-quality finish and precision gauge tolerance. This equipment can process flat-rolled steel to specific customer requirements for thickness tolerances as close as .0002 inches. The Company also operates a 56-inch reversing mill which it believes is one of the widest of its type in the strip steel industry.

The Company's rolling facilities are further complemented by 18 high convection annealing furnaces, which allow for shorter annealing times than conventional annealers. Thirteen of its furnaces and bases employ state-of-the-art technology, incorporating the use of a hydrogen atmosphere for the production of cleaner and more uniform steel. As a result of the Company's annealing capabilities, it is able to produce cold-rolled strip with improved consistency in terms of thickness, hardness, molecular grain structure and surface.

The Company can produce certain strip steel products on oscillated coils, which wind strip steel similar to the way fishing line is wound on a reel. Oscillating the strip steel enables the Company to put at least six times greater volume of finished product on a coil than standard ribbon winding, allowing customers to achieve longer production runs by reducing the number of equipment shut-downs to change coils. Customers are thus able to increase productivity, reduce downtime, improve yield and lengthen die life. These benefits to customers allow the Company to achieve higher margins on oscillated products. To the Company's knowledge, only a few other steel processors are able to produce oscillated coils, and the Company is not aware of any competitor that can produce 12,000 pound oscillated coils, the maximum size the Company produces.

The Company is one of only four domestic manufacturers of high-tensile steel strapping, which is subject to strength requirements imposed by the American Society for Testing and Materials for packaging of different products for common carrier transport. This high-tensile steel strapping is essential to producers of large, heavy products such as steel, paper and lumber where reliability of the packaging material is critical to the safe transport of the product.

The Company's QS 9000 certified strapping facility manufactures high-tensile steel strapping by slitting, oscillating, heat-treating, painting and packaging cold-rolled coils.

Steel strapping utilizes material which is cold-rolled to precise gauge on one of the Company's rolling mills, which incorporates hydraulic screw downs and automatic gauge controls with statistical charting. This process ensures strapping product of the most uniform gauge available and produces the maximum amount of strapping per pound of steel. All products are tested by on-site laboratory personnel for width, thickness and other physical and metallurgical properties.

To meet the differing needs of its customers, the Company offers its strapping products in various thicknesses, widths and coil sizes. The Company also manufactures custom color and printed strapping. In addition, the Company offers related strapping products, such as seals and tools, and is able to manufacture tensional strapping for lighter duty applications.

The Company's coated steel products include pre-painted single bill packages, PVC spiral pre-painted product, purlin stock and liner panel stock, galvanized, galvalume and pre-painted sheet product. The Company is capable of providing steel in more than 500 colors and in a variety of coatings, including galvanized and galvalume.

The Company also operates two state-of-the-art materials management facilities that link primary steel producers and end-user manufacturers by integrating the inventory purchasing, receiving, inspection, billing, storage and shipping functions and producing true just-in-time delivery of materials. The Company's facilities receive shipments of steel by rail and truck from primary steel producers, which retain ownership of the steel until it is delivered to the end-user manufacturer. The Company inspects the steel and stores it in a climate-controlled environment on a specialized stacker crane and rack system. When an order is placed, the Company can deliver the steel to the end-user manufacturer within one hour using trucks that have been custom designed for facilitating the loading and unloading process. This enables end-user manufacturers to reduce their raw material inventory. These facilities have certain proprietary data processing systems that link the primary steel producer with the end-user manufacturer and also link both parties to the facilities.

The Company also has a 31% interest in a joint venture that has two steel pickling operations in Ohio. After the hot-rolling process, the surface of sheet steel is left with a residue known as scale, which must be removed prior to further processing by a cleaning process known as pickling. This joint venture pickles steel on a toll basis, receiving fees for pickling services without acquiring ownership of the steel.

Building Products Segment

The Company manufactures over 5,000 building and construction products for sale throughout the United States to home centers, building material wholesalers, buying groups, discount stores, distributors and residential, industrial and commercial contractors. The Company's building and construction products are manufactured primarily from galvanized and painted steel, as well as from aluminum and copper. Many of these building and construction products are designed to meet and exceed increasingly stringent building codes and insurance company requirements governing both residential and commercial construction. These products include ventilation products and accessories; storm panel systems; mailboxes; steel lumber connectors; roof edging and flashing; aluminum soffit; drywall corner bead, wind brace and starter strip; painted coil stock; metal roofing and accessories; steel framing; rain-carrying systems, including gutters and accessories; bath cabinets; access doors; roof hatches and smoke vents; telescoping doors; builders' hardware, such as door knockers, door stops, shelving and closet rods; and grilles, registers and defusers.

The Company's existing building and construction products operations is comprised of facilities located in Florida, Tennessee, Texas, Mississippi, Wisconsin, Minnesota, California, North Carolina, New Jersey, Colorado, Ohio and Michigan.

Heat-Treating Segment

The Company provides a wide range of metallurgical heat-treating processes in which customer-owned metal parts are exposed to precise temperatures, atmospheres and quenchants and other conditions to improve their mechanical properties, durability and wear resistance. These processes include case-hardening, neutral-hardening and through-hardening, annealing, normalizing, vacuum hardening, carburizing, nitriding and brazing, as well as a host of other processes. These heat-treating processes can harden, soften or otherwise impart desired properties to parts made of steel, aluminum, copper, powdered metals and various alloys and other metals.

The Company's heat-treating operations, with facilities in North Carolina, South Carolina, Tennessee, Georgia, Alabama, Michigan, Indiana and Illinois, expanded in 2001 with the acquisition of Pennsylvania Industrial Heat Treaters, Inc. (PIHT) in February 2001. PIHT provides metallurgical heat treating services at its facility in Pennsylvania, and specializes in heat-treating powered metal parts. The Company maintains a metallurgical laboratory at each facility with trained metallurgists providing a range of testing capabilities to add value to treated parts and enhance quality control. Consistent quality control is maintained by application of a statistical process control system and QS 9000 registration. Additionally, the Company maintains a fleet of trucks and trailers to provide rapid turnaround time for its customers.

Due to time and costs associated with transporting materials and customers' need for just-in-time delivery of heat treated products, the commercial heat treating industry has developed as a regional industry concentrated in major industrial areas of the country. In addition, the commercial heat treating industry has realized significant growth in recent years as many companies involved in the manufacture of metal components outsource their heat treating requirements. The Company believes that its heat treating facilities are strategically located to meet the needs of customers from a geographically diverse base of operations and to capitalize on the growing trend in outsourcing of heat treating operations.

Quality Control

The Company carefully selects its raw material vendors and uses computerized inspection and analysis to assure that the steel and other metals which it processes will be able to meet the most critical specifications of its customers. The Company uses documented procedures during the production process, along with statistical process control computers linked directly to processing equipment, to monitor that such specifications are met. Physical, chemical and metallographic analyses are performed during the production process to verify that mechanical and dimensional properties, cleanliness, surface characteristics and chemical content are within specification.

Suppliers and Raw Materials

Steel and metal processing companies are required to maintain substantial inventories of raw materials in order to accommodate the short lead times and just-in-time delivery requirements of their customers. Accordingly, the Company generally maintains its inventory of raw materials at levels that it believes are sufficient to satisfy the anticipated needs of the customers based upon historic buying practices and market conditions. The primary raw material processed by the Company is flat rolled steel purchased at regular intervals primarily from approximately 20 major North American suppliers and a limited number of foreign steel companies. The Company has no long-term commitments with any of its suppliers.

Technical Services

The Company employs a staff of engineers and other technical personnel and maintains fully-equipped, modern laboratories to support its operations. These laboratories enable the Company to verify, analyze and document the

physical, chemical, metallurgical and mechanical properties of its raw materials and products. Technical service personnel also work in conjunction with the sales force to determine the types of steel required for the particular needs of the Company's customers.

Sales and Marketing

The Company's products and services are sold primarily by Company sales personnel and outside sales representatives located throughout the United States and Mexico.

Customers and Distribution

The Company has approximately 10,000 customers located throughout the United States, Canada and Mexico principally in the automotive, automotive supply, building and construction, steel, machinery and fastener industries. Major customers include automobile manufacturers and suppliers, building and construction product distributors, and commercial and residential contractors. No customer of the Company represented 10% or more of the Company's net sales for 1999, 2000 or 2001.

During 1999, 2000 and 2001, one customer of the Company's Processed Steel Products segment accounted for 12.5%, 10.5% and 10.2%, respectively, of this segment's net sales. During 1999, 2000 and 2001, one customer of the Company's Building Products segment accounted for 16.8%, 16.3% and 17.2%, respectively, of this segment's net sales. During 2000 and 2001, one customer of the Company's Heat Treating segment accounted for 11.6% and 10.6%, respectively, of this segment's net sales. No other single customer accounted for more than 10% of any segment's net sales during this three year period.

The Company manufactures its products exclusively to customer order rather than for inventory, except for building and construction products. Although the Company negotiates annual sales orders with a majority of its customers, these orders are subject to customer confirmation as to product amounts and delivery dates.

Competition

The steel processing market is highly competitive. The Company competes with a small number of other steel processors, some of which also focus on fully processed, high value-added steel products. The Company competes on the basis of the

precision and range of achievable tolerances, quality, price and the ability to meet delivery schedules dictated by customers.

The Company competes with numerous suppliers of building and construction products in its market based on the broad range of products offered, quality, price and delivery.

The Company competes with a small number of suppliers of heat treating services in its market areas on the basis of processes offered, quality, price, and delivery.

Employees

At December 31, 2001, the Company employed approximately 3,400 people, of which approximately 520, or 15.3%, are represented by collective bargaining agreements.

Backlog

Because of the nature of the Company's products and the short lead time order cycle, backlog is not a significant factor in the Company's business. The Company believes that substantially all of its firm orders existing on December 31, 2001 will be shipped prior to the end of 2002.

Governmental Regulation

The Company's processing centers and manufacturing facilities are subject to many federal, state and local requirements relating to the protection of the environment. The Company believes that it is in material compliance with all environmental laws, does not anticipate any material expenditures in order to meet environmental requirements and does not believe that future compliance with such laws and regulations will have a material adverse effect on its results of operations or financial condition.

The Company's operations are also governed by many other laws and regulations. The Company believes that it is in material compliance with these laws and regulations and does not believe that future compliance with such laws and regulations will have a material adverse effect on its results of operations or financial condition.

Item 2. Description of Properties

The Company maintains its corporate headquarters in Buffalo, New York and conducts its business operations in facilities located throughout the United States.

The Company believes that its primary existing facilities, listed below, and their equipment are effectively utilized, well maintained, in good condition and will be able to accommodate its capacity needs through 2002.

| <u>Location</u> | <u>Utilization</u> | <u>Square Footage</u> |
|---------------------------------|---|-----------------------|
| Corporate | | |
| Buffalo, New York | Headquarters | 23,000* |
| Processed Steel Products | | |
| Cheektowaga, New York | Cold-rolled strip steel processing and strapping products | 148,000 |
| Tonawanda, New York | Cold-rolled strip steel and precision metals processing | 128,000 |
| Cleveland, Ohio | Cold-rolled strip steel processing | 259,000 |
| Ithaca, New York | Warehouse | 14,300* |
| Dearborn, Michigan | Strapping tool products | 3,000 |
| Lackawanna, New York | Materials management facility | 65,000* |
| Woodhaven, Michigan | Materials management facility | 100,000 |
| Franklin Park, Illinois | Precision metals processing | 99,000 |
| Birmingham, Alabama | Precision metals processing | 97,900* |
| Brownsville, Texas | Distribution warehouse | 15,000* |
| Troy, Michigan | Sales office | 800* |
| Building Products | | |
| Jacksonville, Florida | Administrative office and building products manufacturing | 261,400* |
| Miami, Florida | Building products manufacturing | 77,000* |
| Tampa Florida | Building products manufacturing | 50,000* |
| Nashville, Tennessee | Building products manufacturing | 52,500* |
| San Antonio, Texas | Building products manufacturing | 120,000* |
| Houston, Texas | Building products manufacturing | 42,000* |
| Vidalia, Georgia | Warehouse | 34,000* |
| Taylorsville, Mississippi | Building products manufacturing | 54,000 |
| Taylorsville, Mississippi | Building products manufacturing | 238,700 |
| Enterprise, Mississippi | Building products manufacturing | 194,300 |
| Appleton, Wisconsin | Building products manufacturing | 100,300 |
| Appleton, Wisconsin | Building products manufacturing | 42,600 |

| | | |
|------------------------------|---|----------|
| Joplin, Missouri | Warehouse | 45,400 |
| Montgomery, Minnesota | Administrative office and building products manufacturing | 115,600 |
| Montgomery, Minnesota | Building products manufacturing | 22,000* |
| Livermore, California | Building products manufacturing | 103,500* |
| Rancho Cucamonga, California | Warehouse | 20,600* |
| North Wikesboro, N. Carolina | Building products manufacturing | 23,000* |
| North Wikesboro, N. Carolina | Administrative office | 900* |
| Hainesport, New Jersey | Warehouse | 15,000* |
| Denver, Colorado | Administrative office and building products manufacturing | 90,000* |
| Denver, Colorado | Building products manufacturing | 30,000* |
| Largo, Florida | Building products manufacturing | 100,000 |
| Holland, Ohio | Administrative office | 3,500* |
| Lima, Ohio | Building products manufacturing | 203,000 |
| Coopersville, Michigan | Building products manufacturing | 246,000 |

Heat Treating

| | | |
|---------------------------|---|----------|
| Fountain Inn, S. Carolina | Heat treating | 82,400 |
| Reidsville, N. Carolina | Heat treating | 53,500 |
| Arden, N. Carolina | Heat treating | 20,400* |
| Charlotte, N. Carolina | Administrative office | 3,400* |
| Morristown, Tennessee | Heat treating | 24,200 |
| Conyers, Georgia | Heat treating | 18,700* |
| Athens, Alabama | Heat treating | 20,000 |
| Coldwater, Michigan | Administrative office and heat treating | 89,000 |
| Benton Harbor, Michigan | Administrative office and heat treating | 56,700 |
| Benton Harbor, Michigan | Warehouse | 25,000* |
| Greensburg, Indiana | Heat treating | 30,000* |
| South Bend, Indiana | Heat treating | 33,900 |
| Rockford, Illinois | Warehouse | 15,600 |
| Rockford, Illinois | Heat treating | 54,400 |
| Northlake, Illinois | Administrative office and heat treating | 200,000* |
| St. Marys, Pennsylvania | Administrative office and heat treating | 50,100 |

* - Leased. All other facilities owned.

Item 3. Legal Proceedings

From time to time, the Company is named a defendant in legal actions arising out of the normal course of business. The Company is not a party to any pending legal proceeding the resolution of which the management of the Company believes will have a material adverse effect on the Company's results of operations or financial condition or to any other pending legal proceedings other than ordinary, routine litigation incidental to its business. The Company maintains liability insurance against risks arising out of the normal course of business.

Item 4. Submission of Matters to a Vote of Security Holders

Not applicable.

PART II

Item 5. Market for Common Equity and Related Stockholder Matters

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

The Company's common stock is traded in the over-the-counter market and quoted on the National Association of Securities Dealers Automated Quotation System - National Market System ("Nasdaq"). Its trading symbol is "ROCK". The following table sets forth the high and low sales prices per share for the Company's common stock for each quarter of 2001 and 2000:

| | <u>2001</u> | | <u>2000</u> | |
|----------------|-------------|------------|-------------|------------|
| | <u>High</u> | <u>Low</u> | <u>High</u> | <u>Low</u> |
| Fourth Quarter | \$20.960 | \$15.150 | \$18.000 | \$11.500 |
| Third Quarter | 20.220 | 13.430 | 19.375 | 14.000 |

| | | | | |
|----------------|--------|--------|--------|--------|
| Second Quarter | 22.000 | 15.688 | 18.813 | 12.813 |
| First Quarter | 18.125 | 14.250 | 24.000 | 14.750 |

The Company declared dividends of \$.035 per share in the first, second and third quarters of 2001.

The Company declared dividends of \$.025 per share in the first quarter of 2000 and \$.030 per share in each of the second, third and fourth quarters of 2000.

| Item 6 | Selected Financial Data | | | | | |
|---|--------------------------------|------------|------------|------------|------------|--|
| (in thousands, except per share data) | | | | | | |
| | Year Ended December 31, | | | | | |
| | 2001 | 2000 | 1999 | 1998 | 1997 | |
| Net Sales | \$ 616,028 | \$ 677,540 | \$ 621,918 | \$ 557,944 | \$ 449,700 | |
| EBITDA | 60,995 | 81,080 | 72,921 | 57,788 | 41,081 | |
| Income from operations | 37,509 | 59,892 | 55,469 | 44,455 | 32,603 | |
| Interest expense | 16,446 | 18,942 | 13,439 | 11,389 | 5,115 | |
| Income before income taxes | 21,063 | 40,950 | 42,030 | 33,066 | 27,488 | |
| Income taxes | 8,530 | 16,585 | 17,022 | 13,226 | 11,072 | |
| Net income | 12,533 | 24,365 | 25,008 | 19,840 | 16,416 | |
| Net income per share-Basic | \$ 1.00 | \$ 1.94 | \$ 1.99 | \$ 1.59 | \$ 1.33 | |
| Weighted average shares outstanding-Basic | 12,591 | 12,577 | 12,540 | 12,456 | 12,357 | |
| Net income per share-Diluted | \$.98 | \$ 1.92 | \$ 1.95 | \$ 1.57 | \$ 1.30 | |
| Weighted average shares outstanding-Diluted | 12,773 | 12,685 | 12,806 | 12,651 | 12,591 | |
| Cash dividends per common share | \$.135 | \$ 0.115 | \$ 0.125 | \$ - | \$ - | |
| Current assets | \$ 166,615 | \$ 187,594 | \$ 182,591 | \$ 175,834 | \$ 130,746 | |
| Current liabilities | 61,551 | 55,187 | 69,668 | 51,598 | 43,101 | |
| Total assets | 535,040 | 556,046 | 522,080 | 438,435 | 281,336 | |
| Total debt | 212,275 | 255,853 | 236,621 | 200,746 | 83,024 | |
| Shareholders' equity | 218,347 | 208,348 | 185,459 | 160,308 | 140,044 | |
| Capital expenditures | \$ 14,344 | \$ 19,619 | \$ 21,999 | \$ 22,062 | \$ 21,784 | |
| Depreciation | 18,976 | 17,212 | 14,613 | 11,221 | 7,475 | |
| Amortization | 4,510 | 3,976 | 2,839 | 2,112 | 1,003 | |

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

Year Ended 2001 Compared to Year Ended 2000

Consolidated

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

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

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

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

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

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

Segment Information

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

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

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

Income from operations decreased 19.2% to \$18.2 million in 2001 from \$22.5 million in 2000.

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

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

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

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Year Ended 2000 Compared to Year Ended 1999

Consolidated

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

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

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

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

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

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

Segment Information

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

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

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

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

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

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

Liquidity and Capital Resources

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

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

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

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

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

The Company believes that availability under its credit facility, together with funds generated from operations, will be more than sufficient to provide the Company with the liquidity and capital resources necessary to fund its anticipated working capital

requirements, acquisitions and capital expenditure commitments for the next twelve months.

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

Recent Accounting Pronouncement

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

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

Safe Harbor Statement

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

Company Responsibility For Financial Statements

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

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

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

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

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

Walter T. Erasmus
President

John E. Flint
Vice President
and Chief Financial Officer

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Report of Independent Accountants

To the Board of Directors and
Shareholders of Gibraltar Steel Corporation

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Gibraltar Steel Corporation and its subsidiaries at December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting

principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

GIBRALTAR STEEL CORPORATION
CONSOLIDATED BALANCE SHEET
 (in thousands, except share and per share data)

| | | December 31, | |
|---|----|--------------|------------|
| | | 2001 | 2000 |
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ | 8,150 | \$ 1,701 |
| Accounts receivable | | 76,696 | 78,358 |
| Inventories | | 75,847 | 100,987 |
| Other current assets | | 5,922 | 6,548 |
| Total current assets | | 166,615 | 187,594 |
| Property, plant and equipment, net | | 228,443 | 229,159 |
| Goodwill | | 132,717 | 130,368 |
| Other assets | | 7,265 | 8,925 |
| | \$ | 535,040 | \$ 556,046 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Current liabilities: | | | |
| Accounts payable | \$ | 43,612 | \$ 39,285 |
| Accrued expenses | | 17,126 | 15,575 |
| Current maturities of long-term debt | | 813 | 327 |
| Total current liabilities | | 61,551 | 55,187 |
| Long-term debt | | 211,462 | 255,526 |
| Deferred income taxes | | 38,043 | 34,325 |
| Other non-current liabilities | | 5,637 | 2,660 |
| Shareholders' equity | | | |
| Preferred shares, \$.01 par value; authorized: | | | |
| 10,000,000 shares; none outstanding | | - | - |
| Common shares, \$.01 par value; authorized: | | | |
| 50,000,000 shares; outstanding: | | | |
| 12,607,061 shares in 2001 and 12,567,147 shares in 2000 | | 126 | 126 |

| | | | | |
|--------------------------------|--|------------|--|------------|
| Additional paid-in capital | | 69,221 | | 68,475 |
| Retained earnings | | 150,578 | | 139,747 |
| Accumulated comprehensive loss | | (1,578) | | - |
| Total shareholders' equity | | 218,347 | | 208,348 |
| | | \$ 535,040 | | \$ 556,046 |

The accompanying notes are an integral part of these financial statements

| GIBRALTAR STEEL CORPORATION | | | | | | |
|---|-------------------------|---------|----|---------|----|---------|
| CONSOLIDATED STATEMENT OF INCOME | | | | | | |
| (in thousands, except per share data) | | | | | | |
| | Year Ended December 31, | | | | | |
| | | 2001 | | 2000 | | 1999 |
| Net sales | \$ | 616,028 | \$ | 677,540 | \$ | 621,918 |
| Cost of sales | | 499,945 | | 541,743 | | 493,945 |
| Gross profit | | 116,083 | | 135,797 | | 127,973 |
| Selling, general and administrative expense | | 78,574 | | 75,905 | | 72,504 |
| Income from operations | | 37,509 | | 59,892 | | 55,469 |
| Interest expense | | 16,446 | | 18,942 | | 13,439 |
| Income before taxes | | 21,063 | | 40,950 | | 42,030 |
| Provision for income taxes | | 8,530 | | 16,585 | | 17,022 |
| Net income | \$ | 12,533 | \$ | 24,365 | \$ | 25,008 |
| Net income per share - Basic | \$ | 1.00 | \$ | 1.94 | \$ | 1.99 |
| Weighted average shares outstanding - Basic | | 12,591 | | 12,577 | | 12,540 |
| Net income per share - Diluted | \$ | .98 | \$ | 1.92 | \$ | 1.95 |
| Weighted average shares outstanding - Diluted | | 12,773 | | 12,685 | | 12,806 |

The accompanying notes are an integral part of these financial statements

GIBRALTAR STEEL CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS
(in thousands)

| | Year Ended December 31, | | | |
|---|-------------------------|-----------|-----------|--|
| | 2001 | 2000 | 1999 | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Net income | \$ 12,533 | \$ 24,365 | \$ 25,008 | |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | | |
| Depreciation and amortization | 23,486 | 21,188 | 17,452 | |
| Provision for deferred income taxes | 4,545 | 5,252 | 2,383 | |
| Undistributed equity investment income | 547 | (253) | (466) | |
| Other noncash adjustments | 157 | 116 | 697 | |
| Increase (decrease) in cash resulting from changes in (net of effects from acquisitions): | | | | |
| Accounts receivable | 2,290 | 5,660 | (118) | |
| Inventories | 25,140 | (206) | 6,873 | |
| Other current assets | 495 | (2,829) | (272) | |
| Accounts payable and accrued expenses | 5,885 | (16,551) | 10,242 | |
| Other assets | 739 | (2,622) | (1,130) | |
| Net cash provided by operating activities | 75,817 | 34,120 | 60,669 | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Acquisitions, net of cash acquired | (10,832) | (42,880) | (65,380) | |
| Investments in property, plant and equipment | (14,344) | (19,619) | (21,999) | |
| Net proceeds from sale of property and equipment | 435 | 7,753 | 2,838 | |
| Net cash used in investing activities | (24,741) | (54,746) | (84,541) | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |

| | | | | | | |
|--|----|----------|----------|----------|--------|----------|
| Long-term debt reduction | | (92,843) | | (63,157) | | (67,160) |
| Proceeds from long-term debt | | 49,265 | | 82,389 | | 94,081 |
| Repurchase of common stock | | - | | (181) | | - |
| Net proceeds from issuance of common stock | | 589 | | 36 | | 1,014 |
| Payment of dividends | | (1,638) | | (1,447) | | (1,253) |
| | | | | | | |
| Net cash (used in) provided by financing activities | | | (44,627) | | 17,640 | 26,682 |
| | | | | | | |
| Net increase (decrease) in cash and cash equivalents | | 6,449 | | (2,986) | | 2,810 |
| Cash and cash equivalents at beginning of year | | 1,701 | | 4,687 | | 1,877 |
| | | | | | | |
| Cash and cash equivalents at end of year | \$ | 8,150 | \$ | 1,701 | \$ | 4,687 |
| | | | | | | |
| | | | | | | |

The accompanying notes are an integral part of these financial statements

GIBRALTAR STEEL CORPORATION
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(in thousands)

| | <u>Common Shares</u> | | <u>Additional Paid-in Capital</u> | <u>Retained Earnings</u> | <u>Accumulated Comprehensive Loss</u> |
|---|----------------------|---------------|-----------------------------------|--------------------------|---------------------------------------|
| | <u>Shares</u> | <u>Amount</u> | | | |
| Balance at December 31, 1998 | 12,484 | \$ 125 | \$ 66,613 | \$ 93,570 | \$ - |
| Net income | - | - | - | 25,008 | - |
| Stock options exercised and tax benefit | 72 | 1 | 1,124 | - | - |
| Cash dividend - \$.125 per share | - | - | - | (1,568) | - |
| Earned portion of restricted stock | - | - | 116 | - | - |
| Profit sharing plan contributions | 21 | - | 470 | - | - |
| Balance at December 31, 1999 | 12,577 | 126 | 68,323 | 117,010 | - |
| Net income | - | - | - | 24,365 | - |
| Stock options exercised and tax benefit | 3 | - | 36 | - | - |
| Cash dividend - \$.115 per share | - | - | - | (1,447) | - |
| Earned portion of restricted stock | - | - | 116 | - | - |
| Repurchase of common stock | (13) | - | - | (181) | - |
| Balance at December 31, 2000 | 12,567 | \$ 126 | \$ 68,475 | \$ 139,747 | - |
| Implementation of FAS 133 | - | - | - | - | (191) |

| | | | | | |
|---|--------|--------|-----------|------------|------------|
| Net income | - | - | - | 12,533 | - |
| Stock options exercised and tax benefit | 40 | - | 629 | - | - |
| Cash dividend - \$.135 per share | - | - | - | (1,702) | - |
| Earned portion of restricted stock | - | - | 117 | - | - |
| Interest rate swap adjustments | - | - | - | - | (1,387) |
| Balance at December 31, 2001 | 12,607 | \$ 126 | \$ 69,221 | \$ 150,578 | \$ (1,578) |

The accompanying notes are an integral part of these financial statements

GIBRALTAR STEEL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

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

Use of Estimates

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

Cash and Cash Equivalents

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

Inventories

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

Property, Plant and Equipment

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

Goodwill

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

Shareholders' Equity

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

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

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

Interest Rate Exchange Agreements

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

Income Taxes

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

Earnings Per Share

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

2. ACQUISITIONS

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

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

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

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

| | (in thousands, except per share data) | |
|------------------------------|---------------------------------------|-------------|
| | Year Ended December 31, | |
| | <u>2001</u> | <u>2000</u> |
| | (unaudited) | |
| Net Sales | \$616,688 | \$710,576 |
| | ===== | ===== |
| Income before taxes | \$ 21,121 | \$ 42,914 |
| | ===== | ===== |
| Net income | \$ 12,568 | \$ 25,532 |
| | ===== | ===== |
| Net income per share - Basic | \$ 1.00 | \$ 2.03 |
| | ===== | ===== |

3. ACCOUNTS RECEIVABLE

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

4. INVENTORIES

Inventories at December 31 consist of the following:

| | (in thousands) | |
|------------------------------------|--------------------|--------------------|
| | <u>2001</u> | <u>2000</u> |
| Raw material | \$ 36,378 | \$ 54,640 |
| Finished goods and work-in-process | <u>39,469</u> | <u>46,347</u> |
| Total inventories | \$ 75,847 ===== | \$100,987 ===== |

5. PROPERTY, PLANT AND EQUIPMENT

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

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

6. OTHER ASSETS

Other assets at December 31 consist of the following:

| | (in thousands) | |
|--------------------------------|-------------------|-------------------|
| | <u>2001</u> | <u>2000</u> |
| Equity interest in partnership | \$ 4,192 | \$ 4,738 |
| Other | <u>3,073</u> | <u>4,187</u> |
| Total other assets | \$ 7,265 ===== | \$ 8,925 ===== |

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

7. DEBT

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

| | (in thousands) | |
|--|----------------|-------------|
| | <u>2001</u> | <u>2000</u> |

| | | |
|--------------------------------------|------------------|------------------|
| Revolving credit notes payable | \$207,000 | \$250,251 |
| Industrial Development Revenue Bonds | 3,300 | 3,500 |
| Other debt | <u>1,975</u> | <u>2,102</u> |
| | 212,275 | 255,853 |
| Less current maturities | <u>813</u> | <u>327</u> |
| Total long-term debt | <u>\$211,462</u> | <u>\$255,526</u> |

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

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

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

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

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

8. LEASES

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

9. EMPLOYEE RETIREMENT PLANS

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

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

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

10. OTHER POST-RETIREMENT BENEFITS

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

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

| | Benefit Obligation at <u>January 1</u> | Service <u>Cost</u> | Interest <u>Cost</u> | <u>Amendment</u> | Actuarial (Gain)/ <u>Loss</u> | Benefit <u>Payments</u> | Benefit Obligation at <u>December 31</u> |
|------|---|------------------------|-------------------------|------------------|-------------------------------------|----------------------------|---|
| 2001 | \$1,983 | 52 | 131 | (686) | 842 | (50) | \$2,272 |
| 2000 | \$1,844 | 71 | 145 | - | (1) | (76) | \$1,983 |

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

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

11. INCOME TAXES

The provision for income taxes consists of the following:

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

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

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

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

| | <u>(in thousands)</u> | | |
|-----------------------------------|-----------------------|-------------|-------------|
| | <u>2001</u> | <u>2000</u> | <u>1999</u> |
| Statutory U.S. tax rates | \$ 7,372 | \$ 14,333 | \$ 14,711 |
| Increase in rates resulting from: | | | |

| | | | |
|----------------------------|-----------|------------|------------|
| State and local taxes, net | 693 | 1,615 | 1,723 |
| Goodwill | 431 | 431 | 373 |
| Other | <u>34</u> | <u>206</u> | <u>215</u> |
| | \$ 8,530 | \$ 16,585 | \$ 17,022 |
| | ===== | ===== | ===== |

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

12. EARNINGS PER SHARE

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

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

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

13. STOCK OPTIONS

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

Options outstanding at December 31, 2001 consisted of:

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

The following table summarizes information about stock option transactions:

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

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

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

| | As Reported <u>2001</u> | Pro forma <u>2001</u> | As Reported <u>2000</u> | Pro forma <u>2000</u> |
|-------------------------------|----------------------------|--------------------------|----------------------------|--------------------------|
| Net Income | \$12,533,000 | \$10,975,000 | \$24,365,000 | \$23,073,000 |
| Net Income per Share-Basic | \$1.00 | \$0.87 | \$1.94 | \$1.83 |

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

| | <u>Fair Value</u> | Expected <u>Life</u> | Stock <u>Volatility</u> | Risk-Free <u>Interest Rate</u> | Dividend <u>Yield</u> |
|------------|-------------------|-------------------------|----------------------------|-----------------------------------|--------------------------|
| 2000 Grant | \$6.31 | 5 years | 43.7% | 6.3% | .7% |
| 1999 Grant | \$9.18 | 5 years | 45.1% | 4.4% | .2% |

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

14. SEGMENT INFORMATION

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

- (i) Processed steel products, which primarily includes the intermediate processing of wide, open tolerance flat-rolled sheet steel through the application of several different processes to produce high-quality, value-added coiled steel products to be further processed by customers.
- (ii) Building products, which primarily includes the processing of sheet steel to produce a wide variety of building and construction products.
- (iii) Heat treating, which includes a wide range of metallurgical heat treating processes in which customer-owned metal parts are exposed to precise temperatures, atmospheres and quenchants to improve their mechanical properties, durability and wear resistance.

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

| | <u>(in thousands)</u> | | |
|--------------------------|-----------------------|-------------------|-------------------|
| | <u>2001</u> | <u>2000</u> | <u>1999</u> |
| Net Sales | | | |
| Processed steel products | \$ 252,382 | \$ 321,361 | \$ 322,216 |
| Building products | 292,464 | 277,706 | 249,320 |
| Heat treating | <u>71,182</u> | <u>78,473</u> | <u>50,382</u> |
| | <u>\$ 616,028</u> | <u>\$ 677,540</u> | <u>\$ 621,918</u> |
| | ===== | ===== | ===== |
| Income from operations | | | |
| Processed steel products | \$ 29,156 | \$ 39,111 | \$ 39,216 |
| Building products | 18,174 | 22,491 | 25,507 |

| | | | |
|-------------------------------|-----------------|-----------------|-----------------|
| Heat treating | 8,798 | 13,059 | 8,408 |
| Corporate | <u>(18,619)</u> | <u>(14,769)</u> | <u>(17,662)</u> |
| | \$ 37,509 | \$ 59,892 | \$ 55,469 |
| | ===== | ===== | ===== |
| Depreciation and amortization | | | |
| Processed steel products | \$ 5,681 | \$ 5,853 | \$ 6,181 |
| Building products | 6,986 | 5,747 | 4,692 |
| Heat treating | 5,756 | 5,112 | 3,465 |
| Corporate | <u>5,063</u> | <u>4,476</u> | <u>3,114</u> |
| | \$ 23,486 | \$ 21,188 | \$ 17,452 |
| | ===== | ===== | ===== |
| Total assets | | | |
| Processed steel products | \$ 137,942 | \$ 155,740 | \$ 170,715 |
| Building products | 151,993 | 157,962 | 123,221 |
| Heat treating | 80,515 | 80,048 | 79,259 |
| Corporate | <u>164,590</u> | <u>162,296</u> | <u>148,885</u> |
| | \$ 535,040 | \$ 556,046 | \$ 522,080 |
| | ===== | ===== | ===== |
| Capital Expenditures | | | |
| Processed steel products | \$ 3,980 | \$ 5,313 | \$ 7,046 |
| Building products | 7,637 | 7,304 | 6,363 |
| Heat treating | 2,151 | 5,902 | 7,615 |
| Corporate | <u>576</u> | <u>1,100</u> | <u>975</u> |
| | \$ 14,344 | \$ 19,619 | \$ 21,999 |
| | ===== | ===== | ===== |

15. COMMITMENTS AND CONTINGENCIES

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

16. RECENT ACCOUNTING PRONOUNCEMENTS

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

17. SUBSEQUENT EVENT

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

QUARTERLY UNAUDITED FINANCIAL DATA

(in thousands, except per share data)

| <u>2001 Quarter Ended</u> | <u>March 31</u> | <u>June 30</u> | <u>Sept. 30</u> | <u>Dec. 31</u> | <u>Total</u> |
|----------------------------|-----------------|----------------|-----------------|----------------|--------------|
| 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 | \$.23 | \$.36 | \$.29 | \$.12 | \$ 1.00 |

| | | | | | |
|------------------------------|--------|--------|--------|--------|--------|
| Net Income Per Share-Diluted | \$.23 | \$.35 | \$.28 | \$.12 | \$.98 |
|------------------------------|--------|--------|--------|--------|--------|

| <u>2000 Quarter Ended</u> | <u>March 31</u> | <u>June 30</u> | <u>Sept. 30</u> | <u>Dec. 31</u> | <u>Total</u> |
|------------------------------|-----------------|----------------|-----------------|----------------|--------------|
| Net Sales | \$167,634 | \$181,523 | \$178,326 | \$150,057 | \$677,540 |
| Gross Profit | 34,548 | 36,616 | 35,863 | 28,770 | 135,797 |
| Income From Operations | 14,318 | 17,416 | 17,268 | 10,890 | 59,892 |
| Net Income | 6,015 | 7,854 | 7,248 | 3,248 | 24,365 |
| Net Income Per Share-Basic | \$.48 | \$.62 | \$.58 | \$.26 | \$ 1.94 |
| Net Income Per Share-Diluted | \$.47 | \$.62 | \$.57 | \$.26 | \$ 1.92 |

Item 9 **Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

PART III

Item 10 **Directors and Executive Officers of the Registrant**

Information regarding directors and executive officers of the Company is incorporated herein by reference to the information included in the Company's definitive proxy statement which will be filed with the Commission within 120 days after the end of the Company's 2001 fiscal year.

Item 11 **Executive Compensation**

Information regarding executive compensation is incorporated herein by reference to the information included in the Company's definitive proxy statement which will be filed with the Commission within 120 days after the end of the Company's 2001 fiscal year.

Item 12 **Security Ownership of Certain Beneficial Owners and Management**

Information regarding security ownership of certain beneficial owners and management is incorporated herein by reference to the information included in the Company's definitive proxy statement which will be filed with the Commission within 120 days after the end of the Company's 2001 fiscal year.

Item 13 **Certain Relationships and Related Transactions**

Information regarding certain relationships and related transactions is incorporated herein by reference to the information included in the Company's definitive proxy statement which will be filed with the Commission within 120 days after the end of the Company's 2001 fiscal year.

PART IV

Item 14. **Exhibits, Financial Statement Schedules and Reports on Form 8-K** **Page Number**

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| | Quarterly Unaudited Financial Statements | 37 |
| (3) | <u>Exhibits</u> | |

The exhibits to this Annual Report on Form 10-K included herein are set forth on the attached Exhibit Index beginning on page 41.

(b) Reports on Form 8-K

No reports on Form 8-K were filed by the Company during the three month period ended December 31, 2001.

SIGNATURES

Pursuant to the requirement of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GIBRALTAR STEEL CORPORATION

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

In accordance with the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

| | | |
|---|---|----------------|
| <u>/s/ Brian J. Lipke</u> Brian J. Lipke | Chief Executive Officer and Chairman of the Board (principal executive officer) | March 27, 2002 |
|---|---|----------------|

| | | |
|---|-----------|----------------|
| <u>/s/ Walter T. Erazmus</u> Walter T. Erazmus | President | March 27, 2002 |
|---|-----------|----------------|

| | | |
|---|--|----------------|
| <u>/s/ John E. Flint</u> John E. Flint | Vice President and Chief Financial Officer (principal financial and accounting officer) | March 27, 2002 |
|---|--|----------------|

| | | |
|---|----------|----------------|
| <u>/s/ Neil E. Lipke</u> Neil E. Lipke | Director | March 27, 2002 |
|---|----------|----------------|

| | | |
|---|----------|----------------|
| <u>/s/ Gerald S. Lippes</u> Gerald S. Lippes | Director | March 27, 2002 |
|---|----------|----------------|

| | | |
|---|----------|----------------|
| <u>/s/ Arthur A. Russ, Jr.</u> Arthur A. Russ, Jr. | Director | March 27, 2002 |
|---|----------|----------------|

March 27, 2002

/s/ David N. Campbell Director
David N. Campbell

/s/ William P. Montague Director
William P. Montague

March 27, 2002

Exhibit Index

| <u>Exhibit Number</u> | <u>Exhibit</u> | <u>Sequentially Numbered Page</u> |
|-----------------------|--|-----------------------------------|
| 3.1 | Certificate of Incorporation of Registrant (incorporated by reference to the same exhibit number to the Company's Registration Statement on Form S-1 (Registration No. 33-69304)) | |
| 3.2 | Amended and Restated By-Laws of the Registrant effective August 11, 1998 (incorporated by reference to Exhibit 3(ii) to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998) | |
| 4.1 | Specimen Common Share Certificate (incorporated by reference to the same exhibit number to the Company's Registration Statement on Form S-1 (Registration No. 33-69304)) | |
| 10.1 | Partnership Agreement of Samuel Pickling Management Company dated June 1, 1988 between Cleveland Pickling, Inc. and Samuel Manu-Tech, Inc. (incorporated by reference to Exhibit 10.7 to the Company's Registration Statement on Form S-1 (Registration No. 33-69304)) | |
| 10.2 | Partnership Agreement dated May 1988 among Samuel Pickling Management Company, Universal Steel Co. and Ruscon Steel Corp., creating Samuel Steel Pickling Company, a general partnership (incorporated by reference to Exhibit 10.8 to the Company's Registration Statement on Form S-1 (Registration No. 33-69304)) | |
| 10.3 | Lease dated September 1, 1990 between Erie County Industrial Development Agency and Integrated Technologies International, Ltd. (incorporated by reference to Exhibit 10.13 to the Company's Registration Statement on Form S-1 (Registration No. 33-69304)) | |
| 10.4 | Lease dated June 4, 1993 between Buffalo Crushed Stone, Inc. and Gibraltar Steel Corporation (incorporated by reference to Exhibit 10.14 to the Company's Registration Statement on Form S-1 (Registration No. 33-69304)) | |
| 10.5* | Employment Agreement dated as of July 9, 1998 between the Registrant and Brian J. Lipke (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998) | |
| 10.6 | Gibraltar Steel Corporation Executive Incentive Bonus Plan (incorporated by reference to Exhibit 10.16 to the Company's Registration Statement on Form S-1 (Registration No. 33-69304)) | |
| 10.7 | Agreement dated December 22, 2000 for Adoption by Gibraltar Steel Corporation of New York of the Dreyfus Nonstandardized Prototype Profit Sharing Plan and Trust (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2001). | |

- 10.8* Gibraltar Steel Corporation Incentive Stock Option Plan, Fifth Amendment and Restatement (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2000)
- 10.9* Gibraltar Steel Corporation Restricted Stock Plan (incorporated by reference to Exhibit 10.19 to the Company's Registration Statement on Form S-1 (Registration No. 33-69304))
- 10.10* Gibraltar Steel Corporation Restricted Stock Plan, First Amendment and Restatement (incorporated by reference to Exhibit 10.13 of the Company's Annual Report on Form 10-K for the year ended December 31, 1997)
- 10.11* Gibraltar Steel Corporation Non-Qualified Stock Option Plan (incorporated by reference to Exhibit 10.20 to the Company's Registration Statement on Form S-1 (Registration No. 33-69304))
- 10.12* Gibraltar Steel Corporation Non-Qualified Stock Option Plan, First Amendment and Restatement (incorporated by reference to Exhibit 10.17 to the Company's Registration Statement on Form S-1 (Registration No. 333-03979))
- 10.13* Gibraltar Steel Corporation Profit Sharing Plan dated August 1, 1984, as Amended April 14, 1986 and May 1, 1987 (incorporated by reference to Exhibit 10.21 to the Company's Registration Statement on Form S-1 (Registration No. 33-69304))
- 10.14* Change in Control Agreement dated July 9, 1998 between Registrant and Brian J. Lipke (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998)
- 10.15* Form of Change in Control Agreement dated July 9, 1998 between Registrant and each of Neil E. Lipke, Eric R. Lipke, Walter T. Erasmus, Joseph A. Rosenecker, Carl P. Spezio and Andrew S. Tsakos (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998)
- 10.16* Form of Stay Bonus Agreement dated October 1, 2000 between Registrant and certain named executives.
- 10.17 Third Amended and Restated Credit Agreement dated September 29, 2000 among Gibraltar Steel Corporation, Gibraltar Steel Corporation of New York, Chase Manhattan Bank, N.A., as Administrative Agent, and various financial institutions that are signatories thereto (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000)
- 10.18 First Amendment, dated May 28, 1999, to the Partnership Agreement dated May 1988 among Samuel Pickling Management Company, Universal Steel Co., and Ruscon Steel Corp., creating Samuel Steel Pickling Company, a general partnership (incorporated by reference to Exhibit 10.20 to the Company's Annual Report on Form 10-K for the year ended December 31, 1999)
- 10.19 First Amendment dated March 30, 2001 to Third Amended and Restated Credit Agreement dated September 29, 2000 among to Gibraltar Steel Corporation of New York, Chase Manhattan Bank, N.A., as administrative Agent, and various financial institutions that are signatories thereto (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the

quarter ended March 31, 2001).

- 10.20 Second Amendment dated as of September 30, 2001 to Third Amended and Restated Credit Agreement dated September 29, 2000 among Gibraltar Steel Corporation of New York, Chase Manhattan Bank, N.A., as administrative Agent, and various financial institutions that are signatories thereto (incorporated by reference to Exhibit 10.1 on Form 10-Q for the quarter ended September 30, 2001)
- 10.21* Gibraltar Steel Corporation 401(k) Plan (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-8 (No. 33-87034))
- 10.22* First Amendment, dated January 20, 1995, to Gibraltar Steel Corporation 401(k) Plan (incorporated by reference to Exhibit 10.28 to the Company's Annual Report on Form 10-K for the year ended December 31, 1994)
- 21 Subsidiaries of the Registrant

* Document is a management contract or compensatory plan or arrangement

Subsidiaries

The following is a list of the subsidiaries of Gibraltar Steel Corporation. The names of indirectly owned subsidiaries are indented under the names of their respective parent corporations:

| | |
|---|--------------|
| Gibraltar Steel Corporation of New York | New York |
| Wm. R. Hubbell Steel Corporation | Illinois |
| Carolina Commercial Heat Treating, Inc. | Nevada |
| Southeastern Metals Manufacturing Company, Inc. | Florida |
| Solar Group, Inc. | Delaware |
| Appleton Supply Co., Inc. | Delaware |
| United Steel Products Company | Minnesota |
| Harbor Metal Treating Co. | Michigan |
| Harbor Metal Treating of Indiana, Inc. | Michigan |
| K & W Metal Fabricators, Inc. | Colorado |
| Hi-Temp Heat Treating, Inc. | Delaware |
| Brazing Concepts Company | Michigan |
| Milcor, Inc. | Delaware |
| Pennsylvania Industrial Heat Treaters, Inc. | Pennsylvania |
| Gibraltar Steel Corporation Flight Services Corp. | New York |
| Gibraltar Strip Steel, Inc. | Delaware |
| Cleveland Pickling, Inc. | Delaware |
| GIT Limited | New York |