SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549
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FORM 10-K

(Mark One)

(X) ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES ACT OF 1934
For The Fiscal Year Ended December 31, 1998

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:

Title of each class	Name of each exchange on which registered
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 X 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, 1998, the aggregate market value of the voting stock held by nonaffiliates of the Registrant amounted to $140,803,000.

As of December 31, 1998, the number of common shares outstanding was: 12,484,418.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive Proxy Statement for the Annual Meeting of Shareholders to be held May 18, 1999, are incorporated by reference into Part III of this report.

Exhibit Index is on Page 39

PART I

Item 1. Description of Business

General

The Company is a processor 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. Expertise in these core competencies has allowed the Company to successfully expand beyond its original cold-rolled strip steel and steel strapping processing operations to the processing of building and construction products and providing of metallurgical heat treating and materials management services.

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.

Metal Processes, Products and Services

The Company produces and delivers a variety of products and services on a just-in-time basis for industrial manufacturers, fabricators and other end-users in the automotive, automotive supply, appliance, building and construction, machinery, and steel industries.

The following table sets forth certain information regarding sales of products and services as a percentage of net sales for the past three years:

	Year ended December 31,		
Products and Services	1996	1997	1998
Cold-rolled strip steel	43%	35%	30%
Building and construction products	-	20%	32%
Precision metal products	44%	36%	31%
Other processes and services	13%	9%	7%

The following steel and metal products, processes, and services are provided by the Company:

Cold-Rolled Strip Steel

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, temper rolling, 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, fully 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.

The Company operates 10 rolling mills at its facilities in Cleveland, Ohio, Chattanooga, Tennessee and Buffalo, New York, all of which are QS9000 certified, and is capable of rolling widths of up to 50 inches. The Company has the capability to process coils up to a maximum of 72 inch outside diameter. The Company's rolling mills include automatic gauge control systems with hydraulic screwdowns allowing for microsecond adjustments during processing. In January 1998, the Company began operating a 56 inch reversing mill which the Company believes is the widest of its type in the industry.

The Company's computerized mills produce products meeting the most stringent statistical quality control standards, enabling it to satisfy a growing industry demand for a range of steel from thicker to thinner, low carbons to alloy grades, all with precision gauge tolerances as close as +/- .0002 inches.

The Company's rolling facilities are further complemented by 15 high convection annealing furnaces, which shorten annealing times over conventional annealers. The Company's newest furnaces incorporate the use of a hydrogen atmosphere for the production of cleaner and more uniform steel. As a result of its annealing capabilities, the Company is able to produce cold-rolled strip steel with improved consistency in terms of thickness, hardness, molecular grain structure and surface.

The Company can produce certain of its strip steel products on oscillated coils which wind the steel strip in a manner similar to the way thread is wound on a spool. Oscillating the 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.

Building and Construction Products

The Company processes steel and other metal to manufacture a wide array of products for the building and construction industry. Building and construction industry products are manufactured primarily from galvanized steel, as well as from aluminum, copper and other metals. Building and construction products manufactured include metal trims, prefab homes and utility sheds, steel lumber connectors, metal roofing, drywall products, gutters and down spouts, ventilation products and storm panel systems for residential and commercial properties.

During 1998, the Company acquired three building and construction products companies which broaden its product line, extends its geographic reach and further diversifies and builds its customer base. The Solar Group (Solar), acquired in March 1998, operates three facilities located in Mississippi and primarily manufactures wind turbines, power vents, other ventilation products and accessories. Appleton Supply Co., Inc. (Appleton), acquired in April 1998 with facilities located in Wisconsin and Missouri, also manufacturers ventilation products and accessories, as well as roofing products and other construction products. United Steel Products Company (USP), acquired in June 1998 with facilities located in Minnesota, California, North Carolina and New Jersey, is a leading producer of steel lumber connectors and gives the Company its first manufacturing and distribution facility on the West Coast. These three acquisitions compliment the Company's existing building and construction products business comprised of Southeastern Metals Manufacturing Company, Inc. (SEMCO), with facilities located in Florida, Georgia, Tennessee and Texas. All of these facilities use precision engineering combined with slitting, stamping, roll forming and other processes to manufacture their various products.

Precision Metal Products
The Company's precision metal products are comprised primarily of higher value-added flat-rolled sheet steel, as well as steel strapping and other products.

Precision Metal Processing. The Company operates two precision metals facilities in New York and Tennessee which primarily process flat-rolled sheet steel. In addition to slitting and cutting to length, these precision metals facilities can produce higher value-added products which are held to close tolerances and tight specifications through cold-rolling, annealing, blanking, oscillating and edging rolling.

The Company also operates two precision metals facilities in Illinois and Alabama which process galvanized, Galvalume and prepainted steel and can slit and cut to length material based upon customer specifications.

Steel Strapping. Steel strapping is banding and packaging material that is used to close and reinforce shipping units such as bales, boxes, cartons, coils, crates and skids. The Company believes that it is one of four major domestic manufacturers of high tensile steel strapping, which is used in heavy duty applications. High tensile strapping 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 QS9000 certified strapping facility manufactures high tensile steel strapping by slitting, oscillating, heat treating, painting and packaging cold-rolled coils.

Steel strapping 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.

Other Products. The Company's Solar acquisition produces a complete line of mailboxes manufactured primarily with galvanized steel. The Company believes it is the largest manufacturer of mailboxes in the United States.

Other Processes and Services

Metallurgical Heat Treating Services. The Company provides a wide range of metallurgical heat treating services in which customer-owned parts are exposed to precise temperature and other conditions to improve their mechanical properties, durability and wear resistance. These services include case-hardening, surface-hardening and through-hardening processes for customers in a wide variety of industries. Using methods such as annealing, flame hardening, vacuum hardening, carburizing and nitriding, as well as a host of other services, these heat treating processes can harden, soften or otherwise impart desired properties on parts made of steel, copper and various alloys and other metals. A variety of brazing services to join metallic objects together is also provided.

The Company acquired Harbor Metal Treating Co., Inc. (Harbor) in October 1998 and now operates nine heat treating facilities in North Carolina, South Carolina, Tennessee, Georgia, Alabama, Michigan, Indiana and Illinois. The Company maintains a metallurgical laboratory at each facility 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. 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.

Materials Management Services. The Company operates two 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. These facilities receive shipments of steel by rail and truck from 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 through the use of a specialized stacker crane and racking system. When an order is placed, the Company often delivers the steel to the end-user manufacturer within one hour using Company-owned trucks that have been custom designed to facilitate the loading and unloading process.

Steel Pickling Joint Venture. The Company is a minority partner in 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 its pickling services without acquiring ownership of the steel.

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 18 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 located throughout the United States and Mexico. This marketing staff is supported by a vice president of sales for each of the Company's principal product lines.

Customers and Distribution

The Company has approximately 9,000 customers located throughout the United States, Canada and Mexico principally in the automotive, automotive supply, appliance, building and construction, machinery and steel 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 1996, 1997 or 1998.

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 also competes with a small number of other steel strapping manufacturers on the basis of quality, price, product variety and the ability to meet delivery schedules dictated by customers.

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

Employees

At December 31, 1998, the Company employed approximately 2,700 people, of which approximately 200 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 backlog of firm orders existing on December 31, 1998 will be shipped prior to the end of 1999.

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 1999.

Location	Utilization	Square Footage	Owned or Leased
Buffalo, New York	Headquarters	23,000	Leased
Buffalo, New York	Precision metals processing; warehouse	207,000	Owned
Cheektowaga, New York	Cold-rolled strip steel processing and strapping products	148,000	Owned
Tonawanda, New York	Cold-rolled strip steel and precision metals processing	128,000	Owned
Lackawanna, New York	Materials management facility	65,000	Leased
Dearborn, Michigan	Strapping tool products	3,000	Owned
Woodhaven, Michigan	Materials management facility	100,000	Owned
Franklin Park, Illinois	Coated sheet steel and precision metals processing	99,000	Owned
Birmingham, Alabama	Coated sheet steel and precision metals processing	97,900	Leased
Cleveland, Ohio	Cold-rolled strip steel processing	259,000	Owned
Chattanooga, Tennessee	Steel processing	65,000	Owned
Brownsville, Texas	Distribution warehouse	15,000	Leased
Troy, Michigan	Sales office	800	Leased
Fountain Inn, S. Carolina	Heat treating services	77,400	Leased
Reidsville, N. Carolina	Heat treating services	53,500	Leased
Morristown, Tennessee	Heat treating services	24,200	Owned
Conyers, Georgia	Heat treating services	18,700	Leased
Athens, Alabama	Heat treating services	20,000	Leased
Charlotte, N. Carolina	Administrative office	3,400	Leased
Benton Harbor, Michigan	Administration office and heat treating services	56,700	Owned
Benton Harbor, Michigan	Warehouse	25,000	Leased
South Bend, Indiana	Heat treating services	33,900	Owned
Rockford Illinois	Heat treating services	15,600	Owned
Rockford, Illinois	Heat treating services	54,400	Owned
Jacksonville, Florida	Administrative office and construction products manufacturing	261,400	Leased
Miami, Florida	Construction products manufacturing	77,000	Leased
Tampa, Florida	Construction products manufacturing	50,000	Leased
Nashville, Tennessee	Construction products manufacturing	52,500	Leased
San Antonio, Texas	Construction products manufacturing	70,000	Leased
Houston, Texas	Construction products manufacturing	48,200	Leased
Vidalia, Georgia	Construction products manufacturing	34,000	Leased
Taylorsville, Mississippi	Construction products manufacturing	53,600	Owned
Taylorsville, Mississippi	Construction products manufacturing	238,700	Owned

Enterprise, Mississippi	Construction products manufacturing	194,300	Owned
Appleton, Wisconsin	Construction products manufacturing	100,300	Owned
Appleton, Wisconsin	Construction products manufacturing	42,600	Owned
Joplin, Missouri	Construction products manufacturing	45,400	Owned
Montogomery, Minnesota	Administrative office and construction products manufacturing	115,600	Owned
Montogomery, Minnesota	Construction products manufacturing	22,000	Leased
LeCenter, Minnesota	Construction products manufacturing	15,000	Leased
Livermore, California	Construction products manufacturing	103,500	Leased
North Wilkesboro, N.Carolina	Warehouse	23,500	Leased
Hainesport, New Jersey	Warehouse	10,800	Leased

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, 1998, there were 140 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 1998 and 1997:

1998	High	Low
Fourth Quarter	$ 22 7/8	$15
Third Quarter	23	14 3/8
Second Quarter	25 1/4	20 1/2
First Quarter	25 3/4	18 1/2
1997		
Fourth Quarter	$ 25 1/2	$17 3/4
Third Quarter	28	20 3/4
Second Quarter	25 1/2	18 7/8
First Quarter	26 3/4	18 1/4

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

Item 6. Selected Financial Data
(in thousands, except per share data)

	Year Ended December 31, 1998	1997	1996	1995	1994
Net Sales	$ 557,944	$ 449,700	$ 342,974	$ 282,833	$ 200,142
Income from operations	44,455	32,603	30,617	20,368	16,179
Interest expense	11,389	5,115	3,827	3,984	1,374
Income before income taxes	33,066	27,488	26,790	16,384	14,805
Income taxes	13,226	11,072	10,815	6,662	5,996
Net income	19,840	16,416	15,975	9,722	8,809
Net income per share- Basic	$ 1.59	$ 1.33	$ 1.42	$ .96	$ .87
Weighted average shares outstanding-Basic	12,456	12,357	11,261	10,164	10,163
Net income per share- Diluted	$ 1.57	$ 1.30	$ 1.39	$ .95	$ .86
Weighted average shares outstanding- Diluted	12,651	12,591	11,464	10,213	10,200
Current assets	$ 175,834	$ 130,746	$ 109,526	$ 86,995	$ 70,552
Current liabilities	51,598	43,101	40,853	29,480	22,028
Total assets	438,435	281,336	222,507	167,423	126,380
Total debt	200,746	83,024	49,841	59,054	38,658
Shareholders' equity	160,308	140,044	121,744	70,244	60,396
Capital expenditures	$ 22,062	$ 21,784	$ 15,477	$ 14,504	$ 16,171
Depreciation and amortization	13,333	8,478	6,246	4,538	3,445

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

Results of Operations

Year Ended 1998 Compared to Year Ended 1997

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

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

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

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

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

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

Year Ended 1997 Compared to Year Ended 1996

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

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

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

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

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

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

Liquidity and Capital Resources

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

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

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

During 1998, the Company amended its revolving credit agreement with its bank group to increase the capacity of its revolver to $240 million and secure borrowings thereunder with its accounts receivable, inventories and property. At December 31, 1998, the Company had five interest rate swap agreements outstanding which effectively converted $75 million of borrowings under the revolving credit agreement to fixed rates ranging from 6.60% to 7.31% and which terminate at different dates beginning in November 2000. The Company accounts for interest rate swap agreements on an accrual basis. Additional borrowings under the revolving credit facility carry interest at LIBOR plus a fixed rate. The weighted average interest rate of these borrowings was 6.71% at December 31, 1998.

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

The Company believes that availability under its credit facility, together with funds generated from operations, will be more than sufficient to provide the Company with the liquidity and capital resources necessary to fund its anticipated working capital requirements, acquisitions and capital expenditure commitments for the next twelve months.

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

Impact of Year 2000

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

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

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

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

Recent Accounting Pronouncement

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133 Accounting for Derivative Instruments and Hedging Activities (FAS No. 133) which requires recognition of the fair value of derivatives in the statement of financial position, with changes in the fair value recognized either in earnings or as a component of other comprehensive income dependent upon the hedging nature of the derivative. Implementation of FAS No. 133 is required for fiscal 2000. FAS No. 133 will not have a material impact on the Company's earnings or other comprehensive income.

Safe Harbor Statement

The Company wishes to take advantage of the Safe Harbor provisions included in the Private Securities Litigation Reform Act of 1995 (the "Act"). Statements by the Company, other than historical information, constitute "forward looking statements" within the meaning of the Act and may be subject to a number of risk factors. Factors that could affect these statements include, but are not limited to, the following: the impact of changing steel prices on the Company's results of operations; changing demand for the company's products and services; the impact of the Year 2000 issue; and changes in interest or tax rates.

Company Responsibility For Financial Statements

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

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

The financial statements have been audited by PricewaterhouseCoopers LLP, independent accountants. As part of their audit of the Company's 1998 financial statements, PricewaterhouseCoopers LLP considered the Company's system of internal control to the extent they deemed necessary to determine the nature, timing and extent of their audit tests.

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

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

Walter T. Erazmus
Executive Vice President
and Chief Financial Officer

Item 8. Financial Statements and Supplementary Data

Index to Financial Statements:

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, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP
Buffalo, New York
January 21, 1999

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

	December 31, 1998	December 31, 1997
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,877	$ 2,437
Accounts receivable	71,070	49,151
Inventories	99,351	76,701
Other current assets	3,536	2,457
Total current assets	175,834	130,746
Property, plant and equipment, net	176,221	115,402
Other assets	86,380	35,188
	$ 438,435	$ 281,336
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 38,601	$ 38,233
Accrued expenses	11,646	3,644
Current maturities of long-term debt	1,351	1,224
Total current liabilities	51,598	43,101
Long-term debt	199,395	81,800
Deferred income taxes	25,289	15,094
Other non-current liabilities	1,845	1,297
Shareholders' equity		
Preferred shares, $.01 par value; authorized: 10,000,000 shares; none outstanding	-	-
Common shares, $.01 par value; authorized: 50,000,000 shares; issued and outstanding: 12,484,418 shares in 1998 and 12,409,619 in 1997	125	124
Additional paid-in capital	66,613	66,190
Retained earnings	93,570	73,730
Total shareholders' equity	160,308	140,044
	$ 438,435	$ 281,336

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

GIBRALTAR STEEL CORPORATION
CONSOLIDATED STATEMENT OF INCOME
(in thousands, except per share data)

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

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

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

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

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

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

	Common Shares Shares	Common Shares Amount	Additional Paid-in Capital	Retained Earnings
Balance at December 31, 1995	10,174	$ 102	$ 28,803	$ 41,339
Net income	-	-	-	15,975
Public offering	2,050	20	34,370	-
Stock options exercised	87	1	950	-
Profit sharing plan contribution	11	-	184	-
Balance at December 31, 1996	12,322	123	64,307	57,314
Net income	-	-	-	16,416
Stock options exercised and related tax benefit	73	1	1,562	-
Stock awards	4	-	82	-
Profit sharing plan contribution	11	-	239	-
Balance at December 31, 1997	12,410	124	66,190	73,730
Net income	-	-	-	19,840
Stock options exercised and related tax benefit	8	-	119	-
Restricted stock granted	55	1	-	-
Earned portion of restricted stock	-	-	87	-
Profit sharing plan contribution	11	-	217	-
Balance at December 31, 1998	12,484	$ 125	$ 66,613	$ 93,570

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

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

Other Assets

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

Shareholders' Equity

In both July 1998 and 1997, the Company issued 11,000 of its common shares as a contribution to one of its profit sharing plans.

Interest Rate Exchange Agreements

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

Income Taxes

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

Earnings Per Share

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

2. ACQUISITIONS

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

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

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

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

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

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

The following information presents the pro forma consolidated condensed results of operations as if the acquisitions had occurred on January 1, 1997. The pro forma amounts may not be indicative of the results that actually would have been achieved had the acquisitions occurred as of January 1, 1997 and are not necessarily indicative of future results of the combined companies.

(in thousands, except per share data)

	Year Ended December 31, 1998	1997
	(unaudited)	
Net sales	$ 596,437	$580,447
	======	======
Income before taxes	$ 34,309	$ 29,242
	======	======
Net income	$ 20,495	$ 17,260
	======	======
Net income per share - Basic	$ 1.65	$ 1.40
	======	======

3. ACCOUNTS RECEIVABLE

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

4. INVENTORIES

Inventories at December 31 consist of the following:

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

5. PROPERTY, PLANT AND EQUIPMENT

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

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

6. OTHER ASSETS

Other assets at December 31 consist of the following:

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

The Company's 26% partnership interest is accounted for using the equity method of accounting. The partnership provides a steel cleaning process called pickling to steel mills and steel processors, including the Company.

7. DEBT

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

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

In October 1998, the Company amended its debt agreement increasing its revolving credit facility to $240,000,000. The facility is secured by the Company's accounts receivable, inventories, property and equipment and is committed through April 2003. This facility has various interest rate options which are no greater than the bank's prime rate. In addition, the Company may enter into interest rate exchange agreements (swaps) to manage interest costs and exposure to changing interest rates. At December 31, 1998 the Company had five interest rate swap agreements outstanding which effectively converted $75,000,000 of floating rate debt to fixed rates ranging from 6.60% to 7.31% and which terminate at different dates beginning November 2000. At December 31, 1998, additional borrowings consisted of $121,047,000 with an interest rate of LIBOR plus a fixed rate. The weighted average interest rate of these borrowings was 6.71% at December 31, 1998.

In addition, the Company has an Industrial Development Revenue Bond payable in equal installments through May 2002, with an interest rate of LIBOR plus a fixed rate (6.67% at December 31, 1998), which financed the cost of its Tennessee expansion under a capital lease agreement. The cost of the facility and equipment equal the amount of the bond and includes accumulated amortization of $1,321,000. The agreement provides for the purchase of the facility and equipment at any time during the term of the lease at scheduled amounts or at the end of the lease for a nominal amount.

The aggregate maturities on long-term debt including lease purchase obligations for the five years following December 31, 1998 are as follows: 1999, $1,351,000; 2000, $1,203,000; 2001, $1,209,000; 2002, $825,000 and 2003, $196,102,000.

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

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

Total cash paid for interest in the years ended December 31, 1998, 1997 and 1996 was $11,257,000, $6,155,000 and $4,701,000, respectively.

8. LEASES

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

9. EMPLOYEE RETIREMENT PLANS

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

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

Certain subsidiaries have multi-employer non-contributory retirement plans providing for defined contributions to union retirement funds.

A supplemental pension plan provides defined pension benefits to certain salaried employees upon retirement. Net unfunded periodic pension costs of $166,000 and $154,000 were accrued under this plan in 1998 and 1997, respectively, and consisted primarily of service cost using a discount rate of 6.5% and 7.0%, respectively.

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

10. OTHER POST-RETIREMENT BENEFITS

Certain subsidiaries of the Company provide health and life insurance to substantially all of their employees and to a number of retirees and their spouses. The net periodic post-retirement benefit cost charged to expense consisting of service cost, interest cost and amortization of transition obligations was $255,000, $223,000 and $237,000 for the years ended December 31, 1998, 1997 and 1996, respectively.

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

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

The accumulated post-retirement benefit obligation was determined using a weighted average discount rate of 6.5% in 1998 and 7.0% in 1997. The medical inflation rate was assumed to be 7% in 1998, with a gradual reduction to 5% over two years. The effect of a 1% increase or decrease in the annual medical inflation rate would increase or decrease the accumulated post-retirement benefit obligation at December 31, 1998 by approximately $371,000 and increase or decrease the annual service and interest costs by approximately $39,000.

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

11. INCOME TAXES

The provision for income taxes consists of the following:

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

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

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

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

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

Total cash paid for income taxes in the years ended December 31, 1998, 1997 and 1996 was $9,180,000, $9,100,000 and $9,639,000, respectively.

12. EARNINGS PER SHARE

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

	Income	Basic Shares	Basic EPS	Diluted Shares	Diluted EPS
1998	$19,840,000	12,455,554	$1.59	12,651,119	$1.57
1997	$16,416,000	12,357,186	$1.33	12,591,019	$1.30
1996	$15,975,000	11,260,956	$1.42	11,463,508	$1.39

Included in diluted shares are common stock equivalents of 195,565, 233,833, and 202,552 relating to options for the years ended December 31, 1998, 1997 and 1996, respectively.

13. STOCK OPTIONS

The Company may grant non-qualified stock options to officers, employees, non-employee directors and advisers at an exercise price equal to 100% of market price, and incentive stock options to officers and other key employees at an exercise price not less than 100% of market price, up to an aggregate of 400,000 and 850,000 shares, respectively. The options may be exercised in cumulative annual increments of 25% commencing one year from the date of grant and expire ten years from the date of grant.

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

	Options Outstanding	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price
Balance at				
January 1, 1996	470,000	$10.78	171,875	$10.85
Granted	173,750	16.75		
Exercised	(87,500)	10.87		
Balance at December 31, 1996	556,250	$12.63	201,875	$10.80
Granted	220,450	21.75		
Exercised	(72,219)	11.49		
Forfeited	(11,250)	10.75		
Balance at December 31, 1997	693,231	$15.68	282,781	$11.55
Granted	336,650	17.36		
Exercised	(8,749)	11.12		
Forfeited	(24,502)	17.48		
Balance at December 31, 1998	996,630	$16.24	406,993	$13.30
	======			

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

Options outstanding at December 31, 1998 consisted of:

Range of Exercise Price	Options Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price
$10 - $11	297,001	5.3 years	$10.79	280,439	$10.77
$15.63 - $22.50	699,629	8.8 years	$18.56	126,554	$18.88
	996,630	7.8 years	$16.24	406,993	$13.30
	======			======	

The Company has adopted the disclosure-only provisions of Statement of Financial Accounting Standards No. 123 Accounting for Stock-Based Compensation (FAS No. 123). Accordingly, no compensation cost has been recognized for the option plans as stock options granted under these plans have an exercise price equal to 100% of the market price on the date of grant. If the compensation cost for these plans had been determined based on the fair value at the grant dates for awards consistent with the method of FAS No. 123, the pro forma effect on the years ended December 31, 1998 and 1997 is as follows:

	As Reported 1998	Pro Forma 1998	As Reported 1997	Pro forma 1997
Net Income	$19,840,000	$18,976,000	$16,416,000	$16,108,000
Net Income per Share-Basic	$1.59	$1.52	$1.33	$1.30

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

	Fair Value	Expected Life	Volatility	Risk-Free Interest Rate
1998 Grant	$7.71	5 years	43.7%	4.4%
1997 Grant	$9.77	5 years	40.2%	6.1%
1996 Grant	$7.44	5 years	38.1%	6.6%
1995 Grant	$4.56	5 years	36.2%	5.7%

The Company also has a Restricted Stock Plan reserved for issuance of 100,000 common shares for the grant of restricted stock awards to employees and non-employee directors at a purchase price of $.01 per share. In 1997, 4,000 shares were awarded to non-employee directors under this plan and in 1998, 55,000 shares were awarded to employees.

14. COMMITMENTS AND CONTINGENCIES

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

QUARTERLY UNAUDITED FINANCIAL DATA
(in thousands, except per share data)

1998 Quarter Ended	March 31	June 30	Sept. 30	Dec. 31	Total
Net Sales	$116,383	$144,882	$152,628	$144,051	$557,944
Gross Profit	20,160	26,893	27,691	26,751	101,495
Income From Operations	8,474	12,330	11,914	11,737	44,455
Net Income	4,121	5,751	5,146	4,822	19,840
Net Income Per Share-Basic	$ .33	$ .46	$ .41	$ .39	$ 1.59
Net Income Per Share-Diluted	$ .33	$ .45	$ .41	$ .38	$ 1.57

1997 Quarter Ended	March 31	June 30	Sept. 30	Dec. 31	Total
Net Sales	$108,277	$119,213	$114,249	$107,961	$449,700
Gross Profit	18,698	19,917	18,147	17,401	74,163
Income From Operations	8,622	9,341	7,622	7,018	32,603
Net Income	4,446	4,697	3,787	3,486	16,416
Net Income Per Share-Basic	$ .36	$ .38	$ .31	$ .28	$ 1.33
Net Income Per Share-Diluted	$ .35	$ .37	$ .30	$ .28	$ 1.30

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 1998 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 1998 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 1998 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 1998 fiscal year.

PART IV

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

The exhibits to this Annual Report on Form 10-K included herein are set forth on the attached Exhibit Index beginning on page 39.

(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, 1998.

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
President, 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.

/s/ Brian J. Lipke Brian J. Lipke	President, Chief Executive Officer and Chairman of the Board (principal executive officer)	February 3, 1999
/s/ Walter T. Erazmus Walter T. Erazmus	Treasurer and Chief Financial Officer (principal financial and accounting officer)	February 3, 1999
/s/ Neil E. Lipke Neil E. Lipke	Director	February 3, 1999
/s/ Gerald S. Lippes Gerald S. Lippes	Director	February 3, 1999
/s/ Arthur A. Russ, Jr. Arthur A. Russ, Jr.	Director	February 3, 1999
/s/ David N. Campbell David N. Campbell	Director	February 3, 1999
/s/ William P. Montague William P. Montague	Director	February 3, 1999

Exhibit Index

Exhibit Number	Exhibit	Sequentially Numbered Page
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)	

Exhibit Number	Exhibit	Sequentially Numbered Page
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 June 29, 1992 for Adoption by Gibraltar Steel Corporation of Chase Lincoln First Bank, N.A. (now Chase Manhattan Bank, N.A.) Non-Standardized Prototype 401(k) Retirement Savings Plan (incorporated by reference to Exhibit 10.17 to the Company's Registration Statement on Form S-1(Registration No. 33-69304))	
10.8*	Gibraltar Steel Corporation Incentive Stock Option Plan (incorporated by reference to Exhibit 10.18 to the Company's Registration Statement on Form S-1 (Registration No. 33-69304))	
10.9*	Gibraltar Steel Corporation Incentive Stock Option Plan, Second Amendment and Restatement (incorporated by reference to Exhibit 10.16 to the Company's Registration Statement on Form S-1 (Registration No. 333-03979))	
10.10*	Gibraltar Steel Corporation Incentive Stock Option Plan, Third Amendment and Restatement (incorporated by reference to Exhibit 10.11 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997)	
10.11*	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))	
10.12*	Gibraltar Steel Corporation Restricted Stock Plan, First Amendment and Restatement (incorporated by reference to Exhibit 10.13 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997)	
10.13*	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))	
10.14*	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))	
10.15*	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))	

Exhibit Number	Exhibit	Sequentially Numbered Page
10.16*	Changed 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)	
10.17*	Form of Change in Control Agreement dated July 9, 1998 between Registrant and each of Neil E. Lipke, Eric R. Lipke, Walter T. Erazmus, 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)	
10.18	Credit Agreement dated as of September 15, 1997 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, 1997)	
10.19	Bond Purchase Agreement dated June 16, 1994 among the Industrial Development Board of the County of Hamilton, Tennessee, Fleet Bank of New York and Gibraltar Steel of Tennessee (incorporated by reference to Exhibit 10.10 to the Company's Registration Statement on Form S-1 (Registration No. 333-03979))	
10.20*	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))	
10.21*	First Amendment, dated January 20, 1995, to Gibraltar Steel Corporation 40l(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)	
10.22	Real Property Lease Agreement dated February 14, 1996 between Blacksmith Leasing and Carolina Commercial Heat Treating, Inc. (incorporated by reference to Exhibit 10.25 to the Company's Registration Statement on Form S-1 (Registration No. 333-03979))	
10.23	Real Property Lease Agreement dated February 14, 1996 between Blacksmith Leasing and Carolina Commercial Heat Treating, Inc. (incorporated by reference to Exhibit 10.26 to the Company's Registration Statement on Form S-1 (Registration No. 333-03979))	

Exhibit Number	Exhibit	Sequentially Numbered Page
10.24	Lease dated as of August 12, 1995 between John W. Rex and Carolina Commercial Heat Treating, Inc. (incorporated by reference to Exhibit 10.27 to the Company's Registration Statement on Form S-1 (Registration No. 333-03979))	
21	Subsidiaries of the Registrant	43
27	Financial Data Schedule	

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* 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
Gibraltar Steel Corporation Flight Services Corp.	New York
Solar Group, Inc.	Delaware
Appleton Supply Co., Inc.	Delaware
United Steel Products Company	Minnesota
Harbor Metal Treating Co.	Michigan
Rock River Heat Treating Company	Michigan
Harbor Metal Treating of Indiana, Inc.	Michigan
Gibraltar Strip Steel, Inc.	Delaware
Integrated Technologies International, Ltd.	Delaware
Cleveland Pickling, Inc.	Delaware
GIT Limited	New York
Gibraltar Steel Corporation of Tennessee	Tennessee

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED FINANCIAL STATEMENTS ON FORM 10-K AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000
US DOLLARS

12-MOS
DEC-31-1998
JAN-01-1998
DEC-31-1998
1
1,877
0
72,300
1,230
99,351
175,834
223,159
46,938
438,435
51,598
199,395
0
0
125
160,183
438,435
557,944
557,944
456,449
456,449
57,040
0
11,389
33,066
13,226
19,840
0
0
0
19,840
1.59
1.57