

FORM 10-Q/A
AMENDMENT NO. 1
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark one)

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

For the quarterly period ended June 30, 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 (I.R.S. Employer
incorporation or organization) Identification No.)

3556 Lake Shore Road, P.O. Box 2028, Buffalo, New York 14219-0228
(Address of principal executive offices)

(716) 826-6500
(Registrant's telephone number, including area code)

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 .

As of June 30, 2001, the number of common shares outstanding was: 12,595,374.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

The Company amends Part I, Item 1, to add note 6 below to the Notes to the Condensed Consolidated Financial Statements.

6. SEGMENT INFORMATION - (RESTATED)

During 2001, the Company reconsidered its segment reporting in light of recent performance trends and the Company's organizational structure. Prior year segment information has been revised to conform with current quarter presentation.

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 up to 12 different processes to produce high-quality, value-added coiled steel products to be further processed by customers.
- (ii) Construction 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 three and six month periods ended June 30, 2000 and 2001 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
	(unaudited)		(unaudited)	
Net sales				
Processed steel products	\$ 63,492	\$ 88,649	\$ 126,351	\$ 173,428
Construction products	81,553	72,009	150,022	134,369
Heat treating	<u>18,505</u>	<u>20,865</u>	<u>37,727</u>	<u>41,360</u>
	\$163,550	\$181,523	\$ 314,100	\$ 349,157
	=====	=====	=====	=====
Income from operations				
Processed steel products	\$ 8,083	\$ 10,336	\$ 14,759	\$ 21,494
Construction products	7,054	7,219	10,950	11,318
Heat treating	2,268	3,996	5,336	7,886
Corporate	<u>(5,351)</u>	<u>(4,135)</u>	<u>(9,249)</u>	<u>(8,964)</u>
	\$ 12,054	\$ 17,416	\$ 21,796	\$ 31,734
	=====	=====	=====	=====

Depreciation and amortization				
Processed steel products	\$ 1,436	\$ 1,421	\$ 2,850	\$ 2,904
Construction products	1,764	1,372	3,411	2,715
Heat treating	1,438	1,294	2,820	2,529
Corporate	<u>1,274</u>	<u>1,088</u>	<u>2,501</u>	<u>2,143</u>
	\$ 5,912	\$ 5,175	\$ 11,582	\$ 10,291
	=====	=====	=====	=====

Total assets				
Processed steel products			\$ 150,951	\$ 169,596
Construction products			167,509	133,779
Heat treating			84,144	81,224
Corporate			<u>168,821</u>	<u>154,317</u>
			\$ 571,425	\$ 538,916
			=====	=====

Capital expenditures				
Processed steel products	\$ -	\$ 903	\$ 1,993	\$ 1,982
Construction products	2,001	1,680	4,178	3,704
Heat treating	409	1,327	1,341	3,418
Corporate	<u>133</u>	<u>126</u>	<u>403</u>	<u>234</u>
	\$ 2,543	\$ 4,036	\$ 7,915	\$ 9,338
	=====	=====	=====	=====

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

Consolidated

Net sales of \$163.6 million for the second quarter ended June 30, 2001, decreased 9.9% from net sales of \$181.5 million for the prior year's second quarter. Net sales of \$314.1 million for the six months ended June 30, 2001, which included net sales of Milcor (acquired July 17, 2000) and PIHT (acquired February 13, 2001) (collectively, the Acquisitions), decreased 10.0% from sales of \$349.2 million for the six months ended June 30, 2000. These decreases resulted primarily from changes in the general economy, particularly in the automotive industry.

Cost of sales increased to 80.4% of net sales for the second quarter ended June 30, 2001 from 79.8% for the prior year's second quarter. Cost of sales increased to 80.7% of net sales for the first six months of 2001 from 79.6% for the six months ended June 30, 2000. These increases were primarily due to higher health care and utility costs.

Selling, general and administrative expenses were relatively constant at 12.2% and 12.3% of net sales for the second quarter and six months ended June 30, 2001, in comparison to 10.6% and 11.3% of net sales

for the same periods of 2000. These increases were primarily due to costs from the Acquisitions, which have higher costs as a percentage of net sales, offset by decreases in incentive based compensation.

Interest expense increased by \$.2 million and \$.9 million for the second quarter and six months ended June 30, 2001 over the prior year's comparable periods, primarily due to higher average borrowings during 2001 to finance acquisitions and capital expenditures, offset by decreases in interest rates.

As a result of the above, income before taxes decreased by \$5.6 million and \$10.9 million for the second quarter and six months ended June 30, 2001 from the same periods in 2000.

Income taxes for the second quarter and six months ended June 30, 2001 approximated \$3.1 million and \$5.0 million and were based on a 40.5% effective tax rate in both periods.

Segment Information

Processed Steel Products - Net sales of \$63.5 million for the second quarter ended June 30, 2001, decreased 28.4% from net sales of \$88.6 million for the prior year's second quarter. Net sales of \$126.4 million for the six months ended June 30, 2001, decreased 27.2% from sales of \$173.4 for the six months ended June 30, 2000. These decreases were primarily due to changes in the general economy, particularly the automotive industry.

Income from operations increased to 12.7% of net sales for the second quarter ended June 30, 2001 from 11.7% for the prior year's second quarter. Income from operations decreased to 11.7% of net sales for the six months ended June 30, 2001 from 12.4% for the same period in 2000. The improvement during the second quarter ended June 30, 2001 was primarily due to lower raw material costs. The decrease for the six month period ended June 30, 2001 was primarily due to higher health insurance and utility costs as a percentage of net sales, partially offset by lower raw material costs during the second quarter.

Construction Products - Net sales of \$81.6 million for the second quarter ended June 30, 2001, increased 13.3% from net sales of \$72.0 million for the prior year's second quarter. Net sales of \$150.0 million for the six months ended June 30, 2001, increased 11.7% from sales of \$134.3 million for the six months ended June 30, 2000. These increases primarily resulted from including the net sales of Milcor (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 to 8.6% and 7.3% of net sales for the second quarter and six months ended June 30, 2001 respectively, from 10.0% and 8.4% of net sales for the comparable periods of 2000. These decreases were primarily due to higher costs as a percentage

of net sales from the 2000 acquisition and higher transportation and utility costs at existing operations, partially offset by decreases as a percentage of net sales in incentive based compensation and other employee costs at existing operations.

Heat Treating - Net sales of \$18.5 million for the second quarter ended June 30, 2001, decreased 11.3% from net sales of \$20.9 million for the prior year's second quarter. Net sales of \$37.7 million for the six months ended June 30, 2001, decreased 8.8% from sales of \$41.4 million for the six months ended June 30, 2000. These decreases were primarily due to changes in the general economy, particularly the slow down in the automotive industry, partially offset by including the net sales of PIHT (the 2001 acquisition).

Income from operations decreased to 12.3% and 14.1% of net sales for the second quarter and six months ended June 30, 2001 respectively, from 19.2% and 19.1% of net sales for the comparable periods of 2000. These decreases were 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 resulting from the 2001 acquisition.

Liquidity and Capital Resources

Shareholders' equity increased by approximately \$6.4 million at June 30, 2001 to \$214.8 million. During the first six months of 2001, the Company's working capital decreased \$13.8 million to approximately \$118.6 million.

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

Net cash provided by operations of \$32.2 million resulted primarily from net income of \$7.4 million, depreciation and amortization of \$11.6 million, decreases in inventories of \$11.3 million and increases in accounts payable and accrued expenses of \$20.6 million. These sources of cash from operations were offset by an increase in accounts receivable of \$19.0 million due to increased sales in the second quarter of 2001 compared to the fourth quarter of 2000.

The \$32.2 million of net cash provided by operations was used to pay down \$14.9 million of the Company's revolving credit and to fund the \$10.8 million acquisition of PIHT, capital expenditures of \$7.9 million and cash dividends of \$.8 million.

At June 30, 2001 the Company's revolving credit facility available approximated \$310 million, with borrowings of approximately \$234 million and an additional availability of approximately \$76 million.

The Company believes that availability of funds under its credit facilities together with cash generated from operations will be sufficient to provide the Company with the liquidity and capital resources necessary to support its existing operations.

Recent Accounting Pronouncements

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. FAS No. 133 was implemented in 2001 and did not have a material impact on our earnings.

In July 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 141 *Business Combinations* (FAS No. 141) and Statement of Financial Accounting Standards No. 142 *Goodwill and Other Intangible Assets* (FAS No. 142). 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 be amortized over their useful lives. Implementation of FAS No. 141 and FAS No. 142 is required for fiscal 2002. Management is currently assessing the impact FAS No. 141 and FAS No. 142 will have on the Company's 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.

SIGNATURES

Pursuant to the requirements 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
(Registrant)

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

By /x/ Walter T. Erazmus
Walter T. Erazmus
President

By /x/ John E. Flint
Vice President
Chief Financial Officer
(Principal Financial and
Chief Accounting Officer)

Date November 13, 2001