DIEBOLD NIXDORF, Inc
Form 11-K
June 28, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 11-K
FOR ANNUAL REPORTS OF EMPLOYEE STOCK PURCHASE, SAVINGS
AND SIMILAR PLANS PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

þ ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2017
OR

o TRANSITION REPORT PURSUANT TO 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission file number 1-4879
DIEBOLD, INCORPORATED 401(k) SAVINGS PLAN
(Full title of the plan)
Diebold Nixdorf, Incorporated, 5995 Mayfair Road PO Box 3077, North Canton, Ohio 44720-8077

(Name of issuer of the securities held by the plan and the address of its principal executive office)

DIEBOLD, INCORPORATED 401(k) SAVINGS PLAN
Annual Report Index
December 31, 2017 and 2016

The following financial statements and other information of Diebold, Incorporated 401(k) Savings Plan are included herewith:

- Statements of Net Assets Available for Benefits as of December 31, 2017 and 2016;
- Statement of Changes in Net Assets Available for Benefits for the year ended December 31, 2017; and
- Notes to Financial Statements

The following supplemental schedule of Diebold, Incorporated 401(k) Savings Plan included in the Annual Report of the Plan on Form 5500 filed with the Department of Labor as of December 31, 2017 is included herewith:

- Schedule H, Line 4i - Schedule of Assets (Held at End of Year) as of December 31, 2017

All other supplemental schedules and notes for which provision is made in the applicable rules and regulations of the Department of Labor Regulations are not required under the related instructions or are inapplicable and, therefore, have been omitted.

DIEBOLD, INCORPORATED 401(k) SAVINGS PLAN
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Report of Independent Registered Public Accounting Firm

The the Participants and Administrator of
Diebold, Incorporated 401(k) Savings Plan
North Canton, Ohio

Opinion on the Financial Statements
We have audited the accompanying statements of net assets available for benefits of Diebold, Incorporated 401(k) Savings Plan (the "Plan") as of December 31, 2017 and 2016, the related statement of changes in net assets available for benefits for the year ended December 31, 2017, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the net assets available for benefits for the year ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

Basis of Opinion
These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on the Plan's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Plan in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Supplemental Information
The supplemental information in the accompanying schedule of assets (held at end of year) as of December 31, 2017 has been subjected to audit procedures performed in conjunction with the audit of the Plan's financial statements. The supplemental information is the responsibility of the Plan's management. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information, we evaluated whether the supplemental information, including its form and content, is presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the financial statements as a whole.

We have served as the Plan's auditor since 2005.

/s/ BOBER, MARKEY, FEDOROVICH & COMPANY
BOBER, MARKEY, FEDOROVICH & COMPANY
Akron, Ohio

June 28, 2018

DIEBOLD, INCORPORATED 401(k) SAVINGS PLAN
Statements of Net Assets Available for Benefits
December 31, 2017 and 2016

	December 31,	
	2017	2016
Assets:		
Investments at fair value	$444,563,806	$377,120,700
Fully benefit-responsive investment contracts, at contract value	45,590,835	45,983,016
Receivables		
Notes receivable - participants	9,358,985	8,825,163
Contribution receivable - participants	433,762	403,321
Contribution receivable - employer	186,276	188,781
Total receivables	9,979,023	9,417,265
Net assets available for benefits	$500,133,664	$432,520,981

See accompanying notes to financial statements.

DIEBOLD, INCORPORATED 401(k) SAVINGS PLAN
Statement of Changes in Net Assets Available for Benefits
For the year ended December 31, 2017

Additions	
Investment income	
Interest and dividends	$14,118,987
Net appreciation of investments	47,525,991
Interest income, notes receivable - participants	410,245
Total investment income	62,055,223
Contributions	
Participants	21,676,702
Employer	8,717,729
Rollover	8,877,259
Total contributions	39,271,690
Total additions	101,326,913
Deductions	
Benefits paid to participants	33,651,130
Administrative expenses	63,100
Total deductions	33,714,230
Net increase during the year	67,612,683
Net assets available for benefits	
Beginning of year	432,520,981
End of year	$500,133,664

See accompanying notes to financial statements.

DIEBOLD, INCORPORATED 401(k) SAVINGS PLAN
Notes to Financial Statements
December 31, 2017 and 2016

(1) Description of the Plan

The following brief description of the Diebold, Incorporated 401(k) Savings Plan (the Plan), as amended and restated effective as of January 1, 2010, provides only general information. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

(a) General

The Plan was established as a defined contribution plan effective as of April 1, 1990 by Diebold Nixdorf, Incorporated (the Employer, the Company or Diebold Nixdorf). In 2016, the Company changed its name from Diebold, Incorporated to Diebold Nixdorf, Incorporated, following the transformational acquisition of Wincor Nixdorf Aktiengesellschaft (now known as Diebold Nixdorf AG). The Plan consists of two distinct components. The first component is the profit sharing portion, including cash or deferred arrangement, intended to be qualified under Section 401(k) of the Internal Revenue Code (IRC), which consists of all plan assets and funds, except for plan assets and funds invested in Diebold Nixdorf common shares. The second component of the Plan is the Employee Stock Ownership Plan (ESOP), which consists solely of all plan assets and funds invested in Diebold Nixdorf common shares. By establishing an ESOP within the Plan, the participants can receive their cash dividends from Diebold Nixdorf common shares directly, if desired, and the Employer can take a corresponding tax deduction. The Plan is subject to certain provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

The Plan covers substantially all U.S. employees of the Employer and its domestic subsidiaries. The Plan does not cover certain categories of part-time, temporary and intern employees or employees covered by a collective bargaining agreement.

The Plan was amended effective January 1, 2017 to include Diebold Nixdorf as the employer of the Plan and to include eligible employees of Diebold Nixdorf AG. The Plan was also amended to allow participants to rollover Roth assets held in the former Wincor Nixdorf 401(k) Plan.

(b) Contributions

For the year ended December 31, 2017, the Plan allowed each participant to voluntarily contribute from one to fifty percent (in one percent increments) of pre-tax compensation, but not in excess of the maximum amount permitted by the IRC. The Plan provides for an automatic contribution election for eligible new participants at six percent. Participants that do not make an affirmative contribution election receive an annual notice explaining the automatic election and their right to modify the election. The Plan also allowed employees aged 50 and older to elect to make additional catch-up contributions subject to certain limitations under the IRC.

The Employer match is determined by the Employer's Board of Directors. As of the last day of each Plan year, the Employer calculates the amount of the Basic Matching Contribution that would be contributed on behalf of each participant for that Plan year if the Basic Matching Contribution were calculated and contributed on an annual basis rather than during each payroll period. The Employer contributes to the Trust Fund, as of the last day of the Plan year, any additional amount necessary to increase the Basic Matching Contribution for each participant to the amount of the Basic Matching Contribution as calculated on an annual basis.

At the end of any Plan year, the Employer, at its discretion, may determine that an Additional Matching Contribution be made for the next succeeding Plan year. The amount of any Additional Matching Contribution shall be determined solely by action of the Employer's Board of Directors. There were no Additional Matching Contributions made on behalf of any plan participants in 2017.

(c) Participants' Accounts

Each participant directs his or her contributions, as well as any Employer matching contributions, into any of several investment funds within the Plan with a minimum investment in any fund of one percent. Participants' accounts are valued on a daily basis. The Plan utilizes cash equivalents to temporarily hold monies pending settlement for transactions initiated by a participant, contributions received not yet allocated or the value of any distributions payable from the trust.

DIEBOLD, INCORPORATED 401(k) SAVINGS PLAN
Notes to Financial Statements
December 31, 2017 and 2016

(d) Vesting

All participant's pre-tax contributions and earnings are immediately vested and non-forfeitable. For employees hired before July 1, 2003, the Employer's contributions and earnings are immediately vested and non-forfeitable. For employees hired on or after July 1, 2003, the Employer's contributions and earnings are vested in accordance with the following schedule: less than three years service, zero percent; three or more years of service, 100 percent.

(e) Distribution of Benefits

Upon termination of service with the Employer or a participating affiliate, a participant may elect to receive his or her total vested account balance in a lump sum payment, defer receipt until his/her retirement date or make a direct rollover to a qualified plan if such total account balance exceeds $5,000. If the vested account balance does not exceed $5,000, the participant may elect to receive his or her total account balance in a lump sum payment or make a direct rollover to a qualified plan. If the account balance is greater than $1,000 and the participant does not elect one of the noted options, the Plan administrator (the Administrator) will pay the distribution in a direct rollover to the individual retirement annuity plan designated by the Administrator. If the account balance is $1,000 or less and the participant does not make a distribution election, the funds are distributed in the form of a cash lump sum. The Administrator or its designee shall make such determination on a periodic basis, at least annually. For any funds invested in the Diebold Nixdorf Company Stock Fund, the participant may make an election to receive cash or the Employer's common shares. A participant can leave funds in the account with required minimum distributions beginning at age 70 1/2. Accounts do not need to be distributed at retirement date.

(f) Notes Receivable - Participants

Loan transactions are treated as transfers between the various funds and the Loan Fund. Under the terms of the Plan, active participants of the Plan may borrow against their total account balance except for their balance in the Retiree Medical Funding Account. The minimum amount of any loan is $1,000 and the maximum is $50,000 or 50 percent of a participant's current vested balance, whichever is less. The loans are secured by the balance in the participant's account. Loan payments, which include principal and interest, are made through equal payroll deductions over the loan period of one to five years. The notes receivable from participants are measured at their unpaid principal balance plus any accrued but unpaid interest.

A loan is considered to default on the last day of the cure period, which is the last day of the calendar quarter next following the calendar quarter in which payment is not made, if all amounts due and owing under the terms of the loan are not paid in full by such date. Upon default, the outstanding balance of the loan together with unpaid, accrued interest is deemed a lien against the total account maintained on behalf of the participant and no contributions or distributions of any kind may be thereafter made during default. In the event a payment is not made when due, the maturity date of the loan shall accelerate and the outstanding principal amount of the loan, together with all accrued interest, shall be deemed immediately due and the Administrator deems the participant loan to be a taxable distribution.

(g) Withdrawals

A financial hardship provision is available, enabling a participant to withdraw an amount to cover an immediate financial need, if certain criteria are met.

(h) Expenses

All costs and expenses incident to the administration of the Plan are paid by the Administrator or, at the discretion of the Administrator, paid from the assets of the Plan, except for loan processing and administration fees associated with the Loan Fund and fees associated with the managed account program, which are both borne by the individual participants.

(i) Forfeited Accounts

At December 31, 2017 and 2016, forfeited unvested accounts totaled $182,758 and $102,653, respectively. These accounts are used to reduce future employer contributions or administrative fees. The Employer used $549,688 from the forfeited unvested accounts to offset contributions for the year ended December 31, 2017.

DIEBOLD, INCORPORATED 401(k) SAVINGS PLAN
Notes to Financial Statements
December 31, 2017 and 2016

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying financial statements have been prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Administrator has evaluated subsequent events through the date the Plan financial statements are issued. There were no significant subsequent events that have occurred which would require adjustments to or disclosure in the Plan financial statements, except as otherwise disclosed herein.

(b) Recently Issued Accounting Guidance

In February 2017, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2017-06, Plan Accounting: Defined Benefit Plan (Topic 960), Defined Contribution Pension Plans (Topic 962), Health and Welfare Benefit Plans (Topic 965): Employee Benefit Plan Master Trust Reporting (ASU 2017-06) with the objective to clarify the presentation requirements for interests in master trusts and add requirements to make information presented more useful to the reader. The amendments in this update require that interests in master trusts and any change in interest to be presented as separate line items in the statement of net assets available for benefits and in the statement of changes in net assets available for benefits, respectively. The amendment supplements the existing requirement to disclose the master trust’s balances in each general type of investments by requiring the disclosure of the amount of interest in each of the general types of investments. The amendments also requires the disclosure of the master trust’s other asset and liability balances, and the plan’s interest in those balances. This guidance is effective for fiscal years beginning after December 15, 2018. The standard becomes effective for the Plan on January 1, 2019. The adoption of ASU 2017-06 is not expected to have a material impact on the financial statements of the Plan.

(c) Investment Valuation and Investment Income

The Plan's investments are stated at fair value as of the last business day of the Plan year, except for a fully benefit-responsive investment contracts (FBRIC) held by the Plan that is reported at contract value (see note 3). Shares of registered investment companies are valued at quoted market prices. The Plan holds cash and cash equivalents at year end as a result of pending transactions, which are valued at the net asset value (NAV) of shares held by the Plan. The Plan's investment options include a collective investment trust of Diebold Nixdorf common shares in which the Company's defined contribution plans participate on a unit basis. Diebold Nixdorf common shares are traded on a national securities exchange and participation units in the Diebold Nixdorf Company Stock Fund are valued at the last reported sales price on the last business day of the plan year. The valuation per share of the Company's common share price was $16.35 and $25.15 at December 31, 2017 and 2016, respectively. The valuation per unit of the Diebold Nixdorf Company Stock Fund was $5.73 and $8.70 at December 31, 2017 and 2016, respectively.

Investment contracts held by a defined contribution plan are required to be reported at fair value, except for a FBRIC held by the Plan that is reported at contract value (see note 3). Contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined contribution plan attributable to a FBRIC because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan.

Realized and unrealized gains and losses derived from investment activities are allocated among the individual accounts in proportion to their respective balances immediately preceding the valuation date and included in net appreciation of investments. Realized gains and losses are calculated as the difference between the historical cost and the market value at either the end of the Plan year or when sold.

(d) Notes Receivable - Participants

Participant loans are classified as notes receivable from participants and are measured at their unpaid principal balance plus any accrued interest. Interest income is recorded on the accrual basis. Related fees are recorded as administrative expenses and are expensed when they are incurred. No allowance for credit losses has been recorded as of December 31, 2017 and 2016.

DIEBOLD, INCORPORATED 401(k) SAVINGS PLAN
Notes to Financial Statements
December 31, 2017 and 2016

Interest charged, which is based on the prime interest rate plus one percent as of the loan effective date, is determined by the Employer and ranged from 4.25 percent to 9.25 percent at December 31, 2017 and 2016.

(e) Excess Contributions Payable

Amounts payable to participants for contributions in excess of amounts allowed by the Internal Revenue Service (the IRS) are recorded as an offset to the contribution receivable for participants with a corresponding addition to benefits paid to participants. The Plan distributed the 2017 excess contributions to the applicable participants prior to June 28, 2018.

(f) Benefit Payments

Benefits are recorded when paid. Also in the event a participant loan payment is not made when due, the Administrator deems the participant loan to be a taxable distribution. Consequently, the participant loan balance is reduced and a benefit payment is recorded.

(g) Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets available for benefits and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of changes in assets available for benefits during the reporting period. Actual results could differ from those estimates.

(h) Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the Statements of Net Assets Available for Benefits.

(3) Investments

All investments as of December 31, 2017 and 2016 are participant-directed.

At December 31, 2017 and 2016, the Plan has an interest in a fully benefit-responsive group annuity contract as part of the Invesco Stable Value Retirement Trust (the Invesco Trust) option established and maintained by Invesco National Trust Company (the Invesco Trustee), a national trust bank organized and existing under the laws of the United States.

The crediting rate of the contract resets every quarter based on the performance of the underlying investment portfolio. To the extent that the Invesco Trust has unrealized gains and losses (that are accounted for, under contract value accounting, through the value of the synthetic contract), the interest crediting rate may differ from then-current market rates. An investor currently redeeming Invesco units may forgo a benefit, or avoid a loss, related to a future crediting rate different from then-current market rates. Investments in mutual funds and bond trusts are valued at the net asset value of each fund or trust determined as of the close of the New York Stock Exchange (generally 4 p.m., Eastern time) on the valuation date.

Certain events limit the ability of the Plan to transact with the issuer at contract value. These events include, but are not limited to, partial or complete legal termination of the Invesco Trust or a unit holder, tax disqualification of the Invesco Trust or unit holder, and certain Invesco Trust amendments if the issuer's consent is not obtained. As of December 31, 2017, the occurrence of an event outside the normal operation of the Invesco Trust that would cause a withdrawal from an investment contract is not considered to be probable.

In general, issuers may terminate the contract and settle at other than contract value if there is a change in the qualification status of participant, a breach of material obligations under the contract and misrepresentation by the contract holder or failure of the underlying portfolio to conform to the pre-established investment guidelines.

DIEBOLD, INCORPORATED 401(k) SAVINGS PLAN
Notes to Financial Statements
December 31, 2017 and 2016

(4) Fair Value Measurements

The fair value framework requires the categorization of assets and liabilities into three levels based upon the assumptions (inputs) used to value the assets or liabilities. Level 1 provides the most reliable measure of fair value, whereas level 3 generally requires significant management judgment. The three levels are defined as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active or inputs, other than quoted prices in active markets, that are observable either directly or indirectly.

Level 3: Unobservable inputs for which there is little or no market data.

Investments measured at fair value on a recurring basis are as follows:

	Fair Value Measurements Using		Fair Value at
	Level 1	Level 2	December 31, 2017
Cash and cash equivalents	$76,792	$—	$ 76,792
Mutual funds	407,668,423	—	407,668,423
Common stock			

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	13,292	
Loss on early note redemption	7,166	
Stock compensation expense	1,623	2,038
Non-cash charges to interest expense	496	789
Other non-cash adjustments	1,653	2,806
Increase (decrease) in cash resulting from changes in the following (excluding the effects of acquisitions):		
Accounts receivable	(34,296)	(24,860)
Inventories	(3,628)	(7,146)
Other current assets and other assets	(3,206)	805
Accounts payable	13,487	15,851
Accrued expenses and other non-current liabilities	4,169	(14,937)
Net cash provided by (used in) operating activities of continuing operations	5,269	(1,998)
Net cash used in operating activities of discontinued operations	(7)	(36)
Net cash provided by (used in) operating activities	5,262	(2,034)
Cash Flows from Investing Activities		
Cash paid for acquisitions, net of cash acquired	(146)	(2,705)
Purchases of property, plant, and equipment	(4,741)	(4,562)
Net proceeds from sale of property and equipment	247	414
Net cash used in investing activities	(4,640)	(6,853)
Cash Flows from Financing Activities		

Proceeds from long-term debt	210,000	
Long-term debt payments	(205,080)	(404)
Payment of deferred financing costs	(3,755)	
Payment of note redemption fees	(3,702)	
Purchase of treasury stock at market prices	(636)	(968)
Net proceeds from issuance of common stock	336	10
Excess tax benefit from stock compensation	62	59
Net cash used in financing activities	(2,775)	(1,303)
Effect of exchange rate changes on cash	(1,238)	136
Net decrease in cash and cash equivalents	(3,391)	(10,054)
Cash and cash equivalents at beginning of year	48,028	54,117
Cash and cash equivalents at end of period	$ 44,637	$ 44,063

See accompanying notes to consolidated financial statements.

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GIBRALTAR INDUSTRIES, INC.

CONSOLIDATED STATEMENT OF SHAREHOLDERS EQUITY

(in thousands)

(unaudited)

	Common Stock		Additional Paid-In	Retained	Accumulated Other Comprehensive	Treasury Stock		Total Shareholders
	Shares	Amount	Capital	Earnings	Loss	Shares	Amount	Equity
Balance at December 31, 2012	30,938	$ 309	$ 240,107	$ 242,082	$ (1,575)	350	$ (4,101)	$ 476,822
Net income				4,085				4,085
Foreign currency translation adjustment					(3,901)			(3,901)
Adjustment to pension benefit liability, net of taxes of $3					4			4
Adjustment to post-retirement healthcare benefit liability, net of taxes of $24					38			38
Stock compensation expense			1,623					1,623
Excess tax benefit from compensation			62					62
Net settlement of restricted stock units	102	1	(1)			39	(636)	(636)
Issuance of restricted stock	13							
Stock options exercised	32		336					336
Balance at June 30, 2013	31,085	$ 310	$ 242,127	$ 246,167	$ (5,434)	389	$ (4,737)	$ 478,433

See accompanying notes to consolidated financial statements.

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GIBRALTAR INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared by Gibraltar Industries, Inc. (the Company) without audit. In the opinion of management, all adjustments (consisting of normal recurring adjustments and accruals) necessary to present fairly the results of operations and other comprehensive income for the three and six months ended June 30, 2013 and 2012, the financial position at June 30, 2013 and December 31, 2012, the statements of cash flow for the six months ended June 30, 2013 and 2012, and the statement of shareholders equity for the six months ended June 30, 2013 have been included therein in accordance with U.S. Securities and Exchange Commission (SEC) rules and regulations and prepared using the same accounting principles as are used for our annual audited financial statements.

Certain information and footnote disclosures, including significant accounting policies normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), have been condensed or omitted in accordance with the prescribed SEC rules. It is suggested that these consolidated financial statements be read in conjunction with the consolidated financial statements and footnotes included in the Company s Annual Report for the year ended December 31, 2012 as filed on Form 10-K.

The consolidated balance sheet at December 31, 2012 has been derived from the audited consolidated financial statements at that date, but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

The results of operations for the three and six month periods ended June 30, 2013 are not necessarily indicative of the results to be expected for the full year.

2. RECENT ACCOUNTING PRONOUNCEMENTS

In February 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2013-02, Comprehensive Income (Topic 220) Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income (Topic 220 Update). The amendments in Topic 220 Update require a company to report the effect of significant reclassifications out of accumulated other comprehensive income (AOCI) on the respective line items in net income if the amount is required by U.S. GAAP to be reclassified in its entirety to net income. For amounts not required under U.S. GAAP to be reclassified in their entirety, an entity is required to cross-reference to other disclosures required under U.S. GAAP that provide additional detail about those amounts. The amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2012 and are to be applied prospectively. The Company adopted Topic 220 Update 2013-02 prospectively in 2013 and its adoption does not have a material impact on the Company s consolidated financial statements.

In March 2013, the FASB issued Accounting Standards Update 2013-05, Foreign Currency Matters (Topic 830) Parent s Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity (Topic 830 Update). The amendments in Topic 830 Update require a company to release the cumulative translation adjustment into net income upon the loss of a controlling financial interest in a foreign subsidiary or group of assets. The amendments are effective prospectively beginning after December 15, 2013, and early adoption is permitted. The Company does not expect the adoption of Topic 830 Update 2013-05 to have a material impact of the Company s consolidated financial results.

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3. INVENTORIES

Inventories consist of the following (in thousands):

	June 30, 2013	December 31, 2012
Raw material	$ 53,874	$ 49,750
Work-in-process	10,931	12,430
Finished goods	54,217	54,177
Total inventories	$ 119,022	$ 116,357

4. ACQUISITIONS

During 2012, Gibraltar purchased the assets of four businesses in separate transactions, one of which occurred during the first quarter of 2012. The acquired product lines complement and expand the Company s product portfolio and customer base in four key U.S. and Canadian markets:

Metal grating products for the oil sands region of Western Canada;

Function-critical components for transportation infrastructure construction and maintenance;

Perforated metal products for industrial applications; and

Exterior, retractable awnings and sun protection accessory products for new residential construction and home remodeling.

Gibraltar funded the aggregate investment of $43,263,000 from existing cash on hand of which $146,000 was remitted in the second quarter of 2013 for working capital settlements. In the first quarter of 2012, $2,705,000 was paid for the metal grating product assets acquired. The purchase price for each acquisition was allocated to the assets acquired and liabilities assumed based upon their respective fair values. The excess consideration was recorded as goodwill and totaled $15,263,000, all of which is deductible for tax purposes. Goodwill represents future economic benefits arising from other assets acquired that could not be individually identified including growth opportunities and increased presence in the building products markets.

The allocation of purchase consideration to the assets acquired and liabilities assumed during 2012 are as follows (in thousands):

Working capital	$ 8,868
Property, plant, and equipment	9,682
Acquired intangible assets	10,183
Other liabilities	(733)
Goodwill	15,263
Fair value of purchase consideration	$ 43,263

The acquired intangible assets consisted of the following for the four acquisitions completed during the year ended December 31, 2012 (in thousands):

	Fair Value	Estimated Useful Life
Customer relationships	$ 4,470	5-15 Years
Unpatented technology and patents	2,313	15 Years
Trademarks	2,130	Indefinite
Amortizable trademarks	800	5 Years
Non-compete agreements	340	5-10 Years
Backlog	130	0.5 Years
Total	$ 10,183	

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The Company incurred certain acquisition-related costs, primarily composed of legal and consulting fees of $2,000 and $32,000 for the three months ended June 30, 2013 and 2012, respectively, and $119,000 and $112,000 for the six months ended June 30, 2013 and 2012, respectively. All acquisition-related costs were recognized as a component of selling, general, and administrative expenses in the consolidated statement of operations. The Company also recognized additional cost of sales of $89,000 for the three months ended June 30, 2012, and $203,000 and $150,000 for the six months ended June 30, 2013 and June 30, 2012, respectively, related to the sale of inventory at fair value as a result of allocating the purchase price of the recent acquisitions.

5. GOODWILL AND RELATED INTANGIBLE ASSETS

Goodwill

The changes in the carrying amount of goodwill for the six months ended June 30, 2013 are as follows (in thousands):

Balance as of December 31, 2012	$ 359,863
Working capital/acquisition adjustment	252
Foreign currency translation	(1,244)
Balance as of June 30, 2013	$ 358,871

The goodwill balances as of June 30, 2013 and December 31, 2012 are net of accumulated impairment losses of $129,925,000.

Acquired Intangible Assets

Acquired intangible assets consist of the following (in thousands):

	June 30, 2013		December 31, 2012		
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization	Estimated Life
Indefinite-lived intangible assets:					
Trademarks	$ 48,482	$	$ 48,774	$	indefinite
Finite-lived intangible assets:					
Trademarks	2,766	1,231	2,771	1,085	2 to 15 years
Unpatented technology	24,430	6,089	24,427	5,204	5 to 20 years
Customer relationships	52,606	26,474	53,043	24,687	5 to 16 years
Non-compete agreements	1,797	1,321	3,207	2,598	4 to 10 years
Backlog	1,330	1,330	1,330	1,219	0.5 to 2 years
	82,929	36,445	84,778	34,793	
Total acquired intangible assets	$ 131,411	$ 36,445	$ 133,552	$ 34,793	

The following table summarizes the acquired intangible asset amortization expense for the three and six months ended June 30 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Amortization expense	$ 1,677	$ 1,879	$ 3,396	$ 3,510

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Amortization expense related to acquired intangible assets for the remainder of fiscal 2013 and the next five years thereafter is estimated as follows (in thousands):

2013	$ 3,086
2014	$ 5,496
2015	$ 5,360
2016	$ 5,025
2017	$ 3,190
2018	$ 2,613

6. RELATED PARTY TRANSACTIONS

A member of the Company s Board of Directors, Gerald S. Lippes, is a partner in a law firm that provides legal services to the Company. For the three and six months ended June 30, 2013, the Company incurred expense of $146,000 and $658,000, respectively, for legal services from this firm. The Company incurred $367,000 and $666,000 for legal services from this firm during the three and six months ended June 30, 2012, respectively. Of the amounts incurred during the six months ended June 30, 2012, $12,000 related to services provided in connection with the sale of businesses and were recognized as a component of discontinued operations. All other amounts incurred during the 2013 and 2012 periods were expensed as a component of selling, general, and administrative expenses. At June 30, 2013 and December 31, 2012, the Company had $359,000 and $530,000, respectively, recorded in accounts payable for amounts due to this law firm.

7. LONG-TERM DEBT

Long-term debt consists of the following (in thousands):

	June 30, 2013	December 31, 2012
Senior Subordinated 6.25% Notes	$ 210,000	$
Senior Subordinated 8% Notes recorded net of unamortized discount of $1,298		202,702
Other debt	4,021	5,101
Total debt	214,021	207,803
Less current maturities	417	1,093
Total long-term debt	$ 213,604	$ 206,710

Borrowings under the Senior Credit Agreement are secured by the trade receivables, inventory, personal property and equipment, and certain real property of the Company s significant domestic subsidiaries. The Senior Credit Agreement provides for a revolving credit facility and letters of credit in an aggregate amount that does not exceed the lesser of (i) $200 million or (ii) a borrowing base determined by reference to the trade receivable, inventories, and property, plant, and equipment of the Company s significant domestic subsidiaries. The Company can request additional financing from the banks to increase the revolving credit facility to $250 million under the terms of the Senior Credit Agreement.

The terms of the Senior Credit Agreement provide that the revolving credit facility will terminate on October 10, 2016. Interest rates on the revolving credit facility are based on the London Interbank Offering Rate (LIBOR) plus an additional margin of 2.0% to 2.5%. In addition, the revolving credit facility is subject to an annual commitment fee calculated as 0.375% of the daily average undrawn balance.

Standby letters of credit of $13,888,000 have been issued under the Senior Credit Agreement to third parties on behalf of the Company as of June 30, 2013. These letters of credit reduce the amount otherwise available under the revolving credit facility. As of June 30, 2013, the Company had $142,049,000 of availability under the revolving credit facility. No borrowings were outstanding under the revolving credit facility at June 30, 2013 and December 31, 2012.

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On a trailing four-quarter basis, the Senior Credit Agreement includes a single financial covenant that requires the Company to maintain a minimum fixed charge coverage ratio of 1.25 to 1.00 at the end of each quarter. As of June 30, 2013, the Company was in compliance with this financial covenant. The Senior Credit Agreement contains other provisions and events of default that are customary for similar agreements and may limit the Company s ability to take various actions.

On January 31, 2013, the Company issued $210 million of 6.25% Senior Subordinated Notes (6.25% Notes) due February 1, 2021. In connection with the issuance of the 6.25% Notes, the Company initiated a tender offer for the purchase of the outstanding $204 million of 8% Senior Subordinated Notes (8% Notes). Simultaneously with the closing of the sale of the 6.25% Notes, the Company purchased tendered notes or called for redemption of all of the remaining 8% Notes that were not purchased. In connection with the redemption and tender offer, the Company satisfied and discharged its obligations under the 8% Notes during six months ended June 30, 2013. The Company recorded a charge of approximately $7,166,000 in the first quarter of 2013, including $3,702,000 for the prepayment premium paid to holders of the 8% Notes, $2,199,000 to write-off deferred financing fees and $1,265,000 for the unamortized original issue discount related to the 8% Notes. In connection with the issuance of the 6.25% Notes, the Company paid $3,755,000 in placement and other fees which are recorded as deferred financing costs and included in other assets.

The provisions of the 6.25% Notes include, without limitation, restrictions on indebtedness, liens, and distributions from restricted subsidiaries, asset sales, affiliate transactions, dividends, and other restricted payments. Dividend payments are subject to annual limits of the greater of $0.25 per share or $25 million. The 6.25% Notes are redeemable at the option of the Company, in whole or in part, at any time on or after February 1, 2017, at the redemption price (as defined in the Senior Subordinated 6.25% Notes Indenture). The redemption prices are 103.13%, and 101.56% of the principal amount thereof if the redemption occurs during the 12-month periods beginning February 1, of the years 2017 and 2018, respectively, and 100% of the principal amount thereof on and after February 1, 2019, in each case plus accrued and unpaid interest to the applicable redemption date. In addition, prior to February 1, 2016, the Company may redeem up to 35% of the aggregate principal amount of the Notes with the net cash proceeds of certain equity offerings by the Company at a redemption price of 106.25% of the principal amount thereof, plus accrued and unpaid interest to the redemption date. In the event of a Change in Control, each holder of the 6.25% Notes may require the Company to repurchase all or a portion of such holder s 6.25% Notes at a purchase price equal to 101% of the principal amount thereof.

8. ACCUMULATED OTHER COMPREHENSIVE INCOME

The cumulative balance of each component of accumulated other comprehensive (loss) income, net of tax, is as follows (in thousands):

	Foreign Currency Translation Adjustment	Minimum Pension Liability Adjustment	Unamortized Post-Retirement Health Care Costs	Accumulated Other Comprehensive (Loss) Income
Balance at December 31, 2012	$ (93)	$ (8)	$ (1,474)	$ (1,575)
Current period change	(3,901)	4	38	(3,859)
Balance at June 30, 2013	$ (3,994)	$ (4)	$ (1,436)	$ (5,434)

9. EQUITY-BASED COMPENSATION

The Gibraltar Industries, Inc. 2005 Equity Incentive Plan (the Plan) is an incentive compensation plan that allows the Company to grant equity-based incentive compensation awards to eligible participants to provide them an additional incentive to increase the value of the Company, to increase their proprietary interest in the success of the Company, and to encourage them to remain in the Company s employ. Awards under the plan may be in the form of options, restricted shares, restricted units, performance shares, performance stock units, and rights. The Plan provides for the issuance of up to 3,000,000 shares of common stock. Of the total number of shares of common stock issuable under the Plan, the aggregate number of shares which may be issued in connection with grants of incentive stock options and rights cannot exceed 900,000 shares. Vesting terms and award life are governed by the award document.

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Equity-based awards to employees and directors, including grants of stock options, restricted stock units, and restricted stock, are recognized in the income statements based on the grant-date fair value of the award. The Company uses the straight-line method of attributing the value of stock-based compensation expense over the vesting periods. Stock compensation expense recognized during the period is based on the value of the portion of equity-based awards that is ultimately expected to vest during the period. Vesting requirements vary for directors, executives, and key employees with a vesting period that typically equals four years with graded vesting.

The following table provides the number of restricted stock units (that will convert to shares upon vesting) and restricted stock that were issued during the six months ended June 30 along with the weighted average grant date fair value of each award:

	2013		2012	
Awards	Number of Awards	Weighted Average Grant Date Fair Value	Number of Awards	Weighted Average Grant Date Fair Value
Restricted stock units	72,165	$ 16.50	74,532	$ 14.36
Restricted shares	13,188	$ 16.83	11,130	$ 11.86

In January 2012, the Company awarded 295,000 performance stock units with grant date fair value of $4,152,000, of which 280,000 remained outstanding after forfeitures at the end of the performance period on December 31, 2012. The final number of performance stock units earned was calculated at the end of the measurement period based on the Company s total stockholder returns relative to the S&P Small Cap 600 Index for the calendar year of 2012. As a result, the participants earned 58.3% of the 280,000 target adjusted for forfeitures, which resulted in an award of 163,200 performance stock units.

In January 2013, the Company awarded 304,000 performance stock units with grant date fair value of $4,123,000. As of June 30, 2013, 298,000 of the originally awarded performance stock units remained outstanding after forfeitures. The final number of performance stock units earned will be determined based on the Company s actual return on invested capital (ROIC) for 2013 relative to the improved ROIC targeted for the performance period ending December 31, 2013.

The cost of the 2012 and 2013 performance stock awards will be recognized over the requisite vesting period, which ranges between one year and three years, depending on the date a participant turns 60 and completes 5 years of service. After the vesting period, any performance stock units earned will convert to cash based on the trailing 90-day closing price of the Company s common stock as of December 31, 2014 and 2015 and be payable to participants in January 2015 and 2016, respectively.

The following table summarizes the compensation expense (recovery) recognized from the change in fair value and vesting of performance stock units for the three and six months ended June 30 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Performance stock unit compensation expense (recovery)	$ 596	$ (563)	$ 2,097	$ 116

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The Management Stock Purchase Plan (MSPP) is an integral component of the Plan and provides participants the ability to defer a portion of their salary, their annual bonus under the Management Incentive Compensation Plan, and Directors fees. The deferral is converted to restricted stock units and credited to an account together with a company-match in restricted stock units equal to a percentage of the deferral amount. The account is converted to cash at the trailing 200-day average closing price of the Company s stock and payable to the participants upon termination of their service to the Company. The matching portion vests only if the participant has reached their sixtieth (60^{th}) birthday. If a participant terminates their service to the Company prior to age sixty (60), the match is forfeited. Upon termination, the account is converted to a cash account that accrues interest at 2% over the then current ten-year U.S. Treasury note rate. The account is then paid out in either one lump sum, or in five or ten equal annual cash installments at the participant s election.

The fair value of restricted stock units held in the MSPP equals the trailing 200-day average closing price of the Company s common stock as of the last day of the period. During the six months ended June 30, 2013 and 2012, 189,291 and 230,673 restricted stock units, respectively, including the company-match, were credited to participant accounts. At June 30, 2013 and December 31, 2012, the value of the restricted stock units in the MSPP was $15.67 and $12.30 per unit, respectively. At June 30, 2013 and December 31, 2012, 966,470 and 777,159 restricted stock units, including the company-match, were credited to participant accounts including 94,146 and 71,992, respectively, of unvested restricted stock units. The Company made disbursements of $531,000 and $542,000 out of MSPP accounts during the six months ended June 30, 2013 and 2012, respectively.

The following table summarizes the compensation expense recognized from the change in fair value of the restricted stock units held in the MSPP for the three and six months ended June 30 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
MSPP compensation expense	$ 2,045	$ 668	$ 3,322	$ 1,276

10. FAIR VALUE MEASUREMENTS

FASB Accounting Standards Codification (ASC) Topic 820, Fair Value Measurements and Disclosures, defines fair value, sets out a framework for measuring fair value, and requires certain disclosures about fair value measurements. A fair value measurement assumes that the transaction to sell an asset or transfer a liability occurs in the principal market for the asset or liability. Fair value is defined based upon an exit price model.

FASB ASC Topic 820 establishes a valuation hierarchy for disclosure of the inputs used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument. Level 3 inputs are unobservable inputs based on the Company s assumptions used to measure assets and liabilities at fair value. A financial asset or liability s classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

As described in Note 4 of the consolidated financial statements, the Company completed four acquisitions during the year ended December 31, 2012. The estimated fair values allocated to the assets acquired and liabilities assumed relied upon fair value measurements based in part on Level 3 inputs. The valuation techniques used to assign fair values to inventory, property, plant and equipment, and intangible assets included the cost approach, market approach, relief-from-royalty approach, and other income approaches. The valuation techniques relied on a number of inputs which included the cost and condition of the property, plant and equipment, forecasted net sales and incomes, and royalty rates.

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The Company s financial instruments primarily consist of cash and cash equivalents, accounts receivable, notes receivable, accounts payable, and long-term debt. The carrying values for our financial instruments approximate fair value with the exception, at times, of long-term debt. At June 30, 2013, the fair value of outstanding debt was $216,121,000 compared to its carrying value of $214,021,000. The fair value of the Company s Senior Subordinated 6.25% Notes was estimated based on quoted prices for similar liabilities, a Level 2 input.

11. DISCONTINUED OPERATIONS

For certain divestitures, the Company has agreed to indemnify the buyer for various liabilities that may arise after the disposal date, subject to limits of time and amount. As of June 30, 2013, the Company recognized a contingent liability for environmental remediation related to a discontinued operation. Management does not believe that the outcome of this claim, or other claims, would significantly affect the Company s financial condition or results of operation.

12. EXIT ACTIVITY COSTS AND ASSET IMPAIRMENTS

The Company focuses on being the low-cost provider of its products by reducing operating costs and implementing lean manufacturing initiatives, which have in part led to the consolidation of facilities and product lines. The Company eliminated a product line and consolidated two facilities during 2012 in this effort. During this process, the Company has incurred exit activity costs, including contract termination costs, severance costs, and other moving and closing costs. These restructuring activities also resulted in $616,000 and $1,467,000 of asset impairment charges related to the facility consolidations and product line rationalization during the six months ended June 30, 2013 and 2012, respectively.

The following table provides a summary of where the exit activity costs and asset impairments were recorded in the statement of operations for the three and six months ended June 30 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Cost of sales	$ 681	$ 1,113	$ 710	$ 2,879
Selling, general and administrative expense	75	4	75	18
Total exit activity costs and asset impairments	$ 756	$ 1,117	$ 785	$ 2,897

The following table reconciles the beginning and ending liability for exit activity costs relating to the Company s facility consolidation efforts (in thousands):

	2013	2012
Accrued costs as of January 1	$ 1,323	$ 2,315
Exit activity costs recognized	169	1,430
Cash payments	(610)	(2,129)
Accrued costs as of June 30	$ 882	$ 1,616

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13. INCOME TAXES

The following table summarizes the provision for income taxes for continuing operations for the three and six months ended June 30 and the applicable effective tax rates (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Provision for income taxes	$ 4,870	$ 4,066	$ 2,615	$ 4,997
Effective tax rate	38.6%	33.9%	39.0%	34.8%

The Company s provision for income taxes in interim periods is computed by applying forecasted annual effective tax rates to income or loss before income taxes for the interim period. In addition, non-recurring or discrete items, including interest on prior year tax liabilities, are recorded during the period in which they occur. To the extent that actual income or loss before taxes for the full year differs from the forecast estimates applied at the end of the most recent interim period, the actual tax rate recognized for the year ending December 31, 2013 could be materially different from the forecasted rate used for the six months ended June 30, 2013.

The effective tax rates for the three and six months ended June 30, 2013 exceeded U.S. federal statutory rate of 35% due to state taxes. The effective tax rates for the three and six months ended June 30, 2012 were lower than their comparable time periods in 2013 as well as the U.S. federal statutory rate of 35% primarily due to the reversal of an uncertain tax position of $0.6 million during the second quarter of that year.

14. NET EARNINGS PER SHARE

Basic earnings per share is based on the weighted average number of common shares outstanding. Diluted earnings per share is based on the weighted average number of common shares outstanding, as well as dilutive potential common shares which, in the Company s case, comprise of shares issuable under its equity compensation plans described in Note 9 of the consolidated financial statements. The treasury stock method is used to calculate dilutive shares, which reduces the gross number of dilutive shares by the number of shares purchasable from the proceeds of the options assumed to be exercised and the unrecognized expense related to the restricted stock and restricted stock unit awards assumed to have vested.

The following table sets forth the computation of basic and diluted earnings per share for the three and six months ended June 30 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Numerator:				
Income from continuing operations	$ 7,732	$ 7,915	$ 4,089	$ 9,364
Loss from discontinued operations		(9)	(4)	(96)
Income available to common stockholders	$ 7,732	$ 7,906	$ 4,085	$ 9,268
Denominator for basic income per share:				
Weighted average shares outstanding	30,925	30,735	30,901	30,726
Denominator for diluted income per share:				
Weighted average shares outstanding	30,925	30,735	30,901	30,726
Common stock options and restricted stock	174	80	178	80
Weighted average shares and conversions	31,099	30,815	31,079	30,806

15. SUPPLEMENTAL FINANCIAL INFORMATION

The following information sets forth the consolidating summary financial statements of the issuer (Gibraltar Industries, Inc.) and guarantors, which guarantee the Senior Subordinated 6.25% Notes due February 1, 2021, and the non-guarantors. The guarantors are wholly owned subsidiaries of the issuer and the guarantees are full, unconditional, joint and several.

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Investments in subsidiaries are accounted for by the parent using the equity method of accounting. The guarantor subsidiaries and non-guarantor subsidiaries are presented on a combined basis. The principal elimination entries eliminate investments in subsidiaries and intercompany balances and transactions.

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GIBRALTAR INDUSTRIES, INC.

CONSOLIDATING INCOME STATEMENTS

THREE MONTHS ENDED JUNE 30, 2013

(in thousands)

	Gibraltar Industries, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net sales	$	$ 207,328	$ 23,288	$ (6,097)	$ 224,519
Cost of sales		164,557	20,829	(5,573)	179,813
Gross profit		42,771	2,459	(524)	44,706
Selling, general, and administrative expense	26	26,559	1,838		28,423
(Loss) income from operations	(26)	16,212	621	(524)	16,283
Interest expense (income)	3,399	324	(33)		3,690
Other income		(9)			(9)
(Loss) income before taxes	(3,425)	15,897	654	(524)	12,602
(Benefit of) provision for income taxes	(1,224)	5,853	241		4,870
(Loss) income from continuing operations	(2,201)	10,044	413	(524)	7,732
Discontinued operations:					
Loss from discontinued operations before taxes					
Benefit of income taxes					
Loss from discontinued operations					
Equity in earnings from subsidiaries	10,457	413		(10,870)	
Net income	$ 8,256	10,457	$ 413	$ (11,394)	$ 7,732

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GIBRALTAR INDUSTRIES, INC.

CONSOLIDATING INCOME STATEMENTS

THREE MONTHS ENDED JUNE 30, 2012

(in thousands)

	Gibraltar Industries, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net sales	$	$ 199,229	$ 25,891	$ (5,386)	$ 219,734
Cost of sales		161,007	21,981	(4,980)	178,008
Gross profit		38,222	3,910	(406)	41,726
Selling, general, and administrative expense	85	23,127	2,221		25,433
(Loss) income from operations	(85)	15,095	1,689	(406)	16,293
Interest expense (income)	4,239	416	(28)		4,627
Other income		(312)	(3)		(315)
(Loss) income before taxes	(4,324)	14,991	1,720	(406)	11,981
(Benefit of) provision for income taxes	(1,701)	5,337	430		4,066
(Loss) income from continuing operations	(2,623)	9,654	1,290	(406)	7,915
Discontinued operations:					
Loss from discontinued operations before taxes		(16)			(16)
Benefit of income taxes		(7)			(7)
Loss from discontinued operations		(9)			(9)
Equity in earnings from subsidiaries	10,935	1,290		(12,225)	
Net income	$ 8,312	10,935	$ 1,290	$ (12,631)	$ 7,906

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GIBRALTAR INDUSTRIES, INC.

CONSOLIDATING INCOME STATEMENTS

SIX MONTHS ENDED JUNE 30, 2013

(in thousands)

	Gibraltar Industries, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net sales	$	$ 385,377	$ 46,505	$ (10,562)	$ 421,320
Cost of sales		308,952	41,313	(9,828)	340,437
Gross profit		76,425	5,192	(734)	80,883
Selling, general, and administrative expense	184	55,440	3,780		59,404
(Loss) income from operations	(184)	20,985	1,412	(734)	21,479
Interest expense (income)	14,282	632	(64)		14,850
Other income		(75)			(75)
(Loss) income before taxes	(14,466)	20,428	1,476	(734)	6,704
(Benefit of) provision for income taxes	(5,421)	7,611	425		2,615
(Loss) income from continuing operations	(9,045)	12,817	1,051	(734)	4,089
Discontinued operations:					
Loss from discontinued operations before taxes		(7)			(7)
Benefit of income taxes		(3)			(3)
Loss from discontinued operations		(4)			(4)
Equity in earnings from subsidiaries	13,864	1,051		(14,915)	
Net income	$ 4,819	$ 13,864	$ 1,051	$ (15,649)	$ 4,085

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GIBRALTAR INDUSTRIES, INC.

CONSOLIDATING INCOME STATEMENTS

SIX MONTHS ENDED JUNE 30, 2012

(in thousands)

	Gibraltar Industries, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net sales	$	$ 369,129	$ 53,505	$ (10,729)	$ 411,905
Cost of sales		298,805	45,858	(9,965)	334,698
Gross profit		70,324	7,647	(764)	77,207
Selling, general, and administrative expense	55	49,347	4,489		53,891
(Loss) income from operations	(55)	20,977	3,158	(764)	23,316
Interest expense (income)	8,474	888	(61)		9,301
Other income		(342)	(4)		(346)
(Loss) income before taxes	(8,529)	20,431	3,223	(764)	14,361
(Benefit of) provision for income taxes	(3,276)	7,435	838		4,997
(Loss) income from continuing operations	(5,253)	12,996	2,385	(764)	9,364
Discontinued operations:					
Loss from discontinued operations before taxes		(153)			(153)
Benefit of income taxes		(57)			(57)
Loss from discontinued operations		(96)			(96)
Equity in earnings from subsidiaries	15,285	2,385		(17,670)	
Net income	$ 10,032	$ 15,285	$ 2,385	$ (18,434)	$ 9,268

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GIBRALTAR INDUSTRIES, INC.

CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME

THREE MONTHS ENDED JUNE 30, 2013

(in thousands)

	Gibraltar Industries, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net income	$ 8,256	$ 10,457	$ 413	$ (11,394)	$ 7,732
Other comprehensive income:					
Foreign currency translation adjustment			(804)		(804)
Adjustment to retirement benefit liability, net of tax		2			2
Adjustment to post-retirement health care liability, net of tax					
Other comprehensive income (loss)		2	(804)		(802)
Total comprehensive income (loss)	$ 8,256	$ 10,459	$ (391)	$ (11,394)	$ 6,930

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GIBRALTAR INDUSTRIES, INC.

CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME

THREE MONTHS ENDED JUNE 30, 2012

(in thousands)

	Gibraltar Industries, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net income	$ 8,312	$ 10,935	$ 1,290	$ (12,631)	$ 7,906
Other comprehensive income:					
Foreign currency translation adjustment			(1,996)		(1,996)
Adjustment to retirement benefit liability, net of tax		2			2
Adjustment to post-retirement health care liability, net of tax		15			15
Other comprehensive income (loss)		17	(1,996)		(1,979)
Total comprehensive income (loss)	$ 8,312	$ 10,952	$ (706)	$ (12,631)	$ 5,927

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GIBRALTAR INDUSTRIES, INC.

CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME

SIX MONTHS ENDED JUNE 30, 2013

(in thousands)

	Gibraltar Industries, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net income	$ 4,819	$ 13,864	$ 1,051	$ (15,649)	$ 4,085
Other comprehensive income:					
Foreign currency translation adjustment			(3,901)		(3,901)
Adjustment to retirement benefit liability, net of tax		4			4
Adjustment to post-retirement health care liability, net of tax		38			38
Other comprehensive income (loss)		42	(3,901)		(3,859)
Total comprehensive income (loss)	$ 4,819	$ 13,906	$ (2,850)	$ (15,649)	$ 226

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GIBRALTAR INDUSTRIES, INC.

CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME

SIX MONTHS ENDED JUNE 30, 2012

(in thousands)

	Gibraltar Industries, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net income	$ 10,032	$ 15,285	$ 2,385	$ (18,434)	$ 9,268
Other comprehensive income:					
Foreign currency translation adjustment			(61)		(61)
Adjustment to retirement benefit liability, net of tax		4			4
Adjustment to post-retirement health care liability, net of tax		31			31
Other comprehensive income (loss)		35	(61)		(26)
Total comprehensive income	$ 10,032	$ 15,320	$ 2,324	$ (18,434)	$ 9,242

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GIBRALTAR INDUSTRIES, INC.

CONSOLIDATING BALANCE SHEETS

JUNE 30, 2013

(in thousands)

	Gibraltar Industries, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Assets					
Current assets:					
Cash and cash equivalents	$	$ 24,639	$ 19,998	$	$ 44,637
Accounts receivable, net		109,105	12,746		121,851
Intercompany balances	24,550	(4,480)	(20,070)		
Inventories		110,145	8,877		119,022
Other current assets	5,458	10,249	1,344		17,051
Total current assets	30,008	249,658	22,895		302,561
Property, plant, and equipment, net		133,578	10,834		144,412
Goodwill		331,656	27,215		358,871
Acquired intangibles		87,517	7,449		94,966
Other assets	3,561	3,613	1		7,175
Investment in subsidiaries	659,767	54,339		(714,106)	
	$ 693,336	$ 860,361	$ 68,394	$ (714,106)	$ 907,985
Liabilities and Shareholders Equity					
Current liabilities:					
Accounts payable	$	$ 74,015	$ 7,797	$	$ 81,812
Accrued expenses	4,903	36,677	2,395		43,975
Current maturities of long-term debt		417			417
Total current liabilities	4,903	111,109	10,192		126,204
Long-term debt	210,000	3,604			213,604
Deferred income taxes		53,666	3,268		56,934
Other non-current liabilities		32,215	595		32,810
Total shareholders equity	478,433	659,767	54,339	(714,106)	478,433
	$ 693,336	$ 860,361	$ 68,394	$ (714,106)	$ 907,985

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GIBRALTAR INDUSTRIES, INC.

CONSOLIDATING BALANCE SHEETS

DECEMBER 31, 2012

(in thousands)

	Gibraltar Industries, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Assets					
Current assets:					
Cash and cash equivalents	$	$ 26,163	$ 21,865	$	$ 48,028
Accounts receivable, net		78,565	10,908		89,473
Intercompany balances	(16,349)	37,397	(21,048)		
Inventories		107,137	9,220		116,357
Other current assets	6,524	5,815	1,041		13,380
Total current assets	(9,825)	255,077	21,986		267,238
Property, plant, and equipment, net		140,394	11,219		151,613
Goodwill		331,404	28,459		359,863
Acquired intangibles		90,311	8,448		98,759
Other assets	2,259	3,941	1		6,201
Investment in subsidiaries	688,450	56,716		(745,166)	
	$ 680,884	$ 877,843	$ 70,113	$ (745,166)	$ 883,674
Liabilities and Shareholders Equity					
Current liabilities:					
Accounts payable	$	$ 61,841	$ 7,219	$	$ 69,060
Accrued expenses	1,360	43,843	2,229		47,432
Current maturities of long-term debt		1,093			1,093
Total current liabilities	1,360	106,777	9,448		117,585
Long-term debt	202,702	4,008			206,710
Deferred income taxes		53,639	3,429		57,068
Other non-current liabilities		24,969	520		25,489
Shareholders equity	476,822	688,450	56,716	(745,166)	476,822
	$ 680,884	$ 877,843	$ 70,113	$ (745,166)	$ 883,674

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GIBRALTAR INDUSTRIES, INC.

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

SIX MONTHS ENDED JUNE 30, 2013

(in thousands)

	Gibraltar Industries, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Cash Flows from Operating Activities					
Net cash (used in) provided by operating activities of continuing operations	$ (2,905)	$ 7,090	$ 1,084	$	$ 5,269
Net cash used in operating activities of discontinued operations		(7)			(7)
Net cash (used in) provided by operating activities	(2,905)	7,083	1,084		5,262
Cash Flows from Investing Activities					
Cash paid for acquisitions, net of cash acquired		(146)			(146)
Purchases of property, plant, and equipment		(3,533)	(1,208)		(4,741)
Net proceeds from sale of property and equipment		247			247
Net cash used in investing activities		(3,432)	(1,208)		(4,640)
Cash Flows from Financing Activities					
Proceeds from long-term debt	210,000				210,000
Long-term debt payments	(204,000)	(1,080)			(205,080)
Payment of deferred financing fees	(3,755)				(3,755)
Payment of note redemption fees	(3,702)				(3,702)
Purchase of treasury stock at market prices	(636)				(636)
Net proceeds from issuance of common stock	336				336
Tax benefit from equity compensation	62				62
Intercompany financing	4,600	(4,095)	(505)		
Net cash provided by (used in) financing activities	2,905	(5,175)	(505)		(2,775)
Effect of exchange rate changes on cash			(1,238)		(1,238)
Net decrease in cash and cash equivalents		(1,524)	(1,867)		(3,391)
Cash and cash equivalents at beginning of year		26,163	21,865		48,028
Cash and cash equivalents at end of period	$	$ 24,639	$ 19,998	$	$ 44,637

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GIBRALTAR INDUSTRIES, INC.

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

SIX MONTHS ENDED JUNE 30, 2012

(in thousands)

	Gibraltar Industries, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Cash Flows from Operating Activities					
Net cash (used in) provided by operating activities of continuing operations	$ (7,982)	$ 3,902	$ 2,082	$	$ (1,998)
Net cash used in operating activities of discontinued operations		(36)			(36)
Net cash (used in) provided by operating activities	(7,982)	3,866	2,082		(2,034)
Cash Flows from Investing Activities					
Cash paid for acquisitions, net of cash acquired			(2,705)		(2,705)
Purchases of property, plant, and equipment		(3,948)	(614)		(4,562)
Net proceeds from sale of property and equipment		413	1		414
Net cash used in investing activities		(3,535)	(3,318)		(6,853)
Cash Flows from Financing Activities					
Long-term debt payments		(404)			(404)
Net proceeds from issuance of common stock	10				10
Tax benefit from equity compensation	59				59
Intercompany financing	8,881	(7,438)	(1,443)		
Purchase of treasury stock at market prices	(968)				(968)
Net cash provided by (used in) financing activities	7,982	(7,842)	(1,443)		(1,303)
Effect of exchange rate changes on cash			136		136
Net decrease in cash and cash equivalents		(7,511)	(2,543)		(10,054)
Cash and cash equivalents at beginning of year		34,691	19,426		54,117
Cash and cash equivalents at end of period	$	$ 27,180	$ 16,883	$	$ 44,063

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

Certain information set forth herein includes statements that express our opinions, expectations, beliefs, plans, objectives, assumptions or projections regarding future events or future results and, therefore, are or may be deemed to be, forward-looking statements. These forward-looking statements can generally be identified by the use of forward-looking terminology, including the terms believes, estimates, anticipates, expects, estimates, seeks, projects, intends, plans, may, will or should or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, competition, strategies and the industry in which we operate. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We believe that these risks and uncertainties include, but are not limited to, those described in the Risk Factors disclosed in our Annual Report on Form 10-K. Although we base these forward-looking statements on assumptions that we believe are reasonable when made, we caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity and the development of the industry in which we operate may differ materially from those made in or suggested by the forward-looking statements contained herein. In addition, even if our results of operations, financial condition and liquidity and the development of the industry in which we operate are consistent with the forward-looking statements contained in this quarterly report, those results or developments may not be indicative of results or developments in subsequent periods. Given these risks and uncertainties, you are cautioned not to place undue reliance on these forward-looking statements. Any forward-looking statements that we make herein speak only as of the date of those statements, and we undertake no obligation to update those statements or to publicly announce the results of any revisions to any of those statements to reflect future events or developments. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless expressed as such, and should only be viewed as historical data.

Overview

Gibraltar is a leading manufacturer and distributor of products for building and industrial markets. Our products provide structural and architectural enhancements for residential homes, low-rise retail, other commercial and professional buildings, industrial plants, bridges and a wide-variety of other structures. These products include ventilation products, mail storage solutions including mailboxes and package delivery products, rain dispersion products and accessories, sun protection products, bar grating, expanded metal, perforated metal, metal lath, and expansion joints and structural bearings. We serve customers throughout North America, Europe, Asia, and Central and South America including major home improvement retailers, distributors and contractors. As of June 30, 2013, we operated 43 facilities in 20 states, Canada, England, and Germany, giving us a broad platform for just-in-time delivery and support to our customers.

Our strategy is to position Gibraltar as a low-cost provider and market share leader in product areas that offer the opportunity for sales growth and margin enhancement over the long-term. We focus on operational excellence including lean initiatives throughout the Company to position Gibraltar as our customers low-cost provider of the products we offer. We continuously seek to improve our on-time delivery, quality, and service to position Gibraltar as a preferred supplier to our customers. We also strive to develop new products, enter new markets, expand market share in the residential markets, and further penetrate domestic and international building and industrial markets to strengthen our product leadership positions.

The end markets served by our business are subject to economic conditions that are influenced by interest rates, commodity costs, demand for residential construction, and the level of non-residential construction and infrastructure projects. The United States construction markets continue an uneven recovery from an unprecedented recession that began in 2008, which led to reduced demand for the products we manufacture and distribute. In addition, tightened credit markets over the same period may have limited the ability of end customers to obtain financing for construction projects. While the economy has grown since the recession, the construction markets continue to face significant challenges and have only recovered modestly. Although improving, many economic indicators, such as new housing starts, continue to remain at levels well below long-term averages.

Recent Developments

On January 31, 2013, the Company issued $210.0 million of 6.25% Senior Subordinated Notes (6.25% Notes) due February 1, 2021. In connection with the issuance of the 6.25% Notes, the Company initiated a tender offer for the purchase of the outstanding $204.0 million of 8% Senior Subordinated Notes (8% Notes). Simultaneously with the closing of the sale of the 6.25% Notes, the Company purchased the 8% Notes that were tendered and called for redemption of all the remaining 8% Notes that were not purchased in the tender offer. In connection with the tender offer and redemption, the Company satisfied and discharged its obligations under the 8% Notes.

Gibraltar purchased the assets of four businesses in separate transactions during 2012. The acquired product lines complement and expand the Company s product portfolio and customer base in four key U.S. and Canadian markets:

Metal grating products for the oil sands region of Western Canada;

Function-critical components for transportation infrastructure construction and maintenance;

Perforated metal products for industrial applications; and

Exterior, retractable awnings and sun protection accessory products for new residential construction and home remodeling.

Gibraltar funded the aggregate investment of $43 million from existing cash on hand. Gibraltar s results from operations include acquisitions from their respective dates of acquisition.

We have maintained a strong liquidity position in spite of significant investment to consolidate facilities, acquire businesses, introduce new products, and expand market share. We had no debt outstanding against our revolving credit facility throughout all of 2012 and the six months ended June 30, 2013. At June 30, 2013, our liquidity was $186.6 million including $44.6 million of cash and $142.0 million of availability under our revolving credit facility.

For the quarter ended June 30, 2013 our net sales improved 2.2% compared to the prior year. The improvement was the net result of the acquisitions noted above, offset by a decrease in sales for business units operating in both periods. Gross margin improved by 90 basis points as a result of the completion of the restructuring initiatives for our West Coast locations and costs incurred in the prior year. The impact of these improvements to our operating margin was offset by expenses incurred from our recent acquisitions and their continued integration, along with an increase in our stock price which resulted in higher equity compensation costs. As a result, our operating margin was essentially unchanged at 7.3% for the second quarter of 2013 as compared to 7.4% in the second quarter of 2012.

Results of Operations

Three Months Ended June 30, 2013 Compared to the Three Months Ended June 30, 2012

The following table sets forth selected data from our statement of operations and the related percentage of net sales for the three months ended June 30 (in thousands):

	2013		2012	
Net sales	$ 224,519	100.0%	$ 219,734	100.0%
Cost of sales	179,813	80.1	178,008	81.0
Gross profit	44,706	19.9	41,726	19.0
Selling, general, and administrative expense	28,423	12.6	25,433	11.6
Income from operations	16,283	7.3	16,293	7.4
Interest expense	3,690	1.6	4,627	2.0
Other income	(9)	0.0	(315)	-0.1
Income before taxes	12,602	5.7	11,981	5.5
Provision for income taxes	4,870	2.3	4,066	1.9
Income from continuing operations	7,732	3.4	7,915	3.6

Loss from discontinued operations		0.0	(9)	0.0
Net income	$ 7,732	3.4%	$ 7,906	3.6%

Net sales increased by $4.8 million, or 2.2%, to $224.5 million for the three months ended June 30, 2013 from net sales of $219.7 million for the three months ended June 30, 2012. The following table sets forth the impact of the Company s acquisitions on net sales for the three months ended June 30 (in thousands):

	2013	2012	Total Change	Change Due To Acquisitions	Operations
Net sales	$ 224,519	$ 219,734	$ 4,785	$ 16,124	$ (11,339)

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The increase in net sales from the prior year was the result of the incremental sales generated by the three acquisitions completed during the fourth quarter of 2012 which contributed to a sales growth of $16.1 million, or 7.3%, for the second quarter of 2013. Net sales from business units operating in both periods decreased 5.2% or $11.3 million, the result of a 3.1% decrease in pricing to customers and a 2.1% decrease in volume. While growth occurred in our products sold into the multi-family building market, lower sales volumes were experienced in a majority of the markets we serve. Inclement weather and the continued slow growth in the economy did not generate an increase in demand for our products used in industrial markets and in repair and remodeling activities as compared to the same time period in 2012. The lower selling prices were primarily the result of declining commodity costs for steel and aluminum and meeting selective competitive conditions.

Our gross margin increased to 19.9% for the three months ended June 30, 2013 compared to 19.0% for the three months ended June 30, 2012. The 90 basis point improvement in gross margin from the prior year was primarily the result of a $2.2 million charge to accelerate the reduction of slow moving inventory recorded in the quarter ending June 30, 2012. Further impacting the gross margin were improvements resulting from the completion of the restructuring initiatives for our West Coast locations along with contribution from our recent acquisitions. However, these improvements were equally offset by the impact of a less favorable alignment of material costs to customer selling prices in our industrial markets, the result of declining raw material costs for the current quarter compared to the prior year and competitive pressures on pricing.

Selling, general, and administrative expenses (SG&A) increased by $3.0 million, or 11.8%, to $28.4 million for the three months ended June 30, 2013 from $25.4 million for the three months ended June 30, 2012. The $3.0 million increase was largely the result of a $2.5 million increase in equity compensation costs, which resulted from stock price increases, as compared to the second quarter of 2012 and $1.7 million of SG&A expense from acquired businesses, partially offset by reductions in other general and administrative expenses. SG&A expenses as a percentage of net sales increased to 12.6% in the second quarter of 2013 compared to 11.6% in 2012.

Interest expense decreased $0.9 million to $3.7 million for the three months ended June 30, 2013 compared to $4.6 million for the three months ended June 30, 2012. The interest expense incurred primarily relates to our $210.0 million of Senior Subordinated 6.25% Notes (6.25% Notes) outstanding during the quarter ended June 30, 2013 and our $204.0 million of Senior Subordinated 8% Notes (8% Notes) outstanding during the quarter ended June 30, 2012. During the first quarter of 2013, we purchased by tender or redeemed all the 8% Notes and simultaneously issued the 6.25% Notes. The decrease in expense was the result of the lower interest rate on the 6.25% Notes as compared to the 8% Notes. During the three months ended June 30, 2013 and 2012, no amounts were outstanding under our revolving credit facility.

We recognized a provision for income taxes of $4.9 million for the three months ended June 30, 2013, an effective tax rate of 38.6%, compared with a provision for income taxes of $4.1 million, an effective rate of 33.9% for the same time period in 2012. The effective tax rate for the second quarter of 2013 exceeded the U.S. federal statutory rate due to state taxes. The effective tax rate for the second quarter of 2012 was lower than the second quarter of 2013 and lower than the U.S. federal statutory rate of 35% primarily due to the reversal of an uncertain tax position of $0.6 million during the quarter.

Six Months Ended June 30, 2013 Compared to the Six Months Ended June 30, 2012

The following table sets forth selected data from our statement of operations and the related percentage of net sales for the six months ended June 30 (in thousands):

	2013		2012	
Net sales	$ 421,320	100.0%	$ 411,905	100.0%
Cost of sales	340,437	80.8	334,698	81.3
Gross profit	80,883	19.2	77,207	18.7
Selling, general, and administrative expense	59,404	14.1	53,891	13.0
Income from operations	21,479	5.1	23,316	5.7
Interest expense	14,850	3.5	9,301	2.3
Other income	(75)	0.0	(346)	-0.1
Income before taxes	6,704	1.6	14,361	3.5
Provision for income taxes	2,615	0.6	4,997	1.2

Income from continuing operations		4,089	1.0		9,364	2.3
Loss from discontinued operations		(4)	0.0		(96)	0.0
Net income	$	4,085	1.0%	$	9,268	2.3%

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Net sales increased by $9.4 million, or 2.3%, to $421.3 million for the six months ended June 30, 2013 from net sales of $411.9 million for the six months ended June 30, 2012. The following table sets forth the impact of the Company s acquisitions on net sales for the six months ended June 30 (in thousands):

			Total	Change Due To	
	2013	2012	Change	Acquisitions	Operations
Net sales	$ 421,320	$ 411,905	$ 9,415	$ 28,532	$ (19,117)

The increase in net sales of 2.3% from the prior year was the result of the incremental sales generated by four acquisitions completed during 2012 which contributed to a sales growth of $28.5 million, or 6.9%, for the first half of 2013. Net sales from business units operating in both periods decreased 4.6% or $19.1 million, the result of a 3.6% decrease in pricing to customers and a 1.0% decrease in volume. While overall volume slightly decreased from the first half of 2012, we experienced growth in demand for our products sold into multi-family building markets and a modest volume increase in our domestic industrial markets. These increases were more than offset by declines in volume sold for residential repair and remodeling activities and European markets, resulting from the inclement weather in several areas of the U.S. in the earlier part of the year and the continued depressed economy in Europe, respectively. The lower selling prices were primarily the result of a decline in commodity costs for steel and aluminum and meeting selective competitive situations.

Our gross margin increased to 19.2% for the six months ended June 30, 2013 compared to 18.7% for the six months ended June 30, 2012. The 50 basis point improvement in gross margin from the prior year was primarily the result of a $2.2 million charge to accelerate the reduction of inventory recorded in the quarter ending June 30, 2012. Further impacting the gross margin were improvements resulting from the completion of the restructuring initiatives for our West Coast locations along with contribution from our recent acquisitions. However, these improvements were equally offset by the impact of a less favorable alignment of material costs to customer selling prices in our industrial markets, the result of declining raw material costs for the current quarter compared to the prior year and competitive pressures on pricing.

Selling, general, and administrative expenses increased by $5.5 million, or 10.2%, to $59.4 million for the six months ended June 30, 2013 from $53.9 million for the six months ended June 30, 2012. The $5.5 million increase was largely the result of a $4.5 million increase in equity compensation costs, which resulted from stock price increases, and $3.1 million of SG&A expense from acquired businesses, partially offset by reductions in other general and administrative expenses. SG&A expenses as a percentage of net sales increased to 14.1% in the first half of 2013 compared to 13.0% in 2012.

Interest expense increased $5.6 million to $14.9 million for the six months ended June 30, 2013 compared to $9.3 million for the six months ended June 30, 2012. The significant increase in expense resulted from the redemption of the $204.0 million of Senior Subordinated 8% Notes (8% Notes) in the first quarter of 2013. In connection with this transaction, the Company recorded a charge of approximately $7.2 million, which included $3.7 million for the prepayment premium paid to holders of the 8% Notes, $2.2 million to write-off deferred financing fees and $1.3 million for the unamortized original issue discount related to the 8% Notes. The $7.2 million charge was partially offset by lower interest expense of approximately $1.6 million resulting from the lower coupon rate on the $210.0 million of Senior Subordinated 6.25% Notes issued in the first quarter of 2013 as compared to the 8% Notes. During the six months ended June 30, 2013 and 2012, no amounts were outstanding under our revolving credit facility.

We recognized a provision for income taxes of $2.6 million for the six months ended June 30, 2013, an effective tax rate of 39.0%, compared with a provision for income taxes of $5.0 million, an effective rate of 34.8% for the same time period in 2012. The effective tax rate for the first half of 2013 exceeded the U.S. federal statutory rate due to state taxes. The effective tax rate for the same time period in 2012 was lower than the current year and less than the U.S. federal statutory rate of 35% due to the reversal of an uncertain tax position of $0.6 million.

Outlook

We expect 2013 revenues to be a modest improvement over 2012, led by acquisition-related growth. While the first half of the year resulted in a much slower than expected start, and demand in the residential and low-rise commercial building markets has not been as strong as we had anticipated, the fundamentals in these sectors are moving in a positive direction. However, demand from and pricing to industrial markets remain challenging and we anticipate continued weakness in demand and pricing in the second half of the year. As a result, we expect slightly lower margins and earnings compared with 2012. Longer term, we believe that Gibraltar will be well-positioned to deliver improved performance on both the top and bottom lines as our end markets resume their growth.

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Liquidity and Capital Resources

General

Our principal capital requirements are to fund our operations with working capital, the purchase of capital improvements for our business and facilities, and to fund acquisitions. We will continue to invest in growth opportunities as appropriate while continuing to focus on working capital efficiency and profit improvement opportunities to minimize the cash invested to grow our business. During the first half of 2013, we invested cash in our working capital to meet the upcoming higher seasonal demand from our customers as noted below in the Cash Flow section of Item 2 of this Quarterly Report on Form 10-Q.

As of June 30, 2013, our liquidity of $186.6 million consisted of $44.6 million of cash and $142.0 million of availability under our revolving credit facility. We believe this liquidity, together with the cash expected to be generated from operations, should be sufficient to fund working capital needs and future growth. We continue to search for strategic acquisitions; and a larger acquisition may require additional borrowings and/or the issuance of our common stock.

Our Senior Credit Agreement provides the Company with liquidity and capital resources for use by our U.S. operations. Historically, our foreign operations generated cash flow from operations sufficient to invest in working capital and to fund capital improvements. As of June 30, 2013, our foreign subsidiaries held $20.0 million of cash. We believe cash held by our foreign subsidiaries provides our foreign operations with the necessary liquidity to meet their future obligations and allow the foreign business units to reinvest in their operations. These cash resources could eventually be used to grow our business internationally through transactions similar to our acquisition of Edvan Industries, Inc. based near Edmonton, Alberta, Canada in 2012.

Over the long-term, we expect that future obligations, including strategic business opportunities such as acquisitions, may be financed through a number of sources, including internally available cash, availability under our revolving credit facility, new debt financing, the issuance of equity securities, or any combination of the above. Any potential acquisitions are evaluated on the basis of our ability to enhance our existing products, operations, or capabilities, as well as provide access to new products, markets, and customers, and improve shareholder value.

These expectations are forward-looking statements based upon currently available information and may change if conditions in the credit and equity markets further deteriorate or other circumstances change. To the extent that operating cash flows are lower than current levels, or sources of financing are not available, or not available at acceptable terms, our future liquidity may be adversely affected.

Cash Flows

The following table sets forth selected cash flow data for the six months ended June 30 (in thousands):

	2013	2012
Cash provided by (used in):		
Operating activities of continuing operations	$ 5,269	$ (1,998)
Investing activities of continuing operations	(4,640)	(6,853)
Financing activities of continuing operations	(2,775)	(1,303)
Discontinued operations	(7)	(36)
Effect of exchange rate changes	(1,238)	136
Net decrease in cash and cash equivalents	$ (3,391)	$ (10,054)

During the six months ended June 30, 2013, net cash provided by continuing operations totaled $5.3 million, primarily driven by net income from continuing operations of $4.1 million, $7.2 million loss on our early note payment and satisfaction and non-cash charges including depreciation, amortization, and stock compensation of $17.5 million, partially offset by a $23.5 million investment in working capital. Net cash used in operating activities for the six months ended June 30, 2012 was $2.0 million, primarily driven by a $30million investment in working capital, partially offset by net income from continuing operations of $9.4 million and non-cash charges including depreciation, amortization, and stock compensation of $18.9 million.

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During the six months ended June 30, 2013, the Company invested $23.5 million in its working capital to fund growth in sales and inventory to meet demand in our seasonally strongest periods. Cash invested in working capital and other net assets included $34.3 million and $3.6 million increases in accounts receivable and inventory, respectively, partially offset by a $13.5 million increase in accounts payable. The increase in accounts receivable was a result of increased sales volume. Inventory and accounts payable increased due to increased manufacturing activity. The increased sales volume and manufacturing activity were a direct result of the seasonally higher customer order levels that impact our business. The increase in accrued expenses and other non-current liabilities of $4.2 million was largely the result of increases in equity compensation awards treated as liabilities which resulted from stock price increases, along with increases in accrued interest payable on the 6.25% Notes issued in the first quarter primarily due to changes in timing of when semi-annual interest payments are due as compared to the 8% Notes. These increases were partially offset by performance-based incentive compensation awards and customer rebates earned in 2012 that were paid during the first half of 2013.

Net cash used in investing activities of continuing operations for the six months ended June 30, 2013 of $4.6 million was primarily due to capital expenditures. Cash used in investing activities during the six months ended June 30, 2012 of $6.9 million consisted of $2.7 million for the Edvan acquisition and $4.6 million for capital expenditures.

Net cash used in financing activities from continuing operations for the six months ended June 30, 2013 of $2.8 million was primarily the result of redemption of the $204 million 8% Notes along with $3.7 million payment of note redemptions fees and $3.8 million payments of deferred financing fees. These cash outflows were offset by proceeds from the issuance of the 6.25% Notes. Cash provided by financing activities for the six months ended June 30, 2012 of $1.3 million primarily consisted of tax withholdings paid for stock issued to employees from the vesting of restricted stock units.

Senior Credit Agreement and Senior Subordinated Notes

Borrowings under the Senior Credit Agreement are secured by the trade receivables, inventory, personal property and equipment, and certain real property of the Company s significant domestic subsidiaries. The Senior Credit Agreement provides for a revolving credit facility and letters of credit in an aggregate amount that does not exceed the lesser of (i) $200 million or (ii) a borrowing base determined by reference to the trade receivables, inventories, and property, plant, and equipment of the Company s significant domestic subsidiaries. The Senior Credit Agreement provides the Company with more flexibility by allowing for Gibraltar to request additional financing from the banks to increase the revolving credit facility to $250 million.

The Senior Credit Agreement is currently committed through October 10, 2016. Only one financial covenant is contained within the 2011 Senior Credit Agreement, which requires the Company to maintain a fixed charge ratio (as defined in the agreement) of 1.25 to 1.00 or higher on a trailing four-quarter basis. As of June 30, 2013, the Company was in compliance with this financial covenant.

Borrowings under the Senior Credit Agreement bear interest at a variable interest rate based upon the London Interbank Offered Rate (LIBOR) plus an additional margin of 2.0% to 2.5% on the revolving credit facility based on the amount of availability under the revolving credit facility. The revolving credit facility also carries an annual facility fee of 0.375% on the undrawn portion of the facility and fees on outstanding letters of credit which are payable quarterly. During the six months ended and as of June 30, 2013, no amounts were outstanding on the revolving credit facility. We had outstanding letters of credit of $13.9 million as of June 30, 2013.

On January 31, 2013, the Company issued $210.0 million of 6.25% Senior Subordinated Notes (6.25% Notes) due February 1, 2021. In connection with the issuance of the 6.25% Notes, the Company initiated a tender offer for the purchase of the outstanding $204.0 million of 8% Senior Subordinated Notes (8% Notes). Simultaneously with the closing of the sale of the 6.25% Notes, the Company purchased the 8% Notes that were tendered or called for redemption of all the remaining 8% Notes that were not purchased. In connection with the tender offer and redemption, the Company satisfied and fully discharged its obligations under the 8% Notes.

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The provisions of the 6.25% Notes include, without limitation, restrictions on indebtedness, liens, and distributions from restricted subsidiaries, asset sales, affiliate transactions, dividends, and other restricted payments. Dividend payments are subject to annual limits of the greater of $0.25 per share or $25 million. The 6.25% Notes are redeemable at the option of the Company, in whole or in part, at any time on or after February 1, 2017, at the redemption price (as defined in the Senior Subordinated 6.25% Notes Indenture). The redemption prices are 103.13%, and 101.56% of the principal amount thereof if the redemption occurs during the 12-month periods beginning February 1, of the years 2017 and 2018, respectively, and 100% of the principal amount thereof on and after February 1, 2019, in each case plus accrued and unpaid interest to the applicable redemption date. In addition, prior to February 1, 2016, the Company may redeem up to 35% of the aggregate principal amount of the Notes with the net cash proceeds of certain equity offerings by the Company at a redemption price of 106.25% of the principal amount thereof, plus accrued and unpaid interest to the redemption date. In the event of a Change in Control (as defined in the Senior Subordinated 6.25% Notes Indenture), each holder of the 6.25% Notes may require the Company to repurchase all or a portion of such holder s 6.25% Notes at a purchase price equal to 101% of the principal amount thereof.

Each of our significant domestic subsidiaries has guaranteed the obligations under the Senior Credit Agreement. The Senior Credit Agreement contains other provisions and events of default that are customary for similar agreements and may limit our ability to take various actions. The Senior Subordinated 6.25% Notes Indenture also contains provisions that limit additional borrowings based on the Company s consolidated interest coverage ratio.

Off Balance Sheet Financing Arrangements

We have no off-balance sheet arrangements, other than operating leases, that have or are reasonably likely to have a current or future material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources.

Contractual Obligations

The Company incurred material changes in the fixed rate debt and interest on fixed rate debt categories of contractual obligations from those disclosed in Item 7 of the Company s Annual Report on Form 10-K for the year ended December 31, 2012. On January 31, 2013, the Company issued $210 million of 6.25% Senior Subordinated Notes (6.25% Notes). In connection with the issuance of the 6.25% Notes, the Company purchased all of the outstanding $204 million 8% Senior Subordinated Notes that were tendered, and redeemed all of the remaining 8% Senior Subordinated Notes that were not tendered. The 6.25% Notes are fixed at 6.25% and are contractually due on February 1, 2021. The interest on the 6.25% Notes is due semi-annually each year until the due date on February 1, 2021.

All other contractual obligations have not changed materially from the disclosures included in Item 7 of the Company s Annual Report on Form 10-K for the year ended December 31, 2012.

Critical Accounting Policies

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

Our most critical accounting policies include the valuation of accounts receivable; valuation of inventory; allocation of purchase price of acquisitions; assessment of recoverability of depreciable and amortizable long-lived assets, goodwill, and other indefinite-lived intangible assets; and accounting for income taxes and deferred tax assets and liabilities, which are described in Item 7 of the Company s Annual Report on Form 10-K for the year ended December 31, 2012.

There have been no changes in critical accounting policies in the current year.

Related Party Transactions

A member of our Board of Directors, Gerald S. Lippes, is a partner in a law firm that provides legal services to Gibraltar. For the three months ended June 30, 2013 and 2012, the Company incurred expense of $0.1 million and $0.4 million, respectively, for legal services from this firm. The Company incurred expenses for legal services from this firm of $0.7 million for the six months ended June 30, 2013 and 2012, respectively. At June 30, 2013 and December 31, 2012, the Company had $0.4 million and $0.5 million, respectively, recorded in accounts payable for amounts due to this law firm.

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Recent Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2013-02, Comprehensive Income (Topic 220) Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income (Topic 220 Update). The amendments in Topic 220 Update require a company to report the effect of significant reclassifications out of accumulated other comprehensive income (AOCI) on the respective line items in net income if the amount is required by U.S. GAAP to be reclassified in its entirety to net income. For amounts not required under U.S. GAAP to be reclassified in their entirety, an entity is required to cross-reference to other disclosures required under U.S. GAAP that provide additional detail about those amounts. The amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2012 and are to be applied prospectively. The Company adopted Topic 220 Update 2013-02 prospectively in 2013 and its adoption does not have a material impact on the Company s consolidated financial statements.

In March 2013, the FASB issued Accounting Standards Update 2013-05, Foreign Currency Matters (Topic 830) Parent s Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity (Topic 830 Update). The amendments in Topic 830 Update require a company to release the cumulative translation adjustment into net income upon the loss of a controlling financial interest in a foreign subsidiary or group of assets. The amendments are effective prospectively beginning after December 15, 2013, and early adoption is permitted. The Company does not expect the adoption of Topic 830 Update 2013-05 to have a material impact of the Company s consolidated financial results.

Item 3. Qualitative and Quantitative Disclosures About Market Risk

In the ordinary course of business, the Company is exposed to various market risk factors, including changes in general economic conditions, competition, and raw materials pricing and availability. In addition, the Company is exposed to other financial market risks, primarily related to its long-term debt and foreign operations. There have been no material changes to the Company s exposure to market risk since December 31, 2012.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

The Company maintains a system of disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). The Company s Chairman of the Board and Chief Executive Officer, President and Chief Operating Officer, and Senior Vice President and Chief Financial Officer evaluated the effectiveness of the Company s disclosure controls as of the end of the period covered in this report. Based upon that evaluation and the definition of disclosure controls and procedures contained in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, the Company s Chairman of the Board and Chief Executive Officer, President and Chief Operating Officer, and Senior Vice President and Chief Financial Officer have concluded that as of the end of such period the Company s disclosure controls and procedures were effective.

(b) Changes in Internal Control over Financial Reporting

There have been no changes in the Company s internal control over financial reporting (as defined by Rule 13a-15(f)) that occurred during the period covered by this Quarterly Report on Form 10-Q that have materially affected the Company s internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Not applicable.

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Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the risks discussed in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the fiscal year ended December 31, 2012. These risks and uncertainties have the potential to materially affect our business, financial condition, results of operation, cash flows, and future prospects. Additional risks and uncertainties not currently known to us or that we currently deem immaterial may materially adversely impact our business, financial condition, or operating results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

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Item 6. Exhibits

6(a) Exhibits

a. Exhibit 31.1 Certification of Chairman of the Board and Chief Executive Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002.

b. Exhibit 31.2 Certification of President and Chief Operating Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002.

c. Exhibit 31.3 Certification of Senior Vice President and Chief Financial Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002.

d. Exhibit 32.1 Certification of the Chairman of the Board and Chief Executive Officer pursuant to Title 18, United States Code, Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002.

e. Exhibit 32.2 Certification of the President and Chief Operating Officer pursuant to Title 18, United States Code, Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002.

f. Exhibit 32.3 Certification of the Senior Vice President and Chief Financial Officer, pursuant to Title 18, United States Code, Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002.

g. Exhibit 101.INS XBRL Instance Document *

h. Exhibit 101.SCH XBRL Taxonomy Extension Schema Document *

i. Exhibit 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document *

j. Exhibit 101.LAB XBRL Taxonomy Extension Label Linkbase Document *

k. Exhibit 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document *

l. Exhibit 101.DEF XBRL Taxonomy Extension Definition Linkbase Document *

* Submitted electronically with this Quarterly Report on Form 10-Q.

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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 INDUSTRIES, INC.

(Registrant)

/s/ Brian J. Lipke
Brian J. Lipke
Chairman of the Board and

Chief Executive Officer

/s/ Henning N. Kornbrekke
Henning N. Kornbrekke
President and Chief Operating Officer

/s/ Kenneth W. Smith
Kenneth W. Smith
Senior Vice President and

Chief Financial Officer

Date: August 1, 2013