UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K
X ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D)
THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED JANUARY 3, 1998

OR

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

COMMISSION FILE NUMBER 0-19687

SYNALLOY CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	57-0426694
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Croft Industrial Park, P.O. Box 5627, Spartanburg, South Carolina 29304
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (864) 585-3605

Securities registered pursuant to Section 12(b) of the Act:	Name of each exchange on which registered:
None	Nasdaq National Market System
Title of Class	

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, $1.00 Par Value
(Title of Class)

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

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

Based on the closing price of February 27, 1998, the aggregate market value of common stock held by non-affiliates of the registrant was $95.4 million.

The number of common shares outstanding of the registrant's common stock as of February 27, 1998 was 6,813,929.

Documents Incorporated By Reference

Portions of the proxy statement for the annual shareholders' meeting are incorporated by reference into Part III.

PART I

ITEM 1: BUSINESS

Synalloy Corporation, a Delaware Corporation ("the Company"), was incorporated in 1958 as the successor to a chemical manufacturing business founded in 1945. Its charter is perpetual. The name was changed on July 31, 1967 from Blackman Uhler Industries, Inc. On June 3, 1988, the state of incorporation was changed from South Carolina to Delaware. The Company's executive offices are located at Croft Industrial Park, Spartanburg, South Carolina.

General
Metals Segment--This segment is comprised of two wholly-owned companies, Bristol Metals, L.P., located in Bristol, Tennessee, and Whiting Metals, Inc., located in Camden, South Carolina.

Bristol manufactures welded pipe, primarily from stainless steel, but also from other corrosion-resistant metals. Pipe is produced in sizes from one-half inch to 60 inches in diameter and wall thickness up to three-quarters inch. Sixteen-inch and smaller pipe is made on equipment that forms and welds the pipe in a continuous process. Pipe larger than sixteen inches is formed on presses or rolls and welded on batch welding equipment. Pipe is normally produced in standard 20-foot lengths. However, Bristol has unusual capabilities in the production of long length pipe without circumferential welds. This can reduce installation cost for the customer. Lengths up to 60 feet can be produced in sizes up to sixteen inches in diameter. In larger sizes Bristol has a unique ability among domestic producers to make 48-foot lengths in sizes up to 30 inches.

A significant amount of the pipe produced is further processed into piping systems that conform to engineered drawings furnished by the customers. This allows the customer to take advantage of the high quality and efficiency of Bristol's fabrication shops instead of performing all of the welding on the construction site. The pipe fabricating shops can make one and one-half diameter cold bends on one-half inch through eight-inch stainless pipe with thicknesses up through schedule 40. Most of the piping systems are produced from pipe manufactured by Bristol.

In 1997 Bristol began producing carbon piping systems from pipe purchased outside since Bristol does not manufacture carbon pipe. The Company entered the carbon pipe fabrication business in order to provide customers this additional product and to enhance the stainless fabrication business by quoting inquiries that require both types of piping systems.

Whiting manufactures Underwriters Laboratories (UL) labeled storage tanks, ASME code pressure vessels and reactors, and other process equipment. They have unusual expertise in the manufacture and installation of dimple and spiral-wound pipe type jackets for heating and cooling of process equipment. The wide variety of products made by Whiting are all custom designed for the end-user. Like Bristol, the principal raw material is stainless steel.

In order to establish stronger business relationships, only a few raw material suppliers are used. Two suppliers furnish more than one-half of total dollar purchases of raw materials. However, raw materials are readily available from a number of different sources and the Company anticipates no difficulties in obtaining its requirements.

This segment's products are used principally by customers requiring materials that are corrosion-resistant or suitable for high-purity processes. The largest users are the chemical, petrochemical and pulp and paper industries with some other important industry users being mining, power generation, waste water treatment, brewery, food processing, petroleum and pharmaceutical.

Chemicals Segment--This segment is comprised of two operating companies, Blackman Uhler Chemical Company (BU), a division of the Company, and Manufacturers Chemicals, L.P. (MC), wholly-owned by the Company. BU has two plants, one in Augusta, Georgia and one in Spartanburg, South Carolina. Both locations are fully licensed for chemical manufacture and each maintains a permitted waste treatment system. MC is located in Cleveland, Tennessee and is fully licensed for chemical manufacture. This segment's principal businesses are the manufacture and sale of dyes and pigments to the textile industry, and specialty chemical products to the textile, chemical, paper and metals industries.

BU produces dyes in both liquid and powder form, and pigments primarily as a specially formulated paste. Dyes fix themselves to textile fibers by a particular reaction or penetration into the yarn fiber, whereas pigments are normally applied as a surface coating during a printing operation. Dyeing of textile fabrics in solid colors is primarily accomplished by the use of dyes. Pigment colors are uniquely suitable for printing of multi-colored patterns. Raw materials used to manufacture dyes and pigments consist chiefly of organic intermediates and inorganic chemicals which are purchased from manufacturers in the United States, Europe and Asia. Currently, raw materials are readily available and management does not anticipate any difficulty in obtaining adequate supplies.

In the mid 1980s, management decided to better utilize its excellent reputation for sales and technical service by expanding its efforts to sell reactive dyes. These dyes are used for coloring cotton and rayon. The Company purchases finished and crude products that are either sold as is, or converted to liquid form for the convenience of customers. These dyes represented about 26 percent of the Chemicals Segment's sales in 1997. The Company has a distributorship agreement expiring December 31, 1998 with the company supplying about 90 percent of these products. The supplier has been the principal source of these products since 1985. Although the Company believes that this supplier will continue to be a source of these products in the future, there is no assurance of this. Loss of this supplier would have a materially adverse short-term effect on the Company's sales and net income. However, management believes that if the agreement with this supplier is not continued in the future, other suppliers could be found to replace most of the products.

In May 1994, BU acquired the sulphur dye business of Southern Dye and Chemical Company, a manufacturer of sulphur dyes utilizing an environmentally friendly chemical system. This process results in reduced environmental costs and shorter processing cycles. Sulphur dyes are used to dye denim, fleece garments, knits, work clothes, men's casual wear, and a variety of cotton and cotton-polyester blends.

BU is a producer of specialty chemicals for the chemical, photographic, pharmaceutical, agricultural and fiber industries. The Company has been focusing on specialty chemicals as a primary growth area over the past several years. Facilities and equipment have been added at both plants to provide toll and custom manufacturing of organic chemicals using reactions that include nitrations, hydrogenation, diazotizations, methylation and custom drying. These chemicals are used in a wide array of products including sun screens, UV absorbers for plastics, Cetane improver for diesel fuel, absorbers for gaseous pollutants, herbicides and intermediates for dyes and pigments.

On November 25, 1996, with an effective date of October 26, 1996, the Company purchased Manufacturers Chemicals Corporation and a related Company. On December 27, 1996, the Company merged and transferred all of Manufacturers Chemicals' operations into a limited partnership. MC produces defoamers, surfactants, dye assists, softening agents, polymers and specialty lubricants for the textile, paper, chemical and metals industries. The Company also manufactures chelating agents and water treatment chemicals. Manufacturing capabilities include a wide range of chemical reactions and mixing and blending applications. MC's products are sold to direct users in a variety of manufacturing areas, directly to other chemical companies in the form of intermediates or as finished products for resale, and as contract manufacturing where the customer provides formula specifications and, in some cases, raw materials. The addition of MC complements the existing specialty chemicals area expanding its capacity and capabilities. The Company believes MC will help achieve its goal of growing specialty chemicals making this area a larger contributor to sales and profits of the Chemical Segment.
The Chemical Segment maintains eight laboratories for applied research and quality control which are staffed by approximately 37 employees.

Sales and Distribution

Metals Segment--The Metals Segment utilizes separate sales organizations for its different product groups. Stainless steel pipe is sold nationwide under the Brismet trade name through authorized stocking distributors with over 200 warehouse locations throughout the country. In addition, large quantity orders are shipped directly from Bristol's plant to end-user customers. Producing sales and providing service to the distributors and end-user customers are two outside sales employees, five independent manufacturers' representatives, the manager of inside sales and five inside sales employees. The President also spends about 50 percent of his time in sales related matters.

Piping systems are sold nationwide under the Bristol Piping Systems trade name by four outside sales employees and a part-time consultant who is a Bristol retiree. They are under the direction of the Vice President in charge of piping systems who spends over half of his time in sales and service to customers. Specialty process equipment manufactured by Whiting Metals is sold by one outside sales employee and two manufacturers' representatives under the direction of Whiting's President who devotes significant time to sales. Piping systems and process equipment are marketed to engineering firms and construction companies or directly to project owners. Orders are normally received as a result of competitive bids submitted in response to inquiries and bid proposals.

Chemicals Segment--Seven full-time outside sales employees and two manufacturers' representatives market dyes and pigments to the textile industry nationwide. In addition, both the President and the product manager of BU devote a substantial part of their time to sales. Specialty chemicals are sold directly to various industries nationwide by four full-time outside sales employees, five manufacturers' representatives and one part-time consultant. In addition, the President, product manager and another employee of MC and BU's Vice President of Research and Development devote a substantial part of their time to sales.

Competition

Metals Segment--Welded stainless steel pipe is the largest sales volume product of the Metals Segment. Although information is not publicly available regarding the sales of most other producers of this product, management believes that the Company is the largest domestic producer of such pipe. This commodity product is highly competitive with eleven known domestic producers and imports from many different countries. The largest sales volume among the specialized products comes from fabricating light-wall stainless piping systems. Management believes the Company is the largest producer of such systems. With respect to specialty stainless process equipment, the Company has an insignificant market share on a national basis and has numerous competitors some of which may have substantially more resources than does the Company.

Chemicals Segment--About seven percent of the dye and pigment sales represent niche products for which the Company is the only producer. Another approximately 20 percent of these sales represent products of which the Company is an important producer with an estimated 10 to 20 percent market share. The Company has five percent or less of the market for the remainder of its dye products. The Company is the sole producer of certain specialty chemicals manufactured for other companies under processing agreements. However, the Company's sales of specialty products are insignificant compared to the overall market for specialty chemicals. The market for most of the products is highly competitive and many competitors have substantially greater resources than does the Company.

Environmental Matters

Environmental expenditures that relate to an existing condition caused by past operations and that do not contribute to future revenue generation are expensed. Liabilities are recorded when environmental assessments and/or cleanups are probable and the costs of these assessments and/or cleanups can be reasonably estimated. See Note H for further discussion.

Research and Development Activities

The Company spent approximately $833,000 in 1997, $778,000 in 1996 and $743,000 in 1995 on research and development programs in its Chemical Segment. Thirteen individuals, 12 of whom are graduate chemists, are engaged primarily in research and development of new products and processes, the improvement of existing products and processes, and the development of new applications for existing products.

Seasonal Nature of The Business

Many textile plants shut down for vacations in the first or second week of July. This contributes to a seasonal pattern that normally results in lower third quarter sales of dyes and pigments when compared to the first and second quarters. In addition, for the past several years the fourth quarter has produced less sales of these products than the third quarter. The annual requirements of certain specialty chemicals are produced over a period of a few months as requested by the customers. Accordingly, the sales of these products may vary significantly from one quarter to another. The addition of MC has made quarterly sales of specialties more consistent. However, in total, sales and net income in any given quarter may not be representative of other quarters.

Backlogs

The Chemical Segment operates primarily on the basis of delivering products soon after orders are received. Accordingly, backlogs are not a factor in this business. The same applies to commodity pipe sales in the Metals Segment. However, backlogs are important in the piping systems and process equipment products because they are produced only after orders are received, generally as the result of competitive bidding. Order backlogs for these products were $10,600,000, $13,100,000 and $10,400,000 at the 1997, 1996 and 1995 respective year ends.

Employee Relations

As of January 3, 1998, the Company had 663 employees. The Company considers relations with employees to be satisfactory. The number of employees of the Company represented by unions at the Bristol, Tennessee facility is 310. They are represented by two locals affiliated with the AFL-CIO and one local affiliated with the Teamsters. Contracts will expire in February 1999, December 1999 and March 2000.

ITEM 2: PROPERTIES

The Company operates the major plants and facilities described herein, all of which are well maintained and in good condition. All facilities throughout the Company are properly insured. The buildings are of various types of construction including brick, steel, concrete, concrete block and sheet metal. All have adequate transportation facilities for both raw materials and finished products. Except as noted, the Company owns all of these plants and facilities.

<TABLE>

Location	Principal Operations	Building	Land Acres
<S>	<C>	<C>	<C>
Spartanburg, SC	Corporate headquarters; Chemical manufacturing and warehouse facilities	211,000	60.90
Augusta, GA	Chemical Manufacturing	52,500	46.00
Bristol, TN (1)	Manufacturing of stainless steel pipe and stainless steel and carbon piping systems	236,000	73.08

Camden, SC	Manufacturing of stainless steel	16,300	12.26
Cleveland, TN	Chemical Manufacturing	90,000	7.50

(1) Includes one plant which the Company leases on a two-year lease, expiring April 1999, and the main plant of Bristol.

</TABLE>

ITEM 3: LEGAL PROCEEDINGS

For a discussion of legal proceedings, see Note N.

ITEM 4: SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted during the fourth quarter of the fiscal year covered by this report to a vote of security holders through the solicitation of proxies or otherwise.

PART II

ITEM 5: MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED SECURITY HOLDER MATTERS

The Company had 1,491 common shareholders of record at January 3, 1998. The Company's common stock trades on the Nasdaq National Market tier of The Nasdaq Stock Market under the symbol SYNC. Future dividend payments are dependent on earnings, capital requirements and financial conditions. In addition, dividend payment levels are subject to certain loan agreement limitations (Note G). The prices shown below are the last reported sales prices on The Nasdaq National Market System.

<TABLE>

	1997			1996		
			Dividends			Dividends
Quarter	High	Low	Paid	High	Low	Paid
<S>	<C>	<C>	<C>	<C>	<C>	<C>
1	18 3/4	15 1/4	$.09	21 1/4	14 3/4	$.08
2	18 3/8	13 3/4	.09	20 3/4	14 3/4	.08
3	18 3/4	14 3/4	.09	17 1/4	12	.09
4	17 1/2	14 3/8	.10	17 1/2	14 1/2	.09

</TABLE>

ITEM 6: SELECTED FINANCIAL DATA

<TABLE>

Selected Financial Data

(Dollars in thousands except for per share data)	1997	1996	1995	1994	1993
<S>	<C>	<C>	<C>	<C>	<C>
Operations					
Net sales	$126,741	$126,844	$147,298	$114,519	$103,409
Gross profit	19,715	21,108	35,323	20,056	16,043
Selling, general and administrative expense	9,972	9,086	11,089	8,337	7,556
Environmental remediation costs		-	-	2,351	291
Operating income	9,744	12,022	24,234	9,368	8,196
Net income	5,841	7,686	14,521	5,718	4,825
Financial Position					
Total assets	73,383	76,589	80,226	62,432	55,771
Working capital	35,499	34,141	41,098	28,919	26,279
Long-term debt, less current portion	10,200	11,200	12,619	7,911	8,226
Shareholders' equity	50,042	48,274	48,363	36,889	32,815
Financial Ratios					
Current ratio	4.7:1	3.5:1	3.6:1	3.0:1	3.0:1
Gross profit to net sales	16%	17%	24%	18%	16%
Long-term debt to capital	17%	19%	21%	18%	20%
Return on average assets	8%	10%	20%	10%	9%
Return on average equity	12%	16%	34%	16%	16%
Per Share Data					
Net income - diluted	$ .83	$ 1.09	$ 1.98	$ .78	$ .66
Dividends declared and paid	.37	.34	.29	.25	.23
Book value	7.27	6.92	6.71	5.12	4.58
Other Data					
Depreciation and amortization	3,485	2,700	2,316	1,969	1,737
Capital expenditures	2,854	3,833	6,455	4,214	3,262
Employees at year end	663	585	568	528	533
Shareholders of record at year end	1,491	1,581	1,666	1,740	1,869
Average shares outstanding - diluted	7,007	7,058	7,352	7,354	7,346

Stock Price					
Price range of Common Stock					
High	18 3/4	21 1/4	26 1/4	13 1/2	20 3/8
Low	13 3/4	12	11 7/8	9 3/8	9
Close	15 3/16	16 1/4	21 1/8	11 7/8	9 1/2

All share and per share information throughout this report has been restated to reflect three-for-two splits of the Company's common stock on June 12, 1995 and September 21, 1992.

</TABLE>

ITEM 7: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Liquidity and Capital Resources

The current ratio at 1997 year end was 4.7:1 up from the previous year end ratios of 3.5:1 and 3.6:1 in 1996 and 1995, respectively. Working capital increased $1,358,000 to $35,499,000. Cash flows from operations of $13,230,000 were derived primarily from earnings and depreciation, plus reductions in accounts receivable and inventory totaling $4,449,000. The cash flows were used to repay notes payable and long-term debt totaling $4,855,000, make capital expenditures of $2,854,000, purchase 105,000 shares of the Company's Common Stock for $1,589,000, and pay dividends of $2,576,000. The Company expects that cash flows from 1998 operations and available borrowings will be sufficient to make long-term debt and dividend payments, and fund estimated capital expenditures of $5,000,000 and normal operating requirements.

Results of Operations

Metals Segment--The following table summarizes operating results and backlogs for the three years indicated. Reference should be made to Note Q.

<TABLE>

Results of Operation

Metals Segment

	1997		1996		1995	
(Amounts in thousands)	Amount	%	Amount	%	Amount	%
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Net sales	$71,192	100.0	$85,027	100.0	$99,455	100.0
Cost of goods sold	61,340	86.2	70,790	83.3	73,032	73.5
Gross profit	9,852	13.8	14,237	16.7	26,423	26.5
Selling and administrative expense	4,218	5.9	4,540	5.3	6,004	6.0
Operating income	$ 5,634	7.9	$ 9,697	11.4	$20,419	20.5
Year-end backlogs						
Piping systems and process equipment	$10,600		$13,100		$10,400	

</TABLE>

Comparison of 1997 and 1996

Sales and operating income declined 17 and 43 percent, respectively, from 1996. These percentages as well as others in this report are after giving effect to the extra production days from having 53 weeks included in the 1997 fiscal year. The dollar decline in sales for 1997 was the result of an 18 percent decrease in average selling prices verses 1996. Unit volume was actually up slightly in 1997. After experiencing an unprecedented surge in pipe prices during 1995, the trend reversed and prices declined precipitously in 1996 back to levels existing before the price increases. A primary factor contributing to the decline in prices was the pricing trends of flat rolled stainless steel, the raw material from which pipe is made. Pipe prices are closely tied to the cost of flat rolled stainless steel, which experienced similar pricing fluctuations over the past three years.

The bulk of the decrease in operating income occurred in the first quarter of the year when market dynamics were completely different from the first quarter of 1996. During the first quarter of 1996, the price declines in stainless steel pipe prices had just begun and profits were still good. By the first quarter of 1997, prices were down 28 percent from a year earlier and profits were at extremely low levels. Exacerbating the big decline in first quarter 1997 profits from stainless pipe was a loss from piping systems and process equipment compared to good profitability in the first quarter of 1996. The loss from these products was primarily due to low production levels caused by customer stretch-outs in delivery dates.

Lower profit-based incentives accounted for the decline in selling and administrative expenses.

Comparison of 1996 and 1995

Sales and operating income declined 15 and 53 percent, respectively, from the record levels achieved in 1995. Lower prices accounted for the sales decline since unit volume was essentially unchanged. After experiencing an unprecedented surge in pipe prices during the first three quarters of 1995, the trend reversed and prices declined precipitously in 1996 back to levels existing before the price increases. Two factors caused the unusual swings in prices. First was the pricing trends of flat-rolled stainless steel which are closely tied to the cost of flat-rolled stainless steel which experienced similar price fluctuations during 1995 and 1996. The second factor was an industry-wide accumulation of inventories in 1995 followed by liquidation of inventories during 1996. The industry accumulated significant levels of inventory during 1995 in response to rising prices. However, the rapid reversal of prices left the industry with excessive inventories that negatively impacted demand and prices during 1996 as the inventories were reduced to more normal levels by year end. Despite a decline in industry-wide shipments, the Company was able to generate a four percent increase in pipe unit volume sales indicating the continuation of market share gains the Company has experienced over the past seven years.
The rapid decline in sales prices experienced in 1996 had a severe impact on operating income. As flat-rolled stainless steel costs fell, the average cost of inventories sold was significantly higher than the average cost of replacement inventories, which also negatively impacted profitability. This was a reversal of conditions that existed in 1995 when significant profits were generated from rapidly rising prices and the sale of inventories with a lower average cost than the average cost to replace those inventories. In addition, production was reduced during 1996 to facilitate the liquidation of inventories creating negative manufacturing variances that reduced profit margins. The opposite result was experienced in 1995 as inventories were built and the increased volume produced lower unit production costs, improving profitability.

Lower profit-based incentives and sales commissions accounted for the decline in selling and administrative expenses.

Chemicals Segment--The following table summarizes operating results for the three years indicated. Reference should be made to Note Q.

<TABLE>

	1997		1996		1995	
(Amounts in thousands)	Amount	%	Amount	%	Amount	%
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Net sales	$55,549	100.0	$41,817	100.0	$47,843	100.0
Cost of goods sold	45,686	82.2	34,946	83.6	38,943	81.4
Gross profit	9,863	17.8	6,871	16.4	8,900	18.6
Selling and administrative expense	4,643	8.4	3,183	7.6	3,218	6.7
Operating income	$ 5,220	9.4	$ 3,688	8.8	$ 5,682	11.9

</TABLE>

Comparison of 1997 to 1996

Sales and operating income increased 31 and 40 percent, respectively, aided by the acquisition of MC. The prolonged decline in textile dyes and pigments sales ended in the first quarter of 1997 with each of the subsequent quarters showing improvement over the prior year quarter. The increased sales in these three quarters of about 10 percent led to a five percent increase for the year. The improvement resulted from increases in unit volumes in several of the product groups offset somewhat by falling prices from competitive pressure experienced throughout all of the textile dyes and pigments product lines. The acquisition of MC propelled specialty chemicals to 44 percent of total Chemicals Segment sales for 1997. Specialty chemicals sales, without MC's sales for 1997, increased insignificantly over last year.

Essentially all of the growth in the Chemical Segment's operating income was produced by specialty chemicals, as profits from textile dyes and pigments experienced only a moderate gain. The competitive pressure on selling prices continued to impair profitability throughout 1997 in textile dyes and pigments. The significant increase in specialty chemicals profits came from increased volume from projects, creating improved manufacturing variances that resulted in better profit margins, and the addition of MC.

Selling and administrative expenses increased 44 percent from including expenses of MC for a full year in 1997 versus two months in 1996, and from additional selling expenses related to the addition of a BU product manager in

November of 1996.

Comparison of 1996 and 1995

Sales and operating income declined 13 and 35 percent, respectively, from extremely weak demand for textile dyes and pigments. The Company's product line is heavily dependent on textile printing activity which was especially weak in 1996. As a result, dyes and pigment sales declined 24 percent. While sales in 1995 were negatively impacted by falling prices from competitive pressure, the sales decline in1996 came principally from reductions in unit volume in most of the product groups. However, these reductions were primarily from reduced activity by existing customers experiencing weak demand for their products, and not from a loss of market share. The decline in dyes and pigments sales was partially offset by a 34 percent increase in specialty chemical sales. On October 26, 1996, the Company acquired MC which produces and sells specialty chemical products to the textile, chemical, paper and metals industries. Specialty sales, without MC sales for the last two months of 1996, increased 16 percent. The decline in operating profit came entirely from dyes and pigments as overhead costs reduced profitability due to lower volumes. Specialty chemicals contributed substantially to operating income in 1996. MC did not have a material effect on operating income for the year or fourth quarter of 1996.

Selling and administrative expenses declined slightly as lower profit-based incentives and sales commissions more than offset the selling and administrative costs of MC after the acquisition.

Unallocated Income and Expense

Reference should be made to Note Q for the schedule of these items.

Comparison of 1997 and 1996

The decrease in corporate expenses resulted from lower profit-based incentives. Interest expense declined from reduced borrowings under the line of credit with a bank and a $2,000,000 reduction in long-term debt paid in June 1997.

Comparison of 1996 and 1995

The decrease in corporate expenses resulted from lower profit-based incentives. Interest expense declined from reduced borrowings under the line of credit with a bank. In October 1996 the Company sold 39.4 percent of its investment in Ta Chen, a stainless steel pipe manufacturing company, for a gain of $666,000 which is included with other income.

Current Conditions and Outlook

Metals Segment operating income in the fourth quarter surged upward 119 percent to $1,568,000 from the depressed year earlier level when rapidly decreasing sales prices led to significant inventory losses. Sales were up 3 percent to $19,014,000 with much higher volume in piping systems and process equipment offsetting lower sales of stainless pipe. This change in product mix resulted in higher average selling prices which more than offset an 8 percent decline in overall unit volumes. Pipe unit volume sales were down about 15 percent compared to both the fourth quarter of last year and this year's third quarter. Management believes the decline was primarily the result of distributors' desire to reduce inventories in an environment of weak prices. The continued downward trend in material costs and selling prices coupled with the decrease in pipe unit volume experienced in the fourth quarter of 1997, make the outlook for the Metals Segment uncertain. The backlog for piping systems and process equipment was $10,600,000 at year end compared to 1996 and 1995 year end amounts of $13,100,000 and $10,400,000, respectively.

The Chemicals Segment performed well in the fourth quarter with operating income up 30 percent to $1,789,000 on an 18 percent increase in sales to $14,248,000. The sales increase resulted from an additional month's sales in 1997 from MC, as well as increases in both textile dyes and pigments and chemical specialties. Profits from dyes and pigments increased modestly while chemical specialties provided the bulk of the income growth. Over the past two years, the Company has successfully reduced costs of certain dyes which makes these products more competitive. As a result there has been an increase in unit volumes for these dyes. However, there continues to be significant competitive pressure on dyes and pigments prices and overall demand continues to be weak. The addition of MC has enhanced sales and earnings of the specialty chemicals area as the Company is continuing to focus on expanding these products. Several specialty chemicals products have operated at a high level of production over the past two years, but because of the uncertainty of customer scheduling of these products, it is difficult to predict future production levels and their impact on quarterly earnings.

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995

The statements contained in this Annual Report on Form 10-K that are not historical facts may be forward looking statements. The forward looking statements are subject to certain risks and uncertainties, including without limitation those identified below, which could cause actual results to differ materially from historical results or those anticipated. Readers are cautioned not to place undue reliance on these forward looking statements, which speak only as of their dates. The following factors could cause actual results to differ materially from historical results or those anticipated: adverse economic conditions, the impact of competitive products and pricing, product demand and acceptance risks, raw material and other increased costs, customer delays or difficulties in the production of products, and other risks detailed from time to time in Synalloy's Securities and Exchange Commission filings. Synalloy Corporation assumes no obligation to update the information included in this Annual Report on Form 10-K.

Year 2000 Compliance

The Company has assessed the potential impact of the year 2000 on its key financial, operations and information systems. Management does not believe that the Company will encounter significant systems problems related to the year 2000. The financial impact of making required systems changes is not expected to be material to the Company's financial position, results of operations or cash flows. Management expects that system changes for year 2000 compliance will be completed during fiscal 1998.

ITEM 8: FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Company's consolidated financial statements, related notes, report of management and report of the independent auditors follow on subsequent pages of this report.

<TABLE>

Consolidated Statements of Income

January 3, 1998, December 28, 1996 and December 30, 1995

<S>	1997 <C>	1996 <C>	1995 <C>
Net sales	$126,740,641	$126,843,835	$147,298,348
Cost of sales	107,025,237	105,736,099	111,975,698
Gross profit	19,715,404	21,107,736	35,322,650
Selling, general and administrative expense	9,971,869	9,085,923	11,088,914
Operating income	9,743,535	12,021,813	24,233,736
Other (income) and expense			
Gain on sale of investment		(665,718)	
Interest expense	741,340	838,963	911,555
Other, net	(28,565)	(20,533)	27,660
Income before taxes	9,030,760	11,869,101	23,294,521
Provision for income taxes	3,190,000	4,183,000	8,774,000
Net income	$ 5,840,760	$ 7,686,101	$ 14,520,521
Net income per common share			
Basic	$ 0.84	$ 1.10	$ 2.01
Diluted	$ 0.83	$ 1.09	$ 1.98

See accompanying notes to financial statements.

</TABLE>

<TABLE>

Consolidated Balance Sheets

January 3, 1998, December 28, 1996 and December 30, 1995

<S>	1997 <C>	1996 <C>	1995 <C>
Assets			
Current assets			
Cash and cash equivalents	$ 1,602,543	$ 115,828	$ 267,061
Accounts receivable, less allowance for doubtful accounts of $219,000, $208,000 and $356,000, respectively	15,201,783	17,253,534	17,616,246
Inventories			
Raw materials	7,368,212	8,357,884	10,574,040
Work-in-process	4,791,379	5,112,695	6,095,136
Finished goods	15,287,431	16,384,891	21,860,833
Total inventories	27,447,022	29,855,470	38,530,009
Deferred income taxes (Note L)	177,000	130,000	218,000
Prepaid expenses and other current assets	633,709	278,276	119,592
Total current assets	45,062,057	47,633,108	56,750,908
Cash value of life insurance	1,842,384	1,733,801	1,632,029
Investment (Note B)	329,117	329,117	543,100
Property, plant and equipment, net (Note C)	23,112,324	23,627,889	20,341,645
Deferred charges, net and other assets (Note D)	3,037,470	3,265,211	957,891
Total assets	$73,383,352	$76,589,126	$80,225,573

</TABLE>

<TABLE>

Consolidated Balance Sheets

January 3, 1998, December 28, 1996 and December 30, 1995

<S>	1997 <C>	1996 <C>	1995 <C>
Liabilities and Shareholders' Equity			
Current liabilities			

Notes payable (Note E)	$ -	$ 1,500,000	$ 4,740,000
Accounts payable	5,544,789	6,252,449	4,833,405
Income taxes	310,992	332,507	233,977
Accrued expenses (Note F)	3,018,850	2,492,660	5,082,212
Current portion of environmental reserves (Note H)	487,980	359,294	486,521
Current portion of long-term debt (Note G)	200,000	1,400,000	276,923
Notes payable to an employee (Note P)		1,154,805	
Total current liabilities	9,562,611	13,491,715	15,653,038
Long-term debt, less current portion (Note G)	10,200,000	11,200,000	12,619,231
Environmental reserves (Note H)	782,700	1,300,100	1,702,800
Deferred compensation (Note I)	1,323,388	1,299,176	1,267,353
Deferred income taxes (Note L)	1,473,000	1,024,000	620,000
Contingencies (Notes H and N)			
Shareholders' equity (Notes G, J, & K)			
Common stock, par value $1 per share - authorized and issued 8,000,000 shares	8,000,000	8,000,000	8,000,000
Capital in excess of par value	33,475	81,746	417,030
Retained earnings	52,339,857	49,074,919	43,774,332
	60,373,332	57,156,665	52,191,362
Less cost of Common Stock in treasury: 1,114,179, 1,024,983 and 789,749 shares, respectively	10,331,679	8,882,530	3,828,211
Total shareholders' equity	50,041,653	48,274,135	48,363,151
Total liabilities and shareholders' equity	$73,383,352	$76,589,126	$80,225,573

See accompanying notes to financial statements.

</TABLE>

<TABLE>

Consolidated Statements of Shareholders' Equity

	Common Stock	Capital in Excess of Par Value	Retained Earnings	Cost of Common Stock in Treasury	Total
<S>	<C>	<C>	<C>	<C>	<C>
Balance at December 31, 1994	$ 6,000,000	$ 6,931,064	$31,373,461	$(7,415,283)	$36,889,242
Net income			14,520,521		14,520,521
Retirement of treasury share	(666,667)	(3,893,016)		4,559,683	
Three-for-two stock split	2,666,667	(2,666,667)			
Stock options exercised		(183,264)		296,721	113,457
Contributions to 401(k)/ESOP		228,913		103,230	332,143
Purchase of Common Stock for treasury				(1,372,562)	(1,372,562)
Cash dividends - $.29 per share			(2,119,650)		(2,119,650)
Balance at December 30, 1995	8,000,000	417,030	43,774,332	(3,828,211)	48,363,151
Net income			7,686,101		7,686,101
Stock options exercised		(335,284)		569,292	234,008
Purchase of Common Stock for treasury				(5,623,611)	(5,623,611)
Cash dividends - $.34 per share			(2,385,514)		(2,385,514)
Balance at December 28, 1996	8,000,000	81,746	49,074,919	(8,882,530)	48,274,135
Net income			5,840,760		5,840,760
Stock options exercised		(48,271)		139,479	91,208
Purchase of Common Stock for treasury				(1,588,628)	(1,588,628)
Cash dividends - $.37 per					

share			(2,575,822)		(2,575,822)
Balance at January 3, 1998	$ 8,000,000	$ 33,475	$52,339,857	$(10,331,679)	$50,041,653

See accompanying notes to financial statements.

</TABLE>

<TABLE>

Consolidated Statements of Cash Flows

January 3, 1998, December 28, 1996 and December 30, 1995

<S>	1997 <C>	1996 <C>	1995 <C>
Operating activities			
Net income	$ 5,840,760	$ 7,686,101	$14,520,521
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation expense	3,221,069	2,547,986	2,220,198
Amortization of deferred charges	263,791	151,615	95,772
Deferred compensation	24,212	31,823	713,117
Deferred income taxes	402,000	492,000	539,000
Provision for losses on accounts receivable	11,067	(197,920)	175,239
Loss on sale of property, plant and equipment	117,586	146,022	23,245
Cash value of life insurance	(108,583)	(101,772)	(96,898)
Environmental reserves	(388,714)	(529,927)	(349,679)
Gain on sale of investment	-	(665,718)	-
Changes in operating assets and liabilities:			
Accounts receivable	2,040,684	2,276,838	(3,032,638)
Inventories	2,408,448	9,923,875	(10,553,555)
Other assets	(398,998)	(658,864)	(334,874)
Accounts payable and accrued expenses	(181,470)	(2,313,165)	1,323,372
Income taxes payable	(21,515)	91,338	(214,390)
Net cash provided by operating activities	13,230,337	18,880,232	5,028,430
Investing activities			
Purchases of property, plant and equipment	(2,853,799)	(3,832,899)	(6,454,565)
Proceeds from sale of property, plant and equipment	30,709	94,975	109,061
Proceeds from sale of investment	-	826,248	-
Acquisition, net of cash and note payable (Note P)	-	(4,093,807)	-
Proceeds from notes receivable	7,515	6,804	6,158
Net cash (used in) investing activities	(2,815,575)	(6,998,679)	(6,339,346)
Financing activities			
Proceeds from revolving lines of credit	13,145,000	45,707,000	69,255,231
Payments on revolving lines of credit	(14,645,000)	(48,947,000)	(68,970,231)
Principal payments on long-term debt	(2,200,000)	(1,017,669)	(349,038)
Payment of notes payable to an employee	(1,154,805)	-	-
Additions to long-term debt	-	-	5,000,000
Proceeds from exercised stock options	91,208	234,008	113,457
Purchases of treasury stock	(1,588,628)	(5,623,611)	(1,372,562)
Dividends paid	(2,575,822)	(2,385,514)	(2,119,650)
Net cash (used in) provided by financing activities	(8,928,047)	(12,032,786)	1,557,207
Increase (Decrease) in cash and cash equivalents	1,486,715	(151,233)	246,291
Cash and cash equivalents at beginning of year	115,828	267,061	20,770
Cash and cash equivalents at end of period	$ 1,602,543	$ 115,828	$ 267,061

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See accompanying notes to financial statements.

</TABLE>

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation. The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned. All significant intercompany transactions have been eliminated.

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

Accounting Period. The Company's fiscal year is the 52- or 53-week period ending the Saturday nearest to December 31. Fiscal year 1997 ended on January 3, 1998 and included 53 weeks. Fiscal years 1996 and 1995 ended on December 28, 1996 and December 30, 1995, respectively and each included 52 weeks.
Revenue Recognition. Revenue from product sales is recognized at the time ownership of goods transfers to the customer and the earnings process is complete.

Stock Split. On April 28, 1995, the Board of Directors of the Company declared a three-for-two split of the Company's common stock. This was paid in the form of a 50 percent stock dividend on June 12, 1995 to shareholders of record as of May 22, 1995. Accordingly, all share and per share information throughout the consolidated financial statements has been restated to reflect this split. The par value for the additional shares issued was transferred from capital in excess of par value to common stock.

Inventories. Inventories are stated at the lower of cost or market. Cost is determined by the first-in, first-out (FIFO) method.

Property, Plant and Equipment. Property, plant and equipment are stated at cost. Depreciation is provided on the straight-line method over the estimated useful life of the assets.

Deferred Charges. Intangibles arising from acquisitions represent the excess of cost over fair value of net assets of businesses acquired. The excess cost is amortized using the straight-line method over periods of 15 to 40 years. The costs of software licenses are amortized over their expected useful lives using the straight-line method. Debt expenses are amortized over the periods of the underlying debt agreements using the straight-line method.

Net Income Per Common Share. In 1997, the Financial Accounting Standards Board issued Statement No. 128, Earnings per Share. Statement 128 replaced the calculation of primary and fully diluted earnings per share with basic and diluted earnings per share. Unlike primary earnings per share, basic earnings per share excludes any dilutive effects of options. Diluted earnings per share is very similar to the previously reported primary earnings per share. All earnings per share amounts for all periods have been presented, and where appropriate, restated to conform to the Statement 128 requirements.

Cash Equivalents. The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Concentrations of Credit Risk. Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of trade accounts receivables and cash surrender value of life insurance. Substantially all of the Company's accounts receivable are due from companies located throughout the United States. The Company performs periodic credit evaluations of its customers' financial condition and generally does not require collateral. Receivables are generally due within 30 to 45 days.
The cash surrender value of life insurance is maintained with one insurance company. The Company performs a periodic evaluation of the relative credit standing of this company as it relates to the insurance industry.

Research and Development Expense. The Company incurred research and development expense of approximately $833,000, $778,000 and $743,000 in the 1997, 1996 and 1995 fiscal years, respectively.

Fair Value of Financial Instruments. The carrying amounts reported in the balance sheet for cash and cash equivalents, cash surrender value of life insurance and borrowings under the Company's short-term line of credit and long-term debt approximate their fair values. The Company has an investment in a company incorporated in the Republic of China with a carrying amount of $329,000. The fair value of the investment as quoted on the Taiwanese stock exchange at January 3, 1998 was $1,057,000. The company registered its securities on the Taiwanese Stock Exchange in October 1996 and a portion of the Company's investment was sold. Newly registered securities, including the remaining securities owned by the Company, carry a two-year restriction before they can be publicly traded (see Note B).

Stock Options. The Company accounts for and will continue to account for stock options under Accounting Principles Board Opinion 25, "Accounting for Stock Issued to Employees." See Note K.

NOTE B: INVESTMENT IN TA CHEN STAINLESS PIPE COMPANY

In October 1996 the Company sold 39.4 percent of its investment in Ta Chen for a pretax gain of $665,718. Ta Chen is a stainless steel pipe manufacturing company, incorporated in the Republic of China, that has been operating since 1987. The Company continues to hold a 1.6 percent ownership interest which is being reflected on the cost method of accounting due to restrictions on trading.

NOTE C: PROPERTY, PLANT AND EQUIPMENT

<TABLE>

Property, plant and equipment consist of the following:

	1997	1996	1995
Land	$ 299,043	$ 299,043	$ 246,544
Land improvements	1,006,675	965,469	689,228
Buildings	12,103,534	11,613,857	7,770,891
Machinery, fixtures and equipment	36,876,635	36,506,944	29,138,132
Construction-in-progress	614,620	370,996	4,446,919
	50,900,507	49,756,309	42,291,714
Less accumulated depreciation	27,788,183	26,128,420	21,950,069
	$23,112,324	$23,627,889	$20,341,645

</TABLE>

NOTE D: DEFERRED CHARGES

<TABLE>

Deferred charges consist of the following:

	1997	1996	1995
Intangibles arising from acquisitions	$2,758,965	$2,758,965	$ 793,406
Software license agreements	448,935	448,935	642,716
Debt expense	117,116	132,645	153,808
	3,325,016	3,340,545	1,589,930
Less accumulated amortization	803,359	565,263	645,387
	$2,521,657	$2,775,282	$ 944,543

</TABLE>

NOTE E: NOTES PAYABLE

The Company has available a line of credit totaling $9,000,000, of which none was outstanding at year end. The line expires on July 1, 1998 and bears interest at the bank's overnight cost of funds plus .75 percent (6.65 percent at January 3, 1998). The line has no compensating balance requirement. Borrowings under the line of credit are subject to the deed of trust and security agreement outlined in Note G. Average short-term borrowings outstanding during fiscal 1997, 1996 and 1995 were $261,000, $2,099,000 and $3,900,000 with weighted average interest rates of 6.11 percent, 6.11 percent and 7.14 percent, respectively.

NOTE F: ACCRUED EXPENSES

<TABLE>

Accrued expenses consist of the following:

	1997	1996	1995
Salaries, wages and commissions	$ 895,526	$1,477,986	$3,692,824
Taxes, other than			

income taxes	361,040	259,452	220,926
Insurance	213,465	273,792	536,730
Pension	158,063	198,272	193,747
Customer advances	887,498	20,144	195,950
Other accrued items	503,258	263,014	242,035
	$3,018,850	$2,492,660	$5,082,212

</TABLE>

NOTE G: LONG-TERM DEBT

<TABLE>

Long-term debt consists of the following:

<S>	1997 <C>	1996 <C>	1995 <C>
Variable percentage (weekly tax exempt interest rate) Economic Development Revenue Bond payable in annual installments of $200,000 through November 1, 1999. Interest is paid quarterly.	$ 400,000	$ 600,000	$ 800,000
Unsecured commercial note payable with interest payable on the dates and at rates provided by credit agreement, as amended	10,000,000	12,000,000	12,000,000
Other			96,154
	10,400,000	12,600,000	12,896,154
Less current portion	200,000	1,400,000	276,923
	$10,200,000	$11,200,000	$12,619,231

</TABLE>

On November 16, 1989, $2,000,000 of South Carolina Jobs-Economic Development Authority Adjustable Mode Industrial Development Revenue Bonds were issued in connection with a project by the Company. Under the terms of issuance, the bank provided a letter of credit to support the payment of the bonds.

On July 1, 1995, the Company refinanced the commercial note payable borrowing an additional $5,000,000 under a Revolving Credit/Term Loan Agreement with a due date of May 31, 2002.

On July 31, 1997, the Company entered into an agreement to amend the Revolving Credit/Term Loan Agreement and prepaid $800,000, reducing the balance owed to $10,000,000. The amendment converts the debt from a five-year term loan, payable in equal quarterly installments, to a $10,000,000 revolving line of credit expiring five years from the date of the Agreement. Interest is payable quarterly on the outstanding balance at the lower of the bank's prime rate less .25 percent or LIBOR plus .60 percent. The rate at January 3, 1998 was 6.518 percent.

Borrowings are subject to the maintenance of certain financial ratios and certain other restrictive covenants including limiting the paying of cash dividends to 50 percent of the net profits of the next preceding year. The Company made interest payments of $764,000 in 1997, $958,000 in 1996 and $988,000 in 1995. Interest expense of approximately $116,000, and $125,000 was capitalized in 1996 and 1995, respectively. The approximate aggregate amount of all long-term debt maturities for the next five years is as follows: 1998 - $200,000; and 1999 - $200,000; and 2002 - $10,000,000.

NOTE H: ENVIRONMENTAL COMPLIANCE COSTS

At January 3, 1998, the Company has accrued $1,271,000 in remediation costs which, in management's best estimate, will satisfy anticipated costs of known remediation requirements as outlined below. Expenditures related to costs currently accrued are not discounted to their present values and are expected to be made over the next five to seven years. As a result of the evolving nature of the environmental regulations, the difficulty in estimating the extent and remedy of environmental contamination, and the availability and application of technology, the estimated costs for future environmental compliance and remediation are subject to uncertainties and it is not possible to predict the amount or timing of future costs of environmental matters which may subsequently be determined. Subject to the difficulty in estimating future environmental costs, the Company believes that the likelihood of material losses in excess of the amounts recorded is remote.

Prior to 1987, the Company treated hazardous waste at its chemical facilities. Testing of the groundwater in the areas of the treatment impoundments at these facilities disclosed the presence of certain contaminants. In addition, several solid waste management units ("SWMUs") at the plant sites have been identified. During the latter part of 1994, the Company completed a reevaluation of its remediation plans including RCRA Facility Investigations which have been submitted for regulatory approval. As a result, the Company recorded a special charge of $2,243,000 in the fourth quarter of 1994 to accrue for estimated future remedial, cleanup and monitoring costs of which $1,145,000 remains accrued at January 3, 1998.

The Company has identified and evaluated two SWMUs at its plant in Bristol, Tennessee that revealed residual groundwater contamination. At January 1, 1994, $253,000 was accrued to cover the estimated costs of completing these evaluations. In 1994 the Company submitted a Permit Application for Post Closure Care to the TDEC outlining a plan to address the areas identified, and received the Permit in the fourth quarter of 1994. Additional costs of $63,000 were accrued in the fourth quarter of 1994 and $126,000 remains accrued at January 3, 1998 to provide for estimated future remedial, cleanup and monitoring costs as required by the Permit.

The Company has been designated, along with others, as a potentially responsible party under the Comprehensive Environmental Response, Compensation, and Liability Act, or comparable state statutes, at three waste disposal sites. It is impossible to determine the ultimate costs related to these sites due to several factors such as the unknown magnitude of possible contamination, the unknown timing and extent of the corrective actions which may be required, and the determination of the Company's liability in proportion to other responsible parties. However, in management's opinion, these environmental matters should not have a material adverse effect upon the consolidated results of operations or financial position of the Company.

The Company does not anticipate any insurance recoveries to offset the environmental remediation costs it has incurred. Due to the uncertainty regarding court and regulatory decisions, and possible future legislation or rulings regarding the environment, many insurers will not cover environmental impairment risks, particularly in the chemical industry. Hence, the Company has been unable to obtain this coverage at an affordable price.

NOTE I: DEFERRED COMPENSATION

In 1995, the Company entered into a deferred compensation agreement with an officer which allows the officer to defer all or a portion of any annual incentive payable to the officer. Amounts deferred are payable upon certain events including retirement, death or termination of the officer, or a change in control of the Company. Interest will accrue on amounts deferred, net of estimated income tax benefits deferred by the Company until payments are made, at rates consistent with other invested retirement funds held by the Company in accordance with the agreement. No incentive was deferred in 1997 and 1996. At January 3, 1998, the amounts deferred totaled $774,000, including accrued interest earned in 1997 of $26,000.

The Company has deferred compensation agreements with certain former officers providing for payments for ten years in the event of pre-retirement death or the longer of ten years or life beginning at age 65. The present value of such vested future payments, $549,000 at January 3, 1998, has been accrued.

NOTE J: SHAREHOLDERS' RIGHTS

On March 24, 1989, the Board of Directors declared a dividend distribution of one right for each outstanding share to holders of record at the close of business on April 14, 1989. Each right entitles the registered holder thereof to purchase from the Company, under certain circumstances, 4/10 of a share of the Company's common stock at an initial exercise price of $6.67 per share. The total number of shares available under these rights is 2,754,328. The exercise price will be adjusted under certain circumstances. The rights will expire on March 26, 1999. The rights are not currently exercisable and trade together with the shares associated therewith. These rights, which may have a potentially dilutive effect, have also been excluded from the earnings per share computation as preconditions to the exercisability of such rights have not been satisfied.

NOTE K: STOCK OPTIONS

A summary of activity in the Company's stock option plans is as follows:

<TABLE>

	Weighted Average Option Price	Outstanding	Available
<S>	<C>	<C>	<C>
At December 31, 1994	$ 8.34	189,705	112,000

Granted	$22.25	4,000	(4,000)
Exercised	$ 2.48	(48,500)	
Effect of three-for- two stock split	$ 7.02	76,678	54,000
	-------	--------	-------
At December 30, 1995	$ 7.02	221,883	162,000
Granted	$18.88	21,000	(21,000)
Exercised	$ 2.63	(88,875)	
	------	--------	--------
At December 28, 1996	$11.17	154,008	141,000
Granted	$15.13	100,500	(100,500)
Exercised	$ 5.74	(15,900)	
	------	--------	--------
At January 3, 1998	$13.20	238,608	40,500

</TABLE>

The Company grants to non-employee directors, officers and key employees options to purchase common stock of the Company under three Plans adopted in 1983, 1988 and 1994. Options were granted through October 1, 1988 under the 1983 Plan and may be granted through January 28, 1998 under the 1988 Plan and April 29, 2004 under the 1994 Plan at a price not less than the fair value on the date of grant. Under the 1988 Plan, options may be exercised beginning one year after date of grant at a rate of 20 percent annually on a cumulative basis. Under the 1994 Non-Employee Directors' Plan, options may be exercised at the date of grant. At January 3, 1998, 102,108 shares of the options outstanding were fully exercisable. Exercise prices for options outstanding as of January 3, 1998 ranged from $1.56 to $18.88.

The Company has elected to apply the provisions of Accounting Principles Board Opinion No. 25 "Accounting for Stock Issued to Employees," (APB No. 25) in the computation of compensation expense. Under APB No. 25's intrinsic value method, compensation expense is determined by computing the excess of the market price of the shares over the exercise price on the measurement date. For the Company's options, the intrinsic value on the measurement date (or grant date) is zero, and no compensation expense is recognized. Financial Accounting Standards Board No. 123 (FASB No. 123) requires the Company to disclose pro forma net income and income per share as if a fair value based accounting method had been used in the computation of compensation expense. The fair value of the options computed under FASB No. 123 would be recognized over the vesting period of the options. The fair value for the Company's options granted subsequent to December 31, 1994 was estimated at the time the options were granted using the Black Scholes option pricing model with the following weighted-average assumptions for 1997, 1996 and 1995, respectively: risk-free interest rate of five percent; dividend yield of two percent; volatility factors of the expected market price of the Company's Common Shares of .0487, .507 and .507; and an expected life of the option of seven years. The weighted average fair value on the date of grant in 1997, 1996 and 1995 was $6.99, $8.97 and $7.05, respectively. The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its options.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. The following is the pro forma information for the years ended January 3, 1998, December 28, 1996 and December 30, 1995:

<TABLE>

	1997	1996	1995
<S>	<C>	<C>	<C>
Pro forma net income	$5,750,000	$7,664,000	$14,517,000
Pro forma diluted earnings per share	$.82	$1.09	$1.97

</TABLE>

NOTE L: INCOME TAXES

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax liabilities and assets are as follows at the respective year ends:

<TABLE>

(Amount in thousands)	1997	1996	1995
<S>	<C>	<C>	<C>
Deferred tax assets:			
Allowance for doubtful accounts	$ 77	$ 74	$ 140
Deferred compensation	467	459	465
Inventory capitalization	194	198	248
Accrued group insurance	53	88	110
Environmental reserves	449	586	803
Other	98	89	
Total deferred tax assets	1,338	1,494	1,766
Deferred tax liabilities:			
Tax over book depreciation	2,216	1,942	1,710
Prepaid expenses	418	446	441
Other			17
Total deferred tax liabilities	2,634	2,388	2,168
Net deferred tax (liabilities) assets	$(1,296)	$ (894)	$ (402)

</TABLE>

Significant components of the provision for income taxes attributable to continuing operations are as follows:

<TABLE>

	1997	1996	1995
<S>	<C>	<C>	<C>
Current:			
Federal	$2,632	$3,483	$7,337
State	156	208	898
Total current	2,788	3,691	8,235
Deferred:			
Federal	379	463	480
State	23	29	59
Total deferred	402	492	539
Total	$3,190	$4,183	$8,774

</TABLE>

The reconciliation of income tax attributable to continuing operations computed at the U. S. federal statutory tax rates to income tax expense is:

<TABLE>

(Amount in thousands)	1997		1996		1995	
	Amount	%	Amount	%	Amount	%
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Tax at U.S. Statutory rates	$3,070	34.0	$4,054	34.2	$8,153	35.0
State income taxes, net of federal tax benefit	119	1.3	156	1.3	629	2.7
Other, net	1		(27)	(0.3)	(8)	
Total	$3,190	35.3	$4,183	35.2	$8,774	37.7

</TABLE>

Income tax payments of approximately $2,756,000, $3,683,000 and $8,449,000 were made in 1997, 1996 and 1995, respectively.

NOTE M: BENEFIT PLANS

The Company has a 401(k) Employee Stock Ownership Plan covering all non-union employees. Employees may contribute to the Plan up to 20 percent of their salary with a maximum of $9,500 for 1997. Contributions by the employees are invested in one or more funds at the direction of the employee; however, employee contributions cannot be invested in Company stock.

Contributions by the Company are made primarily in Synalloy stock. The Company contributes on behalf of each participant who is eligible a matching contribution equal to a percentage which is determined each year by the Board of Directors. For 1997 the maximum was four percent. The matching contribution is allocated on June 30 and December 31 of each Plan year. Matching contributions of approximately $294,000, $233,000 and 229,000 were made for 1997, 1996 and 1995, respectively. The Company may also make a discretionary contribution, which shall be distributed to all eligible participants regardless of whether they contribute to the Plan. No discretionary contributions have been made to the Plan for 1997, 1996 or 1995.

The Company also contributes to union-sponsored retirement plans. Contributions relating to these plans were approximately $428,000, $351,000 and $359,000 for the years ended January 3, 1998, December 28, 1996 and December 30, 1995, respectively.

NOTE N: CONTINGENCIES

The Company is from time to time subject to various claims, other possible legal actions for product liability and other damages, and other matters arising out of the normal conduct of the Company's business. Management believes that based on present information, it is unlikely that liability, if any, exists that would have a materially adverse effect on the consolidated operating results or financial position of the Company.

NOTE O: EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share:

<TABLE>

<S>	1997 <C>	1996 <C>	1995 <C>
Numerator:			
Net income	$5,840,760	$7,686,101	$14,520,521
Denominator:			
Denominator for basic earnings per share-weighted average shares	6,959,628	7,004,249	7,215,947
Effect of dilutive securities:			
Employee stock options	47,088	53,861	135,991
Denominator for diluted earnings per share	7,006,716	7,058,110	7,351,938
Basic earnings per share	$.84	$1.10	$2.01
Diluted earnings per share	$.83	$1.09	$1.98

</TABLE>

NOTE P: ACQUISITIONS

On November 25, 1996, the Company purchased the common stock of Manufacturers Chemicals Corporation and a related company with an effective date of October 26, 1996. Located in Cleveland, Tennessee, the company produces and sells surfactants, defoamers, finishing agents and other specialty chemicals for the textile, paper, chemical and metals industries. Manufacturers Chemicals and the related company were acquired at a cost of $4,811,625, including certain acquisition costs related to the transaction, plus the assumption of a note to a former shareholder of $438,375, for a total purchase price of $5,250,000. The $4,811,625 was funded by cash from operations plus the issuance of a note payable to the former shareholder of $716,430. The two notes to the former shareholder, who became an employee of the Company at the acquisition date, bore interest at 6.25 percent and were paid along with interest of $13,842 on January 3, 1997.

The acquisitions were accounted for by the purchase method of accounting with the purchase price allocated to the underlying assets based on their respective fair values at the date of acquisition. The excess of the purchase price over the fair value of net assets acquired of approximately $1,966,000 has been included in goodwill and is being amortized over 15 years. The Company's consolidated financial statements include the results of the companies from the effective date, October 26, 1996. The acquisitions did not have a material impact on 1996 operations; therefore, no pro forma data has been presented.

NOTE Q: INDUSTRY SEGMENTS

Synalloy Corporation operates in two principal industry segments: metals and chemicals. The Chemicals Segment manufactures dyes, pigments and auxiliaries for the textile industry and a wide variety of specialty chemicals for the textile, chemical, paper, metals, petroleum and pharmaceutical industries. The Metals Segment manufactures welded stainless steel pipe and highly specialized products, most of which are custom-produced to individual orders, required for corrosive and high-purity processes used principally by the chemical, petrochemical and pulp and paper industries. Products include piping systems, fittings, tanks, pressure vessels and a variety of other components.
Operating profit is total revenue less operating expenses, excluding interest expense and income taxes. Identifiable assets (all of which are in the United States) are those assets used in operations by each segment. Centralized data

processing and accounting expenses are allocated to the Metals Segment and Chemicals Segment based upon estimates of their percentage of usage. Corporate assets consist principally of cash, certain investments, and property and equipment. No single customer or agency (domestic or foreign) accounted for more than ten percent of revenues in 1997, 1996 or 1995.

The Company has a distributorship agreement expiring December 31, 1998 with the company supplying about 90 percent of the products that produced over one-fourth of the Chemicals Segment's sales in 1997. The supplier has been the principal source of these products since 1985. Although the Company believes that this supplier will continue to be a source of these products in the future, there is no assurance of this. Loss of this supplier would have a materially adverse short-term effect on the Company's sales and net income. However, management believes that if the agreement with this supplier is not continued in the future, other suppliers could be found to replace most of the products.

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 131, Disclosures about Segments of an Enterprise and Related Information (Statement 131), which is effective for years beginning after December 15, 1997. Statement 131 establishes standards for the way that public business enterprises report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports. It also establishes standards for related disclosures about products and services, geographic areas and major customers. Statement 131 is effective for financial statements for fiscal years beginning after December 15, 1997, and therefore the Company will adopt the new requirements retroactively in 1998. Management has not completed its review of Statement 131, but does not anticipate that the adoption of this statement will have a significant effect on the Company's reported segments.

<TABLE>

Segment information

(Amounts in thousands)	1997	1996	1995
<S>	<C>	<C>	<C>
Net sales			
Metals	$ 71,192	$ 85,027	$ 99,455
Chemicals	55,549	41,817	47,843
Total net sales	$126,741	$126,844	$147,298
Operating income			
Metals	$ 5,634	$ 9,697	$ 20,419
Chemicals	5,220	3,688	5,682
	10,854	13,385	26,101
Less unallocated corporate expense	1,110	1,363	1,867
Operating income	9,744	12,022	24,234
Other expense, net	713	153	939
Income before taxes	$ 9,031	$ 11,869	$ 23,295
Identifiable assets			
Metals	$ 37,838	$ 41,172	$ 51,160
Chemicals	30,211	31,875	25,563
Corporate	5,334	3,542	3,503
	$ 73,383	$ 76,589	$ 80,226
Depreciation and amortization			
Metals	$ 1,504	$ 1,331	$ 1,131
Chemicals	1,807	1,188	1,039
Corporate	174	181	146
	$ 3,485	$ 2,700	$ 2,316
Capital expenditures			
Metals	$ 1,163	$ 2,519	$ 3,621
Chemicals	1,653	1,299	2,651
Corporate	38	15	183
	$ 2,854	$ 3,833	$ 6,455

</TABLE>

NOTE R: QUARTERLY RESULTS (UNAUDITED)

The following is a summary of quarterly operations for the years ended January 3, 1998, December 28, 1996 and December 30, 1995.

<TABLE>

(Thousands except per share data)	Net Sales	Gross Profit	Net Income	Net Income Per Common Share Diluted	Basic
<S>	<C>	<C>	<C>	<C>	<C>
1997					
First Quarter	$30,903	$ 4,246	$1,011	$.14	$.14
Second Quarter	31,205	4,832	1,386	.20	.20
Third Quarter	31,371	4,875	1,543	.22	.22
Fourth Quarter	33,262	5,762	1,901	.27	.28
1996					
First Quarter	$36,659	$ 7,429	$2,922	$.41	$.41
Second Quarter	31,737	5,828	2,119	.30	.30
Third Quarter	29,405	4,059	1,243	.18	.18
Fourth Quarter	29,043	3,792	1,402	.20	.20
1995					
First Quarter	$34,576	$ 7,175	$2,762	$.38	$.38
Second Quarter	41,381	10,799	4,613	.63	.64
Third Quarter	37,858	9,464	3,915	.53	.54
Fourth Quarter	33,483	7,885	3,231	.44	.45

</TABLE>

Net income for the fourth quarter of 1996 includes a gain on the sale of an investment of $431,000, or $.06 per share. See Note B.

REPORT OF MANAGEMENT

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles and have been audited by Ernst & Young LLP, Independent Auditors. Management of the Company assumes responsibility for the accuracy and reliability of the financial statements. In discharging such responsibility, management has established certain standards which are subject to continuous review and are monitored through the Company's financial management. The Board of Directors pursues its oversight role for the financial statements through its Audit Committee which consists of outside directors. The Audit Committee meets on a regular basis with representatives of management and Ernst & Young LLP.

REPORT OF INDEPENDENT AUDITORS

Shareholders and Board of Directors
Synalloy Corporation

We have audited the accompanying consolidated balance sheets of Synalloy Corporation as of January 3, 1998, December 28, 1996 and December 30, 1995, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended January 3, 1998. Our audits also included the financial statement schedule listed in the Index at Item 14(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Synalloy Corporation at January 3, 1998, December 28, 1996 and December 30, 1995 and the consolidated results of its operations and its cash flows for each of the three years in the period ended January 3, 1998, in conformity with generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

Ernst & Young, LLP
Greenville, South Carolina
February 6, 1998

ITEM 9: CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

PART III

A definitive proxy statement, which will be filed with the Securities and Exchange Commission pursuant to regulation 14A of the Securities Exchange Act of 1934 within 120 days of the end of the registrant's fiscal year ended January 3, 1998, is incorporated herein by reference.

ITEM 10: DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Such information as required by the Securities and Exchange Commission in Regulation S-K is contained in the Company's definitive Proxy Statement in connection with its Annual Meeting to be held April 30, 1998.

ITEM 11: EXECUTIVE COMPENSATION

The information with respect to executive compensation and transactions is hereby incorporated by reference from the Company's definitive proxy statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A of the Securities Exchange Act of 1934.

ITEM 12: SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information with respect to security ownership of certain beneficial owners and management is hereby incorporated by reference from the Company's definitive proxy statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A of the Securities Exchange Act of 1934.

ITEM 13: CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None

PART IV

ITEM 14: EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

a. The following documents are filed as a part of this report:
   1. Financial Statements: The following consolidated financial statements of Synalloy Corporation are included in Item 8:

      Consolidated Statements of Income for the years ended January 3, 1998, December 28, 1996 and December 30, 1995

      Consolidated Balance Sheets at January 3, 1998, December 28, 1996 and December 30, 1995

      Consolidated Statements of Shareholders' Equity for the years ended January 3, 1998, December 28, 1996 and December 30, 1995

      Consolidated Statements of Cash Flows for the years ended January 3, 1998, December 28, 1996 and December 30, 1995

      Notes to Consolidated Financial Statements

   2. Financial Statements Schedules: The following consolidated financial statements schedule of Synalloy Corporation is included in Item 14(d).

      Schedule II - Valuation and Qualifying Accounts for the years ended January 3, 1998, December 28, 1996 and December 30, 1995

      All schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and therefore have been omitted.

   3. Listing of Exhibits:

      Exhibit 22 - Subsidiaries of the Registrant

b. Reports on Form 8-K: There were no reports on Form 8-K filed during the fourth quarter of the 1997 fiscal year.

c. Exhibits: The response to this portion of Item 14 is submitted in a separate section of this report.

d. Financial Statements Schedules: The response to this portion of Item 14 is submitted as a separate section of this report.

<TABLE>

SCHEDULE II: VALUATION AND QUALIFYING ACCOUNTS

Column A	Column B	Column C	Column D	Column E
Description	Balance at Beginning of Period	Charged to Cost and Expenses	Deductions Describe (1)	Balance at End of Period
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Year ended January 3, 1988				
Deducted from asset account:				
Allowance for doubtful accounts	$208,000	$ 279,000	$268,000	$219,000
Year ended December 28, 1996				
Deducted from asset account:				
Allowance for doubtful accounts	$356,000	$ 237,000(2)	$385,000	$208,000
Year ended December 30, 1995				
Deducted from asset account:				
Allowance for doubtful accounts	$181,000	$1,014,000	$839,000	$356,000

(1) Allowances, uncollected accounts and credit balances written off against reserve, net of recoveries.

(2) Includes $50,000 of allowance from the acquisition of Manufacturers Chemicals Corporation.

</TABLE>

EXHIBIT 22: SUBSIDIARIES OF THE REGISTRANT

The Company has five wholly-owned subsidiaries. All subsidiaries are included in the Company's consolidated financial statements. The subsidiaries are as follows:

Synalloy Metals, Inc., formerly Bristol Metals, Inc., a Tennessee corporation
Whiting Metals, Inc., a South Carolina corporation

Manufacturers Soap and Chemical Company, a Tennessee corporation

Metchem, Inc., a Delaware corporation

Synco International, Inc., a Virgin Islands corporation

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

SYNALLOY CORPORATION
Registrant

By /s/ Cheryl C. Carter — March 27, 1998
Cheryl C. Carter — Date
Corporate Secretary

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

By /s/ James G. Lane, Jr. — March 27, 1998
James G. Lane, Jr. — Date
Chief Executive Officer and
Chairman of the Board

By /s/ Gregory M. Bowie — March 27, 1998
Gregory M. Bowie — Date
Vice President, Finance

By /s/ Glenn R. Oxner — March 27, 1998
Glenn R. Oxner — Date
Director

By /s/ Sibyl N. Fishburn — March 27, 1998
Sibyl N. Fishburn — Date
Director

By /s/ Carroll D. Vinson — March 27, 1998
Carroll D. Vinson — Date
Director

By /s/ Richard E. Ingram — March 27, 1998
Richard E. Ingram — Date
Director

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<EPS-PRIMARY>	.41	.72	.89	1.10
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</TABLE>