

FORM 10-Q

Securities and Exchange Commission  
Washington, D. C. 20549

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

(Mark One)

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
For the quarter ended July 3, 1999

OR

\_\_\_\_\_ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 0-19687

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

Delaware  
(State or other jurisdiction of  
incorporation or organization)

57-0426694  
(I.R.S. Employer  
Identification Number)

Post Office Box 5627  
Croft Industrial Park  
Spartanburg, South Carolina  
(Address of principal executive offices)

29304  
(Zip Code)

Registrant's Telephone Number, Including Area Code (864) 585-3605

Not Applicable

(Former name, former address and former fiscal year, if changed since last  
year.)

Indicate by check mark whether the registrant (1) has filed all reports  
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of  
1934 during the preceding 12 months (or for such shorter period that the  
registrant was required to file such reports) and (2) has been subject to such  
filing requirements for the past 90 days.

Yes X No \_\_\_\_\_

Indicate the number of shares outstanding of each of the issuer's classes of  
Common Stock, as of the latest practical date.

Title of Class	Number of Shares Outstanding As of July 3, 1999
Common Stock, \$1.00 Par Value	6,576,688

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Synalloy Corporation

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ended July 3, 1999 and July 4, 1998

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PART 1. FINANCIAL STATEMENTS

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Synalloy Corporation  
Condensed Consolidated Balance Sheets

	Jul 3, 1999 (Unaudited) <C>	Jan 2, 1999 (Note) <C>
<S>		
Assets		
Current assets		
Cash and cash equivalents	\$ 5,307	\$ 117,658
Accounts receivable, less allowance for doubtful accounts	14,522,316	12,596,592
Inventories		
Raw materials	8,439,568	7,502,972
Work-in-process	4,482,184	3,755,147
Finished goods	13,661,307	14,842,842
Total inventories	26,583,059	26,100,961
Deferred income taxes	192,000	192,000
Prepaid expenses and other current assets	569,182	646,342
Total current assets	41,871,864	39,653,553
Cash value of life insurance Investment	2,029,840 902,117	2,025,984 1,026,117
Property, plant & equipment, net of accumulated depreciation of \$34,183,000 and \$32,498,000	25,409,426	25,495,020
Deferred charges and other assets	3,370,151	3,173,788
Total assets	\$73,583,398	\$71,374,462
Liabilities and Shareholders' Equity		
Current liabilities		
Notes payable	\$ -	\$ 665,000
Accounts payable	10,868,640	7,882,778
Income taxes	597,709	-
Accrued expenses	2,040,185	1,383,740
Current portion of environmental reserves	575,650	575,650
Current portion of long-term debt	200,000	200,000

Total current liabilities	14,282,184	10,707,168
Long-term debt, less current portion	10,000,000	10,000,000
Environmental reserves	1,619,468	1,846,550
Deferred compensation	1,361,259	1,349,940
Deferred income taxes	1,580,000	1,623,000
Contingencies		
Shareholders' equity		
Common stock, par value \$1 per share - authorized 12,000,000 at July 3,1999 and 8,000,000 shares at January 2, 1999; issued 8,000,000 shares	8,000,000	8,000,000
Capital in excess of par value	9,491	9,491
Retained earnings	49,684,637	49,687,391
Accumulated other comprehensive income	372,000	453,000
Less cost of Common Stock in treasury	(13,325,641)	(12,302,078)
Total shareholders' equity	44,740,487	45,847,804
Total liabilities and shareholders' equity	\$73,583,398	\$71,374,462

Note: The balance sheet at January 2, 1999 has been derived from the audited financial statements at that date. See accompanying notes to condensed consolidated financial statements

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<TABLE>

Synalloy Corporation  
Condensed Consolidated Statements of Income

(Unaudited)	Three Months Ended		Six Months Ended	
	Jul 3, 1999	Jul 4, 1998	Jul 3, 1999	Jul 4, 1998
<S>	<C>	<C>	<C>	<C>
Net sales	\$28,291,775	\$25,812,612	\$55,937,072	\$56,418,538
Cost of sales	24,960,327	22,885,753	49,234,545	50,016,849
Gross profit	3,331,448	2,926,859	6,702,527	6,401,689
Selling, general and administrative expense	2,718,925	2,657,870	5,408,455	5,065,849
Operating income	612,523	268,989	1,294,072	1,335,840
Other (income) and expense				
Interest expense	196,028	163,170	355,781	329,685
Other, net	(86,241)	(62,811)	(83,070)	(86,866)
Income before taxes	502,736	168,630	1,021,361	1,093,021
Provision for income tax	177,000	59,000	359,000	386,000
Net income	\$ 325,736	\$ 109,630	\$ 662,361	\$ 707,021
Net income per common share				
Basic	\$.05	\$.02	\$.10	\$.10
Diluted	\$.05	\$.02	\$.10	\$.10
Dividends paid per common	\$.05	\$.10	\$.10	\$.19
Average shares outstanding				
Basic	6,584,311	6,785,929	6,653,390	6,811,202
Diluted	6,589,950	6,809,722	6,662,217	6,839,491

See accompanying notes to condensed consolidated financial statements.

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Synalloy Corporation  
Condensed Consolidated Statements of Cash Flows

(Unaudited)	Six Months Ended	
	Jul 3, 1999	Jul 4, 1998
<S>	<C>	<C>
Operating activities		
Net income	\$ 662,361	\$ 707,021
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	1,954,095	1,678,438
Amortization of deferred charges	136,301	129,785
Deferred compensation	11,319	12,668
Provision for losses on accounts receivable	291,885	99,044
Loss (gain) on sale of property, plant and equipment	5,864	(233)
Cash value of life insurance	(3,856)	(39,780)
Environmental reserves	(227,082)	(167,160)
Changes in operating assets and liabilities:		
Accounts receivable	(2,217,609)	1,976,430
Inventories	(482,098)	1,559,654
Other assets	59,496	(51,731)
Accounts payable and accrued expenses	3,544,226	1,313,719
Income taxes payable	652,790	(219,651)
Net cash provided by operating activities	4,387,692	6,998,204
Investing activities		
Purchases of property, plant and equipment	(1,896,989)	(1,086,164)
Proceeds from sale of property, plant and equipment	22,624	233
(Increase) decrease in notes receivable	(272,000)	-
Net cash used in investing activities	(2,146,365)	(1,085,931)
Financing activities		
Proceeds from revolving lines of credit	15,949,000	152,000
Payments on revolving lines of credit	(16,614,000)	(152,000)
Proceeds from exercised stock options	-	4,837
Purchases of treasury stock	(1,023,562)	(1,493,000)
Dividends paid	(665,116)	(1,363,987)
Net cash used in financing activities	(2,353,678)	(2,852,150)
(Decrease) increase in cash and cash equivalents	(112,351)	3,060,123
Cash and cash equivalents at beginning of year	117,658	1,602,543
Cash and cash equivalents at end of period	\$ 5,307	\$4,662,666

See accompanying notes to condensed consolidated financial statements.

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Synalloy Corporation  
Notes To Condensed Consolidated Financial Statements  
(Unaudited)

July 3, 1999

NOTE 1--BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule

10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six month periods ended July 3, 1999, are not necessarily indicative of the results that may be expected for the year ending January 1, 2000. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the period ended January 2, 1999.

NOTE 2--INVENTORIES

Inventories are stated at the lower of cost (first-in, first-out method) or market.

NOTE 3--LEGAL MATTERS

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 4--COMPREHENSIVE INCOME

Comprehensive income was \$202,000 and \$581,000 for the three and six months ended July 3, 1999, respectively. Comprehensive income consists of net income plus unrealized losses on the Company's foreign equity investment, of \$124,000 and \$81,000, net of deferred income taxes of \$66,000 and \$43,000 for the three and six months ended July 3, 1999, respectively, and is recorded in Shareholders' Equity.

<TABLE>

NOTE 5--SEGMENT INFORMATION

(Dollar amounts are in thousands)

<S>	Three Months Ended		Six Months Ended	
	Jul 3, 1999 <C>	Jul 4, 1998 <C>	Jul 3, 1999 <C>	Jul 4, 1998 <C>
Net sales				
Metals Segment	\$ 15,162	\$ 13,673	\$ 28,763	\$ 31,099
Chemicals Segment	13,130	12,140	27,174	25,320
	\$ 28,292	\$ 25,813	\$ 55,937	\$ 56,419
Operating income				
Metals Segment	\$ 735	\$ 290	\$ 1,142	\$ 1,040
Chemicals Segment	130	201	630	752
	865	491	1,772	1,792
Unallocated expenses				
Corporate	278	221	503	456
Interest and debt expense, net of interest income	85	101	248	243
Income before income taxes	\$ 502	\$ 169	\$ 1,021	\$ 1,093

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Synalloy Corporation

Management's Discussion And Analysis Of Financial Condition  
And Results Of Operations

The following is management's discussion of certain significant factors that affected the Company during the quarter ended July 3, 1999. (Dollar amounts are in thousands except for per share data.)

Consolidated sales for the quarter increased 10 percent and decreased one percent year to date compared to the same periods one year ago. Consolidated net income increased to \$326 from \$110 for the quarter and declined six percent to \$662 from \$707 year to date, respectively, compared to the same periods one year ago.

Metals Segment sales increased 11 percent and declined eight percent in the quarter and year to date, respectively. In spite of a 12 percent decline in average selling prices compared to last year's second quarter, a strong 26 percent increase in unit volumes produced the improvement in dollar sales. The average price decline was driven by lower stainless steel costs and competitive pressure from cheap imports of stainless pipe. Operating income was up 153 percent because of improved results from piping systems and process equipment which more than offset a profit decline from stainless pipe.

On July 7, 1999, the International Trade Commission voted to impose antidumping and countervailing duties ranging up to 59 percent on imports of stainless steel sheet and strip in coils from eight countries. This triggered

an announcement of a seven percent price increase effective July 19, 1999 by most U.S. stainless producers. The Company is in the process of preparing a new price sheet that will raise pipe prices about seven percent. Management believes this signals a reversal of the relentless decline that has driven stainless pipe prices down 50 percent since 1995. However, only time will tell if these price increases will hold up in the market place.

The \$22,700,000 backlog of piping systems and process equipment at July 3, 1999 is over four times the level of a year earlier. This backlog is expected to be completed over the next six quarters and provides a foundation for good operating results from these products over that time period.

Chemicals Segment sales increased eight and seven percent in the quarter and year to date, respectively. The acquisition of Organic Pigments effective July 1, 1998 led to the increase in second quarter sales. Excluding the acquisition, sales were down nine percent. Operating income declined 35 and 16 percent in the quarter and year to date, respectively. The declines in operating income reflect the poor results from textile colors that continue to mirror the negative conditions in the domestic textile industry. Specialty chemicals results were about the same as a year earlier.

The startup of a sizeable agricultural product toll agreement has been delayed due to problems encountered in the transition from pilot to plant equipment. Management believes that corrective actions now being taken will result in the successful production of this product before year end. The Company has recently reached an agreement with an international chemical company that should lead to the largest contract processing project ever obtained by the Company. Production is scheduled to begin late this year. These two activities will have little effect on 1999 but are expected to contribute significantly to sales and profits thereafter. In spite of the dismal state of the domestic color business, the Company is pursuing several initiatives it believes will enhance future financial performance from these products.

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Synalloy Corporation

Management's Discussion And Analysis Of Financial Condition  
And Results Of Operations - Continued

Selling and administrative expense for the quarter and year to date were 10 percent of consolidated sales, respectively, compared to last year's 10 and nine percent.

Cash flows from operations totaled \$4,388 during the first six months of 1999 compared to \$6,998 generated during the same period one year ago. The decrease in cash flows came primarily from increases in accounts receivable and inventories, offset by an increase in accounts payable totaling \$845 in 1999, compared to a \$4,850 change from the same accounts in 1998. The decrease was offset by the \$872 increase in income taxes payable from 1998 to 1999. The Company used part of the cash flows generated in 1999 to purchase in 148,925 shares of the Company's common stock for \$1,024. The Company expects that available cash and existing lines of credit will be sufficient to meet normal operating requirements, including capital expenditures and payment of dividends over the near term.

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

The statements contained in this management discussion and analysis 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 herein.

PART II: OTHER INFORMATION

Synalloy Corporation

Item 1. Legal Proceedings  
None

Item 2. Change In Securities  
None

Item 3. Defaults Upon Senior Securities  
None

Item 4. Submission Of Matters To A Vote Of Security Holders:

A. The Annual Meeting of Shareholders was held April 29, 1999 at the offices of the Company.

B. The following individuals were elected as directors at the Annual Meeting:

	Votes For	Votes Withheld
1. James G. Lane, Jr.	5,965,632	50,295
2. Sibyl N. Fishburn	5,915,438	100,489
3. Richard E. Ingram	5,965,193	50,734
4. Glenn R. Oxner	5,915,654	100,273
5. Carroll D. Vinson	5,915,654	100,273

C. The proposal to amend Article IV of the Certificate of Incorporation to increase authorized shares from 8,000,000 to 12,000,000, par value \$1.00 was approved by a vote of 5,892,864 for, 86,988 against and 36,075 abstentions.

D. Ernst & Young LLP, independent certified accountants, were selected as independent auditors for the fiscal year ending January 1, 2000 by a vote of 5,977,562 for, 8,338 against and 30,027 abstentions.

Item 5. Other Information  
None

Item 6. Exhibits And Reports On Form 8-K

The following exhibits are included herein:  
None

The Company did not file any reports on Form 8-K during the three months ended July 3, 1999

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.

SYNALLOY CORPORATION  
(Registrant)

Date: August 6, 1999

/s/ James G. Lane, Jr.  
James G. Lane, Jr., Chairman and  
Chief Executive Officer

Date: August 6, 1999

/s/ Gregory M. Bowie  
Gregory M. Bowie  
Vice President, Finance

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