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## Synalloy Corporation outlook

Wednesday, 04 Nov, 2009

The Metals Segment's business is highly dependent on capital expenditures which have been significantly impacted by the economic turmoil. Falling stainless steel prices, the depressed economy, and distributors' reluctance to restock inventories, have created a poor pricing environment for our commodity pipe. After surcharges increased for six consecutive months since May 2009, they fell in November causing more uncertainty in the market. This has been offset somewhat by the implementation of 6% price increases from our steel suppliers on May 1st 2009 and July 1st 2009, which has been accepted in the market place. Management remains hopeful that the stimulus spending by the Federal Government, which includes a Buy American provision covering iron and steel, will fund increased activity in the water and wastewater treatment area, a significant part of our piping systems business.

Although Management is disappointed with the level of profitability in the last quarter and first nine months of 2009, we remain confident that we are in an excellent position to benefit from the eventual improvement in economic conditions. However, the impact from current economic conditions both domestically and worldwide makes it difficult to predict the performance of this Segment for the fourth quarter of 2009 as well as into 2010.

The Specialty Chemicals Segment began 2009 experiencing difficult conditions during the first two months of the first quarter. However, profits began to improve in March which has continued through the third quarter of 2009. With raw material prices apparently stabilized, the Segment should continue to generate consistent profit margins over the last quarter of 2009 and into 2010, assuming economic conditions do not deteriorate from their current levels. However, the depressed economic conditions make the Segment's performance uncertain over the next several quarters.

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