INSTEEL INDUSTRIES INC.

Insteel Industries Reports Second-Quarter Financial Results

- Sales and earnings rise to new record highs for the second quarter
- Earnings from continuing operations increase 70% from prior year and net earnings increase 47% to $7.4 million, or $0.80 per diluted share
- Sales increase 9% to $89.0 million on 20% increase in shipments
- Company announces plans to exit industrial wire business during the third quarter

MOUNT AIRY, N.C., April 21, 2006 - Insteel Industries, Inc. (Nasdaq: IIIN) today announced record financial results for the second quarter ended April 1, 2006. Net earnings for the second quarter increased 47% to $7.4 million, or $0.80 per diluted share compared with $5.0 million, or $0.53 per diluted share for the same period last year. Excluding the prior year gain of $698,000, or $0.07 per diluted share from a discontinued operation, earnings from continuing operations rose 70% from the year-ago quarter. Sales for the second quarter increased 9% to $89.0 million from $81.7 million in the prior year quarter. Shipments for the second quarter increased 20% while average selling prices decreased 9% from the prior year levels.

For the six-month period ended April 1, 2006, net earnings increased 48% to $15.1 million, or $1.61 per diluted share, compared with $10.2 million, or $1.07 per diluted share for the same period last year. Excluding the prior year gain from the discontinued operation, earnings from continuing operations rose 59% from the year-ago period. Sales for the six-month period increased 10% to $172.5 million from $156.3 million in the prior year period. Shipments for the six-month period increased 22% while average selling prices decreased 9% from the prior year levels.

"Insteel's record results for the second quarter were driven by strong demand for our concrete reinforcing products," said H.O. Woltz III, Insteel's president and chief executive officer. "The strengthening in our order book enabled us to ramp up the operating schedules of our manufacturing facilities, favorably impacting productivity levels and unit conversion costs. We continue to focus on the fundamentals of our business in executing our strategy and driving further performance improvements throughout our operations."

Business Segment Results

Concrete Reinforcing Products

Sales of concrete reinforcing products for the second quarter increased 11% to $79.8 million from $72.0 million in the prior year quarter. Shipments increased 22% while average selling prices decreased 9% from the prior year levels. Gross profit for the second quarter increased 46% to $17.0 million, or 21.3% of net sales from $11.6 million, or 16.1% of net sales in the prior year due to higher shipments and lower unit conversion costs.

For the six-month period, sales of concrete reinforcing products increased 13% to $155.4 million from $137.1 million in the year-ago period. Shipments increased 25% while average selling prices decreased 9% from the prior year levels. Gross profit for the six-month period increased 38% to $34.1 million, or 21.9% of net sales from $24.7 million, or 18.1% of net sales in the prior year due to the same factors impacting the second-quarter results.

Industrial Wire Products

Sales of industrial wire products for the second quarter decreased 5% to $9.2 million from $9.6 million in the year-ago period. Shipments increased 4% while average selling prices decreased 8% from the prior year levels. The gross loss for the second quarter was $665,000 compared with gross profit of $128,000 in the prior year due to lower spreads between average selling prices and raw material costs together with higher unit conversion costs.

For the six-month period, sales of industrial wire products decreased 11% to $17.1 million from $19.2 million in the year-ago period. Shipments decreased 2% and average selling prices fell 9% from the prior year levels. The gross loss for the six-month period was $1.1 million compared with gross profit of $694,000 in the prior year due to the same factors impacting the second-quarter results.

Operating Cash Flow

Net cash provided by operating activities for the second quarter decreased $7.1 million to $4.1 million from $11.2 million in the prior year quarter largely due to the year-over-year changes in net working capital which offset the increase in earnings. Net working capital used $3.7 million of cash in the current year quarter driven by the usual seasonal factors while providing $6.1 million in the prior year as a result of the Company's inventory reduction measures. For the six-month period, net cash provided by operating activities increased $16.3 million to $24.6 million from $8.3 million in the prior year period.

Share Repurchases

The Company repurchased a total of 400,000 shares of its outstanding common stock during the second quarter for $8.5 million under its previously announced stock repurchase program. As of April 1, 2006, the Company was authorized to buy back up to an additional $6.5 million of its outstanding common stock over the remaining term of the program, which runs through January 12, 2007. As previously indicated, repurchases may be made from time to time in the open market or in privately negotiated transactions subject to market conditions, applicable legal requirements and other factors. The Company is not obligated to acquire any particular amount of common stock and the program may be suspended at any time at the Company's discretion.

Company to Exit the Industrial Wire Business

The Company also announced that subsequent to the end of the second quarter, it determined that it would exit the industrial wire business and proceed with the closure of its Fredericksburg, Virginia manufacturing facility. In 2005, industrial wire products generated $36.2 million of revenues (10% of consolidated net sales) and $559,000 of gross profit (1% of consolidated gross profit), which deteriorated to the previously referenced gross loss of $1.1 million for the first six months of 2006. Based on the weakening in the business outlook for the facility and the expected continuation of difficult market conditions and reduced operating levels, the Company concluded that the closure of the plant and sale of its assets would be the best course of action. The Company expects to complete the closure of the plant during its third quarter ending July 1, 2006.

In connection with the plant closure, the Company currently estimates that it will record pre-tax charges totaling approximately $4.0 million during the third quarter for non-cash impairment losses to write down the carrying values of the assets to be sold ($2.7 million), and cash outlays for employee termination benefits and contractual obligations ($1.3 million). The actual charges recorded will not be known until the Company has finalized the details of its closure plan and its determination of the assets to be sold, and prepared or obtained updated estimates of the related fair values. The results for the industrial wire business will be excluded from continuing operations and reported as a discontinued operation in the Company's financial reporting beginning with the third quarter. Following the completion of the plant closure, the Company's business activities will be entirely focused on concrete reinforcing products.

"In spite of the hard work and dedication of our people, our efforts to improve the operating rate and financial performance of the Virginia facility have been unsuccessful and the prospects for improving market conditions do not justify continued operations," said Woltz. "Our focus at this point is on assisting our people with the transition process and winding down the facility in an orderly fashion."

Outlook

Commenting on the outlook for the remainder of fiscal 2006, Woltz said, "As we enter the second half of the year, which is typically our strongest shipping period from a seasonal standpoint, we are encouraged by the anticipated continuation of the improved market environment that began during the first quarter and hope to build on this momentum going forward. We believe that the upturn in demand that we have experienced has been driven primarily by the improvement in the nonresidential construction sector which is expected to continue. Up to this point, we have seen minimal impact from either the anticipated increases in infrastructure spending at the federal and state level or the post-hurricane reconstruction requirements. We expect that these factors will begin to have a gradually increasing impact on the demand for our concrete reinforcing products later into the year and into 2007.

"The expansions of our engineered structural mesh ("ESM") and PC strand product lines are proceeding as planned. In view of the favorable macro outlook for these markets, we believe that the timing is opportune in deploying the additional capacity and expect both projects to yield operating cost reductions as well. These growth initiatives will be augmented by the addition of a third ESM line planned for 2007. We believe that we are well-positioned to extend the favorable performance trends that have been achieved through the first half of the year and continue generating attractive returns for our shareholders."

Conference Call

Insteel will hold a conference call at 10:00 a.m. ET today to discuss the Company's second-quarter financial results. A live webcast of this call can be accessed on the Company's website at http://www.insteel.com under "Investor Information" and will be archived for replay.

About Insteel

Insteel Industries is one of the nation's largest manufacturers of steel wire reinforcing products. The Company manufactures and markets standard and engineered reinforcing solutions for a broad range of concrete construction and industrial applications. Insteel's concrete reinforcing products business unit manufactures PC strand and welded wire reinforcement products including standard welded wire reinforcement, concrete pipe reinforcement and engineered structural mesh. The Company's industrial wire products business unit manufactures tire bead wire and other specialty wire products. Headquartered in Mount Airy, North Carolina, Insteel operates seven manufacturing facilities located in the United States.

Cautionary Note Regarding Forward-Looking Statements

This news release contains forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, particularly under the "Outlook" section above. When used in this news release, the words "believes," "anticipates," "expects," "plans" and similar expressions are intended to identify forward-looking statements. Although the Company believes that its plans, intentions and expectations reflected in or suggested by such forward-looking statements are reasonable, such forward-looking statements are subject to a number of risks and uncertainties, and the Company can provide no assurances that such plans, intentions or expectations will be achieved. Many of these risks are discussed in detail in the Company's periodic reports, in particular in its report on Form 10-K for the year ended October 1, 2005, filed with the U.S. Securities and Exchange Commission. You should carefully read these risk factors.

All forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements. All forward-looking statements speak only to the respective dates on which such statements are made and the Company does not undertake and specifically declines any obligation to publicly release the results of any revisions to these forward-looking statements that may be made to reflect any future events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

It is not possible to anticipate and list all risks and uncertainties that may affect the future operations or financial performance of the Company; however, they include, but are not limited to, the following: general economic and competitive conditions in the markets in which the Company operates; the continuation of favorable demand trends for the Company's concrete reinforcing products resulting from increases in nonresidential construction spending and government infrastructure-related spending together with the post-hurricane reconstruction requirements; the cyclical nature of the steel and building material industries; fluctuations in the cost and availability of the Company's primary raw material, hot-rolled steel wire rod from domestic and foreign suppliers; the Company's ability to raise selling prices in order to recover increases in wire rod prices; changes in U.S. or foreign trade policy affecting imports or exports of steel wire rod or the Company's products; interest rate volatility; unanticipated changes in customer demand, order patterns and inventory levels; the Company's ability to further develop the market for ESM and expand its shipments; the timely and successful completion of the expansions of the Company's ESM and PC strand operations; the impact and costs associated with the Company's exit from the industrial wire business; legal, environmental or regulatory developments that significantly impact the Company's operating costs; unanticipated plant outages, equipment failures or labor difficulties; continued escalation in medical costs that affect employee benefit expenses; and the "Risk Factors" discussed in the Company's Form 10-K for the year ended October 1, 2005.

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