

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark one)

- Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. For the fiscal year ended December 31, 2025.
- 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 0-24020
SYPRIS SOLUTIONS, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

101 Bullitt Lane, Suite 450
Louisville, Kentucky 40222
(Address of principal executive
offices, including zip code)

61-1321992
(I.R.S. Employer
Identification No.)

(502) 329-2000
(Registrant's telephone number,
including area code)

<u>Title of each class</u>	Securities registered pursuant to Section 12(b) of the Act:	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
Common Stock		SYPR	Nasdaq

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 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 No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" or an "emerging growth company" in Rule 12b-2 of the Exchange Act.

- Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
 Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Exchange Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to § 240.10D-1(b).

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold as of the last business day of the registrant's most recently completed second fiscal quarter (June 29, 2025) was \$28,274,420.

There were 23,029,970 shares of the registrant's common stock outstanding as of March 10, 2026.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement to be delivered to stockholders in connection with the Annual Meeting of Stockholders to be held June 16, 2026 are incorporated by reference into Part III to the extent described therein.



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In this Annual Report on Form 10-K, “Sypris,” “the Company,” “we,” “us” and “our” refer to Sypris Solutions, Inc. and its subsidiaries and predecessors, collectively. “Sypris Solutions” and “Sypris” are our trademarks. All other trademarks, servicemarks or trade names referred to in this Annual Report on Form 10-K are the property of their respective owners.

Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 provides a “safe harbor” for forward-looking statements made by or on behalf of Sypris Solutions, Inc. (“Sypris”, the “Company”, “we”, “our”, or “us”). These statements are based on management's beliefs, as well as assumptions made by and information currently available to management. Forward-looking statements may be identified by words like “expect,” “anticipate,” “believe,” “plan,” “project,” “could,” “estimate,” “intend,” “may,” “will”, “in our view” and similar expressions, or the negative of such terms, or other comparable terminology. All forward-looking statements involve risks and uncertainties that are difficult to predict. In particular, any statement contained in this Annual Report on Form 10-K or in other documents filed with the Securities and Exchange Commission, in press releases, or in the Company's communications and discussions with investors and analysts in the normal course of business through meetings, phone calls, or conference calls regarding, among other things, the consummation and benefits of transactions, joint ventures, business combinations, divestitures and acquisitions, expectations with respect to future sales, financial performance, operating efficiencies, or product expansion, are subject to known and unknown risks, uncertainties, and contingencies, many of which are beyond the control of the Company. Various factors may cause actual results, performance, or achievements to differ materially from anticipated results, performance, or achievements expressed or implied by forward-looking statements. Briefly, we currently believe that such risks also include the following: the fees, costs and supply of, or access to, debt, equity capital, or other sources of liquidity; the termination or non-renewal of existing contracts by customers; our failure to achieve and maintain profitability on a timely basis by steadily increasing our revenues from profitable contracts with a diversified group of customers, which would cause us to continue to use existing cash resources or require us to sell assets to fund operating losses; volatility of our customers' forecasts and our contractual obligations to meet current scheduling demands and production levels, which may negatively impact our operational capacity and our effectiveness to integrate new customers or suppliers, and in turn cause increases in our inventory and working capital levels; cost, quality and availability or lead times of raw materials such as steel, component parts (especially electronic components), natural gas or utilities including increased cost relating to inflation, as well as the impact of proposed or imposed tariffs by the U.S. government on imports to the U.S. and/or the imposition of retaliatory tariffs by foreign countries; our reliance on a few key customers, third party vendors and sub-suppliers; significant delays or reductions due to a prolonged continuing resolution or U.S. government shutdown reducing the spending on products and services that Sypris Electronics provides; risks of foreign operations, including foreign currency exchange rate risk exposure, which could impact our operating results; the cost, quality, timeliness, efficiency and yield of our operations and capital investments, including the impact of inflation, tariffs, product recalls or related liabilities, employee training, working capital, production schedules, cycle times, scrap rates, injuries, wages, overtime costs, freight or expediting costs; inventory valuation risks including excessive or obsolescent valuations or price erosions of raw materials or component parts on hand or other potential impairments, non-recoverability or write-offs of assets or deferred costs; our failure to successfully complete final contract negotiations with regard to our announced contract “orders”, “wins” or “awards”; our failure to successfully win new business or develop new or improved products or new markets for our products; adverse impacts of new technologies or other competitive pressures which increase our costs or erode our margins; the costs and supply of insurance on acceptable terms and with adequate coverage; unanticipated or uninsured product liability claims, disasters, public health crises, losses or business risks; breakdowns, relocations or major repairs of machinery and equipment, especially in our Toluca Plant; the costs of compliance with our auditing, regulatory or contractual obligations; pension valuation, health care or other benefit costs; dependence on, retention or recruitment of key employees and highly skilled personnel and distribution of our human capital; our reliance on revenues from customers in the oil and gas and automotive markets, with increasing consumer pressure for reductions in environmental impacts attributed to greenhouse gas emissions and increased vehicle fuel economy; war, geopolitical conflict, terrorism, or political uncertainty, or disruptions resulting from military hostilities between Russia and Ukraine, Israel and Hamas, and the U.S., Israel and Iran, or other tensions in the Middle East, including arising out of international sanctions, foreign currency fluctuations and other economic impacts; labor relations; strikes; union negotiations; disputes or litigation involving governmental, supplier, customer, employee, creditor, stockholder, premises liability, personal injury, product liability, warranty or environmental claims; failure to adequately insure or to identify product liability, environmental or other insurable risks; costs associated with environmental or other claims relating to properties previously owned; our inability to patent or otherwise protect our inventions or other intellectual property rights from potential competitors or fully exploit such rights which could materially affect our ability to compete in our chosen markets; changes in licenses, security clearances, or other legal rights to operate, manage our work force or import and export as needed; cybersecurity threats and disruptions, including ransomware attacks on our systems and the systems of third-party vendors and other parties with which we conduct business, all of which may become more pronounced in the event of geopolitical conflicts and other uncertainties, such as the conflict in Ukraine; our ability to maintain compliance with the Nasdaq listing standards minimum closing bid price; risks related to owning our common stock, including increased volatility; possible public policy response to a public health emergency, including U.S. or foreign government legislation or restrictions that may impact our operations or supply chain; or unknown risks and uncertainties. We undertake no obligation to update our forward-looking statements, except as may be required by law.

PART I

Item 1. Business

General

We were formed as a Delaware corporation in 1997. We provide products and engineering, design, and manufacturing services for a variety of critical infrastructure sectors, including energy, space, communications, defense, transport, chemical, and water. Sypris serves its customers globally through its operations located in North America. We produce a wide range of manufactured products, often under multi-year, sole-source contracts.

We focus on those markets where we believe we have the expertise, qualifications and leadership position to sustain a competitive advantage. We target our resources to support the needs of industry participants that embrace technological innovation and flexibility, coupled with multi-year contractual relationships, as a strategic component of their supply chain management. These contracts, many of which are sole-source by part number, have historically created opportunities to invest in leading-edge processes or technologies to help our customers remain competitive. The productivity and innovation that can result from such investments helps to differentiate us from our competition when it comes to cost, quality, reliability and customer service.

Our manufacturing processes frequently involve the fabrication or assembly of a product or subassembly according to specifications provided by our customers. We strive to enhance our manufacturing capabilities by advanced quality and manufacturing techniques, lean manufacturing, continuous flow manufacturing, six sigma, total quality management, stringent and real-time engineering change control routines and total cycle time reduction techniques. At the same time, we are working to develop new designs and product innovations by re-engineering traditional solutions to eliminate cost without reducing durability or quality.

Business Division Summary

We are organized into two business segments, Sypris Technologies and Sypris Electronics. Sypris Technologies, which is comprised of Sypris Technologies, Inc. and its subsidiaries, generates revenue primarily from the sale of forged, machined, welded and heat-treated steel components primarily for the heavy commercial vehicle and high-pressure energy pipeline applications. Sypris Electronics, which is comprised of Sypris Electronics, LLC, generates revenue primarily through circuit card and full “box build” manufacturing, high reliability manufacturing, systems assembly and integration, design for manufacturability and design to specification work.

Sypris Technologies. Through Sypris Technologies, we are a significant supplier of forged and machined components, serving the commercial vehicle, off highway vehicle, recreational vehicle, automotive, industrial and energy markets in North America. We have the capacity to produce drive train components including axle shafts, transmission shafts, gear sets, steer axle knuckles, and other components for ultimate use by the leading automotive, truck and recreational vehicle manufacturers, including General Motors Company (GM), Freightliner LLC (Freightliner), Mack Truck (Mack), Navistar International Corporation (Navistar), PACCAR, Inc. (PACCAR), Volvo Truck Corporation (Volvo) and Bombardier Recreational Products (BRP). We support our customers’ strategies to outsource non-core operations by supplying additional components and providing additional value added operations for drive train assemblies. We also design and manufacture high-pressure closures and other fabricated products for oil and gas, water pipelines and miscellaneous industrial applications.

Our manufacturing contracts for the truck components and assemblies markets are often sole-source by part number. Part numbers may be specified for inclusion in a single model or a range of models. Where we are the sole-source provider by part number, we are generally the exclusive provider to our customer of those specific parts for the duration of the manufacturing contract.

Sypris Technologies also manufactures energy-related products such as pressurized closures, insulated joints and other specialty products, primarily for oil and gas pipelines and related energy markets. These products are an important source of diversified revenues, which has become an area of greater focus for the Company. We are committed to exploring new product developments and potential new markets for our energy-related products, which will also be an increasing area of focus for the Company going forward.

Sypris Technologies represented approximately 43% of our net revenues in 2025.

Sypris Electronics. Sypris Electronics generates revenue primarily through circuit card and full box build manufacturing, high reliability manufacturing, systems assembly and integration, design for manufacturability and design to specification, for customers in the aerospace, defense, space and other high-reliability electronics markets. This includes circuit card assemblies for electronic sensors and systems including radar systems, tactical ground stations, navigation systems, weapons systems, targeting and warning systems and those used in the nation's high priority space programs.

We provide our customers with a broad variety of value-added solutions, from low-volume prototype assembly to high-volume turnkey manufacturing. Our manufacturing contracts for the aerospace and defense electronics market are generally sole-source by part number. Our customers include large aerospace and defense companies such as Northrop Grumman Corporation (Northrop Grumman), Lockheed Martin (Lockheed), L3Harris Technologies (L3Harris), Collins Aerospace Systems (RTX Corporation), BAE Systems (BAE) and Analog Devices, Inc. (ADI). We serve as a subcontractor on U.S. government programs and do not serve as a prime contractor to the U.S. government.

The engineering and manufacturing of highly complex components for the aerospace and defense industries is a fragmented industry with no dominant player in the market. The industry has continued to grow with more companies developing printed circuit board assembly capabilities and others entering the market via mergers and acquisitions of smaller companies. The competitive business environment, together with evolving U.S. federal spending and Department of War ("DoW") funding priorities, has influenced Sypris Electronics' operating environment, even as demand across key defense and space markets has strengthened in recent periods.

During 2024 and 2025, we announced new program awards and releases for Sypris Electronics, with certain programs continuing into 2026. In addition to contract awards from DoW prime contractors related to weapons systems, electronic warfare and infrared countermeasures in our traditional aerospace and defense markets, we have also been awarded subcontracts for manufacturing services to the communication and navigation markets, which require our advanced capabilities for delivering products for complex, high cost of failure platforms.

The Administration published its FY 2026 budget request in June 2025. The budget request includes \$848.3 billion in the base budget (discretionary) funding, and \$113.3 billion in reconciliation (mandatory) funding for the DoW. The One Big Beautiful Bill Act passed the Senate and House and was signed by the President on July 4, 2025. The bill provides more than \$150 billion in mandatory funding (inclusive of the \$113.3 billion) for DoW available until September 30, 2029.

The National Defense Authorization Act (NDAA) for FY2026 was signed into law on December 18, 2025. This legislation authorizes \$901 billion for defense spending which includes an \$8 billion increase over the President's DoW budget request. On November 12, 2025, the President signed into law a continuing resolution funding the DoW through January 30, 2026. On January 20, 2026, Congress unveiled its final appropriations package, which includes the Defense Appropriations Act conference report. This legislation provides \$839.2 billion in funding for the DoW representing an \$8.4 billion increase over the topline in the President's DoW budget request. On February 3, 2026, the Consolidated Appropriations Act of 2026 was passed, which further extended government funding through September 30, 2026.

While the U.S. presidential administration has announced their proposal for a significant increase in defense spending in FY 2027, we anticipate the federal budget, debt ceiling and regulatory environment will continue to be subject to debate and compromise shaped by, among other things, the new U.S. presidential administration and Congress, heightened political tensions, the global security environment, inflationary pressures, and macroeconomic conditions. The result may be shifting funding priorities, which could have material impacts on defense spending broadly, and the effect on individual programs or our results cannot be predicted at this time. Additionally, the U.S. presidential administration continues to take steps to evaluate government-wide and defense-specific staffing and procurement, which includes assessing mission priorities, procurement methods, program performance, and other factors and then potentially taking action based on those assessments. The impact on demand for our products and services and our business are difficult to predict.

We expect to compete for follow-on business opportunities as a subcontractor on future builds of several existing government programs. However, the federal budget and debt ceiling are expected to continue to be the subject of considerable uncertainty and the impact on demand for our products and services and our business are difficult to predict.

Sypris Electronics accounted for approximately 57% of net revenue in 2025.

Our Markets

Sypris Technologies. The industrial manufacturing markets of this segment include automotive, truck and off-highway components and assemblies and specialty closures. The automotive, truck and off-highway components and assemblies market consists of the original equipment manufacturers, or OEMs, including FCA, Freightliner, GM, Mack, Navistar, PACCAR and Volvo, and an extensive supply chain of companies of all types and sizes that are classified into different levels or tiers. Tier 1 companies represent the primary suppliers to the OEMs and include Cummins Inc., Meritor, Detroit Diesel Corporation (Detroit Diesel), American Axle & Manufacturing Holdings, Inc. (America Axle) and Transmisiones y Equipos Mecanicos, S.A. de C.V. (Tremec), among others. Below this group of companies reside numerous suppliers that either supply the OEMs directly or supply the Tier I companies. In all segments of the truck components and assemblies market, however, suppliers are under intense competitive pressure to improve product quality and to reduce capital expenditures, production costs and inventory levels. The customers for our specialty closure products consists primarily of operators and builders of oil and gas pipelines, which are also facing significant pressures to improve quality, reduce costs and defer capital expenditures.

Sypris Electronics. Although we believe that our programs are well aligned with national defense and other priorities, shifts in domestic and international spending and tax policy, changes in security, defense and intelligence priorities, the affordability of our products, changes in or preferences for new or different technologies, general economic conditions, tariffs and other factors may affect the level of funding for existing or proposed programs.

Market conditions for our electronic manufacturing business are characterized by a number of factors. The nature of providing manufactured products to the aerospace and defense electronics industry as well as other regulated markets differs substantially from the commercial electronics manufacturing industry. The cost of failure can be significant, the manufacturing requirements are typically complex and products are produced in relatively small quantities. Companies within this industry are required to maintain and adhere to a number of strict and comprehensive certifications, security clearances and traceability standards.

Supply chain volatility has been the primary driver for disruptions in the electronics manufacturing market for the past several years. Certain electronic component price increases and extensive lead-time issues are prevalent in many of the segments in the electronic manufacturing industry that we serve. These increases and extended lead times are expected to continue for the foreseeable future. We are working with our customers to qualify alternative components or suppliers to mitigate the impact on our business. The majority of our aerospace and defense programs require specific components that are sole-sourced from specific suppliers; therefore, the resolution of supplier constraints requires coordination with our customers or the end-users of the products.

Our Business Strategy

Our objective is to improve our position in each of our core markets by increasing the number of multi-year relationships with customers and investing in highly innovative and efficient production capacity to remain competitive on a global scale. We intend to serve our customers and achieve this objective by continuing to:

Concentrate on our Core Markets. We are a significant supplier of forged, machined, welded and heat-treated components and subassemblies, serving the commercial vehicle, off highway vehicle, light truck and energy markets in North America. We have been an established supplier to major aerospace and defense companies and agencies of the U.S. Government for over 40 years. We will continue to focus on those markets where we have the expertise, capacity and qualifications to achieve a competitive advantage.

Dedicate our Resources to Support Strategic Partnerships. We will continue to prioritize our resources to support the needs of industry leaders that embrace multi-year contractual relationships as a strategic component of their supply chain management and have the potential for long-term growth. We prefer contracts that are sole-source by part number so we can work closely with the customer to the mutual benefit of both parties.

Pursue the Strategic Acquisition of Assets. Over the long-term, we may consider the strategic acquisition of assets to consolidate our position in our core markets, expand our presence outside the U.S., create or strengthen our relationships with leading companies and expand our range of products in return for multi-year supply agreements. We will consider assets that can be integrated with our core businesses and that can be used to support other customers, thereby improving asset utilization and achieving greater productivity, flexibility and economies of scale.

Grow Through the Addition of New Value-Added Manufacturing Capabilities. We hope to grow through the addition of new value-added manufacturing capabilities and the introduction of additional components in the supply chain that enable us to provide a more complete solution by improving quality and reducing product cost, inventory levels and cycle times for our customers. In many instances, we offer a variety of state-of-the-art machining capabilities to our customers in the industrial manufacturing markets that enable us to reduce labor and shipping costs and minimize cycle times for our customers over the long-term, which we believe will provide us with additional growth opportunities in the future.

We believe that the number and duration of our strategic customer relationships should grow to enable us to invest in our business with greater certainty and with less risk. The investments we make in support of these relationships are targeted to provide us with the productivity, flexibility, technological edge and economies of scale that we believe will help to differentiate us from the competition in the future when it comes to cost, quality, reliability and customer service.

Customer Concentration

Our five largest customers in 2025 were Northrop Grumman, Detroit Diesel, SubCom, LLC (SubCom), ADI and Sistemas Automotrices de Mexico, S.A de C.V. (Sistemas), which in the aggregate accounted for 63% of net revenue. Our five largest customers in 2024 were Northrop Grumman, Sistemas, Detroit Diesel, SubCom and ADI, which in the aggregate accounted for 70% of net revenue. In 2025, Northrop Grumman, Detroit Diesel and SubCom, represented approximately 23%, 13% and 11% of our net revenue, respectively. In 2024, Northrop Grumman, Sistemas, and Detroit Diesel, represented approximately 23%, 21% and 11% of our net revenue, respectively. No other customer accounted for more than 10% of our net revenue in 2025 or 2024.

Geographic Areas and Currency Fluctuations

Our operations are located in the U.S. and Mexico. Our Mexican subsidiary is a part of Sypris Technologies and manufactures and sells a number of products similar to those Sypris Technologies produces or previously produced in the U.S. In addition to normal business risks, operations outside the U.S. may be subject to a greater risk of changing political, economic and social environments, changing governmental laws and regulations, currency revaluations and market fluctuations. Fluctuations in foreign currency exchange rates have primarily impacted our earnings only to the extent of remeasurement gains or losses related to U.S. dollar denominated accounts of our foreign subsidiary, because the vast majority of our transactions are denominated in U.S. dollars. For each of the years ended December 31, 2025 and 2024, “other (income) expense, net” included foreign currency translation losses of less than \$0.3 million.

Net revenues from our Mexican operations were \$31.7 million, or 26%, and \$53.3 million, or 38%, of our consolidated net revenues in 2025 and 2024, respectively. In 2025, net loss from our Mexican operations was \$0.1 million, as compared to our consolidated net loss of \$6.3 million. In 2024, net income from our Mexican operations was \$2.6 million, as compared to our consolidated net loss of \$1.7 million. You can find more information about our regional operating results, including our export sales, in Note 21 to our consolidated financial statements included in Item 8 of this Annual Report on Form 10-K.

Sales and Business Development

Our principal sources of new business originate from the expansion of existing relationships, referrals and direct sales through senior management, direct sales personnel, domestic and international sales representatives, distributors and market specialists. We supplement these selling efforts with a variety of sales literature, advertising in trade media and participating in trade shows. We also utilize engineering specialists to facilitate the sales process by working with potential customers to reduce the cost of the products they need. Our specialists achieve this objective by working with the customer to improve their product’s design for ease of manufacturing or by reducing the amount of set-up time or material that may be required to produce the product. The award of contracts or programs can be a lengthy process, which in some circumstances can extend well beyond 24 months. Upon occasion, we commit resources to potential contracts or programs that we ultimately do not win.

Our objective is to increase the value we provide to the customer on an annual basis beyond the contractual terms that may be contained in a supply agreement. To achieve this objective, we commit to the customer that we will continuously look for ways to reduce the cost, improve the quality, reduce the cycle time and improve the life span of the products we supply the customer. Our ability to deliver on this commitment over time is expected to have a significant impact on customer satisfaction, loyalty and follow-on business.

We have signed long-term supply agreements with Detroit Diesel, Volvo, Tremec and Sistemas. We have launched the Sypris Ultra® axle shaft with Detroit Diesel and have strong interest from others within the customer base who are interested in this patented product. We are continuing to explore other opportunities as they arise and have a significant number of outstanding quotations in progress, but there can be no assurances that our efforts to develop new sources of revenues will be successful.

Competition

The markets that we serve are highly competitive, and we compete against numerous domestic and international companies in addition to the internal capabilities of some of our customers. In the industrial manufacturing markets, we compete primarily against other component suppliers such as Ramkrishna Forgings Limited, Mid-West Forge, Inc., GNA Axles Limited, Brunner International, Inc., Bharat Forge, Commercial Forged Products, Spencer Forge and Machine, Inc., Traxle, T.D. Williamson Inc. and National Oilwell Varco, Inc., certain of which serve as suppliers to many Tier I and smaller companies. In the aerospace and defense electronics market, we compete primarily against other component suppliers such as Celestica Inc., Jabil Circuit, Inc. and Spartronics. We may face new competitors in the future as the outsourcing industry evolves and existing or start-up companies develop capabilities similar to ours. In addition, we will face new competitors as we attempt to increase and expand our business.

We believe that the principal competitive factors in our markets include the availability of capacity, currency exchange rates (especially in low-cost countries), technological capability, flexibility, financial strength and timeliness in responding to design and schedule changes, and the price, quality and delivery requirements of our customers. Although we believe that we generally compete favorably with respect to many of these factors, some of our competitors, as compared to us, are larger and have greater financial and operating resources, greater geographic breadth and range of products, customer bases and brand recognition than we do. We also face competition from manufacturing operations of our current and potential customers that continually evaluate the relative benefits of internal manufacturing compared to outsourcing.

Suppliers

For portions of our business, we purchase raw materials and component parts from our customers or from suppliers chosen by our customers, at prices negotiated by our customers. When these suppliers increase their prices, cause delays in production schedules or fail to meet our customers' quality standards, these customers have typically agreed to reimburse us for the costs associated with such price increases and not to charge us for costs caused by such delays or quality issues. Accordingly, our risks are largely limited to accurate inspections of such materials, timely communications and the collection of such reimbursements or charges, along with any additional costs incurred by us due to delays in, interruptions of, or non-optimal scheduling of production schedules. However, for a meaningful part of our business, we arrange our own suppliers and assume the additional risks of price increases, quality concerns and production delays.

Raw steel and fabricated steel parts are a major component of our cost of sales and net revenue for the industrial manufacturing business. We purchase a portion of our steel for use in this business at the direction of our customers, with periodic changes in the price of steel being reflected in the prices we are paid for our products. Increases in the costs of steel or other supplies can increase our working capital requirements, scrap expenses and borrowing costs.

The Company has encountered a greater number of electronic component shortages and extended lead time issues due to shortages of certain components in the marketplace for the Sypris Electronics business. These shortages and extended lead times are expected to continue for the foreseeable future. This may result in increased prices, extension of our product delivery dates, and increased inventory levels for these components as we secure the necessary components from our suppliers or alternative suppliers.

There can be no assurance that supply interruptions, tariffs or price increases will not slow production, delay shipments to our customers or increase costs in the future, any of which could adversely affect our financial results. Delays, interruptions or non-optimal scheduling of production related to disruptions in raw materials supplies can be expected to increase our costs.

Patents, Trademarks and Licenses

We own or license a number of patents and trademarks, but our business as a whole is not materially dependent upon any one patent, trademark, license or technologically related group of patents or licenses.

We regard our manufacturing processes and certain designs as proprietary trade secrets and confidential information. We rely largely upon a combination of trade secret laws, non-disclosure agreements with customers, suppliers and consultants, and our internal security systems, confidentiality procedures and employee confidentiality agreements to maintain the trade secrecy of our designs and manufacturing processes.

Government Regulation

Our operations are subject to compliance with regulatory requirements of federal, state and local authorities, in the U.S. and Mexico, including regulations concerning financial reporting and controls, labor relations, minimum pension funding levels, export and import matters, health and safety matters and protection of the environment. While compliance with applicable regulations has not adversely affected our operations in the past, there can be no assurance that we will continue to be in compliance in the future or that these regulations will not change or that the costs of compliance will not be material to us.

We must comply with detailed government procurement and contracting regulations and with U.S. Government security regulations, certain of which carry substantial penalty provisions for nonperformance or misrepresentation in the course of negotiations. Our failure to comply with our government procurement, contracting or security obligations could result in penalties or our suspension or debarment from government contracting, which would have a material adverse effect on our consolidated results of operations.

We are required to maintain U.S. Government security clearances in connection with certain activities of Sypris Electronics. These clearances could be suspended or revoked if we were found not to be in compliance with applicable security regulations. Any such revocation or suspension would delay our delivery of products to customers. Although we have adopted policies designed to ensure compliance with applicable regulations, there can be no assurance that the approved status of our facilities or personnel will continue without interruption.

We are also subject to comprehensive and changing federal, state and local environmental requirements, both in the U.S. and in Mexico, including those governing discharges to air and water, the handling and disposal of solid and hazardous wastes and the remediation of contamination associated with releases of hazardous substances. We use hazardous substances in our operations and, as is the case with manufacturers in general, if a release of hazardous substances occurs on or from any properties that we may own or operate, we may be held liable and may be required to pay the cost of remedying the condition. The amount of any resulting liability could be material.

Human Capital

As of December 31, 2025, we had a total of 548 employees, of which 406 were engaged in manufacturing, 14 were engaged in sales and marketing, 62 were engaged in engineering and 66 were engaged in administration. Approximately 224 of our employees were covered by collective bargaining agreements with various unions that expire on various dates through 2028. Our ability to maintain our workforce depends on our ability to attract and retain new and existing customers. Although we believe overall that relations with our labor unions are positive, there can be no assurance that present and future issues with our unions will be resolved favorably, that negotiations will be successful or that we will not experience a work stoppage, which could adversely affect our consolidated results of operations.

Throughout our Company's history, we always recognized that people drive the strength of our business and our ability to effectively serve our customers and sustain our competitive position. We are focused on harmonizing our approach to talent to provide seamless opportunities and better experiences to our employees.

We have a Code of Conduct ("Code of Conduct") applicable to all of our employees, our officers and directors and others (such as contractors) performing services for the Company. The Code of Conduct creates expectations and provides guidance on how to carry out our activities in accordance with our purpose, values and ethics, as well in compliance with applicable laws and Company policies. Our Code of Conduct includes topics such as anti-corruption, conflict of interest, discrimination, environmental responsibility, harassment, privacy, political activities, appropriate use of Company assets, protecting confidential information, and reporting Code of Conduct violations. It is used to reinforce our passion for operating in a fair, honest, responsible and ethical manner. The Code of Conduct also emphasizes the importance of having an open, welcoming environment in which all employees feel empowered to do what is right and are encouraged to voice concerns should violations of the Code of Conduct be observed. All employees are required to complete training on the Code of Conduct annually.

In an effort to ensure business continuity of our operations during events where senior leadership personnel is impacted, we endeavor each year to examine the top roles within our corporate and subsidiary organizations and identify individuals who could step into those positions if called upon to do so and to identify a set of individuals who could do so with additional time, experience and development. This succession planning exercise is conducted annually and reviewed with the Board of Directors.

Through our safety and health program we seek to optimize our operations with targeted safety, health and wellness opportunities designed to provide safe work conditions, and a healthy work environment. The health and wellness of our employees are critical to our success.

For information on the risks related to our human capital resources, see Item 1A – Risk Factors.

Internet Access

Copies of our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available free of charge through our website (www.sypris.com) as soon as reasonably practicable after we electronically file the material with, or furnish it to, the Securities and Exchange Commission (“SEC”). The SEC maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, including us, at www.sec.gov. The references to these website addresses do not constitute incorporation by reference of the information contained on the websites, which should not be considered part of this document.

Item 1A. Risk Factors

A number of significant risk factors could materially affect our business operations and cause our performance to differ materially from any future results projected or implied by our prior statements, including those described below. Many of these risk factors are also identified in connection with the more specific descriptions of our business and results of operations contained throughout this report.

Customers and Revenue Growth Risks

We seek to generate new business revenues to support our ongoing operations.

We had net losses of \$6.3 million and \$1.7 million in 2025 and 2024, respectively. We believe that we need to increase our revenues through new business generation in order to operate profitably. We are working to increase our revenues with new and existing customers. However, if we are not successful in maintaining or increasing our revenues, we may be unable to maintain the critical mass of capital investments or talented employees that are needed to succeed in our chosen markets or to maintain our existing facilities, which could result in restructuring or exit costs. As we work to expand our customers and our products, we must also effectively manage a more diverse production schedule to avoid slowing our production output. As we are awarded new products with new customers, we must onboard new operational processes in an effective and efficient manner. We cannot assure you that we will be successful in maintaining or increasing our revenues with new and existing customers to a level necessary to support our working capital requirements or to achieve profitability.

Even when we are chosen by a new or existing customer for new business, there can be no assurance that we will be able to successfully complete final contract negotiations on acceptable terms or at all. In many cases, we announce significant contract “orders”, “wins” or “awards” before final contract negotiations are complete, and there is a chance that these new announced contract orders, wins or awards may not result in a definitive agreement or the expected amount of revenues or profits. We cannot guarantee that any particular contract with a customer will result in the anticipated level of revenue or profitability.

We depend on a few key customers in challenging industries for most of our revenues.

Our five largest customers in 2025 were Northrop Grumman, Detroit Diesel, SubCom, ADI, and Sistemas, which in the aggregate accounted for 63% of net revenue. The loss of any of these customers or any other significant customer, or the renewal of business on less favorable terms, would have a material adverse impact on our business and results of operations. Due to our customer concentration, if one or more of our major customers were to experience difficulties in fulfilling their obligations to us, cease doing business with us, significantly reduce the amount of their purchases from us, favor competitors or new entrants or change their purchasing patterns, our business may be harmed.

The truck components and assemblies industry has experienced consolidation, credit risk, highly cyclical market demand, labor unrest, rising steel costs, extensive raw material lead-times, bankruptcies and other obstacles. The demand for our energy-related products lines, historically, has risen and fallen with the prices of oil and/or natural gas, as our customers’ capital expenditures budgets tend to be dependent upon energy prices. We depend on the continued growth and financial stability of customers in these industries and our core markets, as well as general economic conditions. Adverse changes affecting these customers, markets or economic conditions could harm our operating results.

The aerospace and defense electronics industry has experienced consolidation, increased competition, disruptive new technologies and uncertain funding levels. The aerospace and defense industry is also pressured by cyclicity, component obsolescence and shortages, rapid technological change, shortening product life cycles, decreasing margins, and government procurement and certification processes. Our aerospace and defense business must continue to replenish key legacy programs with new technologies if we are to successfully maintain or expand our market share. Our failure to address any of these factors could impair our ability to grow and diversify our base of customers in this segment.

There can be no assurance that any of our customers will not default on, delay or dispute payment of, or seek to reject our outstanding invoices in bankruptcy or otherwise. In addition, the existence of these factors may result in fewer customers in our target markets due to consolidation, bankruptcy, competitive or other market reasons, making it more difficult to obtain new clients and diversify our customer base in the near future.

The Company's operating results can be adversely affected by inflation, changes in the cost or availability of labor, raw materials, energy, transportation and other necessary supplies and services, as well as the impact of proposed or imposed tariffs by the U.S. government on imports to the U.S. and/or the imposition of retaliatory tariffs by foreign countries.

We are currently experiencing inflationary pressures on our operating costs. Competition for labor is becoming more acute and we have experienced increased labor costs as a result. For significant portions of our business, we purchase raw materials and component parts which have been designated or specified by our customers, at prices negotiated by our customers. Raw material price fluctuations and volatility in the commodity markets, including tariffs and trade restriction could impact prices in the future. In any event, for a growing part of our business, we arrange our own suppliers and we could be impacted by the risks of any price increases, trade restrictions or production delays. Increases in the costs of steel or other supplies could also increase our working capital requirements and scrap expenses. In addition, we have experienced increased costs for the transportation of our products. We may not be able to fully offset any cost increases through cost reduction programs or price increases of our products, especially given the competitive environment. If we are not able to sufficiently increase our pricing to offset these increased costs or if increased costs and prolonged inflation continue, it could materially and adversely affect our business, operating results and profitability. Sustained price increases may lead to declines in volume. While we seek to project tradeoffs between price increases and volume, our projections may not accurately predict the volume impact of price increases. In addition, volatility in certain commodity markets could significantly affect our production cost.

Our business benefits from free trade agreements, such as the United States-Mexico-Canada Agreement and efforts to withdraw from, or substantially modify such agreement in addition to the implementation of more restrictive trade policies, such as more detailed inspections, higher tariffs, import or export licensing requirements and exchange controls or new barriers to entry, could limit our ability to capitalize on current and future growth opportunities in international markets, impair our ability to expand the business by offering new technologies, products and services, and could adversely impact our production costs, customer demand and our relationships with customers and suppliers. Any of these consequences could have a material adverse effect on our results of operations, financial condition and cash flows.

The executive branch of the U.S. government is granted broad authority under Section 232 of the Trade Expansion Act of 1962, as amended, to restrict imports in the interest of national security by imposing tariffs. Tariffs imposed on imported steel and other goods and raw materials could raise the costs associated with manufacturing our products. In general, there can be no assurance that any price fluctuations relating to tariffs or trade restrictions will not reduce demand, slow production, delay shipments to our customers or increase our costs in the future, any of which could adversely affect our financial results. If tariffs are imposed on the products we manufacture or on our customers' goods containing components sourced from us, our sales could be negatively impacted. Although we strive to collaborate with our customers to recover part of any increased costs and with our suppliers to mitigate costs related to tariffs, there's no guarantee that our financial performance will not be impacted by proposed or imposed tariffs or changes in trade policies.

Customer contracts could be less profitable than expected.

We generally bear the risk that our contracts could be unprofitable or less profitable than planned, despite our estimates of revenues and future costs to complete such contracts.

A material portion of our business, historically, has been conducted under multi-year contracts, which generally include fixed prices or periodic price reductions without minimum purchase requirements. Over time, our revenues may not cover any increases in our operating costs which could adversely impact our results. Our financial results are at greater risk when we accept contractual responsibility for raw material or component prices, when we cannot offset price reductions, freight penalties, importation fees and cost increases with operating efficiencies or other savings, when we must submit contract bid prices before all key design elements are finalized or when we are subjected to other competitive pressures which erode our margins. The profitability of our contracts also can be adversely affected by unexpected start-up costs on new programs, inability to negotiate milestone billings, operating inefficiencies, scheduling constraints, ineffective capital investments, inflationary pressures or inaccurate forecasts of future unit costs.

Unexpected changes in our customers' demand levels and our inability to execute our production efficiently have harmed our operating results in the past and could do so in the future. Many of our customers will not commit to firm production or delivery schedules. Inaccurate forecasting of our customers' requirements can disrupt the efficient utilization of our manufacturing capacity, inventories or workforce and can cause increases in our inventory and working capital levels. If we receive unanticipated orders or rapid increases in demand, these incremental volumes could be unprofitable due to the higher costs of operating above our optimal capacity. Disagreements over pricing, quality, delivery, capacity, exclusivity or trade credit terms could disrupt order schedules. Orders may also fluctuate due to changing global capacity and demand, new products, changes in market share, reorganizations or bankruptcies, material shortages, labor disputes, freight costs, tariffs or other factors that discourage outsourcing. Unanticipated interruptions in our production schedule may limit our ability to satisfy customers' contractual requirements and we could be responsible for lost profits or penalties for delays in delivery. These forces could increase, decrease, accelerate, delay or cancel our delivery schedules and could have a material adverse effect on our results of operations, financial condition and cash flows.

Congressional budgetary constraints or reallocations could reduce our government related sales.

Sypris Electronics serves as a contractor for large aerospace and defense companies such as Northrop Grumman, BAE Systems and Collins Aerospace, typically under federally funded programs, which represented approximately 45% and 36% of net revenue in 2025 and 2024, respectively.

Budget uncertainty, the potential for U.S. Government shutdowns, the use of continuing resolutions, and the federal debt ceiling can adversely affect our industry and the funding for our programs. If appropriations are delayed or a government shutdown were to occur and were to continue for an extended period of time, we could be at risk of program cancellations and other disruptions and nonpayment. When the U.S. Government operates under a continuing resolution, new contract and program starts are restricted and funding for our programs may be unavailable, reduced or delayed. Shifting funding priorities or federal budget compromises, also could result in reductions in overall defense spending on an absolute or inflation-adjusted basis, which could adversely impact our business.

We expect to compete for follow-on business opportunities as a subcontractor on future builds of several existing government programs. However, the federal budget and debt ceiling are expected to continue to be the subject of considerable uncertainty and the impact on demand for our products and services and our business are difficult to predict.

Trends in oil and natural gas prices could adversely affect the level of exploration, development and production activity of certain of our customers and the demand for our services and products.

Demand for our services and products is sensitive to the level of exploration, development and production activity of, and the corresponding capital spending by, oil and natural gas companies, including national oil companies, regional exploration and production providers, and related service providers. The level of exploration, development and production activity is directly affected by trends in oil and natural gas prices, which historically have been volatile and are likely to continue to be volatile.

Prices for oil and natural gas are subject to large fluctuations in response to relatively minor changes in the supply of and demand for oil and natural gas, market uncertainty, and a variety of other economic factors that are beyond our control. Any prolonged reduction in oil and natural gas prices will depress the immediate levels of exploration, development and production activity, which could have an adverse effect on our business, results of operations and financial condition. Even the perception of longer-term lower oil and natural gas prices by oil and natural gas companies and related service providers can similarly reduce or defer major expenditures by these companies and service providers given the long-term nature of many large-scale development projects. Oil prices are particularly sensitive to actual and perceived threats to global political stability and to changes in production from OPEC member states. The outbreak or escalation of military hostilities, including between Russia and Ukraine, Israel and Hamas, the U.S., Israel and Iran, continued instability in the Middle East, and the potential destabilizing effect such conflicts may pose for the global oil and natural gas markets could impact demand for our products and adversely affect our profitability. Additionally, potential climate change regulation, including a potential carbon tax, could adversely affect the level of exploration, development and production activity of certain of our customers and the demand for our services and products.

Competition Risks

Increasing competition could limit or reduce our market share.

As an outsourced manufacturer, we operate in highly competitive environments that often include our customers' internal capabilities. We believe that the principal competitive factors in our markets include the availability of manufacturing capacity, increasingly unfavorable currency exchange rates (especially in low-cost countries), technological strength, speed and flexibility in responding to design or schedule changes, price, quality, delivery, cost management and financial strength. Our earnings could decline if our competitors or customers can provide comparable speed and quality at a lower cost, or if we fail to adequately invest in the range and quality of products and manufacturing capabilities our customers require.

Most of our competitors are larger and have greater financial and organizational resources, geographic breadth and range of products, customer bases and brand recognition than we do. As a result, our competitors may respond more quickly to technological changes or customer needs, consume lower fixed and variable unit costs, negotiate reduced component prices, and obtain better terms for financing growth. If we fail to compete in any of these areas, we may lose market share and our business could be seriously harmed. There can be no assurance that we will not experience increased competition or that we will be able to achieve profitability as these new challenges arise.

Our technologies could become obsolete, reducing our revenues and profitability.

The markets for our products are characterized by changing technology and continuing process development. The future of our business will depend in large part upon the continuing relevance of our technological capabilities. We could fail to make required capital investments, develop or successfully market products that meet changing customer needs and anticipate or respond to technological changes in a cost-effective and timely manner. Our inability to successfully launch or sustain new or next generation programs or product features, especially in accordance with budgets or committed delivery schedules, could materially adversely affect our financial results. We could encounter competition from new or developing technologies that render our technologies and equipment less profitable or obsolete in our chosen markets and our operating results may suffer. In particular, the Company is currently ramping production on certain programs and also continuing to pursue new programs in an attempt to increase Sypris Electronics' revenues. However, the initial production phase of new programs and substantial increases in production volumes may be costly and can be slower than anticipated. Increasing production volumes to meet customer demand within Sypris Electronics may not be successful.

Execution Risks

Contract terminations or delays could harm our business.

We often provide products under contracts that contain detailed specifications, quality standards and other terms. If we are unable to perform in accordance with such terms, our customers might seek to terminate such contracts, demand price concessions or other financial consideration or downgrade our performance ratings or eligibility for new business. Moreover, many of our contracts are subject to termination for convenience or upon default. These provisions could provide only limited recoveries of certain incurred costs or profits on completed work and could impose liabilities for our customers' costs in procuring undelivered items from another source. If any of our significant contracts were to be repudiated, terminated or not renewed, we could lose substantial revenues, and our operating results as well as prospects for future business opportunities could be adversely affected.

We are subject to various audits, reviews and investigations, including private party "whistleblower" lawsuits, relating to our compliance with federal and state laws. Should our business be charged with wrongdoing, or determined not to be a "presently responsible contractor," we could be temporarily suspended or debarred from receiving new government-approved subcontracts.

We must operate more efficiently.

If we are unable to improve the cost, efficiency and yield of our operations, and if we are not able to control costs, our financial results could suffer and we could be forced to sell assets, take on additional debt at higher costs or take other measures to restructure our operations or capital structure. A number of major obstacles could include:

- difficulties arising from our present financial condition, including difficulties in maintaining customer and supplier relationships and difficulties acquiring new business due to lingering concerns about our financial condition until we have returned to consistent profitability;

- efforts to increase our manufacturing capacity, maintain quality control systems and launch new programs, especially as we continue to increase production at each of our operating locations;
- the breakdown or the need for major repairs of critical machinery or equipment, especially as we increase production at our Mexico operations;
- the risk of warranty expenses and product liability claims, including the outcome of known or potential recall campaigns, if our products fail to meet or perform to specifications or cause property damage, injury or death;
- tariffs or trade restrictions imposed on imports or exports, particularly in the United States and Mexico;
- our ability to comply with exportation and importation regulations with an expanding global market;
- increased borrowing due to declines in sales;
- changes in anticipated product mix and the associated variances in our profit margins;
- the need to identify and eliminate our root causes of scrap;
- inventory risks due to forecasting errors, shifts in market demand, the unanticipated loss of future business, or the obsolescence and/or price erosion of raw materials or component parts on hand; and
- any inability to successfully manage growth, contraction or competitive pressures in our primary markets.

Our management or systems could be inadequate to support our existing or future operations. New customers or new contracts, particularly with new product offerings, could require us to invest in additional equipment or other capital expenditures which exceed our budgeted plans. We may have limited experience or expertise in installing or operating such equipment, which could negatively impact our ability to deliver products on time or with acceptable costs. In addition, a material portion of our manufacturing equipment requires significant ongoing maintenance to operate effectively, and we may experience maintenance and repair issues. Access to necessary supplies and component parts to support our equipment maintenance programs and repairs may not be available due to the age or complexity of the machinery and the timing or access to those supplies could impact our ability to meet production demands. The risk of technical failures, nonconformance with customer specifications, an inability to deliver next generation products or other quality concerns could materially impair our operating results. Similarly, expanding production for our energy-related products without effective process or quality controls could materially increase scrap rates and may impact the safety of our operating environment or expose our business to warranty risks and contractual violations.

Cybersecurity and artificial intelligence risks could negatively affect operations and result in increased costs.

Sypris Electronics, as a U.S. defense subcontractor, and our Company overall, face cybersecurity threats, threats to the physical security of our facilities and employees and terrorist or criminal acts, as well as the potential for business disruptions associated with information technology failures and natural disasters.

We routinely experience cybersecurity threats, threats to our information technology infrastructure and attempts to gain access to our sensitive information, as do our customers, vendors, suppliers and subcontractors, including the threat of ransomware attacks on our systems and the systems of third-party vendors and other parties with which we conduct business, all of which may become more pronounced in the event of geopolitical events and other uncertainties, such as the military hostilities between Russia and Ukraine, Israel and Hamas, and the U.S., Israel and Iran. Prior cyber attacks directed at us have resulted in security breaches, but to date have not had a material impact on our financial results. We have robust measures in place to address and mitigate cyber-related risks. However, we expect we will continue to experience additional attempted attacks in the future, including from nation states and criminal actors. We continue to invest in the cybersecurity and resiliency of our networks and products and to enhance our internal controls and processes, which are designed to help protect our systems and infrastructure, and the information they contain. The techniques used to obtain unauthorized access, disable or degrade service or sabotage systems are constantly evolving and often are not recognized until launched against a target, or even some time after. For example, the evolving use of artificial intelligence (“AI”) increases the risk of cyberattacks and data breaches, which themselves can evolve more rapidly when artificial intelligence is used to facilitate the attack. Despite our network and application security, threat intelligence services, internal control measures, and physical security procedures we employ to safeguard our systems, we may still be vulnerable to a security breach, intrusion, or loss or theft of confidential client data, transaction data, or proprietary company information, which may harm our business, reputation and future financial results. Use of artificial intelligence by our team members, whether authorized or unauthorized, could increase the risk that our intellectual property and other proprietary information may be unintentionally disclosed. We may be unable to anticipate these techniques, implement adequate preventative measures or remediate any intrusion on a timely or effective basis even if our security measures are appropriate, reasonable, and/or comply with applicable legal requirements. Certain efforts may be state-sponsored and supported by significant financial and technological resources, making them even more sophisticated and difficult to detect. Insider or employee cyber and security threats are also a significant concern for all companies, including ours. Use of artificial intelligence by team members, whether authorized or unauthorized, could increase the risk that intellectual property or other proprietary information is unintentionally disclosed. We depend on our customers, suppliers, and other business partners to implement adequate controls and safeguards to protect against and report cyber incidents. If they fail to deter, detect or report cyber incidents in a timely manner, we may suffer financial and other harm, including to our information, operations, performance, employees and reputation. Although we implement various measures and controls to monitor and mitigate risks associated with these threats and to increase the cyber resiliency of our infrastructure and products, there can be no assurance that these processes will be sufficient. Moreover, business policies and internal controls may not keep pace with rapidly evolving AI enabled threats. Successful attacks could lead to losses or misuse of sensitive information or capabilities; theft or corruption of data; harm to personnel, infrastructure or products; financial costs and liabilities and protracted disruptions in our operations and performance.

Although we work cooperatively with our customers and our suppliers, subcontractors, vendors and other partners to seek to minimize the impacts of cyber threats, other security threats or business disruptions, we must rely on the safeguards put in place by those entities, and those safeguards might not be effective.

The costs related to cybersecurity or other security threats or disruptions may not be fully insured or indemnified by other means. Additionally, obtaining external providers with expertise for assisting with the recovery from or defense against a cyber incident may not be obtainable on acceptable terms. Occurrence of any of these events could adversely affect our internal operations, the products we provide to customers, loss of competitive advantages derived from our research and development efforts, early obsolescence of our products, our future financial results, our reputation or our stock price.

Supplier Risks

Interruptions in the supply of key components and quality systems could disrupt production.

Some of our products require one or more components that are available from a limited number of providers or from sole-source providers. In the past, some of the materials we use, including steel, certain forgings or castings, capacitors and memory and logic devices, have been subject to industry-wide shortages or capacity allocations. As a result, suppliers have been forced to allocate available quantities among their customers, and we have not been able to obtain all of the materials desired. Some of our suppliers have struggled to implement reliable quality control systems which can negatively impact our operating efficiency and financial results. In downward business cycles, the tightening of credit markets has threatened the financial viability of an increasing number of suppliers of key components and raw materials and forced unanticipated shutdowns. Our inability to reliably obtain these or any other materials when and as needed has in the past and could in the future slow production or assembly, delay shipments to our customers, cause noncompliance with product certifications, impair the recovery of our fixed costs and increase the costs of recovering to customers’ schedules, including overtime, expedited freight, equipment maintenance, operating inefficiencies, higher working capital and the obsolescence risks associated with larger buffer inventories. Each of these factors could adversely affect operating results.

As discussed below, the Company experienced a liquidity shortfall beginning in the fourth quarter of 2023 and at various times during 2024, 2025 and into 2026. Suppliers may not sell to us given our liquidity position. If we are unable to purchase components from our suppliers, we may not be able to continue to service our customers which could adversely affect our financial position, results of operations and/or cash flows.

Shortages or increased costs of utilities could harm our business and our customers.

We and our customers depend on a constant supply of electricity and natural gas from utility providers for the operation of our respective businesses and facilities. In the past, we have experienced power outages which reduced our ability to deliver products and meet our customers' demand for those products. If we or our customers experience future interruptions in service from these providers, our production and/or delivery of products could be negatively affected. We have experienced increased costs due to the heavy consumption of energy in our production process, which have been offset through revised production schedules. However, if the cost of energy continues to increase, our results of operations and those of certain customers could be negatively impacted.

Access to Capital and Liquidity Risks

We may require additional financing to conduct our operations and to repay our outstanding debt obligations. We cannot be certain that additional capital will be available on terms acceptable to us, or at all.

As reflected in the consolidated financial statements, the Company reported a net loss of \$6.3 million and \$1.7 million for the year ended December 31, 2025, and 2024, respectively, and cash used in operations of \$5.7 million for the year ended December 31, 2025. The Company's net inventory increased significantly in 2023 primarily related to contracts with Sypris Electronics' aerospace and defense customers. Shipments to customers on certain of these contracts were delayed beyond the initial delivery dates, which negatively impacted the cycle time to convert inventory to cash. As a result, the Company experienced a liquidity shortfall beginning in the fourth quarter of 2023 and is continuing to aggressively manage working capital to improve liquidity. The shipment delays also contributed to an increase in trade payable balances with certain suppliers during 2023 and 2024. The Company successfully negotiated amended payment and other terms on the past due balances with certain suppliers and is continuing to work with suppliers to improve terms and maintain consistency in its supply chain relationships. The Company received the benefit of additional loans of \$2.5 million during year ended December 31, 2024, and \$3.0 million during the year ended December 31, 2025 from Gill Family Capital Management, Inc. ("GFCM"), an entity controlled by the Gill family that beneficially owns approximately 14.2% of our common stock, to help the Company manage its liquidity during those periods. Additionally, during the first quarter of 2026, the Company and GFCM amended the secured promissory note (the "Note") to extend the maturity dates for \$2.0 million of the obligation to April 1, 2027, \$2.0 million to April 1, 2028, \$5.0 million to April 1, 2029 and \$3.0 million to April 1, 2030 (see Note 12 to the consolidated financial statements in this Annual Report on Form 10-K).

Our ability to service our current liabilities and satisfy our debt obligations will require a significant amount of cash. If we are unable to achieve our forecasted revenue, or if our costs are higher than expected, we may be required to revise our plans to provide for additional cost-cutting measures, seek additional financing or to consider other strategic alternatives. We may not be able to secure additional financing on favorable terms, if at all.

Until we have returned to sustained levels of consistent profitability, our access to capital may be limited.

Until the Company is able to achieve and maintain consistent profitability, we may not be able to obtain financing. If we are unable to achieve and maintain profitability, we will need to use existing cash resources or liquidate other assets to fund operating losses. While we have borrowed from GFCM on acceptable terms in the past, there can be no assurances that any additional debt financing from GFCM will be available in the future.

Potential inquiries into or audits of our Paycheck Protection Program loan, as well as the results of any such inquiries or audits, could have a significant adverse effect on us and our financial condition.

The Company entered into a promissory note with BMO Harris Bank National Association ("BMO"), effective May 1, 2020, that provided for a loan in the amount of \$3.6 million (the "PPP Loan") pursuant to expansion of the Small Business Administration ("SBA") 7(a) loan program (the "Paycheck Protection Program" or "PPP"), established under the Coronavirus Aid, Relief, and Economic Security Act.

The U.S. Department of the Treasury and SBA have announced that SBA will conduct audits for PPP loans that exceed \$2 million. Should we be audited or reviewed by the U.S. Department of the Treasury or the SBA as a result of the PPP Loan or filing an application for forgiveness or otherwise, such audit or review could result in the diversion of management's time and attention, generate negative publicity and cause us to incur legal and reputational costs. If we were to be audited and receive an adverse outcome in such an audit, we could be required to return the full amount of the PPP Loan and may potentially be subject to civil and criminal fines and penalties. We may not have the resources to repay the PPP Loan if required to do so by the federal government.

On November 24, 2020, the Company submitted an application for forgiveness of the entire amount due on the PPP Loan. On June 28, 2021, the Company received notice from BMO that BMO had received confirmation from the SBA that the application for forgiveness of the PPP Loan had been approved. If it is subsequently determined that it must be repaid, we may be required to use a substantial portion of our cash flows from operations or proceeds from the sale of our assets to pay interest and principal on the PPP Loan. Any such repayment of the PPP Loan will reduce the funds available to us for working capital and other corporate purposes and may limit our ability to obtain additional financing for working capital or divert funds that are otherwise necessary to run our business. We cannot assure that our business will generate sufficient cash flow from operations or that future financing will be available to us in amounts sufficient to enable us to make required and timely repayments on our indebtedness, or to fund our operations. Additionally, though we believe we were eligible recipients of the PPP Loan under the PPP and our use of PPP Loan proceeds was in compliance with PPP rules and guidance, our receipt of the PPP Loan and the use of PPP Loan proceeds could result in negative publicity, or expose us to claims or potential liability under the federal False Claims Act, which prohibits the known filing of a false claim or the known use of false statements to obtain payment from the federal government, if it is determined that we were in fact not eligible to take the PPP Loan in the first instance.

Our ability to finance expansion or new business opportunities may be limited.

Our future liquidity and capital requirements depend on numerous factors other than bank borrowings or debt financing, including the pace at which we can effectively cut costs, increase revenues or successfully launch new products. We have pursued strategies that rely on research and development efforts to develop and commercialize our new products. We may not have the financial resources or be able to raise funds necessary to pursue these strategies under any future debt agreements which could further limit our ability to replace the loss of revenues. We may be unable fully to exploit or adequately to protect intellectual property rights resulting from our development efforts, which could materially affect our ability to compete, our reputation and our financial position, results of operations and/or cash flows.

Labor Relations Risks

We must attract and retain qualified employees while successfully managing related costs.

Our future success in a changing business environment, including during rapid changes in the size, complexity or skills required of our workforce, will depend to a large extent upon the efforts and abilities of our executive, managerial and technical employees. The loss of key employees could have a material adverse effect on our operations. Our future success will also require an ability to attract and retain qualified employees, especially those with engineering or production expertise in our core business lines.

Changes in our labor costs such as salaries, wages and benefits, or the cost of providing pension and other employee benefits, changes in health care costs, investment returns on plan assets and discount rates used to calculate pension and related liabilities or other requirements to accelerate the level of our pension fund contributions to reduce or eliminate underfunded liabilities, could lead to increased costs or disruptions of operations in any of our business units.

Disputes with labor unions could disrupt our business plans.

As of December 31, 2025, we had collective bargaining agreements covering approximately 224 employees (all of which were in Sypris Technologies), or 41% of our total employees. Excluding certain Mexico employees covered under an annually ratified agreement, there are no collective bargaining agreements expiring within the next twelve months. Certain Mexico employees are covered by an annually ratified collective bargaining agreement. These employees in Mexico represented approximately 36% of the Company's workforce, or 200 employees as of December 31, 2025. Our ability to maintain our workforce depends on our ability to attract and retain new and existing customers as well as maintain good relations with our employees and labor unions. We could experience a work stoppage or other disputes which could disrupt our operations or the operations of our customers and could harm our operating results.

Regulatory Risks

Environmental, natural disasters, health and safety risks could expose us to potential liability.

We are subject to a variety of environmental regulations relating to the use, storage, discharge and disposal of hazardous chemicals and substances used in our operations. If we fail to comply with present or future regulations, we could be forced to alter, suspend or discontinue our manufacturing processes and pay substantial fines or penalties.

Groundwater and other contamination has occurred at certain of our current and former facilities during the operation of those facilities by their former owners, and this contamination may occur at future facilities we operate or acquire. There is no assurance that environmental indemnification agreements we have secured from the former owners of certain of these properties will be adequate to protect us from liability. Additionally, certain property we sold which was designated as Brownfields is under development by the current owners and could expose us to future costs.

Our business is also subject to potential liabilities with respect to health and safety matters. We are required to comply with federal, state, local and foreign laws and regulations governing the health and safety of our workforce, and we could be held liable for damages arising out of human exposure to hazardous substances or other dangerous working conditions. Health and safety laws and regulations are complex and change frequently. As a result, our future costs to comply with such laws or the liabilities incurred in the event of any violations may increase significantly.

A natural disaster could disrupt our operations, or our customers' or suppliers' operations and could adversely affect our results of operations and financial condition. Although we have plans designed to mitigate the impact of natural disasters on our operations, those plans may be insufficient, and any catastrophe may disrupt our ability to manufacture and deliver products to our customers, resulting in an adverse impact on our business and results of operations. In addition, our global operations expose us to risks associated with public health crises, such as pandemics, epidemics, and quarantines or shutdowns related to public health crisis and other catastrophic events, which could harm our business and cause our operating results to suffer.

Changes in interest rates and asset returns could increase our pension funding obligations and reduce our profitability.

We have unfunded obligations under certain of our defined benefit pension plans. The valuation of our future payment obligations under the plans and the related plan assets are subject to significant adverse changes if the credit and capital markets cause interest rates and projected rates of return to decline. Such declines could also require us to make significant additional contributions to our pension plans in the future. A material increase in the unfunded obligations of these plans could also result in a significant increase in our pension expense in the future.

We may incur additional tax expense or become subject to additional tax exposure.

Our provision for income taxes and the cash outlays required to satisfy our income tax obligations in the future could be adversely affected by numerous factors. These factors include changes in the level of earnings in the tax jurisdictions in which we operate, changes in the valuation of deferred tax assets and liabilities, changes in our plans to repatriate the earnings of our non-U.S. operations to the U.S. and changes in tax laws and regulations.

Our income tax returns are subject to examination by federal, state and local tax authorities in the U.S. and tax authorities outside the U.S. The results of these examinations and the ongoing assessments of our tax exposures could also have an adverse effect on our provision for income taxes and the cash outlays required to satisfy our income tax obligations.

Adverse regulatory developments or litigation could harm our business.

Our businesses operate in heavily regulated environments. We must successfully manage the risk of changes in or adverse actions under applicable law or in our regulatory authorizations, licenses and permits, governmental security clearances or other legal rights to operate our businesses, to manage our work force or to import and export goods and services as needed. Our business activities expose us to the risks of litigation with respect to our customers, suppliers, creditors, stockholders or from warranty claims or product liability, environmental or asbestos-related matters. We also face the risk of other adverse regulatory actions, compliance costs or governmental sanctions, as well as the costs and risks related to our ongoing efforts to design and implement effective internal controls. While we maintain insurance coverage with respect to certain product liability claims or other legal claims, we may not be able to obtain such insurance on acceptable terms in the future, if at all, and any such insurance may not provide adequate coverage against product liability claims. In addition, product liability claims can be expensive to defend and can divert the attention of management and other personnel for significant periods of time, regardless of the ultimate outcome. Furthermore, even if we are successful in defending against a claim relating to our products, claims of this nature could cause our customers to lose confidence in our products and us.

General Risks

Fluctuations in foreign currency exchange rates have increased, and could continue to increase, our operating costs.

We have manufacturing operations located in Mexico. Excluding the cost of steel used in production, a significant portion of our operating expenses are denominated in the Mexican Peso. Currency exchange rates fluctuate daily as a result of a number of factors, including changes in a country's political and economic policies. Volatility in the currencies of our entities and the United States dollar, as well as inflationary costs, could seriously harm our business, operating results and financial condition. The primary impact of currency exchange fluctuations is on the cash, payables and expenses of our Mexican operating entities. Additionally, unexpected losses have occurred from increases in the value of the Mexican Peso relative to the United States dollar and further unexpected losses could occur, which could be material to our business, financial results, or operations.

Risks associated with climate change and other environmental impacts, and increased focus and evolving views of our customers, shareholders and other stakeholders on climate change issues, could negatively affect our business and operations.

The effects of climate change create short and long-term financial risks to our business, both in the U.S. and Mexico. We have significant operations located in regions that have been, and may in the future be, exposed to significant weather events and other natural disasters. Climate related changes can increase variability in or otherwise impact natural disasters, including weather patterns, with the potential for increased frequency and severity of significant weather events (e.g., flooding, hurricanes and tropical storms), natural hazards (e.g., increased wildfire risk), rising mean temperature and sea levels, and long-term changes in precipitation patterns (e.g., drought, desertification, and/or poor water quality). We expect climate change will continue to affect our facilities, operations, employees and communities in the future, particularly our Sypris Electronics facility. Our suppliers are also subject to natural disasters that could affect their ability to deliver or perform under our contracts, including as a result of disruptions to their workforce and critical infrastructure. Disruptions also impact the availability and cost of materials needed for manufacturing and could increase insurance and other operating costs.

Increased worldwide focus on climate change has led to legislative and regulatory efforts to combat both potential causes and adverse impacts of climate change, including regulation of greenhouse gas emissions. New or more stringent laws and regulations related to greenhouse gas emissions and other climate change related concerns may adversely affect us, our suppliers and our customers. Some of our facilities are, for example, engaged in manufacturing processes that produce greenhouse gas emissions, including carbon dioxide, or rely on products from others that do so. New and evolving laws and regulations could mandate different or more restrictive standards, could require capital investments to transition to low carbon technologies, could adversely impact our ongoing operations, and could require changes on a more accelerated time frame. Our suppliers may face similar challenges and incur additional compliance costs that are passed on to us. These direct and indirect costs may adversely impact our results.

The market price for our common stock has been volatile.

The market price of our common stock has been subject to wide price fluctuations in the past and could be subject to fluctuations in the future, in response to various factors, many of which are beyond our control and may be unrelated to our financial condition, operating performance, prospects or other indicators of value. These factors may include technical factors in the public trading market for our stock that may produce price movements that may or may not comport with macro, industry or company-specific fundamentals, including, without limitation, the sentiment of retail investors (including as it may be expressed on financial trading and other social media sites), the amount and status of short interest in our securities, access to margin debt, trading in options and other derivatives on our common stock, fractional share trading and other technical trading factors or strategies.

Our insurance coverage may be inadequate to cover all significant risk exposures.

We carry a range of insurance policies intended to protect our assets and operations, including general liability insurance and property damage insurance. While we endeavor to purchase insurance coverage appropriate to our risk assessment, we are unable to predict with certainty the frequency, nature or magnitude of claims for direct or consequential damages, and as a result our insurance program may not fully cover us for losses we may incur. In addition, as a result of a number of catastrophic weather and other events in the United States, insurance companies have incurred substantial losses and accordingly in many cases they have substantially reduced the nature and amount of insurance coverage available to the market, have broadened exclusions, and/or have substantially increased the cost of such coverage. It is likely that the tight insurance market will continue into the foreseeable future. Our business requires that we maintain various types of insurance. If such insurance is not available or not available on economically acceptable terms, our business could be materially and adversely affected.

Our insurance coverage, customer indemnifications or other liability protections may be unavailable or inadequate to cover all of our significant risks, which could adversely affect our profitability and overall financial position. We endeavor to obtain insurance from financially solid, responsible, highly rated counterparties in established markets to cover significant risks and liabilities (including, for example, natural disasters, space launches and on-orbit operations, cybersecurity, hazardous operations, energetics and products liability). Not every risk or liability can be insured, and insurance coverage is not always reasonably available. The policy limits and terms of coverage reasonably obtainable may not be sufficient to cover actual losses or liabilities. Even if insurance coverage is available, we are not always able to obtain it at a price or on terms acceptable to us or without increasing exclusions. Disputes with insurance carriers over the availability of coverage, and the insolvency of one or more of our insurers has affected and may continue to affect the availability or timing of recovery, as well as our ability to obtain insurance coverage at reasonable rates in the future. In some circumstances we may be entitled to certain legal protections or indemnifications from our customers through contractual provisions, laws or otherwise. However, these protections are not always available, are difficult to negotiate and obtain, are typically subject to certain terms or limitations, including the availability of funds, and may not be sufficient to cover our losses or liabilities. If insurance coverage, customer indemnifications and/or other legal protections are not available or are not sufficient to cover risks or losses, it could have a material adverse effect on our financial position, results of operations and/or cash flows.

We face other factors which could seriously disrupt our operations.

Many other risk factors beyond our control could seriously disrupt our operations, including: risks relating to war, future terrorist activities, or political uncertainties; risks relating to another pandemic, natural disasters or other casualties which could shut down our domestic or foreign facilities, disrupt transportation of products or supplies, increase the costs under our self-insurance program or change the timing and availability of funding in our aerospace and defense electronics markets; risks inherent in operating abroad, including foreign currency exchange rates, adverse regulatory developments, and miscommunications or errors due to inaccurate foreign language translations or currency exchange rates; or our failure to anticipate or to adequately insure against other risks and uncertainties present in our businesses including unknown or unidentified risks.

Item 1B. Unresolved Staff Comments

None.

Item 1C. Cybersecurity

Risk Management and Strategy

We maintain a cybersecurity and information security program, which leverages the National Institute of Standards and Technology (“NIST”) 800-171. Risks from cybersecurity threats are regularly evaluated as part of our broader risk management activities and as a fundamental component of our internal control system. The scope of our evaluation encompasses risks that may be associated with both our internally managed IT systems and key business functions and sensitive data operated or managed by third-party service providers.

Key personnel receive cybersecurity training regularly. Our IT team engages third-party vendors to assist with providing timely cybersecurity threat alerts in addition to monitoring cybersecurity threats and our defenses against cyberattacks. This monitoring includes the proactive identification of vulnerabilities in our systems with threat intelligence. The employees within our IT team who specialize in cybersecurity operations are responsible for coordinating and overseeing the activities of these third-party vendors.

Sypris has a managed service provider (MSP) for incident response of cybersecurity threats and cybersecurity incidents and is managed by the Chief Information Security Officer (“CISO”), who coordinates activities and monitors response performance. The CISO reports to the VP of Administration who prepares briefings to the Board of Directors, and other relevant committees. Our IT team evaluates security alerts received from our MSP, and any alert or threat that the MSP or the IT team identifies as a cybersecurity incident (such as a data security breach) is promptly escalated for further assessment and immediate remediation. Upon confirmation that a cybersecurity incident has occurred, our IT team will coordinate with our MSP and representatives from other internal departments, the VP of Administration, legal counsel and other service providers as needed. The VP of Administration directs the development of a coordinated response strategy, entailing risk containment, notification processes, system restoration, incident documentation and assessment.

The VP of Administration will notify the other members of our senior management team and the Chairman of the Finance and Audit Committee and the Independent Directors of our Board of Directors as needed.

Cybersecurity threats, including as a result of any previous cybersecurity incidents, have not materially affected and we believe are not reasonably likely to affect us, including our business strategy, results of operations or financial condition. We and our third-party service providers have frequently been the target of cybersecurity threats and expect them to continue, and for an additional description of these cybersecurity risks and potential related impacts on us, see “Risk Factors” in Part I, Item 1A of this Annual Report on Form 10-K.

Governance

Board of Directors and Board Committees. In accordance with our Guidelines on Corporate Governance, the Board of Directors, both directly and through its committees, oversees the proper functioning of our risk management process. In particular, the Audit and Finance Committee assists the Board in its oversight of management’s responsibility to assess, manage and mitigate risks associated with the Company’s business and operational activities, including data privacy and cybersecurity concerns. The Board and Committee each meet at regularly scheduled and special meetings throughout the year at which meetings management reports to the Board concerning the results of its risk management activities, as well as external factors that may change the levels of business risk to which we are exposed. Specifically, the Audit and Finance Committee receives regular updates from the VP of Administration, as often as necessary but at least once per year, with respect to our cybersecurity threats and responses to any cybersecurity incidents.

Management’s Responsibilities. Management has implemented risk management structures, policies and procedures, and manages our risk exposure on a day-to-day basis. Accordingly, management assesses and responds to cybersecurity threats as part of our ongoing risk assessment and as an internal control over financial reporting. The VP of Administration directs our cybersecurity operations and risk responses. The CISO, who has 30 years of IT architecture, infrastructure and operations experience working directly with the MSP. The CISO reports to the VP of Administration who has 30 years of experience in all facets of IT, business process and controls. The VP of Administration reports to the President, CEO and Chairman of the Board of the Company and reports regularly to the Audit Committee and to the full Board of Directors, providing insights into our cybersecurity posture, incidents, and remediation efforts. VP of Administration meets with the MSP at least once every quarter to review and assess cybersecurity incidents and non-incident threats (and response measures undertaken) to determine if any adjustment to our cybersecurity managed services is required.

Item 2. Properties

Our principal manufacturing operations are engaged in electronics manufacturing for our aerospace and defense customers and industrial manufacturing for our truck components and assemblies and oil and gas pipeline component customers. The following chart indicates the significant facilities that we own or lease, the location and size of each such facility and the manufacturing certifications that each facility possesses. The facilities listed below (other than the corporate office) are used principally as manufacturing facilities.

Location	Segment (Market Served)	Own or Lease (Expiration)	Approximate Square Feet	Certifications
Corporate Office:				
Louisville, Kentucky		Lease (2034)	11,111	
Manufacturing Facilities:				
Louisville, Kentucky	Sypris Technologies (Oil & Gas Pipeline Components)	Lease (2045)	57,000	ISO 9001 ASME Certified
Tampa, Florida	Sypris Electronics (Aerospace & Defense Electronics)	Lease (2027)	50,000	ISO 9001 AS 9100 NASA-STD-8739 IPC-A-610, Class 3 J-STD-001, Class 3 NADCAP accredited
Toluca, Mexico	Sypris Technologies (Truck Components and Oil & Gas Pipeline Components)	Lease (2031)	215,000	ISO 14001 TS 16949 ASME Certified Clean Industry Certified PED Certified

Below is a listing and description of the various manufacturing certifications or specifications that we utilize at various of our facilities.

<u>Certification/Specification</u>	<u>Description</u>
AS 9100	A quality management system developed by the aerospace industry to measure supplier conformance with basic common acceptable aerospace quality requirements.
ASME Certified	Performance criteria determined by the American Society of Mechanical Engineers.
Clean Industry Certified	Mexican Environmental Protection Agency sponsored voluntary regulatory program for pollution control.
PED Certified	The Pressure Equipment Directive (PED) is a product directive issued by the European Community that sets the standards for the design, fabrication, installation, and use of pressure equipment.
IPC-A-610	A certification process for electronics assembly manufacturing which describes materials, methods and verification criteria for producing high quality electronic products. Class 3 specifically includes high performance or performance-on-demand products where equipment downtime cannot be tolerated, end-use environment may be uncommonly harsh, and the equipment must function when required.
J-STD-001	A family of voluntary standards of industry-accepted workmanship criteria for electronic assemblies.
ISO 14001	A set of standards and procedures relating to environmental compliance management.

<u>Certification/Specification</u>	<u>Description</u>
ISO 9001	A certification process comprised of quality system requirements to ensure quality in the areas of design, development, production, installation and servicing of products.
NADCAP accredited	The National Aerospace and Defense Contractors Accreditation Program is a global cooperative accreditation program for aerospace engineering, defense and related industries.
NASA-STD-8739	A specification for space programs designated by the National Aeronautics and Space Administration.
TS 16949	A quality certification system developed within the automotive sector. Using ISO 9001:2000 as its foundation, ISO/TS 16949:2002 specifies the quality management system (QMS) requirements for the design, development, production, installation and servicing of automotive related products.

Item 3. Legal Proceedings

Groundwater and other contamination has occurred at certain of our current and former facilities during the operation of those facilities by their former owners, and this contamination may occur at future facilities we operate or acquire. There is no assurance that environmental indemnification agreements we have secured from the former owners of certain of these properties will be adequate to protect us from liability. No administrative or judicial proceedings with respect to these or any other environmental regulations or conditions are pending against the Company or known by the Company to be contemplated by Government authorities.

The Company is subject to other legal proceedings and claims that have not been fully resolved and that have arisen in the ordinary course of business. In the opinion of management, the final disposition of such matters will not have a material adverse effect on our consolidated financial position, cash flows or results of operations.

The information set forth in Note 15 to the consolidated financial statements in this Annual Report on Form 10-K is incorporated by reference into this Item 3.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

We are a smaller reporting company as defined in Item 10(f)(1) of Regulation S-K and thus are not required to provide the performance graph required in paragraph (e) of Item 201 of Regulation S-K.

Our common stock is traded on the Nasdaq Global Market under the symbol "SYPR."

As of March 20, 2026, there were 434 holders of record of our common stock. No cash dividends were declared during 2025 or 2024.

Dividends may be paid on common stock only when, as and if declared by our Board of Directors in its sole discretion. We do not anticipate paying dividends in 2026.

There were no shares of common stock repurchased during the three months ended December 31, 2025.

Item 6. [Reserved]

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion of our consolidated results of operations and financial condition should be read together with the other financial information and consolidated financial statements included in this Annual Report on Form 10-K. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from the results anticipated in the forward-looking statements as a result of a variety of factors, including those discussed in “Item 1A. Risk Factors” and elsewhere in this Annual Report on Form 10-K.

Overview

We provide products and engineering, design, and manufacturing services for a variety of critical infrastructure sectors, including energy, space, communications, defense, transport, chemical, and water. Sypris serves its customers globally through its operations located in North America. We produce a wide range of manufactured products, often under multi-year, sole-source contracts.

We are organized into two business segments, Sypris Technologies and Sypris Electronics. Sypris Technologies, which is comprised of Sypris Technologies, Inc. and its subsidiaries, generates revenue primarily from the sale of forged, machined, welded and heat-treated steel components primarily for the heavy commercial vehicle and high-pressure energy pipeline applications. Sypris Electronics, which is comprised of Sypris Electronics, LLC, generates revenue primarily through circuit card and full “box build” manufacturing, high reliability manufacturing, systems assembly and integration, design for manufacturability and design to specification work.

We focus on those markets where we believe we have the expertise, qualifications and leadership position to sustain a competitive advantage. We target our resources to support the needs of industry participants that embrace technological innovation and flexibility, coupled with multi-year contractual relationships, as a strategic component of their supply chain management. These contracts, many of which are sole-source by part number, have historically created opportunities to invest in leading-edge processes or technologies to help our customers remain competitive. The productivity and innovation that can result from such investments helps to differentiate us from our competition when it comes to cost, quality, reliability and customer service.

Economic Conditions

Our operations are impacted by global economic conditions, including inflationary increases of certain raw materials, as well as logistics, tariffs, transportation, utilities and labor costs, supply chain constraints and increased interest rates. While we have taken pricing actions and implemented transformation initiatives that we expect to improve productivity and offset these cost increases, we expect supply chain pressures and inflationary cost increases to continue throughout 2026, which may continue thereafter and could negatively impact our results of operations.

Sypris Technologies Outlook

The North American Class 8 commercial vehicle market experienced a downturn in 2025, in addition to the automotive and sport utility vehicle markets also served by Sypris Technologies. New heavy-duty truck demand has historically been cyclical and is particularly sensitive to the industrial sector of the economy, which generates a significant portion of the freight tonnage hauled by commercial vehicles. During 2025, production of Class 8 trucks in North America decreased 24% from 2024. According to industry publications, the outlook for 2026 and 2027 is forecasting a slight increase in production over 2025, before increasing 27% in 2028. We believe that the market diversification Sypris Technologies has accomplished over recent years by adding new programs in the automotive, sport-utility and off-highway markets has benefited and will continue to benefit the Company as the demand cycles for our products in these markets differs from the Class 8 commercial vehicle market, thereby reducing volatility in our revenue profile.

The oil and gas markets served by our Tube Turns® brand of engineered products continues to be shaped largely by geopolitical factors, macroeconomic variables such as high interest rates and rising material costs, evolving policies and regulations and the emergence of new technologies. Sales in this market are dependent on, among other things, the level of worldwide oil and natural gas demand, the price of crude oil and natural gas and capital spending by exploration and production companies and drilling contractors. The conflicts in the Middle East, including military hostilities between Israel and Hamas and the U.S., Israel and Iran, the war between Russia and Ukraine and inflationary pressures have also led to disruption, instability and volatility in global markets and industries that could negatively impact our operations.

We will continue to pursue new business in a wide variety of markets from light automotive to new pressure vessel and pipeline applications to achieve a more balanced portfolio across our customers, markets and products.

Sypris Electronics Outlook

Ongoing demand in the electronic circuit card assembly industry across multiple manufacturing sectors continues to create shortages and extended lead times. In some instances, waiting times for certain components approach a year or more. We factor supplier-provided lead times into internal planning schedules and new customer quotations. From time to time, we encounter part obsolescence which requires us to identify an alternate part suitable for use. We continue to work with our customers on strategies to mitigate any adverse impact upon our ability to service their requirements. Factors which arise after the placement of the customer's order may cause us to miss projected delivery dates. Inflationary costs are expected to continue through 2026.

The electronic circuit card assembly industry is highly competitive, and demand can be volatile from period to period. Increasing demand for advanced technologies, supply chain diversification, and continued strong government defense spending along with geopolitical factors, including ongoing U.S.-China trade tensions and regulatory shifts, are prompting companies to adopt supply chain resilience strategies, such as "friendshoring", nearshoring and onshoring that benefit domestic suppliers. Additionally, OEMs are expected to continue the trend of outsourcing lower-level electronic assemblies, while focusing on their core competencies of design and system integration. However, challenges such as labor cost fluctuations, raw material constraints, and evolving trade policies may impact operational efficiency and cost structures. Overall, the sector is positioned for growth, with companies focusing on technological innovation, strategic partnerships, and supply chain optimization to maintain competitiveness in a rapidly evolving defense and aerospace market. During 2024 and 2025, we announced new program awards and releases for Sypris Electronics, with certain programs continuing into 2026. In addition to contract awards from DoW prime contractors related to weapons systems, electronic warfare and infrared countermeasures in our traditional aerospace and defense markets, we have also been awarded subcontracts for manufacturing services to the communication and navigation markets, which require our advanced capabilities for delivering products for complex, high cost of failure platforms.

While we do not serve as a prime contractor to the U.S. government, we serve as a subcontractor on various U.S. government programs. Funding for U.S. Government programs is subject to a variety of factors that can affect our business, including the U.S. presidential administration's budget requests and procurement priorities and policies, annual congressional budget authorization and appropriation processes, and other U.S. government domestic and international priorities. U.S. government spending levels, particularly defense spending, and timely funding thereof can affect our financial performance over the short and long term.

The U.S. presidential administration published its FY 2026 budget request in June 2025. The budget request includes \$848.3 billion in the base budget (discretionary) funding, and \$113.3 billion in reconciliation (mandatory) funding for the DoW. The One Big Beautiful Bill Act passed the Senate and House and was signed by the President on July 4, 2025. The bill provides more than \$150 billion in mandatory funding (inclusive of the \$113.3 billion) for DoW available until September 30, 2029.

The National Defense Authorization Act (NDAA) for FY2026 was signed into law on December 18, 2025. This legislation authorizes \$901 billion for defense spending which includes an \$8 billion increase over the President's DoW budget request. On November 12, 2025, the President signed into law a continuing resolution funding the DoW through January 30, 2026. On January 20, 2026, Congress unveiled its final appropriations package, which includes the Defense Appropriations Act conference report. This legislation provides \$839.2 billion in funding for the DoW representing an \$8.4 billion increase over the topline in the President's DoW budget request. On February 3, 2026, the Consolidated Appropriations Act of 2026 was passed, which further extended government funding through September 30, 2026.

While the U.S. presidential administration has announced their proposal for a significant increase in defense spending in FY 2027, we anticipate the federal budget, debt ceiling and regulatory environment will continue to be subject to debate and compromise shaped by, among other things, the U.S. presidential administration and Congress, heightened political tensions, the global security environment, inflationary pressures, and macroeconomic conditions. The result may be shifting funding priorities, which could have material impacts on defense spending broadly, and the effect on individual programs or our results cannot be predicted at this time. Additionally, the U.S. presidential administration continues to take steps to evaluate government-wide and defense-specific staffing and procurement, which includes assessing mission priorities, procurement methods, program performance, and other factors and then potentially taking action based on those assessments. The impact on demand for our products and services and our business are difficult to predict.

We expect to compete for follow-on business opportunities as a subcontractor on future builds of several existing government programs. However, the federal budget and debt ceiling are expected to continue to be the subject of considerable uncertainty and the impact on demand for our products and services and our business are difficult to predict.

Critical Accounting Policies and Estimates

The preparation of the consolidated financial statements and accompanying notes in conformity with U.S. generally accepted accounting principles requires that we make estimates and assumptions that affect the amounts reported. Changes in facts and circumstances could have a significant impact on the resulting estimated amounts included in our consolidated financial statements. We believe the following critical accounting estimates are those estimates made in accordance with generally accepted accounting principles that involve a significant level of estimation uncertainty and have had or are reasonably likely to have a material impact on our financial condition or results of operations. We also have other policies that we consider to be key accounting policies, such as our policies for revenue recognition for Sypris Technologies, including cost of sales; however, these policies do not meet the definition of critical accounting estimates because they do not generally require us to make estimates or judgments that involve a significant level of estimation uncertainty. The following discussion of accounting estimates is intended to supplement the Summary of Significant Accounting Policies presented as Note 1 to our consolidated financial statements in Item 8.

Net Revenue and Cost of Sales. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a promised product or rendering a service to a customer. The amount of revenue recognized reflects the consideration the Company expects to be entitled to in exchange for the product or service (the “transaction price”). The Company’s transaction price in its contracts with customers is generally fixed; no payment discounts, rebates or refunds are included within its contracts. The Company does not provide service-type warranties, nor does it allow customer returns. In connection with the sale of various parts to customers, the Company is subject to typical assurance warranty obligations covering the compliance of the electronics parts produced to agreed-upon specifications (See Note 1 to the consolidated financial statements in this Annual Report on Form 10-K). Customer returns, when they occur, relate to quality rework issues and are not connected to any repurchase obligation of the Company.

A performance obligation is a promise in a contract to transfer a distinct product or render a service to a customer and is the unit of account to which the transaction price is allocated under ASC 606, *Revenue from Contracts with Customers*. When a contract contains multiple performance obligations, we allocate the transaction price to the individual performance obligations using the price at which the promised goods or services would be sold to customers on a standalone basis. For most sales within our Sypris Technologies segment and a portion of sales within Sypris Electronics, control transfers to the customer at a point in time. Indicators that control has transferred to the customer include the Company having a present right to payment, the customer obtaining legal title and the customer having the significant risks and rewards of ownership. The Company’s principal terms of sale are FOB Shipping Point, or equivalent, and, as such, the Company primarily transfers control and records revenue for product sales upon shipment.

For contracts where Sypris Electronics serves as a subcontractor for aerospace and defense companies under federally funded programs, we generally recognize revenue over time as we perform due to the continuous transfer of control to the customer. This continuous transfer of control to the customer is supported by clauses in the contracts that allow the customer to unilaterally terminate the contract for convenience, pay us for costs incurred plus a reasonable profit and take control of any work in process. Because control is transferred over time, revenue and gross profit is recognized based on the extent of progress towards completion of the performance obligation. We use labor hours incurred as a measure of progress for these contracts because it best depicts the Company’s performance of the obligation to the customer, which occurs as we incur labor on our contracts. Under this measure of progress, the extent of progress towards completion is measured based on the ratio of labor hours incurred to date to the total estimated labor hours at completion of the performance obligation.

Long-lived asset impairment. We perform periodic impairment analysis on our long-lived amortizable assets whenever events or circumstances indicate that the carrying amount of such assets may not be recoverable. When indicators are present, we compare the estimated future undiscounted net cash flows of the operations to which the assets relate to their carrying amount. If the operations are unable to recover the carrying amount of their assets, the long-lived assets are written down to their estimated fair value. Fair value is determined based on discounted cash flows, third party appraisals or other methods that provide appropriate estimates of value. A considerable amount of management judgment and assumptions are required in performing the impairment test, principally in determining whether an adverse event or circumstance has triggered the need for an impairment review. The Company did not have any long-lived assets measured at fair value on a nonrecurring basis as of December 31, 2025 or 2024.

Pension Plan Funded Status. Our U.S. defined benefit pension plans are closed to new entrants and there were no participants still accruing benefits under any of the plans in 2025. Changes in our net obligations are principally attributable to changing discount rates and the performance of plan assets. Pension obligations are valued using discount rates established annually in consultation with our outside actuarial advisers using a theoretical bond portfolio, adjusted according to the timing of expected cash flows for our future obligations. Plan liabilities at December 31, 2025 are based upon a discount rate of 5.20% which reflects the Above Mean Mercer Yield Curve rate as of December 31, 2025 rounded to the nearest 5th basis point. Declining discount rates increase the present value of future pension obligations; a 25 basis point decrease in the discount rate would increase our U.S. pension liability by about \$0.4 million. As indicated above, when establishing the expected long-term rate of return on our U.S. pension plan assets, we consider historical performance and forward-looking return estimates reflective of our portfolio mix and investment strategy. Based on the most recent analysis of projected portfolio returns, we concluded that the use of 3.95% for the Louisville Hourly Plan, 4.65% for the Marion Plan and 4.45% for the Louisville Salaried Plan as the expected return on our U.S. pension plan assets for 2025 was appropriate. A change in the assumed rate of return on plan assets of 100 basis points would result in a \$0.2 million change in the estimated 2026 pension expense.

At December 31, 2025, we have \$6.2 million of unrecognized losses relating to our U.S. pension plans. Actuarial gains and losses, which are primarily the result of changes in the discount rate and other assumptions and differences between actual and expected asset returns, are deferred in Accumulated Other Comprehensive Loss and amortized to expense following the corridor approach. We use the average remaining service period of active participants unless almost all of the plan's participants are inactive, in which case we use the average remaining life expectancy for all active and inactive participants.

Based on the current funded status of our U.S. plans, we expect to contribute \$0.3 million during 2026, which represents the minimum funding amounts required by federal law.

Reserve for Excess, Obsolete and Scrap Inventory. We record inventory at the lower of cost, determined under the first-in, first-out method, or net realizable value, and we reserve for excess, obsolete or scrap inventory. These reserves are primarily based upon management's assessment of the salability of the inventory, historical usage of raw materials, historical demand for finished goods and estimated future usage and demand. An improper assessment of salability or improper estimate of future usage or demand, or significant changes in usage or demand could result in significant changes in the reserves and a positive or a negative impact on our consolidated results of operations in the period the change occurs.

Stock-based Compensation. We account for stock option based compensation in accordance with the fair value recognition provisions using the Black-Scholes option-pricing method, which requires the input of several subjective assumptions. The Company uses historical Company and industry data to estimate the expected price volatility. Due to the lack of sufficient historical exercise data to provide a reasonable basis upon which to otherwise estimate the expected term of the stock options, the Company uses the simplified method to estimate the expected term. Under the simplified method, the expected term of an option is presumed to be the mid-point between the vesting date and the end of the contractual term. The dividend yield is assumed to be zero as we have not paid dividends nor do we anticipate paying any dividends in the foreseeable future. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant for the estimated life of the option. Forfeitures are recorded as they occur. Changes in the subjective assumptions can materially affect the fair value estimate of stock-based compensation and consequently, the related expense recognized in the consolidated statements of operations.

Income Taxes. We account for income taxes as required by the provisions of ASC 740, *Income Taxes*, under which deferred tax assets and liabilities are recognized for the tax effects of temporary differences between the financial reporting and tax bases of assets and liabilities measured using enacted tax rates.

Management judgment is required in determining income tax expense and the related balance sheet amounts. In addition, under ASC 740-10, *Accounting for Uncertainty in Income Taxes*, judgments are required concerning the ultimate outcome of uncertain income tax positions. Actual income taxes paid may vary from estimates, depending upon changes in income tax laws, actual results of operations and the final audit of tax returns by taxing authorities. Tax assessments may arise several years after tax returns have been filed. We believe that our recorded income tax liabilities adequately provide for the probable outcome of these assessments.

Deferred tax assets are also recorded for operating losses and tax credit carryforwards. However, ASC 740 requires that a valuation allowance be recorded when it is more likely than not that some portion or all of the deferred tax assets will not be realized. This assessment is largely dependent upon projected near-term profitability including the effects of tax planning. Deferred tax assets and liabilities are determined separately for each tax jurisdiction in which we conduct our operations or otherwise incur taxable income or losses. The Company evaluates its deferred tax position on a quarterly basis and valuation allowances are provided as necessary. During this evaluation, the Company reviews its forecast of income in conjunction with other positive and negative evidence surrounding the realizability of its deferred tax assets to determine if a valuation allowance is needed. Based on its current forecast, the Company believes it will have sufficient future taxable income to realize the deferred tax assets recorded by its Mexican subsidiary.

Based on its current forecast, the Company has established a valuation allowance against all U.S. deferred tax assets. Until an appropriate level and characterization of profitability is attained, the Company expects to continue to maintain a valuation allowance on its net deferred tax assets related to future U.S. tax benefits. If we determine that we would be able to realize our deferred tax assets in the future in excess of the net recorded amount, an adjustment to reduce the valuation allowance would increase net income in the period that such determination is made.

Results of Operations

We operate in two segments, Sypris Technologies and Sypris Electronics. The table presented below compares our segment and consolidated results of operations from 2025 to 2024. The table presents the results for each year, the change in those results from one year to another in both dollars and percentage change and the results for each year as a percentage of net revenue.

- The first two columns in each table show the absolute results for each period presented.
- The columns entitled “Year-Over-Year Change” and “Year-Over-Year Percentage Change” show the change in results, both in dollars and percentages. These two columns show favorable changes as positive and unfavorable changes as negative. For example, when our net revenue increases from one period to the next, that change is shown as a positive number in both columns. Conversely, when expenses increase from one period to the next, that change is shown as a negative number in both columns.
- The last two columns in each table show the results for each period as a percentage of net revenue. In these two columns, the cost of sales and gross profit for each are given as a percentage of each segment’s net revenue. These amounts are shown in italics.

In addition, as used in the table, “NM” means “not meaningful.”

Year Ended December 31, 2025 Compared to Year Ended December 31, 2024

	Year Ended December 31,		Year Over Year Change	Year Over Year Percentage Change	Results as Percentage of Net Revenue for the Year Ended December 31,	
	2025	2024	Favorable (Unfavorable)	Favorable (Unfavorable)	2025	2024
(in thousands, except percentage data)						
Net revenue:						
Sypris Technologies	\$ 51,746	\$ 75,207	\$ (23,461)	(31.2)%	43.2%	53.7%
Sypris Electronics	68,141	64,973	3,168	4.9	56.8	46.3
Total net revenue	119,887	140,180	(20,293)	(14.5)	100.0	100.0
Cost of sales:						
Sypris Technologies	45,343	62,383	17,040	27.3	87.6	82.9
Sypris Electronics	65,146	57,907	(7,239)	(12.5)	95.6	89.1
Total cost of sales	110,489	120,290	9,801	8.1	92.2	85.8
Gross profit:						
Sypris Technologies	6,403	12,824	(6,421)	(50.1)	12.4	17.1
Sypris Electronics	2,995	7,066	(4,071)	(57.6)	4.4	10.9
Total gross profit	9,398	19,890	(10,492)	(52.8)	7.8	14.2
Selling, general and administrative	16,004	16,963	959	5.7	13.3	12.1
Operating (loss) income	(6,606)	2,927	(9,533)	NM	(5.5)	2.1
Interest expense, net	1,631	1,684	53	3.1	1.4	1.2
Other (income) expense, net	(1,960)	1,217	3,177	NM	(1.6)	0.9
(Loss) income before income taxes	(6,277)	26	(6,303)	NM	(5.2)	0.0
Income tax expense, net	61	1,706	1,645	96.4	0.1	1.2
Net loss	\$ (6,338)	\$ (1,680)	\$ (4,658)	(274.1)	(5.3)%	(1.2)%

Net Revenue. Sypris Technologies derives its revenue from the sale of forged and finished steel components and subassemblies and high-pressure closures and other fabricated products. Net revenue for Sypris Technologies decreased \$23.5 million from the prior year to \$51.7 million in 2025. The net revenue decrease was primarily attributable to the cyclical decline in the commercial vehicle market. During 2025, production of Class 8 trucks in North America decreased 24% from 2024. Additionally, during the first quarter of 2025, Sypris Technologies began operating under a sub-maquiladora services agreement with one of its customers in Mexico. As a result, the customer retains ownership of the inventory, and revenue is recognized on the value-add portion only, resulting in a decrease of \$4.8 million for the year ended December 31, 2025 as compared to the prior year. Energy product sales decreased \$1.9 million as compared to the prior year due to the impact of tariffs on sales volumes. Revenue for Sypris Technologies is expected to decrease slightly in 2026, due to the anticipated decline in the commercial vehicle market during the first half of 2026, partially offset by higher energy component sales and new program expansion with existing customers in the commercial vehicle market.

Sypris Electronics derives its revenue primarily from circuit card and full “box build” manufacturing, high reliability manufacturing and systems assembly and integration. Net revenue for Sypris Electronics increased \$3.2 million to \$68.1 million in 2025. The increase in revenue for the year ended December 31, 2025 was primarily related to the ramping of production during the year on several new programs. This was partially offset by the completion of shipments under one of its long-term contracts. The order backlog for Sypris Electronics is expected to support an increase in revenue during 2026.

Gross Profit. Sypris Technologies’ gross profit decreased \$6.4 million to \$6.4 million in 2025 as compared to \$12.8 million in the prior year due to the significant decrease in volumes and lower absorption of fixed overhead costs as a result of lower production.

Sypris Electronics’ gross profit decreased \$4.1 million to \$3.0 million as compared to \$7.1 million in the prior year. The decrease in gross profit for the year ended December 31, 2025 was primarily a result of an unfavorable mix of programs and delays of certain customer deliveries, which has limited our ability to ramp up production to the levels anticipated and resulted in increased costs and decreased operational efficiency. Additionally, Sypris Electronics incurred additional engineering costs for scope modifications on new contracts during 2025. Furthermore, Sypris Electronics recorded charges of \$1.2 million related to excess and obsolete inventory during the year as a result of changes in estimated future demand on various programs. The expected increase in revenue during 2026 attributable to order backlog is expected to favorably impact overhead absorption, and the contribution margin from higher volumes is further expected to generate gross profit expansion.

Selling, General and Administrative. Selling, general and administrative expense decreased \$1.0 million to \$16.0 million in 2025 as compared to \$17.0 million in 2024. The decrease in selling, general and administrative expense for the year ended December 31, 2025 was primarily as a result of lower consulting costs, reduced headcount and favorable medical claims. Selling, general and administrative expense increased as a percentage of revenue to 13.3% for the year ended December 31, 2025 from 12.1% for the year ended December 31, 2024.

Interest Expense, Net. Interest expense for the year ended December 31, 2025 decreased \$0.1 million due to the reduction in interest incurred on extended terms on certain accounts payable for Sypris Electronics, partially offset by an increase in the weighted average debt outstanding. The weighted average debt outstanding under the Note increased to \$11.4 million during 2025 from \$8.7 million in 2024.

Other (Income) Expense, Net. Other (income) expense, net, was income of \$2.0 million in 2025 as compared to expense of \$1.2 million for 2024. During the year ended December 31, 2025, the Company closed on a sale leaseback transaction with an unrelated third party. Under this transaction, the Company sold its facility located in Louisville, Kentucky, with a net book value of \$0.4 million for net cash proceeds of approximately \$2.9 million. The Company recognized a gain of \$2.5 million on this transaction, which is included in other income (expense), net in the consolidated statements of operations. This gain was partially offset by pension expense of \$0.6 million. Foreign currency related expenses were not material for the year ended December 31, 2025.

During the year ended December 31, 2024, the Company recognized pension related expense of \$0.8 million. Foreign currency related expenses were not material for the year ended December 31, 2024.

Income Taxes. The 2025 income tax provision consists of a current tax benefit of \$0.1 million and deferred tax expense of \$0.1 million. The 2024 income tax provision consists of current tax expense of \$1.5 million and deferred tax expense of \$0.2 million. The current tax expense in 2025 and 2024 includes taxes accrued by our Mexican subsidiary and domestic state income taxes and adjustments. The 2025 and 2024 deferred tax expense includes net changes in the foreign deferred tax assets during the year.

Deferred tax assets and liabilities are determined separately for each tax jurisdiction in which we conduct our operations or otherwise incur taxable income or losses. The Company evaluates its deferred tax position on a quarterly basis and valuation allowances are provided as necessary. During this evaluation, the Company reviews its forecast of income in conjunction with other positive and negative evidence surrounding the realizability of its deferred tax assets to determine if a valuation allowance is needed. Based on its current forecast, the Company believes it will have sufficient future taxable income to realize the deferred tax assets recorded by its Mexican subsidiary.

Based on its current forecast, the Company has established a valuation allowance against all U.S. deferred tax assets. Until an appropriate level and characterization of profitability is attained, the Company expects to continue to maintain a valuation allowance on its net deferred tax assets related to future U.S. tax benefits. If we determine that we would be able to realize our deferred tax assets in the future in excess of the net recorded amount, an adjustment to reduce the valuation allowance would increase net income in the period that such determination is made.

Liquidity and Capital Resources

As reflected in the consolidated financial statements, the Company reported a net loss of \$6.3 million and \$1.7 million for the year ended December 31, 2025 and 2024, respectively, and cash used in operating activities of \$5.7 million for the year ended December 31, 2025. The Company's net inventory increased significantly in 2023, primarily related to contracts with Sypris Electronics' aerospace and defense customers. Shipments to customers on certain of these contracts were delayed beyond the initial delivery dates, which negatively impacted the cycle time to convert inventory to cash. Additionally, the Company experienced a significant drop in volumes within the Sypris Technologies business attributable to the cyclical decline in the commercial vehicle market in 2025, which led to a corresponding decrease in gross profit. As a result, the Company experienced a liquidity shortfall beginning in the fourth quarter of 2023 and at various times during 2024, 2025 and into 2026. The shipment delays also contributed to an increase in trade payable balances with certain suppliers during 2023 and 2024. The Company successfully negotiated amended payment and other terms on the past due balances with certain suppliers and is continuing to work with suppliers to improve terms and maintain consistency in its supply chain relationships.

The Company received the benefit of additional loans of \$3.0 million and \$2.5 million during the years ended December 31, 2025 and 2024, respectively from Gill Family Capital Management, Inc. ("GFCM") to help the Company manage its liquidity during those periods. This additional \$5.5 million loaned to the Company by GFCM in 2024 and 2025 was approved by the Audit Committee and provided the Company with necessary liquidity. Additionally, during the first quarter of 2026, the Company and GFCM amended the Note to extend the maturity dates for \$2.0 million of the obligation to April 1, 2027, \$2.0 million to April 1, 2028, \$5.0 million to April 1, 2029 and \$3.0 million to April 1, 2030 (see Note 12 to the consolidated financial statements in this Annual Report on Form 10-K).

Our ability to service our current liabilities will require a significant amount of cash. Management has evaluated our ability to generate this cash to meet our obligations for the next twelve months. Our primary sources of funds to meet our liquidity and capital requirements include cash on hand, funds generated through revenue growth from the Company's consolidated operations and reductions in the Company's investment in working capital. Based upon our current forecast, we believe that we will have sufficient liquidity to finance our operations for the next twelve months.

Although we believe the assumptions underlying our current forecast are reasonable, management is also prepared to implement contingency plans that include other cost reduction initiatives to improve profitability and cash flow, or management can take additional steps such as adjusting the timing and amount of certain operating expenses as well as capital expenditures or the issuance of new debt. If we are unable to achieve our forecasted revenue, or if our costs are higher than expected, we may be required to revise our plans to provide for additional cost-cutting measures, seek additional financing or to consider other strategic alternatives. We may not be able to secure additional financing on favorable terms, if at all.

Cash Balance. At December 31, 2025, we had approximately \$6.8 million of cash and cash equivalents, of which \$1.8 million was held in jurisdictions outside of the U.S. that, if repatriated, could result in withholding taxes. We expect existing cash and cash flows from operations to continue to be sufficient to fund our operating activities and cash commitments for investing and financing activities, such as capital expenditures, for at least the next twelve months. Significant changes from our current forecasts, including, but not limited to: (i) meaningful shortfalls in our projected revenues, (ii) unexpected costs or expenses, and/or (iii) operating difficulties which cause unexpected delays in scheduled shipments, could require us to seek additional financing or force us to make further reductions in spending, extend payment terms with suppliers, liquidate assets where possible and/or suspend or curtail planned programs. Any of these actions could materially harm our business, results of operations and future prospects. And as noted above, additional financing may not be available to us.

Material Cash Requirements

Gill Family Capital Management Note. The Company has received the benefit of loans from GFCM in the form of secured promissory note obligations totaling \$12.0 million in principal as of December 31, 2025 and \$9.0 million as of December 31, 2024. GFCM is an entity controlled by the Company's Chairman, President and Chief Executive Officer, Jeffrey T. Gill and one of our directors, R. Scott Gill. GFCM, Jeffrey T. Gill and R. Scott Gill are significant beneficial stockholders of the Company.

During the year ended December 31, 2025, the Company and GFCM amended the Note to, among other things: (i) increase the principal amount by \$3.0 million to \$12.0 million, (ii) extend the maturity dates for \$2.0 million of the obligation to April 1, 2026, \$2.0 million to April 1, 2027, \$5.0 million on April 1, 2028 and the balance of \$3.0 million on April 1, 2029, and (iii) allow for the deferral of payment for up to 100% of the interest due on the Note to April 1, 2026. During the first quarter of 2026, the Company further amended the Note to extend the maturity dates on all tranches by one year and allow for the continued deferral of payment for up to 100% of the interest due on the Note to April 1, 2027. Interest on the Note is payable quarterly, unless the deferral option is elected, and the rate is reset on April 1 of each year at the greater of 8% or 500 basis points above the five-year Treasury note average during the previous 90-day period. The additional amounts loaned to the Company in 2024 and 2025 and the Note modification in 2026, were approved by the Audit Committee and provided the Company with necessary liquidity.

The Note provides for a first security interest in substantially all of the Company's assets, including those in Mexico (see Note 12 to the consolidated financial statements in this Annual Report on Form 10-K).

Finance Lease Obligations. As of December 31, 2025, the Company had \$4.6 million outstanding under finance lease obligations for both property and machinery and equipment with maturities through 2031 and a weighted average interest rate of 13.1%.

Equipment Financing Obligations. As of December 31, 2025, the Company had \$1.4 million outstanding under equipment financing facilities, with payments due through 2030, and a weighted average interest rate of 6.9%.

Purchase Commitments. We had purchase commitments totaling approximately \$25.2 million at December 31, 2025, primarily for inventory.

Cash Flows from Operating, Investing and Financing Activities

Operating Activities. Net cash used in operating activities was \$5.7 million in 2025, as compared to cash provided of \$2.0 million in 2024. The aggregate decrease in accounts receivable in 2025 resulted in a source of cash of \$0.7 million as a result of the timing of shipments during the period. The decrease in inventory in 2025 resulted in a source of cash of \$13.3 million. The decrease in inventory was primarily as a result of a ramp up of shipments within Sypris Electronics and the reflection of our strategic inventory management efforts. A significant portion of the inventory had been purchased in previous periods and was funded through prepayments from customers, which was recorded as contract liabilities. As shipments have increased with Sypris Electronics during the year, these contract liabilities have also decreased, which is the primary component of the \$10.0 million change in accrued and other liabilities during 2025. Accounts payable decreased during 2025, resulting in a use of cash of \$8.2 million. This change in accounts payable was driven by an effort within Sypris Electronics to pay down past due payables and reduce inventory purchases during the period. Prepaid expenses and other assets decreased during 2025 resulting in cash provided of \$0.6 million primarily as a result of decreased contract assets and capitalized costs associated with programs in the startup phase of production at Sypris Electronics.

Investing Activities. Net cash provided by investing activities was \$2.2 million during the year ended December 31, 2025. During 2025, the Company closed on a sale leaseback transaction with an unrelated third party. Under this transaction, the Company sold its facility located in Louisville, Kentucky, with a net book value of \$0.4 million for net cash proceeds of approximately \$2.9 million. Partially offsetting this was capital expenditures during the same period of \$0.8 million.

Net cash used in investing activities for the year ended December 31, 2024 was comprised of capital expenditures of \$1.1 million.

Financing Activities. Net cash provided by financing activities was \$0.8 million in 2025 and was comprised of proceeds from the Note of \$3.0 million, partially offset by payments on finance leases and equipment financing obligation of \$2.1 million and \$0.1 million for minimum statutory tax withholdings on stock-based compensation. Net cash used in financing activities in 2024 was comprised of proceeds from the Note of \$2.5 million and proceeds from equipment financing obligations of \$0.4 million, partially offset by payments on finance leases and equipment financing obligations of \$2.0 million and payments of \$0.1 million for minimum statutory tax withholdings on stock-based compensation.

Recent Accounting Pronouncements

See Note 1 to our consolidated financial statements for a full description of recent accounting pronouncements, including the respective dates of adoption and effects on our results of operations and financial condition.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are a smaller reporting company as defined in Item 10(f)(1) of Regulation S-K and thus are not required to provide the quantitative and qualitative disclosures about market risk specified in Item 305 of Regulation S-K.

Item 8. Financial Statements and Supplementary Data

SYPRIS SOLUTIONS, INC.

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Stockholders and the Board of Directors of Sypris Solutions, Inc.
Louisville, Kentucky

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Sypris Solutions, Inc. (the "Company") as of December 31, 2025 and 2024, the related consolidated statements of operations, comprehensive loss, stockholders' equity, and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

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

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Net revenue and gross profit recognized over time

As more fully described in Notes 1 and 3 to the financial statements, for contracts where the Company serves as a contractor for aerospace and defense companies under federally funded programs, revenue and gross profit is recognized over time due to the continuous transfer of control to the customer based upon the extent of progress towards completion of the performance obligation. The Company uses labor hours incurred as the measure of progress as it best depicts the Company's performance of the obligation to the customer. Under this measure of progress, the extent of progress towards completion is measured based on the ratio of labor hours incurred to date to the total estimated labor hours to complete the performance obligation. Revenue and gross profit are recognized based on the extent of progress towards completion of the performance obligation.

We identified auditing the revenue and gross profit recognized over time as a critical audit matter due to the significant audit effort involved in auditing the percentage of completion calculation. Our audit procedures related to revenue and gross profit recognized over time included the following substantive testing procedures:

- Evaluated whether the recognition of revenue and gross profit over time was appropriate based on the terms and conditions of each tested contract.
- Tested management's determination of the performance obligation transaction price and gross profit in management's calculation by comparing items to revenue and gross profit recognized on similar items that were sold during the year.

- Tested completeness of the inventory on contracts for which revenue and gross profit is being recognized over time by agreeing the inventory in management's calculation to the underlying inventory listing.
- Evaluated the percentage of completion based upon labor hours incurred to the ratio of total estimated labor hours at completion by:
 - o Assessing, during our physical inventory observation, the stage of completion and recalculating the labor hours incurred to date by comparing inventory items throughout the stages of completion and agreeing those items back to the inventory listing.
 - o Performing manufactured inventory cost testing to test the total labor hours incurred on a finished good product.
 - o Testing the mathematical accuracy of management's calculation of revenue and gross profit recognized during the period for the performance obligations.

/s/ Crowe LLP

We have served as the Company's auditor since 2014.
San Francisco, California
March 26, 2026

SYPRIS SOLUTIONS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except for per share data)

	Year ended December 31,	
	2025	2024
Net revenue	\$ 119,887	\$ 140,180
Cost of sales	110,489	120,290
Gross profit	9,398	19,890
Selling, general and administrative	16,004	16,963
Operating (loss) income	(6,606)	2,927
Interest expense, net	1,631	1,684
Other (income) expense, net	(1,960)	1,217
(Loss) income before income taxes	(6,277)	26
Income tax expense, net	61	1,706
Net loss	\$ (6,338)	\$ (1,680)
Loss per common share:		
Basic	\$ (0.28)	\$ (0.08)
Diluted	\$ (0.28)	\$ (0.08)
Cash dividends per common share	\$ 0.00	\$ 0.00
Weighted average shares outstanding:		
Basic	22,270	22,043
Diluted	22,270	22,043

The accompanying notes are an integral part of the consolidated financial statements.

SYPRIS SOLUTIONS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(in thousands)

	Year ended December 31,	
	2025	2024
Net loss	\$ (6,338)	\$ (1,680)
Other comprehensive income (loss):		
Foreign currency translation adjustments, net of tax	2,800	(3,588)
Employee benefit related, net of tax	731	1,638
Other comprehensive income (loss)	3,531	(1,950)
Comprehensive loss	\$ (2,807)	\$ (3,630)

The accompanying notes are an integral part of the consolidated financial statements.

SYPRIS SOLUTIONS, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except for share data)

	December 31,	
	2025	2024
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 6,770	\$ 9,675
Accounts receivable, net	9,846	10,593
Inventory, net	52,463	66,680
Other current assets	10,808	11,070
Total current assets	<u>79,887</u>	<u>98,018</u>
Property, plant and equipment, net	16,004	13,299
Operating lease right-of-use assets	7,333	3,749
Other assets	4,587	4,310
Total assets	<u>\$ 107,811</u>	<u>\$ 119,376</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 10,270	\$ 18,428
Accrued liabilities	49,428	57,639
Operating lease liabilities, current portion	1,019	906
Finance lease obligations, current portion	622	1,507
Equipment financing obligations, current portion	526	481
Working capital line of credit	500	500
Total current liabilities	<u>62,365</u>	<u>79,461</u>
Operating lease obligations, net of current portion	6,673	3,251
Finance lease obligations, net of current portion	4,021	735
Equipment financing obligations, net of current portion	846	852
Note payable – related party	11,993	8,986
Other liabilities	4,123	6,510
Total liabilities	<u>90,021</u>	<u>99,795</u>
Stockholders' equity:		
Preferred stock, par value \$0.01 per share, 975,150 shares authorized; no shares issued	—	—
Series A preferred stock, par value \$0.01 per share, 24,850 shares authorized; no shares issued	—	—
Common stock, non-voting, par value \$0.01 per share, 10,000,000 shares authorized; no shares issued	—	—
Common stock, par value \$0.01 per share, 30,000,000 shares authorized; 23,051,483 shares issued and 23,029,970 outstanding in 2025 and 23,041,523 shares issued and 23,020,010 outstanding in 2024	230	230
Additional paid-in capital	157,996	156,980
Accumulated deficit	(124,950)	(118,612)
Accumulated other comprehensive loss	(15,486)	(19,017)
Treasury stock, 21,513 in 2025 and 2024	0	0
Total stockholders' equity	<u>17,790</u>	<u>19,581</u>
Total liabilities and stockholders' equity	<u>\$ 107,811</u>	<u>\$ 119,376</u>

The accompanying notes are an integral part of the consolidated financial statements.

SYPRIS SOLUTIONS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year ended December 31,	
	2025	2024
Cash flows from operating activities:		
Net loss	\$ (6,338)	\$ (1,680)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	2,844	3,181
Deferred income taxes	105	232
Non-cash compensation	1,118	868
Deferred loan costs amortized	7	8
Provision for excess and obsolete inventory	1,322	593
Non-cash lease expense	1,105	1,160
Net gain on the sale of assets	(2,370)	0
Other noncash items	451	414
Contributions to pension plans	(335)	(712)
Changes in operating assets and liabilities:		
Accounts receivable	692	(1,826)
Inventory	13,265	9,129
Prepaid expenses and other assets	626	(1,934)
Accounts payable	(8,239)	(8,163)
Accrued and other liabilities	(9,984)	734
Net cash (used in) provided by operating activities	(5,731)	2,004
Cash flows from investing activities:		
Capital expenditures	(756)	(1,083)
Proceeds from sale of assets	2,924	24
Net cash provided by (used in) investing activities	2,168	(1,059)
Cash flows from financing activities:		
Proceeds from equipment financing obligations	0	430
Proceeds from Note Payable – related party	3,000	2,500
Principal payments on finance lease obligations	(1,556)	(1,366)
Principal payments on equipment financing obligations	(505)	(618)
Indirect repurchase of shares for minimum statutory tax withholdings	(102)	(126)
Net cash provided by financing activities	837	820
Effect of exchange rate changes on cash balances	(179)	29
Net (decrease) increase in cash and cash equivalents	(2,905)	1,794
Cash and cash equivalents at beginning of year	9,675	7,881
Cash and cash equivalents at end of year	\$ 6,770	\$ 9,675
Supplemental disclosure of cash flow information:		
Non-cash investing and financing activities:		
Capital expenditures purchased through equipment financing obligations	\$ 317	\$ 0
Right-of-use asset arising from operating lease liabilities	4,691	1,592
Assets arising from financing lease liabilities	4,033	0

The accompanying notes are an integral part of the consolidated financial statements.

SYPRIS SOLUTIONS, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands, except for share data)

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Treasury Stock
	Shares	Amount				
January 1, 2024 balance	22,459,649	\$ 224	\$ 156,242	\$ (116,932)	\$ (17,067)	\$ 0
Net loss	0	0	0	(1,680)	0	0
Employee benefit related, net of tax	0	0	0	0	1,638	0
Foreign currency translation adjustment, net of tax	0	0	0	0	(3,588)	0
Restricted common stock grant	602,500	5	(5)	0	0	0
Noncash compensation	15,000	0	868	0	0	0
Exercise of stock options	75,126	1	(34)	0	0	0
Treasury stock	(132,265)	0	(91)	0	0	0
December 31, 2024 balance	23,020,010	\$ 230	\$ 156,980	\$ (118,612)	\$ (19,017)	\$ 0
Net loss	0	0	0	(6,338)	0	0
Employee benefit related, net of tax	0	0	0	0	731	0
Foreign currency translation adjustment, net of tax	0	0	0	0	2,800	0
Noncash compensation	0	0	1,118	0	0	0
Exercise of stock options	72,006	1	(1)	0	0	0
Treasury stock	(62,046)	(1)	(101)	0	0	0
December 31, 2025 balance	23,029,970	\$ 230	\$ 157,996	\$ (124,950)	\$ (15,486)	\$ 0

The accompanying notes are an integral part of the consolidated financial statements.

SYPRIS SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025 and 2024

(1) Organization and Significant Accounting Policies

Consolidation Policy

The accompanying consolidated financial statements include the accounts of Sypris Solutions, Inc. and its wholly-owned subsidiaries (collectively, “Sypris” or the “Company”) and have been prepared by the Company in accordance with the rules and regulations of the Securities and Exchange Commission. The Company’s operations are domiciled in the United States (U.S.) and Mexico and serve a wide variety of domestic and international customers. All intercompany accounts and transactions have been eliminated.

Nature of Business

Sypris is a diversified provider of truck components, oil and gas pipeline components and aerospace and defense electronics. The Company produces a wide range of manufactured products, often under multi-year, sole-source contracts with corporations and government agencies. The Company offers such products through its two business segments, Sypris Technologies, Inc. (“Sypris Technologies”) and Sypris Electronics, LLC (“Sypris Electronics”). Sypris Technologies derives its revenue primarily from the sale of forged, machined, welded and heat-treated steel components primarily for heavy commercial vehicle and high-pressure energy pipeline applications. Sypris Electronics derives its revenue primarily from circuit card and box build manufacturing, high reliability manufacturing and systems assembly and integration, primarily for aerospace and defense, communications and space applications. Most products are built to the customer’s design specifications. The Company also provides engineering design services and repair or inspection services. See Note 21 for additional information regarding our segments.

Use of Estimates

The preparation of the consolidated financial statements and accompanying notes in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported. Changes in facts and circumstances could have a significant impact on the resulting estimated amounts included in our consolidated financial statements. Actual results could differ from these estimates.

Fair Value Estimates

The Company estimates fair value of its financial instruments utilizing an established three-level hierarchy. The hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date as follows: Level 1 – Valuation is based upon unadjusted quoted prices for identical assets or liabilities in active markets. Level 2 – Valuation is based upon quoted prices for similar assets and liabilities in active markets, or other inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instruments. Level 3 – Valuation is based upon other unobservable inputs that are significant to the fair value measurements.

Cash Equivalents

Cash equivalents include all highly liquid investments with a maturity of three months or less when purchased.

Inventory

Inventory is stated at the lower of cost or estimated net realizable value. Costs for raw materials, work in process and finished goods is determined under the first-in, first-out method. Indirect inventories, which include perishable tooling, repair parts and other materials consumed in the manufacturing process but not incorporated into finished products are classified as raw materials.

The Company’s reserve for excess and obsolete inventory is primarily based upon forecasted demand for its product sales, and any change to the reserve arising from forecast revisions is reflected in cost of sales in the period the revision is made.

Property, Plant and Equipment

Property, plant and equipment is stated at cost. Depreciation of property, plant and equipment is generally computed using the straight-line method over their estimated economic lives. For land improvements, buildings and building improvements, the estimated economic life is generally 40 years. Estimated economic lives range from three to fifteen years for machinery, equipment, furniture and fixtures. Leasehold improvements are amortized over the shorter of their economic life or the respective lease term using the straight-line method. Expenditures for maintenance, repairs and renewals of minor items are expensed as incurred. Major rebuilds and improvements are capitalized. Also included in plant and equipment are assets under finance lease, which are stated at the present value of minimum lease payments.

Long-lived Assets

The Company reviews the carrying value of amortizable long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held for sale and held for use is measured by a comparison of the carrying amount of the asset to the undiscounted future net cash flows expected to be generated by the asset. If facts and circumstances indicate that the carrying value of an asset or groups of assets, as applicable, is impaired, the long-lived asset or groups of long-lived assets are written down to their estimated fair value.

Leases

Our lease portfolio represents leases of real estate, including manufacturing, assembly and office facilities, while the remainder represents leases of personal property, including manufacturing and information technology equipment. We have lease agreements with lease and non-lease components, which are accounted for as a single lease component. Leases with an initial term of twelve months or less are not recorded on the balance sheet, and we recognize lease expense for these leases on a straight-line basis over the lease term. Generally, we use our incremental borrowing rate in determining the present value of lease payments, unless the implicit rate is readily available.

Stock-based Compensation

The Company accounts for stock-based compensation in accordance with the fair value recognition provisions using the Black-Scholes option-pricing method, which requires the input of several subjective assumptions. These assumptions include estimating the length of time employees will retain their vested stock options before exercising them (expected term) and the estimated volatility of our common stock price over the expected term. Changes in the subjective assumptions can materially affect the fair value estimate of stock-based compensation and consequently, the related expense is recognized in the consolidated statements of operations.

Income Taxes

The Company uses the liability method in accounting for income taxes. Deferred tax assets and liabilities are recorded for temporary differences between the tax basis of assets and liabilities and their reported amounts in the consolidated financial statements, using the statutory tax rates in effect for the year in which the differences are expected to reverse. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets unless it is more likely than not that such assets will be realized.

In the ordinary course of business there is inherent uncertainty in quantifying the Company's income tax positions. The Company assesses its income tax positions and records tax benefits for all years subject to examination based upon management's evaluation of the facts, circumstances, and information available at the reporting dates. For those tax positions where it is more-likely-than-not that a tax benefit will be sustained, the Company has recorded the largest amount of tax benefit with a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where it is not more-likely-than-not that a tax benefit will be sustained, no tax benefit has been recognized in the financial statements. Where applicable, associated interest has also been recognized.

The Company recognizes liabilities or assets for the deferred tax consequences of temporary differences between the tax bases of assets or liabilities and their reported amounts in the financial statements in accordance with ASC 740, *Income Taxes*. The Company recognizes interest accrued related to unrecognized tax benefits in income tax expense. Penalties, if incurred, would be recognized as a component of income tax expense.

Net Revenue and Cost of Sales

The Company recognizes revenue when it satisfies a performance obligation by transferring control of a promised product or rendering a service to a customer. The amount of revenue recognized reflects the consideration the Company expects to be entitled to in exchange for the product or service (the "transaction price"). The Company's transaction price in its contracts with customers is generally fixed; no payment discounts, rebates or refunds are included within its contracts. The Company does not provide service-type warranties nor does it allow customer returns. In connection with the sale of various parts to customers, the Company is subject to typical assurance warranty obligations covering the compliance of the electronics parts produced to agreed-upon specifications. Customer returns, when they occur, relate to quality rework issues and are not connected to any repurchase obligation of the Company.

A performance obligation is a promise in a contract to transfer a distinct product or render a service to a customer and is the unit of account to which the transaction price is allocated under ASC 606, *Revenue from Contracts with Customers* (“ASC 606”). When a contract contains multiple performance obligations, we allocate the transaction price to the individual performance obligations using the price at which the promised goods or services would be sold to customers on a standalone basis. For most sales within our Sypris Technologies segment and a portion of sales within Sypris Electronics, control transfers to the customer at a point in time. Indicators that control has transferred to the customer include the Company having a present right to payment, the customer obtaining legal title and the customer having the significant risks and rewards of ownership. The Company’s principal terms of sale are FOB Shipping Point, or equivalent, and, as such, the Company primarily transfers control and records revenue for product sales upon shipment.

For contracts where Sypris Electronics serves as a contractor for aerospace and defense companies under federally funded programs, we generally recognize revenue over time as we perform due to the continuous transfer of control to the customer. This continuous transfer of control to the customer is supported by clauses in the contracts that allow the customer to unilaterally terminate the contract for convenience, pay us for costs incurred plus a reasonable profit and take control of any work in process. Because control is transferred over time, revenue and gross profit is recognized based on the extent of progress towards completion of the performance obligation. We use labor hours incurred as a measure of progress for these contracts because it best depicts the Company’s performance of the obligation to the customer, which occurs as we incur labor on our contracts. Under this measure of progress, the extent of progress towards completion is measured based on the ratio of labor hours incurred to date to the total estimated labor hours at completion of the performance obligation.

Allowance for Credit Losses

Trade accounts receivable are reported net of the allowance for credit losses in the consolidated balance sheets. We provide an allowance for credit losses on trade receivables based on historical loss experience, aging analysis, and any specific, known troubled accounts. Accounts deemed uncollectible are written off against the allowance after management deems the account to be uncollectible.

The allowance for credit losses as a percentage of gross trade receivables was less than 1% as of December 31, 2025 and 2024. Recoveries of trade receivables previously written off are recorded when received and are immaterial for the year ended December 31, 2025 and 2024.

Product Warranty Costs

The provision for estimated warranty costs is recorded at the time of sale and is periodically adjusted to reflect actual experience. The Company’s warranty liability, which is included in accrued liabilities in the accompanying balance sheets, as of December 31, 2025 and 2024, was \$738,000 and \$850,000, respectively. The Company’s warranty expense for the years ended December 31, 2025 and 2024 was \$272,000 and \$435,000, respectively.

Concentrations of Credit Risk

Financial instruments which potentially expose the Company to concentrations of credit risk consist of accounts receivable. The Company’s customer base consists of a number of customers in diverse industries across geographic areas, primarily in North America, and aerospace and defense companies under contract with the U.S. Government. The Company performs periodic credit evaluations of its customers’ financial condition and does not require collateral on its commercial accounts receivable. Credit losses are provided for in the consolidated financial statements and consistently have been within management’s expectations. Approximately 31% of accounts receivable outstanding at December 31, 2025 was due from two customers. More specifically, ADI and SubCom, comprise 16% and 15%, respectively, of December 31, 2025 outstanding accounts receivable. Approximately 37% of accounts receivable outstanding at December 31, 2024 was due from three customers. More specifically, Sisamex, SubCom and Detroit Diesel comprise 14%, 12% and 11%, of December 31, 2024 outstanding accounts receivable. No other single customer accounted for more than 10% of the Company’s total accounts receivable as of December 31, 2025 or 2024.

The Company's largest customers for the year ended December 31, 2025 were Northrop Grumman, Detroit Diesel, and SubCom, which represented approximately 23%, 13%, and 11%, respectively, of the Company's total net revenue. Detroit Diesel is a customer within the Sypris Technologies segment and Northrop Grumman and SubCom are customers within the Sypris Electronics segment. The Company's largest customers for the year ended December 31, 2024 were Northrop Grumman, Sistemas, and Detroit Diesel, which represented approximately 23%, 21%, and 11%, respectively, of the Company's total net revenue. No other single customer accounted for more than 10% of the Company's total net revenue for the years ended December 31, 2025 or 2024.

Foreign Currency Translation

The functional currency for the Company's Mexican subsidiary is the Mexican peso. Assets and liabilities are translated at the period end exchange rate, and income and expense items are translated at the weighted average exchange rate. The resulting translation adjustments are recorded in comprehensive loss as a separate component of stockholders' equity. Remeasurement gains or losses for U.S. dollar denominated accounts of the Company's Mexican subsidiary are included in other (income) expense, net.

Collective Bargaining Agreements

Approximately 224, or 41% of the Company's employees, all within Sypris Technologies, were covered by collective bargaining agreements as of December 31, 2025. Excluding certain Mexico employees covered under an annually ratified agreement, there are no collective bargaining agreements expiring within the next twelve months. Certain Mexico employees are covered by an annually ratified collective bargaining agreement. These employees represented approximately 36% of the Company's workforce, or 200 employees as of December 31, 2025.

Recently Issued Accounting Standards

In July 2025, the Financial Accounting Standards Board (FASB) issued ASU 2025-05, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets (ASU 2025-05). ASU 2025-05 provides a practical expedient that all entities can use when estimating expected credit losses for current accounts receivable and current contract assets arising from transactions accounted for under ASC 606, Revenue from Contracts with Customers. Under this practical expedient, an entity is allowed to assume that the current conditions it has applied in determining credit loss allowances for current accounts receivable and current contract assets remain unchanged for the remaining life of those assets. ASU 2025-05 is effective for fiscal years beginning after December 15, 2025, and interim reporting periods in those years. Entities that elect the practical expedient and, if applicable, make the accounting policy election are required to apply the amendments prospectively. The Company does not expect this amended guidance will have a material impact on its financial statements.

In November 2024, the FASB issued ASU 2024-03, Disaggregation of Income Statement Expenses (Subtopic 220-40), which requires public entities to disclose detailed components of income statement expenses, such as inventory purchases, employee compensation, depreciation and amortization within relevant expense captions. Companies are also required to explain amounts not disaggregated and define and disclose total selling expenses. The guidance is effective for fiscal years beginning after December 15, 2026, and interim periods beginning after December 15, 2027. We are currently evaluating the impact of the guidance on our financial statement disclosures.

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280). The guidance requires a public entity to disclose significant segment expenses and other segment items on an annual and interim basis and provide in interim periods all disclosures about a reportable segment's profit or loss and assets that are currently required annually. Additionally, it requires a public entity to disclose the title and position of the Chief Operating Decision Maker (CODM). The ASU does not change how a public entity identifies its operating segments, aggregates them, or applies the quantitative thresholds to determine its reportable segments. We adopted the new standard effective December 31, 2024. As a result, we have enhanced our segment disclosures to include the disclosure of our CODM. The adoption of this ASU affects only our disclosures, with no impacts to our financial condition and results of operations.

On December 31, 2025, we adopted ASU 2023-09, Improvements to Income Tax Disclosures. This guidance requires disaggregated income tax disclosures on the rate reconciliation and income taxes paid. The Company adopted this ASU using the prospective method, and the adoption did not have an impact on the Company's consolidated financial statements other than additional information that is provided in the footnote disclosure. See Note 18 for more information.

Liquidity

As reflected in the consolidated financial statements, the Company reported a net loss of \$6,338,000 and \$1,680,000 for the year ended December 31, 2025 and 2024, respectively, and cash used in operating activities of \$5,731,000 for the year ended December 31, 2025. The Company's net inventory increased significantly in 2023, primarily related to contracts with Sypris Electronics' aerospace and defense customers. Shipments to customers on certain of these contracts were delayed beyond the initial delivery dates, which negatively impacted the cycle time to convert inventory to cash. Additionally, the Company experienced a significant drop in volumes within the Sypris Technologies business attributable to the anticipated cyclical decline in the commercial vehicle market in 2025, which led to a corresponding decrease in gross profit. As a result, the Company experienced a liquidity shortfall beginning in the fourth quarter of 2023 and at various times during 2024, 2025 and into 2026. The shipment delays also contributed to an increase in trade payable balances with certain suppliers during 2023 and 2024. The Company successfully negotiated amended payment and other terms on the past due balances with certain suppliers and is continuing to work with suppliers to improve terms and maintain consistency in its supply chain relationships.

The Company received the benefit of additional loans of \$3,000,000 during the year ended December 31, 2025 and \$2,500,000 during the year ended December 31, 2024 from GFCM to help the Company manage its liquidity during those periods. This additional \$5,500,000 loaned to the Company by GFCM in 2025 and 2024 was approved by the Audit Committee and provided the Company necessary liquidity. Additionally, during the first quarter of 2026, the Company further amended the Note to extend the maturity dates on all tranches by one year and allow for the continued deferral of payment for up to 100% of the interest due on the Note to April 1, 2027 (see Note 22).

Our ability to service our current liabilities will require a significant amount of cash. Management has evaluated our ability to generate this cash to meet our obligations for the next twelve months. Our primary sources of funds to meet our liquidity and capital requirements include cash on hand funds generated through revenue growth from the Company's consolidated operations and reductions in the Company's investment in working capital. Based upon our current forecast, we believe that we will have sufficient liquidity to finance our operations for the next twelve months.

Although we believe the assumptions underlying our current forecast are reasonable, management is also prepared to implement contingency plans that include other cost reduction initiatives to improve profitability and cash flow, or management can take additional steps such as adjusting the timing and amount of certain operating expenses as well as capital expenditures or the issuance of new debt. If we are unable to achieve our forecasted revenue, or if our costs are higher than expected, we may be required to revise our plans to provide for additional cost-cutting measures, seek additional financing or to consider other strategic alternatives.

(2) Leases

The Company determines if an arrangement is a lease at its inception. The Company has entered into operating leases for real estate. These leases have initial terms which range from 10 years to 20 years, and often include one or more options to renew. These renewal terms can extend the lease term by 5 years and will be included in the lease term when it is reasonably certain that the Company will exercise the option. The Company's existing leases do not contain significant restrictive provisions; however, certain leases contain provisions for payment of real estate taxes, insurance and maintenance costs by the Company. The lease agreements do not contain any residual value guarantees. Some of the real estate lease agreements include periods of rent holidays and payments that escalate over the lease term by specified amounts. All operating lease expenses are recognized on a straight-line basis over the lease term. For finance leases, interest expense is recognized on the lease liability and the right-of-use asset is amortized over the lease term.

Some leases may require variable lease payments based on factors specific to the individual agreements. Variable lease payments for which we are typically responsible include real estate taxes, insurance and common area maintenance expenses based on the Company's pro-rata share, which are excluded from the measurement of the lease liability. Additionally, one of the Company's real estate leases has lease payments that adjust based on annual changes in the Consumer Price Index ("CPI"). The leases that are dependent upon CPI are initially measured using the index or rate at the commencement date and are included in the measurement of the lease liability. Incremental payments due to changes in the index are treated as variable lease costs and expensed as incurred.

During the year ended December 31, 2025, the Company closed on a sale leaseback transaction with an unrelated third party. Under this transaction, the Company sold its facility located in Louisville, Kentucky, with a net book value of \$414,000 for gross proceeds of \$3,200,000, which was reduced by transaction costs of \$280,000 for net cash proceeds of approximately \$2,920,000. The lease agreement has a term of 20 years, and our initial annual cash payments to the buyer-lessor are approximately \$280,000, and the payments will escalate three percent annually. The Company recognized a gain of \$2,506,000 on this transaction, which is included in other (income) expense, net in the consolidated statements of operations. Right-of-use assets and lease liabilities recognized related to this sale leaseback transaction were \$2,205,000.

SYPRIS SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

During the year ended December 31, 2025, the Company entered into a five-year extension of its land and building in Toluca, Mexico and reassessed its expectations to exercise one additional extension. As a result, an increase in the operating right-of-use assets and operating lease liabilities recognized related to this were \$2,486,000, and the Company recognized an increase of its finance lease of \$3,645,000.

These operating leases are included in “Operating lease right-of-use assets” on the Company’s consolidated balance sheets and represent the Company’s right to use the underlying asset for the lease term. The Company’s obligations to make lease payments are included in “Operating lease liabilities, current portion” and “Operating lease liabilities, net of current portion” on the Company’s consolidated balance sheets. Operating lease right-of-use assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As of December 31, 2025, total right-of-use assets and operating lease liabilities were approximately \$7,333,000 and \$7,692,000, respectively. As of December 31, 2024, total right-of-use assets and operating lease liabilities were approximately \$3,749,000 and \$4,157,000, respectively.

We primarily use our incremental borrowing rate, which is updated quarterly, based on the information available at commencement date, in determining the present value of lease payments. If readily available, we would use the implicit rate in a new lease to determine the present value of lease payments. The Company has certain contracts for real estate which may contain lease and non-lease components which it has elected to treat as a single lease component.

The Company has entered into various short-term operating leases, primarily for office equipment with an initial term of twelve months or less. Lease payments associated with short-term leases are expensed as incurred and are not recorded on the Company’s balance sheet. The related lease expense for short-term leases was not material for the year ended December 31, 2025 and 2024.

The following table presents information related to lease expense for the year ended December 31, 2025 and 2024 (in thousands):

	December 31,	
	2025	2024
Finance lease expense		
Amortization expense	\$ 741	\$ 648
Interest expense	277	244
Operating lease expense	1,459	1,295
Variable lease expense	293	348
Total lease expense	<u>\$ 2,770</u>	<u>\$ 2,535</u>

The following table presents supplemental cash flow information related to leases (in thousands):

	December 31,	
	2025	2024
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 1,811	\$ 1,666
Operating cash flows from finance leases	277	244
Financing cash flows from finance leases	1,556	1,366

SYPRIS SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

The annual future minimum lease payments as of December 31, 2025 are as follows (in thousands):

	Operating Leases	Finance Leases
Next 12 months	\$ 1,796	\$ 1,203
12 to 24 months	1,868	926
24 to 36 months	1,041	862
36 to 48 months	1,056	816
48 to 60 months	1,072	695
Thereafter	9,337	3,589
Total lease payments	16,170	8,091
Less imputed interest	(8,478)	(3,448)
Total	<u>\$ 7,692</u>	<u>\$ 4,643</u>

The following table presents certain information related to lease terms and discount rates for leases as of December 31, 2025 and 2024:

	December 31,	
	2025	2024
Weighted-average remaining lease term (years):		
Operating leases	11.0	5.2
Finance leases	8.5	1.7
Weighted-average discount rate (percentage):		
Operating leases	11.9	8.4
Finance leases	13.1	8.7

(3) Revenue from Contracts with Customers

The Company recognizes revenue when it satisfies a performance obligation by transferring control of a promised product or rendering a service to a customer. The amount of revenue recognized reflects the consideration the Company expects to be entitled to in exchange for the product or service (the “transaction price”). The Company’s transaction price in its contracts with customers is generally fixed; no payment discounts, rebates or refunds are included within its contracts. The Company also does not provide service-type warranties, nor does it allow customer returns. In connection with the sale of various parts to customers, the Company is subject to typical assurance warranty obligations covering the compliance of the electronics parts produced to agreed-upon specifications. Customer returns, when they occur, relate to quality rework issues and are not connected to any repurchase obligation of the Company.

A performance obligation is a promise in a contract to transfer a distinct product or render a service to a customer and is the unit of account to which the transaction price is allocated under ASC 606. When a contract contains multiple performance obligations, we allocate the transaction price to the individual performance obligations using the price at which the promised goods or services would be sold to customers on a standalone basis. For most sales within our Sypris Technologies segment and a portion of sales within Sypris Electronics, control transfers to the customer at a point in time. Indicators that control has transferred to the customer include the Company having a present right to payment, the customer obtaining legal title and the customer having the significant risks and rewards of ownership. The Company’s principal terms of sale are FOB Shipping Point, or equivalent, and, as such, the Company primarily transfers control and records revenue for product sales upon shipment.

For contracts where Sypris Electronics serves as a contractor for aerospace and defense companies under federally funded programs, we generally recognize revenue over time as we perform because of continuous transfer of control to the customer. This continuous transfer of control to the customer is supported by clauses in the contracts that allow the customer to unilaterally terminate the contract for convenience, pay us for costs incurred plus a reasonable profit and take control of any work in process. Because control is transferred over time, revenue and gross profit is recognized based on the extent of progress towards completion of the performance obligation. We use labor hours incurred as a measure of progress for these contracts because it best depicts the Company’s performance of the obligation to the customer, which occurs as we incur labor on our contracts. Under this measure of progress, the extent of progress towards completion is measured based on the ratio of labor hours incurred to date to the total estimated labor hours at completion of the performance obligation.

SYPRIS SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

Some of Sypris Electronics’ contractual arrangements with customers are for one year or less. For the remaining population of contracts greater than one year we had \$66,431,000 of remaining performance obligations as of December 31, 2025, all of which were long-term Sypris Electronics’ contracts. We expect to recognize the remaining performance obligations as revenue in 2026. We estimate our remaining performance obligations at a point in time. Actual amounts and timing of revenue recognition may differ from these estimates due to contract modifications, program schedule changes and material availability delays.

Disaggregation of Revenue

The following table summarizes revenue from contracts with customers for the years ended December 31, 2025 and 2024:

	December 31,	
	2025	2024
Sypris Technologies – transferred point in time	\$ 51,746	\$ 75,207
Sypris Electronics – transferred point in time	13,657	13,878
Sypris Electronics – transferred over time	54,484	51,095
Net revenue	\$ 119,887	\$ 140,180

Contract Balances

Differences in the timing of revenue recognition, billings and cash collections results in billed accounts receivable, unbilled receivables (contract assets) and deferred revenue, customer deposits and billings in excess of revenue recognized (contract liabilities) on the consolidated balance sheets.

Contract assets – Contract assets include unbilled amounts typically resulting from sales under contracts where revenue is recognized over time and revenue recognized exceeds the amount billed to the customer, and the right to payment is subject to conditions other than the passage of time. Contract assets are generally classified as current assets in the consolidated balance sheet. The balance of contract assets as of December 31, 2025 and 2024 were \$3,798,000 and \$4,663,000, respectively, and are included within other current assets in the accompanying consolidated balance sheets.

Contract liabilities – Some of the Company’s contracts within Sypris Electronics are billed as work progresses in accordance with the contract terms and conditions, either at periodic intervals or upon achievement of certain milestones. Often this results in billing occurring prior to revenue recognition resulting in contract liabilities. Additionally, the Company occasionally receives cash payments from customers in advance of the Company’s performance resulting in contract liabilities. These contract liabilities are classified as either current or long-term in the consolidated balance sheet based on the timing of when the Company expects to recognize revenue. As of December 31, 2025, the contract liabilities balance was \$44,242,000, of which \$42,256,000 was included within accrued liabilities and \$1,986,000 was included within other liabilities in the accompanying consolidated balance sheets. As of December 31, 2024, the contract liabilities balance was \$54,375,000, of which \$50,430,000 was included within accrued liabilities and \$3,945,000 was included within other liabilities in the accompanying consolidated balance sheets. Payments received from customers in advance of revenue recognition are not considered to be significant financing components because they are used to meet working capital demands that can be higher in the early stages of a contract.

The change in contract liabilities in fiscal 2025 is a result of an increase in shipments for Sypris Electronics during the year. The Company recognized revenue from contract liabilities of \$32,889,000 and \$25,327,000 during the years ended December 31, 2025 and 2024, respectively.

Practical expedients and exemptions

Sales commissions are expensed when incurred because the amortization period would have been one year or less. These costs are recorded in selling, general and administrative expense in the consolidated statements of operations.

We do not disclose the value of unsatisfied performance obligations for contracts with original expected lengths of one year or less.

(4) Other (Income) Expense, Net

The Company recognized other income of \$1,960,000 during the year ended December 31, 2025. During the year ended December 31, 2025, the Company closed on a sale leaseback transaction with an unrelated third party. Under this transaction, the Company sold its facility located in Louisville, Kentucky, with a net book value of \$414,000 for net cash proceeds of approximately \$2,920,000. The Company recognized a gain of \$2,506,000 on this transaction, which is included in other (income) expense, net in the consolidated statements of operations. This gain was partially offset by pension expense of \$571,000. Foreign currency related expenses were not material for the year ended December 31, 2025.

The Company recognized other expense of \$1,217,000 during the year ended December 31, 2024, which included pension expense of \$795,000 and foreign currency related expenses of \$300,000.

(5) Accounts Receivable

Accounts receivable consists of the following (in thousands):

	December 31,	
	2025	2024
Commercial	\$ 9,884	\$ 10,679
Allowance for credit losses	(38)	(86)
Accounts receivable, net	<u>\$ 9,846</u>	<u>\$ 10,593</u>

(6) Inventory

Inventory consists of the following (in thousands):

	December 31,	
	2025	2024
Raw materials	\$ 46,347	\$ 58,733
Work in process	7,442	8,629
Finished goods	1,839	1,562
Reserve for excess and obsolete inventory	(3,165)	(2,244)
Inventory, net	<u>\$ 52,463</u>	<u>\$ 66,680</u>

(7) Other Current Assets

Other current assets consist of the following (in thousands):

	December 31,	
	2025	2024
Prepaid expenses	\$ 5,348	\$ 3,947
Contract assets	3,798	4,663
Other	1,662	2,460
Other current assets	<u>\$ 10,808</u>	<u>\$ 11,070</u>

Included in other current assets are income and VAT taxes refundable, tools, spare parts and other items, none of which exceed 5% of total current assets.

(8) Property, Plant and Equipment

Property, plant and equipment consists of the following (in thousands):

	December 31,	
	2025	2024
Land and land improvements	\$ 0	\$ 43
Buildings and building improvements	6,498	7,781
Machinery, equipment, furniture and fixtures	71,999	67,636
Construction in progress	460	870
	<u>78,957</u>	<u>76,330</u>
Accumulated depreciation	(62,953)	(63,031)
Property plant and equipment, net	<u>\$ 16,004</u>	<u>\$ 13,299</u>

Depreciation expense, including amortization of assets recorded under finance leases, totaled approximately \$2,844,000 and \$3,181,000 for the years ended December 31, 2025 and 2024, respectively. Capital expenditures included in accounts payable or accrued liabilities were not material as of December 31, 2025 and 2024, respectively.

Included within property, plant and equipment were assets under finance leases as follows (in thousands):

	December 31,	
	2025	2024
Buildings and building improvements	\$ 3,725	\$ 2,908
Machinery, equipment, furniture and fixtures	1,850	4,002
	<u>5,575</u>	<u>6,910</u>
Accumulated depreciation	(612)	(3,610)
Net	<u>\$ 4,963</u>	<u>\$ 3,300</u>

(9) Other Assets

Other assets consist of the following (in thousands):

	December 31,	
	2025	2024
Long-term spare parts	\$ 441	\$ 399
Long-term deposits	280	280
Pension asset	1,084	994
Deferred tax asset, net	2,188	2,047
Other	594	590
Other assets	<u>\$ 4,587</u>	<u>\$ 4,310</u>

(10) Accrued Liabilities

Accrued liabilities consist of the following (in thousands):

	December 31,	
	2025	2024
Salaries, wages, employment taxes and withholdings	\$ 1,213	\$ 1,885
Employee benefit plans	2,195	1,523
Accrued professional fees	833	793
Income, property and other taxes	221	875
Contract liabilities – short term	42,256	50,430
Deferred gain from sale-leaseback	0	291
Interest payable – related party	1,709	647
Other	1,001	1,195
Accrued liabilities	<u>\$ 49,428</u>	<u>\$ 57,639</u>

Included in other accrued liabilities are accrued operating expenses, accrued warranty expenses, and other items, none of which exceed 5% of total current liabilities.

(11) Other Liabilities

Other liabilities consist of the following (in thousands):

	December 31,	
	2025	2024
Noncurrent pension liability	\$ 2,137	\$ 2,517
Deferred gain from sale leaseback	0	48
Contract liabilities – long-term	1,986	3,945
Other liabilities	<u>\$ 4,123</u>	<u>\$ 6,510</u>

(12) Debt

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

	December 31,	
	2025	2024
Current:		
Finance lease obligation, current portion	\$ 622	\$ 1,507
Equipment financing obligations, current portion	526	481
Working capital line of credit	500	500
Current portion of long-term debt and finance lease obligations	<u>\$ 1,648</u>	<u>\$ 2,488</u>
Long-Term:		
Finance lease obligations	\$ 4,021	\$ 735
Equipment financing obligations	846	852
Note payable – related party	12,000	9,000
Less unamortized debt issuance and modification costs	(7)	(14)
Long-term debt and finance lease obligations, net of unamortized debt costs	<u>\$ 16,860</u>	<u>\$ 10,573</u>

The Company had no capitalized interest in 2025 or 2024.

Note Payable – Related Party

The Company has received the benefit of loans from GFCM in the form of secured promissory note obligations totaling \$12,000,000 in principal as of December 31, 2025 and \$9,000,000 as of December 31, 2024 (the “Note”). GFCM is an entity controlled by the Company’s Chairman, President and Chief Executive Officer, Jeffrey T. Gill and one of our directors, R. Scott Gill. GFCM, Jeffrey T. Gill and R. Scott Gill are significant beneficial stockholders of the Company.

During the year ended December 31, 2025, the Company and GFCM amended the Note to, among other things: (i) increase the principal amount by \$3,000,000 to \$12,000,000, (ii) extend the maturity dates for \$2,000,000 of the obligation to April 1, 2026, \$2,000,000 to April 1, 2027, \$5,000,000 on April 1, 2028, and the balance of \$3,000,000 due on April 1, 2029, and (iii) allow for the deferral of payment for up to 100% of the interest due on the Note to April 1, 2026. During the first quarter of 2026, the Company further amended the Note to extend the maturity dates on all tranches by one year and allow for the continued deferral of payment for up to 100% of the interest due on the Note to April 1, 2027. Interest on the Note is payable quarterly, unless the deferral option is elected, and the rate is reset on April 1 of each year at the greater of 8% or 500 basis points above the five-year Treasury note average during the previous 90-day period. This additional \$3,000,000 loaned to the Company during 2025 and the modification during the first quarter of 2026 was approved by the Audit Committee and provided the Company necessary liquidity (see Note 22).

The weighted average interest rate for the Note as of December 31, 2025 and 2024 was 9.2%. As permitted under the Note, all interest was deferred during 2025. Interest paid on the Note during the year ended December 31, 2024 totaled approximately \$283,000. The total interest accrued and unpaid as of December 31, 2025 was \$1,709,000.

Obligations under the promissory note are guaranteed by all of the subsidiaries and are secured by a first priority lien on substantially all assets of the Company, including those in Mexico.

SYPRIS SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

Finance Lease Obligations

As of December 31, 2025, the Company had \$4,643,000 outstanding under finance lease obligations for both property and machinery and equipment with maturities through 2031 and a weighted average interest rate of 13.1%.

Equipment Financing Obligations

As of December 31, 2025, the Company had \$1,372,000 outstanding under equipment financing facilities, with a weighted average interest rate of 6.9% and payments due through 2030. Payments on the Company's equipment financing obligations are due as follows as of December 31, 2025 (in thousands):

Next 12 months	\$	605
12 to 24 months		494
24 to 36 months		234
36 to 48 months		108
48 to 60 months		90
Thereafter		0
Total payments		1,531
Less imputed interest		(159)
Total equipment financing obligations	\$	<u>1,372</u>

(13) Fair Value of Financial Instruments

Cash, accounts receivable, accounts payable and accrued liabilities are reflected in the consolidated financial statements at their carrying amount which approximates fair value because of the short-term maturity of those instruments. The carrying amount of debt outstanding at December 31, 2025 approximates fair value, and is based upon a market approach (Level 2).

(14) Employee Benefit Plans

Sypris Technologies sponsors noncontributory defined benefit pension plans (the "Pension Plans") covering certain of its employees. The Pension Plans covering salaried and management employees provide pension benefits that are based on the employees' highest five-year average compensation within ten years before retirement. The Pension Plans covering hourly employees and union members generally provide benefits at stated amounts for each year of service. All of the Company's pension plans are frozen to new participants and certain plans are frozen to additional benefit accruals. The Company's funding policy is to make the minimum annual contributions required by the applicable regulations. The Pension Plans' assets are primarily invested in equity securities and fixed income securities.

The following table details the components of pension (income) expense (in thousands):

	Year ended December 31,	
	2025	2024
Interest cost on projected benefit obligation	\$ 1,069	\$ 1,095
Net amortization of actuarial loss	366	440
Expected return on plan assets	(864)	(740)
Net periodic benefit cost	<u>\$ 571</u>	<u>\$ 795</u>

SYPRIS SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

The net periodic cost of the defined benefit pension plans incurred during the years ended December 31, 2025 and 2024 is included in other (income) expense, net in the accompanying consolidated statements of operations. The following are summaries of the changes in the benefit obligations and plan assets and of the funded status of the Pension Plans (in thousands):

	December 31,	
	2025	2024
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 20,894	\$ 23,588
Interest cost	1,069	1,095
Actuarial loss (gain)	23	(1,541)
Benefits paid	(2,162)	(2,248)
Benefit obligation at end of year	<u>\$ 19,824</u>	<u>\$ 20,894</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ 20,700	\$ 21,808
Actual return on plan assets	1,385	428
Company contributions	336	712
Benefits paid	(2,162)	(2,248)
Fair value of plan assets at end of year	<u>\$ 20,259</u>	<u>\$ 20,700</u>
Surplus (underfunded) status of the plans	<u>\$ 435</u>	<u>\$ (194)</u>
Balance sheet assets (liabilities):		
Other assets	\$ 1,084	\$ 994
Accrued liabilities	(341)	(396)
Other liabilities	(308)	(792)
Net amount recognized	<u>\$ 435</u>	<u>\$ (194)</u>
Pension plans with accumulated benefit obligation in excess of plan assets:		
Projected benefit obligation	\$ 11,229	\$ 14,778
Accumulated benefit obligation	11,229	14,778
Fair value of plan assets	10,581	13,591
Projected benefit obligation and net periodic pension cost assumptions:		
Discount rate – projected benefit obligation	5.20%	5.55%
Discount rate – net periodic pension cost	5.55	5.10
Rate of compensation increase	N/A	N/A
Expected long-term rate of return on plan assets	3.95 – 4.65	3.15 – 3.75
December 31,		
	2025	2024
Weighted average asset allocation:		
Equity securities	13%	16%
Debt securities	87	84
Total	<u>100%</u>	<u>100%</u>

SYPRIS SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

The fair values of our pension plan assets as of December 31, 2025 are as follows (in thousands):

	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)
Asset categories		
Cash and cash equivalents	\$ 2,153	\$ 0
Equity securities:		0
U.S. Large Cap	1,203	0
U.S. Mid Cap	378	0
U.S. Small Cap	156	0
World Equity	842	0
Fixed income securities	5,108	10,419
Total Plan Assets	\$ 9,840	\$ 10,419

The fair values of our pension plan assets as of December 31, 2024 are as follows (in thousands):

	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)
Asset categories		
Cash and cash equivalents	\$ 2,245	\$ 0
Equity securities:		0
U.S. Large Cap	2,171	0
U.S. Mid Cap	337	0
U.S. Small Cap	124	0
World Equity	739	0
Fixed income securities	4,765	10,319
Total Plan Assets	\$ 10,381	\$ 10,319

Investments in our defined benefit plans are stated at fair value. The following valuation methods were used to value our pension assets:

Equity securities	The fair value of equity securities is determined by either direct or indirect quoted market prices. When the value of assets held in separate accounts is not published, the value is based on the underlying holdings, which are primarily direct quoted market prices on regulated financial exchanges.
Fixed income securities	The fair value of fixed income securities is determined by either direct or indirect quoted market prices. When the value of assets held in separate accounts is not published, the value is based on the underlying holdings, which are primarily direct quoted market prices on regulated financial exchanges.
Cash and cash equivalents	The fair value of cash and cash equivalents is set equal to its cost.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Company believes the valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Company uses December 31 as the measurement date for the Pension Plans. Total estimated contributions expected to be paid to the plans during 2026 is \$341,000, which represents the minimum funding amounts required by federal law. The expected long-term rates of return on plan assets for determining net periodic pension cost for 2025 and 2024 were chosen by the Company from a best estimate range determined by applying anticipated long-term returns and long-term volatility for various assets categories to the target asset allocation of the plan. The target asset allocation of plan assets is equity securities ranging 0-55%, fixed income securities ranging 35-100% and non-traditional/other of 0-10% of total investments.

SYPRIS SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

When establishing the expected long-term rate of return on our U.S. pension plan assets, the Company considered historical performance and forward-looking return estimates reflective of our portfolio mix and investment strategy. Based on the most recent analysis of projected portfolio returns, the Company concluded that the use of 3.95% for the Louisville Hourly Plan, 4.65% for the Marion Plan and 4.45% for the Louisville Salaried Plan as the expected return on our U.S. pension plan assets for 2025 was appropriate.

Actuarial gains and losses, which are primarily the result of changes in the discount rate and other assumptions and differences between actual and expected asset returns, are deferred in Accumulated other comprehensive loss and amortized to expense following the corridor approach. We use the average remaining service period of active participants unless almost all of the plan’s participants are inactive, in which case we use the average remaining life expectancy for all active and inactive participants. Accumulated other comprehensive loss at December 31, 2025 includes \$6,228,000 of unrecognized actuarial losses that have not yet been recognized in net periodic pension cost. The actual loss reclassified from accumulated other comprehensive loss for 2025 and 2024 was \$366,000 and \$440,000, respectively.

At December 31, 2025, the benefits expected to be paid in each of the next five fiscal years, and in aggregate for the five fiscal years thereafter are as follows (in thousands):

2026	\$	2,098
2027		2,033
2028		1,960
2029		1,897
2030		1,833
2031-2035		7,924
Total	\$	17,745

The Company sponsors a defined contribution plan (the “Defined Contribution Plan”) for substantially all domestic employees of the Company. The Defined Contribution Plan is intended to meet the requirements of Section 401(k) of the Internal Revenue Code. The Defined Contribution Plan allows the Company to match participant contributions up to 3% and provide discretionary contributions. In connection with the matching contributions, the Company recognized compensation expense of approximately \$512,000 and \$570,000 in 2025 and 2024, respectively.

In addition, certain of the Company’s non-U.S. employees are covered by various defined benefit and defined contribution plans. The Company’s expenses for these plans totaled approximately \$358,000 and \$364,000 in 2025 and 2024, respectively. The aggregate benefit plan obligations of these plans, which are unfunded, were \$1,829,000 and \$1,725,000 as of December 31, 2025 and 2024 were included within other liabilities in the accompanying consolidated balance sheets.

(15) Commitments and Contingencies

In order to reduce manufacturing lead times, the Company enters into agreements with certain suppliers to purchase inventory based on the Company’s requirements. A significant portion of the Company’s purchase commitments arising from these agreements consists of firm and non-cancelable commitments. These purchase commitments totaled \$25,208,000 as of December 31, 2025, of which \$23,906,000 is for purchases to be made in 2026 and the balance thereafter.

The Company bears insurance risk as a member of a group captive insurance entity for certain general liability, automobile and workers’ compensation insurance programs, a self-insured worker’s compensation program and a self-insured employee health program. The Company records estimated liabilities for its insurance programs based on information provided by the third-party plan administrators, historical claims experience, expected costs of claims incurred but not paid, and expected costs to settle unpaid claims. The Company monitors its estimated insurance-related liabilities on a quarterly basis. As facts change, it may become necessary to make adjustments that could be material to the Company’s consolidated results of operations and financial condition.

The Company is involved in certain litigation and contract issues arising in the normal course of business. While the outcome of these matters cannot, at this time, be predicted in light of the uncertainties inherent therein, management does not expect that these matters will have a material adverse effect on the consolidated financial position or results of operations of the Company. Additionally, the Company believes its product liability insurance is adequate to cover all potential liability claims.

The Company accounts for loss contingencies in accordance with U.S. GAAP. Estimated loss contingencies are accrued only if the loss is probable and the amount of the loss can be reasonably estimated. With respect to a particular loss contingency, it may be probable that a loss has occurred but the estimate of the loss is within a wide range or undeterminable. If the Company deems an amount within the range to be a better estimate than any other amount within the range, that amount will be accrued. However, if no amount within the range is a better estimate than any other amount, the minimum amount of the range is accrued.

The Company has various current and previously owned facilities subject to a variety of environmental regulations. The Company has received certain indemnifications from either companies previously owning these facilities or from purchasers of those facilities. Additionally, certain property previously sold by the Company has been designated as a Brownfield Site and is under development by the purchaser. As of December 31, 2025 and 2024, no amounts were accrued for any environmental matters. See “Legal Proceedings” in Part I, Item 3 of this Annual Report on Form 10-K.

(16) Stock Option and Purchase Plans

The Company’s stock compensation program provides for the grant of restricted stock and restricted stock units (including performance-based restricted stock), unrestricted stock, stock options and stock appreciation rights. A total of 4,596,271 shares were registered for issuance under the 2020 Omnibus Plan. On May 21, 2025, the 2020 Omnibus Plan was replaced with the 2025 Omnibus Plan. A total of 4,849,021 shares were registered for issuance under the 2025 Omnibus Plan. Additionally, awards under the 2020 Omnibus Plan that are cancelled without having been fully exercised or vested are available again for new awards under the 2025 Omnibus Plan. The aggregate number of shares available for future grant as of December 31, 2025 and 2024 was 4,536,521 and 1,849,021, respectively.

The 2025 Omnibus Plan provides for restrictions which lapse after two or three years. Generally, if a recipient leaves the Company before the end of the restricted period or if performance requirements, if any, are not met, the shares will be forfeited.

Under the plans, the Company may grant options to purchase common stock to officers, key employees and non-employee directors. Options may be granted at not less than the market price on the date of grant. Stock option grants under the 2020 Omnibus Plan include a five-year life along with vesting after three years of service. There have been no stock option grants under the 2025 Omnibus Plan.

Compensation expense is measured based on the fair value at the date of grant and is recognized on a straight-line basis over the vesting period. Fair value for restricted stock and restricted stock units is equal to the stock price on the date of grant, while the fair value of each stock option grant is estimated on the date of grant using the Black-Scholes option-pricing method. The Company uses historical Company and industry data to estimate the expected price volatility. Due to the lack of sufficient historical exercise data to provide a reasonable basis upon which to otherwise estimate the expected term of the stock options, the Company uses the simplified method to estimate the expected term. Under the simplified method, the expected term of an option is presumed to be the midpoint between the vesting date and the end of the contractual term. The dividend yield is assumed to be zero as we have not paid dividends nor do we anticipate paying any dividends in the foreseeable future. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant for the estimated life of the option. Forfeitures are recorded as they occur. Stock based compensation expense of \$1,118,000 and \$868,000 has been recorded in selling, general and administrative expense in the consolidated statements of operations for the years ended December 31, 2025 and 2024, respectively.

SYPRIS SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

There were no option grants during the year ended December 31, 2025. The following weighted average assumptions were used to estimate the fair value of options granted during the year ended December 31, 2024 using the Black-Scholes option-pricing model:

Expected life (years)	4.0
Expected volatility	81.7%
Risk-free interest rates	4.76%
Expected dividend yield	0%

A summary of the restricted stock activity is as follows:

	Number of Shares	Weighted Average Grant Date Fair Value Per Share	Weighted Average Remaining Term	Aggregate Intrinsic Value
Nonvested shares at January 1, 2024	512,000	\$ 2.64		
Granted	617,500	1.66		
Vested	(165,000)	3.03		
Forfeited	(82,000)	2.71		
Nonvested shares at December 31, 2024	883,000	1.87		
Granted	717,500	1.90		
Vested	(178,000)	2.57		
Forfeited	0	0		
Nonvested shares at December 31, 2025	<u>1,422,500</u>	<u>\$ 1.80</u>	2.0	<u>\$ 3,470,900</u>

The total fair value of shares vested during 2025 and 2024 was \$293,000 and \$304,000 respectively.

The following table summarizes option activity for the year ended December 31, 2025 and 2024:

	Number of Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Term	Aggregate Intrinsic Value
Outstanding at January 1, 2024	1,824,250	\$ 1.41		
Granted	394,000	1.64		
Exercised	(226,500)	0.90		
Forfeited	0	0		
Expired	(402,500)	1.06		
Outstanding at December 31, 2024	1,589,250	1.63		
Granted	0	0		
Exercised	(127,500)	0.82		
Forfeited	0	0		
Expired	(405,000)	0.82		
Outstanding at December 31, 2025	<u>1,056,750</u>	<u>\$ 2.04</u>	2.56	<u>\$ 489,473</u>
Exercisable at December 31, 2025	<u>282,400</u>	<u>\$ 2.48</u>	1.74	<u>\$ 44,000</u>

The weighted average grant date fair value based on the Black-Scholes option pricing model for options granted in the year ended December 31, 2024 was \$1.02 per share. There were no options granted during 2025. There were 127,500 options exercised in 2025 with an intrinsic value of \$138,000. There were 226,500 options exercised in 2024 with an intrinsic value of \$153,000.

As of December 31, 2025, there was \$1,684,000 of total unrecognized compensation cost related to unvested share-based compensation granted under the plans. That cost is expected to be recognized over a weighted-average period of 1.8 years. The total fair value of option shares vested during the years ended December 31, 2025 and 2024 was \$376,000 and \$60,000, respectively.

(17) Stockholders' Equity

As of December 31, 2025 and 2024, 24,850 shares of the Company's preferred stock were designated as Series A Preferred Stock in accordance with the terms of our stockholder rights plan, which expired in October 2011. There are no shares of Series A Preferred Stock currently outstanding, and there are no current plans to issue any such shares.

The holders of our common stock were not entitled to any payment as a result of the expiration of the rights plan and the rights issued thereunder.

The Company's accumulated other comprehensive loss consists of employee benefit related adjustments and foreign currency translation adjustments.

Accumulated other comprehensive loss consisted of the following (in thousands):

	December 31,	
	2025	2024
Foreign currency translation adjustments, net of tax	\$ (8,657)	\$ (11,457)
Employee benefit related adjustments – U.S, net of tax	(6,747)	(7,612)
Employee benefit related adjustments – Mexico, net of tax	(82)	52
Accumulated other comprehensive loss	<u>\$ (15,486)</u>	<u>\$ (19,017)</u>

Changes in each component of accumulated other comprehensive loss consisted of the following:

	Foreign Currency Translation	Defined Benefit Plans	Accumulated Other Comprehensive Loss
Balance at January 1, 2024	\$ (7,869)	\$ (9,198)	\$ (17,067)
Currency translation adjustments, net of tax	(3,588)	0	(3,588)
Net actuarial gain for the year, net of tax	0	1,198	1,198
Amortization for the year, net of tax	0	440	440
Balance at December 31, 2024	<u>\$ (11,457)</u>	<u>\$ (7,560)</u>	<u>\$ (19,017)</u>
Currency translation adjustments, net of tax	2,800	0	2,800
Net actuarial gain for the year, net of tax	0	365	365
Amortization for the year, net of tax	0	366	366
Balance at December 31, 2025	<u>\$ (8,657)</u>	<u>\$ (6,829)</u>	<u>\$ (15,486)</u>

(18) Income Taxes

The Company accounts for income taxes under the liability method. Accordingly, deferred income taxes have been provided for temporary differences between the recognition of revenue and expenses for financial and income tax reporting purposes and between the tax basis of assets and liabilities and their reported amounts in the consolidated financial statements.

The components of (loss) income before taxes are as follows (in thousands):

	Year ended December 31,	
	2025	2024
Domestic	\$ (6,246)	\$ (4,286)
Foreign	(31)	4,312
Total	<u>\$ (6,277)</u>	<u>\$ 26</u>

SYPRIS SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

The components of income tax expense, net are as follows (in thousands):

	Year ended December 31,	
	2025	2024
Current:		
Federal	\$ 0	\$ 0
State	9	9
Foreign	(53)	1,465
Total current income tax expense	(44)	1,474
Deferred:		
Federal	0	0
State	0	0
Foreign	105	232
Total deferred income tax expense	105	232
Income tax expense, net	\$ 61	\$ 1,706

The Company recognizes liabilities or assets for the deferred tax consequences of temporary differences between the tax bases of assets or liabilities and their reported amounts in the financial statements in accordance with Income Taxes, Topic 740 (ASC 740). These temporary differences will result in taxable or deductible amounts in future years when the reported amounts of assets or liabilities are recovered or settled. ASC 740 requires that a valuation allowance be established when it is more likely than not that all or a portion of a deferred tax asset will not be realized. The Company evaluates its deferred tax position on a quarterly basis and valuation allowances are provided as necessary. During this evaluation, the Company reviews its forecast of income in conjunction with other positive and negative evidence surrounding the realizability of its deferred tax assets to determine if a valuation allowance is needed. Based on its current forecast, the Company believes it will have sufficient future taxable income to realize the deferred tax assets recorded by its Mexican subsidiary.

Based on the Company's consideration of all positive and negative evidence, including the future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations, the Company has established a valuation allowance against all U.S. deferred tax assets. Until an appropriate level and characterization of profitability is attained, the Company expects to continue to maintain a valuation allowance on its net deferred tax assets related to future U.S. tax benefits.

The Global Intangible Low-Taxed Income ("GILTI") provisions of the Tax Cuts and Jobs Act (the "Tax Act") require the Company to include in its U.S. income tax return foreign subsidiary earnings in excess of an allowable return on the foreign subsidiary's tangible assets. The Company is subject to incremental U.S. tax on GILTI income due to expense allocations required by the U.S. foreign tax credit rules. The Company has elected to account for the GILTI tax in the period in which it is incurred, and therefore has not provided any deferred tax impacts of GILTI in its consolidated financial statements.

The Company files a consolidated federal income tax return which includes all domestic subsidiaries. State income taxes paid in the U.S. during 2025 and 2024 totaled \$9,000 and \$9,000, respectively. There were no state income tax refunds received in the U.S. during 2025 or 2024. No state jurisdiction exceeded the 5 percent threshold of income taxes paid (net of refunds) in 2025 or 2024. Foreign income taxes paid during 2025 and 2024 totaled \$1,398,000 and \$395,000. There were no foreign refunds received in 2025 and 2024. Mexico is the only foreign tax jurisdiction for both 2025 and 2024. There were no federal taxes paid in 2025 and 2024. There were no federal refunds received in 2025 or 2024. At December 31, 2025, the Company had \$154,515,000 of federal net operating loss carryforwards available to offset future federal taxable income. The pre-2018 federal net operating loss carryforwards of \$135,108,000 expire in various amounts from 2026 to 2037. Federal net operating loss carryforwards generated in 2018 and forward will have an unlimited carryforward period as part of the Tax Act. The indefinite lived net operating loss carryforwards as of December 31, 2025 are approximately \$19,406,000.

At December 31, 2025, the Company had \$111,387,000 of state net operating loss carryforwards available to offset future state taxable income, the majority of which relates to Florida (\$63,223,000) and Kentucky (\$48,163,000). The pre-2018 state net operating loss carryforwards totaling approximately \$106,387,000 expire in various amounts from 2026 to 2037. State net operating loss carryforwards generated in 2018 and forward will have an unlimited carryforward. The indefinite lived state net operating loss carryforwards as of December 31, 2025 are approximately \$5,000,000.

SYPRIS SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

At December 31, 2025, the Company had \$1,346,000 of net operating loss carryforwards available to offset future taxable income in Mexico. These operating losses expire in 2035.

The following is a reconciliation of income tax (benefit) expense to that computed by applying the federal statutory rate to income (loss) before income taxes (in thousands):

	Year ended December 31, 2025	
	Amount	Percent of Pre-tax Income
Federal tax expense at the statutory rate	\$ (1,318)	21.0%
State income taxes, net of federal income tax effect	9	(0.2)
Foreign tax effects	59	(0.9)
Changes in valuation allowance	1,223	(19.5)
Other		
Return-to-provision adjustments	118	(1.9)
Other adjustments	(30)	0.5
Income tax expense (benefit), net	<u>\$ 61</u>	<u>(1.0)%</u>

The states that contribute to the majority of the state income taxes, net of federal tax impact include Florida, Kentucky and Texas.

The following is presented in accordance with the guidance prior to the adoption of the new income tax disclosures:

	Year ended December 31, 2024
Federal tax expense at the statutory rate	\$ 5
Current year permanent differences	326
State income taxes, net of federal income tax impact	(90)
Effect of tax rates of foreign subsidiary	400
Return-to-provision adjustments	150
Changes in valuation allowance	915
Income tax expense (benefit), net	<u>\$ 1,706</u>

The gross deferred tax asset for the Company's Mexican subsidiary was \$2,188,000 and \$2,047,000 as of December 31, 2025 and 2024, respectively.

SYPRIS SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

Deferred income tax assets and liabilities are as follows (in thousands):

	Year ended December 31,	
	2025	2024
Deferred tax assets:		
Compensation and benefit accruals	\$ 840	\$ 554
Inventory valuation	1,013	945
Federal and state net operating loss carryforwards	37,098	36,463
Deferred revenue	129	23
Interest limitation carryover	1,261	873
Defined benefit pension plan	0	21
Lease liabilities	1,217	864
Foreign deferred revenue and other provisions	2,188	2,047
Capitalized research and experimental costs	211	201
Other	314	350
Total	44,271	42,341
Domestic valuation allowance	(39,905)	(38,748)
Total deferred tax assets	4,366	3,593
Deferred tax liabilities:		
Defined benefit pension plan	(124)	0
Prepaid and other assets	(936)	(787)
Right-of-use assets, net	(1,118)	(759)
Total deferred tax liabilities	(2,178)	(1,546)
Net deferred tax asset	\$ 2,188	\$ 2,047

The ASC Income Tax Topic 740 includes guidance for the accounting for uncertainty in income taxes recognized in an enterprise's financials. Specifically, the guidance prescribes a two-step process, which is the recognition and measurement of a tax position taken or expected to be taken in a tax return and also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The total amount of gross unrecognized tax benefits as of December 31, 2025 and 2024 was \$200,000. There were no changes to the unrecognized tax benefit balance during the years ended December 31, 2025 and 2024.

If the Company's positions are sustained by the taxing authority, the entire balance at December 31, 2025 would impact the Company's effective tax rate. The Company recognizes accrued interest and penalties related to uncertain tax positions in income tax expense. As of December 31, 2025 and 2024, the Company does not have an accrual for the payment of tax-related interest and penalties.

The Company files income tax returns in the U.S. federal jurisdiction, and various state and foreign jurisdictions. During July 2024, the Company was notified by the Internal Revenue Service ("IRS") that it is examining the Company's 2021 federal income tax return. On April 1, 2025, the Company received notification that the examination was complete with no changes to the reported tax amount. To the Company's knowledge, the Internal Revenue Service (IRS) is not currently examining the Company's U.S. income tax returns for 2022 through 2024, for which the statute has yet to expire.

During the first quarter of 2023, the Company's wholly-owned subsidiary in Mexico received a formal tax assessment notice from Mexico's Federal Tax Administration Service, Servicio de Administracion Tributaria's (the "SAT") pertaining to revenue variances and disallowed deductions related to an audit by the SAT of the 2016 tax year. The tax liability for the variances approximated \$1,150,000, which includes annual adjustments for inflation, interest and penalties. The Company made a payment in June 2024 of \$191,000 to settle the matter, of which \$124,000 was recorded in income tax expense, net, and the remainder was recorded in other expense, net in the consolidated statements of operations for the year ended December 31, 2024. To the Company's knowledge, the SAT is not currently examining the Company's Mexican income tax returns for 2021 through 2025, for which the statute has yet to expire. In addition, open tax years related to state jurisdictions remain subject to examination.

(19) Derivative Financial Instruments

During the year ended December 31, 2024, the Company’s Sypris Technologies segment entered into Mexican Peso (“MXP”) put option contracts to manage a portion of the foreign currency exchange risk on forecasted expenses denominated in MXP. The contracts meet the definition of a derivative subject to the guidance of ASC 815, do not qualify for hedge accounting, and accordingly are recognized at fair value, with changes in fair value recognized in earnings in other income (expense). There were no contracts outstanding as of December 31, 2025. The contracts had a notional amount of \$18,700,000 as of December 31, 2024. The Company does not use hedging arrangements for speculative purposes. There can be no assurance the hedges will fully offset the financial impact resulting from movements in foreign currency exchange rates.

The fair value of these derivative financial instruments are determined using level 2 inputs (inputs other than quoted prices in active markets for identical assets and liabilities that are observable either directly or indirectly for substantially the full term of the asset or liability) in the fair value hierarchy as the fair value is based on publicly available foreign exchange and interest rates at each financial reporting date. The fair value of the non-designated foreign exchange contracts as of December 31, 2024 was \$157,000 and is included in other current assets in the Consolidated Balance Sheet. There were no foreign exchange contracts as of December 31, 2025.

(20) Loss Per Common Share

The Company computes earnings per share using the two-class method, which is an earnings allocation formula that determines earnings per share for common stock and participating securities. Restricted stock granted by the Company is considered a participating security since it contains a non-forfeitable right to dividends.

Our potentially dilutive securities include potential common shares related to our stock options and restricted stock. Diluted earnings per share considers the impact of potentially dilutive securities except in periods in which there is a loss because the inclusion of the potential common shares would have an anti-dilutive effect. Diluted earnings per share excludes the impact of common shares related to our stock options in periods in which the option exercise price is greater than the average market price of our common stock for the period. All potential common shares were excluded from diluted earnings per share for the year ended December 31, 2025 and 2024 because the effect of inclusion would be anti-dilutive.

A reconciliation of the weighted average shares outstanding used in the calculation of basic and diluted (loss) income per common share is as follows (in thousands):

	Year ended December 31,	
	2025	2024
Loss attributable to stockholders:		
Net loss as reported	\$ (6,338)	\$ (1,680)
Less distributed and undistributed earnings allocable to restricted award holders	0	0
Net loss allocable to common stockholders	<u>\$ (6,338)</u>	<u>\$ (1,680)</u>
Loss per common share attributable to stockholders:		
Basic	<u>\$ (0.28)</u>	<u>\$ (0.08)</u>
Diluted	<u>\$ (0.28)</u>	<u>\$ (0.08)</u>
Weighted average shares outstanding – basic	22,270	22,043
Weighted average additional shares assuming conversion of potential common shares	0	0
Weighted average shares outstanding – diluted	<u>22,270</u>	<u>22,043</u>

(21) Segment Information

The Company is organized into two business segments, Sypris Technologies and Sypris Electronics. Our Chief Executive Officer (CEO) serves as our Chief Operating Decision Maker (CODM) and is responsible for reviewing segment performance and making decisions regarding resource allocation. Our CODM evaluates each segment’s performance based on metrics such as net revenue, gross profit, operating (loss) income and other key financial indicators, guiding strategic decisions to align with company-wide goals. On a monthly basis, the CODM considers budget-to-actual variances for gross profit and operating (loss) income when making decisions about allocating capital to the segments. The segments are each managed separately because of the distinctions between the products, markets, customers, technologies, and workforce skills of the segments. Sypris Technologies generates revenue primarily from the sale of forged, machined, welded and heat-treated steel components primarily for the heavy commercial vehicle and high-pressure energy pipeline applications. Sypris Electronics provides circuit card and box build manufacturing, high reliability manufacturing, systems assembly and integration, design for manufacturability and design to specification work to customers in the market for aerospace and defense, communications and space electronics. There was no intersegment net revenue recognized for any year presented.

The Company includes the unallocated costs of its corporate office, including the employment costs of its senior management team and other corporate personnel, administrative costs and net corporate interest expense incurred at the corporate level under the caption “General, corporate and other” in the table below. Such unallocated costs include those for centralized information technology, finance, legal and human resources support teams, certain professional fees, director fees, corporate office rent, certain self-insurance costs and recoveries, software license fees and various other administrative expenses that are not allocated to our reportable segments. The unallocated assets include cash and cash equivalents maintained in its domestic treasury accounts and the net book value of corporate facilities and related information systems. The unallocated liabilities consist primarily of the related party notes payable. Domestic income taxes are calculated at an entity level and are not allocated to our reportable segments. Corporate capital expenditures and depreciation and amortization include items attributable to the unallocated fixed assets of the corporate office and related information systems.

The following table presents financial information for the reportable segments of the Company (in thousands):

	Year ended December 31,	
	2025	2024
Net revenue from unaffiliated customers:		
Sypris Technologies	\$ 51,746	\$ 75,207
Sypris Electronics	68,141	64,973
Total net revenue	\$ 119,887	\$ 140,180
Gross profit:		
Sypris Technologies	\$ 6,403	\$ 12,824
Sypris Electronics	2,995	7,066
Total gross profit	\$ 9,398	\$ 19,890
Operating (loss) income:		
Sypris Technologies	\$ 439	\$ 7,245
Sypris Electronics	(1,522)	2,119
General, corporate and other	(5,523)	(6,437)
Total operating (loss) income	\$ (6,606)	\$ 2,927
Interest expense, net:		
Sypris Technologies	\$ 318	\$ 243
Sypris Electronics	227	711
General, corporate and other	1,086	730
Total interest expense, net	\$ 1,631	\$ 1,684

SYPRIS SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

	Year ended December 31,	
	2025	2024
Other (income) expense, net:		
Sypris Technologies	\$ (1,957)	\$ 1,240
Sypris Electronics	3	(16)
General, corporate and other	(6)	(7)
Total other (income) expense, net	\$ (1,960)	\$ 1,217
(Loss) income before income taxes:		
Sypris Technologies	\$ 2,423	\$ 6,005
Sypris Electronics	(1,754)	1,423
General, corporate and other	(6,946)	(7,402)
Total (loss) income before income taxes	\$ (6,277)	\$ 26
Depreciation and amortization:		
Sypris Technologies	\$ 1,889	\$ 2,257
Sypris Electronics	955	921
General, corporate and other	0	3
Total depreciation and amortization	\$ 2,844	\$ 3,181
Capital expenditures:		
Sypris Technologies	\$ 678	\$ 697
Sypris Electronics	11	375
General, corporate and other	67	11
Total capital expenditures	\$ 756	\$ 1,083
	December 31,	
	2025	2024
Total assets:		
Sypris Technologies	\$ 37,095	\$ 35,013
Sypris Electronics	63,469	76,405
General, corporate and other	7,247	7,958
Total assets	\$ 107,811	\$ 119,376
Total liabilities:		
Sypris Technologies	\$ 20,214	\$ 18,104
Sypris Electronics	52,139	68,780
General, corporate and other	17,668	12,911
Total liabilities	\$ 90,021	\$ 99,795

The Company's export sales from the U.S. totaled \$3,426,000 and \$7,354,000 in 2025 and 2024, respectively. Approximately \$31,722,000 and \$53,301,000 of net revenue in 2025 and 2024, respectively, and \$10,502,000 and \$6,956,000 of long lived assets at December 31, 2025 and 2024, respectively, and net assets of \$23,076,000 and \$20,419,000 at December 31, 2025 and 2024, respectively, relate to the Company's international operations.

(22) Subsequent Event

As described in Note 12 above, subsequent to the year ended December 31, 2025, the Company amended the Note to, among other things (i) extend the maturity dates for \$2,000,000 of the obligation to April 1, 2027, \$2,000,000 to April 1, 2028, \$5,000,000 to April 1, 2029 and \$3,000,000 to April 1, 2030, and (ii) allow for the continued deferral of payment for up to 100% of the interest due on the Note to April 1, 2027. All other terms of the previously amended Note remain in place.

Obligations under the Note are guaranteed by all of the subsidiaries and are secured by a first priority lien on substantially all assets of the Company including those in Mexico.

On February 11, 2026, the Company, through its Mexican operations, entered into an unsecured loan agreement with Banco del Bajío (the "Mexico Bajío Loan") in the amount of approximately \$1,161,000 to fund working capital needs. The loan is to be paid in monthly installments over a five-year period and bears a fixed interest rate of 10.5% per annum.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures**Evaluation of Disclosure Controls and Procedures**

An evaluation was performed under the supervision and with the participation of the Company's management, including the President and Chief Executive Officer (the CEO) and the Chief Accounting Officer (the CAO), of the effectiveness of the design and operation of the Company's disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934. Based on that evaluation, the Company's management, including the CEO and CAO, concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2025 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

The management of Sypris Solutions, Inc. is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). Our internal control system was designed to provide reasonable assurance to Sypris management and its Board of Directors regarding the preparation and fair presentation of published consolidated financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can only provide reasonable assurance with respect to the accuracy of consolidated financial statement preparation and presentation.

Under the supervision and with participation of our management, including the Chief Executive Officer and Chief Accounting Officer, we assessed the effectiveness of Sypris Solutions, Inc.'s internal control over financial reporting as of December 31, 2025. In making our assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control – Integrated Framework (2013). Based on our assessment, we concluded that as of December 31, 2025, Sypris' internal control over financial reporting is effective based on these criteria.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company (non-accelerated filer) to provide only management's report in this annual report.

Item 9B. Other Information

During the quarter ended December 31, 2025, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required herein is incorporated by reference from sections of the Company’s Proxy Statement titled “Governance of the Company –Committees of the Board of Directors,” “Governance of the Company – Audit and Finance Committee,” “Proposal One, Election of Directors,” and “Executive Officers,” which Proxy Statement will be filed with the Securities and Exchange Commission pursuant to instruction G(3) of the General Instructions to Form 10-K.

The Company has adopted a Code of Conduct that applies to all of its directors, officers (including its chief executive officer, chief financial officer, chief accounting officer and any person performing similar functions) and employees. The Company has made the Code of Conduct, and will make any amendments and waivers thereto, available on its website at www.sypris.com.

Item 11. Executive Compensation

The information required herein is incorporated by reference from sections of the Company’s Proxy Statement titled “2025 Director Compensation,” “Governance of the Company,” “Summary Compensation Table,” and “Outstanding Equity Awards at Fiscal Year-End 2025,” which Proxy Statement will be filed with the Securities and Exchange Commission pursuant to instruction G(3) of the General Instructions to Form 10-K.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required herein is incorporated by reference from the section of the Company’s Proxy Statement titled “Stock Ownership of Certain Beneficial Owners and Management,” which Proxy Statement will be filed with the Securities and Exchange Commission pursuant to instruction G(3) of the General Instructions to Form 10-K.

Equity Compensation Plan Information

The following table provides information as of December 31, 2025 with respect to shares of Sypris common stock that may be issued under our equity compensation plans.

Plan Category	Number of Securities To be Issued Upon Exercise of Outstanding Options (a)	Weighted Average Exercise Price of Outstanding Options (b)	Number of Securities Remaining Available For Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity Compensation Plans Approved by Stockholders	2,479,250(1)	\$ 2.04	4,536,521(2)
Equity Compensation Plans Not Approved by Stockholders	—	—	—

(1) Consists of 1,761,750 shares of common stock subject to outstanding awards under the 2020 Omnibus Plan and 717,500 under the 2025 Omnibus Plan. The weighted average price shown in column (b) does not take restricted stock awards or restricted stock units into account, which have no exercise price and are included in column (a).

(2) Shares remaining available for issuance under the 2025 Omnibus Plan.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required herein is incorporated by reference from the sections of the Company's Proxy Statement titled "Governance of the Company – Transactions with Related Persons" and "Governance of the Company – Independence," which Proxy Statement will be filed with the Securities and Exchange Commission pursuant to instruction G(3) of the General Instructions to Form 10-K.

Item 14. Principal Accounting Fees and Services

The information required herein is incorporated by reference from the section of the Company's Proxy Statement titled "Relationship with Independent Public Accountants," which Proxy Statement will be filed with the Securities and Exchange Commission pursuant to instruction G(3) of the General Instructions to Form 10-K.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) The following documents are filed as part of this Annual Report on Form 10-K:

1. Financial Statements

The financial statements as set forth under Item 8 of this Annual Report on Form 10-K are included.

2. Exhibits

Exhibit Number	Description
3.1	<u>Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's Form 10-Q for the quarterly period ended June 30, 2004 filed on August 3, 2004 (Commission File No. 000-24020)).</u>
3.2	<u>Amended and Restated Bylaws of the Company (incorporated by reference to Exhibit 3.1 to the Company's Form 8-K filed November 9, 2023 (Commission File No. 000-24020)).</u>
4.1	<u>Specimen common stock certificate (incorporated by reference to Exhibit 4.1 to the Company's Form 10-K for the fiscal year ended December 31, 1998 filed on March 5, 1999 (Commission File No. 000-24020)).</u>
4.2	<u>Description of the Company's Securities Registered under Section 12 of the Securities Exchange Act of 1934 (incorporated by reference to Exhibit 4.2 to the Company's Form 10-K filed on March 19, 2020 (Commission File No. 000-24020)).</u>
10.1	<u>Amended and Restated Promissory Note between Gill Family Capital Management, Inc., Sypris Solutions, Inc., Sypris Technologies, Inc., Sypris Electronics, LLC, Sypris Technologies Marion, LLC, Sypris Technologies Mexican Holdings, LLC, Sypris Technologies Northern, Inc., Sypris Technologies Southern, Inc. and Sypris Technologies International, Inc. dated as of, dated January 12, 2026 (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed on January 14, 2026 (Commission File No. 000-24020)).</u>
10.1.1	<u>Security Agreement between Sypris Solutions, Inc., Sypris Technologies, Inc., Sypris Electronics, LLC, Sypris Data Systems, Inc., Sypris Technologies Marion, LLC, Sypris Technologies Kenton, Inc., Sypris Technologies Mexican Holdings, LLC, Sypris Technologies Northern, Inc., Sypris Technologies Southern, Inc. and Sypris Technologies International, Inc. and Gill Family Capital Management, Inc., dated as of March 12, 2015 (incorporated by reference to Exhibit 10.2.1 to the Company's Form 10-K filed on March, 31, 2015 (Commission File No. 000-24020)).</u>
10.2	<u>Promissory Note between BMO Harris Bank N.A. and Sypris Solutions, Inc., dated as of April 30, 2020, executed by Sypris Solutions, Inc. on May 1, 2020 (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed on May 6, 2020 (Commission File No. 000-24020)).</u>
10.3	<u>Lease agreement between Promotora y Desarrolladora Pulso Inmobiliario, S.C. and Sypris Technologies Mexico, S. de R.L. de C.V. dated January 29, 2016 (incorporated by reference to Exhibit 10.4 to the Company's Form 10-Q filed on May 18, 2016 (Commission File No. 000-24020)).</u>
10.4	<u>Lease between Sypris Electronics, LLC and University Business Center I, LLC dated May 3, 2016 regarding 10421 University Center Drive, Tampa, FL property (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q filed on August 17, 2016 (Commission File No. 000-24020)).</u>
10.5*	<u>Sypris Solutions, Inc., Directors Compensation Program adopted on September 1, 1995 Amended and Restated effective May 21, 2025 (incorporated by reference to Exhibit 10.3 to the Company's Form 10-Q filed on August 12, 2025 (Commission File No. 000-24020)).</u>
10.6*	<u>Form of Directors Compensation Two Year Restricted Stock Award Agreement (incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q filed on May 15, 2024 (Commission File No. 000-24020)).</u>
10.7*	<u>Form of Directors Compensation Two Year Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.4 to the Company's Form 10-Q filed on August 12, 2025 (Commission File No. 000-24020)).</u>

Exhibit Number	Description
10.8*	<u>The 2020 Sypris Omnibus Plan (incorporated by reference to Exhibit A to the Company's Proxy Statement filed on April 3, 2020 (Commission File No. 000-24020)).</u>
10.9*	<u>The 2025 Sypris Omnibus Plan (incorporated by reference to Exhibit A to the Company's Proxy Statement filed on April 21, 2025 (Commission File No. 000-24020)).</u>
10.10*	<u>Form of Five-Year Non-Qualified Stock Option Award Agreement (incorporated by reference to Exhibit 10.3 to the Company's Form 10-Q filed on August 13, 2020 (Commission File No. 000-24020)).</u>
10.11*	<u>Form of Executive Long-Term Incentive Award Agreement for Grants of Non-Qualified Stock Options to Executive Officers (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q filed on August 13, 2020 (Commission File No. 000-24020)).</u>
10.12*	<u>Form of Five Year Restricted Stock Award Agreement (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q filed on August 12, 2021 (Commission File No. 000-24020)).</u>
10.13*	<u>Form of Executive Long-Term Incentive Award Agreement for Grants of Restricted Stock to Executive Officers (incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q filed on August 12, 2021 (Commission File No. 000-24020)).</u>
10.14*	<u>Form of Special Retirement Award Agreement for Grants of Non-Qualified Stock Options (incorporated by reference to Exhibit 10.3 to the Company's Form 10-Q filed on August 12, 2021 (Commission File No. 000-24020)).</u>
10.15*	<u>Form of Six-Year Non-Qualified Stock Option Award Agreement (incorporated by reference to Exhibit 10.21 to the Company's Form 10-K filed on March 17, 2022 (Commission File No. 000-24020)).</u>
10.16*	<u>Form of Six-Year Non-Qualified Stock Option Award Agreement (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q filed on August 13, 2024 (Commission File No. 000-24020)).</u>
10.17*	<u>Form of Executive Long-Term Incentive Award Agreement for Grants of Restricted Stock Units to Executive Officers (incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q filed on August 12, 2025 (Commission File No. 000-24020)).</u>
19	<u>Insider Trading Policy (incorporated by reference to Exhibit 19 to the Company's Form 10-K filed on March 27, 2025 (Commission File No. 000-24020)).</u>
21	<u>Subsidiaries of the Company</u>
23	<u>Consent of Crowe LLP</u>
31.1	<u>Principal Executive Officer certification pursuant to Section 302 of Sarbanes - Oxley Act of 2002.</u>
31.2	<u>Principal Financial Officer certification pursuant to Section 302 of Sarbanes - Oxley Act of 2002.</u>
32	<u>Principal Executive Officer and Principal Financial Officer certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes - Oxley Act of 2002.</u>
97.1	<u>Sypris Solutions, Inc. Incentive Compensation Recovery Policy (incorporated by reference to Exhibit 97.1 to the Company's Form 10-K filed on April 1, 2024 (Commission File No. 000-24020)).</u>
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document).
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document



<u>Exhibit Number</u>	<u>Description</u>
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

* Management contract or compensatory plan or arrangement.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Annual Report to be signed on its behalf by the undersigned, thereunto duly authorized, on March 26, 2026.

SYPRIS SOLUTIONS, INC.

(Registrant)

/s/ Jeffrey T. Gill

(Jeffrey T. Gill)

President and Chief Executive Officer

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 indicated on March 26, 2026:

/s/ Jeffrey T. Gill

(Jeffrey T. Gill)

Chairman, President and Chief Executive Officer
(Principal Executive Officer)

/s/ Rebecca R. Eckert

(Rebecca R. Eckert)

Vice President, Chief Accounting Officer and Controller
(Principal Financial Officer and Principal Accounting Officer)

/s/ Gary L. Convis

(Gary L. Convis)

Director

/s/ William G. Ferko

(William G. Ferko)

Director

/s/ R. Scott Gill

(R. Scott Gill)

Director

/s/ William L. Healey

(William L. Healey)

Director

/s/ Robert Sroka

(Robert Sroka)

Director

**SYPRIS SOLUTIONS, INC.
SUBSIDIARIES OF THE COMPANY**

The Company's subsidiaries as of December 31, 2025 are as follows:

- (1) Sypris Electronics, LLC, a Delaware limited liability company.
- (2) Sypris Technologies, Inc., a Delaware corporation.
- (3) Sypris Technologies Marion, LLC, a Delaware limited liability company.
- (4) Sypris Technologies Mexican Holdings, LLC, a Delaware limited liability company.
- (5) Sypris Technologies Mexico, S. de R.L. de C.V., a Mexican limited liability company.
- (6) Sypris Technologies Northern, Inc., a Delaware corporation.
- (7) Sypris Technologies Southern, Inc., a Delaware corporation.
- (8) Sypris Technologies International, Inc., a Delaware corporation.
- (9) ST Property Holdings, LLC, a Kentucky Limited Liability Company.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements of Sypris Solutions, Inc.:

- (1) Registration Statement (Forms S-8 Nos. 333-07195, 33-94544, 333-07199, 333-52589, 333-62781, 333-52593, 333-77883, 333-87882 and 333-87880) pertaining to the Sypris Solutions, Inc. 1994 Stock Option Plan for Key Employees and the Sypris Solutions, Inc. Independent Directors' Stock Option Plan;
- (2) Registration Statement (Form S-8 No. 333-114982) pertaining to the Sypris Solutions, Inc. 2004 Equity Plan;
- (3) Registration Statement (Form S-8 No. 333-166951) pertaining to the Sypris Solutions, Inc. 2010 Sypris Omnibus Plan;
- (4) Registration Statement (Form S-8 No. 333-204299) pertaining to the Sypris Solutions, Inc. 2015 Sypris Omnibus Plan;
- (5) Registration Statement (Form S-8 No. 333-238523) pertaining to the Sypris Solutions, Inc. 2020 Sypris Omnibus Plan; and
- (6) Registration Statement (Form S-8 No. 333-287468) pertaining to the Sypris Solutions, Inc. 2025 Sypris Omnibus Plan;

of our report dated March 26, 2026 relating to the consolidated financial statements, appearing in this Annual Report on Form 10-K.

/s/Crowe LLP

San Francisco, California
March 26, 2026

CERTIFICATION PURSUANT TO SECTION 302 OF SARBANES-OXLEY ACT OF 2002

I, Jeffrey T. Gill, certify that:

1. I have reviewed this annual report on Form 10-K of Sypris Solutions, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 26, 2026

By: /s/ Jeffrey T. Gill
Jeffrey T. Gill
President & Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION PURSUANT TO SECTION 302 OF SARBANES-OXLEY ACT OF 2002

I, Rebecca R. Eckert, certify that:

1. I have reviewed this annual report on Form 10-K of Sypris Solutions, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 26, 2026

By: /s/ Rebecca R. Eckert
Rebecca R. Eckert
Vice President, Chief Accounting Officer and Controller
(Principal Financial Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Sypris Solutions, Inc. (the Company) on Form 10-K for the period ending December 31, 2025 as filed with the Securities and Exchange Commission on the date hereof (the Report), each of the undersigned hereby certifies, pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002, in his capacity as an officer of Sypris Solutions, Inc., that to his knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 26, 2026

By: /s/ Jeffrey T. Gill
Jeffrey T. Gill
President & Chief Executive Officer
(Principal Executive Officer)

Date: March 26, 2026

By: /s/ Rebecca R. Eckert
Rebecca R. Eckert
Vice President, Chief Accounting Officer and Controller
(Principal Financial Officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Sypris Solutions, Inc. and will be retained by Sypris Solutions, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished to the Securities and Exchange Commission as an exhibit to the Form 10-K and shall not be considered filed as part of the Form 10-K.