UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)

☒ **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended March 30, 2003

or

☐ **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from____________________ to ______________________

Commission File Number: 0-24020

SYPRIS SOLUTIONS, INC.

(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**61-1321992** **(I.R.S. Employer Identification Number)**

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

(502) 329-2000

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes ☒ No ☐

As of April 24, 2003 the registrant had 14,212,434 shares of common stock outstanding.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SYPRIS SOLUTIONS, INC.

CONSOLIDATED INCOME STATEMENTS
(in thousands, except for per share data)

	Three Months Ended	
	March 30, 2003	March 31, 2002
	(Unaudited)	
Net revenue:		
Outsourced services	$ 50,215	$ 52,661
Products	8,700	9,872
Total net revenue	58,915	62,533
Cost of sales:		
Outsourced services	43,377	44,813
Products	5,587	6,591
Total cost of sales	48,964	51,404
Gross profit	9,951	11,129
Selling, general and administrative	6,149	6,514
Research and development	1,022	831
Amortization of intangible assets	21	51
Operating income	2,759	3,733
Interest expense, net	486	1,082
Other expense (income), net	67	(29)
Income before income taxes	2,206	2,680
Income tax expense	827	855
Net income	$ 1,379	$ 1,825
Earnings per common share:		
Basic	$ 0.10	$ 0.18
Diluted	$ 0.10	$ 0.17
Dividends declared per common share	$ 0.03	$ —
Weighted average shares outstanding:		
Basic	14,184	10,169
Diluted	14,407	10,742

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

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SYPRIS SOLUTIONS, INC.

CONSOLIDATED BALANCE SHEETS
(in thousands, except for share data)

	March 30, 2003 (Unaudited)	December 31, 2002
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,548	$ 12,403
Accounts receivable, net	39,733	37,951
Inventory, net	63,841	64,443
Other current assets	7,559	9,187
Total current assets	113,681	123,984
Property, plant and equipment, net	75,980	75,305
Goodwill	14,277	14,277
Other assets	9,825	10,039
	$ 213,763	$ 223,605
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 20,073	$ 23,356
Accrued liabilities	14,819	16,035
Current portion of long-term debt	—	7,000
Total current liabilities	34,892	46,391
Long-term debt	30,000	30,000
Other liabilities	10,393	10,179
Total liabilities	75,285	86,570
Stockholders' equity:		
Preferred stock, par value $.01 per share, 981,600 shares authorized; no shares issued	—	—
Series A preferred stock, par value $.01 per share, 18,400 shares authorized; no shares issued	—	—
Common stock, non-voting, par value $.01 per share, 10,000,000 shares authorized; no shares issued	—	—
Common stock, par value $.01 per share, 30,000,000 shares authorized; 14,211,434 and 14,158,077 shares issued and outstanding in 2003 and 2002, respectively	142	142
Additional paid-in capital	82,924	82,575
Retained earnings	57,971	57,017
Accumulated other comprehensive income (loss)	(2,559)	(2,699)
Total stockholders' equity	138,478	137,035
	$ 213,763	$ 223,605

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

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SYPRIS SOLUTIONS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Three Months Ended	
	March 30, 2003	March 31, 2002
	(Unaudited)	
Cash flows from operating activities:		
Net income	$ 1,379	$ 1,825
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	3,001	2,680
Other noncash charges	211	257
Changes in operating assets and liabilities:		
Accounts receivable	(1,853)	(3,290)
Inventory	559	(2,470)
Other current assets	1,639	(483)
Accounts payable	(3,087)	1,002
Accrued liabilities	(777)	(1,635)
Net cash provided by (used in) operating activities	1,072	(2,114)
Cash flows from investing activities:		
Capital expenditures	(4,073)	(7,602)
Changes in nonoperating assets and liabilities	392	(433)
Net cash used in investing activities	(3,681)	(8,035)
Cash flows from financing activities:		
Net decrease in debt under revolving credit agreements	(7,000)	(25,000)
Cash dividends paid	(425)	—
Proceeds from issuance of common stock	179	49,164
Net cash (used in) provided by financing activities	(7,246)	24,164
Net (decrease) increase in cash and cash equivalents	(9,855)	14,015
Cash and cash equivalents at beginning of period	12,403	13,232
Cash and cash equivalents at end of period	$ 2,548	$ 27,247

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

SYPRIS SOLUTIONS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Nature of Business

Sypris is a diversified provider of outsourced services and specialty products. The Company performs a wide range of manufacturing, engineering, design, testing, and other technical services, typically under multi-year, sole-source contracts with corporations and government agencies in the markets for aerospace and defense electronics, truck components and assemblies, and for users of test and measurement equipment.

(2) Basis of Presentation

The accompanying unaudited consolidated financial statements include the accounts of Sypris Solutions, Inc. and its wholly-owned subsidiaries (collectively, "Sypris" or the "Company"), Sypris Electronics, LLC, Sypris Test & Measurement, Inc., Sypris Data Systems, Inc., and Sypris Technologies, Inc., and have been prepared by the Company in accordance with the rules and regulations of the Securities and Exchange Commission. All significant intercompany transactions and accounts have been eliminated. These unaudited consolidated financial statements reflect, in the opinion of management, all material adjustments (which include only normal recurring adjustments) necessary to fairly state the results of operations, financial position and cash flows for the periods presented, and the disclosures herein are adequate to make the information presented not misleading. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. Actual results for the three months ended March 30, 2003 are not necessarily indicative of the results that may be expected for the year ending December 31, 2003. These unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements, and notes thereto, for the year ended December 31, 2002 as presented in the Company's annual report on Form 10-K.

(3) Stock-Based Compensation

Stock options are granted under various stock compensation programs to employees and independent directors. The Company accounts for stock option grants in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. The Company's pro forma information is as follows (in thousands, except for per share data):

	Three Months Ended	
	March 30, 2003	March 31, 2002
	(Unaudited)	
Net income	$ 1,379	$ 1,825
Pro forma stock-based compensation expense, net of tax	(380)	(377)
Pro forma net income	$ 999	$ 1,448
Earnings per common share:		
Basic—as reported	$ 0.10	$ 0.18
Basic—pro forma	$ 0.07	$ 0.14
Diluted—as reported	$ 0.10	$ 0.17
Diluted—pro forma	$ 0.07	$ 0.13

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(4) Earnings Per Common Share

There were no adjustments required to be made to net income for purposes of computing basic and diluted earnings per common share. A reconciliation of the weighted average shares outstanding used in the calculation of basic and diluted earnings per common share is as follows (in thousands):

	Three Months Ended	
	March 30, 2003	March 31, 2002
	(Unaudited)	
Shares used to compute basic earnings per common share	14,184	10,169
Dilutive effect of stock options	223	573
Shares used to compute diluted earnings per common share	14,407	10,742

(5) Inventory

Inventory consisted of the following (in thousands):

	March 30, 2003	December 31, 2002
	(Unaudited)	
Raw materials	$ 18,177	$ 18,493
Work in process	16,465	14,769
Finished goods	3,552	4,588
Costs relating to long-term contracts and programs, net of amounts attributed to revenue recognized to date	38,014	34,778
Progress payments related to long-term contracts and programs	(7,518)	(2,737)
LIFO reserve	(979)	(1,007)
Reserve for excess and obsolete inventory	(3,870)	(4,441)
	$ 63,841	$ 64,443

(6) Segment Data

The Company's operations are conducted in two reportable business segments: the Electronics Group and the Industrial Group. There was no intersegment net revenue recognized in either of the periods presented. The following table presents financial information for the reportable segments of the Company (in thousands):

	Three Months Ended	
	March 30, 2003	March 31, 2002
	(Unaudited)	
Net revenue from unaffiliated customers:		
Electronics Group	$ 35,689	$ 44,076
Industrial Group	23,226	18,457
	$ 58,915	$ 62,533
Gross profit:		
Electronics Group	$ 7,299	$ 8,688
Industrial Group	2,652	2,441
	$ 9,951	$ 11,129
Operating income:		
Electronics Group	$ 1,673	$ 3,150
Industrial Group	1,892	1,458
General, corporate and other	(806)	(875)
	$ 2,759	$ 3,733

(7) Commitments and Contingencies

On March 21, 2003, the Company's Sypris Technologies subsidiary obtained summary judgment in its favor, which is now final and nonappealable, on the last remaining claim in the previously disclosed class action suit pending against Sypris Technologies in federal district court in Louisiana arising out of the explosion of a coker plant owned by Exxon Mobil in Baton Rouge, Louisiana. The class action suit was filed in 1994 on behalf of residents living around the plant and claimed unspecified damages. In the third quarter of 2002, the Company obtained summary judgment in our favor in a related lawsuit brought by Exxon Mobil in 1994 in state district court in Louisiana claiming damages for destruction of the plant. The lawsuits claimed that a carbon steel pipe elbow manufactured by Sypris Technologies was improperly installed and the failure of which caused the explosion. The Company maintained in the suits that the carbon steel pipe elbow at issue was appropriately marked as carbon steel, and was improperly installed, without Sypris Technologies' knowledge, by the fabricator and general contractor in circumstances that required the use of a chromium steel elbow. All litigation pending against the Company related to this matter has now been terminated favorably to the Company.

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.

(8) Income Taxes

The Company's effective tax rate for the three months ended March 30, 2003 was 37.5%. Reconciling items between the federal statutory income tax rate of 34% and the effective tax rate include management's estimate for 2003 research and development tax credits, state income tax benefits and certain other permanent differences.

(9) Accumulated Other Comprehensive Income

The aggregate fair market value of all interest rate swap agreements decreased from $559,000 at December 31, 2002 to $336,000 at March 30, 2003, and was included in accrued liabilities on the consolidated balance sheets. The change in fair market value net of tax was $140,000 and $167,000 and recorded as other comprehensive income for the three months ended March 30, 2003 and March 31, 2002, respectively. Comprehensive income was $1,519,000 and $1,992,000 for the three months ended March 30, 2003 and March 31, 2002, respectively.

(10) Long-Term Debt

In April 2003, the Company's assets, including, but not limited to accounts receivable, inventory, equipment and real estate, were released as collateral under the Company's credit agreement with a syndicate of banks (the "Credit Agreement"). The Credit Agreement provides for a revolving credit facility with an aggregate commitment of $125,000,000 through January 2005.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

The following table sets forth certain financial data, expressed as a percentage of net revenue, derived from the Company's consolidated income statements for the three months ended March 30, 2003 and March 31, 2002.

	Three Months Ended	
	March 30, 2003	March 31, 2002
Net revenue:		
Electronics Group	60.6%	70.5%
Industrial Group	39.4	29.5
Total net revenue	100.0	100.0
Cost of sales	83.1	82.2
Gross profit	16.9	17.8
Selling, general and administrative	10.4	10.4
Research and development	1.7	1.3
Amortization of intangible assets	0.1	0.1
Operating income	4.7%	6.0%
Net income	2.3%	2.9%

For reporting purposes, the operations of Sypris Electronics, Sypris Test & Measurement and Sypris Data Systems are included in the Electronics Group, and Sypris Technologies' operations are included in the Industrial Group. Segment discussion is included in the following discussion and analysis of our consolidated results of operations.

Net Revenue. Net revenue was $58.9 million for the first quarter of 2003, a decrease of $3.6 million, or 5.8%, from $62.5 million for the first quarter of 2002. Backlog at March 30, 2003 was $160.9 million, a decrease of $1.5 million from $162.4 million at March 31, 2002. Backlog for our Electronics Group and Industrial Group at March 30, 2003 was $113.3 million and $47.6 million, respectively.

Net revenue for our Electronics Group for the first quarter of 2003 was $35.7 million, a decrease of $8.4 million, or 19.0%, from $44.1 million for the first quarter of 2002. Net revenue from manufacturing services decreased $6.9 million in the first quarter of 2003, primarily due to the completion of certain contracts with aerospace and defense customers during 2002 and shipments delayed pending final customer inspections. This decline was partially offset by revenue from new contract awards during the second half of 2002 and the first quarter of 2003. Additionally, certain aerospace and defense customers initiated product technology upgrades during the first quarter of 2003 resulting in the deferral of production to subsequent periods. Net revenue from product sales decreased $1.3 million in the first quarter of 2003, primarily due to lower sales quantities of data systems products. Net revenue from other outsourced services decreased $0.2 million in the first quarter of 2003 due to reduced demand for test and measurement services.

Net revenue for our Industrial Group for the first quarter of 2003 was $23.2 million, an increase of $4.7 million, or 25.8%, from $18.5 million for the first quarter of 2002. The increase in net revenue was primarily due to the full quarter effect of the addition of a contract with Visteon Corporation and higher production for class 5-8 axle shafts and other drive train components under existing contracts.

Under the contract with Visteon, we began supplying light axle shafts for pick up trucks and sport utility vehicles late in the first quarter of 2002.

Gross Profit. Gross profit for the first quarter of 2003 was $10.0 million, a decrease of $1.1 million, or 10.6%, from $11.1 million for the first quarter of 2002. Gross margin for the first quarter of 2003 decreased to 16.9% from 17.8% for the first quarter of 2002.

Gross profit for our Electronics Group for the first quarter of 2003 was $7.3 million, a decrease of $1.4 million, or 16.0%, from $8.7 million for the first quarter of 2002. Gross margin for the first quarter of 2003 increased to 20.5% from 19.7% for the first quarter of 2002. The decrease in gross profit was primarily attributable to the lower sales volume of our manufacturing services and lower sales volume and lower gross margins of our test and measurement services as compared to the year-earlier period. This decrease in gross profit was partially offset, and the decrease in test and measurement gross margin was more than offset, by higher margins in our manufacturing services, attributable to cost reductions and a more favorable revenue mix.

Gross profit for our Industrial Group for the first quarter of 2003 was $2.7 million, an increase of $0.3 million or 8.6% from $2.4 million for the first quarter of 2002. Gross margin for the first quarter of 2003 decreased to 11.4% from 13.2% for the first quarter of 2002. The increase in gross profit was primarily attributable to higher volume and improved production efficiencies related to the Visteon contract. The decrease in gross margin was primarily due to a change in revenue mix, with Visteon accounting for a higher percentage of revenue during the first quarter of 2003. The gross margin related to the Visteon contract was higher in the first quarter of 2003, however, the gross margin was lower than most of our other Industrial Group product lines because we had not yet reached our volume and efficiency goals related to this contract.

Selling, General and Administrative. Selling, general and administrative expense for the first quarter of 2003 was $6.1 million, or 10.4% of net revenue, as compared to $6.5 million, or 10.4% of net revenue for the first quarter of 2002. The decline in selling, general and administrative expense was primarily attributable to management of our cost structure consistent with the decline in revenue.

Research and Development. Research and development expense for the first quarter of 2003 was $1.0 million, or 1.7% of net revenue, as compared to $0.8 million, or 1.3% of net revenue for the first quarter of 2002. The increase in research and development expense was primarily due to new product development for the data systems product lines within our Electronics Group.

Interest Expense, Net. Interest expense for the first quarter of 2003 was $0.5 million, a decrease of $0.6 million, or 55.1%, compared to $1.1 million for the first quarter of 2002. The decrease in interest expense primarily reflects the 2002 repayment of debt with proceeds from our public stock offering on March 26, 2002. Our weighted average debt outstanding decreased to approximately $30.0 million for the first quarter of 2003 from approximately $87.4 million for the first quarter of 2002. The weighted average interest rate for the first quarter of 2003 was approximately 6.4% as compared to approximately 4.8% for the prior period.

Income Taxes. Income tax expense was $0.8 million for the first quarter of 2003 as compared to $0.9 million for the first quarter of 2002. The effective tax rate for the first quarter of 2003 was 37.5% as compared to 31.9% for the first quarter of 2002. The higher effective tax rate for the first quarter of 2003 was principally due to a reduction in the valuation allowance on deferred tax assets in 2002 and lower tax credits relative to pretax income that we expect to realize during 2003.

Liquidity, Capital Resources and Financial Condition

Net cash provided by operating activities was $1.1 million for the first quarter of 2003, as compared to net cash used in operating activities of $2.1 million for the first quarter of 2002. This increase in cash flow was primarily due to changes in working capital, principally a reduction in inventory and other current assets, partially offset by a decrease in accounts payable.

Net cash used in investing activities was $3.7 million for the first quarter of 2003 as compared to $8.0 million for the first quarter of 2002. Capital expenditures for our Electronics Group and Industrial Group totaled $2.4 million and $1.7 million, respectively, for the first quarter of 2003. Capital expenditures for our Electronics Group were principally comprised of manufacturing, assembly and test equipment. Our Industrial Group's capital expenditures included forging, machining, and tool room equipment in support of our truck components and assemblies operations.

Net cash used in financing activities was $7.2 million for the first quarter of 2003 as compared to net cash provided by financing activities of $24.2 million for the first quarter of 2002. During the first quarter of 2003, we reduced debt by $7.0 million. During the same period in 2002, we received net proceeds of $48.8 million for our public stock offering, which closed on March 26, 2002. Proceeds from the offering were used to reduce debt by $20.0 million during March 2002, and was used to further reduce debt in subsequent periods.

Subject to certain loan covenants, we had total availability for borrowings and letters of credit under the revolving credit facility of $94.9 million at March 30, 2003, which, when combined with the cash balance of $2.5 million, provides for total cash and borrowing capacity of $97.4 million. Maximum borrowings on the revolving credit facility are $125.0 million, subject to a $15.0 million limit for letters of credit. Borrowings under the revolving credit facility may be used to finance working capital requirements, acquisitions and for general corporate purposes, including capital expenditures. Most acquisitions require the approval of our bank group. In April 2003, our assets, including, but not limited to accounts receivable, inventory, equipment and real estate, was released as collateral under our revolving credit facility.

Our principal commitments at March 30, 2003 consisted of repayments of borrowings under the credit agreement and obligations under operating leases for certain of our real property and equipment. We also had purchase commitments totaling approximately $7.3 million at March 30, 2003, primarily for manufacturing equipment.

We believe that sufficient resources will be available to satisfy our cash requirements for at least the next twelve months. Cash requirements for periods beyond the next twelve months depend on our profitability, ability to manage working capital requirements and rate of growth. If we make significant acquisitions or if working capital and capital expenditure requirements exceed expected levels during the next twelve months or in subsequent periods, we may require additional external sources of capital. There can be no assurance that any additional required financing will be available through bank borrowings, debt or equity financings or otherwise, or that if such financing is available, it will be available on terms acceptable to us. If adequate funds are not available on acceptable terms, our business, results of operations and financial condition could be adversely affected.

Forward-looking Statements

This Form 10-Q may contain projections and other forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934. These projections and statements reflect our current views with respect to future events and financial performance. No assurance can be given, however, that these events will occur or that these projections will be achieved and actual results could differ materially from those projected as a result of certain factors. These factors include our dependence on our current management; the risks and uncertainties present in our business, including changes in laws or regulations; business conditions and growth in the general economy and the electronics and industrial markets served by us; competitive factors and price pressures; availability of third party component parts at reasonable prices; inventory risks due to shifts in market demand and/or price erosion of purchased components; changes in product mix; cost and yield issues associated with our manufacturing facilities; the ability to successfully manage growth; the effects (including possible increases in the cost of doing business) resulting from current or future wars and terrorists activities or political uncertainties; as well as other factors included in our periodic reports filed with the Securities and Exchange Commission.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

On July 26, 2001, we entered into interest rate swap agreements with three banks that effectively convert a portion of our variable rate debt to a fixed rate of 4.52%, excluding our applicable margin, through July 2003. We entered into interest rate swap agreements as a means to reduce the impact of interest rate changes on future interest expense. All of our outstanding debt ($30.0 million) was hedged under the interest rate swap agreements at March 30, 2003. We are exposed to financial market risks, including changes in interest rates and foreign currency exchange rates. Excluding borrowings hedged by the interest rate swap agreements, any additional borrowings under our credit agreement would bear interest at a variable rate based on the prime rate, the London Interbank Offered Rate, or certain alternative short-term rates, plus a margin (1.0% at March 30, 2003) based upon our leverage ratio. An increase in interest rates of 100 basis points would result in no additional interest expense for amounts borrowed as of March 30, 2003, because variable rate interest payments under all debt outstanding at March 30, 2003 were hedged by the swap. The vast majority of our transactions are denominated in U.S. dollars. As such, fluctuations in foreign currency exchange rates have historically had little impact on us. Inflation has not been a significant factor in our operations in any of the periods presented, and it is not expected to affect operations in the foreseeable future.

ITEM 4. CONTROLS AND PROCEDURES

Within the 90 days prior to the filing date of this quarterly report, 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 Financial Officer (the “CFO”), of the effectiveness of the design and operation of the Company’s disclosure controls and procedures. Based on that evaluation, the Company’s management, including the CEO and CFO, concluded that the Company’s disclosure controls and procedures were effective. There have been no significant changes in the Company’s internal controls or in other factors that could significantly affect internal controls subsequent to the evaluation.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On March 21, 2003, our Sypris Technologies subsidiary obtained summary judgment in its favor, which is now final and nonappealable, on the last remaining claim in the previously disclosed class action suit pending against Sypris Technologies in federal district court in Louisiana arising out of the explosion of a coker plant owned by Exxon Mobil in Baton Rouge, Louisiana. The class action suit was filed in 1994 on behalf of residents living around the plant and claimed unspecified damages. In the third quarter of 2002, we obtained summary judgment in our favor in a related lawsuit brought by Exxon Mobil in 1994 in state district court in Louisiana claiming damages for destruction of the plant. The lawsuits claimed that a carbon steel pipe elbow manufactured by Sypris Technologies was improperly installed and the failure of which caused the explosion. We maintained in the suits that the carbon steel pipe elbow at issue was appropriately marked as carbon steel, and was improperly installed, without Sypris Technologies' knowledge, by the fabricator and general contractor in circumstances that required the use of a chromium steel elbow. All litigation pending against us related to this matter has now been terminated favorably to us.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

Exhibit Number	Description
10.1	Sypris Solutions, Inc. Directors Compensation Program as Amended and Restated effective February 25, 2003.
10.2	Sypris Solutions, Inc. Executive Bonus Plan, effective as of January 1, 2003.
99.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)

(b) Reports on Form 8-K:

The Company filed no reports on Form 8-K during the three months ended March 30, 2003.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SYPRIS SOLUTIONS, INC.
(Registrant)

Date:	April 30, 2003	By:	/s/ David D. Johnson
			David D. Johnson **Vice President & Chief Financial Officer**
Date:	April 30, 2003	By:	/s/ Anthony C. Allen
			Anthony C. Allen **Vice President & Chief Accounting Officer**

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CERTIFICATIONS

I, Jeffrey T. Gill, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sypris Solutions, Inc.;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant, and we have:
   (a) Designed such disclosure controls and procedures 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 quarterly report is being prepared;
   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
   (c) Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors:
   (a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize, and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: April 30, 2003

By: /s/ Jeffrey T. Gill

Jeffrey T. Gill
President & Chief Executive Officer

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I, David D. Johnson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sypris Solutions, Inc.;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant, and we have:
   (a) Designed such disclosure controls and procedures 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 quarterly report is being prepared;
   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
   (c) Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors:
   (a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize, and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date:	April 30, 2003	By:	/s/ David D. Johnson
			David D. Johnson **Vice President & Chief Financial Officer**

Exhibit 10.1

SYPRIS SOLUTIONS, INC.
DIRECTORS COMPENSATION PROGRAM
ADOPTED ON SEPTEMBER 1, 1995

AMENDED AND RESTATED ON FEBRUARY 25, 2003

Description of the Program

Name. The name of this benefit program shall be the "Directors Compensation Program."

Purpose. The purpose of the Directors Compensation Program is to enable Sypris Solutions, Inc. (the "Company") to attract, retain and motivate experienced directors by providing compensation that is competitive with compensation offered to directors of other similarly-situated public corporations in the United States.

Eligibility and Participation. Only "Eligible Directors," defined as those members of the Board of Directors of the Company (the "Board") who are not otherwise employed by the Company, its subsidiaries or any affiliate of the Company in any other capacity, are eligible to participate in the Directors Compensation Program. Any Eligible Director on the Board as of September 1, 1995 (the "Effective Date") and thereafter shall be eligible for compensation under the Directors Compensation Program.

Compensation. Eligible Directors shall be compensated as set forth below:

(a) Initial Election Grants and Annual Grants of Stock Options. The Company shall grant each Eligible Director a nonqualified stock option for the purchase of: (i) up to 10,000 shares of the Company's common stock, $.01 par value (the "Common Stock") at the time the Eligible Director is initially elected to serve on the Board (the "Initial Election Grant"); and (ii) up to 6,000 shares of the Company's Common Stock at each annual stockholders' meeting thereafter (the "Annual Grant"), so long as a Director is continuing to serve as a Director on the date of said annual stockholders' meeting. In the event that an Eligible Director is initially elected to the Board at a time other than the date of the Company's annual stockholders' meeting, he or she shall receive an Annual Grant at the subsequent annual stockholders' meeting for a pro rated number of shares to be determined by multiplying 6,000 by a fraction, the numerator of which shall be the number of full months which have elapsed since the date of the Director's initial election and the next annual stockholders' meeting and the denominator of which shall be 12. All such stock options shall be granted by the Company to the Eligible Directors pursuant to the Company's Independent Directors' Stock Option Plan (the "Option Plan"). Each of the options shall be: (i) granted on the dates each of the respective Eligible Directors is initially elected and on the date of each annual stockholders' meeting; (ii) priced at the fair market value of the Company's common stock, as determined in accordance with Section 7.C. of the Option Plan, on the respective date of grant; (iii) immediately exercisable by each of the Eligible Directors on the respective dates of grant; and (iv) subject to the terms and conditions of the Option Plan and any other terms and conditions which, in accordance with the Option Plan, are specified in the applicable Stock Option Agreement entered into by and between the Company and each of the Eligible Directors.

(b) Annual Retainer.

(i) Amount. Each Eligible Director shall receive an annual retainer in the amount of $18,000 (the "Annual Retainer"). In the event that an Eligible Director is initially elected to the Board at a time other than the date of the Company's annual stockholders' meeting, he or she shall receive a prorated Annual Retainer (the "Prorated Annual Retainer") the amount of which is to be determined by multiplying $18,000 by a fraction, the numerator of which shall be the number of full months which have elapsed since the date of the Director's initial election to the Board and the next annual stockholders' meeting and the denominator of which shall be 12.

(ii) Payment. The Annual Retainer or the Prorated Annual Retainer, as applicable, shall be earned by the Eligible Directors and paid by the Company in equal quarterly installments for each Eligible Director. The quarterly installments of the Annual Retainer or Prorated Annual Retainer shall be payable, together with any attendance fees (defined below), in arrears by checks issued to each Eligible Director no later than the 15th calendar day following the end of each of the Company's fiscal quarters during which the respective Eligible Director served on the Board. Alternatively, pursuant to Paragraph (d) below, each Eligible Director may elect to receive his or her Annual Retainer or Prorated Annual Retainer, together with any attendance fees, in the form of nonqualified stock options in lieu of cash.

(c) Attendance Fees.

(i) Board Meetings. Each Eligible Director shall receive the sum of $1,200 for each meeting of the Board he or she attends in person or, alternatively, the sum of $300 for each meeting of the Board in which he or she participates by telephone (collectively, the "Board Meeting Attendance Fees"). For purposes of the Directors Compensation Program, "attendance" shall not include execution of an action by written consent of the Board. Board Meeting Attendance Fees earned by each Eligible Director during a fiscal quarter shall be payable, together with the quarterly installment of the Annual Retainer or Prorated Annual Retainer, by a check issued no later than the 15th calendar day following the end of the fiscal quarter. Alternatively, pursuant to Paragraph (d) below, each Eligible Director may elect to receive his or her Board Meeting Attendance Fees in the form of nonqualified stock options in lieu of cash.

(ii) Committee Meetings. Eligible Directors are entitled to compensation for attending or participating in meetings of committees of the Board. Each Eligible Director who attends a committee meeting in person and serves as the chairperson of the meeting shall receive the sum of $1,400 per meeting, and each of the other Eligible Directors who attend such a committee meeting in person shall receive the sum of $1,000 per meeting. Alternatively, each Eligible Director who, as the chairperson or as a committee member, participates by telephone in committee meetings of the Board shall receive the sum of $300 per meeting. (All of the aforementioned fees in this subparagraph shall hereafter be collectively referred to as the "Committee Meeting Attendance Fees"). For purposes of the Directors Compensation Program, "attendance" shall not include execution of an action by written consent for any committee. Committee Meeting Attendance Fees earned by each Eligible Director during a fiscal quarter shall be payable, together with the Annual Retainer or Prorated Annual Retainer and the Board Meeting Attendance Fees, by a check issued to the Eligible Director no later than the 15th calendar day following the end of the fiscal quarter. Alternatively, pursuant to Paragraph (d) below, each Eligible Director may elect to receive his or her Committee Meeting Attendance Fees in the form of nonqualified stock options in lieu of cash.

(d) Form of Payment. Each Eligible Director may elect to receive his or her Annual Retainer or Prorated Annual Retainer, Board Meeting Attendance Fees and Committee Meeting Attendance Fees in the form of nonqualified stock options in lieu of cash. The election to receive stock options in lieu of cash must be made by the Eligible Director before each January 1 and shall apply to the sum of the Annual Retainer, Prorated Annual Retainer, Board Meeting Attendance Fees and Committee Meeting Attendance Fees (collectively, the "Fees") earned during the following calendar year. Eligible Directors initially elected to the Board other than at an annual stockholders' meeting shall make the election no later than 10 calendar days after being elected to the Board and such election shall apply to Fees earned during the remainder of such calendar year. An Eligible Director who fails to make a timely election for the first calendar year such director is eligible to make an election shall be deemed to have elected to receive Fees in cash. An Eligible Director who fails to make an election for any subsequent calendar year shall be deemed to have made the same election such director made for the immediately preceding calendar year. Such elections, including deemed elections, shall be irrevocable for the calendar year for which made.

Any stock options issued to an Eligible Director in lieu of cash compensation shall be granted to the respective Eligible Director pursuant to the Option Plan on a quarterly basis, with each grant to be made on the first day following the end of each of the Company's fiscal quarters (the "Date of Grant"). The number of shares to be granted under such options shall be determined by dividing the total of the quarterly installment of the Annual Retainer or Prorated Annual Retainer, as applicable, plus any Board Meeting Attendance Fees and any Committee Meeting Attendance Fees earned by the respective Eligible Director during the previous fiscal quarter by 33% of the fair market value of the Company's Common Stock, as determined in accordance with Section 7.C. of the Option Plan, on the Date of Grant. The options shall be: (i) priced at the fair market value of the Company's Common Stock, as determined in accordance with Section 7.C. of the Option Plan, on the Date of Grant; (ii) immediately exercisable by each of the Eligible Directors on the respective date of grant; and (iii) subject to the terms and conditions of the Option Plan and any other terms and conditions which, in accordance with the Option Plan, are specified in the applicable Stock Option Agreement entered into by and between the Company and each of the Eligible Directors.

Expense Reimbursement. Each Eligible Director shall be reimbursed for travel and other expenses incurred in the performance of his or her duties.

Administration. The Directors Compensation Program is administered by the Compensation Committee of the Board. The Committee members are selected by the Board and have no specific term of office.

Resignation from the Board of Directors. The resignation of any Eligible Director shall cause such director to be ineligible to receive any amount of the Annual Retainer or Prorated Annual Retainer installments not yet paid to him or her as of the date of resignation. Any attendance fees which have been earned by the Eligible Director in accordance with Paragraph (c) above prior to the date of resignation shall be paid in the same form and according to the same timetables described in Paragraph (c) above.

Program Termination or Modification. The Compensation Committee shall review the Directors Compensation Program on at least an annual basis and may make changes, alterations or modifications to the program which are deemed to be in the Company's best interest. Any change, alteration or modification shall be made by a written instrument consented to by the Board. The Board may similarly terminate the Directors Compensation Program at any time if, in the judgment of the Board, such termination is in the Company's best interest.

IN WITNESS WHEREOF, the Company has caused this Directors Compensation Program to be executed in its name and on its behalf on February 25, 2003.

SYPRIS SOLUTIONS, INC.

By: /s/ Jeffrey T. Gill

Jeffrey T. Gill
President and CEO

Exhibit 10.2

SYPRIS SOLUTIONS INC.
EXECUTIVE BONUS PLAN
2003 FISCAL YEAR

1. Establishment of Plan.

Sypris Solutions Inc., a Delaware corporation (the "Company"), established this executive bonus plan effective as of January 1, 2003 (the "Plan"), to provide a financial incentive for employees of the Company to advance the growth and prosperity of the Company.

2. Eligibility.

Officers of the Company who are specifically designated by the Compensation Committee of the Board of Directors of the Company (the "Compensation Committee") for participation during the current year shall be eligible to participate in the Plan.

3. Bonus Potential.

The bonus potential for each participant will be established and approved by the Compensation Committee at the beginning of each Plan year. Each participant will be provided with a copy of this Plan, which will include an exhibit that lists the participant's full name, salary, effective date, cash bonus potential, stock option bonus potential, the Company's (and the subsidiary's, in the case of a subsidiary president) financial plan benchmarks and management objectives for the current year.

The base Plan for 2003 will consist of two components, with 70% of the participant's bonus potential tied to the achievement of specific profit targets and the remaining 30% tied to the achievement of specific revenue targets. These targets will be established for each of the four quarters of the Plan year.

In order for a participant to earn a bonus for any given quarter, the profit target must be achieved. Should the profit target and/or revenue target fail to be achieved during a quarter, the participant will still have the opportunity to earn the bonus associated with that quarter based upon the future achievement of the respective profit and revenue targets, as the case may be, on a year-to-date basis. Once a bonus component has been earned, it will remain available for future payment regardless of any subsequent shortfall in financial performance.

In addition to the base Plan, there will also be a full year bonus that is specifically designed to reward those participants who achieve the profit and revenue targets for the full Plan year. The full year bonus will increase the amount a participant would otherwise qualify to receive by an additional 25%. The key targets for the 2003 Plan are as follows:

(a) Profit Target Bonus. Objectives will be established for profit before bonus and tax for each quarter of the Plan year (the "Profit Targets"). The achievement of the Profit Target for a specific quarter, or on a year-to-date basis, must be achieved in order for a participant to qualify for the corresponding bonus award. The bonus potential will consist of cash and stock options.

(b) Revenue Target Bonus. Objectives will be established for revenue for each quarter of the Plan year (the "Revenue Targets"). The achievement of the Revenue Target for a specific quarter, or on a year-to-date basis, must be accompanied by the achievement of the companion Profit Target in order for a participant to qualify for the bonus associated with the achievement of the Revenue Target. The bonus potential will consist of cash and stock options.

(c) Full Year Target Bonus. Should the Profit Targets and Revenue Targets be achieved for the full Plan year, the participant will qualify for the Full Year Target bonus. The bonus potential will consist of cash and stock options.

Participants who serve in the capacity of president of a Company subsidiary will derive 20% of their bonus potential from the performance of the Company and 80% of their bonus potential from the performance of the individual subsidiary for which they are responsible. All final bonus payments will be subject to the provisions of Section 4, including the participant's performance to objectives, which could result in bonus payments that are less than the potential amounts listed on Exhibit A.

4. Bonus Award.

Each eligible participant will be entitled to an amount equal to the sum of the cash award components and the sum of the shares represented by the stock option award components that have been activated during the Plan year, subject to the provisions of Sections 7(a), 7(b) and the following:

(a) Management Objectives. Each participant will have up to five Management Objectives for the Plan year, each of which will be specific with regard to (i) the expected outcome, (ii) the expected financial impact on the Company and (iii) the date or dates by which the objective must be achieved. Each objective will receive a weighting, the total of which for all objectives will be equal to 100%. The chief executive officer of the Company will have the responsibility to review and determine each participant's performance to objectives and to assign each individual a percentage that will be used as a factor to determine the actual amount of the awards to be distributed.

(b) Discretionary Review. The chief executive officer of the Company will have the discretion to increase the actual amount of the awards to be distributed by up to 20% of the participant's Bonus Potential, based upon the individual's specific performance and contribution to the Company. Such discretion will be used sparingly and will generally be limited to the recognition of extenuating circumstances and/or exceptional accomplishments that may or may not have been captured by the Management Objectives.

(c) Approval of the Compensation Committee. The Bonus Award for each participant will be subject to the review of and approval by the Compensation Committee. As a matter of policy, the Compensation Committee will not approve the award of any bonus that would otherwise lead or contribute to an operating loss as reported on the consolidated financial statements of Sypris Solutions Inc.

(d) Qualification. Awards will be payable to each eligible participant as soon as administratively practicable after release of the audited annual financial statements of the Company and the approval of the Compensation Committee; provided, however, that the Plan shall be in effect as of the date of payment and such employee shall be employed by the Company as of the date of payment. NO EMPLOYEE SHALL HAVE ANY RIGHT TO PAYMENT OF AN AWARD UNLESS THE PLAN IS IN EFFECT AND THE EMPLOYEE IS EMPLOYED BY THE COMPANY AS OF THE DATE OF PAYMENT.

5. Method of Distribution.

Cash awards shall be payable by check in lump sum. All such payments will be subject to withholding for income, social security or other such payroll taxes as may be appropriate. Stock option grants will be granted under and subject to the Sypris Solutions Inc. 1994 Stock Option Plan for Key Employees and will contain an option price that will be equal to the closing price of the common stock on the over-the-counter market, as reported by the Nasdaq Stock Market, on the date of grant.

6. Administration.

The Compensation Committee shall administer this Plan. The decisions of the Compensation Committee in interpreting and applying the Plan shall be final.

7. Miscellaneous.

(a) Employment Rights. The adoption and maintenance of this Plan is not an employment agreement between the Company and any employee. Nothing herein contained shall be deemed to give any employee the right to be retained in the employ of the Company nor to interfere with the right of the Company to discharge any employee at any time.

(b) Acquisitions and Divestitures. The Profit Targets and Revenue Targets will be adjusted to reflect the expected impact of any acquisitions and/or divestitures that are completed during the current Plan year at the time of such acquisition or divestiture.

(c) Amendment and Termination. The Company may, without the consent of any employee or beneficiary, amend or terminate the Plan at any time and from time-to-time.

(d) Governing Law. This Plan shall be governed by and construed in accordance with the laws of the State of Delaware.

(e) Construction. The headings and subheadings of this Plan have been inserted for convenience for reference only and are to be ignored in any construction of the provisions hereof. The masculine shall be deemed to include the feminine, the singular shall include the plural, and the plural shall include the singular unless the context otherwise requires. The invalidity or unenforceability of any provision hereunder shall not affect the validity or enforceability of the balance hereof. This Plan represents the entire undertaking by the Company concerning its subject matter and supersedes all prior undertakings with respect thereto. No provision hereof may be waived or discharged except by a written document approved by the Compensation Committee and signed by a duly authorized representative of the Company.

The parties indicate their acknowledgement of the terms and conditions this Plan as of the date first written above.

SYPRIS SOLUTIONS INC.	PARTICIPANT
------------------------ Robert E. Gill Chairman	------------------------
------------------------ Henry F. Frigon Chairman Compensation Committee	
------------------------ Jeffrey T. Gill President and CEO	

Exhibit 99.1

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 Quarterly Report of Sypris Solutions, Inc. (the "Company") on Form 10-Q for the period ended March 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned Chief Executive Officer and Chief Financial Officer of the Company, each certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of their knowledge and belief:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; 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: April 30, 2003 By: /s/ Jeffrey T. Gill

Jeffrey T. Gill
President & Chief Executive Officer

Date: April 30, 2003 By: /s/ David D. Johnson

David D. Johnson
Vice President & Chief Financial Officer

A signed original 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.