UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 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 September 28, 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	**61-1321992**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**

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 October 24, 2003, the Registrant had 14,264,242 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		Nine Months Ended	
	September 28, 2003	September 29, 2002	September 28, 2003	September 29, 2002
	(Unaudited)		(Unaudited)	
Net revenue:				
Outsourced services	$ 56,873	$ 59,102	$ 165,940	$ 172,845
Products	12,025	11,655	32,494	33,954
Total net revenue	68,898	70,757	198,434	206,799
Cost of sales:				
Outsourced services	52,057	49,320	146,019	146,689
Products	7,272	7,463	19,854	22,125
Total cost of sales	59,329	56,783	165,873	168,814
Gross profit	9,569	13,974	32,561	37,985
Selling, general and administrative	6,925	7,522	20,110	21,224
Research and development	1,030	773	3,118	2,536
Amortization of intangible assets	67	21	109	75
Operating income	1,547	5,658	9,224	14,150
Interest expense, net	384	470	1,417	2,212
Other expense (income), net	65	(9)	217	(69)
Income before income taxes	1,098	5,197	7,590	12,007
Income tax expense	412	1,663	2,846	3,843
Net income	$ 686	$ 3,534	$ 4,744	$ 8,164
Earnings per common share:				
Basic	$ 0.05	$ 0.25	$ 0.33	$ 0.64
Diluted	$ 0.05	$ 0.24	$ 0.33	$ 0.61
Dividends declared per common share	$ 0.03	$ 0.03	$ 0.09	$ 0.03
Weighted average shares outstanding:				
Basic	14,241	14,121	14,221	12,763
Diluted	14,799	14,621	14,562	13,373

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

SYPRIS SOLUTIONS, INC.

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

	September 28, 2003	December 31, 2002
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 12,641	$ 12,403
Accounts receivable, net	42,286	37,951
Inventory, net	63,154	64,443
Other current assets	7,905	9,187
Total current assets	125,986	123,984
Property, plant and equipment, net	83,537	75,305
Goodwill	14,277	14,277
Other assets	10,359	10,039
	$ 234,159	$ 223,605
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 24,392	$ 23,356
Accrued liabilities	16,530	16,035
Current portion of long-term debt	8,000	7,000
Total current liabilities	48,922	46,391
Long-term debt	33,000	30,000
Other liabilities	10,536	10,179
Total liabilities	92,458	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; 14,264,242 and 14,158,077 shares issued and outstanding in 2003 and 2002, respectively	143	142
Additional paid-in capital	83,423	82,575
Retained earnings	60,484	57,017
Accumulated other comprehensive income (loss)	(2,349)	(2,699)
Total stockholders' equity	141,701	137,035
	$ 234,159	$ 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)

	Nine Months Ended	
	September 28, 2003	September 29, 2002
	(Unaudited)	
Cash flows from operating activities:		
Net income	$ 4,744	$ 8,164
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	9,387	8,367
Other noncash charges	685	873
Changes in operating assets and liabilities:		
Accounts receivable	(4,494)	(1,186)
Inventory	1,031	(1,029)
Other current assets	1,424	(358)
Accounts payable	1,517	7,656
Accrued liabilities	858	(1,938)
Net cash provided by operating activities	15,152	20,549
Cash flows from investing activities:		
Capital expenditures	(16,983)	(16,891)
Purchase of the net assets of acquired entity	(1,520)	—
Proceeds from sale of assets	15	234
Changes in nonoperating assets and liabilities	172	(798)
Net cash used in investing activities	(18,316)	(17,455)
Cash flows from financing activities:		
Net increase (decrease) in debt under revolving credit agreements	4,000	(57,500)
Cash dividends paid	(1,275)	—
Proceeds from issuance of common stock	677	56,526
Net cash provided by (used in) financing activities	3,402	(974)
Net increase in cash and cash equivalents	238	2,120
Cash and cash equivalents at beginning of period	12,403	13,232
Cash and cash equivalents at end of period	$ 12,641	$ 15,352

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 and nine months ended September 28, 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 non-employee 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		Nine Months Ended	
	September 28, 2003	September 29, 2002	September 28, 2003	September 29, 2002
	(Unaudited)		(Unaudited)	
Net income	$ 686	$ 3,534	$ 4,744	$ 8,164
Pro forma stock-based compensation expense, net of tax	(341)	(333)	(1,250)	(1,264)
Pro forma net income	345	3,201	3,494	6,900
Earnings per common share:				
Basic – as reported	$ 0.05	$ 0.25	$ 0.33	$ 0.64
Basic – pro forma	$ 0.02	$ 0.23	$ 0.25	$ 0.54
Diluted – as reported	$ 0.05	$ 0.24	$ 0.33	$ 0.61
Diluted – pro forma	$ 0.02	$ 0.22	$ 0.24	$ 0.52

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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		Nine Months Ended	
	September 28, 2003	September 29, 2002	September 28, 2003	September 29, 2002
	(Unaudited)		(Unaudited)	
Shares used to compute basic earnings per common share	14,241	14,121	14,221	12,763
Dilutive effect of stock options	558	500	341	610
Shares used to compute diluted earnings per common share	14,799	14,621	14,562	13,373

(5) Inventory

Inventory consisted of the following (in thousands):

	September 28, 2003	December 31, 2002
	(Unaudited)	
Raw materials	$ 16,241	$ 18,493
Work in process	16,457	14,769
Finished goods	3,412	4,588
Costs relating to long-term contracts and programs, net of amounts attributed to revenue recognized to date	35,089	34,778
Progress payments related to long-term contracts and programs	(3,210)	(2,737)
LIFO reserve	(979)	(1,007)
Reserve for excess and obsolete inventory	(3,856)	(4,441)
	$ 63,154	$ 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 any of the periods presented. The following table presents financial information for the reportable segments of the Company (in thousands):

	Three Months Ended		Nine Months Ended	
	September 28, 2003	September 29, 2002	September 28, 2003	September 29, 2002
	(Unaudited)		(Unaudited)	
Net revenue from unaffiliated customers:				
Electronics Group	$ 46,468	$ 46,341	$ 127,701	$ 139,714
Industrial Group	22,430	24,416	70,733	67,085
	$ 68,898	$ 70,757	$ 198,434	$ 206,799

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	Three Months Ended		Nine Months Ended	
	September 28, 2003	September 29, 2002	September 28, 2003	September 29, 2002
	(Unaudited)		(Unaudited)	
Gross profit:				
Electronics Group	$ 8,164	$ 10,230	$ 25,186	$ 27,935
Industrial Group	1,405	3,744	7,375	10,050
	$ 9,569	$ 13,974	$ 32,561	$ 37,985
Operating income:				
Electronics Group	$ 1,760	$ 4,052	$ 7,061	$ 10,084
Industrial Group	745	2,847	5,230	7,310
General, corporate and other	(958)	(1,241)	(3,067)	(3,244)
	$ 1,547	$ 5,658	$ 9,224	$ 14,150

(7) Commitments and Contingencies

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.

As of September 28, 2003, the Company had outstanding purchase commitments of approximately $4.5 million, primarily for the acquisition of manufacturing equipment.

(8) Income Taxes

The Company’s effective tax rate for the three and nine months ended September 28, 2003 was 37.5%. Reconciling items between the federal statutory income tax rate of 34.0% and the effective tax rate include state income taxes, partially offset by management’s estimate for 2003 research and development tax credits and certain other permanent differences. The effective tax rate for the first nine months of 2003 increased to 37.5% from 32.0% for the first nine months of 2002, primarily due to a reduction in the valuation allowance on deferred tax assets in 2002.

(9) Accumulated Other Comprehensive Income

The Company’s interest rate swap agreements expired in July 2003. The aggregate fair market value of these interest rate swap agreements was $559,000 at December 31, 2002, and was included in accrued liabilities on the consolidated balance sheet. The change in fair market value net of tax was $350,000 and recorded as other comprehensive income for the nine months ended September 28, 2003, and $6,000 and recorded as other comprehensive loss for the nine months ended September 29, 2002. Comprehensive income was $744,000 and $3,524,000 for the three months ended September 28, 2003 and September 29, 2002, respectively, and $5,094,000 and $8,158,000 for the nine months ended September 28, 2003 and September 29, 2002, respectively.

(10) Recently Issued Accounting Standard

In January 2003, the Financial Accounting Standards Board issued FIN 46 – Consolidation of Variable Interest Entities, an interpretation of ARB No. 51, effective for interim periods beginning after September 15, 2003. This Interpretation explains how to identify variable interest entities and how an enterprise assesses its interests in a variable interest entity to decide whether to consolidate that entity. This Interpretation requires existing unconsolidated variable interest entities to be consolidated by their primary beneficiaries if the entities do not effectively disperse risks among parties involved. The Company expects that application of this Interpretation will not have a material effect on the Company's financial position, results of operations or cash flows.

(11) Subsequent Event

On October 16, 2003, the Company's credit agreement with its bank syndicate was amended to extend the expiration date to October 16, 2008 from January 2, 2005 and include the option to increase the amount of available credit to $150,000,000 from $125,000,000, subject to the lead bank's approval.

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 and nine months ended September 28, 2003 and September 29, 2002.

	Three Months Ended		Nine Months Ended	
	September 28, 2003	September 29, 2002	September 28, 2003	September 29, 2002
Net revenue:				
Electronics Group	67.4%	65.5%	64.4%	67.6%
Industrial Group	32.6	34.5	35.6	32.4
Total net revenue	100.0	100.0	100.0	100.0
Cost of sales	86.1	80.3	83.6	81.6
Gross profit	13.9	19.7	16.4	18.4
Selling, general and administrative	10.1	10.6	10.1	10.3
Research and development	1.5	1.1	1.6	1.2
Amortization of intangible assets	0.1	—	0.1	0.1
Operating income	2.2%	8.0%	4.6 %	6.8%
Net income	1.0%	5.0%	2.4%	3.9%

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 $68.9 million for the third quarter of 2003, a decrease of $1.9 million, or 2.6%, from $70.8 million for the third quarter of 2002. Net revenue was $198.4 million for the first nine months of 2003, a decrease of $8.4 million, or 4.0%, from $206.8 million for the first nine months of 2002. Backlog at September 28, 2003 was $178.2 million, an increase of $22.7 million from $155.5 million at September 29, 2002. Backlog for our Electronics Group and Industrial Group at September 28, 2003 was $130.9 million and $47.3 million, respectively.

Net revenue for our Electronics Group for the third quarter of 2003 was $46.5 million, an increase of $0.2 million, or 0.3%, from $46.3 million for the third quarter of 2002. Net revenue for our Electronics Group for the first nine months of 2003 was $127.7 million, a decrease of $12.0 million, or 8.6%, from $139.7 million for the first nine months of 2002. Net revenue from manufacturing services was steady during the third quarter of 2003 and decreased $12.0 million during first nine months of 2003. Revenue decreased during the first nine months primarily due to the completion of certain contracts with aerospace and defense customers during 2002. This decline was partially offset by revenue from new contract awards since the second half of 2002 and increased demand on existing contracts. Net revenue from other outsourced services was steady during the third quarter of 2003 and increased $2.2 million during the first nine months of 2003. The increase during the first nine months of 2003 was primarily due to an increase in engineering services. Net revenue from product sales increased $0.2 million during the third quarter of 2003 and decreased $2.1 million during the first nine months of 2003. The increase during the third quarter was primarily due to higher quantities of data systems products and the decrease during the first nine months of 2003 was primarily due to lower demand for our magnetic measuring products.

Net revenue for our Industrial Group for the third quarter of 2003 was $22.4 million, a decrease of $2.0 million, or 8.1%, from $24.4 million for the third quarter of 2002. The decrease in net revenue for the third quarter was primarily due to lower sales quantities to Visteon Corporation and Dana Corporation. During the third quarter, Visteon experienced plant downtime due to a longer than normal annual plant shut-down and the northeast electricity blackout. Also, Dana decided to rebalance inventory after levels were increased prior to the third quarter in anticipation of a potential labor-related work stoppage. During the quarter, the Dana plant ratified an agreement with the local union and reduced inventory to normal levels, reducing demand for our manufacturing services. Net revenue for our Industrial Group for the first nine months of 2003 was $70.7 million, an increase of $3.6 million, or 5.4%, from $67.1 million for the first nine months of 2002. The increase in net revenue for the first nine months was primarily due to the Visteon contract for light axle shafts and the shipment of new components to certain customers in the medium and heavy-duty truck market.

Gross Profit. Gross profit for the third quarter of 2003 was $9.6 million, a decrease of $4.4 million, or 31.5%, from $14.0 million for the third quarter of 2002. Gross profit for the first nine months of 2003 was $32.6 million, a decrease of $5.4 million, or 14.3%, from $38.0 million for the first nine months of 2002. Gross margin for the third quarter of 2003 decreased to 13.9% from 19.7% for the third quarter of 2002. Gross margin for the first nine months of 2003 decreased to 16.4% from 18.4% for the first nine months of 2002.

Gross profit for our Electronics Group for the third quarter of 2003 was $8.2 million, a decrease of $2.0 million, or 20.2%, from $10.2 million for the third quarter of 2002. Gross margin for the third quarter of 2003 decreased to 17.6% from 22.1% for the third quarter of 2002. Gross profit and gross margin for the third quarter decreased primarily due to warranty costs on an end-of-life program, expenses related to resolving technical problems on a custom manufacturing program and write-off of program costs related to the termination of an unprofitable contract. Gross profit for our Electronics Group for the first nine months of 2003 was $25.2 million, a decrease of $2.7 million, or 9.8%, from $27.9 million for the first nine months of 2002. Gross margin for the first nine months of 2003 decreased to 19.7% from 20.0% for the third quarter of 2002. Gross profit for the first nine months was lower primarily due a decline in revenue and the third quarter program costs listed above. Gross margin for the Electronics Group was lower for the first nine months primarily due to the third quarter program costs, partially offset by the mix of higher value products and programs.

Gross profit for our Industrial Group for the third quarter of 2003 was $1.4 million, a decrease of $2.3 million or 62.5% from $3.7 million for the third quarter of 2002. Gross margin for the third quarter of 2003 decreased to 6.3% from 15.3% for the third quarter of 2002. The decrease in gross profit and gross margin was primarily due to lost productivity as a result of the northeast electricity blackout in August 2003, lower volume, equipment maintenance and efficiency issues for certain automated equipment. Gross profit for our Industrial Group for the first nine months of 2003 was $7.4 million, a decrease of $2.7 million or 26.6% from $10.1 million for the first nine months of 2002. Gross margin for the first nine months of 2003 decreased to 10.4% from 15.0% for the first nine months of 2002. The decrease in gross profit was primarily due to the third quarter issues listed above and a higher concentration of lower-margin Class 5-7 truck components.

Selling, General and Administrative. Selling, general and administrative expense for the third quarter of 2003 was $6.9 million, or 10.1% of net revenue, as compared to $7.5 million, or 10.6% of net revenue for the third quarter of 2002. Selling, general and administrative expense for the first nine months of 2003 was $20.1 million, or 10.1% of net revenue, as compared to $21.2 million, or 10.3% of net revenue for the first nine months of 2002. The decrease in selling, general and administrative expense was primarily due to management of our cost structure consistent with the decline in revenue.

Research and Development. Research and development expense for the third quarter of 2003 was $1.0 million, or 1.5% of net revenue, as compared to $0.8 million, or 1.1% of net revenue for the third quarter of 2002. Research and development expense for the first nine months of 2003 was $3.1 million, or 1.6% of net revenue, as compared to $2.5 million, or 1.2% of net revenue for the first nine months of 2002. The increase in research and development expense was primarily attributable to our Electronics Group and was related to new product development for the data systems product lines.

Interest Expense, Net. Interest expense for the third quarter of 2003 was $0.4 million, a decrease of $0.1, or 18.3%, as compared to $0.5 million for the third quarter of 2002. Interest expense for the first nine months of 2003 was $1.4 million, a decrease of $0.8 million, or 35.9%, as compared to $2.2 million for the first nine months of 2002. The decrease in interest expense for the first nine months of 2003 compared to the first nine months of 2002 was primarily due to the repayment of debt with proceeds from our public stock offering. Our weighted average debt outstanding increased to approximately $36.8 million for the third quarter of 2003 from approximately $34.0 million for the third quarter of 2002. The weighted average interest rate for the third quarter of 2003 decreased to approximately 4.2% as compared to approximately 6.0% for the prior period, primarily due to the July 2003 expiration of interest rate swap rate agreements with higher than market interest rates that were in effect during the third quarter 2002. Our weighted average debt outstanding decreased to approximately $35.6 million for the first nine months of 2003 from approximately $54.5 million for the first nine months of 2002. The weighted average interest rate for the first nine months of 2003 was approximately 5.3% as compared to approximately 5.5% for the prior period.

Income Taxes. Income tax expense was $0.4 million for the third quarter of 2003 as compared to $1.7 million for the third quarter of 2002. Income tax expense was $2.8 million for the first nine months of 2003 as compared to $3.8 million for the first nine months of 2002. The effective tax rate for the first nine months of 2003 was 37.5% as compared to 32.0% for the first nine months of 2002. The higher effective tax rates were primarily due to a reduction in the valuation allowance on deferred tax assets in 2002.

Liquidity, Capital Resources and Financial Condition

Net cash provided by operating activities decreased to $15.2 million for the first nine months of 2003, as compared to $20.5 million for the first nine months of 2002, primarily due to lower net income and unfavorable changes in working capital.

Net cash used in investing activities was $18.3 million for the first nine months of 2003 as compared to $17.5 million for the first nine months of 2002. For the first nine months of 2003, capital expenditures for our Electronics Group and Industrial Group totaled $7.7 million and $9.3 million, respectively. 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 centralized tooling equipment in support of our truck components and assemblies operations.

Net cash provided by financing activities was $3.4 million for the first nine months of 2003 as compared to net cash used in financing activities of $1.0 million for the first nine months of 2002. During the first nine months of 2003, we increased debt by $4.0 million. During the same period in 2002, we received net proceeds of $55.7 million for our public stock offering in March and April 2002, $52.5 million of which was used to reduce debt.

Subject to certain loan covenants, we had total availability for borrowings and letters of credit under the revolving credit facility of $83.9 million at September 28, 2003, which, when combined with the cash balance of $12.6 million, provides for total cash and borrowing capacity of $96.5 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. Acquisitions with purchase prices above a certain threshold require the approval of our bank group. On October 16, 2003, we amended the revolving credit facility to extend the expiration date to October 16, 2008 from January 2, 2005 and include an option to increase the amount of available credit to $150.0 million from 125.0 million, subject to the lead bank's approval.

Our principal commitments at September 28, 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 $4.5 million at September 28, 2003, primarily for manufacturing equipment.

On September 4, 2003, we announced a non-binding letter of understanding with Dana to acquire certain assets and serve as a supplier for the manufacture of drive train components for Dana. Under the proposed agreements, we will acquire certain manufacturing assets of Dana, including Dana's plant in Morganton, North Carolina, a portion of its manufacturing campus in Toluca, Mexico, and certain production equipment at its plants in Glasgow, Kentucky and Humboldt, Tennessee. The transaction remains subject to completion of definitive agreements, board and regulatory approvals and is expected to be finalized in stages later this year and early in 2004. The purchase price of any acquired assets is subject to completion of definitive agreements and due diligence procedures.

We believe that sufficient resources will be available to satisfy our cash requirements for at least the next twelve months subject to the factors discussed below. 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.

Critical Accounting Policies

See the information concerning our critical accounting policies included under Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operation – Critical Accounting Policies in our Annual Report on Form 10-K for the fiscal year ended December 31, 2002. There have been no significant changes in our critical accounting policies during the third quarter or first nine months of 2003.

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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 the Company's 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 the Company's discovery of unexpected material issues during due diligence; the failure to agree on the final terms of a definitive agreement or a long-term supply agreement with Dana or either party's breach of those agreements; dependence on the Company's current management; the risks and uncertainties present in the Company's business, including: changes in laws or regulations or in the Company's regulatory authorization, security clearances, or other legal capabilities to conduct its business; business conditions and growth or contraction in the general economy and the electronics and industrial markets served by the Company; competitive factors and price pressures; labor relations; 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 the Company's manufacturing facilities; the ability to successfully manage growth or contraction; access to capital on favorable terms as needed for operations or growth; the effects (including possible increases in the cost of doing business) resulting from future war and terrorists activities or political uncertainties; performance of the Company's pension fund portfolios; revisions in estimated costs related to certain contracts; risks of litigation, adverse regulatory actions, or other governmental sanctions; as well as other factors included in the Company's periodic reports filed with the Securities and Exchange Commission.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to financial market risks, including changes in interest rates and foreign currency exchange rates. All additional borrowings under our credit agreement bear interest at a variable rate based on the prime rate, the London Interbank Offered Rate ("LIBOR"), or certain alternative short-term rates, plus a margin (1.0% at September 28, 2003) based upon our leverage ratio. An increase in interest rates of 100 basis points would result in additional interest expense approximating $410,000 on an annualized basis, based upon our debt outstanding at September 28, 2003. Fluctuations in foreign currency exchange rates have historically had little impact on us because the vast majority of our transactions are denominated in U.S. dollars. 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

As of the end of the period covered by 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 over financial reporting that occurred during the quarter ended September 28, 2003, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

As disclosed in our Form 10-Q filed with the Securities and Exchange Commission for the first quarter of 2003, we obtained summary judgments in our favor related to the previously disclosed class action suit against Sypris Technologies arising out of an explosion of a coker plant owned by Exxon Mobil in Baton Rouge, Louisiana.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

Exhibit Number	Description
31.1	CEO certification pursuant to Section 302 of Sarbanes - Oxley Act of 2002.
31.2	CFO certification pursuant to Section 302 of Sarbanes - Oxley Act of 2002.
32	CEO and CFO certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes – Oxley Act of 2002.
99.1	2003A Amendment to Loan Documents between Bank One, Kentucky, NA, Sypris Solutions, Inc., Sypris Test & Measurement, Inc., Sypris Technologies, Inc., Sypris Electronics, LLC, Sypris Data Systems, Inc. and Sypris Technologies Marion, LLC dated October 16, 2003.

(b) Reports on Form 8-K filed or furnished with the Securities and Exchange Commission:

On July 30, 2003, we furnished a Current Report on Form 8-K, attaching a press release dated July 30, 2003, announcing our second quarter of 2003 financial results.

On September 4, 2003, we furnished a Current Report on Form 8-K, attaching a press release dated September 4, 2003, announcing a Letter of Understanding that we signed with Dana Corporation, for us to serve as a supplier of drive train components for Dana.

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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: October 29, 2003	By: /s/ DAVID D. JOHNSON
	(David D. Johnson) **Vice President & Chief Financial Officer**
Date: October 29, 2003	By: /s/ ANTHONY C. ALLEN
	(Anthony C. Allen) **Vice President & Chief Accounting Officer**

Exhibit 31.1

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

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 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)) 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) 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
   (c) 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: October 29, 2003

By: /s/ JEFFREY T. GILL

Jeffrey T. Gill
President & Chief Executive Officer

Exhibit 31.2

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

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 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)) 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) 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
   (c) 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: October 29, 2003

By: /s/ DAVID D. JOHNSON

David D. Johnson
Vice President & Chief Financial Officer

Exhibit 32

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 ending September 28, 2003 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) 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 result of operations of the Company.

Date: October 29, 2003

By: /s/ JEFFREY T. GILL

Jeffrey T. Gill
President & Chief Executive Officer

Date: October 29, 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, 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-Q and shall not be considered filed as part of the Form 10-Q.

Exhibit 99.1

2003A AMENDMENT TO LOAN DOCUMENTS

THIS 2003A AMENDMENT TO LOAN DOCUMENTS (this "Amendment"), is made and entered into as of the 16th day of October, 2003, by and among (i) BANK ONE, NA, a national banking association, having its main office in Chicago, Illinois, with an office and place of business in Louisville, Kentucky ("the Agent Bank") (Bank One, NA may also be referred to as a "Bank"); (ii) the BANKS identified on Schedule 1.1 hereto (each a "Bank" and collectively, the "Banks"); (iii) SYPRIS SOLUTIONS, INC., a Delaware corporation, with its principal office and place of business and registered office in Louisville, Jefferson County, Kentucky (the "Borrower") and (iv) the GUARANTORS identified on Schedule 1.2 hereto (each a "Guarantor" and collectively, the "Guarantors").

P R E L I M I N A R Y   S T A T E M E N T:

A. Certain of the Guarantors and their Affiliates entered into a Loan Agreement dated as of March 21, 1997, with the Agent Bank (the "Original Loan Agreement"), whereby the Agent Bank extended in favor of the Guarantors a revolving line of credit in the amount of $20,000,000, a term loan in the amount of $10,000,000 and a swing line of credit subfacility in the amount of $5,000,000.

B. The predecessors to the Borrower and certain of the Guarantors entered into a 1997A Amended and Restated Loan Agreement dated as of November 1, 1997, with the Agent Bank (the "1997A Loan Agreement"), whereby the Agent Bank increased the revolving line of credit to $30,000,000 and the term loan to $15,000,000 and provided the swing line of credit subfacility in the amount of $5,000,000. The 1997A Loan Agreement was subsequently amended by, among other amendments, the 1998A Amendment to Loan Documents dated as of February 18, 1998.

C. The Borrower, certain of the Guarantors, the Agent Banks and the Banks entered into the 1999 Amended and Restated Loan Agreement dated as of October 27, 1999 (the "1999 Loan Agreement"), which amended, restated and replaced the Original Loan Agreement and the 1997A Loan Agreement, as amended. The 1999 Loan Agreement provides for (i) a revolving line of credit in the amount of $100,000,000, (ii) a swing line subfacility of $5,000,000 and (iii) a letter of credit subfacility of $15,000,000. The 1999 Loan Agreement was subsequently amended by the 2000A Amendment to Loan Documents dated as of November 9, 2000 (the "2000A Amendment").

D. The Borrower, certain of the Guarantors, the Agent and the Banks entered into the 2001A Amendment to Loan Documents dated as of February 15, 2001 and having an effective date of December 31, 2000 (the "2001A Amendment") in order to (i) change certain financial covenants and (ii) make certain other changes as set forth therein.

E. The Borrower, the Guarantors, the Agent and the Banks entered into the 2002A Amendment to Loan Documents dated as of December 21, 2001 and having an effective date of January 1, 2002 (the "2002A Amendment") in order to (i) to restructure, reorganize and/or rename, as applicable, certain of the Guarantors, and to add a Guarantor and (ii) to amend the 1999 Loan Agreement and other Loan Documents to reflect such changes in the Guarantors and (iii) make certain other changes as set forth therein.

F. The Borrower, the Guarantors, the Agent and the Banks entered into the 2002B Amendment to Loan Documents dated as of July 3, 2002 (the "2002B Amendment") in order to (i) increase the revolving line of credit to $125,000,000, (ii) add a new participant Bank and (iii) make certain other changes as set forth therein. The 1999 Loan Agreement, as amended by the 2000A Amendment, 2001A Amendment, the 2002A Amendment and the 2002B Amendment is referred to herein as the "Loan Agreement."

G. The Banks, the Borrower, and the Guarantors wish to further amend the Loan Agreement and other Loan Documents to, among other things, (i) extend the maturity of the line of credit from January 2, 2005 to October 16, 2008, (ii) to add a new Section 2.1G to the Loan Agreement providing a mechanism for Borrower to increase its line of credit by an additional $25,000,000, and (iii) to make certain other changes. Terms not defined herein shall have the meanings set forth in the Loan Agreement.

H. Subject to the terms set forth herein, the Banks are agreeable to the extension of the maturity of the revolving line of credit and the addition of a new Section 2.1G to the Loan Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements set forth herein and for other good and valuable consideration, the mutuality, receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. AMENDMENTS TO LOAN AGREEMENT.

A. Amendment of Definitions Section of Loan Agreement. The following definition is amended and restated in its entirety:

"1.92 "Revolving Loan Commitment Termination Date" means the Revolving Loan Commitment Termination Date then in effect, which shall be the earliest of (i) October 16, 2008, (ii) the date as of which the Obligations shall have become immediately due and payable pursuant to Section 8 of the Loan Agreement and (iii) the date on which all of the Obligations are paid in full (including, without limitation, the repayment, expiration, termination or cash collateralization of Letters of Credit pursuant to this Loan Agreement) and the Revolving Loan Commitments are reduced to zero."

B. Addition of New Section 2.1G (Potential Increase in Revolving Loan Commitments) to Loan Agreement. A new Section 2.1G is added to the Loan Agreement as follows:

"2.1 G Potential Increase in Total of Revolving Loan Commitments

(i) Amount of Increase in Revolving Loan Commitments. The Borrower may from time to time and at any time, with the consent of the Agent Bank (provided, however, if Borrower shall have complied with the provisions of this Section 2.1G such consent shall not be unreasonably withheld) but without the consent of the Banks, except as provided in Section 2.1G (ii) hereof, increase the total amount of the Revolving Loan Commitments by a maximum amount of up to Twenty Five Million Dollars ($25,000,000), to a total amount not to exceed One Hundred Fifty Million Dollars ($150,000,000), subject to satisfaction of each and all of the requirements contained in this Section 2.G (subject to those requirements, a "Permitted Commitment Increase").

(ii) Eligibility. Each Bank which provides any part of the Permitted Commitment Increase (each a "New Commitment Provider") shall be either an existing Bank at the time of the increase (each an "Existing Bank") or a commercial bank, insurance company, savings and loan association, savings bank or other financial institution, pension fund or mutual fund or other accredited investor reasonably acceptable to the Agent Bank and the Borrower that is not then currently a Bank (each a "New Bank"); *provided*, that the Borrower shall first offer any increase in the Revolving Loan Commitments to the Existing Banks by giving notice thereof to each of the Existing Banks and fifteen (15) Business Days to respond to such notice (failure to respond on a timely basis being deemed a rejection). Any notice given hereunder shall not be deemed to be a requirement of consent from any Existing Bank to the Permitted Commitment Increase.

(iii) Notice. The Borrower and the Agent Bank jointly shall notify the Banks at least fifteen (15) Business Days before the date ("Commitment Increase Effective Date") any increase in the total of the Revolving Loan Commitments shall become effective pursuant to this Section 2.1G. Such notice shall state the amount of the increase in the total of the Revolving Loan Commitments, the Commitment Increase Effective Date, and the names of any Existing Banks and/or New Banks providing the additional Revolving Loan Commitments.

(iv) Minimum Amount. Any increase in the Revolving Loan Commitments provided by any individual New Bank shall be in a minimum amount of not less than Five Million Dollars ($5,000,000).

(v) Implementation of Increase. On the Commitment Increase Effective Date;

(a) Joinder. Each New Commitment Provider shall execute and deliver to the Agent Bank two (2) Business Days prior to the Commitment Increase Effective Date a Joinder in the form attached as Exhibit 2.1G (“Lender Joinder”), which shall become effective on the Commitment Increase Effective Date. The Lender Joinder shall set forth the Revolving Loan Commitment provided by the New Commitment Provider if it is a New Bank and the new amount of the Revolving Loan Commitment and the increase in the Revolving Loan Commitment to be provided if it is an Existing Bank. If the New Commitment Provider is a New Bank it shall on the Effective Date join and become a party to this Agreement and the other Loan Documents as a Bank for all purposes hereunder and thereunder, subject to the provisions of this Section 2.1G, having a Revolving Loan Commitment as set forth in the Lender Joinder tendered by the same. Any Bank whose Revolving Loan Commitment shall remain unaffected shall be deemed to have consented and agreed to such Lender Joinder.

(b) Base Rate Loans. Each New Commitment Provider shall (i) purchase from the other Banks such New Commitment Provider’s Revolving Credit Facility Pro Rata Share in any Base Rate Loans outstanding on the Commitment Increase Effective Date (except any Base Rate Loan that is a Swing Loan), and (ii) share ratably in all Base Rate Loans borrowed by the Borrower after the Commitment Increase Effective Date (except any Base Rate Loan that is a Swing Loan).

(c) LIBOR Loans. Each New Commitment Provider shall (a) purchase from the other Banks such New Commitment Provider’s Revolving Credit Facility Pro Rata Share in each outstanding LIBOR Loan on the date on which the Borrower either renews its LIBOR Loan election with respect to the LIBOR Loan in question or converts such LIBOR Loan to a Base Rate Loan, *provided* that the New Commitment Providers shall not purchase an interest in such Loans from the other Banks on the Commitment Increase Effective Date (unless the Commitment Increase Effective Date is a renewal or conversion date, as applicable, in which case the preceding sentence shall apply), and (b) shall participate in all new LIBOR Loans borrowed by the Borrower on and after the Commitment Increase Effective Date.

(d) Letters of Credit. Each New Commitment Provider shall participate in all Letters of Credit outstanding on the Commitment Increase Effective Date according to its Revolving Credit Facility Pro Rata Share and in accordance with the terms of this Agreement.

(e) Limit on Amount. Any increase in the Revolving Loan Commitments pursuant to this Section 2.1G may not cause the total amount of the Revolving Loan Commitments to exceed One Hundred Fifty Million Dollars ($150,000,000).

(f) Execution of Additional Documents. Any increase in the Revolving Loan Commitments pursuant to this Section 2.1G shall not become effective until the Borrower, the Guarantors, the Agent Bank and the New Commitment Providers have executed such amendments to the Loan Agreement, the Notes, the Guaranty Agreements and other related Loan Documents as the Agent Bank deems reasonably necessary to effectuate the purposes of this Section 2.1G.

(vi) <u>No Event of Default or Potential Default; Representations and Warranties.</u> There shall exist no Event of Default or Potential Default on the Commitment Increase Effective Date. Without limiting that sentence, the representations and warranties contained in Section 5 of this Loan Agreement must be true and correct in all material respects as of such Commitment Increase Effective Date except to the extent any such representation is stated to relate solely to an earlier date, in which case such representation shall have been true and correct on and as of such earlier date. If an Event of Default or Potential Default exists on such Commitment Increase Effective Date, or such representations and warranties are not true and correct to the extent and as required in the second sentence of this Section 2.1.G(vi), the Borrower shall not request an increase of, and may not increase, the total of the Revolving Loan Commitments.

(vii) <u>No Obligation of Existing Banks to Increase Revolving Loan Commitment.</u> No Existing Bank shall be obligated to increase its Revolving Loan Commitment in the event that the Borrower requests an increase in the total Revolving Loan Commitments, pursuant to this Section 2.1G."

C. <u>Amendment of Section 2.2A (Interest on the Revolving Credit Loans) of Loan Agreement</u>. The pricing grid in Section 2.2A is replaced by the following:

Pricing Level	Adjusted Funded Debt to EBITDA	Applicable LIBOR Margin	Applicable Base Rate Margin
Pricing Level I	**³ 0.00, but £ 1.24**	**1.00%**	**0.00%**
Pricing Level II	**³ 1.25, but £ 1.74**	**1.25**	**0.00**
Pricing Level III	**³ 1.75, but £ 2.24**	**1.50**	**0.00**
Pricing Level IV	**³ 2.25, but £ 2.50**	**1.75**	**0.00**
Pricing Level V	**³ 2.51, but £ 3.00**	**2.00**	**0.00**

D. Amendment of Section 2.3A (Commitment Fees) of Loan Agreement. Section 2.3A is amended and restated in its entirety as follows:

“A. Commitment Fees.

(i) The Borrower agrees to pay to the Agent Bank, for the benefit of the Banks in proportion to their respective Revolving Credit Facility Pro Rata Shares, commitment fees (the “Revolving Credit Facility Commitment Fees”) for the period from and including the Closing Date to and excluding the Revolving Loan Commitment Termination Date, equal to the average daily excess of the Revolving Loan Commitments (as they may be reduced pursuant to Section 2.4C hereof or increased pursuant to Section 2.1G hereof) over the aggregate outstanding principal amount of Revolving Credit Loans, Swing Line Usage and the Letter of Credit Usage (the “Average Revolving Credit Facility Usage”) multiplied by the Applicable Commitment Fee Percentage set forth below; provided that, on each Date of Determination, the Applicable Commitment Fee Percentage in effect for the Pricing Period commencing on such Date of Determination and continuing for the term of such Pricing Period shall be the Applicable Commitment Fee Percentage corresponding to the Pricing Level in effect for such Pricing Period, as follows:

Pricing Level	Adjusted Funded Debt to EBITDA	Applicable Commitment Fee Percentage
Pricing Level I	**³ 0.00, but £ 1.24**	**.20%**
Pricing Level II	**³ 1.25, but £ 1.74**	**.20**
Pricing Level III	**³ 1.75, but £ 2.24**	**.25**
Pricing Level IV	**³ 2.25, but £ 2.50**	**.25**
Pricing Level V	**³ 2.51, but £ 3.00**	**.25**

In addition, if in any Pricing Period there is a positive difference between (a) 50% of the average daily Revolving Loan Commitments (as they may be reduced pursuant to Section 2.4C hereof or increased pursuant to Section 2.1G hereof) and (b) the Average Revolving Credit Facility Usage for such Pricing Period, then the Revolving Credit Facility Commitment Fees shall be increased with respect to such Pricing Period by an additional fee (the “Additional Commitment Fee”) equal to five basis points (0.05%) per annum.

The Borrower shall maintain records of the average daily Revolving Loan Commitments and the Average Revolving Credit Facility Usage during each Pricing Period and, within ten (10) days after the end of each Pricing Period, shall submit to the Agent Bank a certificate (the “Additional Commitment Fee Certificate”), in the form of Exhibit A attached to the 2003A Amendment to Loan Documents, setting forth its calculations of (a) the average daily Revolving Loan Commitments for the Pricing Period then ended, (b) 50% of the average daily Revolving Loan Commitments for such Pricing Period, (c) the Average Revolving Credit Facility Usage for such Pricing Period, (d) the difference, if positive, between 50% of the average daily Revolving Loan Commitments and the Average Revolving Credit Facility Usage for such Pricing Period and (e) if the amount in (d) is positive, the difference between (Y) the average daily Revolving Loan Commitments (as they may be reduced pursuant to Section 2.4C hereof or increased pursuant to Section 15 hereof) in effect during such Pricing Period and (Z) the Average Revolving Credit Facility Usage during such Pricing Period multiplied by 0.05% per annum.

The Revolving Credit Facility Commitment Fees and the Additional Commitment Fees shall be calculated on the basis of a 360-day year and the actual number of days elapsed and shall be payable on any date that an Additional Commitment Fee Certificate is due to be submitted to the Agent Bank. The Borrower hereby authorizes the Agent Bank to debit the Borrower's account for Revolving Credit Facility Commitment Fees and the Additional Commitment Fees that are due and payable (provided the Agent Bank has first given the Borrower notice of the amount of such fees and the date on which such fees will be debited from the Borrower's Account) and to distribute such fees to the Banks in proportion to their respective Revolving Credit Facility Pro Rata Shares. The Borrower shall have no liability to any Bank for any Revolving Credit Facility Commitment Fees or Additional Commitment Fees paid to the Agent Bank which the Agent Bank does not properly remit to such Bank, and such Bank's sole remedy in respect thereof shall be against the Agent Bank.

(ii) Notwithstanding anything in the foregoing to the contrary, if any Compliance Certificate delivered by the Borrower demonstrating the appropriate Pricing Level shall prove to be incorrect (as determined by reference to a subsequent Compliance Certificate), or any Additional Commitment Fee Certificate delivered by the Borrower demonstrating the appropriate Average Revolving Credit Facility Usage for such Pricing Period shall prove to be incorrect, such Compliance Certificate or Additional Commitment Fee Certificate shall no longer be in effect, and the Agent Bank shall notify the Borrower of its determination and provide the Borrower with a statement setting forth (a) the properly calculated Revolving Credit Facility Commitment Fees and (if applicable) Additional Commitment Fees for such Pricing Period, (b) the difference between the properly calculated Revolving Credit Facility Commitment Fees and (if applicable) Additional Commitment Fees for such Pricing Period and the amounts actually paid by Borrower with respect to such fees, (c) any amount due and owing to the Banks as a result of the Agent Bank's calculation and (d) the Agent Bank's method of calculation of the foregoing (which calculation, in the absence of demonstrable error, shall be deemed correct). The Borrower shall pay any amount due and owing to the Agent Bank for the benefit of the Banks within three (3) Business Days of such notice."

E. <u>Amendment of Section 2.7F (Letters of Credit - Compensation) of Loan Agreement</u>. The pricing grid in Section 2.7F is replaced by the following:

Pricing Level	**Adjusted Funded Debt to EBITDA**	**Applicable Letter of Credit Percentage**
Pricing Level I	**³ 0.00, but £ 1.24**	**1.00%**
Pricing Level II	**³ 1.25, but £ 1.74**	**1.25**
Pricing Level III	**³ 1.75, but £ 2.24**	**1.50**
Pricing Level IV	**³ 2.25, but £ 2.50**	**1.75**
Pricing Level V	**³ 2.51, but £ 3.00**	**2.00**

F. <u>Acknowledgment of Release of Collateral</u>. Section 2.9 of the Loan Agreement had required the Borrower to grant a security interest in collateral to the Agent Bank for the benefit of the Banks. Section 2.9 also provided that such collateral would be released, upon the Borrower's demonstration that it had met certain financial covenant thresholds, as set forth in Section 2.9. The Borrower has represented to the Agent Bank and the Banks that it has met those required thresholds and the Agent Bank has released the collateral granted to it by the Borrower.

2. <u>RATIFICATION</u>. Except as specifically amended by the provisions hereinabove, the Loan Documents remain in full force and effect. The Borrower and Guarantors reaffirm and ratify all of their respective obligations to Agent Bank and the Banks under all of the Loan Documents, as amended and modified hereby, including, but not limited to, the Loan Agreement, the Guaranty Agreements, the Security Agreements and all other agreements, documents and instruments now or hereafter evidencing and/or pertaining to the Loan Agreement. Each reference to all or any of the Loan Documents contained in any other of the Loan Documents shall be deemed to be a reference to such Loan Document, as modified hereby.

3. <u>CONDITIONS PRECEDENT</u>. The Banks' obligations under this Amendment are expressly conditioned upon and subject to the following:

A. The execution and delivery by the Borrower and the Guarantors, as applicable, of this Amendment;

B. Delivery to the Agent Bank of a copy of the certificate of the corporate secretary of Borrower certifying resolutions of the Borrower's board of directors to the effect that execution, delivery and performance of this Amendment have been duly authorized and as to the incumbency of those authorized to execute and deliver this Amendment and all other documents to be executed in connection herewith;

C. With respect to each corporate Guarantor, delivery to the Agent Bank of a copy of the certificate of the corporate secretary of each corporate Guarantor certifying resolutions of such Guarantor's board of directors to the effect that execution, delivery and performance of this Amendment have been duly authorized and as to the incumbency of those authorized to execute and deliver this Amendment and all other documents to be executed in connection herewith;

D. With respect to each non-corporate Guarantor, delivery to the Agent Bank of a copy of the certificate of the Secretary or other appropriate representative of such Guarantor (i) certifying as to the authenticity, completeness and accuracy of, and attaching copies of the written consent of the managers of such Guarantor authorizing the execution, delivery and performance of this Amendment, and (ii) certifying the names and true signatures of the officers of such Guarantor authorized to execute and deliver on behalf of such Guarantor this Amendment;

E. The representations and warranties of the Borrower and the Guarantors as applicable in this Amendment shall be true and accurate in all respects; and

F. Delivery to the Agent Bank of opinions of counsel to Borrower and the Guarantors, satisfactory to the Agent Bank.

G. Payment of an amendment fee in the amount of $312,500 to the Agent Bank (to be allocated by the Agent Bank among the Banks based upon their Revolving Loan Commitments).

4. REPRESENTATIONS, WARRANTIES, AND COVENANTS OF THE BORROWER. To induce the Agent Bank and the Banks to enter into this Amendment, the Borrower represents and warrants to Agent Bank and the Banks as follows:

A. The Borrower has full power, authority, and capacity to enter into this Amendment, and this Amendment constitutes the legal, valid and binding obligation of the Borrower, enforceable against it in accordance with its respective terms.

B. No uncured Event of Default under the Notes or any of the other Loan Documents has occurred which continues unwaived by the Agent Bank, and no Potential Default exists as of the date hereof.

C. The Person executing this Amendment on behalf of the Borrower is duly authorized to do so.

D. The representations and warranties made by the Borrower in any of the Loan Documents are hereby remade and restated as of the date hereof.

E. Except as previously disclosed to the Agent Bank or disclosed in the Borrower's filings with the Securities and Exchange Commission, copies of which have been provided previously to the Agent Bank, there are no material actions, suits, legal, equitable, arbitration or administrative proceedings pending or threatened against the Borrower, the adverse determination of which could have a material adverse effect on the Loan Documents, the business operations or financial condition of the Borrower and the Guarantors taken as a whole, or the ability of the Borrower to fulfill its obligations under the Loan Documents.

5. REPRESENTATIONS, WARRANTIES, AND COVENANTS OF THE GUARANTORS. To induce the Agent Bank and the Banks to enter into this Amendment, the Guarantors represent and warrant to the Agent Bank and the Banks as follows:

A. Each Guarantor has full power, authority, and capacity to enter into this Amendment, and this Amendment constitutes the legal, valid and binding obligations of such Guarantor, enforceable against such Guarantor in accordance with their terms.

B. The Person executing this Amendment on behalf of each Guarantor is duly authorized to do so.

C. The representations and warranties made by each Guarantor in any of the Loan Documents are hereby remade and restated as of the date hereof.

D. Except as previously disclosed to the Agent Bank, there are no material actions, suits, legal, equitable, arbitration or administrative proceedings pending or threatened against any Guarantor, the adverse determination of which could have a material adverse effect on the Loan Documents, the business operations or financial condition of the Borrower and the Guarantors taken as a whole or the ability of any Guarantor to fulfill its obligations under the Guaranty Agreement.

6. MISCELLANEOUS.

A. Amendment and Other Fees and Expenses. The Borrower agrees to pay to or for the account of the Agent Bank, whichever is applicable, upon the closing of this Amendment (i) the amounts set forth in the fee letter dated October 14, 2003, from Agent Bank to the Borrower, (ii) any recording or filing fees incurred by Agent Bank in connection with this Amendment, and (iii) the reasonable fees and expenses of Agent Bank's counsel in negotiating, drafting and closing this Amendment, and related documents up to the amount set forth in a letter from Bank's counsel to the Borrower and agreed to by Borrower.

B. Illegality. In case any one or more of the provisions contained in this Amendment should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

C. Changes in Writing. No modification, amendment or waiver of any provision of this Amendment nor consent to any departure by the Borrower or any of the Guarantors therefrom, will in any event be effective unless the same is in writing and signed by the Agent Bank, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given.

D. Successors and Assigns. This Amendment will be binding upon and inure to the benefit of the Borrower, the Guarantors, the Agent Bank and the Banks and their respective successors and assigns; provided, however, that neither the Borrower nor the Guarantors may assign this Amendment in whole or in part without the prior written consent of the Agent Bank, and the Agent Bank and the Banks at any time may assign this Amendment in whole or in part, as provided in Section 11 of the Loan Agreement.

E. Counterparts. This Amendment may be signed in any number of counterpart copies and by the parties hereto on separate counterparts, but all such copies shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Agent Bank, each Bank, the Borrower and each Guarantor has caused this Amendment to be duly executed as of the day and year first above written.

BANK ONE, NA, as Agent Bank
("the Agent Bank")

By: /s/ JAMES DUFFY BAKER, JR.

Title: **Vice President**

BANK ONE, NA
as a Bank

By: /s/ JAMES DUFFY BAKER, JR.

Title: **Vice President**

BANK OF AMERICA, N.A.
as a Bank

By: /s/ BRYAN HULKER

Bryan Hulker
Vice President

LASALLE BANK NATIONAL ASSOCIATION
as a Bank

By: /s/ A. MARK MITAL

A. Mark Mital
First Vice President

SUNTRUST BANK, N.A.
as a Bank

By: /s/ SCOTT T. CORLEY

Scott T. Corley
Director

U.S. BANK NATIONAL ASSOCIATION f/k/a
FIRSTAR BANK, N.A.,
as a Bank

By: /s/ TOBY RAU

Toby Rau
Vice President

NATIONAL CITY BANK OF KENTUCKY
as a Bank

By: /s/ THOMAS P. CROCKETT

Printed Name: **Thomas P. Crockett**
Its: **Senior Vice President**

SYPRIS SOLUTIONS, INC. (the “Borrower”)

By: /s/ DAVID D. JOHNSON

David D. Johnson
Vice President

SYPRIS TEST & MEASUREMENT, INC.,
a Delaware corporation ("ST&M")
(as a "Guarantor" and solely with respect to Sections 6 and 7 of the Loan Agreement)

By: /s/ DAVID D. JOHNSON

David D. Johnson
Treasurer

SYPRIS TECHNOLOGIES, INC.
a Delaware corporation ("ST")
(as a "Guarantor" and solely with respect to Sections 6 and 7 of the Loan Agreement)

By: /s/ DAVID D. JOHNSON

David D. Johnson
Treasurer

SYPRIS ELECTRONICS, LLC,
a Delaware limited liability company ("SE")
(as a "Guarantor" and solely with respect to Sections 6 and 7 of the Loan Agreement)

By: /s/ DAVID D. JOHNSON

David D. Johnson
Treasurer

SYPRIS DATA SYSTEMS, INC.,
a Delaware corporation ("SDS")
(as a "Guarantor" and solely with respect to Sections 6 and 7 of the Loan Agreement)

By: /s/ DAVID D. JOHNSON

David D. Johnson
Treasurer

SYPRIS TECHNOLOGIES MARION, LLC,
a Delaware limited liability company
("Marion") (as a "Guarantor") and
solely with respect to Sections 4.2G, 6 and 7 of the Loan Agreement)

By: /s/ DAVID D. JOHNSON

David D. Johnson
Treasurer