



Sypris Reports Third Quarter Earnings; Revenue Increases 19%

October 27, 2005

LOUISVILLE, Ky.--(BUSINESS WIRE)--Oct. 27, 2005--Sypris Solutions, Inc. (Nasdaq/NM: SYPR) today reported revenue increased 19% to a record \$140.8 million for the third quarter compared to \$118.5 million for the prior year period. Net income for the period was \$3.0 million, or \$0.16 per diluted share, compared to \$3.8 million, or \$0.21 per diluted share, for the third quarter of 2004.

For the nine months ended September 30, 2005, the Company reported revenue increased 29% to a record \$390.7 million compared to \$303.7 million for the prior year period. Net income was \$5.6 million compared to \$9.1 million for the same period in 2004, while earnings per share were \$0.30 per diluted share compared to \$0.52 per diluted share.

"The results for the third quarter reflected a continued improvement in the Company's operating performance," said Jeffrey T. Gill, president and chief executive officer. "Revenue continued to increase while operating margins expanded sequentially as the result of improved efficiencies and volume. Cash flow from operations reached a record \$24.5 million during the period, resulting in free cash flow of \$17.8 million as several major capital projects neared completion."

"Net orders for the quarter reached a record \$139.2 million, driven by an 83% increase in bookings from our Electronics Group. The outlook for our markets in general remains positive, though we believe the significant increase in energy costs and rising interest rates will have a dampening effect on both demand and margins. In response to these factors, we will maintain a stringent focus on process improvement and cost containment throughout the Company."

The Industrial Group

Revenue for our Industrial Group increased 20% to \$94.5 million in the third quarter from \$78.4 million for the prior year period, and increased 5.4% sequentially from the second quarter of this year. Gross profit for the quarter was \$7.3 million compared to \$9.3 million for the same period in 2004 and decreased 2.6% sequentially from the second quarter of this year as a result of extended customer shutdowns early in the period to rebalance inventories.

"Net orders were \$78.8 million for the quarter, while backlog increased 12% to \$131.9 million compared to the prior year quarter," said Gill. "Orders and revenue were in line with our expectations for the quarter. We believe that we have now reached the top of the current truck market cycle and expect shipments during the coming quarters to remain relatively stable, subject to the number of workdays in a quarter and any impact on the demand for commercial vehicles related to rising energy costs and interest rates, or reductions in construction spending and consumer demand, among others. Nevertheless, we continue to believe that we are well positioned to benefit from the continued trend in outsourcing by many of the Tier 1 suppliers as these customers implement initiatives to improve efficiencies and reduce investments in non-core operations."

The Electronics Group

Revenue for our Electronics Group increased 16% to \$46.3 million in the third quarter compared to \$40.0 million for the prior year period, and improved 29% sequentially from the second quarter of this year. Gross profit for the quarter increased 21% to \$8.3 million compared to \$6.8 million for the same period in 2004, reflecting improvements in data systems shipments and test and measurement margins.

Revenue for the Aerospace & Defense segment increased 19% to \$33.9 compared to \$28.4 million for the prior year period and increased 41% from the second quarter of 2005. Revenue for the Test & Measurement segment increased 7% from that of the prior year period at \$12.4 million, and increased 5% sequentially from the second quarter of this year. Gross profit for the Aerospace & Defense segment increased 21% to \$5.4 million from \$4.5 million for the prior year period, and increased 59% from the second quarter of 2005. Gross profit for the Test & Measurement segment increased 22% to \$2.9 million from \$2.4 million for the same period in 2004, but decreased slightly on a sequential basis from the second quarter of this year.

"Net orders for our Electronics Group increased 83% to \$60.4 million for the quarter, while backlog remained firm at \$121.0 million," said Gill. "The increase in bookings for our Electronics Group represented a substantial improvement over recent quarters and while we believe the opportunity for growth in this important segment is improving, we will remain somewhat cautious in our outlook until such time as we see a more defined trend in contract awards."

Outlook

Gill added, "Looking forward, we expect revenue for the fourth quarter of 2005 to be in the range of \$135 to \$140 million compared to \$122 million for the prior year period, which represents a 13% increase at the midpoint of our guidance. Earnings for the fourth quarter are forecast to be in the range of \$0.12 to \$0.15 per diluted share compared to a loss of \$0.04 per diluted share for the prior year. The revenue outlook reflects an increased degree of conservatism regarding year-end shipments and the potential for customer shutdowns during the holidays, while the earnings outlook incorporates the impact of the reduced shipments, higher energy prices and rising interest rates."

"Revenue for 2005 is forecast to be in the range of \$525 to \$530 million compared to \$425 million for 2004, which represents a 24% increase in revenue for 2005 at the midpoint of the range. Earnings for 2005 are forecast to be in the range of \$0.42 to \$0.45 per diluted share compared to \$0.47 per diluted share for 2004. As we look beyond the current year, we plan to issue guidance for 2006 on Thursday, December 15, 2005, at which time we will convene a conference call to field questions and address any comments."

Sypris Solutions is a diversified provider of technology-based outsourced services and specialty products. The Company performs a wide range of manufacturing and technical services, typically under multi-year, sole-source contracts with major corporations and government agencies in the

markets for aerospace and defense electronics, truck components and assemblies, and test and measurement services. For more information about Sypris Solutions, visit its Web site at www.sypris.com.

This release, and oral statements referring hereto, contain "forward-looking statements," from which actual results may differ materially due to factors such as: cost and availability of raw materials such as steel, components, freight, or utilities; cost and inefficiencies associated with increasing our manufacturing capacity and launching new programs; stability and predictability of customers' forecasts, backlogs or scheduling demands; costs associated with breakdowns or repairs of machinery and equipment; growth beyond our productive capacity, reductions, cyclical downturns or competitive pressures in our markets; cost, efficiency and yield of our operations including overtime costs, expediting costs or scrap rates; our ability to improve results of acquired businesses and associated costs; inventory valuation risks; product mix; changes in government or other customer programs; reliance on major customers or suppliers; revised contract prices or estimates of major contract costs; dependence on management; labor relations; risks of foreign operations; currency exchange rates; costs and supply of debt, equity capital, or insurance; significant increases in working capital; impairments or write-offs of goodwill or fixed assets; pension valuation risks; changes in licenses, security clearances, or other legal rights to operate, manage our work force or import and export as needed; completion of the internal control assessment process; costs of compliance with regulatory or contractual obligations; regulatory actions or sanctions; litigation, including customer, creditor, stockholder, environmental or asbestos-related claims; war, terrorism or political uncertainty; disasters; unknown risks and uncertainties; or risk factors in our SEC filings.

 SYPRIS SOLUTIONS, INC.
 Financial Highlights
 (In thousands, except per share amounts)

	Three Months Ended	
	Sept. 30, 2005	Sept. 30, 2004
		Restated(1)
Revenue	\$140,811	\$118,457
Net income	\$3,001	\$3,791
Earnings per common share:		
Basic	\$0.17	\$0.21
Diluted	\$0.16	\$0.21
Weighted average shares outstanding:		
Basic	18,036	17,889
Diluted	18,423	18,306

	Nine Months Ended	
	Sept. 30, 2005	Sept. 30, 2004
		Restated(1)
Revenue	\$390,654	\$303,729
Net income	\$5,572	\$9,100
Earnings per common share:		
Basic	\$0.31	\$0.54
Diluted	\$0.30	\$0.52
Weighted average shares outstanding:		
Basic	18,009	16,851
Diluted	18,328	17,504

(1) On January 1, 2005, the Company changed its accounting policy for inventory and cost of sales at one manufacturing facility. Prior year amounts have been restated as required for comparability. The change increased previously reported earnings for the third quarter and first nine months of 2004 by \$304,000, or \$0.02 per diluted share and \$230,000, or \$0.01 per diluted share, respectively.

(in thousands, except for per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004		2004	
	2005	Restated(1)	2005	Restated(1)
	(Unaudited)		(Unaudited)	
Net revenue:				
Industrial Group	\$94,504	\$78,429	\$272,867	\$185,102
Aerospace & Defense	33,866	28,350	81,957	83,715
Test & Measurement	12,441	11,678	35,830	34,912
Electronics Group	46,307	40,028	117,787	118,627
Total net revenue	140,811	118,457	390,654	303,729
Cost of sales:				
Industrial Group	87,161	69,082	251,586	163,762
Aerospace & Defense	28,498	23,899	70,829	69,011
Test & Measurement	9,546	9,302	27,386	27,428
Electronics Group	38,044	33,201	98,215	96,439
Total cost of sales	125,205	102,283	349,801	260,201
Gross profit:				
Industrial Group	7,343	9,347	21,281	21,340
Aerospace & Defense	5,368	4,451	11,128	14,704
Test & Measurement	2,895	2,376	8,444	7,484
Electronics Group	8,263	6,827	19,572	22,188
Total gross profit	15,606	16,174	40,853	43,528
Selling, general and administrative	8,492	8,915	26,158	25,701
Research and development	767	1,084	2,384	2,483
Amortization of intangible assets	161	145	474	411
Operating income	6,186	6,030	11,837	14,933
Interest expense, net	1,797	646	4,566	1,161
Other (income) expense, net	(89)	15	(856)	(91)
Income before income taxes	4,478	5,369	8,127	13,863
Income tax expense	1,477	1,578	2,555	4,763
Net income	\$3,001	\$3,791	\$5,572	\$9,100
Earnings per common share:				
Basic	\$0.17	\$0.21	\$0.31	\$0.54
Diluted	\$0.16	\$0.21	\$0.30	\$0.52
Dividends declared per common share	\$0.03	\$0.03	\$0.09	\$0.09
Weighted average shares outstanding:				
Basic	18,036	17,889	18,009	16,851
Diluted	18,423	18,306	18,328	17,504

(1) On January 1, 2005, the Company changed its accounting policy for inventory and cost of sales at one manufacturing facility. Prior year amounts have been restated as required for comparability. The change increased previously reported earnings for the third quarter and first nine months of 2004 by \$304,000, or \$0.02 per diluted share and \$230,000, or \$0.01 per diluted share, respectively.

Sypris Solutions, Inc.
Consolidated Balance Sheets
(in thousands, except for share data)

	Sept. 30, 2005	Dec. 31, 2004 Restated(1)
	-----	-----
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$22,505	\$14,060
Accounts receivable, net	109,595	104,637
Inventory, net	98,997	92,016
Other current assets	17,790	21,566
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Total current assets	248,887	232,279
Property, plant and equipment, net	180,870	166,940
Goodwill	14,277	14,277
Other assets	22,996	17,682
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Total assets	\$467,030	\$431,178
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$92,036	\$61,778
Accrued liabilities	26,651	20,378
Current portion of long-term debt	--	7,000
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Total current liabilities	118,687	89,156
Long-term debt	112,000	110,000
Other liabilities	21,856	23,083
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Total liabilities	252,543	222,239
Stockholders' equity:		
Preferred stock, par value \$0.01 per share, 975,150 shares authorized; no shares issued	--	--
Series A preferred stock, par value \$0.01 per share, 24,850 shares authorized; no shares issued	--	--
Common stock, non-voting, par value \$0.01 per share, 10,000,000 shares authorized; no shares issued	--	--
Common stock, par value \$0.01 per share, 30,000,000 shares authorized; 18,164,058 and 17,920,500 shares issued and outstanding in 2005 and 2004, respectively	182	179
Additional paid-in capital	143,336	140,898
Unearned compensation	(1,335)	--
Retained earnings	74,172	70,227
Accumulated other comprehensive loss	(1,868)	(2,365)
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Total stockholders' equity	214,487	208,939
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Total liabilities and stockholders' equity	\$467,030	\$431,178
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(1) On January 1, 2005, the Company changed its accounting policy for inventory and cost of sales at one manufacturing facility. Prior

year amounts have been restated as required for comparability. The change increased previously reported inventory, retained earnings and other liabilities balances at December 31, 2004 by \$2,224,000, \$1,503,000 and \$721,000, respectively.

 Sypris Solutions, Inc.
 Consolidated Cash Flow Statements
 (in thousands)

	Nine Months Ended September 30,	
	2004	
	2005	Restated(1)
	(Unaudited)	
Cash flows from operating activities:		
Net income	\$5,572	\$9,100
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	18,698	13,564
Other noncash charges	1,714	1,108
Changes in operating assets and liabilities, net of acquisitions in 2004:		
Accounts receivable	(5,095)	(49,139)
Inventory	(8,006)	(25,949)
Accounts payable	30,809	35,488
Accrued liabilities	6,542	4,574
Other	(2,108)	(2,800)
	48,126	(14,054)
Cash flows from investing activities:		
Capital expenditures	(32,776)	(38,245)
Purchase of net assets of acquired entities	--	(29,399)
Changes in nonoperating assets and liabilities	(1,330)	(33)
	(34,106)	(67,677)
Cash flows from financing activities:		
Net repayments under revolving credit agreements	(5,000)	(30,550)
Proceeds from long-term debt	--	55,000
Cash dividends paid	(1,619)	(1,486)
Proceeds from issuance of common stock	1,044	57,080
	(5,575)	80,044
Net increase (decrease) in cash and cash equivalents	8,445	(1,687)
Cash and cash equivalents at beginning of period	14,060	12,019
	\$22,505	\$10,332
	=====	=====

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and \$230,000, or \$0.01 per diluted share, respectively.

CONTACT: Sypris Solutions, Inc.

T. Scott Hatton, 502-329-2000

SOURCE: Sypris Solutions, Inc.