



Sypris Reports Third Quarter Results

October 26, 2006

Business Editors

LOUISVILLE, Ky.--(BUSINESS WIRE)--Oct. 26, 2006--Sypris Solutions, Inc. (Nasdaq/NM: SYPR) today reported revenue of \$126.0 million for the third quarter compared to \$140.8 million for the prior year period. The Company reported a net loss of \$0.8 million, or \$0.04 per diluted share for the third quarter compared to earnings of \$3.0 million, or \$0.16 per diluted share for the prior year period. Free cash flow for the third quarter reached \$10.7 million.

For the nine months ended September 30, 2006, the Company reported revenue of \$388.2 million compared to \$390.7 million for the prior year period and a net loss of \$0.4 million, or \$0.02 per diluted share compared to net income of \$5.6 million, or \$0.30 per diluted share for the same period in 2005. The net loss in the first nine months of 2006 included the impact of adopting SFAS No. 123R, Share-Based Payment, which approximated \$0.4 million, net of taxes, or \$0.02 per diluted share. Free cash flow for the first nine months of 2006 was \$35.3 million.

"Our Industrial Group experienced a 39% reduction in orders for component shipments to the Ford Motor Company during the third quarter, the result of which had a material impact on the Company's revenue and margins for the period," said Jeffrey T. Gill, President and Chief Executive Officer.

"Unfortunately, the rightsizing of our workforces in each of the plants impacted by the change required much of the quarter to complete, further compressing the group's short-term margins. Inventory corrections by other customers also impacted Industrial Group revenue to a lesser degree during the quarter."

Gill continued, "The lower than expected revenue and margins for the quarter were also driven by our Electronics Group, which generated lower sales primarily due to a reduction in the initial rate of production for the launch of a new classified program. The short-term change in schedules was necessitated to incorporate several new important design modifications earlier in the product's life cycle. We now expect to reach full rates of production early in 2007."

"Despite these headwinds, the Company continued to generate significant free cash flow. As a result, the Company's balance sheet remains a source of strength, with net debt representing less than 14% of total capital. As we go forward, we will continue to evaluate opportunities to use this strength to improve margins and increase the Company's market share."

The Industrial Group

Revenue for our Industrial Group was \$93.0 million in the third quarter compared to \$94.5 million for the prior year period. Gross profit for the quarter decreased to \$5.2 million from \$7.3 million for the same period in 2005, as a result of higher material losses and labor inefficiency from shifting volumes during the quarter.

"The near-term outlook for the production of light trucks and sport utility vehicles remains uncertain at best," said Gill. "We have reduced headcount at each of our plants that have been impacted by the announced changes in production outlook, but our sense is that this market will remain challenging for some time to come. We will continue to aggressively pursue initiatives that will enable the Company to succeed in this increasingly difficult environment."

The Electronics Group

Revenue for our Electronics Group was \$32.9 million in the third quarter compared to \$46.3 million for the prior year period. Gross profit for the quarter was \$5.1 million compared to \$8.3 million for the same period in 2005. The declines in revenue and gross profit reflect a decline in product shipments under certain classified programs with the U.S. Government.

Revenue for the Aerospace & Defense segment was \$21.1 million compared to \$33.9 million for the prior year period, as prior year programs ended and new programs were rescheduled to early 2007. Revenue from the Test & Measurement segment was \$11.8 million compared to \$12.4 million for the prior year period. Despite strong growth in calibration services, softness in our test services market more than offset calibration gains. Gross profit for the Aerospace & Defense segment was \$2.6 million, as compared to \$5.4 million for the prior year period reflecting the lower volumes, while gross profit for the Test & Measurement segment was \$2.5 million compared to \$2.9 million for the same period in 2005, due to the decline in testing services.

"Net orders for our Electronics Group approximated \$37.7 million for the quarter, while backlog grew 5% sequentially from second quarter to \$96.3 million," said Gill. "Despite the short-term delay in the launch of two new classified programs, the outlook remains strong for our A&D segment in 2007 when an additional key classified program is scheduled to resume shipment. As a result, we expect our Electronics Group to resume its top line growth during the coming year."

Outlook

Gill added, "Looking forward, we believe the balance of 2006 will remain challenging for Sypris as our Industrial Group faces continued softness on lower demand for light-duty trucks and sport utility vehicles, and management continues to absorb the impact of a major customer in bankruptcy. Additionally, our Electronics Group is forecasting lower revenue and earnings for fourth quarter to reflect the rescheduling of production for the new classified programs."

Gill added, "Consequently, we are lowering our prior guidance from July 27, 2006 with expected revenue during the fourth quarter of 2006 in the range

of \$115 to \$125 million with a loss for the fourth quarter forecasted to be in the range of \$0.9 million to \$1.8 million, or \$0.05 to \$0.10 per diluted share. For the full year 2006, the revenue outlook is expected to be in the range of \$503.0 to \$513.0 million, while a net loss is now forecast to be in the range of \$1.3 million to \$2.2 million, or \$0.07 to \$0.12 per diluted share. We continue to expect free cash flow to remain strong for 2006 and to be at the upper end of our prior guidance of \$30.0 to \$40.0 million for the year. And consistent with our past practice, we will issue a press release and host a conference call on Thursday, January 11, 2007 to discuss the Company's financial outlook for 2007."

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.

Each "forward-looking statement" herein is subject to serious risks and should not be relied upon, as detailed in our most recent Form 10-K and Form 10-Q and subsequent SEC filings. Briefly, we currently believe that such risks also include: cost and availability of raw materials such as steel, components, freight, natural gas or utilities; cost and inefficiencies associated with increasing our manufacturing capacity and launching new programs; stability and predictability of our costs and margins or our customers' forecasts, financial conditions, late payments, low-margin product mix, market shares, changing product requirements or scheduling demands; costs associated with breakdowns or repairs of machinery and equipment; growth beyond our productive capacity, cyclical or other downturns, adverse impacts of new technologies or other competitive pressures which erode our margins; cost, efficiency and yield of our operations including capital investments, working capital, scrap rates, cycle times, injuries, self-insured risks, wages, freight, production schedules, overtime costs, or expediting costs; failure to make strategic acquisitions or to integrate and improve results of acquired businesses or to identify and adequately insure environmental or other risks in due diligence; inventory valuation risks due to obsolescence, shrinkage, theft, price, overstocking or underbidding; changes in government funded or other customer programs; reliance on major customers or suppliers, especially in the automotive sector where bankruptcies (such as Dana Corporation's recent filing) could result in the rejection or modification of our contracts; revised contract prices or estimates of major contract costs; dependence on, recruitment or retention of management or other key employees; union negotiations; pension valuation, health care or other benefit costs; labor relations; strikes; risks of foreign operations; currency exchange rates; costs and supply of debt, equity capital, or insurance due to poor operating or financial results, new business risks, credit ratings, debt covenant violations, contract claims, insurance conditions or regulatory developments; impairments or write-offs of goodwill or fixed assets; changes in licenses, security clearances, or other legal rights to operate, manage our work force or import and export as needed; weaknesses in internal controls; costs of compliance with auditing, regulatory or contractual obligations; regulatory actions or sanctions; disputes or litigation, involving customer, supplier, creditor, stockholder, product liability or environmental claims; war, terrorism or political uncertainty; unanticipated or uninsured disasters, losses or business risks; inaccurate data about markets, customers or business conditions; or unknown risks and uncertainties.

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

	Three Months Ended September 30, -----	
	2006	2005

	(Unaudited)	
Revenue	\$125,955	\$140,811
Net (loss) income	\$ (802)	\$3,001
(Loss) earnings per common share:		
Basic	\$ (0.04)	\$0.17
Diluted	\$ (0.04)	\$0.16
Weighted average shares outstanding:		
Basic	18,094	18,036
Diluted	18,094	18,423

	Nine Months Ended September 30, -----	
	2006	2005

	(Unaudited)	
Revenue	\$388,185	\$390,654
Net (loss) income	\$ (389)	\$5,572
(Loss) earnings per common share:		
Basic	\$ (0.02)	\$0.31
Diluted	\$ (0.02)	\$0.30
Weighted average shares outstanding:		
Basic	18,071	18,009
Diluted	18,071	18,328

(in thousands, except for per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
	(Unaudited)		(Unaudited)	
Net revenue:				
Industrial Group	\$93,021	\$94,504	\$283,974	\$272,867
Aerospace & Defense	21,166	33,866	69,094	81,957
Test & Measurement	11,768	12,441	35,117	35,830
Electronics Group	32,934	46,307	104,211	117,787
Total net revenue	125,955	140,811	388,185	390,654
Cost of sales:				
Industrial Group	87,871	87,161	268,384	251,586
Aerospace & Defense	18,559	28,498	59,185	70,829
Test & Measurement	9,289	9,546	27,327	27,386
Electronics Group	27,848	38,044	86,512	98,215
Total cost of sales	115,719	125,205	354,896	349,801
Gross profit:				
Industrial Group	5,150	7,343	15,590	21,281
Aerospace & Defense	2,607	5,368	9,909	11,128
Test & Measurement	2,479	2,895	7,790	8,444
Electronics Group	5,086	8,263	17,699	19,572
Total gross profit	10,236	15,606	33,289	40,853
Selling, general and administrative	10,175	8,492	29,726	26,158
Research and development	427	767	1,132	2,384
Amortization of intangible assets	163	161	480	474
Operating (loss) income	(529)	6,186	1,951	11,837
Interest expense, net	820	1,797	3,062	4,566
Other income, net	12	(89)	(246)	(856)
(Loss) income before income taxes	(1,361)	4,478	(865)	8,127
Income tax (benefit) expense	(559)	1,477	(476)	2,555
Net (loss) income	\$(802)	\$3,001	\$(389)	\$5,572
(Loss) earnings per common share:				
Basic	\$(0.04)	\$0.17	\$(0.02)	\$0.31
Diluted	\$(0.04)	\$0.16	\$(0.02)	\$0.30
Dividends declared per common share	\$0.03	\$0.03	\$0.09	\$0.09
Weighted average shares outstanding:				
Basic	18,094	18,036	18,071	18,009
Diluted	18,094	18,423	18,071	18,328

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

September 30, December 31,

	2006	2005
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	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$26,238	\$12,060
Accounts receivable, net	76,047	95,432
Inventory, net	77,859	79,724
Other current assets	35,267	26,020
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Total current assets	215,411	213,236
Property, plant and equipment, net	160,217	176,719
Goodwill	14,277	14,277
Other assets	11,699	13,392
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Total assets	\$401,604	\$417,624
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LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$85,512	\$76,567
Accrued liabilities	21,341	24,904
Current portion of long-term debt	5,000	--
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Total current liabilities	111,853	101,471
Long-term debt	55,000	80,000
Other liabilities	23,018	22,419
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Total liabilities	189,871	203,890
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; 18,338,334 and 18,165,658 shares issued and outstanding in 2006 and 2005, respectively	183	182
Additional paid-in capital	143,217	142,111
Retained earnings	71,335	73,375
Treasury stock	(16)	--
Accumulated other comprehensive loss	(2,986)	(1,934)
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Total stockholders' equity	211,733	213,734
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Total liabilities and stockholders' equity	\$401,604	\$417,624
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Sypris Solutions, Inc.
Consolidated Cash Flow Statements
(in thousands)

Nine Months Ended
September 30,

2006 2005

(Unaudited)

Cash flows from operating activities:

Net (loss) income	\$ (389)	\$5,572
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	21,272	18,698
Other noncash items	1,414	1,714
Changes in operating assets and liabilities:		
Accounts receivable	18,334	(5,095)
Inventory	1,657	(8,006)
Other current assets	(4,142)	(2,108)
Accounts payable	9,288	30,809
Accrued liabilities	(4,238)	6,542
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Net cash provided by operating activities	43,196	48,126
Cash flows from investing activities:		
Capital expenditures	(7,852)	(32,805)
Proceeds from sale of assets	71	29
Changes in nonoperating assets and liabilities	85	(1,330)
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Net cash used in investing activities	(7,696)	(34,106)
Cash flows from financing activities:		
Net change in debt under revolving credit agreements	(20,000)	(5,000)
Cash dividends paid	(1,643)	(1,619)
Proceeds from issuance of common stock	321	1,044
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Net cash used in financing activities	(21,322)	(5,575)
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Net increase in cash and cash equivalents	14,178	8,445
Cash and cash equivalents at beginning of period	12,060	14,060
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Cash and cash equivalents at end of period	\$26,238	\$22,505
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SOURCE: Sypris Solutions, Inc.