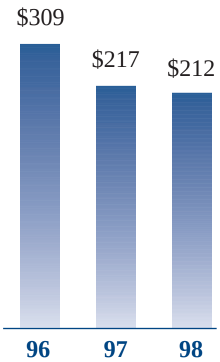
SYPRIS
SOLUTIONS INC

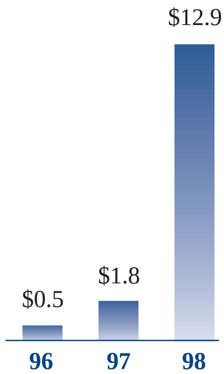
Annual Report 1998

Sypris Solutions is a diversified provider of speciality industrial products and technical services. Our mission is to become the leading provider in every market where we sell a product or deliver a service.

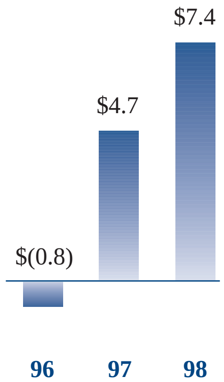
Results



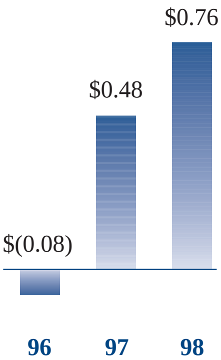
Net Revenue
(in millions)



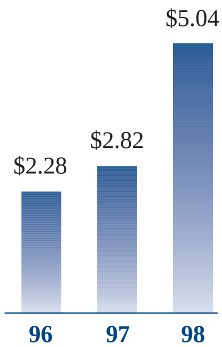
Operating Income
(in millions)



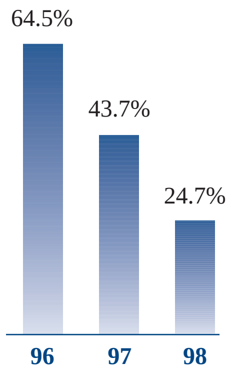
Net Income Before Minority Interests
(in millions)



Diluted Earnings Per Share



Book Value Per Share



Net Debt to Total Capital

Company Profile

Sypris Solutions is a diversified provider of specialized industrial products and technical services. The Company manufactures and sells integrated data acquisition, storage and analysis systems, magnetic instruments, current sensors, high-pressure closures, and a variety of other industrial products. The Company also performs a wide range of specialized electronic design, assembly, test, evaluation, calibration and software-based encryption services on a contract basis.

Financial Highlights

Years ended December 31,	1998	1997	Change
	(in thousands, except for per share data)		
Statement of Operations Data:			
Net revenue	$ 211,625	$ 217,355	(2.6%)
Gross profit	47,923	32,135	49.1%
Operating income	12,851	1,785	619.9%
Income before minority interests and discontinued operations	7,446	888	738.5%
Income from continuing operations	7,446	1,527	387.6%
Discontinued operations, net of tax	—	3,817	—
Net income before minority interests	7,446	4,705	58.3%
Net income	7,446	5,344	39.3%
Pro Forma Per Share Data:			
Income from continuing operations:			
Basic	$ 0.79	$ 0.09	777.8%
Diluted	$ 0.76	$ 0.09	744.4%
Net income:			
Basic	$ 0.79	$ 0.50	58.0%
Diluted	$ 0.76	$ 0.48	58.3%

December 31,	1998	1997	Change
	(in thousands)		
Balance Sheet Data:			
Working capital	$ 32,121	$ 35,123	(8.5%)
Total assets	121,119	120,608	0.4%
Total debt	28,583	31,340	(8.8%)
Total shareholders' equity	49,359	27,728	78.0%

See accompanying Notes to Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations.

Fellow Shareholders:

We are pleased to report that 1998 was a very successful year for Sypris Solutions, one during which we accomplished a number of important objectives. This letter provides us with our first opportunity to review the status of our progress with you since the formation of Sypris was completed early last year.

Sypris Solutions began business on March 30, 1998 with the completion of the merger of Group Financial Partners Inc. and two of its subsidiaries, Bell Technologies Inc. and Tube Turns Technologies Inc., with and into Group Technologies Corporation, a Nasdaq-traded company in which Group Financial Partners owned an approximate 80% interest. The reincorporation of the Company in Delaware occurred on the same day, the result of which was to form Sypris.

Our primary objective during 1998 was to increase the profitability of the Company. For the year, our efforts resulted in a 58% increase in net income before minority interests to $7.4 million on a slight decline in revenue to $211.6 million.

This significant increase in profitability was due in part to the success of our restructuring of the Company's manufacturing services business in 1997. The restructuring, which was the principal reason for the lower year-to-year revenue, is now complete.

Our second objective was to substantially improve the Company's cash flow from operations. We recognize that cash flow is the lifeblood of any corporation, the strength of which directly impacts our ability to invest in the future. We are pleased to report that cash flow

BELL TECHNOLOGIES

GROUP TECH

METRUM

for 1998, defined as earnings before interest, taxes, depreciation and amortization, increased 66% to $20.0 million. This dramatic improvement was driven by a 53% increase in gross margins and a 663% increase in operating margins for the year.

Our final objective was to increase the Company's orders and backlog to accelerate the Company's growth and improve its financial predictability. For the year, backlog increased 21% to $105.8 million at the end of 1998 and even more importantly, orders during the fourth quarter surged 48% to $72.8 million from the prior-year period.

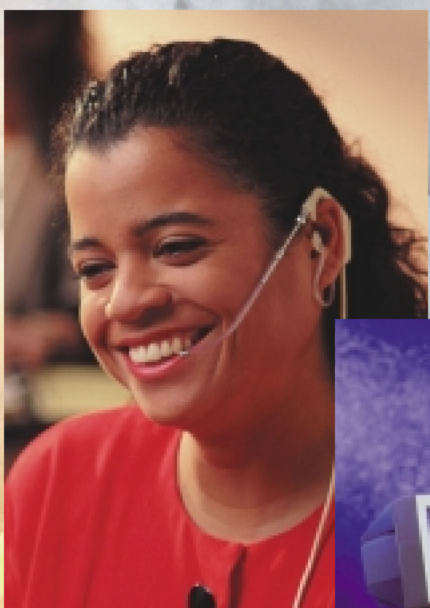
We are optimistic that these accomplishments will make a positive contribution to the Company's financial performance during the coming year. However, these were not the only steps that were taken during the year to improve the operating strength of Sypris.

During 1998 we increased our investment in research and development 70% to a new annual high of $6.0 million to stimulate the introduction of new products and technologies to meet the growing needs of our customers. We are upbeat about the additional opportunities that our business units have identified and plan to increase the budget for research and development further during 1999 in order to better position the Company for the years ahead.

In addition to the Company's expenditures for research and development, we also invested $5.8 million in plant and equipment during 1998. For the coming year, we plan to more than double our investment in projects that will expand the Company's technological capabilities and/or increase its productivity and effectiveness. The Company's improved profitability and strong internal cash flow place it in an excellent position to support such increased levels of investment.

In summary, we are quite pleased with the progress that was made during 1998, our first year of operation as Sypris Solutions. The activities and accomplishments of this past year, however, represent only the beginning. We plan to build Sypris into a bigger, better, stronger company with a simple strategy that is designed to exploit the Company's current position within each of its specific market segments. We will pursue this "segment domination strategy" by investing in internal growth, by pursuing synergistic acquisitions

TUBE TURNS



DATATAPE

and by relentlessly looking for ways to realize cost efficiencies. We are convinced that the successful implementation of this strategy will lead to higher operating margins, reduced risk through market diversification and increased operating stability. We are off to a strong start and we are very optimistic about the prospects for the Company during the coming years.

We want to thank our employees for their dedication over the past year, our customers for giving us the opportunity to serve them, our vendors for helping us meet the needs of the marketplace and you, our shareholders, for your continued support and confidence. We recognize that the ultimate share price accorded the Sypris stock will be determined by our ability to deliver superior returns on shareholder equity over the longer term. That is our goal and we are confident that the successful execution of our business strategy will lead to an increase in value for you.

We sincerely appreciate your investment in Sypris Solutions and encourage you to contact us. We would be pleased to answer your questions and look forward to your comments.

Sincerely,

Jeffrey T. Gill	Robert E. Gill
President & CEO	*Chairman*

Index to Financial Information

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

Years ended December 31,	**1998**	**1997**	**1996**
Net revenue	$ 211,625	$ 217,355	$ 308,598
Cost of sales	163,702	185,220	278,215
Gross profit	47,923	32,135	30,383
Selling, general and administrative expense	28,169	26,658	26,264
Research and development	5,940	3,487	3,049
Amortization of intangible assets	963	205	557
Operating income	12,851	1,785	513
Interest expense, net	1,298	1,959	3,979
Other income, net	(204)	(2,205)	(828)
Income (loss) before income taxes, minority interests and discontinued operations	11,757	2,031	(2,638)
Income tax expense	4,311	1,143	1,614
Income (loss) before minority interests and discontinued operations	7,446	888	(4,252)
Minority interests in losses of consolidated subsidiaries	—	639	1,716
Income (loss) from continuing operations	7,446	1,527	(2,536)
Loss from discontinued operations (net of applicable taxes of $186 and $205 in 1997 and 1996, respectively)	—	(375)	(609)
Gain on disposal of discontinued operations (net of applicable taxes of $2,160 and $2,932 in 1997 and 1996, respectively)	—	4,192	4,066
Net income	$ 7,446	$ 5,344	$ 921
Pro forma earnings per common share:			
Income (loss) from continuing operations:			
Basic	$ 0.79	$ 0.09	$ (0.45)
Diluted	$ 0.76	$ 0.09	$ (0.43)
Net income (loss):			
Basic	$ 0.79	$ 0.50	$ (0.08)
Diluted	$ 0.76	$ 0.48	$ (0.08)
Pro forma shares used in computing per common share amounts:			
Basic	9,438	9,424	9,424
Diluted	9,793	9,826	9,826

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

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

December 31,	1998	1997
Assets:		
Current assets:		
Cash and cash equivalents	$ 12,387	$ 9,836
Accounts receivable, net	26,283	28,560
Inventory, net	38,465	44,867
Other current assets	1,724	2,062
Total current assets	78,859	85,325
Property, plant and equipment, net	27,535	26,885
Intangible assets, net	12,075	6,642
Other assets	2,650	1,756
	$ 121,119	$ 120,608
Liabilities and Shareholders' Equity:		
Current liabilities:		
Accounts payable	$ 13,004	$ 14,858
Accrued liabilities	23,651	31,867
Current portion of long-term debt	10,083	3,477
Total current liabilities	46,738	50,202
Long-term debt	18,500	27,863
Other liabilities	6,522	10,325
Total liabilities	71,760	88,390
Commitments and contingencies		
Minority interests in subsidiaries	—	3,569
Redeemable common stock	—	921
Shareholders' equity:		
Preferred stock, no par value, 1,000,000 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, 20,000,000 shares authorized; 9,450,593 shares issued and outstanding in 1998	95	7,892
Additional paid-in capital	23,238	—
Retained earnings	27,320	19,836
Accumulated other comprehensive income	(1,294)	—
Total shareholders' equity	49,359	27,728
	$ 121,119	$ 120,608

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

Years ended December 31,	1998	1997	1996
Cash flows from operating activities:			
Net income	$ 7,446	$ 5,344	$ 921
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	6,909	7,399	9,897
Deferred income taxes	989	(309)	563
Minority interests in losses of consolidated subsidiaries	—	(639)	(1,716)
Provision for excess and obsolete inventory	851	2,130	4,106
Provision for doubtful accounts	135	718	1,208
Gain on disposal of discontinued operations, net of tax	—	(4,192)	(4,066)
Other noncash (credits) charges	(258)	(1,689)	1,011
Changes in operating assets and liabilities, net of acquisitions and dispositions:			
Accounts receivable	1,727	7,490	2,047
Inventory	4,245	(7,657)	15,164
Other current and noncurrent assets	(1,138)	(775)	3,921
Accounts payable	(1,855)	(7,986)	(17,774)
Accrued and other liabilities	(8,081)	117	(1,221)
Net cash provided by (used in) operating activities	10,970	(49)	14,061
Cash flows from investing activities:			
Capital expenditures	(5,845)	(5,746)	(7,366)
Proceeds from disposal of assets	380	39,586	6,399
Purchase of the net assets of acquired entities	—	(14,400)	—
Changes in nonoperating assets and liabilities	(364)	(911)	(548)
Net cash (used in) provided by investing activities	(5,829)	18,529	(1,515)
Cash flows from financing activities:			
Net proceeds (repayments) under revolving credit agreements	720	(6,934)	216
Proceeds from long-term debt	—	30,650	10,000
Principal payments on long-term debt	(3,284)	(37,157)	(22,321)
Proceeds from issuance of common stock	40	—	—
Payments for redemption of common stock in subsidiaries, net	(66)	(1,215)	(125)
Net cash used in financing activities	(2,590)	(14,656)	(12,230)
Net increase in cash and cash equivalents	2,551	3,824	316
Cash and cash equivalents at beginning of year	9,836	6,012	5,696
Cash and cash equivalents at end of year	$ 12,387	$ 9,836	$ 6,012

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

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

	Common Stock		Additional Paid-In	Retained	Accumulated Other Comprehensive	Total Shareholders'
	Shares	Amount	Capital	Earnings	Income	Equity
Balance at January 1, 1996	314,196	$ 7,892	$ —	$ 21,604	$ —	$ 29,496
Net income	—	—	—	921	—	921
Balance at December 31, 1996	314,196	7,892	—	14,492	—	22,384
Net income	—	—	—	5,344	—	5,344
Balance at December 31, 1997	314,196	7,892	—	19,836	—	27,728
Net income	—	—	—	7,446	—	7,446
Adjustment in minimum pension liability	—	—	—	—	(1,294)	(1,294)
Comprehensive income	—	—	—	7,446	(1,294)	6,152
Issuance of shares for conversion of GFP no par value common stock to Sypris $.01 par value common stock	8,027,813	(7,808)	7,808	—	—	—
Issuance of shares for conversion of redeemable common stock to Sypris $.01 par value common stock	205,074	2	661	38	—	701
Issuance of shares for acquisition of minority interests in subsidiaries	893,822	9	3,560	—	—	3,569
Excess of fair value of common stock issued over net assets acquired	—	—	11,169	—	—	11,169
Exercise of stock options	9,688	—	40	—	—	40
Balance at December 31, 1998	9,450,593	$ 95	$ 23,238	$ 27,320	$ (1,294)	$ 49,359

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

Note 1 Organization and Significatnt Accounting Policies

Consolidation Policy

The accompanying consolidated financial statements include the accounts of Sypris Solutions, Inc. and its wholly-owned subsidiaries (collectively, "Sypris" or the "Company"), Bell Technologies, Inc. ("Bell"), Group Technologies Corporation ("GroupTech"), Metrum-Datatape, Inc. ("Metrum-Datatape"), and Tube Turns Technologies, Inc. ("Tube Turns"). All significant intercompany accounts and transactions have been eliminated.

Nature of Business

Sypris is a diversified provider of specialized industrial products and technical services. The Company manufactures and sells integrated data acquisition, storage and analysis systems, magnetic instruments, current sensors, high-pressure closures, and a variety of other industrial products. The Company also performs a wide range of specialized electronic design, assembly, test, evaluation, calibration, and software-based encryption services on a contract basis.

Basis of Presentation

Sypris is a Delaware corporation which was organized in 1997 and began business on March 30, 1998 with the completion of the merger of Group Financial Partners, Inc. ("GFP") and two of its subsidiaries, Bell and Tube Turns, with and into GroupTech, a Nasdaq-traded company in which GFP owned an approximate 80% interest. Effective immediately thereafter, GroupTech was merged with and into Sypris, a subsidiary created to accomplish the reincorporation in Delaware. As a result of these and other transactions (collectively referred to herein as the "Reorganization"), Sypris became the holding company for Bell, GroupTech, Tube Turns and Metrum-Datatape, a wholly-owned subsidiary of GFP prior to the Reorganization, and succeeded to the listing of GroupTech on The Nasdaq Stock Market under the new symbol SYPR. In connection with the Reorganization, a one-for-four reverse stock split was effected for shareholders of record as of March 30, 1998. All references in the financial statements to number of shares and per share amounts of the Company's common stock have been retroactively restated to reflect the decreased number of shares outstanding.

The historical financial statements included herein as of and for the periods ended prior to the Reorganization are the consolidated financial statements of GFP, since GFP is deemed to be the acquirer for accounting purposes. The Reorganization was accounted for as a downstream merger, in which the merger of GFP and GroupTech was accounted for as a purchase of the minority interests of GroupTech. The issuance of shares in exchange for the redeemable common stock held by the Bell and Tube Turns minority shareholders was accounted for as a purchase, and accordingly, the excess of the fair value of the common stock issued over the fair market value of the proportional share of the net assets of Bell and Tube Turns was allocated to the assets and liabilities of Bell and Tube Turns and the excess was allocated to goodwill, which totaled $6,118,000. Minority interest accounting was reflected in the historical financial statements of GFP as of and for the periods ended prior to the Reorganization based upon the proportionate share of the equity of GroupTech owned by minority shareholders.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Inventory

Contract inventory is stated at actual production costs, reduced by the cost of units for which revenue has been recognized. Gross contract inventory is considered work in process. Progress payments under long-term contracts are specified in the contracts as a percentage of cost and are liquidated as contract items are completed and shipped. Other inventory is stated at the lower of cost or market. The first-in, first-out method was used for determining the cost of inventory excluding contract inventory and certain other inventory, which was determined using the last-in, first-out method (see Note 5).

Property, Plant and Equipment

Property, plant and equipment is stated on the basis of cost. Buildings and building improvements are depreciated over their estimated economic lives principally using the straight-line method. Machinery, equipment, furniture and fixtures are depreciated over their estimated economic lives principally using the straight-line method. Leasehold improvements are amortized over the lease term using the straight-line method. Expenditures for maintenance, repairs and renewals of minor items are expensed as incurred. Major renewals and improvements are capitalized.

Intangible Assets

Goodwill, patents, non-compete agreements, product drawings, and similar intangible assets are amortized over their estimated economic lives. Currently, intangible assets are being amortized over periods ranging from five to fifteen years, using the straight-line method. Goodwill resulting from the Reogranization and the acquisition of certain assets of Datatape is being amortized over a period of fifteen years (see Notes 2 and 7).

Impairment of Long-lived Assets

Impairment losses are recorded on long-lived assets used in operations when impairment indicators are present and the undiscounted cash flows estimated to be generated by those assets are less than the carrying value of such assets.

Contract Revenue Recognition

A portion of the Company's business is conducted under long-term, fixed-price contracts with the U.S. Government and prime contractors with the U.S. Government. Contract revenue is included in the consolidated statement of operations as units are completed and shipped using the units of delivery, percentage of completion method of accounting. The costs attributed to contract revenue are based upon the estimated average costs of all units to be shipped. The cumulative average costs of units shipped to date is adjusted through current operations as estimates of future costs to complete change (see "Contract Accounting" below).

Revenue recognized under the percentage of completion method of accounting totaled $56,867,000, $47,887,000 and $54,397,000 for the years ended December 31, 1998, 1997 and 1996, respectively. Substantially all such amounts were accounted for under the units of delivery method. All other revenue is recognized as product is shipped and title passes or when services are rendered.

Contract Accounting

For long-term contracts, the Company capitalizes in inventory direct material, direct labor and factory overhead as incurred. The Company also capitalizes certain general and administrative costs for estimating and bidding on contracts awarded (of which approximately $210,000 remained in inventory at December 31, 1998 and 1997). Selling costs are expensed as incurred. Costs to complete long-term contracts are estimated on a monthly basis. Estimated margins at completion are applied to cumulative contract revenue to arrive at costs charged to operations.

Accounting for long-term contracts under the percentage of completion method involves substantial estimation processes, including determining the estimated cost to complete a contract. As contracts may require performance over several accounting periods, formal detailed cost-to-complete estimates are performed which are updated monthly via performance reports. Management's estimates of costs-to-complete change due to internal and external factors such as labor rate and efficiency variances, revised estimates of warranty costs, estimated future material prices and customer specification and testing requirement changes. Changes in estimated costs are reflected in gross profit in the period in which they are known. If increases in projected costs-to-complete are sufficient to create a loss contract, the entire estimated loss is charged to operations in the period the loss first becomes known. Provisions for losses on firm fixed priced contracts totaled $907,000, $1,600,000 and $2,327,000 in 1998, 1997 and 1996, respectively.

Concentrations of Credit Risk

Financial instruments which potentially expose the Company to concentrations of credit risk consist of accounts receivable. The Company's customer base consists of various departments or agencies of the U.S. Government, prime contractors with the U.S. Government and a number of customers in diverse industries across geographic areas. At December 31, 1998, the Company does not have significant credit risk concentrations. The Company performs periodic credit evaluations of its customers' financial condition and does not require collateral on its commercial accounts receivable. Credit losses are provided for in the financial statements and consistently have been within management's expectations.

The Company recognized revenue from the U.S. Government and its agencies of approximately $47,178,000, $40,170,000 and $38,725,000 during the years ended December 31, 1998, 1997 and 1996, respectively. The Company's largest commercial customer for the years ended December 31, 1997 and 1996 was IBM, which represented approximately 10% and 12%, respectively, of the Company's revenue. No other single customer accounted for more than 10% of the Company's net revenue for the years ended December 31, 1998, 1997 or 1996.

Stock Based Compensation

Stock options are granted under various stock compensation programs to employees and independent directors (see Note 13). The Company accounts for stock option grants in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25").

Net Income Per Common Share

Effective January 1, 1998, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings per Share" ("SFAS 128"). SFAS 128 replaced the calculation of primary and fully diluted earnings per share with basic and diluted earnings per share. Unlike primary earnings per share, basic earnings per share excludes any dilutive effects of options, warrants and convertible securities. Diluted earnings per share is very similar to the previously reported fully diluted earnings per share. All earnings per share amounts for all periods have been presented, and where appropriate, restated to conform to SFAS 128 requirements (see Note 15).

Segment Information

Effective January 1, 1998, the Company adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("SFAS 131"). SFAS 131 superseded SFAS No. 14, "Financial Reporting for Segments of a Business Enterprise." SFAS 131 establishes standards for the way that public business enterprises report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports. SFAS 131 also establishes standards for related disclosures about products and services, geographic areas, and major customers. The adoption of SFAS 131 did not affect results of operations or financial position, but did affect the disclosures of segment information (see Note 16).

Employee Benefit Plans

Effective January 1, 1998, the Company adopted SFAS No. 132, “Employers’ Disclosures about Pensions and Other Postretirement Benefits” (“SFAS 132”). SFAS 132 supercedes the disclosure requirements of various prior pronouncements. The overall objective of SFAS 132 is to improve and standardize disclosures about pensions and other postretirement benefits and to make the required information easier to prepare and more understandable. SFAS 132 eliminates certain former disclosure requirements but requires certain additional disclosures. SFAS 132 addresses disclosure issues only and does not change the measurement or recognition provisions specified in prior pronouncements (see Note 11).

Reclassifications

Certain amounts in the Company’s 1997 and 1996 consolidated financial statements have been reclassified to conform with the 1998 presentation.

Note 2 Mergers and Acquisitions

See “Basis of Presentation” included in Note 1 for a discussion of the Reorganization on March 30, 1998 that resulted in the formation of Sypris. If the Reorganization had occurred at the beginning of the year, income before minority interests and discontinued operations in 1998 and 1997 would have been reduced by $103,000 and $413,000, respectively.

On November 14, 1997, the Company acquired substantially all of the assets and assumed certain liabilities of Datatape Incorporated. The transaction was accounted for as a purchase, in which the purchase price of $14,400,000 was allocated based on the fair values of assets acquired and liabilities assumed, with the excess amount allocated to goodwill, which totaled $4,631,000. The acquisition was financed by the Company’s credit agreement (see Note 9).

Note 3 Dispositions

On June 30, 1997, the Company sold to SCI Systems, Inc., SCI Systems De Mexico S.A. de C.V. and SCI Holdings, Inc., (collectively, “SCI”), all of its investment in the capital stock and/or equity interests of three of its wholly-owned subsidiaries, Group Technologies S.A. de C.V., Group Technologies Suprimentos de Informatica Industia E Comercio Ltda., and Group Technologies Integraoes em Electronica Ltda (the “Latin American Operations”). These three subsidiaries comprised all of GroupTech’s operations in Latin America. GroupTech also sold or assigned to SCI certain assets principally used in or useful to the operations being sold, including accounts receivable, inventory, equipment, accounts payable and equipment leases. The initial sales price of the aforementioned assets totaled $18,000,000 in cash and the assumption by SCI of certain liabilities. Pursuant to procedures described in the purchase and sale agreement, the price is subject to subsequent adjustment, upward or downward, based upon, among other things, the value of the net assets of the Latin American Operations at June 29, 1997. The Company expects to repay $2,914,000 of the initial sales price to SCI, subject to a final determination to be made in accordance with the purchase and sale agreement. The Company recognized a gain of $3,200,000 after giving consideration to its recorded liability and expected repayment of $2,914,000, relative to this disposition.

Note 4 Accounts Receivable

Accounts receivable consists of the following:

December 31,	1998	1997
	(in thousands)	
Commercial	$ 18,789	$ 23,899
U.S. Government	8,330	5,758
	27,119	29,657
Allowance for doubtful accounts	(836)	(1,097)
	$ 26,283	$ 28,560

Accounts receivable from the U.S. Government includes amounts due under long-term contracts, all of which are billed at December 31, 1998 and 1997, of $2,203,000 and $1,144,000, respectively.

Note 5 Inventory

Inventory consists of the following:

December 31,	1998	1997
	(in thousands)	
Raw materials	$ 15,697	$ 17,137
Work in process	12,447	14,954
Finished goods	2,478	6,725
Costs relating to long-term contracts and programs, net of amounts attributed to revenue recognized to date	16,700	17,729
Progress payments related to long-term contracts and programs	(4,224)	(5,189)
LIFO reserve	(609)	(720)
Reserve for excess and obsolete inventory	(4,024)	(5,769)
	$ 38,465	$ 44,867

The preceding amounts include inventory valued under the last-in, first-out (“LIFO”) method totaling $7,020,000 and $4,966,000 at December 31, 1998 and 1997, respectively, which approximates replacement cost.

Note 6 Property, Plant and Equipment

Property, plant and equipment consists of the following:

December 31,	1998	1997
	(in thousands)	
Land and land improvements	$ 991	$ 976
Buildings and building improvements	12,395	11,513
Machinery, equipment, furniture and fixtures	57,824	52,426
Facilities in progress	967	866
	72,177	65,781
Accumulated depreciation	(44,642)	(38,896)
	$ 27,535	$ 26,885

Depreciation expense totaled $5,934,000, $6,908,000 and $9,218,000 for the years ended December 31, 1998, 1997 and 1996, respectively.

Note 7
Intangible
Assets

Intangible assets consists of the following:

December 31,	1998	1997
	(in thousands)	
Costs in excess of net assets of businesses acquired	$ 11,849	$ 5,731
Other	2,727	2,437
	14,576	8,168
Accumulated amortization	(2,501)	(1,526)
	$ 12,075	$ 6,642

Amortization expense totaled $975,000, $491,000 and $679,000 for the years ended December 31, 1998, 1997 and 1996, respectively.

Note 8
Accrued
Liabilities

Accrued liabilities consists of the following:

December 31,	1998	1997
	(in thousands)	
Employee benefit plan accruals	$ 5,471	$ 5,547
Salaries, wages and incentives	4,179	3,676
Sale of business price adjustment	2,914	2,914
Payments received from customers in excess of contract costs	454	2,691
Other	10,633	17,039
	$ 23,651	$ 31,867

Included in other accrued liabilities are employee payroll deductions, advance payments, accrued operating expenses, accrued warranty expenses, accrued interest and other items, none of which exceed 5% of total current liabilities.

Note 9
Long-Term
Debt

Long-term debt consists of the following:

December 31,	1998	1997
	(in thousands)	
Term Loan	$ 11,500	$ 14,500
Revolving Credit Facility	16,870	16,150
Other	213	690
	28,583	31,340
Less current portion	(10,083)	(3,477)
	$ 18,500	$ 27,863

The Company has a credit agreement with a syndicate of banks which provides a revolving credit loan of up to $30,000,000 (the “Revolving Credit Facility”). The credit agreement also provided the Company with a term loan of $15,000,000 (the “Term Loan”). Under the terms of the credit agreement, interest rates are determined at the time of borrowing and are based on the prime rate, the London Interbank Offered Rate plus a spread, or certain alternative rates, and approximated 6.45% at December 31, 1998. The credit agreement also requires compliance with a number of financial and non-financial covenants and prohibits the Company from paying dividends. The commitment fee on the unused portion of the revolving credit loan ranges from 0.15% to 0.35% per annum. Borrowings under the credit agreement are secured by substantially all of the assets of the Company. The Term Loan requires quarterly principal payments of $750,000 through the scheduled maturity date on September 30, 2002. Although there have been no modifications to the credit agreement in 1998 that affect the maturity date of the Revolving Credit Facility, outstanding borrowings of $6,870,000 were classified as current maturities of long-term debt at December 31, 1998 due to the periodic use of the Company's cash balances for repayments of borrowings under the Revolving Credit Facility.

Aggregate maturities of long-term debt as of December 31, 1998 were as follows:

	(in thousands)
1999	$ 10,083
2000	3,000
2001	3,000
2002	12,500
	$ 28,583

Interest paid during the years ended December 31, 1998, 1997 and 1996 totaled $1,664,000, $2,238,000 and $6,082,000, respectively.

Note 10 Fair Value of Financial Instruments

Cash, accounts receivable, accounts payable and accrued liabilities are reflected in the financial statements at their carrying amount which approximates fair value because of the short-term maturity of those instruments. The carrying amount of debt outstanding under the Revolving Credit Facility approximates fair value, due to the short-term nature of the instrument. The carrying amount of the Term Loan is assumed to approximate fair value because there have not been any significant changes in market conditions or specific circumstances since the instrument was recorded.

Note 11 Employee Benefit Plans

The Company sponsors noncontributory defined benefit pension plans (the "Pension Plans") covering certain employees of Tube Turns. The Pension Plans covering salaried and management employees provide pension benefits that are based on the employees' highest five-year average compensation within ten years before retirement. The Pension Plans covering hourly employees and union members generally provide benefits at stated amounts for each year of service. The Company's funding policy is to make the minimum annual contributions required by the applicable regulations. The Pension Plans' assets are primarily invested in equity securities and fixed income securities. The Company recorded a minimum pension liability of $1,294,000 during 1998. No tax benefit was recorded related to this adjustment.

The following table details the components of pension expense for the years ended December 31, 1998, 1997 and 1996:

Years ended December 31,	**1998**	**1997**	**1996**
		(in thousands)	
Service cost benefits earned during the period	$ 163	$ 157	$ 183
Interest cost of projected benefit obligation	1,312	1,312	1,266
Net amortizations and deferrals	474	889	32
Actual return on plan assets	(1,321)	(1,592)	(656)
	$ 628	$ 766	$ 825

The following are summaries of the changes in the benefit obligations and plan assets and of the funded status of the Pension Plans:

December 31,	1998	1997
	(in thousands)	
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 17,195	$ 15,637
Service cost	163	157
Interest cost	1,312	1,312
Actuarial loss	1,745	1,270
Benefits paid	(1,230)	(1,181)
Benefit obligation at end of year	$ 19,185	$ 17,195
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 11,924	$ 10,304
Actual return on plan assets	1,321	1,592
Company contributions	1,131	1,209
Benefits paid	(1,230)	(1,181)
Fair value of plan assets at end of year	$ 13,146	$ 11,924
Funded status of the plans:		
Benefit obligation at end of year	$ 19,185	$ 17,195
Fair value of plan assets at end of year	13,146	11,924
Funded status of plan (underfunded)	(6,039)	(5,271)
Unrecognized actuarial loss (gain)	1,126	(301)
Unrecognized prior service cost	764	920
Net liability recognized	$ (4,149)	$ (4,652)
Balance sheet liabilities (assets):		
Accrued benefit liability	$ 6,203	$ 5,567
Intangible asset	(760)	(915)
Accumulated other comprehensive income	(1,294)	—
Net amount recognized	$ 4,149	$ 4,652
Assumptions at year end:		
Discount rate used in determining present values	7.00%	8.00%
Rate of compensation increase	3.25%	4.75%
Expected long-term rate of return on plan assets	8.50%	8.50%

The Company sponsors defined contribution plans (the "Defined Contribution Plans") for substantially all employees of the Company. The Defined Contribution Plans are intended to meet the requirements of Section 401(k) of the Internal Revenue Code. The Defined Contribution Plans allow the Company to match participant contributions as approved by the Company's Board of Directors, and certain of the Defined Contribution Plans include required base contributions and discretionary contributions. Contributions to the Defined Contribution Plans for 1998, 1997 and 1996 totaled $2,661,000, $1,863,000 and $2,676,000, respectively.

The Company has partially self-insured medical plans (the "Medical Plans") covering certain employees. The Medical Plans limit the Company's annual obligations to fund claims to specified amounts per participant and in the aggregate. The Company is adequately insured for amounts in excess of these limits. Employees are responsible, in some instances, for payment of a portion of the premiums. During 1998, 1997 and 1996, the Company charged $2,407,000, $2,265,000 and $3,732,000, respectively, to operations related to reinsurance premiums, medical claims incurred and estimated, and administrative costs for the Medical Plans. Claims paid during 1998, 1997 and 1996 did not exceed the aggregate limits.

Note 12 Commitments and Contingencies

The Company leases certain of its real property and certain computer, manufacturing and office equipment under operating leases with terms ranging from month-to-month to ten years and which contain various renewal and rent escalation clauses. Future minimum noncancelable lease payments as of December 31, 1998 were as follows:

	(in thousands)
1999	$ 4,598
2000	3,445
2001	3,137
2002	2,075
2003	968
2004 and thereafter	161
	$ 14,384

Rent expense for the years ended December 31, 1998, 1997 and 1996 totaled $4,701,000, $3,406,000 and $4,892,000, respectively.

Tube Turns is a co-defendant in two separate lawsuits filed in 1993 and 1994, one pending in federal court and one pending in state district court in Louisiana, arising out of an explosion in a coker plant owned by Exxon Corporation located in Baton Rouge, Louisiana. The suits are being defended for Tube Turns by its insurance carrier, and the Company intends to vigorously defend its case. The Company believes that a settlement or related judgment would not result in a material loss to Tube Turns or the Company.

More specifically, according to the complaints, Tube Turns is the alleged manufacturer of a carbon steel pipe elbow which failed, causing the explosion which destroyed the coker plant and caused unspecified damages to surrounding property owners. One of the actions was brought by Exxon and claims damages for destruction of the plant, which Exxon estimates exceed one hundred million dollars. In this action, Tube Turns is a co-defendant with the fabricator who built the pipe line in which the elbow was incorporated and with the general contractor for the plant. The second action is a class action suit filed on behalf of the residents living around the plant and claims damages in an amount as yet undetermined. Exxon is a co-defendant with Tube Turns, the contractor and the fabricator in this action. In both actions, Tube Turns maintains that the carbon steel pipe elbow at issue was appropriately marked as carbon steel and was improperly installed, without the knowledge of Tube Turns, by the fabricator and general contractor in a part of the plant requiring a chromium steel elbow.

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.

Note 13 Stock Option Plans

The Company has certain stock compensation plans under which options to purchase common stock may be granted to officers, key employees and non-employee directors. Options may be granted at not less than the market price on the date of grant. Options are exercisable in whole or in part up to two years after the date of grant and ending ten years after the date of grant. Options issued under stock compensation plans of subsidiaries prior to the Reorganization were assumed by the Company without modifying the vesting terms and conditions of the outstanding options. The number of shares issuable under options assumed pursuant to the Reorganization and the related exercise price of the outstanding options were determined in accordance with the terms of the Reorganization. The following table summarizes option activity from the effective date of the Reorganization through December 31, 1998:

	Shares	Exercise Price Range	Weighted Average Exercise Price
Options assumed pursuant to the Reorganization effective March 30, 1998	871,987	$ 1.72 - 31.00	$ 5.33
Granted	379,214	7.00 - 9.13	8.68
Exercised	(9,688)	2.76 - 4.36	4.16
Forfeited	(13,125)	3.52 - 15.76	7.36
Balance at December 31, 1998	1,228,388	$ 1.72 - 31.00	$ 6.35

The following table summarizes certain weighted average data for options outstanding and currently exercisable at December 31, 1998:

	Outstanding			Exercisable	
		Weighted Average			
Exercise Price Range	Shares	Exercise Price	Remaining Contractual Life	Shares	Weighted Average Exercise Price
$1.72	156,648	$ 1.72	3.73	156,648	$ 1.72
$2.76 - $4.12	162,438	3.34	2.82	161,188	3.34
$4.24 - $6.24	258,396	4.71	7.17	92,317	4.83
$6.68 - $10.00	600,816	8.35	6.06	261,151	7.99
$10.52 - $15.76	35,983	12.48	4.35	28,033	12.23
$16.12 - $23.00	10,003	18.16	7.38	10,003	18.16
$25.52 - $31.00	4,104	28.86	6.16	4,104	28.86
Total	1,228,388	$ 6.35	5.53	713,444	$ 5.58

The Company's stock compensation program also provides for the grant of performance-based stock options to key employees. The terms and conditions of the performance-based option grants provide for the determination of the exercise price and the beginning of the vesting period to occur when the fair market value of the Company's common stock achieves certain targeted price levels. Performance-based options to purchase 380,000 shares of common stock were granted during 1998. None of the targeted price levels of the performance-based options were achieved during 1998 and, accordingly, these options are excluded from disclosures of options outstanding at December 31, 1998. The aggregate number of shares of common stock reserved for issuance under the Company's stock compensation programs as of December 31, 1998 was 2,750,000. The aggregate number of shares available for future grant as of December 31, 1998 was 1,224,182.

Prior to the Reorganization, stock compensation plans were maintained for each entity. The Company used a formula price valuation as a basis for establishing a market value for stock which was not publicly traded. The following table summarizes option activity for periods prior to the Reorganization:

	GFP		Tube Turns		Bell		GroupTech	
	Shares	Exercise Price Range	Shares	Exercise Price Range	Shares	Exercise Price Range	Shares	Exercise Price Range
Balance at January 1, 1996	6,880	$45.99 - 73.40	55,000	$ 9.05	74,650	$ 9.92 - 15.49	1,019,951	$ 1.67 - 7.75
Granted	—	—	20,000	10.75	35,000	13.47 - 16.56	631,437	0.84 - 3.00
Exercised	(280)	73.40	—	—	—	—	—	—
Forfeited	—	—	—	—	—	—	(251,700)	2.35 - 6.00
Expired	—	—	—	—	—	—	(150,000)	2.35
Balance at December 31, 1996	6,600	45.99 - 73.40	75,000	9.05 - 10.75	109,650	9.92 - 16.56	1,249,688	0.84 - 7.75
Granted	—	—	—	—	—	—	806,879	0.88 - 4.03
Exercised	—	—	(5,000)	9.05	(36,350)	9.92 - 15.49	(600)	2.75
Forfeited	—	—	—	—	—	—	(411,600)	1.06 - 5.25
Balance at December 31, 1997	6,600	45.99 - 73.40	70,000	9.05 - 10.75	73,300	9.92 - 16.56	1,644,367	0.84 - 7.75
Granted	—	—	—	—	—	—	16,080	3.25
Exercised	—	—	—	—	(10,400)	9.92	(154,000)	1.09 - 1.67
Forfeited	—	—	—	—	—	—	(9,800)	1.09 - 2.75
Balance at March 30, 1998	6,600	$45.99 - 73.40	70,000	$ 9.05 - 10.75	62,900	$ 9.92 - 16.56	1,496,647	$ 0.84 - 7.75

The following table summarizes the weighted average exercise prices for option activity for periods prior to the Reorganization:

	GFP	Tube Turns	Bell	GroupTech
Balance at January 1, 1997	$ 48.90	$ 9.50	$ 13.24	$ 2.30
Granted	—	—	—	1.29
Exercised	—	9.05	13.85	2.75
Forfeited	—	—	—	2.23
Balance at December 31, 1997	48.90	9.54	12.94	1.82
Granted	—	—	—	3.25
Exercised	—	—	9.92	1.06
Forfeited	—	—	—	1.40
Balance at March 30, 1998	$ 48.90	$ 9.54	$ 13.45	$ 1.86

The Company applies APB 25 and related interpretations in accounting for its employee stock options because, as discussed below, the alternative fair value accounting provided for under SFAS No. 123, “Accounting for Stock-Based Compensation” (“SFAS 123”), requires use of option valuation models that were not developed for use in valuing employee stock options. Under APB 25, when the exercise price of the Company’s employee stock options is equal to the market price of the underlying stock on the date of grant, no compensation expense is recognized.

Pro forma information regarding net income and net income per share is required by SFAS 123, and has been determined as if the Company had accounted for its employee stock options under the fair value method of SFAS 123. The fair value for options granted by the Company during 1998 were estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions: risk free interest rate of 5.68%; expected term of 6.0 years; a volatility factor of the expected market price of the Company’s common stock of 0.942 and no dividend yield. The weighted average fair value of options granted in 1998 was $6.91.

The fair value for options granted prior to the Reorganization was estimated at the date of grant using a Black-Scholes option pricing model for options of GroupTech and the minimum value method for all other options. No dividend yield was assumed for all option grants during these periods. The following weighted average assumptions were used for option grants:

Years ended December 31,	1997	1996
Risk-free interest rate:		
GroupTech option grants	5.75 %	5.88 %
GFP, Tube Turns and Bell option grants	—	5.00 %
Expected life in years:		
GroupTech option grants	3.3	2.6
GFP, Tube Turns and Bell option grants	—	8.2
Expected volatility:		
GroupTech option grants	1.12	0.71

The per share weighted average fair value of options granted by GroupTech during 1997 and 1996 was $1.30 and $1.10, respectively. No options were granted by Tube Turns and Bell during 1997. The per share weighted average fair value of options granted during 1996 by Tube Turns and Bell was $3.88 and $6.64, respectively. During 1996, Bell also granted options below market price with a per share weighted average value of $5.44.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

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 for the years ended December 31, 1998, 1997 and 1996 is as follows:

Years ended December 31,	1998	1997	1996
	(in thousands, except for per share data)		
Pro forma income (loss) from continuing operations	$ 5,989	$ 546	$ (4,521)
Pro forma net income (loss)	$ 5,989	$ 4,363	$ (1,064)
Pro forma per share data:			
Income (loss) from continuing operations:			
Basic	$ 0.63	$ 0.06	$ (0.48)
Diluted	$ 0.61	$ 0.06	$ (0.46)
Net income (loss):			
Basic	$ 0.63	$ 0.46	$ (0.11)
Diluted	$ 0.61	$ 0.44	$ (0.11)

Note 14 Income Taxes

The Company accounts for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes." Accordingly, deferred income taxes have been provided to show the effect of temporary differences between the recognition of revenue and expenses for financial and income tax reporting purposes and between the tax basis of assets and liabilities and their reported amounts in the financial statements.

The components of income taxes related to continuing operations are as follows:

Years ended December 31,	1998	1997	1996
		(in thousands)	
Current:			
Federal	$ 2,844	$ 1,171	$ (189)
State	441	138	407
Other	37	169	495
	3,322	1,478	713
Deferred:			
Federal	1,011	(251)	931
State	(22)	(84)	(30)
	989	(335)	901
	$ 4,311	$ 1,143	$ 1,614

The Company files a consolidated federal income tax return which includes all subsidiaries. Income taxes paid during 1998, 1997 and 1996 totaled $5,329,000, $4,747,000 and $3,708,000, respectively. Income tax refunds received during 1997 totaled $1,373,000. At December 31, 1998, the Company had state net operating loss carryforwards in the aggregate of approximately $19,200,000 with various expiration dates.

The following is a reconciliation of income tax expense to that computed by applying the federal statutory rate of 34% to income before income taxes, minority interests and discontinued operations:

Years ended December 31,	1998	1997	1996
		(in thousands)	
Federal tax at the statutory rate	$ 3,997	$ 691	$ (897)
State income taxes, net of federal tax benefit	291	47	372
Foreign income taxes	—	152	481
State tax net operating loss carryforward	(66)	(29)	(671)
Change in valuation allowance for deferred tax asset	(882)	247	1,144
Other	971	35	1,185
	$ 4,311	$ 1,143	$ 1,614

Deferred income tax assets and liabilities are as follows:

December 31,	1998	1997
	(in thousands)	
Deferred tax assets:		
Compensation and benefit accruals	$ 1,026	$ 1,381
Inventory valuation	857	1,251
Net operating loss carryforward	1,041	975
Accounts receivable allowance	310	194
Defined benefit pension plan	1,629	1,361
Other	1,405	2,514
	6,268	7,676
Valuation allowance	(5,876)	(6,758)
	392	918
Deferred tax liabilities:		
Stock issuance by subsidiary	—	(5,051)
Depreciation	(1,148)	(685)
Contract provisions	(194)	(194)
	(1,342)	(5,930)
Net deferred tax liability	$ (950)	$ (5,012)

The valuation allowance for deferred tax assets decreased by $882,000 in 1998. The decrease was the result of net changes in temporary differences. Deferred tax liabilities decreased by $4,588,000 in 1998, primarily due to the reversal of the deferred tax liability attributable to the issuance of common stock by GroupTech in its initial public offering in 1994. The taxable temporary difference which gave rise to this liability is not expected to occur as a result of the Reorganization and was therefore eliminated in accounting for the Reorganization. The valuation allowance for deferred tax assets increased by $247,000 and $1,144,000 in 1997 and 1996, respectively. The valuation allowance is recorded on the Company's deferred tax assets to reduce the total to an amount that management believes will more likely than not be realized. Realization of deferred tax assets is dependent upon sufficient taxable income during the period that temporary differences and carryforwards are expected to be available to reduce taxable income.

Note 15 Pro Forma Net Income Per Common Share

For periods ended prior to the Reorganization, shares used in computing pro forma basic and pro forma diluted net income per common share include the outstanding shares of Sypris common stock as of the date of the Reorganization and the dilution associated with common stock options issued prior to the Reorganization. For the year ended December 31, 1998, the computation also gives effect to the dilution associated with the issuance of common stock options subsequent to the Reorganization. Additionally, earnings used in the computation of pro forma per share amounts for income from continuing operations and net income for periods ended prior to the Reorganization have been adjusted to exclude the minority interests reflected in the historical financial statements of GFP.

The following table presents information necessary to calculate pro forma net income per common share for the years ended December 31, 1998, 1997 and 1996:

Years ended December 31,	1998	1997	1996
	(in thousands, except for per share data)		
Pro forma shares outstanding:			
Weighted average shares outstanding	9,438	9,424	9,424
Effect of dilutive employee stock options	355	402	402
Adjusted weighted average shares outstanding and assumed conversions	9,793	9,826	9,826
Income applicable to pro forma common stock:			
Income (loss) from continuing operations	$ 7,446	$ 1,527	$ (2,536)
Discontinued operations	—	3,817	3,457
Net income	7,446	5,344	921
Minority interests in losses of consolidated subsidiaries	—	(639)	(1,716)
Net income (loss) applicable to pro forma common stock	$ 7,446	$ 4,705	$ (795)
Pro forma income per common share:			
Basic income per common share:			
Income (loss) from continuing operations	$ 0.79	$ 0.09	$ (0.45)
Discontinued operations	—	0.41	0.37
Net income (loss) per common share	$ 0.79	$ 0.50	$ (0.08)
Diluted income per common share:			
Income (loss) from continuing operations	$ 0.76	$ 0.09	$ (0.43)
Discontinued operations	—	0.39	0.35
Net income (loss) per common share	$ 0.76	$ 0.48	$ (0.08)

Note 16 Segment Information

The Company's operations are conducted in two reportable business segments: the Electronics Group and the Industrial Group. The following presents financial information for the reportable segments of the Company for the three years ended December 31, 1998. There was no intersegment net revenue recognized for all years presented.

Years ended December 31,	1998	1997	1996
		(in thousands)	
Net revenue from unaffiliated customers:			
Electronics Group	$ 174,396	$ 185,854	$ 283,915
Industrial Group	37,229	31,501	24,683
	$ 211,625	$ 217,355	$ 308,598
Gross profit:			
Electronics Group	$ 41,400	$ 27,079	$ 27,332
Industrial Group	6,523	5,056	3,051
	$ 47,923	$ 32,135	$ 30,383
Operating income:			
Electronics Group	$ 11,207	$ 2,501	$ 1,251
Industrial Group	4,329	2,456	1,377
General, corporate and other	(2,685)	(3,172)	(2,115)
	$ 12,851	$ 1,785	$ 513
Total assets:			
Electronics Group	$ 90,174	$ 97,978	$ 97,160
Industrial Group	18,905	16,946	16,221
General, corporate and other	12,742	6,811	7,485
Discontinued operations	—	—	15,495
Eliminations	(702)	(1,127)	(3,401)
	$ 121,119	$ 120,608	$ 132,960
Depreciation and amortization:			
Electronics Group	$ 5,933	$ 6,111	$ 7,033
Industrial Group	825	816	629
General, corporate and other	151	93	56
Discontinued operations	—	379	2,179
	$ 6,909	$ 7,399	$ 9,897
Capital expenditures:			
Electronics Group	$ 4,598	$ 3,329	$ 5,266
Industrial Group	1,185	2,294	1,614
General, corporate and other	62	108	29
Discontinued operations	—	15	457
	$ 5,845	$ 5,746	$ 7,366

The Company attributes net revenue to countries based upon the location of its operations. Prior to June 30, 1997, the Company's Electronics Group had operations in Latin America (see Note 3). The Company's assets since that date are located exclusively in the United States. Export sales from the United States totaled $25,551,000, $22,717,000 and $15,405,000 in 1998, 1997 and 1996, respectively. Following is geographic information regarding the Company's net revenue:

Years ended December 31,	1998	1997	1996
		(in thousands)	
United States	$ 211,625	$ 200,424	$ 250,141
Latin America	—	16,931	58,457
	$ 211,625	$ 217,355	$ 308,598

Note 17 Discontinued Operations

The Company formerly owned various commercial office buildings, industrial buildings and land (the "Real Estate Group"). The assets of the Real Estate Group were divested in a series of transactions beginning in October 1995 and ending in February 1997. The Real Estate Group is accounted for as a discontinued operation and, accordingly, the results of operations and related gain on the disposal are segregated in the accompanying consolidated statements of operations. The Company received proceeds from the sale of the real estate of $21,200,000 and $3,900,000 in 1997 and 1996, respectively. The majority of the proceeds were used to repay mortgages on the related real estate properties.

Note 18 Quarterly Financial Information (Unaudited)

The following is an analysis of certain items in the consolidated statements of operations by quarter for the years ended December 31, 1998 and 1997:

	1998				1997			
	First	Second	Third	Fourth	First	Second	Third	Fourth
	(in thousands, except for per share data)							
Net revenue	$ 55,490	$ 55,196	$ 46,936	$ 54,003	$ 49,350	$ 62,134	$ 47,752	$ 58,119
Gross profit	10,912	13,152	10,960	12,899	5,888	9,325	7,376	9,546
Operating income (loss)	2,093	3,772	3,299	3,687	(829)	1,380	(403)	1,637
Income (loss) from continuing operations	1,061	2,087	1,919	2,379	(507)	685	1,856	(507)
Net income (loss)	1,061	2,087	1,919	2,379	3,409	685	1,805	(555)
Pro forma per share data:								
Income (loss) from continuing operations:								
Basic	0.11	0.22	0.20	0.25	(0.13)	0.05	0.22	(0.05)
Diluted	0.11	0.21	0.20	0.24	(0.12)	0.04	0.21	(0.04)
Net income (loss):								
Basic	0.11	0.22	0.20	0.25	0.29	0.05	0.21	(0.05)
Diluted	0.11	0.21	0.20	0.24	0.29	0.04	0.20	(0.05)

Board of Directors and Shareholders
Sypris Solutions, Inc.

We have audited the accompanying consolidated balance sheets of Sypris Solutions, Inc. (and predecessor entities as described in Note 1) as of December 31, 1998 and 1997, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sypris Solutions, Inc. at December 31, 1998 and 1997, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles.

Ernst & Young LLP

Louisville, Kentucky
February 19, 1999

Years ended December 31,	1998	1997	1996	1995	1994
	(in thousands, except for per share data)				
Statement of Operations Data:					
Net revenue	$ 211,625	$ 217,355	$ 308,598	$ 328,977	$ 326,327
Gross profit	47,923	32,135	30,383	16,547	47,030
Operating income (loss)	12,851	1,785	513	(14,816)	13,570
Income (loss) from continuing operations	7,446	1,527	(2,536)	(11,765)	14,342
Discontinued operations, net of tax	—	3,817	3,457	3,732	(437)
Net income (loss)	7,446	5,344	921	(8,033)	13,905
Pro Forma Per Share Data:					
Income (loss) from continuing operations:					
Basic	$ 0.79	$ 0.09	$ (0.45)	$ (1.62)	$ 1.56
Diluted	$ 0.76	$ 0.09	$ (0.43)	$ (1.56)	$ 1.49
Net income (loss):					
Basic	$ 0.79	$ 0.50	$ (0.08)	$ (1.23)	$ 1.51
Diluted	$ 0.76	$ 0.48	$ (0.08)	$ (1.18)	$ 1.45

December 31,	1998	1997	1996	1995	1994
	(in thousands)				
Balance Sheet Data:					
Working capital	$ 32,121	$ 35,123	$ 6,337	$ 26,159	$ 61,783
Total assets	121,119	120,608	132,960	173,028	188,300
Total debt	28,583	31,340	46,597	63,814	77,375
Total shareholders' equity	49,359	27,728	22,384	21,463	29,496

See accompanying Notes to Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion should be read in conjunction with the consolidated financial statements and notes thereto. Certain elements of the historical financial statements have been reclassified to conform to the 1998 presentation.

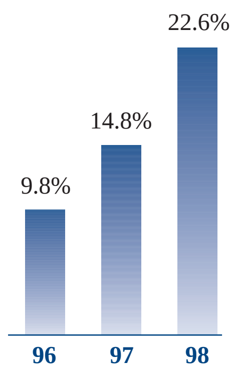
Results of Operations

The following table sets forth certain data from the Company's consolidated statements of operations for the years ended December 31, 1998, 1997 and 1996, expressed as a percentage of net revenue:

Years ended December 31,	**1998**	**1997**	**1996**
Net revenue	100.0%	100.0%	100.0%
Cost of sales	77.4	85.2	90.2
Gross profit	22.6	14.8	9.8
Selling, general and administrative expense	13.3	12.3	8.5
Research and development	2.8	1.6	1.0
Amortization of intangible assets	0.4	0.1	0.2
Operating income	6.1%	0.8%	0.1%
Income (loss) from continuing operations	3.5%	0.7%	(0.8%)
Net income	3.5%	2.5%	0.3%

Year Ended December 31, 1998 Compared to Year Ended December 31, 1997

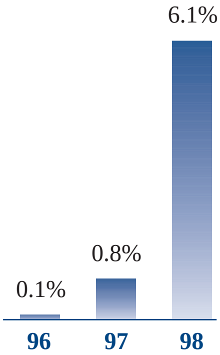
Net revenue totaled $211.6 million in 1998, a decrease of $5.8 million, or 2.6%, from $217.4 million in 1997. The Electronics Group experienced a decrease in net revenue of $11.5 million, while the Industrial Group experienced an increase of $5.7 million. The $11.5 million decrease in the Electronics Group's net revenue resulted from the divestiture of the Company's Latin American operations, which accounted for net revenue of $16.9 million in 1997, and a decrease in net revenue from manufacturing and technical services of $10.4 million partially offset by an increase in product sales of $15.8 million. The $10.4 million decrease in manufacturing and technical services revenue is primarily attributable to management's actions to redirect its resources to pursue low-volume, high-mix, complex industrial electronics assembly and test opportunities which meet specific profitability targets. The $15.8 million increase in product sales includes the acquisition of certain assets of Datatape Incorporated in November 1997 (the "Datatape Acquisition") which expanded the Company's data acquisition, storage and analysis product line and generated a $24.8 million increase in net revenue in 1998. The balance of the Electronics Group's product offerings experienced a $9.0 million decline in net revenue primarily due to a weakening of demand in domestic and Asian markets. Management expects the overall demand for the Electronics Group's products will be stable during 1999. The $5.7 million increase in the Industrial Group's net revenue resulted primarily from an increase in shipments to a customer based upon its commitment to use the Company as its sole source for truck axles in its North American market.



Gross Margin

Gross profit totaled $47.9 million in 1998, an increase of $15.8 million, or 49.1%, from $32.1 million in 1997. The Electronics Group and the Industrial Group accounted for $14.3 million and $1.5 million of the increase in gross profit, respectively. The Electronics Group's gross profit was $41.4 million in 1998, an increase of $14.3 million, or 52.9%, from $27.1 million in 1997. The $14.3 million increase in gross profit was achieved while net revenue for the Electronics Group declined by $11.5 million to $174.4 million, reflecting the change in revenue mix described above. Gross profit of the Electronics Group expressed as a percentage of net revenue increased to 23.7% in 1998 from 14.6% in 1997. The increased product sales volume and improved cost management controls over higher margin manufacturing services contracts accounted for approximately $5.7

million and $7.7 million of the increase in gross profit, respectively. The Industrial Group's gross profit was $6.5 million in 1998, an increase of $1.5 million, or 29.0%, from $5.0 million in 1997, primarily due to the volume increase reflected in net revenue. Gross profit of the Industrial Group expressed as a percentage of net revenue increased to 17.5% in 1998 compared to 16.1% in 1997, primarily related to increased capacity utilization and cost reductions on certain programs.



Operating Margin

Selling, general and administrative expense totaled $28.2 million in 1998, an increase of $1.5 million, or 5.7%, from $26.7 million in 1997. The change in revenue mix occurring in the Electronics Group resulted in an increase in selling, general and administrative expense for the comparable years.

Research and development expense totaled $5.9 million in 1998, an increase of $2.4 million, or 70.3%, from $3.5 million in 1997. This increase was generated by the Electronics Group, and reflects management's continued support and investment in the data acquisition, storage and analysis product lines.

Amortization of intangible assets totaled $1.0 million in 1998, an increase of $0.8 million, from $0.2 million in 1997. This increase is due to the amortization of goodwill recognized in connection with the Reorganization and the Datatape Acquisition.

Interest expense totaled $1.3 million in 1998, a decrease of $0.7 million, from $2.0 million in 1997. This decrease is primarily due to a reduction in the weighted average debt outstanding, a reduction in the Company's overall costs of borrowing and a decrease in amortization expense for debt issuance costs and stock warrants issued to a previous lender. The reduction in debt outstanding in 1998 compared to 1997 is attributable to the repayment of debt from proceeds generated by the divestiture of the Latin American operations, coupled with repayments generated by the Company's improved cash flow from operations in 1998, partially offset by the debt incurred to finance the Datatape Acquisition. The divestiture proceeds were used to repay in full a credit facility on which the effective interest rate was approximately 300 basis points over the Company's cost of borrowing under its consolidated credit facility during 1998.

Other income totaled $0.2 million in 1998, a decrease of $2.0 million, from $2.2 million in 1997. Other income in 1997 included the gain recognized on the divestiture of the Latin American operations totaling $3.2 million, after giving consideration to an expected repayment to the buyer of $2.9 million, which is subject to final determination to be made in accordance with the purchase and sale agreement.

The provision for income taxes totaled $4.3 million, an increase of $3.2 million, from $1.1 million in 1997. The Company's effective tax rate in 1998 was 36.7%.

Year Ended December 31, 1997 Compared to Year Ended December 31, 1996

Net revenue totaled $217.4 million in 1997, a decrease of $91.2 million, or 29.6%, from $308.6 million in 1996. The Electronics Group experienced a decrease in net revenue of $98.0 million, while the Industrial Group experienced an increase of $6.8 million. The $98.0 million decrease in the Electronics Group's net revenue was primarily attributable to a decrease in manufacturing services revenue of $58.2 million, the divestiture of the Latin American operations which accounted for net revenue of $16.9 million and $58.4 million in 1997 and 1996, respectively, and contract claim revenue of $4.1 million in 1996. Partially offsetting these declines was an increase in net revenue from the data acquisition, storage and analysis product line of $5.8 million. In 1997, three manufacturing services customers of the Electronics Group altered their outsourcing strategies, which resulted in a $39.2 million decrease in net revenue. One of these customers was utilizing certain manufacturing services on a temporary basis while it increased capacity to provide its manufacturing services internally. The other two customers altered their outsourcing strategies and moved their manufacturing solutions overseas. Changes in customer demand and the completion of certain long-term contracts collectively accounted for the remaining $19.0 million of the decrease in net revenue in the Electronics Group. The $6.8 million increase in the Industrial Group's net revenue was primarily due to shipments of truck axles and forged aerospace products, which increased net revenue by $4.7 million and $1.3 million, respectively.

Gross profit totaled $32.1 million in 1997, an increase of $1.7 million, or 5.8%, from $30.4 million in 1996. The Electronics Group experienced a decrease in gross profit of $0.3 million, while the Industrial Group experienced an increase of $2.0 million. Gross profit of the Electronics Group decreased by $0.3 million to $27.1 million in 1997 while net revenue for the Electronics Group declined by $98.0 million to $185.9 million. Gross profit of the Electronics Group expressed as a percentage of net revenue increased to 14.6% in 1997 from 9.6% in 1996. Management's actions to improve profitability and focus on the core domestic manufacturing services operations yielded an increase in gross profit of $1.7 million and the increase in product sales coupled with reduced product cost provided an increase in gross profit of $4.6 million. The improvements were offset by a $2.5 million decrease in gross profit due to the divestiture of Latin American operations and the $4.1 million contract claim in 1996. The Industrial Group's gross profit was $5.0 million in 1997, an increase of $2.0 million, or 67.0%, from $3.0 million in 1996, primarily due to the volume increase reflected in net revenue. Gross profit percentage also increased to 16.1% in 1997, compared to 12.4% in 1996, primarily due to cost controls which enabled the Industrial Group to maintain fixed manufacturing overhead costs constant despite the growth in revenue.

Selling, general and administrative expense totaled $26.7 million in 1997, an increase of $0.4 million, or 1.5%, from $26.3 million in 1996. Selling, general and administrative expense increased by $1.8 million primarily due to an increase in operating expenses incurred for general corporate purposes and to support the revenue growth in the Industrial Group. This was partly offset by a direct reduction in selling, general and administrative expense of $1.4 million due to the decrease in the Electronics Group's net revenue.

Research and development expense totaled $3.5 million in 1997, an increase of $0.5 million, or 14.4%, from $3.0 million in 1996. This increase was generated by the Electronics Group, primarily resulting from the Datatape Acquisition, which incurred $0.3 million of research and development expense in 1997.

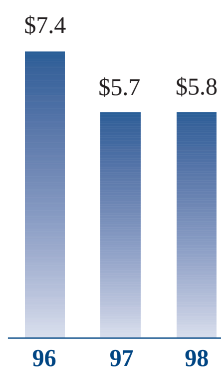
Interest expense totaled $2.0 million in 1997, a decrease of $2.0 million, from $4.0 million in 1996. This decrease is primarily related to the repayment of debt with proceeds from the divestiture of the Latin American operations. Additionally, the reduced level of operations in the Electronics Group required lower levels of working capital and, therefore, reduced debt requirements.

The provision for income taxes totaled $1.1 million in 1997, a decrease of $0.5 million, from $1.6 million in 1996.

Discontinued operations in 1997 and 1996 consists of the Company's real estate operations, which were divested prior to the Reorganization.

Liquidity, Capital Resources and Financial Condition

Net cash provided by operating activities totaled $11.0 million in 1998 as compared to net cash used in operating activities of $0.1 million in 1997. The improvement in cash flow from operating activities was primarily due to the Company's operating income, which totaled $12.9 million in 1998 as compared to $1.8 million in 1997. In addition, the Company's inventory decreased by $4.2 million in 1998 compared to a $7.7 million increase in 1997. The decrease in inventory during 1998 is attributable to the decrease in the Electronics Group's net revenue and improved materials



Capital Expenditures
(in millions)

management controls. Cash flow from operating activities in 1998 also includes an $8.1 million decrease in accrued liabilities, resulting primarily from payments on obligations related to the integration of acquired operations, employment costs and supplier contracts and a reduction in deferred revenue.

Net cash used in investing activities totaled $5.8 million in 1998 as compared to net cash provided by investing activities of $18.5 million in 1997. Capital expenditures were $5.8 million and $5.7 million in 1998 and 1997, respectively. The divestiture of the Company's real estate and Latin American operations in 1997 generated net cash of $21.6 million and $18.0 million, respectively. The Company also invested $14.4 million for the Datatape Acquisition in 1997. The Company did not have any material commitments for capital expenditures at December 31, 1998; however, the Company anticipates capital expenditures in 1999 will exceed the spending levels of 1998 and 1997.

Net cash used in financing activities totaled $2.6 million in 1998 as compared to $14.7 million in 1997. The Company's scheduled principal payments on long-term debt during 1998 were $3.3 million which was partially offset by a $0.7 million increase in borrowings under the revolving credit facility. Proceeds generated by the real estate and Latin American operation divestitures were used to repay debt in 1997. Additionally, the Datatape Acquisition was financed with borrowings on the Company's credit agreement in 1997.

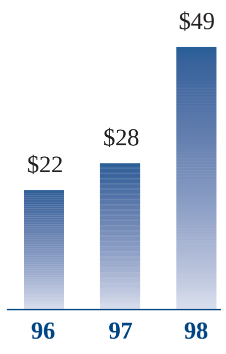
Under the terms of the credit agreement between the Company and its lenders, the Company had total availability for borrowings and letters of credit under its revolving credit facility of $13.1 million at December 31, 1998, which, with certain limitations, can be used for general corporate purposes. This credit agreement contains customary restrictive covenants, including covenants requiring the Company to maintain certain financial ratios, and prohibits the Company from paying cash dividends. Maximum borrowings on the revolving credit facility are $30.0 million, subject to a $5.0 million limit for letters of credit.

The Company believes cash generated from operations, existing cash reserves and available borrowings under its existing credit facility will satisfy the Company's working capital and capital expenditure requirements for at least the next twelve months.

The Company's balance sheet at December 31, 1998 includes the effects of the Reorganization and, accordingly, the comparison to the balance sheet at December 31, 1997 for other assets, other noncurrent liabilities, minority interests in consolidated subsidiaries, redeemable common stock, common stock, and additional paid-in capital reflects changes resulting from the accounting adjustments recorded pursuant to the Reorganization.

Impact of Year 2000

Some of the Company's older computer programs were written using two digits rather than four to define the applicable year. As a result, those computer programs have time-sensitive software which recognize a date using "00" as the year 1900 rather than the year 2000. This could cause a system failure or miscalculations causing disruptions of operations, including, among other things, a temporary inability to process transactions, send invoices, or engage in similar normal business activities.



Shareholders' Equity
(in millions)

Sypris has implemented a company-wide Year 2000 Project (the "Y2K Project") to address the Year 2000 issue. The Y2K Project encompasses both information technology ("IT") and non-IT systems. The Y2K Project is being addressed by project teams at each of the Company's subsidiaries and by the Company's IT Committee, which consists of senior members of the IT departments from each subsidiary.

Beginning in 1997, the Company began a program of reviewing its enterprise resource planning ("ERP") systems to reduce the number of ERP systems utilized across its business units and improve overall access to information. During 1998, the Company selected three primary ERP systems and is in the process of implementing the upgrades or conversions for these new systems. All new ERP systems are Year 2000 compliant, and the implementations have been completed or are scheduled for completion at various dates through the second quarter of 1999. The Company has a contingency plan for the implementation of one ERP system, which provides for a Year 2000 compliance patch to its current system in the event an unforeseen problem is encountered during the total system conversion. The implementation of the contingency plan would only become necessary in the event the ERP system conversion would not be complete by the second quarter of 1999.

A detailed assessment of all significant IT systems has been completed. The project teams are implementing plans to correct problems identified during the assessment phase of the Y2K Project. The implementation of the new ERP systems and the related hardware modifications have addressed the majority of the Company's business systems. The Company has also upgraded or replaced the majority of its personal computers and standardized its desktop software applications over the past three years. The Company expects that the testing and remediation of all IT systems will be complete by the second quarter of 1999.

A detailed assessment of all significant non-IT systems is expected to be completed by the first quarter of 1999. The Company has identified the critical non-IT systems, which includes microcontroller based systems and other devices with embedded chips used in the engineering, manufacturing and testing processes and expects to complete the assessment, testing and remediation on the critical systems by the first quarter of 1999. Completion of testing and remediation on certain of the lower priority non-IT systems will continue during the second and third quarters of 1999. The Company is also reviewing phone, security, HVAC and other facility related systems and will complete the testing and remediation of these systems by the second quarter of 1999.

The Company has identified and is communicating with customers, suppliers and other critical service providers to determine if entities with which the Company transacts business have an effective plan in place to address the Year 2000 issue, and to determine the extent of the Company's vulnerability to the failure of third parties to remediate their own Year 2000 issue. The Company is relying on statements from its service and goods suppliers and is not auditing suppliers' preparation plans. Risks associated with this approach are being identified and contingency plans will be developed as needed.

As of December 31, 1998, the Company has spent less than $75,000 on its Y2K Project, primarily on the assessment phase of the Y2K Project. Costs to be incurred in 1999 to correct Year 2000 problems are estimated at approximately $700,000. Such costs do not include normal system upgrades and replacements. The costs incurred by the Company for the new ERP systems are considered to be normal system upgrades and replacements and, therefore, are not included in costs for the Y2K Project. The Company does not expect the costs relating to Year 2000 remediation to have a material effect on its results of operations or financial condition.

The failure to correct a material Year 2000 problem could result in an interruption in, or a failure of, certain normal business activities or operations. Such failures could materially and adversely affect the Company's results of operations, liquidity and financial condition. Due to the general uncertainty inherent in the Year 2000 problem, resulting in part from the uncertainty of the Year 2000 readiness of third-party suppliers and customers, the Company is unable to determine at this time whether the consequences of Year 2000 failures will have a material impact on the Company's results of operations, liquidity or financial condition. The Y2K Project is expected to significantly reduce the Company's level of uncertainty about the Year 2000 problem and, in particular, about the Year 2000 compliance and readiness of its material third-party suppliers and customers. The Company believes that, with the implementation of new ERP systems and completion of the Y2K Project as scheduled, the possibility of significant interruptions of normal operations should be reduced.

Market Risk

The Company had no holdings of derivative financial or commodity instruments at December 31, 1998. The Company is exposed to financial market risks, including changes in interest rates and foreign currency exchange rates. All borrowings under the Company's credit agreement bear interest at a variable rate based on the prime rate, the London Interbank Offered Rate, or certain alternative short-term rates. An increase in interest rates of 100 basis points would not significantly affect the Company's net income. Substantially all of the Company's business is transacted in U.S. dollars. Accordingly, foreign exchange rate fluctuations have never had a significant impact on the Company, and they are not expected to in the foreseeable future.

Since March 30, 1998, the Company's common stock has been traded on The Nasdaq Stock Market under the symbol "SYPR." Prior to that date, the common stock of GroupTech was traded on The Nasdaq Stock Market under the symbol "GRTK." The following table sets forth, for the periods indicated, the high and low sales prices as reported by The Nasdaq Stock Market. Prices have been restated to reflect the one-for-four reverse stock split effective March 30, 1998.

	High	**Low**
Year ended December 31, 1997:		
First Quarter	$ 7.500	$ 4.000
Second Quarter	$ 6.000	$ 3.252
Third Quarter	$ 16.500	$ 4.500
Fourth Quarter	$ 18.252	$ 11.000
Year ended December 31, 1998:		
First Quarter	$ 15.252	$ 9.250
Second Quarter	$ 11.375	$ 6.500
Third Quarter	$ 10.375	$ 7.500
Fourth Quarter	$ 8.750	$ 5.938

As of February 26, 1999, there were 907 holders of record of the Company's stock.

The Company has historically not declared or paid any cash dividend on its common stock. The Company presently intends to retain all of its earnings for the future operation and growth of its business and does not intend to pay cash dividends in the foreseeable future. The payment of cash dividends in the future will be dependent upon the Company's results of operations, earnings, capital requirements, contractual restrictions and other factors considered relevant by the Board of Directors. The Company's existing credit facilities prohibit the Company from declaring or making any dividend or other distributions on its common stock.

Board of Directors

Robert E. Gill (1†)
Chairman of the Board

Jeffrey T. Gill (1)
President & CEO

Henry F. Frigon (1,2†)
Chairman, President & CEO
CARSTAR, Inc.

R. Scott Gill (1)
Project Manager
IA Chicago P.C.

William L. Healey (2,3)
Chairman, President & CEO
Smartflex Systems, Inc.

Roger W. Johnson (3†,4)
Chief Executive Officer
YPO International

Sidney R. Petersen (2,4†)
Retired Chairman & CEO
Getty Oil, Inc.

Robert Sroka (3,4)
Managing Partner
Lighthouse Holdings LLC

(1) Member of Executive Committee

(2) Member of Compensation Committee

(3) Member of Audit and Finance Committee

(4) Member of Nominating and Governance Committee

† Committee Chairman

Corporate Officers

Robert E. Gill
Chairman of the Board

Jeffrey T. Gill
President & CEO

David D. Johnson
Vice President & CFO,
Treasurer

Richard L. Davis
Senior Vice President
& Secretary

Anthony C. Allen
Vice President & Controller,
Assistant Secretary

Subsidiary Officers

Rick A. Affolter
Vice President of Finance
Bell Technologies Inc.

James G. Cocke
Vice President of Finance
& Contracts
Group Technologies Corporation

Russell H. Johnson, Jr.
Vice President & General Manager
Tube Turns Technologies Inc.

John M. Kramer
President & CEO
Tube Turns Technologies Inc.

Kevin H. Kramer
Vice President & General Manager
Tube Turns Technologies Inc.

John B. Krauss
President & CEO
Metrum-Datatape Inc.

Thomas W. Lovelock
President & CEO
Group Technologies Corporation

Raymond E. Minter
Vice President of Sales
& Marketing
Group Technologies Corporation

Henry L. Singer II
President & CEO
Bell Technologies Inc.

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Glenn W. Turpen
Vice President of Finance
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Investor Materials

The Sypris Web page – www.sypris.com – is your entry point for a vast array of information about Sypris, including its products, financial information, real-time stock quotes, links to each of its subsidiary operations and other useful information.

For investor information, including additional annual reports, 10-Ks, 10-Qs or any other financial literature, please contact Janet L. Sims at (502) 585-5544.

Sypris on Nasdaq

The Common Stock of Sypris trades on The Nasdaq Stock Market under the symbol SYPR.

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Independent Auditors

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Annual Meeting

The Annual Meeting of Shareholders will be held on Thursday, April 29, 1999, at 10:00 a.m., at the Hyatt Regency, 320 West Jefferson Street, Louisville, Kentucky.

For More Information

To learn more about Sypris Solutions Inc., visit our site on the World Wide Web at www.sypris.com.

Forward-Looking Statements

This document contains various forward-looking statements. Statements in this document that are not historical are forward-looking statements. Such statements are subject to various risks and uncertainties that could cause actual results to vary materially from those stated. Such risks and uncertainties include: economic conditions in various regions, product and price competition, raw material prices, technology changes, patent issues, litigation results, legal and regulatory developments and other risks and uncertainties described in documents filed with the Securities and Exchange Commission.

The odyssey continues...

SYPRIS
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