SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

FORM 10-Q

(Mark One)

  X   Quarterly report pursuant to Section 13 or 15(d) of the Securities
- ----- Exchange Act of 1934. For the quarterly period ended March 29, 1998.

or

       Transition report pursuant to Section 13 or 15(d) of the Securities
- ----- Exchange Act of 1934. For the transition period from _________________
       to ________________.

Commission file number: 0-24020

SYPRIS SOLUTIONS, INC.

(Exact name of registrant as specified in its charter)

DELAWARE	61-1321992
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

455 South Fourth Avenue
Louisville, Kentucky 40202
(Address of principal executive offices, including zip code)

(502) 585-5544
(Registrant's telephone number, including area code)

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

As of May 4, 1998 there were 9,428,990 shares of the Registrant's Common Stock outstanding.

INDEX

Part I. Financial Information

Item 1. Financial Statements

GROUP TECHNOLOGIES CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except for per share data)

	Three Months Ended	
	March 29, 1998	March 30, 1997
	(Unaudited)	
Revenue	$25,901	$26,438
Cost of operations	23,999	27,797
Gross profit (loss)	1,902	(1,359)
Selling, general and administrative expense	1,538	1,499
Operating income (loss)	364	(2,858)
Interest expense	17	513
Other income, net	(54)	(13)
Income (loss) before income taxes	401	(3,358)
Income tax expense	--	21
Net income (loss)	$ 401	$(3,379)
Net income (loss) per share:		
Basic	$0.10	$ (0.83)
Diluted	$0.09	$ (0.83)
Shares used in computing per share amounts:		
Basic	4,092	4,055
Diluted	4,334	4,055

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

GROUP TECHNOLOGIES CORPORATION

CONSOLIDATED BALANCE SHEETS

(in thousands, except for share data)

	March 29, 1998 (Unaudited)	December 31, 1997
ASSETS		
Current assets:		
Cash and cash equivalents	$ 5,772	$ 3,090
Accounts receivable, net	11,284	11,231
Inventories, net	17,178	21,895
Other current assets	2,631	2,861
Total current assets	36,865	39,077
Property and equipment, net	7,869	8,281
Other assets	6	6
	$44,740	$47,364
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 6,652	$ 8,504
Accrued liabilities	17,229	18,316
Current portion of long-term debt	193	198
Total current liabilities	24,074	27,018
Redeemable Preferred Stock, $.01 par value; 1,000,000 shares authorized; 250,000 shares issued and outstanding in 1997	--	3
Additional paid-in capital - Redeemable Preferred Stock	--	2,497
Shareholders' equity:		
Common Stock, $.01 par value, 10,000,000 shares authorized; 4,660,246 and 4,058,466 shares issued and outstanding in 1998 and 1997, respectively	47	41
Additional paid-in capital	28,934	26,435
Accumulated deficit	(8,315)	(8,630)
Total shareholders' equity	20,666	17,846
	$44,740	$47,364

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

GROUP TECHNOLOGIES CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Three Months Ended	
	March 29, 1998	March 30, 1997
	(Unaudited)	
Cash flows from operating activities:		
Net income (loss)	$ 401	$(3,379)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	591	1,305
Other	(53)	120
Changes in operating assets and liabilities, net of dispositions:		
Accounts receivable	(46)	6,716
Inventories	4,717	(2,741)
Other current and non-current assets	193	306
Accounts payable	(1,852)	(1,001)
Accrued and other liabilities	(1,087)	(2,603)
Net cash provided by (used in) operating activities	2,864	(1,277)
Cash flows from investing activities:		
Capital expenditures	(182)	(201)
Cash flows from financing activities:		
Net repayments under revolving credit agreement	--	(453)
Repayments of notes payable and long-term debt	(5)	(918)
Proceeds from issuance of preferred stock	--	2,500
Net proceeds of common stock	5	--
Net cash provided by financing activities	--	1,129
Net increase (decrease) in cash and cash equivalents	2,682	(349)
Cash and cash equivalents at beginning of period	3,090	661
Cash and cash equivalents at end of period	$ 5,772	$ 312

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

GROUP TECHNOLOGIES CORPORATION

Notes to Interim Consolidated Financial Statements

(1) Organizational Structure

Group Technologies Corporation (the "Company") was incorporated on December 27, 1988 as a subsidiary of Group Financial Partners, Inc. (the "Parent"), a private holding company. As of March 29, 1998, the Parent owned approximately 80% of the outstanding Common Stock of the Company. As more fully discussed in Note 6, the Company executed a plan of reorganization effective March 30, 1998 whereby the Company merged with and into Sypris Solutions, Inc. However, the financial statements for all periods presented in this report reflect the results of operations, financial position and cash flows of the Company.

(2) Basis of Presentation

The unaudited consolidated financial statements and related notes have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission and on substantially the same basis as the annual consolidated financial statements. The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany transactions and accounts have been eliminated.

In the opinion of management, the consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the financial position, operating results, and cash flows for those periods presented. Operating results for the three-month period ended March 29, 1998 are not necessarily indicative of the results that may be expected for the year ending December 31, 1998. These consolidated financial statements should be read in conjunction with the consolidated financial statements, and notes thereto, for the year ended December 31, 1997 as presented in the Company's annual report on Form 10-K.

(3) Net Income (Loss) Per Share

The following sets forth the number of shares of Common Stock included in the computation of basic and diluted net income (loss) per share for the three months ended March 29, 1998 and March 30, 1997.

	Three months ended	
	March 29, 1998	March 30, 1997
Denominator for basic net income (loss) per share:		
Weighted average shares outstanding.............	4,092,499	4,058,466
Denominator for diluted net income (loss) per share:		
Weighted average shares outstanding.............	4,092,499	4,058,466
Effect of dilutive options and warrants..........	241,122	--
	4,333,621	4,058,466

(4) Inventories

Inventories consist of the following:

(in thousands)

	March 29, 1998 (Unaudited)	December 31, 1997
Raw materials	$ 4,558	$ 8,514
Work in process	3,756	4,514
Costs relating to long-term contracts and programs, net of amounts attributed to revenue recognized to date	--	15,366
Progress payments related to long-term contracts and programs	(4,291)	(5,189)
Reserve for inactive, obsolete and unsalable inventories	(2,211)	(3,673)
	$ 17,178	$21,895

(5) Shareholders' Equity

During the three-month period ended March 29, 1998, the Company issued the following shares of its Common Stock:

	Shares of Common Stock Issued
Exercise of 38,500 Common Stock options	14,590
Exercise of 81,250 Common Stock warrants	80,940
Conversion of Preferred Stock	506,250
	601,780

During the three months ended March 29, 1998, the Company recognized an increase in its accumulated deficit of $86,000 resulting from a non-cash exercise of 37,500 Common Stock options.

(6) Subsequent Events

The Company consummated the transactions contemplated by the Fourth Amended and Restated Agreement and Plan of Reorganization by and among the Company, the Parent, Tube Turns Technologies, Inc. and Bell Technologies, Inc. effective March 30, 1998 (the "Reorganization") and related transactions. Accordingly, the Company has issued approximately 4,769,000 shares of its Common Stock subsequent to March 29, 1998 and has increased the authorized number of Common Shares to 20,000,000.

Immediately after the Reorganization, the Company effected a 1-for-4 reverse stock split. Accordingly, all share, per share and option/warrant data included herein have been restated to reflect the 1-for-4 reverse stock split.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

The following table sets forth certain data, expressed as a percentage of revenue, from the Company's Consolidated Statement of Operations for the three-month periods ended March 29, 1998 and March 30, 1997.

	Three Months Ended	
	March 29, 1998	March 30, 1997
Revenue	100.0%	100.0%
Cost of operations	92.7	105.1
Gross profit (loss)	7.3	(5.1)
Selling, general and administrative expense	5.9	5.7
Operating income (loss)	1.4	(10.8)
Interest expense	0.1	1.9
Other income, net	(0.2)	(0.0)
Income (loss) before income taxes	1.5	(12.7)
Income tax expense	0.0	0.1
Net income (loss)	1.5%	(12.8)%

Revenue for the first quarter of 1998 was $25.9 million, a decrease of $0.5 million or 2.0% from $26.4 million for the first quarter of 1997. Revenue for the Company's domestic manufacturing and engineering services businesses increased by $5.8 million from the first three months of the prior year. The majority of the domestic manufacturing services revenue increase was related to the timing of revenue associated with delivery schedules on certain long-term contracts. The foregoing revenue increase was offset by a $6.3 million decrease in revenue for first quarter 1998 as compared to first quarter 1997 which resulted from the disposition of the Company's Latin American operations during the third quarter of 1997.

The Company reported gross profit of $1.9 million in the first quarter of 1998 compared to a gross loss of $1.4 million in the first quarter of 1997. The $3.3 million increase in gross profit in the first quarter of 1998 is primarily attributable to a $2.6 million gross profit increase from the Company's domestic manufacturing and engineering services business resulting from the aforementioned higher level of revenue and from a realignment of Company resources and cost reductions, including workforce reductions. Additionally, $0.7 million of the gross profit increase is attributable to the absence of losses from the previously owned Latin American operations.

Selling, general and administrative expense for the first quarter of 1998 of $1.5 million was consistent with the amount in the first quarter of 1997. While certain selling, general and administrative costs were reduced as a result of the Company selling its Latin American operations and as a result of other cost reduction efforts, the Company has expanded its marketing and sales staff since the first quarter of 1997.

Interest expense for the first quarter of 1998 decreased $0.5 million from the comparable prior year period. This decrease is attributable to the Company's use of proceeds from the sale of its Latin American operations to repay all of its bank debt during the third quarter of 1997.

Income tax expense for the first quarter of 1997 consisted primarily of income taxes on earnings in foreign countries. The Company has historically recorded a valuation allowance for its deferred tax assets and therefore has not recognized income tax expense during the first quarter of 1998.

Liquidity and Capital Resources

Net cash provided by operating activities was $2.9 million for the first quarter of 1998. Inventories decreased by $4.7 million during this period primarily due to the utilization of inventory which was acquired during 1997 according to expected demand based on customer provided forecasts. This positive cash flow was partially offset by a reduction of accounts payable associated with lower inventory additions, plus a reduction in the balance of accrued liabilities attributable to the timing of scheduled payments.

During the first quarter of 1997, the Parent invested $2.5 million in the Company in exchange for 250,000 shares of Redeemable Preferred Stock. During the first quarter of 1998 the Parent converted this Preferred Stock into 506,250 shares of the Company's Common Stock. Also during the first quarter of 1998, certain holders of options or warrants exercised their rights to purchase 95,530 shares of the Company's Common Stock.

PART II OTHER INFORMATION

Item 2. Changes in Securities

During the quarter ended March 29, 1998, the Company issued the following securities which were not registered under the Securities Act of 1933 (the "1933 Act") as restated for the 1-for-4 reverse stock split:

(i) On March 25, 1998, First Union Commercial Corporation ("FUCC") exercised its right to purchase 72,647 shares of the Company's common stock, $0.01 par value (the "Common Stock"), pursuant to the terms of a Stock Purchase Warrant (the "Warrant") which was issued to FUCC by the Company on March 29, 1996 in connection with the execution of and Amended and Restated Credit and Security Agreement (the "Credit Agreement"). The aggregate purchase price of these shares was $2,905.88 (the "Purchase Price"). In accordance with the terms of the Warrant, as amended, FUCC paid the Company the Purchase Price by instructing the Company to withhold a sufficient number of the underlying shares of the Warrant, which shares had a fair market value on the date of exercise equal to the Purchase Price. The transaction did not involve any public offering of the Common Stock and, thus, the Company issued a net number of 72,370 shares to FUCC pursuant to the exemption stated in Section 4(2) of the 1933 Act.

(ii) On March 27, 1998, FUCC exercised its right to purchase an additional 8,603 shares of Common Stock pursuant to the terms of the Warrant. The aggregate purchase price of these shares was $344.12. In accordance with the terms of the Warrant, as amended, FUCC paid the Company the Purchase Price by instructing the Company to withhold a sufficient number of the underlying shares of the Warrant, which shares had a fair market value on the date of exercise equal to the Purchase Price. The transaction did not involve any public offering of the Common Stock and, thus, the Company issued a net number of 8,570 shares to FUCC pursuant to the exemption stated in Section 4(2) of the 1933 Act.

(iii) On March 28, 1998, Group Financial Partners, Inc. ("GFP") elected to convert 250,000 shares of the Company's 8.5% Cumulative Convertible Preferred Stock (the "Preferred Shares") into 506,250 shares of Common Stock. In connection with an amendment to the Credit Agreement on March 28, 1997, the Company issued the Preferred Shares to GFP in exchange for $2,500,000. As stated in the Statement of Designation of Relative Rights and Preferences and Other Terms of the Preferred Shares, the Preferred Shares were converted into as many shares of Common Stock as was equal to the number which is the result of dividing $10.00 by the Average Quoted Price of the Common Stock for the three trading days immediately preceding March 28, 1997. The transaction did not involve any public offering of Common Stock and, thus, the Company issued the 506,250 shares to GFP pursuant to the exemption stated in Section 4(2) of the 1933 Act.

Item 4. Submission of Matters to a Vote of Security Holders

The Company held a Special Meeting of Shareholders on March 16, 1998. Proxies were solicited by the Company's board of directors pursuant to Regulation 14 under the Securities Exchange Act of 1934. At the meeting, the following proposals received the respective number of votes shown below as restated for the 1-for-4 reverse stock split:

Proposal 1. Approval of the Fourth Amended and Restated Agreement and Plan of Reorganization dated as of February 5, 1998 by and among the Company, Group Financial Partners, Inc., Tube Turns Technologies, Inc., and Bell Technologies, Inc., including the issuance of shares of the Company's voting common stock, par value $0.01 per share, contemplated thereby. 4,130,899 shares were voted in favor of the proposal; 7,373 shares were voted against the proposal; the holders of 11,078 shares abstained from voting on the proposal; and there were 8,858 broker non-votes.

Proposal 2. Subject to the approval of Proposal 1 and further conditioned upon the failure to approve Proposal 4, to approve an amendment to the Company's Articles of Incorporation to increase the number of authorized shares of the Company's voting common stock, $0.01 par value per share, from 10,000,000 to 15,000,000 shares. 4,133,870 shares were voted in favor of the proposal; 10,480 shares were voted against the proposal; and the holders of 13,858 shares abstained from voting on the proposal.

Proposal 3. Subject to the approval of Proposal 1, to approve an amendment to the Company's Articles of Incorporation to effect a 1-for-4 reverse stock split. 4,124,819 shares were voted in favor of the proposal; 20,118 shares were voted against the proposal; and the holders of 13,271 shares abstained from voting on the proposal.

Proposal 4. Subject to the approval of Proposal 1, to approve the reincorporation of the Company in Delaware through the merger of the Company with and into a newly formed Delaware corporation wholly-owned by the Company. 3,949,116 shares were voted in favor of the proposal; 187,352 shares were voted against the proposal; the holders of 12,882 shares abstained from voting on the proposal; and there were 8,858 broker non-votes.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

The exhibits listed on the Exhibit Index on page 12 of this Form 10-Q are filed as a part of this report.

(b) Reports on Form 8-K

No reports on Form 8-K were filed by the Company during the quarter ended March 29, 1998. However, Sypris Solutions, Inc. filed one report on Form 8-K dated April 14, 1998 which reported the consummation of a Fourth Amended and Restated Agreement and Plan of Reorganization.

SIGNATURES

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

SYPRIS SOLUTIONS, INC.
(Registrant)

Date: May 6, 1998 By: /s/ Jeffrey T. Gill
(Jeffrey T. Gill)
President & Chief Executive Officer

Date: May 6, 1998 By: /s/ David D. Johnson
(David D. Johnson)
Vice President & Chief Financial Officer

Exhibit Index

Exhibit Number	Note	Description
2	(1)	Fourth Amended Agreement and Plan of Reorganization dated February 5, 1998
10.23		Group Technologies Corporation Profit Sharing Bonus Plan, effective as of January 2, 1998
10.24		Description of Special Bonus Arrangements for Certain Executive Officers
27		Financial Data Schedule (for SEC use only)

- ----------------

(1) Incorporated by reference to Appendix A to the Joint Proxy Statement/Prospectus forming a part of the Registrant's Form S-4 (No. 333-20299) filed on January 24, 1997, as amended September 24, 1997, as amended December 5, 1997, as amended January 12, 1998, as amended February 9, 1998, as amended February 12, 1998.

EXHIBIT 10.23

GROUP TECHNOLOGIES CORPORATION
PROFIT SHARING BONUS PLAN

1998 Fiscal Year

1. Establishment of Plan.

Group Technologies Corporation (the "Company"), established this profit sharing and bonus plan effective as of January 2, 1998 (the "Plan"), to provide a financial incentive for employees of the Company to advance the growth and prosperity of the Company.

2. Eligibility.

All full-time employees of the Company, as listed on Exhibit A, shall be eligible to participate in the Plan, other than those employees who are specifically included in another plan.

3. Profit Sharing Pool.

(a) Award amounts will be based on a Profit Sharing Pool that shall be comprised of thirty percent (30%) of the Profit Before Bonus and Taxes for the current Plan year, as reported on the financial statements of the Company. No award shall be granted should the Profit Before Bonus and Taxes decline from year-to-year.

(b) The dollar value of the sum of all accounts receivable which have not been collected within ninety (90) days of the date of invoice as of December 31, 1998 shall be deducted from the Profit Sharing Pool and classified as a "Delayed Bonus Payment." Invoices which are involved in litigation shall be excluded from the calculation. If an invoice is determined to be uncollectable and is subsequently written-off, the amount of the Delayed Bonus Payment will be reduced accordingly.

(c) The Profit Sharing Pool shall be divided into two award levels, with thirty-five percent (35%) of the Profit Sharing Pool set aside for award to Key Executives and sixty-five percent (65%) of the Profit Sharing Pool set aside for Key Employees.

4. Key Executive Award.

(a) Eligibility. Employees of the Company who are specifically designated by the Compensation Committee for participation during the current Plan year. A list of the participants shall be attached to a copy of this Plan and shall include each participant's name, salary, start date (for purposes of the current Plan year), maximum percentage share of the Key Executive Award, and objectives for the year.

(b) Amount of Award. Each eligible employee shall be entitled to an amount equal to his or her maximum percentage share of the Key Executive Award, subject to an adjustment to reflect actual contribution during the course of the Plan year, portion of the Plan year employed, performance to goals, and the recommendation of the President and CEO, subject to the approval of the Compensation Committee. The maximum amount payable to an eligible employee shall be equal to the lesser of his or her maximum percentage share or one hundred percent (100%) of the eligible employee's base salary.

(c) Time of Payment. Awards shall be payable to each eligible employee within 45 days after release of the audited annual financial statements of the Company; provided, however, that such employee shall be employed by the Company as of the date of payment.

(d) Delayed Bonus Payment. Distribution of the Delayed Bonus Payment will be made to each eligible employee when payment of all invoices which created the Delayed Bonus Payment have been received and/or the amounts have been written-off by the Company; provided, however, that such employee shall be employed by the Company as of the date of payment.

5. Key Employee Award.

(a) Eligibility. All full-time employees who are not otherwise participants in another plan. A list of the participants shall be attached to a copy of this Plan and shall include each participant's name, salary, start date (for purposes of the current Plan year) and maximum percentage share of the Key Employee Award.

(b) Amount of Award. Each eligible employee shall be entitled to an amount equal to his or her maximum percentage share of the Key Employee Award, subject to an adjustment to reflect actual contribution during the course of the Plan year, portion of the Plan year employed, performance to goals, and the recommendation of management, subject to approval by the Compensation Committee. The maximum amount payable to an eligible employee shall be equal to the lesser of his or her maximum percentage share or one hundred percent (100%) of the eligible employee's base salary.

(c) Time of Payment. Awards shall be payable to each eligible employee within 45 days after release of the audited annual financial statements of the Company; provided, however, that such employee shall be employed by the Company as of the date of payment.

(d) Delayed Bonus Payment. Distribution of the Delayed Bonus Payment will be made to each eligible employee when payment of all invoices which created the Delayed Bonus Payment have been received and/or the amounts have been written-off by the Company; provided, however, that such employee shall be employed by the Company as of the date of payment.

6. Method of Payment.

Awards shall be payable by check in lump sum. All such payments shall be subject to withholding for income, social security, 401(k) or other such payroll taxes as may be appropriate.

7. Administration.

This Plan shall be administered by the Board of Directors of Group Technologies Corporation (and its successor, Sypris Solutions, Inc.) and/or the Compensation Committee of the Board, as the case may be. The decisions of the Board of Directors and/or the Compensation Committee in interpreting and applying the Plan shall be final.

8. Miscellaneous.

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

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

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

GROUP TECHNOLOGIES CORPORATION

Chairman of the Board

Date

Exhibit 10.24

DESCRIPTION OF SPECIAL BONUS ARRANGEMENTS FOR CERTAIN EXECUTIVE OFFICERS

Effective March 23, 1998, the Company's Board of Directors, acting upon a recommendation from the Compensation Committee of the Board, approved lump sum cash bonus payments to Thomas W. Lovelock, the Company's President and Chief Executive Officer, and James G. Cocke, the Company's Vice President and Manager of its Federal Systems Division, in the amounts of $40,000 and $20,000, respectively. The Board approved such bonus payments in order to recognize the efforts of Messrs. Lovelock and Cocke in connection with the Company's performance during the second half of 1997.

5
This schedule contains summary financial information extracted from the consolidated balance sheet at March 29, 1998 and the consolidated statement of operations for the quarter ended March 29, 1998 and is qualified in its entirety by reference to such financial statements.

1,000

3-MOS
DEC-31-1998
JAN-01-1998
MAR-29-1998
5,772
0
11,658
374
17,178
36,865
29,961
22,092
61,908
24,074
193
0
0
28,981
(8,315)
44,740
25,901
25,901
23,999
23,999
0
0
17
401
0
401
0
0
0
401
0.10
0.09