Fourth Quarter and Full-Year 2009 Earnings Conference Call

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Safe Harbor Disclaimer

Non-GAAP Financial Measures

Any non-GAAP measures, and their related reconciliation to GAAP measures, are provided and available on the company's website: www.sypris.com

Each "forward-looking statement" herein is subject to serious risks and should not be relied upon, as detailed in our most recent Form 10-K and Form 10-Q and subsequent SEC filings. *Briefly, we currently believe that such risks also include: the effects of a continuing economic downturn which could reduce our revenues, negatively impact our customers or suppliers and materially, adversely affect our financial results; potential impairments, non-recoverability or write-offs of goodwill, assets or deferred costs, including deferred tax assets in the U.S. or Mexico; breakdowns, relocations or major repairs of machinery and equipment; our inability to successfully launch new or next generation programs; the cost, efficiency and yield of our operations and capital investments, including working capital, production schedules, cycle times, scrap rates, injuries, wages, overtime costs, freight or expediting costs; cost and availability of raw materials such as steel, component parts, natural gas or utilities; volatility of our customers' forecasts, financial conditions, market shares, product requirements or scheduling demands; adverse impacts of new technologies or other competitive pressures which increase our costs or erode our margins; failure to adequately insure or to identify environmental or other insurable risks; inventory valuation risks including obsolescence, shrinkage, theft, overstocking or underbilling; changes in government or other customer programs; reliance on major customers or suppliers, especially in the automotive or aerospace and defense electronics sectors; revised contract prices or estimates of major contract costs; dependence on, recruitment or retention of key employees; union negotiations; pension valuation, health care or other benefit costs; labor relations; strikes; risks of foreign operations; currency exchange rates; the costs and supply of debt, equity capital, or insurance; fees, costs or other dilutive effects of refinancing, compliance with covenants in, or acceleration of, our loan and other debt agreements; changes in licenses, security clearances, or other legal rights to operate, manage our work force or import and export as needed; weaknesses in internal controls; the costs of compliance with our auditing, regulatory or contractual obligations; regulatory actions or sanctions; disputes or litigation, involving customer, supplier, lessor, landlord, creditor, stockholder, product liability or environmental claims; war, terrorism or political uncertainty; unanticipated or uninsured disasters, losses or business risks; inaccurate data about markets, customers or business conditions; or unknown risks and uncertainties.*

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Overview

- Key Highlights for Q4
  - Gross profit increased to $5.8 million, or 8.8% of revenue, continuing the important trend of improvements in quarterly profit
  - Aerospace & Defense gross margins increased to 20.4%, up from 1.0% for the prior year period
  - Industrial gross margins increased as well, reflecting the impact of cost reductions and increased efficiencies
  - The Company's capital structure was strengthened significantly:
    - $60 million was raised through the sale of the Test & Measurement segment and the liquidation of securities
    - $31 million pre-tax gain was recognized during the quarter
    - Net debt was reduced to $4.6 million by year-end
    - As a result, interest expense going forward is expected to be reduced by $4.0 to $5.0 million annually

Important Accomplishments Further Strengthen Outlook

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Overview

- Key Highlights for Q4
  - The Company reported net income from continuing operations of $14.8 million, or $0.73 per share, which included the gain on the sale of the securities
  - The Company also recognized a gain on the sale of the Test & Measurement segment of $7.8 million, or $0.42 per share, which was classified as discontinued operations
  - The Company received a five-year, $200 million IDIQ contract from the Department of Defense for a new product developed by Sypris for use in the Global Key Management market
  - The quarter saw some improvement in the production of commercial vehicles, though the uptick is likely to be temporary reflecting a small pre-buy ahead of the 2010 emissions mandate
  - In summary, operations continued to report significant improvements on both a quarter-over-quarter and on a sequential basis, while several important milestones were achieved in terms of strengthening the Company

Important Accomplishments Further Strengthen Outlook

Overview

- Key Highlights for 2009
  - 2009 turned out to be more challenging than we had originally expected, but the Company nonetheless finished the year a much stronger, healthier business
  - To achieve this outcome, a number of important initiatives were implemented
    - We closed facilities in California, Florida, Ohio and Texas, relocating production to other Sypris facilities
    - We reduced headcount by 23% on a year-over-year basis
    - We redesigned products, resulting in $3.7 million of savings during the year
    - We modified healthcare plans to provide more choice and individual incentives, contributing to savings of 19% per employee versus 2008
    - We worked closely with our workforce to improve safety, which resulted in a significant decline in the cost of worker's compensation claims per hour worked
    - We accelerated our investment in continuous improvement programs

Lasting Changes to the Cost Structure Completed

Overview

- Key Highlights for 2009
  - The initiatives listed here are among the many, both large and small, that were implemented during 2009
  - The early results are worth noting:
    - EBITDAR increased by $9.2 million during the fourth quarter of 2009 compared to the prior year quarter
    - Gross margins increased to 8.8% for the fourth quarter of 2009, up from 0.8% in the first quarter
    - Net working capital declined by 43%, or $11.7 million during the year, while working capital turns increased 32% to 17.4 times
    - Quality improved substantially, as did on time delivery
  - In short, the Company’s fixed costs were dramatically lowered, while at the same time its operating performance and efficiency were dramatically improved
  - When combined with the improved capital structure – a remarkable year

Strong Position to Support Future Growth

Industrial

- Team has done a terrific job during challenging times
  - Accelerated footprint reductions and relocated production
  - Inventory reduced 43% during the year, while inventory turns improved by 17%
  - Full-year metrics for quality and delivery achieved their highest ratings in the history of the business
- The performance was all the more notable since these improvements occurred concurrently with the restructuring of the business
- The business continues to experience high levels of quoting activity for new business, as customers appear to be consolidating purchases with proven suppliers with strong balance sheets
  - New contracts recently awarded with Dana, Eaton and American Axle; Contract extension entered into with ArvinMeritor
  - Optimistic about the potential for further market share gains

Significant Progress – Much Work Remains

Industrial

- Market Conditions – ACT Research
  - Recovery forecast to begin in second half, led by trailers – subject to economy

		2010				
	4Q09	Q1	Q2	Q3	Q4	2010
Class 5-7	27.5	27.0	25.9	30.6	34.1	117.5
Change		*-1.8%*	*-4.1%*	*18.1%*	*11.4%*	
Class 8	33.9	34.1	29.5	36.5	40.9	141.0
Change		*0.6%*	*-13.5%*	*23.7%*	*12.1%*	
Trailers	20.7	18.6	23.6	30.1	35.5	107.9
Change		*-10.1%*	*26.9%*	*27.5%*	*17.9%*	

	2009	2010	Change	2011	Change	2012	Change
Class 5-7	97.8	117.5	20.2%	153.2	30.4%	176.2	15.0%
Class 8	118.4	141.0	19.0%	250.1	77.3%	299.1	19.6%
Trailers	83.2	107.9	29.7%	179.9	66.7%	238.6	32.6%

Recovery Tied to US Economy, Credit Availability

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Aerospace & Defense

- Announced $200 million, five-year IDIQ contract with Department of Defense
  - RASKL electronic key load device – developed internally
  - To be used in secure communications networks
  - Certification received during 1Q10; Shipments targeted to begin during 2Q10
- Cyber Warfare activities increasing
  - Fulfilled contract to assess certain vulnerabilities in Mobile Computing Platforms for the Department of Defense
  - Certified the system security controls for the Army War Reserve Deployment System, the Global Broadcasting System, the Intelligent Munitions System, the Joint Tactical Radio System and the Joint Land-Attack Cruise Missile Defense Elevated Netted Sensor System, among others
  - Rapidly developing segment – uniquely positioned to benefit
  - Delivered first prototype containing multi-level biometric solutions for secure communications networks during Q4

Key Progress in Global Key Management and Cyber Security

Aerospace & Defense

- Launched key partnerships with Purdue University's Center for Education and Research in Information Assurance and Security (CERIAS) and Carnegie Mellon's Cylab to focus on the development of Trusted Architecture for secure systems, and with the California Institute of Technology to develop biometric solutions for identity authentication and management
- We announced the establishment of a Senior Advisory Board to assist with the development of solutions to address our Nation's information security needs
  - Lieutenant General August M. Cianciolo
  - Lieutenant General Lincoln D. Faurer
  - Dr. Robert L. Geisler
  - Russell E. Haney
  - Robert F. Lentz
  - Rear Admiral Daniel P. March
  - Brigadier General Robert E. Wynn

Moves Made to Increase Cyber Security Solutions

Aerospace & Defense

- Recently awarded contracts to produce electronic assemblies for the communications, navigation and identification avionics system for the F-35 Lightning II joint strike fighter and for the Digital Flight Control Computer of the F-16
- Quality and delivery continued to achieve outstanding levels of performance, as evidenced by performance ratings of Platinum at L3, Gold at Boeing, Silver at Northrop Grumman and Purple at Raytheon – each at or among the highest ratings available
- Market outlook remains positive
  - Quoting activity continued to increase – spacecraft, satellite, other
  - Increasing recognition as systems integrator for network security in the areas of Global Key Management, Secure Communications, Identity Authentication and Cyber Warfare
- Expectations for continued progress in 2010 as new programs replace aging contracts and technology

Positive Outlook for the Future

Q4 Financial Results – Consolidated

($ in thousands)

	4Q08	4Q09	Fav/ (Unfav)	Highlights
Revenue	80,663	66,097	(14,566)	SIG market downturn; Legacy A&D programs.
Gross Profit	(1,320)	5,799	7,119	Restructuring benefits; LEAN/CI initiatives; mix
Gross Margin	(1.6%)	8.8%	10.4%	4 quarters of sequential growth; expect continued margin expansion going forward
EBITDAR [(1)]	(6,448)	21,045 [(2)]	27,493	Excluding gain on marketable securities sales proceeds, EBITDAR = $2.8M or a $9.2M YOY improvement

(1) EBITDAR – *Please refer to the Company's website regarding the presentation of this non-gap measure.*

(2) 4Q09 EBITDAR – *Includes $18,255 related to gain on sale of marketable securities.*

Q4 Financial Results – Industrial

($ in thousands)

	4Q08	4Q09	Fav/ (Unfav)	Highlights
Revenue	47,293	40,418	(6,875)	Lower commercial vehicle volumes
Gross Profit	(1,647)	567	2,214	Restructuring, productivity offset lower sales
Gross Margin	(3.5%)	1.4%	4.9%	Expect continued margin growth going forward
EBITDAR [(1)]	(3,868)	1,896	5,764	Restructuring and productivity benefits

(1) EBITDAR – *Please refer to the Company's website regarding the presentation of this non-gap measure.*

Q4 Financial Results – Aerospace & Defense

($ in thousands)

	4Q08	4Q09	Fav/ (Unfav)	Highlights
Revenue	33,370	25,679	(7,691)	Wrap up of low-margin legacy programs
Gross Profit	327	5,232	4,905	Impact of new programs; increased efficiency
Gross Margin	1.0%	20.4%	19.4%	GM up each of last 4 quarters sequentially
EBITDAR *(1)*	(3,597)	2,877	6,474	Restructuring, LEAN/CI and mix drives results

(1) EBITDAR – *Please refer to the Company's website regarding the presentation of this non-gap measure.*

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2009 Financial Results - Consolidated

($ in thousands)

	2008	2009	Fav/ (Unfav)	Highlights
Revenue	356,105	265,900	(90,205)	SIG market downturn
Gross Profit	19,635	16,018	(3,617)	Restructuring and productivity gains
Gross Margin	5.5%	6.0%	0.5%	Margins expand despite SIG sales impact driven by strong A&D performance
EBITDAR [(1)]	3,656	18,707 [(2)]	15,051	Excluding gain on marketable securities sales proceeds, EBITDAR = $452K or a $3.2M YOY decrease attributable to lower revenue

(1) EBITDAR – *Please refer to the Company's website regarding the presentation of this non-gap measure.*

(2) 4Q09 EBITDAR – *Includes $18,255 related to gain on sale of marketable securities.*

2009 Financial Results – Industrial

($ in thousands)

	2008	2009	Fav/ (Unfav)	Highlights
Revenue	244,177	152,021	(92,156)	SIG market downturn; 43% decline in Class 8
Gross Profit	10,821	(3,661)	(14,482)	Downturn offset by partial year benefits
Gross Margin	4.4%	(2.4%)	(6.8%)	Margin improvements in Q3 and Q4 offset full-year volume declines
EBITDAR [(1)]	8,769	(156)	(8,925)	Positive results of restructuring begin in Q3; exit year with positive margin momentum

(1) EBITDAR – *Please refer to the Company's website regarding the presentation of this non-gap measure.*

2009 Financial Results – Aerospace & Defense

($ in thousands)

	2008	2009	Fav/ (Unfav)	Highlights
Revenue	111,928	113,879	1,951	Run rate higher in 1H09 as programs conclude
Gross Profit	8,814	19,679	10,865	Restructuring benefits; LEAN/CI initiatives; mix
Gross Margin	7.9%	17.3%	9.4%	Positive margin momentum exiting the year
EBITDAR *(1)*	(6,789)	8,662	15,451	Significant YOY improvement

(1) EBITDAR – *Please refer to the Company's website regarding the presentation of this non-gap measure.*

2009 Summary

- Dramatically improved our capital structure – net debt reduced to 6.5% of total capital
- Made difficult decisions and responded to the deteriorating economy; carried out the necessary steps to make meaningful, lasting changes to our cost structure
- Improvement in sequential quarterly EBITDAR results demonstrate the impact of our restructuring and cost actions and positions us for even stronger performance when the economy rebounds and volumes recover within our Industrial Group markets
- Gross margin increased to 8.8% of revenue, up from (1.6%) in the fourth quarter of last year
- Net working capital declined by 43%, or $11.7 million during the year, while working capital turns increased 32% to 17.4 times
- Improved excellence in quality and on-time delivery with our customers
- Significant progress made during 2009 and while much works remains, we are well-positioned to support profitable growth in our core businesses going forward

Difficult Environment Has Transformed The Company

Q & A Session