Driving Change

Third Quarter 2011 Earnings Conference Call

November 8, 2011

Jeffrey T. Gill
President and CEO

Brian A. Lutes
Vice President & CFO

Anthony C. Allen
Vice President & Treasurer

SYPRIS®

Safe Harbor Disclosure

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: potential impairments, non-recoverability or write-offs of goodwill, assets or deferred costs, including capitalized pre-contract costs related to the development of a replacement for certain aerospace and defense products; inventory valuation risks including obsolescence, shrinkage, theft, overstocking or underbilling; declining revenues in our aerospace and defense business lines as we transition from legacy products and services into new market segments and technologies; U.S. government spending on products and services that our Electronics Group provides, including the timing of budgetary decisions; potential liabilities associated with discontinued operations, including post-closing indemnifications or claims related to business or asset dispositions; the costs of compliance with our auditing, regulatory or contractual obligations; regulatory actions or sanctions (in each case including FCPA, OSHA and Federal Acquisition Regulations, among others); adverse determinations by government contracting officers, especially regarding the potential retrofit of certain electronic products with respect to alleged "latent defects," which are disputed by the Company;* dependence on, recruitment or retention of key employees; *pension valuation, health care or other benefit costs; labor relations; strikes*; union negotiations*; changes in licenses, security clearances, or other legal rights to operate, manage our work force or import and export as needed; breakdowns, relocations or major repairs of machinery and equipment; changes or delays in government or other customer budgets, funding or programs; potential weaknesses in internal controls over [financial reporting and] enterprise risk management; reliance on major customers or suppliers, especially in the automotive or aerospace and defense electronics sectors; 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; our inability to successfully launch or sustain new or next generation programs or product features, especially in accordance with budgets or committed delivery schedules; disputes or litigation, involving customer, supplier, lessor, landlord, creditor, stockholder, product liability or environmental claims; the costs and supply of debt, equity capital, or insurance; fees, costs or other dilutive effects of refinancing, compliance with covenants; 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; revised contract prices or estimates of major contract costs; risks of foreign operations; currency exchange rates; war, terrorism, computer hacking or other cyber attacks, or political uncertainty; unanticipated or uninsured disasters, losses or business risks; inaccurate data about markets, customers or business conditions; or unknown risks and uncertainties.*

Table of Contents

Overview

- Key Highlights for Q3
  - Revenue increased 24% from the prior year quarter, driven by a 38% increase in sales for our Industrial Group.
  - Gross profit increased 42% from the prior year period, reflecting a 197% increase in gross profit for our Industrial Group.
  - The Company reported earnings of $0.30 per diluted share, up from a loss of $0.10 per share for the prior year period.
  - Free cash flow for the quarter increased to $6.8 million, or $0.36 per diluted share.
  - The Company hosted a two-week Cyber training program, including a nationwide ethical hacking Capture the Flag event that was won by a team from Brigham Young University.
  - The Company announced a new long-term supply agreement to provide drive train components to Sisamex Automotrices de Mexico.
  - Subsequent to quarter-end, the Company entered into a new, multi-year agreement to increase the sales of heavy vehicle axle components to a customer in North America with volumes expected to reach $10 million per year beginning in 2012.

Aerospace & Defense

- Revenue declined slightly from prior year levels reflecting the short-term impact on backlog as a result of the delayed approval of the 2011 Defense Appropriations Bill, but increased 15% sequentially from Q2 of this year.
- Gross profit improved 223% on a sequential basis as a result of favorable mix and a reduction in product support costs as related programs move towards scheduled completion.
- Q3 bookings volume increased 56% sequentially, demonstrating ongoing recovery from the budget and continuing resolution challenges experienced during the first half of the year.
- We continue to see strong growth in our Severe Environment and Space electronics design and manufacturing business line. We are working to expand our capacity and launch programs with several new customers in this segment.
- Funding uncertainty remains as we enter the government's 2012 fiscal year, with the likelihood of yet another series of continuing resolutions tied to the budget process.

SYPRIS® SOLUTIONS

Aerospace & Defense

- Progress continues in the development of several new products supported by increased customer and market interaction, including the demonstration of our new crypto prototype unit to the Army during the quarter.
- We met with the Singapore Government regarding our Cyber Range and committed to a physical demonstration of the Range in Q4.
- Business development opportunities remain quite active across the segment's portfolio as we move beyond the recent short-term impacts of government funding issues.
- We continued to expand our presence internationally and in adjacent segments to reduce our dependence on US DoD spending with efforts ongoing in Australia, New Zealand, Canada, Japan, Singapore and Europe.
- Our sensitivity is that continuing resolutions may become a way of life. As a result, we will continue to move aggressively into adjacent markets that are far less dependent on DoD funding, such as our work for the DoE on protecting the Smart Grid.

Industrial

- Revenue increased 38% during the quarter when compared to the prior year period and rose 5% sequentially from Q2 driven by the continued recovery of the commercial vehicle and trailer markets.
- Gross profit increased 197% on a year-over-year basis, reflecting positive conversion on incremental sales growth and the cost structure improvements that were implemented over the past few years.
- Gross margin was close to 10% of revenue, which was more than double the gross margin percent in 3Q10, reflecting both higher sales volumes and cost structure improvements.
- Investments in preventive maintenance, equipment repair and training were important factors during the quarter as the business continued to prepare for the future.
- The team continues to do an excellent job managing the growth in demand, with solid performance reflected in certain key metrics such as inventory turns, on-time-delivery and quality.
- Additionally, continuous improvement efforts showed year-over-year improvement in unit production cost for several products.

SYPRIS® SOLUTIONS

Industrial

- Company announced a new long-term supply agreement to provide drive train components to Sisamex Automotrices de Mexico.
- Subsequent to quarter-end, the Company entered into a new, multi-year agreement to increase the sales of heavy vehicle axle components to a customer in North America with volumes expected to reach $10 million per year beginning in 2012.
- Recent contract announcements with Meritor, Sisamex and Dana are expected to add 5-6% to the top line of our Industrial Group during 2012 – at current market levels – while activity regarding new business opportunities remains brisk.
- The looming questions for 2012 are (i) what will happen with the U.S. economy and (ii) what will be the resulting impact on the demand for commercial vehicles.
- According to FTR Associates, the potential for a weaker US economy is a growing concern, but even a "low growth" economy will keep freight in positive territory. The combination of market forces such as freight, fleet age and regulatory requirements should help to support the continued need for new vehicles.
- The outlooks provided by both FTR and ACT assume the economy will remain on a weak, but positive trend.

SYPRIS® SOLUTIONS

Industrial

- According to ACT, 76% of demand in any given year represents the replacement of equipment.

	2011						
	Q1	Q2	Q3	Q4	Total	2012	2013
Class 5-7	39.7	44.6	38.3	40.8	163.5	176.8	198.7
Year-Over-Year	46.6%	57.5%	28.2%	25.2%	38.6%	8.2%	12.4%
Class 8	51.4	60.5	68.8	69.1	249.8	292.0	323.4
Year-Over-Year	47.0%	72.0%	70.5%	58.2%	62.0%	16.9%	10.7%
Trailers	46.4	55.4	58.1	59.9	219.8	256.5	287.1
Year-Over-Year	109.7%	80.5%	50.8%	44.8%	65.6%	16.7%	12.0%

Source: ACT N.A. Commercial Vehicle Outlook, October 10, 2011

- The forecast midpoint for 2012, when including a variety of industry participants, currently approximates 276,000 units for class 8, 172,000 units for class 5 - 7 and 243,000 units for trailers. Class 8 orders exceeded 27,000 units in October – a positive sign.
- The leveling of the growth curve in the short-term will place a premium on execution, productivity and efficiency and reduce the risk of material and capacity availability.

SYPRIS SOLUTIONS

Consolidated Financial Results

($ in thousands)

	3Q11	3Q10	Δ	Highlights
Revenue	91,177	73,412	24.2%	SIG revenue growth of 38%
Gross Profit	10,263	7,225	42.0%	Positive conversion on incremental SIG sales
Gross Margin	11.3%	9.8%		
EBITDA(1)	11,549	3,029	281.3%	Positive conversion on incremental revenue; gain on sale of assets; foreign currency translation gains

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

Aerospace & Defense Financial Results

($ in thousands)

	3Q11	3Q10	Δ	Highlights
Revenue	18,530	20,674	(10.4%)	Delay in defense budget approval
Gross Profit	3,332	4,891	(31.9%)	Decreased revenues; product mix; product support costs
Gross Margin	18.0%	23.7%		
EBITDA[1]	159	1,798	(91.2%)	Decreased margin; increased R&D spending

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

SYPRIS SOLUTIONS

Industrial Financial Results

($ in thousands)

	3Q11	3Q10	Δ	Highlights
Revenue	72,647	52,738	37.8%	Continuing expansion of CV market
Gross Profit	6,931	2,334	197.0%	Positive conversion; productivity and efficiency
Gross Margin	9.5%	4.4%		Seeing positive results from CI/Lean initiatives
EBITDA(1)	13,620	3,250	319.1%	Positive conversion on incremental revenue; gain on sale of assets; foreign currency translation gains

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

SYPRIS SOLUTIONS

Summary

- Sales increased 24%, while gross profit rose 42% from the prior year period, reflecting strong conversion on incremental Industrial Group revenue driven by our reduced cost structure and sustained operational performance:
  - Industrial Group gross margin was 9.5% of revenue, up from 4.4% for the prior year quarter on a 38% increase in revenue.
  - Revenue for our Electronics Group increased 15% sequentially for the quarter, while gross profit increased 223% sequentially.
- We expect to see the continued recovery in the defense market once the 2012 budget authorization is enacted.
- We continue to invest in Aerospace & Defense R&D and engineering support to develop several focused, high-assurance information security solutions for introduction in 2012 as we confront the growing Cyber challenge.
- The outlook for commercial vehicle production remains solid. All remaining build slots for 2011 are nearly allocated, turning the focus to 2012, which is expected to benefit from a solid replacement market.
- Our team remains focused on finishing with a strong Q4 and is well prepared for 2012.

SYPRIS® SOLUTIONS

Q & A Session