Second Quarter 2010 Earnings Conference Call

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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: our inability to successfully launch or sustain new or next generation programs; 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; dependence on, recruitment or retention of key employees; union negotiations; pension valuation, health care or other benefit costs; labor relations; strikes; 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; potential liabilities associated with discontinued operations, including post-closing claims related to business or asset dispositions; 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; 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; risks of foreign operations; currency exchange rates; 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 Q2:
  - Gross profit increased to $4.9 million, or 7.8% of revenue, up from 6.4% for the prior year on a 9.0% decrease in revenue.
  - Industrial gross profit increased by $3.9 million and EBITDA increased by $5.6 million on a $9.6 million year-over-year increase in revenue, reflecting the positive leverage associated with increased sales, greatly reduced fixed costs and the substantial conclusion of restructuring activities.
  - Aerospace & Defense gross margins were 16.0%, despite the significant reduction of revenue that resulted from the delay of secure communications program shipments during the quarter. Revenue and margins are expected to increase materially during 2H10 with the resumption of shipments.
  - Important improvements continued to be made in working capital management during the period.
  - The Company generated positive free cash flow, while net debt decreased to $5.3 million.

Financial Results Continue to Make Important Progress

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Industrial

- Market Conditions – ACT Research, August 9, 2010:
  - Second half recovery still expected – with Trailers leading the way

	4Q09	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2010	May Report 2010
Class 5-7	27.5	27.1	28.6	25.3	28.3	109.3	116.4
Change		*-1.5%*	*5.5%*	*-11.5%*	*11.9%*	-6.1%	
Class 8	33.9	35.0	35.2	38.1	41.3	149.6	141.0
Change		*3.2%*	*0.6%*	*8.2%*	*8.4%*	6.1%	
Trailers	20.7	20.6	29.1	33.6	39.6	122.9	111.0
Change		*-0.5%*	*41.3%*	*15.5%*	*17.9%*	10.7%	

	2009	2010	Change	2011	Change	2012	Change
Class 5-7	97.8	109.3	11.8%	143.4	31.2%	171.4	19.5%
Class 8	118.4	149.6	26.3%	237.2	58.6%	302.2	27.4%
Trailers	83.2	122.9	47.8%	182.9	48.8%	241.6	32.1%

Recovery Tied to US Economy, Credit Availability

Industrial

- For the quarter, inventory was reduced by 5% and drove continued improvement in inventory turns on a year-over-year basis despite a 26% increase in revenue.
- Critical metrics for quality and delivery continue to achieve world class levels, with PPMs of 96 and on-time delivery in the mid 90s reported for the quarter.
- Kicked off a new program launch for Eaton transmission shafts and entered into a new contract to provide Sisamex with fully-machined truck axle shafts in Mexico.
- The team continued to position the business well for the eventual recovery of the commercial vehicle and trailer markets.
  - During the quarter, readiness plans were developed and are now underway to insure capacity availability, spare parts inventory and tooling.
  - Specific human resource plans were initiated on a plant by plant basis to insure proper recruitment, appropriate training and cultural education of new employees.
- Looking forward, we expect revenue and margins to record meaningful comparable period improvements.

Significant Progress – Continued Work to Capitalize on Upturn

Aerospace & Defense

- Last call, we discussed the delay of certain government program shipments during the quarter and the resulting impact on revenue
  - The issue was related to the product's performance with other instruments and systems under certain conditions and resulted in a $6.9 million revenue impact on the first quarter.
  - Our team worked in close partnership with the government to successfully resolve the issue expeditiously.
  - We mentioned that shipments were expected to resume in Q3, subject to final resolution.
- Approval to resume shipments was received at quarter-end. As a result, we expect revenue to return to pre-delay levels and gross margins to increase to the 20-22% range for the balance of the year.
- The consolidation of our Colorado facility into our main Florida operation continued during the quarter. The final move and closure of the facility will occur during 3Q10.

Key Progress in Global Key Management and Cyber Security

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Aerospace & Defense

- Cyber Warfare activities continued:
  - Teamed with Honeywell on a major Information Assurance support services proposal.
  - Selected as part of the winning team to provide information assurance services for the Rapid Response-Third Generation (R2-3G) contract award.
  - Submitted a white paper to DARPA
    - Partnered with Purdue University and Georgia Tech.
    - To develop nanokernal security architecture for microprocessors.
    - Four-year R&D project to imbed and manage security features in hardware rather than through software.
  - Submitted a white paper to the Department of Energy
    - Partnered with Purdue University, Oak Ridge National Laboratory and the Electric Power Research Institute.
    - To develop centralized key management for utility power grids.
    - Four-year R&D project to develop secure way to protect key infrastructure.

Moves Made to Increase Cyber Security Solutions

Aerospace & Defense

- Market outlook remains positive:
  - Quoting activity continued to increase – spacecraft, satellite, other.
  - Quality and delivery remain at world-class levels.
  - Qualified by ITT, Goodrich and Tyco for future work.
  - 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

Q2 Financial Results – Consolidated

($ in thousands)

	2Q09	2Q10	Fav/ (Unfav)	Highlights
Revenue	69,378	63,106	(6,272)	SIG improvement offset by lower A&D revenue
Gross Profit	4,443	4,931	488	Reduced fixed overhead; LEAN/CI; Mix
Gross Margin	6.4%	7.8%	1.4%	Margin expansion over PY expected longer term
EBITDA (1)	(913)	898	1,811	Restructuring, LEAN/CI initiatives driving significant benefits
EBITDAR (1)	819	1,900	1,081	

***(1) EBITDA & EBITDAR –** Please refer to the Company's website regarding the presentation of these non-GAAP measures.*

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Q2 Financial Results – Industrial

($ in thousands)

	2Q09	2Q10	Fav/ (Unfav)	Highlights
Revenue	36,941	46,571	9,630	Heavy truck, trailer volumes up over last year
Gross Profit	(1,630)	2,286	3,916	Volumes, productivity, lower fixed costs
Gross Margin	(4.4%)	4.9%	9.3%	Lowered breakeven, efficiencies drive conversion
EBITDA (1)	(1,927)	3,660	5,587	Actions taken in 2009 driving benefits
EBITDAR (1)	(466)	3,850	4,316	

(1) EBITDA & EBITDAR – *Please refer to the Company's website regarding the presentation of these non-GAAP measures.*

Sequential Industrial Results

($ in thousands)

	4Q09	1Q10	2Q10	Highlights
Revenue	40,418	44,106	46,571	Stabilized; Expect 4-5 years of growth
Gross Profit	567	2,453	2,286	Revenue leveraging lower fixed cost basis
Gross Margin	1.4%	5.6%	4.9%	Margin expansion with volume increase, lower fixed cost, operating efficiencies; Q2 margins reflect mix
EBITDA[(1)]	1,259[(2)]	2,431	3,660	Restructuring, LEAN/CI and mix drives results
EBITDAR[(1)]	1,896[(2)]	2,844	3,850	

(1) EBITDA & EBITDAR – *Please refer to the Company's website regarding the presentation of these non-GAAP measures.*

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

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Q2 Financial Results – Aerospace & Defense

($ in thousands)

	2Q09	**2Q10**	**Fav/ (Unfav)**	**Highlights**
Revenue	32,437	16,535	(15,902)	Exit of low-margin legacy programs; Delay of government program shipments
Gross Profit	6,073	2,645	(3,428)	Delay of government program shipments
Gross Margin	18.7%	16.0%	(2.7)%	Margins to expand once government program shipments resume in Q3
EBITDA *(1)*	2,663	(840)	(3,503)	Delay of government program shipments
EBITDAR *(1)*	2,934	(28)	(2,962)	

(1) EBITDA & EBITDAR – *Please refer to the Company's website regarding the presentation of these non-GAAP measures.*

Q2 Summary

- Gross margins increased to 7.8% of revenue, up from 6.4% in the second quarter of last year, despite a 9.0% decrease in revenue:
  - Underscores the impact of the necessary restructuring and cost actions undertaken last year to make meaningful, lasting changes to our cost structure
  - Positions both business segments to capitalize on the improving economy
- The financial performance in Q2 substantiates this conclusion:
  - The $5.6 million comparable period increase in EBITDA on $9.6 million of revenue growth for Industrial was extremely meaningful
  - The maintenance of 16% gross margins for A&D during the period of program shipment suspension provides an important insight into its future earning potential
- Our journey in the adoption of LEAN, Continuous Improvement and Six Sigma tools and methodologies have clearly had a substantial impact on costs, quality and customer relationships
- Continued progress made during the quarter and while much works remains, we are committed to even stronger performance during the coming quarters and years

Focused On Improving Our Financial Performance During The 2nd Half