Driving Change

Fourth Quarter and Full-Year 2011 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: declining revenues in our aerospace and defense business lines as we transition from legacy products and services into new market segments and technologies; dependence on, recruitment or retention of key employees; reliance on major customers or suppliers, especially in the automotive or aerospace and defense electronics sectors; 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; our inability to successfully launch or sustain new or next generation programs or product features, especially in accordance with budgets or committed delivery schedules; 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); 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; 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; 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; 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.*

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Table of Contents

SYPRIS SOLUTIONS

Overview

- **Key Highlights for Q4**
  - Revenue increased 24.3% to $83.6 million for the fourth quarter, up from $67.2 million in the fourth quarter of the prior year period, driven primarily by a 51.3% revenue increase for our Industrial segment.
  - Gross profit increased 19.1% to $8.7 million, up from $7.3 million in the fourth quarter of last year, reflecting the impact of increased volumes and the benefits of our Lean/continuous improvement efforts.
  - Net income improved to $1.3 million, or $0.07 per diluted share for the quarter, up from a loss of $1.6 million, or $0.09 per share for the prior year period.
  - Free cash flow for the quarter increased to $4.8 million, or $0.25 per share, up from $0.7 million, or $0.04 per share for the fourth quarter of last year.
  - Net cash increased to $11.2 million in the fourth quarter, up $14.9 million from the year earlier net debt position of $3.7 million.
  - Key balance sheet productivity metrics continued to improve, with inventory turns and working capital turns improving on a year-over-year and sequential basis.

Overview

- **Key Highlights for 2011**
  - Operating results for the year improved dramatically when compared to 2010 despite the headwinds in our A&D segment. More specifically:
    - Revenue increased 25.9% to $335.6 million, up almost $70 million from the prior year.
    - Gross profit increased 41.5% to $35.2 million, up from $24.9 million in 2010, while gross margin expanded to 10.5%, up from 9.3% for 2010.
    - Net income increased to $7.9 million, reflecting an $18.1 million improvement over 2010 and resulted in earnings per diluted share of $0.40 for the year compared to a loss of $0.55 per share for 2010.
    - Cash flow from operations increased to $17.0 million, up from $1.7 million for 2010, while free cash flow increased to $10.1 million, or $0.53 per share.
    - EBITDA increased to $27.0 million, up from $8.4 million for 2010.
    - Profit conversion on incremental revenue for our Industrial Group exceeded 22% on a year-over-year basis.

Overview

- **Key Highlights for 2011**
  - The Company positioned itself well for additional growth in 2012:
    - Our Industrial Group entered into new multi-year supply contracts with Dana, Eaton, Meritor, Sisamex and others to add an estimated $30 million annually to the Company's top line beginning in 2012, thereby positioning the business to grow faster than the markets it serves.
    - Our Electronics Group added new programs during the year with ITT, L-3 Communications, Tyco, Lockheed Martin and Northrop Grumman that should provide some important offset to the reduced funding we have seen from our traditional government customers.
  - We continued to invest to support the futures of both segments:
    - Invested extensively in robotics to drive improvements in quality, reliability, cycle time and efficiency for our Industrial Group.
    - Invested in additional capacity to insure our ability to meet the growing needs of our customers for driveline components during 2012 and beyond.

Overview

- **Key Highlights for 2011**
  - Invested in R&D to further the development of a centralized cryptographic key management system to protect the Smart Grid from cyber attacks for the Department of Energy.
  - Invested in the continued development of advanced prototypes for an application-based, secure handheld device that will integrate secure data functions and mission tools utilizing an Android architecture.
  - 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.
  - We continued to invigorate and promote employee awareness on healthcare and wellness, contributing to a 17% reduction in healthcare costs on a year-over-year basis.
  - And finally, our people simply did an excellent job in executing on a wide range of challenging fronts to restore our Company to profitability.

Aerospace & Defense

- **Key Highlights**
  - Revenue declined to $11.4 million for the quarter, a level that was $3.4 million below our internal projections and $8.1 million less than the prior year period.
    - The shortfall to our internal outlook was driven by delays in product certification and customer witness testing at year-end. These products have since been approved and shipped in the first quarter of 2012.
  - The shortfall resulted in $3.0 million less in profit than anticipated, as revenue and overhead absorption fell below breakeven levels. Gross margin was 4.5% for the quarter compared to 27.6% for the prior year period and 18.0% for the third quarter of 2011.
  - Adjustments have been made to realign our cost structure to remain profitable in this dynamic environment. It is important to note that these changes did not impact our investments in R&D, which we plan to increase by 35% in 2012.
  - Despite the difficult quarter financially, orders for this segment increased 23% when compared to the prior year quarter, thereby providing support for an improved 2012.

Aerospace & Defense

- **Outlook**
  - We expect that in hindsight, the fourth quarter of 2011 will turn out to be the trough for this segment. For 2012, we expect to see sequential growth from this low point as we move throughout the year.
    - Our recently-developed cyber range test bed and related training services are receiving a great deal of interest from countries in Southeast Asia and the Middle East.
    - We have received certification as a Trusted Source manufacturer, which further consolidates our high assurance pedigree for key EDMS customers such as Lockheed Martin, Northrop Grumman, BAE and others.
    - We are making important progress with the development of an agile key management system for the Department of Energy to be used in the protection of the Smart Grid from potential cyber attacks.
    - We believe that the upcoming rationalization of defense spending will result in more opportunities for products that offer common platforms, and lead to a reallocation of resources into cyber defense and modernization efforts to extend the life of currently deployed equipment.

Industrial

- **Key Highlights**
  - Revenue increased 51.3% to $72.2 million for the fourth quarter, up from $47.7 million for the prior year period, driven by the continued recovery of the commercial vehicle and trailer markets.
  - Gross profit increased 325.1% to $8.2 million from $1.9 million in the fourth quarter of 2011, reflecting a rate of profit conversion on incremental revenue growth of 25.6%.
  - Gross margin expanded to 11.4% of revenue, which was more than double the gross margin for the prior year period, reflecting higher sales volumes, cost structure improvements and productivity improvements.
  - Investments in preventive maintenance, equipment repair and training continued to pay dividends, as key metrics for equipment uptime, quality, on-time delivery and inventory turns exceeded expectations.
  - We initiated investments in additional capacity that when completed in 2012, will help to insure that we can continue to meet the needs of our growing customer base smoothly and effectively.

Industrial

- **Market Outlook**
  - The outlook for heavy-duty vehicle and trailer production continues to be positively impacted by a number of factors, including a favorable freight environment, the age of the fleets, healthy fleet profitability, rising used equipment valuations, improved credit availability and new regulatory factors.
  - The outlook for heavy-duty production in 2012 currently assumes a level loading of production from 4Q11 through 4Q12 – providing potential for margin growth.

Outlook	2011	2012	Δ	2013	Δ
Medium-Duty	148,143	164,247	10.9%	191,357	16.5%
Heavy-Duty	254,994	291,913	14.5%	292,715	0.3%
Trailer	216,859	256,733	18.4%	271,200	5.6%

Average of ACT Research and FTR Associates outlooks dated March 2012.

  - Quoting activity for new business remains brisk, with the opportunity to layer in additional organic growth for 2013 and beyond.

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Q4 Financial Results – Aerospace & Defense

($ in thousands)

	4Q11	4Q10	Δ	Highlights
Revenue	11,357	19,494	(41.7%)	Delayed certification and other funding issues
Gross Profit	507	5,381	(90.6%)	Decrease in revenue below breakeven
Gross Margin	4.5%	27.6%		
EBITDA [(1)]	(2,559)	1,432	(278.7%)	Lower volumes drive unfavorable results

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

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2011 Financial Results – Aerospace & Defense

($ in thousands)

	2011	2010	Δ	Highlights
Revenue	62,320	75,500	(17.5%)	Completion of 2010 programs; Congress funding
Gross Profit	7,886	15,893	(50.4%)	Decrease in revenue; unfavorable mix
Gross Margin	12.7%	21.1%		Q4 results below breakeven
EBITDA [(1)]	(3,798)	4,014	(194.6%)	Lower volumes and change in mix drive unfavorable results

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

Q4 Financial Results – Industrial

($ in thousands)

	4Q11	4Q10	Δ	Highlights
Revenue	72,223	47,739	51.3%	Heavy truck, trailer volumes up over last year
Gross Profit	8,200	1,929	325.1%	Volumes and productivity
Gross Margin	11.4%	4.0%		
EBITDA [(1)]	9,215	2,962	211.1%	Increased revenue and productivity improvements drive significant benefits

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

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2011 Financial Results – Industrial

($ in thousands)

	2011	2010	Δ	Highlights
Revenue	273,305	191,154	43.0%	Commercial vehicle and trailer market growth
Gross Profit	27,343	9,002	203.7%	Volume; productivity; lower fixed costs
Gross Margin	10.0%	4.7%		Leverage exists with continued market recovery
EBITDA (1)	39,202	12,303	218.6%	Positive conversion on incremental revenue

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

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Q4 Financial Results – Consolidated

($ in thousands)

	4Q11	4Q10	Δ	Highlights
Revenue	83,580	67,233	24.3%	SIG revenue growth of 51%
Gross Profit	8,707	7,310	19.1%	Conversion on increased revenues; Lean/CI
Gross Margin	10.4%	10.9%		
EBITDA [(1)]	4,563	2,376	92.0%	Increased revenue and productivity improvements drive significant benefits

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

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2011 Financial Results – Consolidated

($ in thousands)

	2011	2010	Δ	Highlights
Revenue	335,625	266,654	25.9%	SIG improvement offset by lower A&D revenue
Gross Profit	35,229	24,895	41.5%	Profitable conversion on increased SIG revenue
Gross Margin	10.5%	9.3%		
EBITDA (1)	27,004	8,399	221.5%	Positive conversion on incremental revenue offset somewhat by A&D headwinds

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

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2011 Summary

- Revenue and gross profit for 2011 increased 26% and 42%, respectively, from the prior year, reflecting strong conversion on incremental Industrial Group revenue driven by our reduced cost structure and sustained operational performance.
- Earnings for the year increased to $0.40 per diluted share, up from a loss of $0.55 per share for 2010.
- Cash flow from operations increased to $17.0 million during the year, up from $1.7 million for 2010, while free cash flow increased to $10.1 million, or $0.53 per diluted share.
- Our Industrial Group is well-positioned for continued double digit growth in 2012, while our Electronics Group is expected to post a progressive recovery during the year.
- We will increase our investment in R&D and engineering support by 35% in 2012 to continue the development of several focused, high-assurance information security solutions to address the rapidly expanding global Cyber challenge.
- Our team remains focused on increasing the rate of profit conversion, thereby driving further margin expansion and increased earnings in 2012.

Q & A Session