# Fourth Quarter and Full-Year 2008 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; our ability to liquidate our equity interests in Dana Holding Corporation at satisfactory valuation levels; potential impairments, non-recoverability or write-offs of goodwill, assets or deferred costs, including deferred tax assets in the U.S.; fees, costs or other dilutive effects of refinancing, compliance with covenants in, or acceleration of, our loan and other debt agreements; costs and inefficiencies of restructuring our manufacturing capacity; 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 (including the possibility that our common stock could cease to qualify for listing on the NASDAQ Stock Market due to a sustained decline in prices per share, or that any reverse stock split or other restructuring of our debt or equity financing could be accompanied by the deregistration of our common stock or other "going private" transactions); 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, creditor, stockholder, product liability, asbestos-related 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

- Very challenging period, especially for our Industrial Group
- Rapid contraction of the economy impacted truck and automotive sectors
- Continued growth in Electronics Group helped to offset the effects
- Key items of note:
  - Responded aggressively to right size workforce
  - Aerospace & Defense orders up 37% for the quarter
    - Ramped up new program for Bradley Fighting Vehicle
    - Achieved full production levels on classified secure communications program
  - Test & Measurement growth topped 7%
  - Electronics Group accounted for 50% of portfolio revenue
  - Successfully exited Ford contract, reducing automotive to less than 3% of sales

**Challenging Quarter – Important Progress Made**

# Overview

- Key items of note:
  - Important progress made on execution of strategic initiatives
    - Relocation of production initiated from two plants
    - $45 million of charges incurred
      - Asset impairments, contract termination, severance, environmental, etc.
      - $1.9 million of cash required in Q4
    - $25 million expected annual benefit
  - $67 million of non-cash charges to impair value of marketable securities
    - 3.7 million shares of Dana common stock revalued to $0.74 per share
    - Future sale above $0.74 to be recorded as profit
- Plans in place to address 2009
  - If a change is dictated, we will respond early and aggressively

**Challenging Quarter – Important Progress Made**

# Initiatives Update

- Objectives
  - Eliminate unnecessary waste
  - Reduce fixed overhead
  - Accelerate, where possible, integration efficiencies
  - Eliminate roadblocks to consolidation savings
- Key Components
  - Facilities Rationalization
  - Operational Efficiencies
  - Product Costing
  - Quality
- Expected Outcome
  - $25 million of annual savings
  - Reduced earnings volatility and risk

**Executing with a Sense of Urgency and Purpose**

# Status

| | Annual Savings | | Status | Completion Date |
|---|---|---|---|---|
| Facilities Closings | $ | 12.5 | Underway | Q2; Q4 |
| Operational Efficiencies | | 7.5 | Underway | Q3 |
| Product Costing | | 3.0 | Achieved | Q1 |
| Quality | | 2.0 | Underway | Q4 |
| Total Savings | $ | 25.0 | | |

**$25 Million of Annual Cost Savings**

# Implementation Budget

| | |
|---|---|
| • 2008 - 2010 Budget | **Outlook** |
| – $6.0 million of capital investment | |
| • PP&E, etc. | **On Plan** |
| – $16.0 million of cash expense | |
| • Severance and transfers | **Positive** |
| • Equipment relocations | **Positive** |
| • Environmental | **Positive** |
| – Non-cash charges under review | |
| • Property, plant & equipment | **95%** |
| • Program reviews and exits | **Complete** |
| • Inventory | **Complete** |
| • Goodwill | **Complete** |

**Outlook Positive to Plan – Possible $7.0 Million Savings**

# Expected Results

- Elimination of three facilities with a total of 830,000 square feet
  - Industrial Group
    - 40% reduction in facilities and overhead
    - 20% reduction in the average cost of direct labor
- Net headcount reductions of close to 200 people, or 12.5% of domestic workforce
- No expected loss of market share or top line
- Cost competitiveness of business model increased significantly
- Restructuring costs funded substantially by internal cash flow
- 75%, perhaps more, of the benefits expected to be realized as early as 2010

**Ahead of Plan in Terms of Execution and Cost**

# Industrial Group

- 2009 Market Conditions
  - Remain extremely challenging
  - Economy and credit crisis impacting demand for commercial vehicles and trailers
  - Truck and trailer production forecasts and volatility show weakness

**ACT Production Forecast**

| | | 2009 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Q4** | **Q1** | **Change** | **Q2** | **Change** | **Q3** | **Change** | **Q4** | **Change** |
| Class 5-7 | 32,151 | 24,931 | -22.5% | 29,786 | 19.5% | 37,987 | 27.5% | 38,512 | 1.4% |
| Class 8 | 47,153 | 29,056 | -38.4% | 28,347 | -2.4% | 39,050 | 37.8% | 46,571 | 19.3% |
| Total | 79,304 | 53,987 | -31.9% | 58,133 | 7.7% | 77,037 | 32.5% | 85,083 | 10.4% |
| Trailers | 32,486 | 22,653 | -30.3% | 24,845 | 9.7% | 25,048 | 0.8% | 23,414 | -6.5% |

**Forecast Volatility: Class 8**

| | 2009 | | | |
|---|---|---|---|---|
| | **Jan** | **Feb** | **Mar** | **Q1** |
| Oct Outlook | 17,323 | 17,095 | 18,590 | 53,008 |
| Actual | 10,166 | 9,391 | 9,499 | 29,056 |
| Change | -41.3% | -45.1% | -48.9% | -45.2% |

| | 2009 | | | |
|---|---|---|---|---|
| | **Apr** | **May** | **Jun** | **Q2** |
| Dec Outlook | 13,724 | 13,297 | 14,447 | 41,468 |
| Feb Outlook | 9,361 | 9,633 | 9,353 | 28,347 |
| Change | -31.8% | -27.6% | -35.3% | -31.6% |



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# Industrial Group

- Plans in place to manage difficult 2009
  - Complete closure of two plants – 40% of rooftops
  - Manage material deliveries to insure inventory alignment
  - Reduce workdays, combine with periodic shutdowns to retain workforce
  - Drive continuous improvement to increase efficiencies
  - Closure of plants, combined with other initiatives, dramatically reduces the breakeven point and positions the business to return to profitability
- Longer term outlook for heavy vehicles defines recovery
  - Up 32% in 2010 and 43% in 2011 – albeit from low levels
  - When occurs, operational leverage expected to be substantial
- Management team doing a terrific job under extremely challenging circumstances

**2009 Defines Cyclical Low – Expect Profitability in 2010**

# Electronics Group

- Market Conditions
  - Remain positive
  - Expect opportunities to increase across the board
- Items of Note:
  - The Electronics Group represented 41% of revenue in 2008, compared to 36% and 27% for 2007 and 2006, respectively
  - Aerospace & Defense
    - 8% increase in engineering services
    - 52% increase of classified secure communications product
    - 121% increase in satellite-based electronics assemblies
    - LEAN initiatives continued to attack costs and drive improved efficiencies
    - Consolidation and integration of Data Systems substantially underway
    - Business activity is increasing

# Electronics Group

- Items of Note:
  - Aerospace & Defense
    - Expect 2009 growth for several key programs
      - Apache helicopter
      - F-16 Fighting Falcon
      - Cobra Judy ship-based radar missile detection suite
      - Viper multi-band infrared missile defense laser
      - Bradley Fighting Vehicle turret management control system
      - Introduction of new classified secure communications device
    - Effectively replaces volume associated with programs exited during 2008
    - Remain optimistic – biometric applications for existing products; participation in the emerging cyberspace initiative for our nation’s National Infrastructure Protection Plan

# Electronics Group

- Items of Note:
  - Test & Measurement
    - Year-over-year increase in sales for all business lines
    - Extended calibration services contract with FAA into 2013
      - Over 400 airports in US, Caribbean and Guam
    - Expanded calibration operations into Guadalajara, Mexico
    - New contract awards from EF Johnson, Honeywell, Northrop Grumman, Raytheon and SAIC, among others
    - 34% increase in instrument sales used for maintenance of military vehicles
      - Development of wireless alternative expected to generate more volume
    - Completed development of and submitted patent for device to be embedded in medical diagnostic equipment
    - For 2009, plan to expand onsite calibration services, introduce new line of wireless products and develop new sensor for alternative energy programs

# Financial Review – Q4 2008 Results

| ($ in thousands) | Q4 Ended December 31, 2008 | Q4 Ended December 31, 2007 |
|---|---|---|
| **Revenue** | $ 94,549 | $ 103,709 |
| **Gross Profit** | 1,711 | 9,616 |
| **SG&A** | 9,965 | 10,777 |
| **R&D** | 1,175 | 820 |
| **Amortization** | 42 | 70 |
| **Operating Loss** (Before Special Charges/Non-Cash Impairments) | (9,471) | (2,051) |
| **Impairment Of Marketable Securities** | (66,758) | - |
| **Nonrecurring Expense, Net Of Tax** | (44,431) | (25) |
| **Impairment Of Goodwill** | (440) | - |
| **Net Loss** (Including Special Charges/Non-Cash Impairments) | (122,250) | (2,230) |

# Financial Review – Full Year 2008 Results

| ($ in thousands) | Years Ended December 31, 2008 | 2007 |
|---|---|---|
| **Revenue** | $ 411,318 | $ 435,915 |
| **Gross Profit** | 32,169 | 39,796 |
| **SG&A** | 41,450 | 40,517 |
| **R&D** | 4,197 | 2,821 |
| **Amortization** | 213 | 527 |
| **Operating Loss** (Before Special Charges/Non-Cash Impairments) | (13,691) | (4,069) |
| **Impairment Of Marketable Securities** | (66,758) | - |
| **Nonrecurring Expense, Net Of Tax** | (45,086) | 1,530 |
| **Impairment Of Goodwill** | (440) | - |
| **Net Loss** (Including Special Charges/Non-Cash Impairments) | (130,556) | (2,139) |



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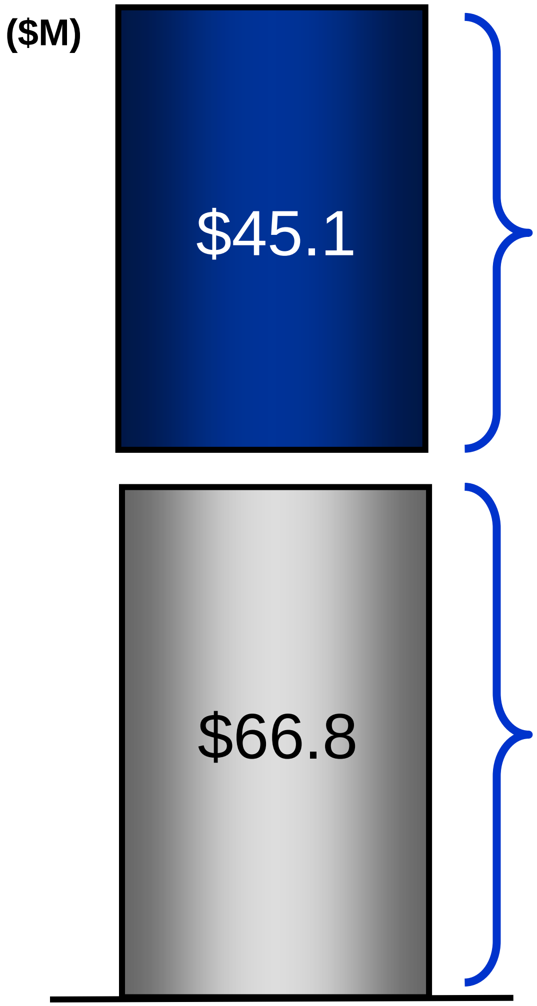
# Financial Review – 2008 Charges




### Nonrecurring Charges:

- Non-cash impairments and other special charges
  - Deferred contract costs
  - Asset/Inventory related impairments
- Severance and benefit related costs
- Contract termination costs
- Asset retirement obligations

### Non-cash Marketable Security Impairment:

- Dana stock price decline from book value “other-than-temporary” under SFAS 115 (12/31/08 = $ 0.74/share)
- Non-cash impairment recorded in Q4
- Future sale above $0.74/share could result in a gain



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# Financial Review – Lean/Productivity

| Key Initiatives | ($ in millions) | 12/31/07 | 12/31/08 | % Change |
|---|---|---|---|---|
| • *Net Working Capital*<br>• *Lean/Six Sigma* | **Accounts Receivable** | $ 59.1 | $ 44.7 | (24%) |
| | **Inventory** | $ 71.8 | $ 48.4 | (33%) |
| | **Accounts Payable** | ($54.1) | ($44.6) | (18%) |
| • *SIG and A&D Segment Restructurings*<br>• *A&D Lean Implementation* | **Total Headcount** | 2,149 | 1,870 | (13%) |

**Restructuring and Lean/Productivity Initiatives Driving Improvements**

# Summary

- Important achievements made in 2008 despite very difficult climate
- Electronics business is poised for continued expansion, while plans are in place to address the volatility of the truck and trailer markets
  - Additional changes will be made as and when required
- Strategic restructuring initiatives are ahead of plan in terms of execution and cost
  - Expect to be completed this year with 75% to 80% of benefits realized in 2010
- 2009 expected to be difficult as well, but when measured in terms of potential accomplishments – and the impact on the business going forward – it positions us to deal with the prevailing market conditions and its unknowns

## Earnings Conference Call

# Q&A Session