



2016 First Quarter Earnings Conference Call

May 18, 2016

Jeffrey T. Gill
President & CEO

Anthony C. Allen
Vice President & CFO

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 risks and uncertainties, as detailed in our most recent Form 10-K and Form 10-Q and other SEC filings. Briefly, we currently believe that such risks also include the following: our failure to develop and implement plans to mitigate the impact of loss of revenues from Dana or to adequately diversify our revenue sources on a timely basis; orders received may be cancelled or delayed by our customers, and even if we have a contractual right to manufacture and ship such orders, we must balance such rights against our longer term customer relationships; reliance on major customers or suppliers, including the renewal of significant contracts or the continued provision of trade credit terms despite concerns about our financial condition or liquidity; declining markets or market share in our commercial vehicle and energy-related product lines, especially as we attempt to transition from legacy products and services into new market segments, customers and technologies; the fees, costs and supply of, or access to, debt, equity capital, or other sources of liquidity, including the potentially material costs of our compliance with covenants in, or the potential default under or acceleration of, our new credit facilities; volatility of our customers' forecasts, scheduling demands and production levels which negatively impact our operational capacity and our effectiveness to integrate new customers or suppliers; dependence on, retention or recruitment of key employees especially in challenging markets; the cost, quality, timeliness, 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 lessor, supplier, customer, employee, landlord, creditor, stockholder, product liability or environmental claims; our ability to successfully develop, launch or sustain new products and programs; inventory valuation risks including excessive or obsolescent valuations; potential impairments, non-recoverability or write-offs of assets or deferred costs; our inability to successfully complete definitive agreements for our targeted acquisitions or divestitures due to negative due diligence findings or other factors; the costs of compliance with our auditing, regulatory or contractual obligations; our inability to patent or otherwise protect our inventions or other intellectual property from potential competitors; our reliance on third party vendors and sub-suppliers; adverse impacts of new technologies or other competitive pressures which increase our costs or erode our margins; cost and availability of raw materials such as steel, component parts, natural gas or utilities; regulatory actions or sanctions (including FCPA, OSHA and Federal Acquisition Regulations, among others); potential weaknesses in internal controls over financial reporting and enterprise risk management; U.S. government spending on products and services that Sypris Electronics provides, including the timing of budgetary decisions; 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; pension valuation, health care or other benefit costs; labor relations; strikes; union negotiations; cyber security threats and disruptions; changes or delays in customer budgets, funding or programs; 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, or political uncertainty; unanticipated or uninsured disasters, losses or business risks; inaccurate data about markets, customers or business conditions; or unknown risks and uncertainties. There can be no assurance that our expectations, projections or views expressed in any forward-looking statements will come to pass, and undue reliance should not be placed on these forward-looking statements. We undertake no obligation to update these statements, except as required by law.

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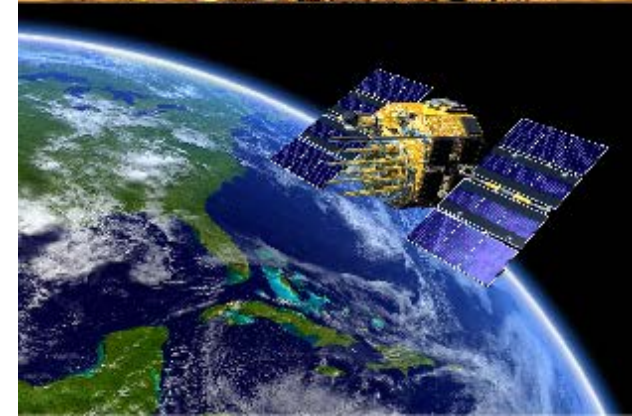
- Overview
- Segment Review
 - Sypris Electronics
 - Sypris Technologies
- Financial Review
- Summary
- Q&A Session

Overview



Q1 Highlights

- Q1 marked significant, continued improvement over the prior year comparable period, despite softness in the commercial vehicle market
 - Revenue decline reflects impact of CV market, inventory rebalancing and divested operations
 - Gross profit increased \$3.9 million
 - Gross margin improved to 2.7%
- Sypris Electronics booked \$29.0 million in multi-year orders as compared to \$4.6 million in Q1 2015
- Sale-Leaseback transaction completed for underutilized Toluca facility, generating gross proceeds of \$12.2 million
- Revolving credit facility amended to provide additional liquidity
- Adjusted net debt reduced to \$15.4 million in Q1 from \$18.0 million at the end of 2015



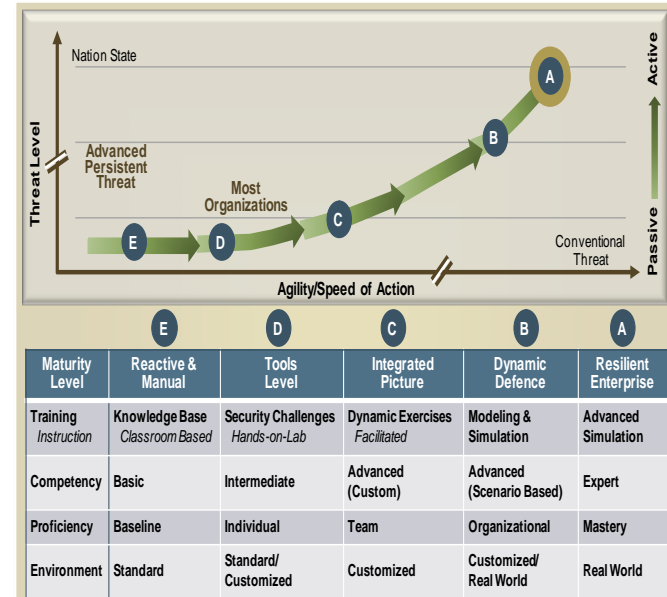
Q1 Highlights

- Financial Results
 - Revenue increased 2% from 1Q16
 - Gross profit was \$1.4 million compared to \$0.9 million for the prior year period
 - Gross margin improved to 15.2% from 10.6% for the prior year period
- \$29.0 million of multi-year orders booked during the first quarter
 - \$13.8 million purchase order for circuit card assemblies for a US Armed Services program
 - \$5.0 million engineering services contract for a defense program
 - \$4.1 million of encryption cards
 - Received Cyber Range order for Kyushu University



Outlook

- Exploring additional business models for the Range to further expand penetration in a variety of markets
- Continued commercialization advancements made with patented SiOMetrics™ identity authentication security solution
- We remain committed to improving our portfolio through diversification, achieving a better hardware/software balance
- Progress within the Cyber Range and SiOMetrics™ platforms represents an important step to achieve margin expansion
- Performance
 - Targeted top line expansion for 2016, with margins reflecting the positive impact of new products, technologies and engineering services
 - Q1 represented a solid start



SYPRIS HIGH ASSURANCE CYBER-MILITARY SYSTEMS SOLUTION

CORRECTNESS

- Code Synthesis
- Control Synthesis
- Formal Methods

SECURITY & SAFETY

- NSA Proven Security
- Advanced Vulnerability Analysis
- Proven Safety Methods

Inboard Eaves

- Active
- Control
- Passive

Outboard Eaves

- Active
- Control
- Passive

Spoiler

- Active
- Control
- Passive

Decoy/Countermeasures

Q1 Highlights

- Financial Results
 - Sales declined from the prior year, reflecting the softness in the commercial vehicle market, inventory rebalancing and the divestiture of non-core operations
 - Gross profit increased by \$3.4 million, 84% to a loss of \$0.7 million versus a loss of \$4.1 million in 1Q15
- Reductions in SG&A and labor expense implemented during Q1
- Toluca sale-leaseback completed during Q1, generating gross proceeds of \$12.2 million
- The preparation for new production launches remains quite active, with over 100 part numbers in queue for PPAP
- Global energy market beginning to stabilize



Outlook

- Markets
 - 2016 Class 5-8 commercial vehicle production is forecast to fall 14% versus 2015 (ACT Research May 2016)
 - Light vehicle market remain positive
 - Oil and gas outlook appears to be stabilizing as oil prices show signs of recovery and domestic pipeline projects continue to be active
- Our Priorities are Clear
 - Complete the launch of the Sypris Ultra™ series light-weight axle shaft with a key customer
 - Continue the ramp up of new programs successfully
 - Close on new business that can utilize our productive capacity in Toluca, Mexico
 - Continue to aggressively monitor costs to match revenue profile





Financial Review First Quarter 2016

May 18, 2016

Anthony C. Allen
Vice President & CFO

Consolidated Financial Results



\$ millions

	2016 Q1	2015 Q1	Change
Net Revenue	\$ 26.9	\$ 37.0	\$ (10.1)
Gross Profit	\$ 0.7	\$ (3.2)	\$ 3.9
EBITDA ⁽¹⁾	\$ (2.3)	\$ (10.5)	\$ 8.2
Adjusted Net Debt ⁽²⁾	\$ 15.4	\$ 16.5	\$ (1.1)

- Revenue declines for Q1 driven by the divestiture of the non-core trailer axle business in Morganton and softness in the commercial vehicle market for Technologies
- Revenue for Electronics increased \$0.2 million or 2% over 2015
- Gross profit for Q1 increased despite lower revenue, primarily due to improved product mix for Electronics and cost reductions at Technologies
- SG&A declined \$2.6 million or 29% from the prior year
- EBITDA improved \$8.2 million over 2015

Notes:

(1) EBITDA for Q1 2016 includes a \$2.4 million gain on the Toluca sale-leaseback, offset by a \$0.5 million reserve of estimated exit costs for our Tampa facility

(2) Adjusted Net Debt for Q1 2016 includes a \$3.3 million capitalized lease obligation

Segment Performance



\$ millions

	Sypris Technologies			Sypris Electronics		
	2016 Q1	2015 Q1	Change	2016 Q1	2015 Q1	Change
Net Revenue	\$ 17.8	\$ 28.1	\$ (10.3)	\$ 9.1	\$ 8.9	\$ 0.2
Gross Profit (Loss)	\$ (0.7)	\$ (4.1)	\$ 3.4	\$ 1.4	\$ 0.9	\$ 0.5
EBITDA	\$ 0.3	\$ (7.3)	\$ 7.6	\$ (0.3)	\$ (1.4)	\$ 1.1

Net Revenue

- ST decrease attributable to commercial vehicle market softness and the divestiture of the non-core trailer axle business
- SE increase reflects favorable change in mix with the commissioning of Cyber Ranges and increase in product sales partially offset by a decrease in electronic manufacturing services

Gross Profit (Loss)

- ST increase reflects reductions in cost structure and productivity improvements
- SE increase includes change in revenue mix, with increased Cyber and product sales

EBITDA

- ST increase reflects lower cost structure and gain on Toluca sale-leaseback
- SE increase reflects impact of gross profit improvement and reduction in selling expenses

Summary



- Revenue for the Company was \$26.9 million, reflecting a reduction in demand for commercial vehicles, the rebalancing of inventory by certain customers and the divestiture of the non-core trailer axle business
- The Company's gross margin increased to 2.7% of revenue, up from a loss of 8.5% for 1Q15, primarily reflecting the adjustment in our fixed overhead structure within Sypris Technologies and an improvement in product mix within Sypris Electronics
- EBITDA increased \$8.2 million from Q1 2015, primarily reflecting improved gross profit, lower SG&A expense and the gain on the sale-leaseback of our Toluca real estate
- The Company generated \$12.2 million in gross cash proceeds through the sale-leaseback of underutilized assets in Toluca, Mexico
- First quarter 2016 orders for Sypris Electronics were \$29.0 million compared to \$4.6 million in 2015, an increase of \$24.4 million, providing important support for the balance of 2016 and 2017
- We will continue working to control costs while taking actions to rebuild and diversify our customer base



Question and Answer Session Q1 Earnings Conference Call

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