



2016 Second Quarter Earnings Conference Call

August 17, 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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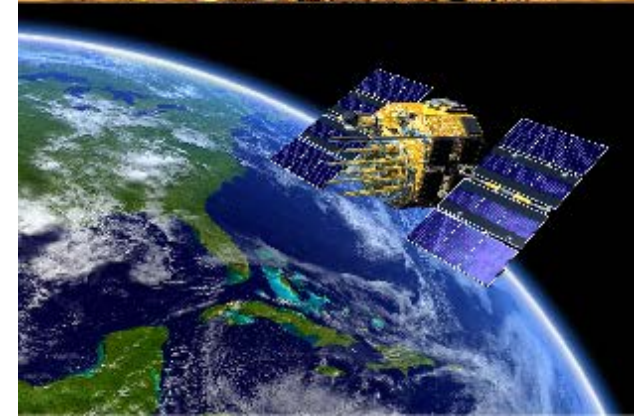
- Overview
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Overview



Q2 Highlights

- Q2 marked continued improvement over the prior year comparable period, despite softness in the commercial vehicle market
 - Revenue for the Company was \$23.5 million, reflecting a reduction in demand for Class 8 vehicles
 - Gross profit increased \$0.8 million, reflecting an improvement in product mix within Sypris Electronics
 - Gross margin for Sypris Technologies improved sequentially despite a 17% reduction in revenue
 - Revenue for Sypris Electronics remained flat while gross profit increased \$1.6 million from the second quarter of 2015
 - Sypris Electronics entered into a new manufacturing facility lease agreement, which is expected to significantly reduce its operating costs beginning in 2017

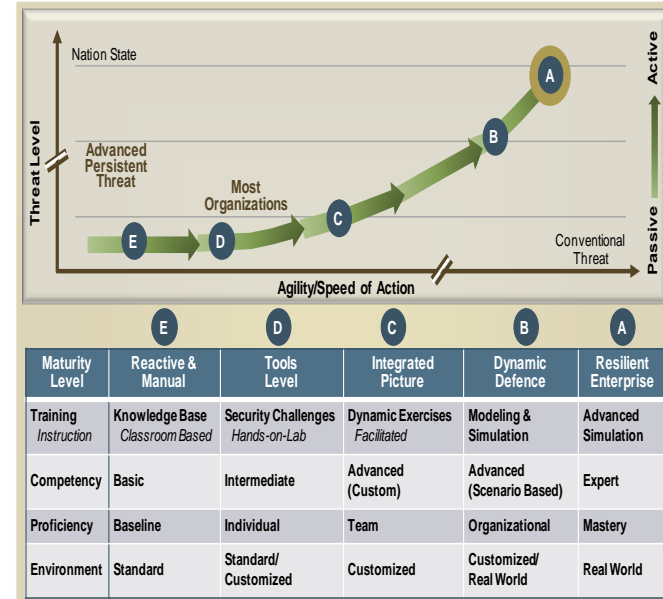


Transaction



Highlights

- Announced the sale of the Cyber Security Solutions business of Sypris Electronics to Analog Devices, Inc. for \$42 million
- The business is a long-time supplier of secure communications equipment, identity authentication, key management and encryption services for various agencies of the US Government and its foreign allies
- Proceeds from the sale after expenses and escrow are expected to be in the range of \$37.5 million and will be used to reduce debt and reinvest in the Company going forward
- The all-cash transaction was structured as a purchase of assets, excluding most working capital, and included all intellectual property and know-how associated with the SiOMetrics™, Sypher™, the Sypris Cyber Range and the Data Systems product line



SYPRIS HIGH ASSURANCE CYBER-MILITARY SYSTEMS SOLUTION

The infographic displays several key components of the solution:

- CORRECTNESS:** Code Synthesis, Control Synthesis, Formal Methods.
- SECURITY & SAFETY:** NSA Proven Security, Advanced Vulnerability Analysis, Proven Safety Methods.
- Inboard Elements:** Actuator, Controller, Sensor, Countermeasures.
- Outboard Elements:** Actuator, Controller, Sensor, Countermeasures.
- Splicer:** Actuator, Controller, Sensor, Countermeasures.
- Demom/Control/Countermeasures:** Actuator, Controller, Sensor, Countermeasures.

At the bottom, logos for SYPRIS, MOOG, APPLIED COMMUNICATION SCIENCES, PURDUE UNIVERSITY, and MIT are displayed.

Transaction

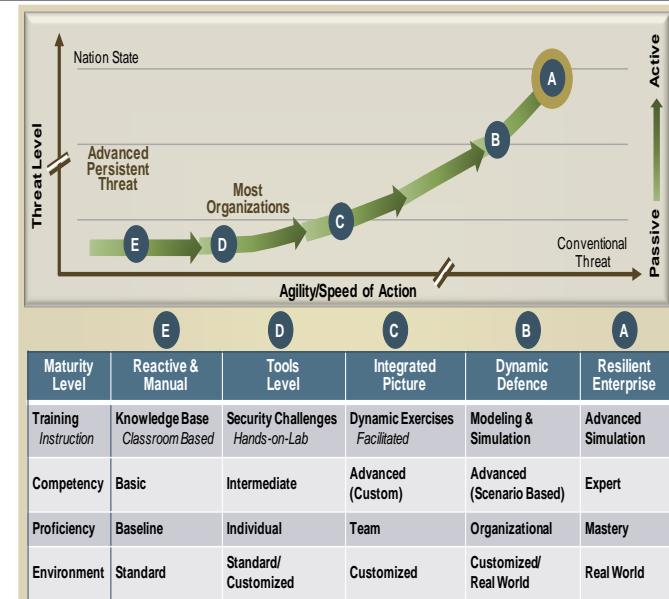


- Approximately 67 people will transfer to ADI, but are expected to remain in their existing geographic locations of Tampa, Florida; Columbia, Maryland; West Lafayette, Indiana; and Copenhagen, Denmark
- The transaction includes a long-term supply agreement between Sypris and Analog under which Sypris will continue to build circuit card assemblies for the product lines being purchased by ADI
- Outcome
 - ADI will have the ability to accelerate the introduction of our ground-breaking cybersecurity technologies into a variety of automotive, industrial, aerospace, healthcare, IoT and safe cities applications
 - Sypris will now move forward with a strong, liquid balance sheet, reduced costs and a refined focus on providing manufacturing services
 - A big win for all parties



Outlook

- Sypris will retain its core trusted manufacturing operations in Tampa, Florida with plans to relocate the business into a smaller manufacturing footprint prior to year end with approximately 130 employees
- Core focus on providing electronic manufacturing and design support services to customers in the aerospace, defense, medical and severe environment markets
- The trusted manufacturing business is a long-time provider of manufacturing and engineering services to customers such as Harris, Lockheed Martin, Northrop Grumman, Rockwell Collins, TE SubCom and now Analog Devices
- The business has a strong backlog and a bright future
 - 2Q16 backlog of \$26.8M versus \$8.7M for 2Q15



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 Emission

Outboard Emission

Spiller

Electronic Countermeasures

Outlook

- Markets
 - 2016 Class 8 commercial vehicle production is forecasted to fall 28% versus 2015 (ACT Research August 2016)
 - Medium and light vehicle markets remain positive
 - Oil and gas appears to be improving 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 Second Quarter 2016

August 17, 2016

Anthony C. Allen
Vice President & CFO

Consolidated Financial Results



\$ millions

	Consolidated			Sypris Technologies			Sypris Electronics		
	2016 Q2	2015 Q2	Change	2016 Q2	2015 Q2	Change	2016 Q2	2015 Q2	Change
Net Revenue	\$ 23.5	\$ 40.8	\$ (17.3)	\$ 14.8	\$ 32.0	\$ (17.2)	\$ 8.7	\$ 8.7	\$ -
Gross Profit	\$ 0.7	\$ (0.0)	\$ 0.7	\$ (0.3)	\$ 0.6	\$ (0.9)	\$ 1.0	\$ (0.6)	\$ 1.6
EBITDA	\$ (2.5)	\$ (4.8)	\$ 2.3	\$ (0.5)	\$ (0.0)	\$ (0.5)	\$ (0.3)	\$ (2.4)	\$ 2.1
Adjusted Net Debt ⁽¹⁾	\$ 17.7	\$ 23.7	\$ (6.0)						

- Revenue decline for Q2 driven by the divestiture of the non-core trailer axle business in Morganton (\$7.5 million in 2015) and softness in the commercial vehicle market for Technologies
- Revenue for Electronics remained flat compared to Q2 2015
- Gross profit for Q2 increased despite lower revenue, primarily due to improved mix and lower cost for Electronics
- SG&A declined \$2.1 million or 28% from Q2 2015
- Q2 EBITDA improved \$2.3 million over Q2 2015

Notes:

(1) Adjusted Net Debt for Q2 2016 includes a \$3.3 million capitalized lease obligation

Transaction Considerations



- Divestiture of Electronics' CSS business for \$42 million cash
- Preliminary estimate for gain on sale is approximately \$33 million or \$1.67 per share
- Net proceeds available at closing is approximately \$37.5 million
 - After deducting direct transaction costs of \$3 million and escrow balance of \$1.5 million (1 year term)
- Net proceeds used to repay senior debt with remaining cash balance available for investment in the business
 - Repayment of senior debt, net of cash collateral release = \$10.8 million
 - Includes all principal outstanding on term and revolver plus related prepayment fees
 - Balance of proceeds to be used for capital expenditures to support new programs, fund working capital and operations
- Repayment of senior debt eliminates approximately \$600 thousand per quarter or \$2.4 million per year of interest expense

Transaction Considerations



- Assets sold include intellectual property, certain inventory and PPE directly related to CSS business; retained substantially all working capital and manufacturing equipment
- Preliminary estimate of net asset value of divested assets is approximately \$5 million; book value of intangible assets was not material
- Preliminary estimate of pro forma CSS financial results for 2015 reflect \$16.7 million revenue and \$(3.0) million operating loss
- Retained business will be relocating to new facility in January 2017 with reduced footprint and estimated \$2 million annual operating expense savings vs current facility
- Eliminates estimated annualized R&D spend for CSS of approximately \$600 thousand based on historical rates

Pro Forma Debt & Cash Analysis



\$ millions

	2016 Q2	Pro Forma 2016 Q2	Change
Senior Revolving Credit Facility	\$ 4.8	\$ -	\$ (4.8)
Senior Tem Debt	10.8	-	(10.8)
Subordinated Debt	6.5	6.5	-
Capital Lease Obligation	3.3	3.3	-
Unamortized Loan Costs	(1.3)	(0.1)	1.2
Total Debt	\$ 24.1	\$ 9.7	\$ (14.4)
Cash and Cash Equivalents	\$ 1.8	\$ 28.5	\$ 26.7
Restricted Cash	\$ 6.0	\$ 1.5	\$ (4.5)

- Commercial vehicle market conditions provided headwinds, however cost reduction actions and favorable revenue mix for Electronics drove improvements in consolidated gross profit and EBITDA
- The Company's balance sheet will benefit immediately from the transaction for the CSS business, increasing available cash by nearly \$27 million, shareholder's equity by over \$30 million and eliminating senior debt of \$15.5 million
- The Company's profitability in future periods will be positively impacted by a number of related factors, including:
 - Reduction in interest expense of approximately \$2.4 million annualized
 - Reduction in facility operating expenses as Electronics relocates beginning in 2017 of approximately \$2.0 million annualized
 - Reduction in research and development cost of approximately \$0.6 million annualized
- The completion of this transaction represents the last major building block in the transformational process that began in early 2015 for the Company
- We are excited to move into the next phase in the Company's history and look forward to our opportunity to build a stronger and more profitable business



Question and Answer Session Q2 Earnings Conference Call

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