



2015 First Quarter Earnings Conference Call

May 14, 2015

Jeffrey T. Gill
President & CEO

Anthony C. Allen
Vice President & CFO

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; the costs and supply of, or access to, debt, equity capital, or other sources of liquidity; fees, costs or other dilutive effects of refinancing, or compliance with covenants; volatility of our customers' forecasts, scheduling demands and production levels which negatively impact our operational capacity and our effectiveness to integrate new customers; reliance on major customers or suppliers; 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; our ability to successfully develop, launch or sustain new products and programs; dependence on, retention or recruitment of key employees especially in challenging markets; 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 due to negative due diligence findings or other factors; declining revenues and backlog in our Sypris Electronics business lines as we attempt to transition from legacy products and services into new market segments and technologies; 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; disputes or litigation involving customer, supplier, employee, lessor, landlord, creditor, stockholder, product liability or environmental claims; 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.

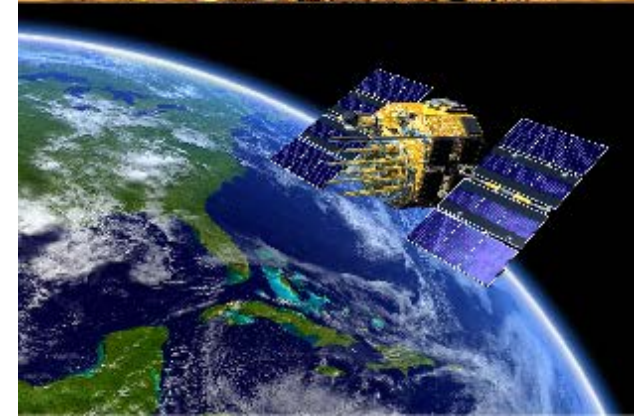
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Q1 Highlights

- First quarter was a real challenge – as expected
 - Financial results primarily reflect the cessation of shipments to Dana and the related realignment costs
 - Offset somewhat by improved performance at Sypris Electronics
- The team did an outstanding job managing manpower, working capital and most importantly, morale
- Core technical and operational capabilities were maintained, positioning the Company for new business
- We continued to make important progress with regard to previously announced acquisition and joint venture initiatives, with closings targeted for Q2
- The transition has begun and is now well underway



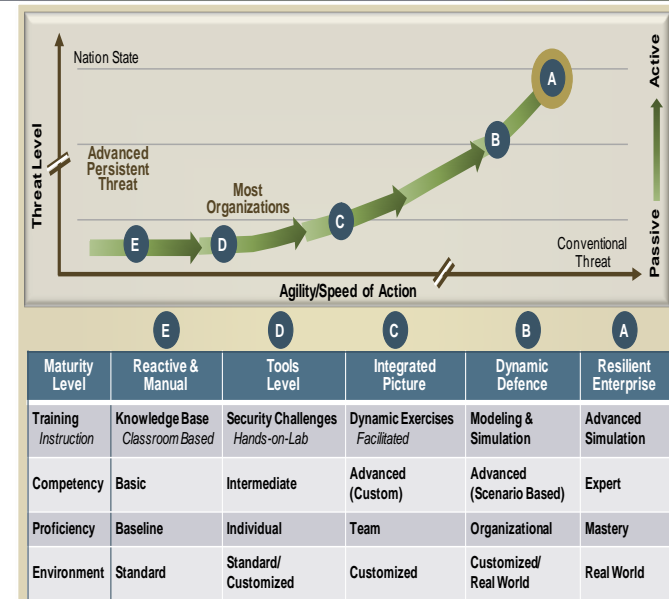
Q1 Highlights

- Financial Results
 - Revenue increased 6% from 1Q14 and increased 27% sequentially from 4Q14
 - Gross profit and margin increased materially on revenue growth and favorable mix
- Commenced shipments for Northrop Grumman on a long-delayed program
- Conducted multiple demonstrations and entered into advanced discussions with potential customers for the Cyber Range
- The installation of the Cyber Range for the Ministry of Home Affairs continued to progress, with commissioning targeted for 2Q15
- Important advancements were made with SiOMetrics™ software, providing for backward capability with existing Public Key Infrastructure systems



Outlook

- US defense industry challenges are likely to continue
 - We remain committed to improving our portfolio through diversification, achieving a better hardware/software balance
- Performance
 - 2Q15 sales are targeted to increase materially on both a year-over-year and sequential basis
 - Commissioning of Singapore Cyber Range
 - Increased product sales
 - Reduction of fixed overhead during 4Q14 continues to contribute to favorable cost profile and margins
 - As a result, 2Q15 EBITDA is targeted to increase substantially from 1Q15, and remain positive for 2H15



SYPRIS HIGH ASSURANCE CYBER-MILITARY SYSTEMS SOLUTION

The infographic displays various system components and security features. On the left, there are boxes for 'Correctness' (Code Synthesis, Control Synthesis, Formal Methods) and 'Security & Safety' (NSA Proven Security, Advanced Vulnerability Analysis, Proven Safety Methods). Below these are 'Inboard Elements' (Actuator, Controller, Sensor, Controller), 'Outboard Elements' (Actuator, Controller, Sensor, Controller), and 'Spooler'. On the right, there is a large graphic of a red ribbon flowing over a blue wireframe mountain. At the bottom, there are logos for SYPRIS, MOOG, Applied Communication Sciences, PURDUE UNIVERSITY, and MIT.

Q1 Highlights

- Financial Results
 - Sales, gross profit and EBITDA were each negatively impacted by the termination of shipments to Dana
 - Shipments of energy products were lower due to timing and market delays
- Headcount reduced by ~ 33%
- Inventory was managed effectively, with remaining liquidations to occur in Q2
- Quality and delivery at world class levels
- Utilized workforce to accelerate maintenance, 5S and TPS⁽¹⁾ projects to further improve operations
- TPS⁽¹⁾ programs contributing to operational efficiencies; active now at all locations

(1) Toyota Production System



Q1 Highlights

- New program launches underway in all plants, contributing to top line growth beginning in Q2
 - Carriers, knuckles, I-beams and axle shafts
 - Full float tubes
 - Off-highway components
- New business development remains brisk, with quoting activity at very high levels
- Ultra series axle shaft successfully completed testing with one customer and is under review by another
- Close to completing due diligence and the definitive agreements for the purchase of the company discussed on earlier calls – targeted closing in Q2
- Continued to move forward with the proposed joint venture to produce axle shafts in India – team onsite currently to wrap up agreement, meet with customers



Outlook

- Markets Remain Positive
 - Class 5-8 commercial vehicle production is expected to be up 9% versus 2014 (ACT Research May 2015)
 - Light vehicle and trailer markets remain positive
 - Oil and gas outlook is stable but uncertain
- Performance
 - 2Q15 shipments are targeted to increase significantly from 1Q15
 - New program launches underway
 - Backlog of energy product shipments
 - Significant cost reductions, lower SG&A spending and increased sales volume are targeted to have a very positive impact on margins
 - As a result, 2Q15 EBITDA is targeted to increase substantially from 1Q15, and become positive during 2H15





Financial Review First Quarter 2015

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Vice President & CFO

Consolidated Financial Results



\$ millions

	<u>2015 Q1</u>	<u>2014 Q1</u>
Net Revenue	\$ 37.0	\$ 84.2
Gross Profit (Loss)	\$ (3.2)	\$ 10.6
EBITDA	\$ (10.5)	\$ 5.7
Free Cash Flow	\$ (5.6)	\$ 1.9

- Dana accounted for 59% of 2014 Q1 revenue
- SE gross profit improved to 10.6% of revenue in 2015 Q1
- Severance cost and legal fees included in EBITDA
- Reduction in working capital & lower capital expenditures favorably impact FCF

Q1 Year-Over-Year EBITDA Walk



\$ millions

2014 Q1	\$	5.7
Volume, Mix, Labor Productivity, Fixed OH Absorption & Other COS		(12.1)
Deferred Revenue Amortization (1)		(2.2)
Legal		(1.7)
Severance		(0.3)
SG&A, R&D, FX Translation & Other		0.1
2015 Q1	\$	<u>(10.5)</u>

(1) Amortization of deferred revenue for claim related to Dana bankruptcy in 2006 and settlement with SYPR ended 12/31/14

2015 Q1 Free Cash Flow



\$ millions

Net Income (Loss)	\$	(13.0)
Net Capital Spending (D&A less Capital Expenditures)		1.9
Deferred Revenue		(2.2)
Working Capital		7.6
Other		0.1
Free Cash Flow	\$	<u>(5.6)</u>

Net Debt	\$	16.5
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Net Debt as % of Total Capital		33%
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Segment Performance



\$ millions

	<u>Sypris Technologies</u>		<u>Sypris Electronics</u>	
	<u>2015 Q1</u>	<u>2014 Q1</u>	<u>2015 Q1</u>	<u>2014 Q1</u>
Net Revenue	\$ 28.1	\$ 75.8	\$ 8.9	\$ 8.4
Gross Profit (Loss)	\$ (4.1)	\$ 11.2	\$ 0.9	\$ (0.6)
EBITDA	\$ (7.3)	\$ 11.1	\$ (1.4)	\$ (2.8)

Net Revenue

ST decrease is primarily driven by the termination of the Dana contract effective 12/31/14

SE increase reflects increased EDMS revenue

Gross Profit (Loss)

ST decrease reflects the downside conversion on the loss of Dana revenue

SE increase is primarily attributable to favorable revenue mix

EBITDA

ST decrease includes legal fees related to Dana litigation

SE increase includes SGA reduction offset by increased R&D spend

2015 Q2 Outlook



\$ millions

	Metric & Target Range		Outlook
Net Revenue	<i>Sequential Growth from Q1</i>	15% to 30%	\$42 to \$48
Gross Profit	<i>Percent of Revenue</i>	5% to 9%	\$2.1 to \$4.3
EBITDA	<i>Percent of Revenue</i>	(9)% to (3)%	\$(4.0) to \$(1.5)

- Organic growth during strong commercial vehicle market cycle driving ST top line
- EDMS programs, product sales and Cyber Range contribute to SE revenue
- Labor and overhead absorption improve on revenue growth
- Reduction in SG&A and legal expense targeted both sequentially and YOY

- Results of operations for Q1 reflect our most challenging transition period with sequential quarterly improvements targeted for the balance of 2015
- Variable cost reductions for ST were appropriately timed but overshadowed by the immediate and significant drop in revenue
- Talent retention is a critical factor to our organic growth plan for new business
- Ramp of key EDMS program in Q1 and prior period cost reductions generate improvement in SE results
- Completion of loan amendment in Q1 provided necessary liquidity
- Synergistic acquisition opportunity in Q2 expected to be immediately accretive
- Recently executed proposal with prospective lender for 5 year credit agreement would refinance existing loan, fund acquisition and increase liquidity
- Outlook for Q2 improves on organic revenue growth, labor utilization, fixed overhead absorption and cost reductions
- We continue to dedicate all resources to deliver results and build profitability



Question and Answer Session Q1 Earnings Conference Call

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