



2014 Second Quarter Earnings Conference Call

August 5, 2014

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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 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: reliance on major customers or suppliers, especially in the automotive or aerospace and defense electronics sectors, including the risk of potentially adverse outcomes in ongoing contract renewal disputes and negotiations with Dana Holding Corporation and Meritor Inc.; volatility of our customers' forecasts, scheduling demands and production levels which negatively impact our operational capacity and our effectiveness to integrate new customers; declining revenues and backlog in our aerospace and defense business lines as we attempt to transition from legacy products and services into new market segments and technologies; 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; adverse impacts of new technologies or other competitive pressures which increase our costs or erode our margins; 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; cost and availability of raw materials such as steel, component parts, natural gas or utilities; the costs of compliance with our auditing, regulatory or contractual obligations; the costs and supply of, or access to, debt, equity capital, or insurance; fees, costs or other dilutive effects of refinancing, or compliance with covenants; 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 our Electronics Group 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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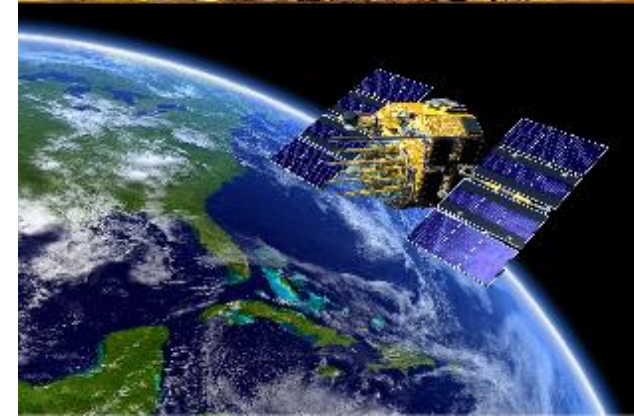
- Overview
- Segment Review
 - Aerospace & Defense
 - Industrial
- Financial Review
- Summary
- Q&A Session

Overview



Q2 Highlights

- Strong Quarter – Revenue, Gross Profit and Gross Margin Increased versus 2Q13
 - Sales up 13% to \$93 million
 - Gross Profit up 30% to \$11 million
 - Gross Margin up 150 basis points to 11.6%
- EPS Improved Quarterly
 - \$0.02 per diluted share
- Positive Free Cash Flow
- On schedule with NEC Asia Pacific to deliver the Cyber Security Laboratory for the Singapore Government
- New business opportunities accelerating
- Solid second quarter for 2014



Q2 Highlights

- Financial Results
 - Revenue increased 22% from 2Q13
 - Gross profit remained unchanged
 - Maintained Investments in Technology
 - R&D impact on P&L improved by customer funding
 - Driving proof of concept with customers
- New Business Opportunities Underway
 - Lockheed Martin
 - Northrop Grumman
 - Exelis
- Submitted proposals for Cyber Range installations for potential domestic and international customers



Q2 Highlights

- Financial Results versus 2Q13
 - Sales up 12% to \$84 million
 - Gross profit up 29% to \$11.4 million
 - Gross margin up 170 basis points to 13.6%
 - EBITDA increased to \$9.4 million; 11% of revenue
- Notified of new business awards from customers in agricultural, light truck and commercial vehicle markets
- Demand expanded across all markets served, with especially strong demand in oil and gas
- On-time delivery and quality at world class levels
- TPS⁽¹⁾ programs contributing to operational efficiencies; active now at all locations

(1) Toyota Production System



Outlook

- Markets Remain Positive
 - Commercial vehicle demand versus 2013
 - Class 8 forecast to increase 21%
 - Class 5-7 forecast to increase 6%
 - Trailer production is forecast to be up 10%
 - Oil and gas markets robust
- New Business Outlook Positive
 - Quotations now in excess of \$140 million annually
- Product Development
 - Light-weight axle shaft ready for customer testing
 - Initial commercial reactions extremely positive
- Acquisitions and Joint Ventures
 - Discussions maturing across several fronts, both domestic and international





Financial Review Second Quarter 2014

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Vice President & Treasurer

Consolidated Financial Results



Year-Over-Year Results

(\$ in thousands, except EPS)

	<u>2Q14</u>	<u>2Q13</u>
Revenue	\$ 93,113	\$ 82,166
Gross Profit	10,827	8,336
Gross Margin	11.6%	10.1%
EPS*	\$ 0.02	\$ (0.08)

- YOY increase in both segments
- Volume contributes to GP increase
- Revenue and cost efficiencies contribute to 150 bps gain in gross margin
- Revenue growth, mix and efficiencies drives return to profitability

* EPS – Diluted earnings per share

Consolidated Financial Results



Sequential Results

(\$ in thousands, except EPS)

	<u>2Q14</u>	<u>1Q14</u>
Revenue	\$ 93,113	\$ 84,244
Gross Profit	10,827	10,564
Gross Margin	11.6%	12.5%
EPS	\$ 0.02	\$ 0.08

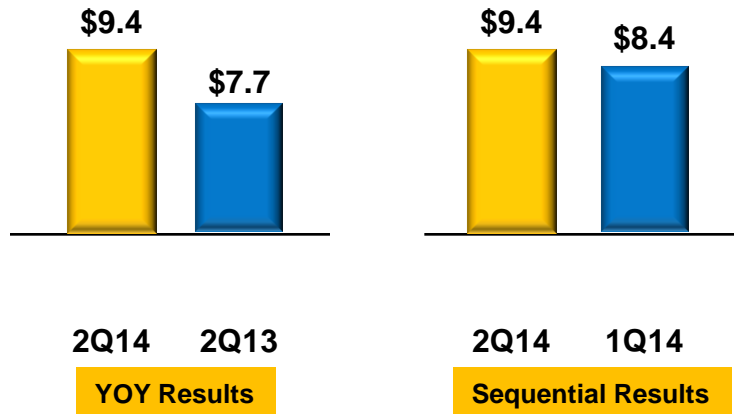
- Sequential increase in both segments
- Industrial Group drives profit improvement
- 90 bps decline attributable to favorable mix in Q1
- EPS impacted by increase in SG&A

A&D Financial Results



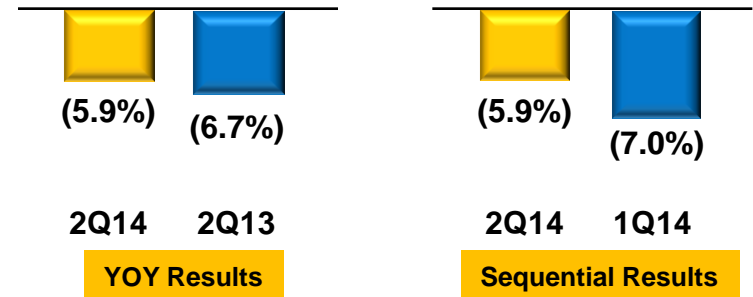
Revenue

(\$ in millions)



- Program delays/losses starting to be offset by new wins and expansion of existing contracts
 - YOY increase of 22%
 - Sequential increase of 12%
- Milestones for Cyber Lab result in cash flow and deferred revenue

Gross Margin



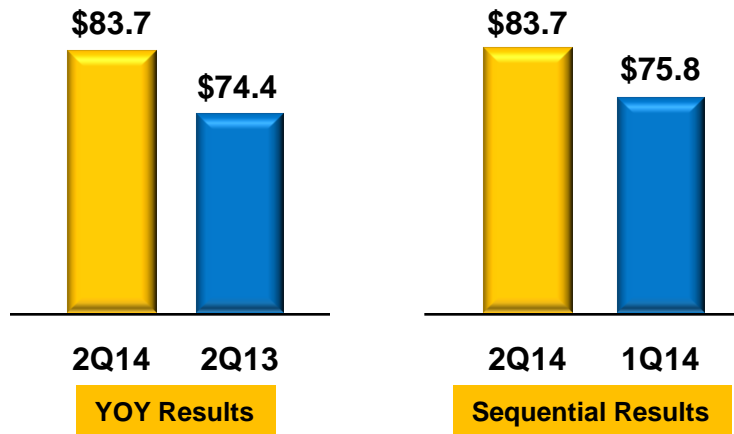
- Gross profit is flat on slight improvement in margins
- Expect revenue and margins to improve with addition of new programs
- Controlling variable costs in line with revenue

Industrial Financial Results



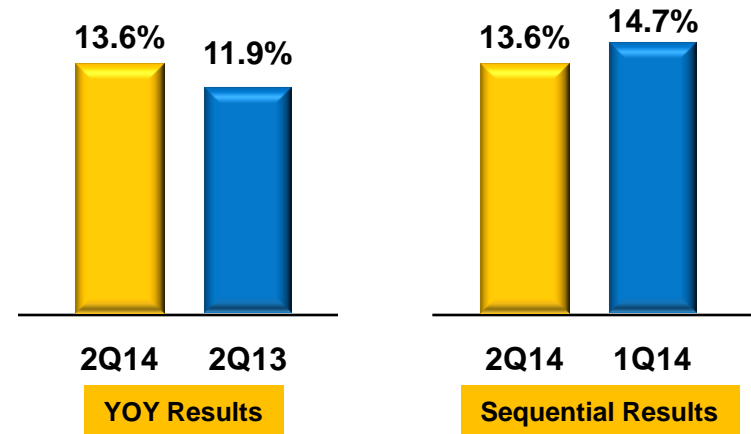
Revenue

(\$ in millions)



- End-user demand for commercial vehicles driving growth
 - Sequential revenue increase of 10%
 - YOY revenue increase of 12%
- Industry forecasts 14.5% production increase in Class 5-8 for FY 2014 over 2013

Gross Margin



- With a 12% YOY increase in revenue and continued CI initiatives, gross margins increased by 170 bps for the quarter
- Gross margin of 13.6% down sequentially due to favorable product mix in Q1
- Focused on execution as volumes remain steady throughout 2H

Summary



- Solid second quarter and first half performance led by the Industrial Group
- Outlook for the commercial vehicle market remains positive for balance of year
- Industrial Group's quality, delivery and other key operational metrics maintained at targeted levels as volumes rise
- Deployment of TPS⁽¹⁾ across all Industrial Group facilities is generating additional production capacity through set-up and cycle time reductions on existing operations
- A&D's successful on-boarding of EMS programs is driving new business opportunities with existing and potential customers
- Continued work on Cyber Security Laboratory is opening doors with additional partners and customers
- Development of additional A&D technology platforms continues through both internal and customer funded programs

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Question and Answer Session Q2 Earnings Conference Call

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