



Sparton Corporation

3rd Quarter Financial
Results Conference Call
May 20, 2009



Safe Harbor Statement

Certain statements herein constitute forward-looking statements within the meaning of the Securities Act of 1933, as amended and the Securities Exchange Act of 1934, as amended. When used herein, words such as “believe,” “expect,” “anticipate,” “project,” “plan,” “estimate,” “will” or “intend” and similar words or expressions as they relate to the Company or its management constitute forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are based on currently available financial, economic and competitive data and our current business plans. The Company is under no obligation to, and expressly disclaims any obligation to, update or alter its forward-looking statements whether as a result of such changes, new information, subsequent events or otherwise. Actual results could vary materially depending on risks and uncertainties that may affect our operations, markets, prices and other factors. Important factors that could cause actual results to differ materially from those forward-looking statements include those contained under the heading of risk factors and in the management’s discussion and analysis contained from time-to-time in the Company’s filings with the Securities and Exchange Commission.



Today's Call Agenda

- 3rd Quarter Financial Review
- Cost Reduction Activities
- Debt & Refinancing
- NYSE Delisting Notices
- Investor/Analyst Q&A



3rd Quarter Highlights

- First Operating Income in 11 Consecutive Quarters
- Continued Positive Gross Margin Improvement
- New Management Team in Place
- Cost Reduction Actions Identified and Implemented
- Improvement in Cash Availability



3rd Quarter Net Loss

	3 months ended March 31,	
	2009	2008
Net sales	\$ 54,592,034	\$ 58,138,830
Costs of goods sold	49,582,623	53,404,144
Gross profit	5,009,411	4,734,686
Selling and administrative expenses	4,151,843	5,083,137
Amortization of intangibles	120,313	120,313
Restructuring charges	660,160	-
EPA related - net environmental remediation	8,224	(8)
Net gain on sale of property, plant and equipment	(4,412)	(44,663)
	<u>4,936,128</u>	<u>5,158,779</u>
Operating income (loss)	73,283	(424,093)
Other income (expense):		
Interest and investment income (expense)	(685)	43,654
Interest expense	(397,485)	(248,953)
Equity loss in investment	(36,000)	(8,000)
Other - net	(219,392)	(283,816)
	<u>(653,562)</u>	<u>(497,115)</u>
Loss before income taxes	(580,279)	(921,208)
Provision (credit) for income taxes	183,000	(1,555,000)
Net income (loss)	<u><u>\$ (763,279)</u></u>	<u><u>\$ 633,792</u></u>
Earnings (loss) per share - basic and diluted	<u><u>\$ (0.08)</u></u>	<u><u>\$ 0.06</u></u>



Sales

3 Months ended March 31,

MARKET	2009		2008	
	Net Sales	% of Total	Net Sales	% of Total
Aerospace	\$ 21.5	39%	\$ 16.2	28%
Medical/Scientific Instrumentation	18.4	34%	19.2	33%
Government	7.6	14%	12.8	22%
Industrial/Others	7.1	13%	9.9	17%
Totals	<u>\$ 54.6</u>	<u>100%</u>	<u>\$ 58.1</u>	<u>100%</u>



Gross Profit

	3 months ended March 31,			
	2009	As %	2008	As %
Net sales	\$ 54,592,034	100.0%	\$ 58,138,830	100.0%
Costs of goods sold	<u>49,582,623</u>	<u>90.8%</u>	<u>53,404,144</u>	<u>91.9%</u>
Gross profit	5,009,411	9.2%	4,734,686	8.1%
Selling and administrative expenses	4,151,843	7.7%	5,083,137	8.7%
Amortization of intangibles	120,313	0.2%	120,313	0.2%
Restructuring charges	660,160	1.2%	-	0.0%
EPA related - net environmental remediation	8,224	0.0%	(8)	0.0%
Net gain on sale of property, plant and equipment	<u>(4,412)</u>	<u>0.0%</u>	<u>(44,663)</u>	<u>-0.1%</u>
	<u>4,936,128</u>	<u>9.1%</u>	<u>5,158,779</u>	<u>8.8%</u>
Operating income (loss)	73,283	0.1%	(424,093)	-0.7%
Other income (expense):				
Interest and investment income (expense)	(685)	0.0%	43,654	0.0%
Interest expense	(397,485)	-0.7%	(248,953)	-0.4%
Equity loss in investment	(36,000)	-0.1%	(8,000)	0.0%
Other - net	<u>(219,392)</u>	<u>-0.4%</u>	<u>(283,816)</u>	<u>-0.5%</u>
	<u>(653,562)</u>	<u>-1.2%</u>	<u>(497,115)</u>	<u>-0.9%</u>
Loss before income taxes	(580,279)	-1.1%	(921,208)	-1.6%
Provision (credit) for income taxes	<u>183,000</u>	<u>0.3%</u>	<u>(1,555,000)</u>	<u>-2.7%</u>
Net income (loss)	<u>\$ (763,279)</u>	<u>-1.4%</u>	<u>\$ 633,792</u>	<u>1.1%</u>



Operating Expenses & Income

	2009	As %	2008	As %
Net sales	\$ 54,592,034	100.0%	\$ 58,138,830	100.0%
Costs of goods sold	49,582,623	90.8%	53,404,144	91.9%
Gross profit	5,009,411	9.2%	4,734,686	8.1%
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Amortization of intangibles	120,313	0.2%	120,313	0.2%
Restructuring charges	660,160	1.2%	-	0.0%
EPA related - net environmental remediation	8,224	0.0%	(8)	0.0%
Net (gain) loss on sale of property, plant and equipment	(4,412)	0.0%	(44,663)	-0.1%
	4,936,128	9.1%	5,158,779	8.8%
Operating income (loss)	73,283	0.1%	(424,093)	-0.7%
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Other - net	(219,392)	-0.4%	(283,816)	-0.5%
	(653,562)	-1.2%	(497,115)	-0.9%
Loss before income taxes	(580,279)	-1.1%	(921,208)	-1.6%
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Net income (loss)	\$ (763,279)	-1.4%	\$ 633,792	1.1%



Summary Reconciliation YTD

Net loss year-to-date fiscal 2008		\$ (2.7)
Deferred asset write-off in fiscal 2008	\$ 1.6	
Gain on Deming, NM plant sale in fiscal 2008	<u>(0.9)</u>	
	0.7	
Increased margin from disengaging customer	1.0	
Improved margin on government programs	0.5	
Increased pension expense	(1.2)	
Increased legal and consulting expense	(1.2)	
Increased translation/transaction exchange expense loss	(0.8)	
Restructuring expense	(0.7)	
Increased income tax expense	(2.3)	
Other	<u>(0.2)</u>	
	<u>(4.9)</u>	
Net change		<u>(4.2)</u>
Net loss year-to-date fiscal 2009		<u><u>\$ (6.9)</u></u>

(\$ in millions)



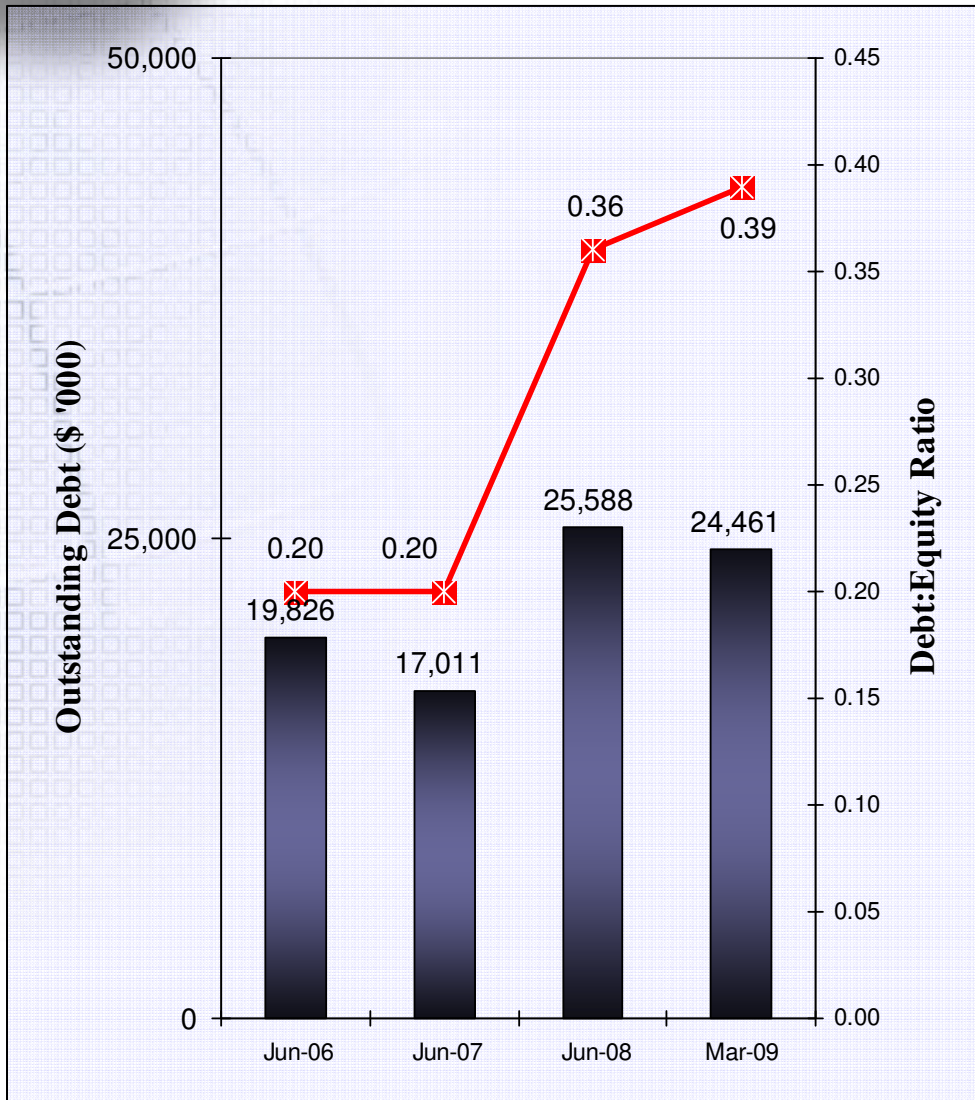
Cost Reduction Actions

PROJECTED ANNUALIZED SAVINGS

Announced	(\$ millions)		8-K
	Low	High	
1. Plant Consolidation & Closures	6.5	7.5	3/4, 3/30
2. Reduction in Force (February)	4.1	4.1	2/6
Reduction in Force (April)	1.8	1.8	4/2
3. Consulting Disengagements	1.5	1.5	n/a
4. Health Care Benefits	1.2	1.2	n/a
5. Pension Contributions	0.7	0.7	2/16
401(k) Company Match	0.4	0.4	2/16
	<u>16.2</u>	<u>17.2</u>	



Debt & Financing



	<u>Mar-09</u>	<u>Mar-08</u>	<u>Var</u>
Credit Revolver	15,500	8,500	(7,000)
Long Term Debt	3,900	6,500	2,600
Astro Owners	3,005	4,877	1,872
IRB (Ohio)	2,056	2,160	104
Total	<u>24,461</u>	<u>22,037</u>	<u>(2,424)</u>

- Extension of current credit facility through June 15, 2009
- Proposal Letter and Preliminary Term Sheet with a prospective lender was signed
- Due diligence activities underway



NYSE Update

- Notified by NYSE of non-compliance with listing requirements
- Submitted business plan to NYSE
- NYSE determination to remove Sparton stock from listing
- Sparton request for review
- NYSE review scheduled on June 1



6 Key Imperatives

1. Immediate, enhanced, and rigorous cash management
2. Immediate operating cost accountability at the source to contain and focus on variances to standard
3. Evaluate overhead for optimization
4. Initiate phase I of the Lean / Quality Deployment Strategies
5. Initiate a Footprint Optimization Assessment
6. Initiate phase I of the Long Term Strategic Growth Plan



In Summary

Focused on Returning Sparton to Profitability



SPARTON
CORPORATION



QUESTIONS?