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SPARTANMOTORS.COM

Spartan Motors Reports Improved Fourth-Quarter Earnings Company Looks for Improved Operating Efficiencies to Fuel 2001 Results

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CHARLOTTE, Mich., Feb. 15 /PRNewswire/ -- Spartan Motors, Inc. ([NASDAQ:SPAR](#)) today announced results for the fourth quarter and the year ended Dec. 31, 2000.

The Charlotte, Mich.-based manufacturer of custom chassis platforms and emergency vehicles reported net earnings of \$1.4 million, or \$0.13 per share, on net sales of \$57.3 million for the fourth quarter of 2000, compared with a net loss of \$4.8 million, or \$0.38 per share, on net sales of \$70.0 million for the fourth quarter of 1999. The fourth quarter of 1999 included a \$0.34 per share loss from the operations of Carpenter Industries, which is now reported as a discontinued operation.

The Company attributed its solid quarterly earnings performance to strong operational improvements in its core chassis business, despite softer sales of its recreational vehicle platforms.

"This is one of the best fourth quarters we have reported in years, due primarily to the cumulative effect of operating efficiencies we have achieved over the past two years," said John Szykiel, president and chief operating officer of Spartan Motors. "We plan to build on the momentum of the fourth quarter of 2000 by continuing our efforts to focus on earnings growth and becoming a leaner and more efficient manufacturer."

Spartan Motors posted net sales of \$251.4 million for 2000, compared with net sales of \$284.6 million for 1999. A sales increase of \$4.9 million from its emergency vehicle business was offset by softness in the RV market. Spartan Motors stopped funding its school bus operation, Carpenter, during the third quarter of 2000 and reported it as a discontinued operation.

Spartan Motors reported a net loss of \$5.6 million, or \$0.49 per share, with net earnings from continuing operations of \$4.9 million, or \$0.43 per share, in 2000. This compares to a net loss of \$1.4 million, or \$0.11 per share in 1999, with net earnings from continuing operations of \$6.9 million, or \$0.55 per share in 1999. The Company reported a loss from operations of its discontinued subsidiary, Carpenter Industries, of \$3.9 million, or \$0.34 per share, during 2000, compared with a loss of \$8.3 million, or \$0.66 per share, during 1999. The Company also reported a loss of \$6.6 million, or \$0.58 per share, to cover the closure of Carpenter during 2000.

"While the turn-around of our bus operations seemed feasible on paper, we underestimated the stigma attached to the Carpenter name," said George Szykiel, chairman and chief executive officer of Spartan Motors. "We chose to cut our losses in the third quarter when we made the decision to stop funding Carpenter, and while Carpenter has been a painful experience, it is now behind us.

"Looking forward, our fundamental businesses are sound -- as is our strategy of leveraging our core strengths in platform design and production to other heavy-duty vehicles."

The Emergency Vehicle Team, or EV Team, enjoyed a profitable 2000, highlighted by increased market penetration, improved sales and higher backlogs. Orders for the EV Team were up nearly 50 percent during 2000. Spartan said its monthly production of fire truck chassis is now 40 percent higher than it was four years ago, helped in part by sales to its EV Team.

"The EV Team will continue the growth achieved during 2000, and we look for earnings to grow at least 50 percent in 2001 at the three subsidiaries," John Szykiel said. "The sales and marketing strategy has produced a strong backlog,

and we continue to make significant inroads into the market by showing customers the benefits -- and the cost effectiveness -- of buying custom products.

"During the fourth quarter, we were excited to deliver our first custom ambulance platform, the ATR-1, to Road Rescue. The synergies between our platform group and our EV Team continue to grow, which was precisely what we planned when we purchased these three manufacturers. It is great to start the year with a strong backlog and to have all our subsidiaries on track for improved profits in 2001."

John Szykiel said that the ambulance market should continue to grow significantly during 2001 as private ambulance services exit the business, prompting existing fire departments to take over their role. As fire departments replace and upgrade much of the nation's aging fleet of ambulances, Szykiel noted that they are more likely to buy mid- to high-end vehicles like those produced by Road Rescue. Spartan's existing relationship with fire departments and strong identity as a key player in this industry should also boost sales to this market.

"Despite softness in the overall RV market, we were able to improve the profitability of our platform operations during 2000," John Szykiel said. "Even with a challenging RV market, we will be able to grow our earnings thanks to our focus on the principles of lean manufacturing and continuous improvement."

"Industry experts tell us the first half of 2001 will continue to be soft when it comes to RV sales. But being in the proper market segment at the high end, having new and innovative platforms, such as our mid-engine platform, the Me2, and the contributions from the EV Team will help us weather the first two quarters."

Spartan Motors Chassis posted improved operating efficiencies during 2000 and was able to reduce its inventory from \$27.4 million to \$15.8 million during the course of the year. Spartan Motors reported \$14.0 million in cash flow from continuing operations for 2000, up from \$10.8 million in 1999.

Spartan also reported that its Board of Directors approved a plan to implement a value-added financial, compensation and operating model called Spartan Profit And Return (SPAR) at its Spartan Chassis operations. SPAR requires a return on investment over and above the cost of capital, and will be used by Spartan to evaluate all capital investments, including new equipment, acquisitions, joint ventures and other business initiatives.

"The SPAR model incorporates the cost of capital as the baseline performance hurdle and inspires individuals and departments to measure their success -- and ultimately their compensation -- on their ability to exceed the cost of capital," said Richard Schalter, chief financial officer and executive vice president. "We have been using the SPAR model on an informal basis for the past 12 months, and the results for Spartan Chassis have been excellent."

"In the year 2000, Spartan Chassis had a return on operating capital of 19.1 percent, and now our job is to improve upon that result while bringing the EV Team to the same level or above. In the end, we will be judged by how wisely we invest our capital, and SPAR will ensure we stay focused on that."

Spartan Motors completed the board-authorized repurchase of 2 million shares, or 16 percent, of its outstanding common stock during the fourth quarter of 2000. The Company repurchased 770,000 shares of stock during November and December 2000 at an average price of \$2.54 per share, reflecting its confidence in the underlying value of Spartan Motors.

Spartan Motors also announced that it plans to take a more focused approach to investor relations (IR) in 2001. Spearheaded by Lambert, Edwards & Associates, Inc., Spartan's IR counsel, the Company plans to be more active in telling its story to analysts, brokers, the trade media and others.

The Company unveiled a revamped version of the IR portion of its Web site today at <https://theshyftgroup.com/>. The expanded site will feature stock quotes, historical financial performance, more detailed company information, an investor calendar, analyst contacts and commonly asked questions. The site will also include Spartan's presentation at the Roth Capital Partners Growth Stock Conference on Feb. 21, 2001.

Spartan Motors, Inc. (<https://theshyftgroup.com/>) is a leading developer and manufacturer of custom platforms for recreational vehicles, fire trucks, ambulances and other specialty vehicles. The Company also owns fire and rescue vehicle manufacturers Luverne Fire Apparatus, Quality Manufacturing and Road Rescue, Inc.

The statements contained in this news release include certain predictions and projections that may be considered forward-looking statements by the securities laws. These statements involve a number of risks and uncertainties, including but not limited to economic, competitive, governmental and technological factors affecting the Company's operations, markets, products, services and prices, and actual results may differ materially.

Spartan Motors, Inc. and Subsidiaries
Consolidated Income Statements
Three Months Ended December 31, 2000 and 1999

	December 31, 2000		December 31, 1999	
	\$-000	%	\$-000	%
Sales	57,304		69,952	
Cost of Sales	48,972		61,821	
Gross Profit	8,332	14.5	8,131	11.6
Operating Expenses:				
Research and Development	1,386	2.4	1,723	2.5
Selling, General and Administrative	4,452	7.7	8,054	11.5
Total Operating Expenses	5,838	10.1	9,777	14.0
Operating Income	2,494	4.4	(1,646)	(2.4)
Other Income (Expense):				
Interest Expense	(754)	(1.3)	(267)	(0.4)
Interest and Other Income	380	0.6	155	0.3
Total Other Income (Expense)	(374)	(0.7)	(112)	(0.1)
Earnings before Equity Investment and Taxes	2,120	3.7	(1,758)	(2.5)
Taxes	213	0.4	(1,182)	(1.7)
Earnings from Continuing Operations	1,907	3.3	(576)	(0.8)
Discontinued Operations:				
Loss from Operations	-	0.0	4,190	6.0
Loss on Closure	520	0.9		
Net Earnings	1,387	2.4	(4,766)	(6.8)
EPS-Continuing Operations	0.18		(0.04)	
EPS-Loss from Operations	-		(0.34)	
EPS-Loss on Closure	(0.05)		-	
Net Earnings per Share	0.13		(0.38)	
Weighted Average Shares	10,903		12,404	

Spartan Motors, Inc. and Subsidiaries
Consolidated Income Statements
Twelve Months Ended December 31, 2000 and 1999

	December 31, 2000		December 31, 1999	
	\$-000	%	\$-000	%
Sales	251,406		284,638	
Cost of Sales	218,114		244,269	
Gross Profit	33,292	13.2	40,369	14.2
Operating Expenses:				
Research and Development	6,342	2.5	6,589	2.3
Selling, General and Administrative	19,009	7.5	22,831	8.1
Total Operating Expenses	25,351	10.0	29,420	10.4
Operating Income	7,941	3.2	10,949	3.8
Other Income (Expense):				
Interest Expense	(1,618)	(0.6)	(1,447)	(0.5)

Interest and Other Income	730	0.2	453	0.2
Total Other Income (Expense)	(888)	(0.4)	(994)	(0.3)
Earnings before Equity Investment and Taxes	7,053	2.8	9,955	3.5
Taxes	2,143	0.9	3,061	1.1
Earnings from Continuing Operations	4,910	2.0	6,894	2.4
Discontinued Operations:				
Loss from Operations	3,901		8,284	
Loss on Closure	6,619			
Net Earnings	(5,610)	(2.2)	(1,390)	(0.5)
EPS-Continuing Operations	0.43		0.55	
EPS-Loss from Operations	(0.34)		(0.66)	
EPS-Loss on Closure	(0.58)		-	
Net Earnings per Share	(0.49)		(0.11)	
Weighted Average Shares	11,493		12,483	

Source: Spartan Motors, Inc.

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