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Spartan Motors Reports Strong Operational Improvements in First Quarter Manufacturer Exceeds Analyst Earnings Estimates for Second Straight Quarter

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CHARLOTTE, Mich., April 26 /PRNewswire/ -- Buoyed by strong operational improvements in its core chassis business, Spartan Motors, Inc. ([NASDAQ:SPAR](http://nasdaq.com/SPAR)) today announced results for the first quarter ended March 31, 2001.

Despite softer sales of its custom RV platforms, the Charlotte, Mich.-based manufacturer reported net earnings of \$1.5 million, or \$0.14 per share, for the first quarter of 2001, compared with net earnings of \$2.0 million, or \$0.16 per share, for the first quarter of 2000. Spartan Motors exceeded the earnings estimate of \$0.09 per share from Red Chip Review -- the second consecutive quarter the Company has surpassed the street estimate.

Spartan reported net sales of \$58.7 million for the just-completed quarter, compared with net sales of \$77.4 million for the same period in 2000. The decline reflects continued softness in the market for recreational vehicle platforms, offset partially by an 11 percent increase in sales of fire truck chassis.

"Despite a tough sales environment, we were able to maintain our earnings momentum and continue our margin improvements," said John Szykiel, president and chief operating officer of Spartan Motors. "We attribute this performance to the operational improvements in all our subsidiary operations.

"We continue to benefit from measures put in place over the past 18 months that allow us to operate a leaner and more efficient organization, as evidenced by improved gross margins and lower operating expenses."

During the first quarter, Spartan Motors reported a gross margin of 15.6 percent, up from 14.8 percent during the same period in 2000. The Company said increased focus on cost management helped it reduce operating expenses 6.3 percent, compared with the prior-year first quarter, despite the sales softness.

Spartan Motors said its efforts to increase productivity and manage costs generated strong cash flow from operations. The Company reported \$9.6 million in cash flow from continuing operations for the first quarter of 2001, up from \$7.3 million in 2000. Focused inventory management helped Spartan improve its cash conversion cycle from 71.8 days in 2000 to 66.4 days in the first quarter of 2001. The Company said it paid down \$8.6 million in long-term debt in the first quarter of 2001.

"As with others in the RV industry, we expected to be challenged by softer sales during the first half of 2001," Szykiel said. "Our focus on operational improvements, through programs such as Spartan Profit And Return (SPAR), has helped us weather this environment. We could see sales picking up during the second half of the year, and we will continue to reduce operating expenses in order to maintain a solid bottom line."

The first quarter of 2001 marked Spartan Motors Chassis first full quarter under SPAR, a value-added financial, compensation and operating model. SPAR requires a return on investment over and above the cost of capital, and serves as the framework for evaluating all business initiatives.

"These financial improvements demonstrate our commitment to increasing our bottom line," said Richard Schalter, chief financial officer and executive vice president. "We are pleased with the progress we have made, and look forward to making additional improvements in the quarters ahead."

As a result of its stronger operations focus and higher sales of fire truck chassis, Spartan Motors Chassis reported that its gross margin was 16.1 for the just-completed quarter, compared with 14.8 percent during the year-ago period.

"We are pleased with the improved sales of our fire truck chassis, and expect that momentum will continue in the subsequent quarters," Sztzykiel said. "As more apparatus manufacturers and fire departments recognize the benefit of custom chassis, we continue to take market share away from commercially built products."

Schalter said, "While sales of our RV platforms have softened, we feel the Federal Reserve's lowering of interest rates will encourage consumer spending. The RV lifestyle remains popular, and consumers are continuing to buy new motorhomes -- they are looking for products that allow them to fully enjoy their time on the road."

The Emergency Vehicle Team reported a sales increase of 4.3 percent during the first quarter of 2001, fueled by stronger sales of its custom fire trucks and ambulances. Luverne showed the strongest growth of the three subsidiaries, boosted by \$7 million in orders for new fire trucks from fire departments in Chicago, Cleveland, Cincinnati, Ohio, and Tulsa, Okla.

"It is great to see large cities look to Luverne for their premium fire trucks," said Jeff Lutt, president of Luverne Fire Apparatus.

"We continue to improve the market penetration of our custom emergency vehicles as municipalities and other purchasing agencies continue to recognize the benefits of buying made-to-order products," Sztzykiel said. "Orders were higher during the first quarter of 2001, and the EVTeam enjoys a strong backlog. We are working to translate some of the operational improvements we have made in our chassis business to our EVTeam subsidiaries, so that their contributions will make a bigger impact on our bottom line in the second half of 2001."

"Effective in June, we will begin implementing a coordinated procurement process between all four business units. Over time, we expect to see significant reductions in costs, as we average the effective purchasing strengths of all four companies. While we are focused on growing sales and market penetration, we are just as focused on improving our corporate operational effectiveness."

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 March 31, 2001 and 2000

| | March 31, 2000 \$-000 | March 31, 2001 \$-000 |
|---|-----------------------------|-----------------------------|
| Sales | 77,395 | 58,658 |
| Cost of Sales | 65,902 | 49,529 |
| Gross Profit | 11,493 | 9,129 |
| Operating Expenses: | | |
| Research and Development | 1,640 | 1,596 |
| Selling, General and Administrative | 4,791 | 4,429 |
| Total Operating Expenses | 6,431 | 6,025 |
| Operating Income | 5,062 | 3,104 |
| Other Income (Expense): | | |
| Interest Expense | (344) | (527) |
| Interest and Other Income | (159) | 105 |
| Total Other Income (Expense) | (503) | (422) |
| Earnings before Equity Investment and Taxes | 4,559 | 2,682 |
| Taxes | 1,609 | 1,214 |
| Net Earnings from Continuing Ops. | 2,950 | 1,468 |
| Discontinued Operations: | | |

| | | |
|------------------------------------|--------|--------|
| Loss from Operations-Carpenter | 981 | -- |
| Loss on Closure-Carpenter | -- | -- |
| Net Earnings | 1,969 | 1,468 |
| EPS-Continuing Operations | 0.24 | 0.14 |
| EPS-Loss from Operations-Carpenter | (0.08) | -- |
| EPS-Loss on Closure of Carpenter | -- | -- |
| Net Earnings per Share | 0.16 | 0.14 |
| Weighted Average Shares | 12,157 | 10,518 |

Source: Spartan Motors, Inc.

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