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SPARTANMOTORS.COM

Spartan Motors Announces 1998 Results; Chassis Maker Posts Record Sales, Sharply Higher Net Income

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CHARLOTTE, Mich., Feb. 18 /PRNewswire/ -- Spartan Motors, Inc. (Nasdaq/NMS: SPAR) today reported its best full-year of results in four years, posting strong profitability on record sales for the year ended December 31, 1998.

The Charlotte, Mich.-based manufacturer of custom chassis, emergency vehicles and buses reported net income of \$3.5 million, or \$0.28 per share, in 1998, compared with a net loss of \$13.1 million, or \$1.06 per share, in 1997. The earnings performance, driven by improved operations and strong demand for Spartan's core chassis and custom vehicle products, represents the Company's best year of net income since 1994. In the fourth quarter of 1998, Spartan Motors reported net income of \$942,000, or \$0.08 per share, on record net sales of \$71.0 million, compared with a net loss of \$11.3 million, or \$0.91 per share, on net sales of \$55.4 million in the 1997 fourth quarter.

Spartan said its core chassis business and Emergency Vehicle Team (EVTeam) operations contributed net earnings of approximately \$0.61 per share in 1998, including \$0.16 per share in the fourth quarter. Improved operating performance at Spartan Motors' chassis operation helped offset losses by the Company's Carpenter Industries affiliate. Carpenter contributed an equity in loss of \$0.33 per share in 1998, including \$0.07 per share in the fourth quarter, compared with an equity in loss of \$1.24 per share in 1997, of which \$0.86 per share came in the year-ago fourth quarter.

Spartan Motors said sales increased 42.9% in 1998, to a record \$255.3 million, versus \$178.6 million in 1997. Spartan attributed the increase to strong sales in its core chassis business and the addition of sales from its new EVTeam subsidiaries, acquired during the past 16 months. The 1998 consolidated figures also include partial fourth-quarter results of Carpenter Industries, the Richmond, Ind.-based school-bus builder.

"We finished the year on a strong note, with our fourth quarter building on the solid performance we posted in the third quarter," said John Szykiel, president and chief operating officer of Spartan Motors. "The last half of 1998 provided us with strong momentum that we are carrying into the first quarter of 1999. Strong global demand for value-added custom chassis and heavy-duty vehicles fueled our progress in 1998. Sales of Spartan Motors motorhome chassis increased more than 36% over the previous year, building on double-digit growth in the overall Class 'A' RV market. Our EVTeam operations -- Road Rescue, Luverne Fire Apparatus and Quality Manufacturing -- contributed \$51.9 million in sales in 1998. Additionally, our transit bus operations showed solid growth in 1998, as did our niche of specialty vehicle chassis."

Spartan Motors said the improvements helped offset a modest sales decline in fire truck chassis and lower sales at Carpenter. Spartan said both segments are expected to grow in 1999, led by stronger fire truck chassis sales. Backlog for all products rose by nearly a third to more than \$120.7 million at year-end, versus \$92.7 million at the end of 1997.

Szykiel continued: "We are pleased, but not content, with our results in 1998. Though we made considerable progress on several fronts, we have only begun to tap the earnings potential of our operations. We expect continued sales growth will contribute to earnings growth, but we are also focused on improving quality, increasing productivity and integrating acquisitions in order to sustain the profit momentum we created in 1998. Additionally, new products and a focused sales effort are helping Spartan Motors' operating units carry forward the sales growth begun last year."

In December, Spartan Motors introduced the new Summit Series motorhome chassis, a line of entry-level diesel

pusher chassis for the RV market. Designed to bridge the gap between premium diesel pushers and the gas-powered market, the Summit Series gives Spartan Motors the widest range of diesel-powered chassis in the market. Several motorhome original equipment manufacturers (OEMs) have placed prototype orders for the Summit Series chassis, which will debut on model-year 2000 motorhomes beginning in July 1999.

Additionally, the three companies that comprise Spartan's EVTeam hosted a first annual dealer meeting in the fourth quarter, drawing more than 200 dealers, guests and factory representatives. Luverne Fire Apparatus introduced two key new products at the four-day conference, which helped generate more than \$6 million in new orders for the EVTeam.

"The EVTeam is benefiting from our efforts to consolidate sales and marketing resources," Szykiel said. "Quality Manufacturing, for example, posted the best month of sales orders in its history in January, reflecting customer acceptance of new products and improvements in operations. Additionally, our fire truck chassis sales are expected to grow 15% in 1999, due to increased demand for our premium chassis such as the Advantage model."

Spartan Motors also reported that its Carpenter Industries unit has made progress since a new management team, lead by Spartan Executive Vice President Anthony Sommer and Carpenter President and COO Marc Kennedy, was installed. Spartan, which had owned a minority interest in Carpenter since 1996, acquired a majority stake in the bus builder in October 1998, following a recapitalization. As a result of the increase in ownership, Spartan Motors now controls operations and has begun consolidating the financial results of Carpenter in its corporate results.

"We have made considerable progress transitioning Carpenter from a mass production operation to a niche manufacturer that is focused on quality and innovation," Szykiel said. "This is in line with the Spartan Motors philosophy and will help us reduce Carpenter's breakeven point from 22 vehicles manufactured per day to 8 by the third quarter of 1999. The efforts of Tony Sommer, Marc Kennedy and all of our associates at Carpenter are putting us in position to capitalize on the growing North American market for school buses, which represents 35,000 units annually."

Richard J. Schalter, Spartan Motors Chief Financial Officer, said: "Consolidated gross margins on a comparable basis improved 20 basis points to 14.6% in 1998, despite the changing product mix following our EVTeam acquisitions and increased ownership of Carpenter. Stronger growth came on an operating basis as we showed a 20% increase in operating income as a percentage of sales, due mostly to our efforts to control costs and share resources. On the balance sheet, total company inventories increased 54.5% at year-end versus the year-ago period, with the bulk of the increase attributable to higher order levels in the motorhome chassis business, as well as the accounting consolidation of Carpenter and the inclusion of Road Rescue, which was acquired in January 1998."

"We continued to invest in new product and selling initiatives in 1998, but were still able to lower our selling, general and administrative expenses on a comparable basis as a percentage of overall sales by more than 6% compared with the previous year," Schalter continued. "We continue to focus on cost controls to ensure that all operating units perform according to plan in the coming year. Additionally, as we continue to integrate functions such as purchasing and accounting at a corporate level, the cost-savings should help us further improve margins in the coming year."

Szykiel concluded: "Our performance during the final six months of 1998 established a momentum for us that has continued into the first quarter of 1999. Today, we are in a solid position to continue this momentum throughout 1999 and in the future. The majority of the markets we serve are on the upswing, and we are focusing on continued improvement at every operating unit in the Spartan Motors family."

Spartan Motors, Inc. (<http://theshyftgroup.com/>) is a leading developer and manufacturer of custom chassis for fire trucks, recreational vehicles, transit buses, school buses, and other specialty vehicles. The Company also owns fire and rescue vehicle manufacturers Luverne Fire Apparatus, Quality Manufacturing and Road Rescue, Inc. and an equity interest in school bus body manufacturer Carpenter Industries, 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

Fourth Quarters of 1998 and 1997

December 31, 1997		December 31, 1998	
\$-000	%	\$-000	%

Sales	55,400		71,044	
Cost of Sales	50,423		59,651	
Gross Profit	4,977	9.0	11,393	16.0
Operating Expenses:				
Research and Development	1,368	2.5	1,486	2.1
Selling, General and Administration	5,119	9.2	5,858	8.2
Total Operating Expenses	6,487	11.7	7,344	10.3
Operating Income	(1,510)	(2.7)	4,049	5.7
Other Income (Expense):				
Interest Expense	(223)	(0.4)	(445)	(0.6)
Interest and Other Income	32	0.1	(419)	(0.6)
Total Other Income (Expense)	(191)	(0.3)	(864)	(1.2)
Earnings before Equity Investment and Taxes	(1,701)	(3.0)	3,185	4.5
Income (Loss) on Equity Investment in Affiliate	(10,638)	(19.2)	(956)	(1.3)
Earnings before Taxes	(12,339)	(22.2)	2,229	3.2
Taxes	(1,044)	(1.9)	1,287	1.8
Net Earnings	(11,295)	(20.3)	942	1.3
Net Earnings per Share	(0.91)		0.08	
Weighted Average Shares	12,381		12,537	

SPARTAN MOTORS, INC. AND SUBSIDIARIES

Consolidated Income Statements

Twelve Months Ended December 31, 1998 and 1997

	December 31, 1997		December 31, 1998	
	\$-000	%	\$-000	%
Sales	178,641		255,338	
Cost of Sales	155,291		217,978	
Gross Profit	23,350	13.1	37,360	14.6
Operating Expenses:				
Research and Development	4,693	2.6	5,517	2.2
Selling, General and Administration	15,800	8.8	19,148	7.5
Total Operating Expenses	20,493	11.4	24,665	9.7
Operating Income	2,857	1.7	12,695	4.9
Other Income (Expense):				
Interest Expense	(846)	(0.5)	(1,215)	(0.5)
Interest and Other Income	899	0.5	300	0.1
Total Other Income (Expense)	53	0.0	(915)	(0.4)
Earnings before Equity Investment and Taxes	2,910	1.7	11,780	4.5
Income (Loss) on Equity Investment in Affiliate	(15,404)	(8.6)	(4,059)	(1.6)
Earnings before Taxes	(12,494)	(6.9)	7,721	2.9
Taxes	630	0.4	4,236	1.7
Net Earnings	(13,124)	(7.3)	3,485	1.4
Net Earnings per Share	(1.06)		0.28	
Weighted Average Shares	12,381		12,507	

Source: Spartan Motors, Inc.

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