1541 Reynolds Rd. Charlotte, MI 48813
P: 517.543.6400
SPARTANMOTORS.COM

Spartan Motors Announces Strategic Plan to Realign Operations, Exit School Bus Business

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CHARLOTTE, Mich., Oct. 3 /PRNewswire/ -- The board of directors of Spartan Motors, Inc. (NASDAQ:SPAR) has approved a strategic plan aimed at streamlining the Company's operations, including a move to focus on the Company's core chassis and Emergency Vehicle Team (EVTeam) operations and halt funding for its underperforming Carpenter Industries school bus affiliate.

The Charlotte, Mich.-based manufacturer of custom chassis and emergency vehicles said effective immediately it will stop funding Richmond, Ind.-based Carpenter. Spartan Motors, which owns a majority stake in Carpenter, said the board of directors of Carpenter approved a plan to liquidate the company. Spartan expects to take an after-tax charge of approximately $5 million to reflect the discontinuance of Carpenter's operations and an additional after- tax charge of approximately $2.1 million for the write-down of excess chassis inventory related to the school bus business, Spartan's exit from the transit bus business, and softness in the RV market. Both charges will be taken in the third quarter ending September 30, 2000.

"Despite our efforts to support Carpenter with financial resources and operating expertise, we believe there are too many hurdles to make this a sustainable business for Spartan Motors," said George Sztykiel, Spartan Motors chairman and chief executive officer. "Carpenter has been a painful and costly experience for Spartan, particularly given my personal commitment to turning around this business. Significant progress was made since Spartan took control in November of 1998, but in the end, the financial burden was too great and had to be eliminated. From this point on, Carpenter will no longer cloud our results.

"Moving forward, we are refining our focus toward operations that are proven winners: our core chassis business, which is perennially profitable even in a challenging market as the RV business is today; and our EVTeam companies, which are on track for a 50% increase in their profits in 2000 and continue to show solid growth potential. Excluding the one-time charges, we will be profitable in the third quarter and expect to finish the year on a strong note."

Spartan also announced it has laid off 20 percent of its salaried workforce, or approximately 40 jobs, and intends to consolidate one of its four facilities at its headquarters in Charlotte, Mich. in an effort to improve the Company's profitability and absorb a slowdown in the RV chassis market. Spartan Motors is planning to move its Plant One administrative offices and manufacturing into its three remaining facilities, while at the same time consolidating its engineering staff in one location to facilitate cross-platform design and product development. The Company's new manufacturing layout will bring more operations under one roof at Spartan's Plant Four chassis plant, which will improve work flow and reduce its inventory levels.

"Our analysis of the school bus business and Carpenter was accompanied by a review of all our operations," said John Sztykiel, president and chief operating officer. "At Spartan chassis in 2000, we have reduced our inventory from $31 million to $22 million, and remain on track to reduce our inventory even further. This reduction has opened up space in our plants, and we are focused on using this space more effectively.

"This consolidation will result in an annual savings of more than $2 million in 2001 and have a positive effect in the fourth quarter of 2000. All of these improvements help free up cash to build the business and to restart our stock repurchase program."

Without the cash flow and operating loss effects of Carpenter, Spartan's chassis and EVTeam businesses would have earned $0.54 per share in the first half of 2000. This would have marked Spartan's best six months of profitability ever.

While the Company's RV chassis business is experiencing some softness, sales of its fire truck chassis have increased and the EVTeam continues to grow both sales and profitability.

"Although the one-time charges associated with our investment in Carpenter will have a short-term impact on earnings, it has minimal financial risk for Spartan Motors," said Richard Schalter, executive vice president and chief financial officer. "We continue to have a strong balance sheet and will be able to continue to pay down debt and buy back stock from internally generated cash flow."

George Sztykiel concluded: "As their results indicate, our management team has done a good job in operating Spartan Chassis, Quality Manufacturing, Road Rescue and Luverne. There are tremendous opportunities for growth in sales and income. Without the distraction of Carpenter, Spartan Motors will be able to focus its attention on leveraging its core strengths into solid returns for shareholders. We are now positioned to focus on these opportunities."

Spartan Motors, Inc. (https://theshyftgroup.com/) is a leading developer and manufacturer of custom chassis for fire trucks, recreational vehicles, transit buses, 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.

Source: Spartan Motors, Inc.

Contact: John Gaedert of Spartan Motors, Inc., 517-543-6400; or
Jeff Lambert or Mary Ann Sabo of Lambert, Edwards & Associates, Inc.,
616-233-0500, mail@lambert-edwards.com, for Spartan Motors, Inc.

Website: https://theshyftgroup.com/