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Spartan Motors Posts Strong Gains in Sales, Profits In Second-Quarter and Six-Month Periods

July 29, 1999

CHARLOTTE, Mich., July 29 /PRNewswire/ -- Spartan Motors, Inc. ([NASDAQ:SPAR](#)) continues to ride the crest of strong RV sales and improved operating efficiencies, reporting its fourth consecutive quarter of increased year-over-year results. The Company's second quarter ended June 30, 1999 was highlighted by a 36% increase in sales and strong profitability.

The Charlotte, Mich.-based manufacturer of custom chassis, emergency vehicles and buses said net income grew to \$1.0 million, or \$0.08 per share, in the 1999 second quarter, compared with a net loss of \$454,000, or \$0.04 per share, in the same period in 1998. Spartan Motors said the profit improvement principally reflects the strong performance of its core chassis business, led by a healthy recreational vehicle (RV) market and improved results at its Carpenter Industries operation. Spartan Motors' net sales increased to \$75.3 million in the current quarter, compared with net sales of \$55.5 million in the year-ago second quarter.

For the six months ended June 30, 1999, Spartan reported a five-fold increase in net income to \$2.5 million, or \$0.20 per share, compared with \$484,000, or \$0.04 per share, in the first six months of 1998. Spartan recorded net sales of \$150.9 million in the 1999 six months, versus \$114.7 million in the same period in 1998, a 32% increase.

Improved operating results at Carpenter positively impacted the quarterly and six-month comparisons. Carpenter posted a net loss of \$994,000 in the 1999 second quarter, compared with a net loss of \$1.4 million in the first quarter 1999. Carpenter posted a stand-alone net loss of \$9.8 million in the 1998 second quarter.

Spartan's core chassis business contributed net earnings of approximately \$0.17 per share in the 1999 second quarter, compared with \$0.10 per share in the second quarter 1998, showcasing the strength of Spartan's RV chassis. Spartan's EVTeam added \$0.01 per share in the second quarter 1999, in line with the prior year second quarter.

"Our core chassis business continues on a record-setting pace," said John Szykiel, president and chief operating officer of Spartan Motors. "Driving this growth is our aggressive pursuit of new customers and new-model penetration in the RV market, our continued ability to gain market share in the fire truck market, and our unrelenting focus on quality and cost control to ensure profits grow ahead of sales. That said, we still have work to do in some areas of our operations and are committed to tightening the reins on accounts receivable, inventory turns and overall cost of capital."

Spartan Motors said it continues to be on the leading edge of accelerating demand in the RV market, in particular the larger motorhome or Class A segment. Spartan posted a 48.2% increase in RV chassis sales versus the year- ago second quarter and expects to build on this growth rate in the third quarter as it kicks off production of its new Summit chassis. Introduced at the end of 1998, the Summit is an entry-level diesel pusher RV chassis that creates a new product category within the RV marketplace.

"The demographic and economic momentum pushing the RV market show no sign of slowing down. As a leading supplier in the industry's fastest growing sector -- rear-engine diesel chassis -- we are poised to benefit with increased sales," said Szykiel.

In the fire truck chassis market, Spartan reported continued growth in the second quarter and a 24% increase through the first half of 1999, reversing the trend of 1998. Spartan said increased orders from new and existing OEM customers fueled the gains.

"We see no let-up in chassis sales entering the third quarter and anticipate stronger growth as new products and customers come on-line. The second quarter is traditionally our lightest quarter of the year, and we look forward to strong third and fourth quarters," said Szykiel.

At June 30, 1999, backlog for all products rose by 40% to more than \$112 million, versus \$80 million in backlog at the end of the second quarter 1998. The increase reflects the strength of Spartan's RV chassis sales, as well as new fire truck orders.

Spartan reported that its EVTeam showed continued profitability in the second quarter and first six months of 1999. Moving forward, Spartan said the EVTeam's contribution should continue to grow, buoyed by sales growth, new dealer relationships and Spartan's recently announced joint purchasing alliance with Federal Signal Corporation. The alliance, initiated during the 1999 second quarter, will benefit all of Spartan Motors' operations beginning later this year.

Spartan said results at its Carpenter subsidiary remain on plan, which includes improved operating results on a quarterly basis.

"We are making the necessary changes and improvements at this operation," said Anthony Sommer, Spartan Motors executive vice president and head of the Carpenter unit for Spartan. "Our next task is the introduction of a larger, rear-engine transit-style bus, which will take place at the National Association of Pupil Transportation (NAPT) show in November. This will represent the first major joint effort between Carpenter and Spartan and will integrate a new body style with our rear-engine diesel chassis. Importantly, this initiative allows us to serve a larger part of the school bus market, while integrating the work flow, efficiency and quality improvements we have made in other areas of Carpenter and its products."

Commenting on the financial results, Spartan Motors Chief Financial Officer Richard J. Schalter said: "Gross profit as a percentage of sales declined for both the second quarter and first half of 1999, principally reflecting the consolidation of Carpenter's gross margin results in the 1999 periods. In contrast, we reduced our operating expenses as a percentage of sales year over year as Spartan Motors benefited from cost containment efforts and the ability to leverage expenses across our four subsidiaries."

For the quarter ended June 30, 1999, Spartan's total operating expenses fell to 9.5% of sales from 10.7% of sales in the year-ago second quarter. Spartan reported a gross margin of 13.0% in the 1999 second quarter, down from 13.6% in the same period in 1998.

"Our increased emphasis on financial awareness and accountability is manifesting itself in certain areas of the organization," said Schalter. "Our task now is to continue to raise the bar and improve on every aspect of our financial management objectives."

"Based on our order backlog, new products and customers coming on-stream, and the operating improvements we are making at Spartan, we remain on pace to have a strong back-half of 1999 and to meet expectations for the year," concluded Szykiel.

Spartan Motors, Inc. (<https://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

	Three-Months Ended		Six-Months Ended	
	June 30, 1999	June 30, 1998	June 30, 1999	June 30, 1998
	\$-000	\$-000	\$-000	\$-000
Sales	75,263	55,504	150,889	114,660
Cost of Sales	65,470	47,932	130,257	98,402
Gross Profit	9,793	7,572	20,632	16,258
Operating Expenses:				

Research and Development	1,679	2,235	3,422	3,552
Selling	2,272	1,185	4,637	3,066
General and Administration	3,232	2,517	6,328	4,856
Total Operating Expenses	7,183	5,937	14,387	11,474
Operating Income	2,610	1,635	6,245	4,784
Other Income (Expense):				
Interest Expense (561)		(267)	(1,319)	(485)
Interest and Other Income	112	201	228	495
Total Other Income (Expense)	(449)	(66)	(1,091)	10
Earnings before Equity Investment and Taxes	2,161	1,569	5,154	4,794
Income (Loss) on Equity Investment in Affiliate	-	(1,521)	-	(2,771)
Earnings before Taxes	2,161	48	5,154	2,023
Taxes	1,148	502	2,695	1,539
Net Earnings	1,013	(454)	2,459	484
Net Earnings per Share	0.08	(0.04)	0.20	0.04
Weighted Average Shares	12,535	12,564	12,535	12,488

Source: Spartan Motors, Inc.

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