

SUPREME INDUSTRIES INC  
 Form 8-K  
 February 13, 2006

UNITED STATES												
SECURITIES AND EXCHANGE COMMISSION												
Washington, D.C. 20549												
FORM 8-K												
CURRENT REPORT												
PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934												
DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED): February 9, 2006												
SUPREME INDUSTRIES, INC.												
(Exact name of Registrant as specified in its charter)												
Delaware				1-8183				75-1670945				
(State of Incorporation)				(Commission File No.)				(IRS Employer Identification No.)				

&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;
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**P.O. Box 237**

**2581 E. Kercher Road**

**Goshen, Indiana 46528**

(Address of principal executive offices) (Zip Code)

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**Registrant's telephone number, including area code: - (574) 642-3070**

&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;
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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant of the following provisions (*see* General Instruction A.2. below):

&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;
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- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;
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- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;
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- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;
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- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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**Section 2 - Financial Information**

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**Item 2.02 Results of Operations and Financial Condition.**

&nbsp;

On February 9, 2006 Supreme Industries, Inc. (the "Company") issued a press release (the "Press Release") announcing its financial results for the fourth quarter and full year ended December 31, 2005. A copy of the press release is being furnished as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated by reference into this Item 2.02, and the foregoing description of the Press Release is made in its entirety by reference to this exhibit.

&nbsp;

On February 9, 2006 the Company held a conference call to discuss its financial results for its fourth quarter and full year ended December 31, 2005. A transcript of the conference call is being furnished as Exhibit 99.2 to this Current Report of Form 8-K.

&nbsp;

Pursuant to General Instruction B.2 of Form 8-K, the information in this Form 8-K, including the exhibits shall not be deemed to be incorporated by reference into any filing of the Company under the Securities Exchange Act of 1934, and is not incorporated by reference into any filing of the Company made before or after the date hereof, regardless of any general incorporation language in such filing.

&nbsp;

&nbsp;

**Section 9 - Financial Statements and Exhibits**

&nbsp;

**Item 9.01 Financial Statements and Exhibits.**

&nbsp; &nbsp; &nbsp; &nbsp;

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&nbsp;	(d) Exhibits	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;
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&nbsp;	&nbsp;	The following exhibits are furnished with this Form 8-K.									&nbsp;	&nbsp;
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&nbsp;	&nbsp;	<u>Exhibit No.</u>			<u>Description</u>							
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&nbsp;	&nbsp;	99.1		&nbsp;	Press release dated February 9, 2006, reporting results							
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&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	for the fourth quarter and full year ended							
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&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	December 31, 2005.							
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&nbsp;	&nbsp;	99.2		&nbsp;	Transcript of conference call held by the Company on							
&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	February 9, 2006.							
&nbsp;	&nbsp;				&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;
&nbsp;	&nbsp;	&nbsp;			&nbsp;	&nbsp;	&nbsp;		&nbsp;	&nbsp;	&nbsp;	&nbsp;

**SIGNATURES**

&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;
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Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on behalf of the undersigned hereunto duly authorized.

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&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	<b>SUPREME INDUSTRIES, INC.</b>					
&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;
&nbsp;				&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;				&nbsp;
Dated: February 13, 2006				&nbsp;	&nbsp;	BY: /s/ Jeffery D. Mowery						
&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	Jeffery D. Mowery					
&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	Vice President of Finance and Chief Financial Officer					
&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;
&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	(Signing on behalf of the Registrant and as Principal Financial Officer)					

**EXHIBIT INDEX**

&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;
99.1	&nbsp;	Press release dated February 9, 2006, reporting results for the fourth quarter and full year ended December 31, 2005.										
&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;
99.2	&nbsp;	Transcript of conference call held by the Company on February 9, 2006.										
&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;
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**Exhibit 99.1****SUPREME INDUSTRIES, INC.****For Immediate Release**

Contact:	Robert W. Wilson	&nbsp;	&nbsp;	&nbsp;	&nbsp;
&nbsp;	President and Chief Operating Officer	&nbsp;	&nbsp;	&nbsp;	&nbsp;
&nbsp;	(574) 642-4888	&nbsp;	&nbsp;	&nbsp;	&nbsp;

**Supreme Industries Reports Improved Revenue and Earnings****For 2005 Fourth Quarter and Full Year***Annual Revenue Improved by 11%**EPS for the Year Increased by 71%**Cash Dividend Payout for 2005 Increased by 93% per Share*

**GOSHEN, Ind., February 9, 2006** Supreme Industries, Inc. (AMEX:STS), a leading manufacturer of specialized transportation equipment including truck bodies and shuttle buses, announced today financial results for the 2005 fourth quarter and year ended December 31, 2005.

The series of price increases implemented throughout 2004 and the beginning of 2005, coupled with good demand for all of the Company's major product lines, resulted in record revenue in both the fourth quarter and full year of 2005. The Company had net sales of \$341.3 million for the quarter ended December 31, 2005, compared to \$72.5 million for the quarter ended December 25, 2004. Full-year net sales were \$1,341.3 million in 2005, compared to \$307.3 million for the full year of 2004.

Pretax income improved significantly for the fourth quarter of 2005 compared to the fourth quarter of 2004. Pretax income in the fourth quarter of 2005 was \$1.3 million compared to \$17,061 in the fourth quarter of 2004, and net income for the fourth quarter of 2005 was \$0.08 per diluted share, compared to \$0.08 per diluted share, in the fourth quarter of 2004. Net income in the fourth quarter of 2004 was positively impacted by having recognized both research and development tax credits claimed on certain tax filings and the reversal of tax reserves that were no longer required.

&nbsp;

Supreme's pretax income for 2005 more than doubled to \$12.7 million from \$6.1 million in 2004. Supreme's 2005 full-year net income was \$8.3 million, or \$0.65 per diluted share, compared to \$4.7 million, or \$0.38 per diluted share, for the same period in 2004.

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*Supreme Industries, Inc.*

*Page 2*

&nbsp;

While selling, general and administrative (SG&A) expenses as a percentage of net sales were unchanged in 2005 from the prior year, SG&A expenses increased in the fourth-quarter of 2005 compared to the same period of 2004, due principally to, among other factors, increased compensation-related costs associated with improved revenue and pretax income.

&nbsp;

Interest expense increased from \$349,273 in the fourth quarter of 2004 to \$561,521 in the same period of 2005. For the twelve-month period ending December 31, 2005, interest expense increased from \$1.0 million in 2004 to \$2.1 million in 2005. The increase in interest expense for both periods was due to increased debt incurred for funding of capital expenditures together with increased working capital and higher short-term interest rates in 2005 versus 2004.

&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;
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Stockholders' equity totaled \$75.2 million, or \$5.92 per share, at December 31, 2005. Working capital totaled \$58.9 million compared to \$50.9 million at year-end 2004. The working capital ratio at year end 2005 was 3.1 to 1.0 while long-term debt as a percentage of total capitalization was 28.6 percent. The Company's total capitalization was a conservative 28.6 percent.

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Mr. Wilson concluded, "We are pleased that we were able to attain one of our primary financial objectives for 2005, which was to increase our gross margin to 12 percent, two percentage points over the level achieved in 2004. With a backlog of \$90.3 million, which is higher than last year's \$89.1 million, we are optimistic that 2006 can be another strong year for Supreme, and we have set an operating margin target of 13 percent. However, an intensely competitive market environment, less favorable general economic conditions and other factors could adversely impact our results in 2006."

&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;
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As announced on February 7, 2006, Supreme's board of directors approved a \$0.095 per share cash dividend on its outstanding Class B Common Stock to be paid on February 27, 2006, to shareholders of record on February 20, 2006. This cash dividend represents the first consecutive quarterly cash dividend in what the Company intends to be a continuing series of quarterly cash dividends, business conditions permitting.

&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;
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A live webcast of Supreme Industries' earnings conference call can be heard today at 4:30 p.m. Eastern Time at [www.suprem](http://www.suprem)

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Supreme Industries, Inc. is a nationwide manufacturer of specialized truck bodies that are produced to the specifications of its customers. Supreme also manufactures the StarTrans® line of special-purpose "shuttle-type" buses. The Company's transportation equipment are used by a wide variety of industrial and commercial customers.

&nbsp;

*The Company's significant accounting policies are discussed in Note 1 of the Notes to Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 25, 2004. In Management's opinion, the Company's critical accounting policies include allowance for doubtful accounts, excess and obsolete inventories, inventory relief, accrued insurance and accrued wages.*

&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;
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*Supreme Industries, Inc.*

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*This report contains forward-looking statements (within the meaning of the Private Securities Litigation Reform Act of 1995), which reflect the view of the Company's management with respect to future events. When used in this report, words such as "believe," "expect," "anticipate," "estimate," "intend," and similar expressions, as they relate to the Company or its plans or operations, identify forward-looking statements. Such forward-looking statements are based on assumptions made by and information current to the Company's management. Although management believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations are reasonable, and it can give no assurance that such expectations will have been correct. Important factors that could cause actual results to differ materially from such expectations include, without limitation, the availability of chassis on which the Company's product is dependent, availability of raw materials, raw material price increases, and severe interest rate increases. Furthermore, the Company can provide no assurance that such raw material cost increases can be passed on to its customers through implementation of price increases for the Company's products. The forward-looking statements contained herein reflect the current views of the Company's management with respect to future events and are subject to those and other risks, uncertainties and assumptions relating to the operations, results of operations, cash flows and financial position of the Company. The Company assumes no obligation to update the forward-looking statements or to update the reasons actual results could differ from those contemplated by such forward-looking statements.*

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*Financial tables follow ..*





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<b>Supreme Industries, Inc. and Subsidiaries</b>													
<b>Consolidated Statements of Income</b>													
&nbsp;													
&nbsp;													
&nbsp;	&nbsp;	&nbsp;	&nbsp;	<b>Three Months Ended</b>					&nbsp;	<b>Twelve Months Ended</b>			
&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	
&nbsp;	&nbsp;	&nbsp;	&nbsp;	<b>December 31,</b>		&nbsp;	<b>December 25,</b>		&nbsp;	<b>December 31,</b>		&nbsp;	
&nbsp;	&nbsp;	&nbsp;	&nbsp;	<b>2005</b>		&nbsp;	<b>2004</b>		&nbsp;	<b>2005</b>		&nbsp;	
<b>Revenue:</b>			&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	
Net sales			&nbsp;	\$78,658,767		&nbsp;	\$72,520,807		&nbsp;	\$341,252,852		&nbsp;	
Other income			&nbsp;	274,204		&nbsp;	252,765		&nbsp;	806,005		&nbsp;	
&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	
&nbsp;	&nbsp;	&nbsp;	&nbsp;	78,932,971		&nbsp;	72,773,572		&nbsp;	342,058,857		&nbsp;	
&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	
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&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	
<b>Costs and expenses:</b>			&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	
Cost of sales			&nbsp;	69,650,522		&nbsp;	66,173,141		&nbsp;	300,114,755		&nbsp;	
Selling, general and			&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	
administrative			&nbsp;	7,401,005		&nbsp;	6,234,097		&nbsp;	27,137,573		&nbsp;	
Interest			&nbsp;	561,521		&nbsp;	349,273		&nbsp;	2,129,149		&nbsp;	
&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	
&nbsp;	&nbsp;	&nbsp;	&nbsp;	77,613,048		&nbsp;	72,756,511		&nbsp;	329,381,477		&nbsp;	
&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	
<b>Income before income</b>			&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	

&nbsp;	<b>taxes</b>			1,319,923		&nbsp;	17,061		&nbsp;	12,677,380		&nbsp;
&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;
<b>Income taxes</b>			&nbsp;	259,000		&nbsp;	(961,000)		&nbsp;	4,336,000		&nbsp;
&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;
<b>Net income</b>				\$1,060,923		&nbsp;	\$978,061		&nbsp;	\$8,341,380		&nbsp;
&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;
&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;
&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;
<b>Earnings per share:</b>				&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;
Basic				&nbsp;	\$ .08	&nbsp;	&nbsp;	\$ .08	&nbsp;	&nbsp;	\$ .67	&nbsp;
Diluted				&nbsp;	.08	&nbsp;	&nbsp;	.08	&nbsp;	&nbsp;	.65	&nbsp;
&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;
<b>Shares used in the</b>				&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;
<b>computation of</b>				&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;
<b>earnings per share:</b>				&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;
Basic				12,667,949		&nbsp;	12,118,448		&nbsp;	12,455,818		&nbsp;
Diluted				12,993,927		&nbsp;	12,445,153		&nbsp;	12,869,432		&nbsp;
&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;
<b>Cash dividends per share:</b>				&nbsp;	\$ .095	&nbsp;	&nbsp;	\$ .035	&nbsp;	&nbsp;	\$ .26	&nbsp;
&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;

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Supreme Industries, Inc.

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**Supreme Industries, Inc. and Subsidiaries**

**Consolidated Balance Sheets**

&nbsp;												
&nbsp;						December 31,			December 25,			
&nbsp;						2005			2004			
&nbsp;						&nbsp;			&nbsp;			
&nbsp;						&nbsp;			&nbsp;			
&nbsp;						&nbsp;			&nbsp;			
&nbsp;						&nbsp;			&nbsp;			
<b>Assets</b>						&nbsp;			&nbsp;			
Current assets						\$86,726,343			\$80,680,035			
Property, plant and equipment, net						49,334,947			47,190,964			
Intangible assets, net						735,014			765,080			
Other assets						549,350			560,540			
&nbsp;						&nbsp;			&nbsp;			
<b>Total assets</b>						<b>\$137,345,654</b>			<b>\$129,196,619</b>			
&nbsp;						&nbsp;			&nbsp;			
&nbsp;						&nbsp;			&nbsp;			
&nbsp;						&nbsp;			&nbsp;			
&nbsp;						&nbsp;			&nbsp;			
<b>Liabilities</b>						&nbsp;			&nbsp;			
Current liabilities						\$27,819,756			\$29,781,764			
Long-term debt						31,378,367			28,766,667			
Deferred income taxes						2,988,275			3,085,179			
&nbsp;						&nbsp;			&nbsp;			
<b>Total liabilities</b>						<b>62,186,398</b>			<b>61,633,610</b>			
<b>Total stockholders' equity</b>						<b>75,159,256</b>			<b>67,563,009</b>			
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**Transcript of Conference Call Held by the Company on February 9, 2006**

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Good afternoon everyone. Thank you for joining us for today's conference call to discuss Supreme's fourth quarter and full-year financial results. The press release was issued this morning. If you have not received a copy, please call Supreme's offices at 508-253-1000 and one will be faxed to you. Joining me today are Supreme's Vice President's, Christy Miller, Manufacturing, Barry Lown, Sales and Marketing and Jeff Mowery, CFO. I will provide a financial overview and additional details on the quarter. After that, we will answer any questions that you may have. Before we begin, I must remind you that during our conversation today you may hear some forward-looking statements. Although we believe that the expectations reflected in the forward-looking statements are reasonable, those statements are based on reasonable assumptions, we cannot guarantee that we will meet any expectations that might arise from those forward-looking statements and their underlying assumptions. Some of the important factors that could cause Supreme's results to differ materially from such expectations include: limitations on the availability of chassis for its products, escalating raw material costs, the availability of raw material, severe interest rate increases and other factors that are detailed in our SEC filings.

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Stable demand in all of the Company's major product lines coupled with the series of price increases implemented throughout the beginning of 2005 resulted in improved results for the fourth quarter and year end 2005 periods. In the fourth quarter of 2005, net income improved 8 percent and pretax income increased to \$1.3 million from \$17 thousand over the fourth quarter of 2004. While we reported 10 cents in earnings per diluted share in the fourth quarter of 2005 versus 8 cents in the same period of 2004, it is important to note that net income in the fourth quarter of 2004 was positively impacted by a significantly lower tax rate as a result of research and development credits claimed on amended tax filings and the reversal of tax reserves no longer required. Therefore, the tax adjustments in the fourth quarter of 2004 conceal the significant financial improvement when comparing earnings per share quarter-over-quarter. For the full year 2005 sales were \$341.3 million, or 11% higher than the \$307.3 million achieved in 2004. Supreme's full year net income for 2005 was \$4.7 million, or 65 cents per diluted share, compared to \$4.7 million, or 38 cents per diluted share, for the same period in 2004. We are proud of the revenues and the substantial profit growth achieved in 2005 but will not rest upon our achievements.

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While the growth was primarily a result of the price increases we implemented throughout 2004 and the beginning of 2005, Supreme also experienced continued demand within the commercial truck and transportation industries, particularly with major fleet customers and armored divisions. Specifically for the year ended 2005, we increased our sales of specialty truck bodies with major fleet customers approximately 19 percent over 2004. Additionally, our armored division increased sales by 46 percent and our bus division sales increased 19 percent over last year.

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Selling, general and administrative expenses increased to 9.4 percent of net sales in the 2005 fourth quarter compared to 8.6 percent of net sales in the 2004 year's fourth quarter. This increase is due to increased compensation-related costs due to improved revenue and pretax income. For the year ended 2005, SG&A expenses increased slightly to 8 percent of net sales versus 7.9 percent in the same period last year.

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Interest expense for the current quarter was \$562 thousand compared to \$349 thousand in last years fourth quarter. For the year interest expense increased to \$2.1 million from \$1.0 million in 2004. The increased interest expense in both periods is a result of borrowing to finance working capital and capital expenditures, and the rise in interest rates. To support our increased work associated with our record revenue and our capital expenditures, Supreme increased its borrowings under its bank revolving credit. In 2006 we intend to reduce our borrowings by continuing to aggressively manage current assets and dedicating more of our cash to the reduction of our debt. Therefore, assuming that our average rate of interest in 2006 is not materially different than the average rate in 2005, we anticipate that our interest expense will decline.

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For the 12-month period ended 2005, Supreme's effective tax rate increased to 34.2 percent versus 22.2 percent last year for reasons previously discussed.

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To further support our growth, capital expenditures totaled approximately \$2.4 million in the quarter and \$6.4 million in the full year period. Supreme completed major capacity additions at its Northeast and Southeast manufacturing facilities in 2005. The Company completed the construction of an additional manufacturing facility at its Griffin, Georgia location and Supreme's Jonestown, Pennsylvania facility launched operations at its recently acquired manufacturing plant adjacent to existing facilities. The Company also purchased 124,000 square foot facility adjacent to its fiberglass reinforced plywood production facility in Ligonier, Indiana to replace facility being leased. Our Company now has a manufacturing or distribution presence in every major geographical area of the country to increase production capacity to capitalize on market opportunities. During 2006, the Company plans to wisely invest in equipment and technology that will enhance our leading industry position.

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Turning to the balance sheet, shareholders equity continued to improve to \$75.2 million, up 11.2 percent from the end of 2004. An increase in stockholder's equity occurred even though the Company paid \$3.2 million in cash dividends in 2005 which we believe served to increase the value of our Company to our shareholders . Our book value was \$5.92 per share, and long-term debt-to-total-capital was 28.6 percent.

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As we announced on February 7th, 2006 the board of directors declared a nine and one-half cent cash dividend per share payable on February 27, 2006. The record date for this dividend will be February 20, 2006.

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Our backlog at December 31, 2005 stood at \$90.3 million which approximates the backlog figure of \$89.1 million in the same period last year. The stable dollar backlog relates to the price increases that we implemented throughout 2004 and early 2005. Additional strength in our truck division has primarily led the way during the past several quarters, we are now experiencing higher demand in the truck division which continues to grow as a percentage of total backlog.

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Working capital increased to \$58.9 million at the end of the 2005 from \$50.9 at the end of 2004. Our working capital ratio was 1.15 at the end of 2005 versus 1.10 at the end of 2004.

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Although we anticipate 2006 to be another challenging year due to, among other factors, an intensely competitive environment, uncertainty concerning raw material costs and possibly their availability, we believe it is reasonable to expect further financial uncertainty in 2006. We have set an internal gross margin target of 13 percent, which if achieved, will be an improvement from 12.1 percent in 2004. We believe this goal is achievable, although factors such as lower demand for our products, continued escalation of healthcare costs, inadequate availability of quality labor and/or an interruption in chassis supply could adversely impact our performance. However, to further improve our operational efficiencies and profitability, we are intensifying our strategic planning and we are benefiting from this effort in 2006 and beyond.

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Finally, we remain pleased with the overall demand for our truck and bus products, and we believe our extensive product offerings, product introductions and superior service to customers will afford us opportunities for continued profitability.

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With that being the conclusion of our formal remarks, we would now like to open the call for any questions you may have.

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