



# **2001 ANNUAL REPORT**



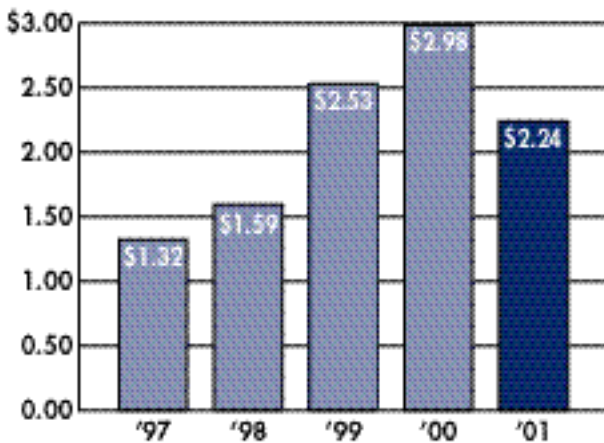
Thor was founded 21 years ago with the acquisition of Airstream on August 29, 1980, and we have been driving for excellence ever since.

Thor traces its history to the founding of Airstream over 70 years ago. Through world-class quality, excellent aerodynamics, and its distinctive aluminum body and profile, Airstream travel trailers are the most renowned recreation vehicles in the world. Airstream's 30 year association with America's space program demonstrates the Company's unwavering commitment to quality vehicles using state-of-the-art materials and construction. Every astronaut has ridden in specially equipped Airstream Astrovans commissioned by NASA for use at the Kennedy Space Center.

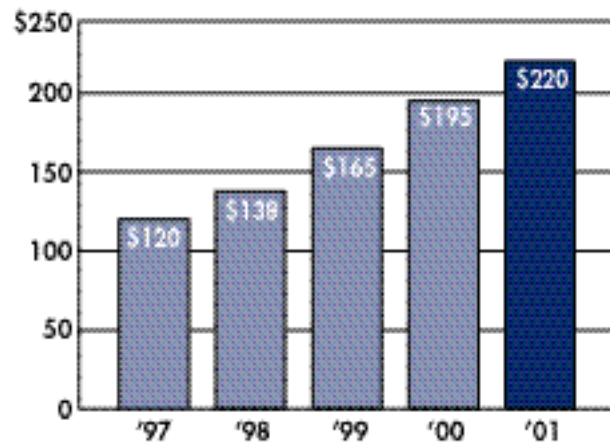
Major Thor RV products include Airstream, Land Yacht, Dutchmen, Signature, Four Winds, Hurricane, Infinity, Fifth Avenue, Aerolite, Kodiak, Chateau, Citation, Corsair, General Coach, Komfort, Skamper, Wanderer, Tahoe, and Mirage. Buses built by E Dorado National, Champion, and General Coach are sold under model names such as Aerotech, Escort, MST, Transmark, E-Z Rider, Versashuttle, Activan, Challenger, Contender, SoLo, General, and Brigadier.

Thor has 3,457 employees, 10 RV plants and 3 bus plants in the United States, and 2 RV plants in Canada. Thor is listed on the New York Stock Exchange under the symbol THO.

E.P.S.



Stockholders' Equity (\$ millions)

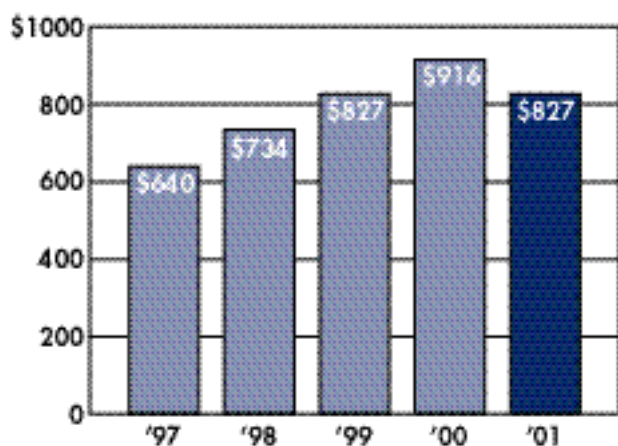


# FINANCIAL HIGHLIGHTS

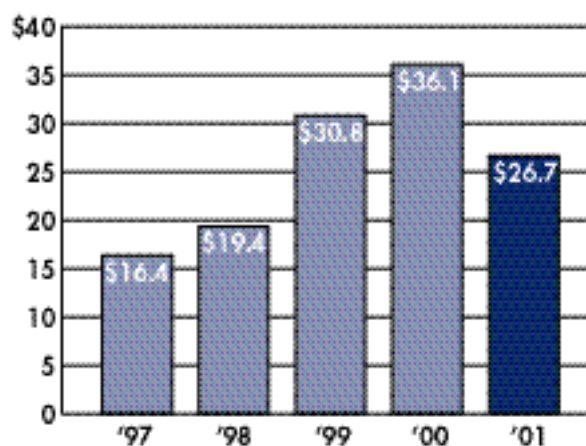
(\$000, except per share)

	2001	2000	1999	1998	1997
Net sales	\$ 826,931	\$ 916,042	\$ 826,661	\$ 733,656	\$ 639,889
Gross profit	\$ 95,323	\$ 119,229	\$ 105,926	\$ 82,342	\$ 65,364
Income before taxes	\$ 43,287	\$ 60,873	\$ 52,436	\$ 33,051	\$ 27,637
Net income	\$ 26,722	\$ 36,119	\$ 30,766	\$ 19,395	\$ 16,423
Stockholders' equity	\$ 219,946	\$ 195,204	\$ 165,373	\$ 138,214	\$ 119,819
Return on stockholders' equity	14%	22%	22%	16%	14%
Cash & investments	\$ 107,193	\$ 77,963	\$ 68,866	\$ 43,532	\$ 12,753
Working capital	\$ 150,697	\$ 138,909	\$ 123,094	\$ 99,139	\$ 79,159
Current ratio	2.73	2.61	2.56	2.33	2.61
Capital expenditures	\$ 17,198	\$ 13,908	\$ 7,448	\$ 2,089	\$ 1,794
Depreciation and amortization	\$ 4,942	\$ 4,677	\$ 3,731	\$ 4,369	\$ 4,461
Total assets	\$ 309,067	\$ 282,131	\$ 245,912	\$ 213,981	\$ 170,969
Per share amounts:					
Net income	\$ 2.24	\$ 2.98	\$ 2.53	\$ 1.59	\$ 1.32
Book value	\$ 18.47	\$ 16.29	\$ 13.82	\$ 11.27	\$ 9.80

Sales (\$ millions)



Net Income (\$ millions)



## DEAR FELLOW STOCKHOLDERS:

Fiscal 2001 marked your company's second highest sales year and its third highest profits year despite continued softness during the past 18 months in the RV industry, our largest segment.

Highlights of the fiscal year were:

- Sales of \$826.9 million versus \$916.0 million last year.
- Net income of \$26.7 million versus \$36.1 million last year, and earnings per share of \$2.24 versus \$2.98 last year.
- Record Bus sales of \$292.0 million, up 23% from \$237.7 million last year and Bus income before tax of a record \$20.2 million versus \$18.9 million last year.
- Recreation vehicles sales of \$534.9 million versus \$678.3 million last year and RV income before tax of \$25.3 million versus \$46.3 million last year.
- Cash and short term investments of \$107.2 million (\$9 per share) at year end, the highest ever, working capital of \$150.7 million and no debt. Our overall financial condition is the strongest in our industries.
- Capital expenditures of a record \$17.2 million, up from \$13.9 million the prior year, as we continue our focus on upgrading and expanding our existing facilities.
- Completion in May of Komfort's new 100,000-sq. ft. manufacturing facility in Clackamas, Oregon. Komfort has been an outstanding performer since its acquisition in 1995, and this new plant enables it to meet the increasing demand for an expanded travel trailer and fifth wheel offering.
- Construction of a new facility for our Kansas bus operation. This plant, totaling 250,000 sq.-ft., is now nearing completion and is expected to be one of the most efficient bus production facilities in the world.

Recently your company's stock price has received some overdue recognition by Wall Street. We have always strived to maximize shareholder value and will continue to do so. Our stock price has increased nicely this year, but our PE multiple is still well below the S&P 500 average. The market seems to be placing more emphasis on value stocks like Thor with real products, consistent earnings, strong balance sheets, and positive prospects for the future.

We are pleased that our long term commitment to increasing shareholder value was recognized in an article by Bloomberg in May. The article stated that based on a Bloomberg search of 370,000 companies, Thor was one of just eight companies that met the stringent investment criteria of America's smartest investor, Warren Buffett. This is not to suggest that Thor is for sale, or that we have had any approach from Mr. Buffett, just that your company's fundamentals are very sound and have been recognized as such.

In our 1999 Annual Report, at the height of dot.com and related mania, we strongly implied that it had little merit and stated that we will "continue our strategy of solid, profitable growth in both of our fast growing segments. If you want losses, as many stockholders seem to in today's crazy market, Thor is not for you." In retrospect, the dot.com emphasis on "eyeballs" and selling below cost with resulting huge losses was per-



Wade F. B. Thompson (left), Chairman, President and Chief Executive Officer, and Peter B. Orthwein, Vice Chairman and Treasurer.

haps one of the largest financial hoaxes ever. In contrast, Thor has been profitable every year since our founding in 1980 and builds products that deliver lasting value for customers and shareholders alike.

We have always been committed to providing our bus customers with the best investment possible and our RV buyers with the best value products. Today we are well positioned to take advantage of the inevitable upturn in the RV industry and the continuing strength of our bus business. Several of our competitors are suffering losses, some huge, which places us in a good position to profitably increase our market share in both our industries.

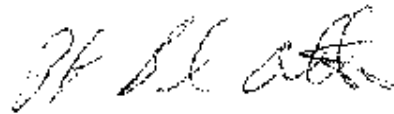
We are not immune to the economic and other effects of the horrific terrorist attacks on New York and Washington, DC, on September 11, 2001 and our thoughts reach out to those who lost loved ones and colleagues.

Be assured that your company is well positioned to continue its profitable record through whatever economic conditions ensue. RVing offers freedom, strong family values, kinship, and more flexibility than other forms of travel and recreation. The Bus industry will probably be affected by the slowdown in air travel, but municipalities are expected to focus more on the efficiencies of transit buses, which account for about two thirds of our bus sales.

Fiscal 2002 will no doubt be demanding, but we are more resolute and determined than ever to meet the challenges that lie ahead.



Wade F.B. Thompson,  
Chairman, President and Chief Executive Officer



Peter B. Orthwein,  
Vice Chairman and Treasurer



**NASCAR driver Ken Schrader, owner of a 35' Fun Mover and three other Four Winds motorhomes, will race a "Four Winds" car in the NASCAR Busch Grand National Race Series.**

# RECREATION VEHICLES

## THE INDUSTRY

The recreation vehicle industry, which accounts for about two thirds of our revenues, has suffered through 18 months in a row of declines in shipments. Despite this, the industry has excellent long-term prospects. Sharp declines in fuel prices and nine consecutive drops in interest rates by the Federal Reserve Board, should lead to improvement in the industry.

Positive demographics are the most important determinant of demand. The baby boomer age group, 50-65, is expected to grow by 44%, 5 times the expected 8% growth in the total population through 2005. Between now and 2005, 4 million people each year will reach age 50, the RV market's prime demographic. That is 11,000 potential new buyers each day! One in ten North American households owns an RV. RVing enables million of Americans and Canadians to tour the highways and byways of our great land.

Bolstering our confidence in the industry's future is the recent RV Consumer Satisfaction Survey by international research firm Roper Starch Worldwide for the Recreation Vehicle Industry Association. Consumer satisfaction with the overall RVing experience jumped 10 percentage points since 1999 for owners of towables, our largest segment, and 6 percentage points for motorhome owners. Nearly all towable owners (97%) and motorhome owners (95%) intend to continue RVing over the next 5 years.



**Komfort Corporation's new plant is the finest facility in the RV industry, with state-of-the-art design for maximum travel trailer and fifth wheel productivity.**

## FOUR WINDS

Four Winds, Thor's largest company and the second largest manufacturer of Class Cs, profitably out-performed most of its competition in sales and net income in the depressed motorhome segment. For the 2002 model year, it has redesigned its Class A and Class C motorhomes with more slide-outs for enhanced livability and more storage space. It plans to enter the diesel Class A market, which now accounts for about 60% of dollar sales in the Class A segment.

Four Winds is a major supplier to large RV rental operations throughout the United States and Canada and Cruise America, the largest RV rental operator, has agreed to make Four Winds its primary supplier.

## DUTCHMEN

Dutchmen, Thor's largest towable company, achieved solid sales and profits. It successfully introduced its innovative Sport and Express products to take advantage of the continuing trend to more affordable RVs.

Dutchmen's new state-of-the-art plant is now operating with improved efficiencies and product quality. Stringent workmanship standards were set and a quality audit system was established to track quality by product line. Emphasis will continue to be placed on standardization of components at Dutchmen and at all our RV operations to facilitate ease of manufacturing and improved product quality.

## AIRSTREAM

Airstream, our flagship company, celebrated its 70<sup>th</sup> year, reduced its operating costs in a tough market, and continued its record of profits for 21 consecutive years since its acquisition. For 2002, it will introduce double slides in all of its diesel motorhomes, a triple slide model, and a series of lightweight travel trailers with highly stylized interiors designed to appeal to younger buyers.

## KOMFORT

Komfort again achieved superior returns on sales and assets employed. It completed construction of and moved into its new 100,000-sq. ft. facility in May, perhaps the finest travel trailer manufacturing plant in the U.S. It expanded its dealer network and enhanced its position as a brand leader in the states of Oregon, Washington, California, and Idaho.

## THOR AMERICA

Thor America expanded its offering of aluminum framed laminated travel trailers and fifth wheels, resulting in a sales increase and solid profits. For over fifty years, Citation and Chateau travel trailers have been built in Thor America's Pennsylvania plant. These brand names are among the best-recognized towable RVs in the eastern U.S.

## THOR CALIFORNIA

Thor California achieved its second highest sales level since its start-up 5 years ago and was profitable. It introduced the Mirage fifth wheel, a fully laminated, more luxurious vehicle, an important upgrade to its affordable Tahoe and Wanderer travel trailers and fifth wheels. It enters fiscal 2002 with a large backlog which bodes well for a strong sales and profit year.

## GENERAL COACH

Our Canadian operations, located in British Columbia and Ontario, build Citation and Corsair travel trailers, fifth wheels, motorhomes, and truck campers. Each facility had satisfactory results and was profitable despite severe softness in the Canadian RV industry. General Coach maintains one of the highest customer satisfaction indexes and the lowest warranty costs of any North American RV manufacturer.

## AERO COACH

Aero, our lightweight, laminated European style travel trailer and fifth wheel, broadened its product offering with the introduction of its AeroStar and Skamper Ultra products, adding fifth wheels and also slide-outs in several models. It implemented lean manufacturing techniques, standardized process, and realigned plants from four to three.

# BUSES

## THE INDUSTRY

The small and mid-size bus industry continues its strong growth record. For the first six months of 2001, shipments were up 25%. Thor's market share is about 37% and we continue to be larger than our next three competitors combined. Congress has allocated an 8% increase for transit funding in 2002, to \$6.7 billion, following increases of 8% in 2001 and 14% in 2000, respectively. Approximately 65% of Thor's bus business is transit.

We are the leader in low floor buses which have easy access and exit, in low cost fuel efficient transit, and in alternative clean burning fuels. Mid size buses, those up to 35', are the most cost effective, common sense, mass transportation. They offer vastly superior fuel efficiency, much lower up front and operating costs, and are an obvious answer to traffic congestion.

Our hydrogen fuel cell hybrid bus is undergoing pre-delivery testing in California. This innovative zero emissions technology will further enhance our position as the industry leader in the fast growing \$800 million mid-size bus industry.

## ELDORADO NATIONAL

ELDorado National again achieved record sales and earnings. Our Kansas plant achieved record sales and earnings and has nearly completed a 250,000-sq.ft. state-of-the-art facility. This single-location, integrated plant, will provide improved efficiency and enhanced working conditions and will be one of the most advanced bus manufacturing facilities in the world. Because of record 2001 backlogs that caused long lead times, we lost business to smaller companies that could satisfy customers' needs for quicker delivery. The expanded capacity of the new facility will enable us to shorten delivery schedules. We purchased the assets of a manufacturer of mini-buses for the mobility impaired and moved production to a facility near our new Salina plant. Our California operation achieved record sales and maintained strong profitability. It built and shipped a record 300 rear engine buses, including a major order for SEPTA. A 15 acre site was purchased for a new facility.

## CHAMPION

Champion's sales and net income hit record levels. We decisively defeated yet another union attempt, the second in 14 months, demonstrating that our valued employees are not interested in unionization. Champion's affiliate, General Coach, signed an agreement with ABC Bus Companies, the nation's largest distributor of passenger coaches, to build European design-oriented mid-size and smaller buses. It received an initial order for 60 of its M1000 35 ft. coaches that provide a luxurious, but more affordable, means of travel.

In all of its locations, Thor Bus is certified ISO 9001, the international standard for world class quality. It is the only mid-sized bus manufacturer recognized by the International Organization of Standards.





**Our M1000, built especially for ABC Bus Companies Inc., the largest distributor of passenger coaches, offers European styling and high-end features at an affordable price.**



**Eldorado National's new 35-ft. low floor E-Z Rider II offers easy access and exit for all passengers.**

# THOR INDUSTRIES, INC., AND SUBSIDIARIES

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

### RESULTS OF OPERATIONS

Our net sales in fiscal 2001 were \$826,930,810 compared to \$916,042,360 in fiscal 2000. Our net income in fiscal 2001 was \$26,722,273 compared to \$36,119,408 in fiscal 2000. Basic earnings per share of our common stock in fiscal 2001 were \$2.24 compared to \$2.98 in fiscal 2000. Our consolidated statements of income for the fiscal years ended July 31, 2001, 2000 and 1999 shown as a percentage of our net sales are:

	Fiscal years ended July 31,		
	2001	2000	1999
Net sales.....	100.0%	100.0%	100.0%
Cost of products sold .....	88.5	87.0	87.2
Gross profit.....	11.5	13.0	12.8
Selling, general and administrative expenses.....	6.8	6.5	6.6
Loss on divestment of subsidiary .....	—	(.3)	(.2)
Other income (net).....	.5	.4	.3
Income before income taxes.....	5.2	6.6	6.3
Provision for income taxes .....	2.0	2.7	2.6
Net income.....	3.2%	3.9%	3.7%

### FISCAL 2001 VERSUS FISCAL 2000

Our net sales in fiscal 2001 were \$826,930,810, a 9.7% decrease from \$916,042,360 in fiscal 2000. Income before income taxes in fiscal 2001 was \$43,287,016, a 28.9% decrease from \$60,872,947 in fiscal 2000. The decrease in income before income taxes of \$17,585,931 in fiscal 2001 was primarily caused by reduced recreation vehicle revenues of \$143,426,582 for the period, which resulted in a reduction in income before income taxes of approximately \$20,973,000. Bus revenues were \$54,315,032 greater in fiscal 2001 than in fiscal 2000, which resulted in an increase in income before income taxes in fiscal 2001 of approximately \$1,300,000. There were no losses on divestment of operations for the year ended July 31, 2001, which resulted in an increase in income before income taxes of \$2,323,714 compared to the same period last year.

Recreation vehicle revenues decreased in fiscal 2001 by 21.1% to \$534,882,417 compared to \$678,308,999 in fiscal 2000 and accounted for 64.7% of our total revenues, compared to 74.0% of our total revenues in fiscal 2000. Recreation vehicle order backlog of \$51,754,000 at July 31, 2001 was down 17.2% compared to the same period in fiscal 2000 and reflects the continuing softness in the overall recreation vehicle market. Bus revenues in fiscal 2001 increased by 22.8% to \$292,048,393 compared to \$237,733,361 in fiscal 2000 and accounted for 35.3% of our total revenues in fiscal 2001 compared to 26.0% of our total revenues in fiscal 2000. Bus order backlog of \$171,319,000 at July 31, 2001 was 16.3% lower than the same period in fiscal 2000, reflecting increased competition from newer entrants in the industry that were able to deliver buses to customers faster.

Gross profit as a percentage of sales in fiscal 2001 decreased to 11.5% from 13.0% in fiscal 2000 primarily due to the lower volume of recreation vehicle sales. Due to a soft recreation vehicle market and competitive pressures, there were no price increases for our products during fiscal 2001. Selling, general and administration expenses and amortization of intangibles decreased to \$56,323,430 in fiscal 2001 from \$59,776,408 in fiscal 2000. However, as a percentage of net sales, selling, general and administrative expenses were 6.8% in fiscal 2001 compared to 6.5% in fiscal 2000. The \$3,452,978 decrease in selling, general and administrative expenses is primarily due to a reduction of approximately \$3,700,000 in income-related compensation which resulted from our reduced profits in fiscal 2001.

Interest income in fiscal 2001 increased by \$558,598, primarily due to the amount of investable cash being higher than last year and offsetting the lower market rate. Interest expense increased by \$573,826 primarily due to interest paid on increased bus chassis pools.

Our overall effective income tax rate was 38.3% for fiscal 2001 compared to 40.7% for fiscal 2000. The decrease in overall effective income tax rate in fiscal 2001 is primarily due to a tax benefit of \$1,047,000 recorded in fiscal 2001. Based on recent judicial decisions, we recorded a tax benefit of \$1,047,000 associated with the stock basis of a divestiture in fiscal 1998.

### FISCAL 2000 VERSUS FISCAL 1999

Our net sales in fiscal 2000 totaled \$916,042,360, a 10.8% increase from \$826,661,111 in fiscal 1999. Income before income taxes in fiscal 2000 was \$60,872,947, a 16.1% increase from \$52,435,679 in fiscal 1999. The \$8,437,268 increase in income before income taxes in fiscal 2000 was primarily caused by increased recreation vehicle revenues in fiscal 2000 of \$72,153,279, which, in turn, resulted in an increase in income before income taxes in fiscal 2000 of approximately \$7,664,000. Bus revenues in fiscal 2000 were \$17,227,970 greater than in fiscal 1999, which resulted in an increase in income before taxes in fiscal 2000 of approximately \$855,000. Our losses on divestment of operations in fiscal 2000 of \$2,323,714 resulted in an additional decrease in income before income taxes of approximately \$511,000 compared to fiscal 1999.

Recreation vehicle revenues in fiscal 2000 increased 11.9% to \$678,308,999 compared to \$606,155,720 in fiscal 1999 and accounted for 74% of our total revenues compared to 73.3% of our total revenues in fiscal 1999. Recreation vehicle order backlog of \$62,489,000 at July 31, 2000 was down 40.5% compared to the same period in fiscal 1999 and reflected softness in the overall recreation vehicle market. Bus revenues in fiscal 2000 increased by 7.8% to \$237,733,361 compared to \$220,505,391 in 1999 and accounted for 26% of our total revenues compared to 26.7% in fiscal 1999. Bus vehicle order backlog of \$204,771,000 at July 31, 2000 was up 55.2% compared to the same period in fiscal 1999.

Gross profit as a percentage of sales in fiscal 2000 increased to 13.0% from 12.8% in fiscal 1999. This increase is primarily due to

increased volume in recreation vehicle sales. Price increases averaged 1.5% in fiscal 2000. Selling, general and administrative expenses and amortization of intangibles increased to \$59,776,408 in fiscal 2000 from \$54,358,197 in fiscal 1999. However, as a percentage of net sales, selling, general and administrative expenses in fiscal 2000 were 6.5% compared to 6.6% in fiscal 1999. The increase of \$5,418,211 in selling, general and administrative expenses was primarily due to increased selling expenses related to volume increase and increased income-related compensation resulting from our increased profits in fiscal 2000.

Interest income in fiscal 2000 increased by \$1,134,093 primarily due to increased investable cash and higher return during fiscal 2000 compared to fiscal 1999. Interest expense increased by \$81,339 in fiscal 2000.

During fiscal 2000 we recognized \$2,323,714 for losses related to a divestment and the subsequent bankruptcy of the entity that purchased the divested operation. We were required to honor our guarantee of \$750,000 of the purchaser's debt as well as assume responsibility for warranties of the divested operation's products sold prior to December 1998. In addition, we incurred losses in connection with subletting the facility and writing off debt to our company from the purchaser.

Our overall effective income tax rate in fiscal 2000 decreased to 40.7% compared to 41.3% in fiscal 1999 primarily due to recording tax savings generated by our foreign sales corporation.

## **FINANCIAL CONDITION AND LIQUIDITY**

As of July 31, 2001 we had \$107,192,871 in cash, cash equivalents and short-term investments, compared to \$77,963,445 on July 31, 2000. We classify our debt and equity securities as trading or available-for-sale securities. The former are carried on our consolidated balance sheets as "Cash and cash equivalents" or "Investable – short term." The latter are carried on our consolidated balance sheets as "Investments – investment available for sale."

Trading securities, principally investment grade securities composed of asset-based notes, mortgage-backed notes and corporate bonds, are generally bought and held for sale in the near term. All other securities are classified as available-for-sale. In each case, trading securities are carried at fair market value. Unrealized gains or losses on trading securities are included in earnings. Unrealized gains and losses in investments classified as available for sale, net of related tax effect, are not included in earnings, but appear as a component of "Accumulated other comprehensive loss" on our consolidated balance sheets until the gain or loss is realized upon the disposition of the investment or if a decline in the fair market value is determined to be other than temporary. (See Footnote A to Consolidated Financial Statements: "Investments")

Due to the relative short-term maturity (average 6 months) of our trading securities, we do not believe that a change in the fair market value of these securities will have a significant impact on our financial position or results of future operations.

Working capital at July 31, 2001 was \$150,697,245 compared to \$138,909,444 at July 31, 2000. We have no long-term debt. We currently have a \$30,000,000 revolving line of credit, which bears interest at negotiated rates below prime and expires on November 30, 2001. We expect to renew our credit line. There were no borrowings on this line of credit at July 31, 2001. The loan agreement executed in connection with the line of credit contains certain covenants, including restrictions on additional indebtedness, and requires us to maintain certain financial ratios. We believe that internally generated funds and the line of credit will be sufficient to meet our current needs and any additional capital requirements. Capital expenditures of \$17,197,774 in fiscal 2001 were primarily for the expansion of the Komfort R.V. facility and the expansion of our Kansas bus operation.

During fiscal 2001 we purchased 149,400 shares of our common stock, which increased our treasury stock by \$3,006,036.

## **ACCOUNTING PRONOUNCEMENTS**

On July 20, 2001, the Financial Accounting Standards Board, or FASB, issued Statement of Financial Accounting Standards, or SFAS, No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets." These statements will change the accounting for business combinations and goodwill in two significant ways. SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. Use of the pooling-of-interests method will be prohibited. SFAS No. 142 changes the accounting for goodwill from an amortization method to an impairment-only approach. Amortization of goodwill and trademarks recorded in past business combinations, will cease upon adoption of SFAS No. 142. We adopted SFAS No. 142 on August 1, 2001 and expect that this will reduce our annual amortization expense for goodwill and trademarks by approximately \$513,000 and \$175,000 respectively. Additionally, we do not expect to have significant goodwill impairment charges associated with the adoption of SFAS No. 142.

In December 1999, the SEC issued Staff Accounting Bulletin, or SAB, 101, "Revenue Recognition in Financial Statements," which provides guidance on applying U.S. generally accepted accounting principles for recognizing revenue. SAB 101 is effective for the fourth quarter of fiscal years beginning after December 15, 1999. The effect of adopting SAB 101 was not significant to our business or results of operations.

SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," was issued in June 1998. The statement requires derivatives to be recorded on the balance sheet as assets or liabilities measured at fair value. Gains or losses resulting from changes in fair value of the derivatives are recorded either as a separate component of stockholders' equity or in the income statement, depending upon whether the instruments meet the criterion for hedge accounting. SFAS No. 133 was effective for fiscal years beginning after June 15, 2000. The effect of adopting SFAS 133 was not significant to our business or results of operations.

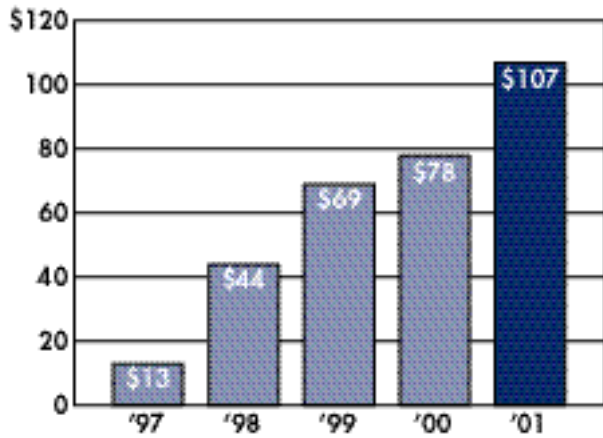
Certain reclassifications have been made in the fiscal 2000 and fiscal 1999 consolidated financial statements to conform to the presentation used in fiscal 2001, including reclassifications to comply with FASB's Emerging Issues Task Force, or EITF, 00-10, "Accounting for Shipping and Handling Fees and Costs." Net sales and cost of sales were reclassified related to shipping and handling income and expenses that were previously recorded in selling, general and administrative expenses.

## **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT RISK**

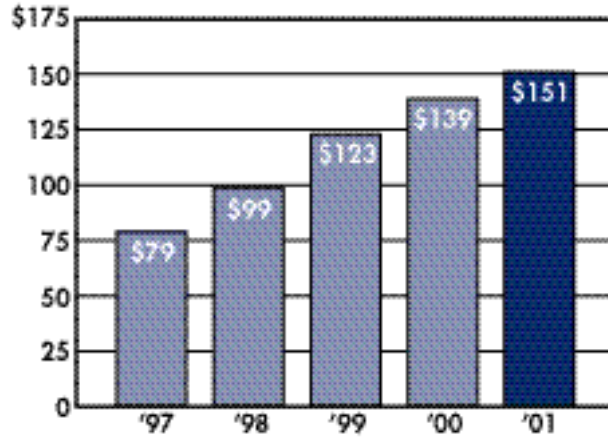
We are exposed to market risk from changes in foreign currency related to our Canadian operations. However, because of the size of our Canadian operations, a hypothetical 10% change in the Canadian dollar as compared to the U.S. dollar would not have a significant impact on our financial position or results of operations. We are also exposed to market risks related to interest rates because of our investments in corporate debt securities. However, a hypothetical 10% change in interest rates would not have a significant impact on our financial position or results of operations.

# YOUR COMPANY'S DRIVE FOR EXCELLENCE

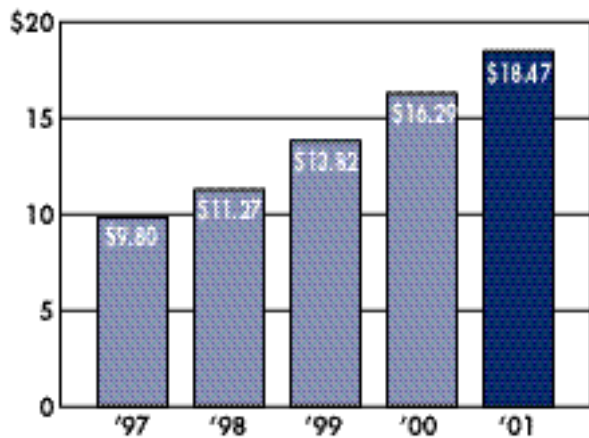
Cash (\$ millions)



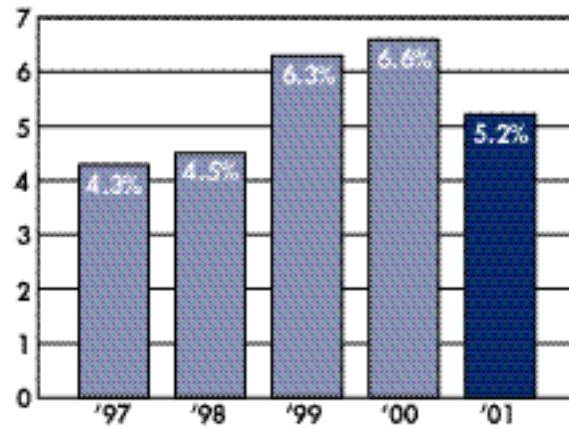
Working Capital (\$ millions)



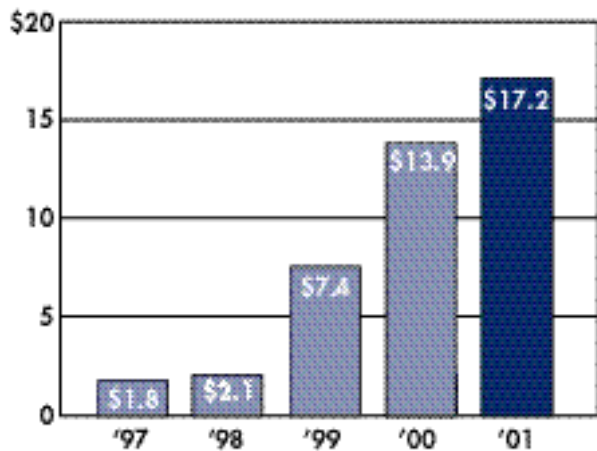
Book Value Per Share



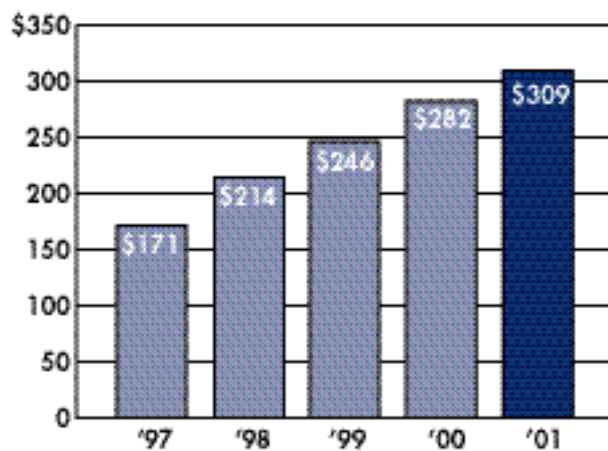
Income Before Tax (as % of Sales)



Capital Expenditures (\$ millions)



Total Assets (\$ millions)



# THOR INDUSTRIES, INC., AND SUBSIDIARIES

## QUARTERLY FINANCIAL DATA

	October 31	January 31	April 30	July 31
	(\$000, except per share amounts)			
<b>2001</b>				
Net sales (2) .....	\$ 209,821	\$ 173,181	\$ 221,029	\$ 222,900
Gross profit (2).....	26,611	17,200	25,202	26,310
Net income (1) .....	8,391	3,164	6,731	8,436
Earnings per common share:.....				
Basic.....	.70	.27	.57	.71
Diluted .....	.70	.27	.57	.70
Dividends paid per common share.....	.02	.02	.02	.02
<b>Market prices per common share:</b>				
High .....	\$ 24.56	\$ 26.38	\$ 26.85	\$ 35.58
Low .....	\$ 19.56	\$ 19.06	\$ 20.15	\$ 23.18
<b>2000</b>				
Net sales (3).....	\$ 226,187	\$ 198,132	\$ 250,120	\$ 241,603
Gross profit (3).....	29,848	25,139	32,794	31,448
Net income (1) .....	9,660	6,710	10,090	9,659
Earnings per common share:				
Basic.....	.80	.55	.83	.80
Diluted .....	.79	.55	.83	.80
Dividends paid per common share.....	.02	.02	.02	.02
<b>Market prices per common share:</b>				
High .....	\$ 30.25	\$ 30.50	\$ 30.56	\$ 27.31
Low .....	\$ 24.50	\$ 23.00	\$ 23.50	\$ 20.75

(1) Net income in the fourth quarter was increased by \$675,000 in fiscal 2001 and by \$340,000 in fiscal 2000 due to adjustments to physical inventories, warranty reserves and management incentives, by \$80,200 in fiscal 2001 and \$200,000 in fiscal 2000 for recording the tax benefits of a newly formed foreign sales corporation and by \$1,047,000 in fiscal 2001 for recording the tax benefit associated with the stock basis of a 1998 divestiture.

(2) To comply with EITF 00-10, quarterly amounts for the first two quarters of fiscal 2001 have been restated from the amounts previously reported in our Quarterly Report on Form 10-Q to reflect the reclassification to net sales of certain shipping and handling costs billed to customers and the reclassification to cost of sales of certain shipping and handling costs that were previously recorded as an offset to shipping and handling costs included in selling, general and administrative expenses.

	<u>1st Qtr 2001</u>	<u>2nd Qtr 2001</u>
Net sales previously reported	\$ 205,183	\$ 169,214
EITF 00-10 reclassification	4,638	3,967
	<u>\$ 209,821</u>	<u>\$ 173,181</u>
Gross profit - previously reported	<u>\$ 26,396</u>	<u>\$ 17,026</u>
Gross profit - as reported	<u>\$ 26,611</u>	<u>\$ 17,200</u>

(3) To comply with EITF 00-10, quarterly amounts for fiscal 2000 have been restated from the amounts previously reported in our Quarterly Report on Form 10-Q to reflect the reclassification to net sales of certain shipping and handling costs billed to customers and the reclassification to cost of sales of certain shipping and handling costs that were previously recorded as an offset to shipping and handling costs included in selling, general and administrative expenses.

	<u>1st Qtr 2000</u>	<u>2nd Qtr 2000</u>	<u>3rd Qtr 2000</u>	<u>4th Qtr 2000</u>
Net sales previously reported	\$ 221,021	\$ 193,709	\$ 243,943	\$ 235,324
Net sales - as reported	\$ 226,187	\$ 198,132	\$ 250,120	\$ 241,603
Gross profit - previously reported	\$ 29,570	\$ 24,965	\$ 32,401	\$ 31,075
Gross profit - as reported	\$ 29,848	\$ 25,139	\$ 32,794	\$ 31,448

## SELECTED FINANCIAL DATA

	Fiscal years ended July 31,				
	2001	2000	1999	1998	1997
	(\$000, except per share amounts)				
<b>Income statement data:</b>					
Net sales.....	\$ 826,931	\$ 916,042	\$ 826,661	\$ 733,656	\$ 639,889
Net income .....	26,722	36,119	30,766	19,395	16,423
Earnings per common share:					
Basic.....	2.24	2.98	2.53	1.59	1.32
Diluted.....	2.23	2.97	2.52	1.58	1.31
Dividends per common share .....	.08	.08	.08	.08	.08
<b>Balance sheet data:</b>					
Total assets.....	\$ 309,067	\$ 282,131	\$ 245,912	\$ 213,981	\$ 170,969

# THOR INDUSTRIES, INC., AND SUBSIDIARIES

## Consolidated Balance Sheets, July 31, 2001 and 2000

<u>Assets</u>	<u>2001</u>	<u>2000</u>
<b>Current assets:</b>		
Cash and cash equivalents .....	\$ 60,058,777	\$ 59,655,251
Investments-short term (Note A).....	47,134,094	18,308,194
Accounts receivable:		
Trade, less allowance for doubtful accounts— \$ 68,210 in 2001 and \$ 43,959 in 2000.....	46,174,662	50,970,187
Other .....	1,341,033	973,265
Inventories (Note B).....	80,286,637	89,545,213
Deferred income taxes and other (Note D).....	2,970,082	5,835,370
<b>Total current assets</b> .....	<b>237,965,285</b>	<b>225,287,480</b>
<b>Property, plant and equipment:</b>		
Land.....	8,182,431	5,573,144
Buildings and improvements.....	35,936,200	25,039,551
Machinery and equipment.....	20,049,176	17,217,606
Total cost .....	64,167,807	47,830,301
Accumulated depreciation.....	17,232,199	14,525,634
<b>Net property, plant and equipment</b> .....	<b>46,935,608</b>	<b>33,304,667</b>
<b>Investments:</b>		
Joint ventures (Note J).....	2,192,453	2,628,282
Investments available-for-sale (Note A).....	5,406,286	3,486,150
<b>Total investments</b> .....	<b>7,598,739</b>	<b>6,114,432</b>
<b>Other assets:</b>		
Goodwill .....	10,378,420	10,741,131
Noncompete agreements.....	524,584	1,132,614
Trademarks .....	1,669,642	1,844,981
Other (Note D).....	3,994,601	3,706,087
<b>Total other assets</b> .....	<b>16,567,247</b>	<b>17,424,813</b>
<b>Total</b> .....	<b>\$ 309,066,879</b>	<b>\$ 282,131,392</b>

<u>Liabilities and Stockholders' Equity</u>	<u>2001</u>	<u>2000</u>
<b>Current liabilities:</b>		
Accounts payable.....	\$ 57,290,788	\$ 49,824,276
Accrued liabilities:		
Compensation and related items.....	11,630,556	13,356,378
Product warranties .....	12,541,890	11,878,469
Taxes.....	496,333	4,599,864
Other .....	5,308,473	6,719,049
<b>Total current liabilities .....</b>	<b>87,268,040</b>	<b>86,378,036</b>
Deferred income taxes and other liabilities (Note D).....	1,852,432	549,080
Contingent liabilities (Note G).....	—	—
<b>Stockholders' equity (Note H):</b>		
Preferred stock—authorized 1,000,000 shares; none outstanding.....	—	—
Common stock—par value of \$.10 a share; authorized, 20,000,000 shares; issued 13,817,847 shares in 2001 and 13,743,997 shares in 2000,.....	1,381,785	1,374,400
Additional paid-in capital .....	27,258,323	26,169,020
Retained earnings.....	222,942,676	197,171,503
Restricted stock plan.....	(352,402)	(297,305)
Accumulated other comprehensive income (loss).....	(1,685,309)	(2,620,712)
Total.....	249,545,073	221,796,906
Less treasury shares of 1,908,437 in 2001 and 1,759,037 in 2000, at cost.....	(29,598,666)	(26,592,630)
<b>Total stockholders' equity .....</b>	<b>219,946,407</b>	<b>195,204,276</b>
<b>Total .....</b>	<b>\$ 309,066,879</b>	<b>\$ 282,131,392</b>

## THOR INDUSTRIES, INC., AND SUBSIDIARIES

### Consolidated Statements of Income for the Years Ended July 31, 2001, 2000 and 1999

	2001	2000	1999
<b>Net sales</b>	<b>\$ 826,930,810</b>	<b>\$ 916,042,360</b>	<b>\$ 826,661,111</b>
Cost of products sold.....	731,607,543	796,813,836	720,735,477
<b>Gross profit</b>	<b>95,323,267</b>	<b>119,228,524</b>	<b>105,925,634</b>
Selling, general and administrative expenses.....	54,977,350	57,988,463	52,883,359
Amortization of intangibles.....	1,346,080	1,787,945	1,474,838
Loss on divestment of subsidiary (Note K).....	—	(2,323,714)	(1,812,526)
Interest income .....	3,876,082	3,317,484	2,183,391
Interest expense.....	(771,122)	(197,296)	(115,957)
Other income.....	1,182,219	624,357	613,334
<b>Income before income taxes</b>	<b>43,287,016</b>	<b>60,872,947</b>	<b>52,435,679</b>
Income taxes (Note D).....	16,564,743	24,753,539	21,669,484
<b>Net income</b>	<b>\$ 26,722,273</b>	<b>\$ 36,119,408</b>	<b>\$ 30,766,195</b>
<b>Earnings per common share (Note A)</b>			
Basic.....	\$ 2.24	\$ 2.98	\$ 2.53
Diluted.....	\$ 2.23	\$ 2.97	\$ 2.52



## Consolidated Statements of Stockholders' Equity for the Years Ended July 31, 2001, 2000 and 1999

	Treasury Stock		Common Stock		Additional Paid-In Capital	Restricted Stock Plan	Accumulated Other Compre- hensive Loss	Retained Earnings	Compre- hensive Income
	Shares	Amount	Shares	Amount					
<b>July 31, 1998</b>	1,433,637	\$ (19,376,248)	13,692,697	\$1,369,270	\$ 25,316,643	\$(137,544)	\$(1,184,939)	\$132,227,188	
Net income	—	—	—	—	—	—	—	30,766,195	\$30,766,195
Shares purchased	133,000	(2,910,501)	—	—	—	—	—	—	—
Stock option activity	—	—	17,000	1,700	241,910	—	—	—	—
Restricted stock activity	—	—	5,450	545	125,827	(126,372)	—	—	—
Cash dividends - \$.08 per common share	—	—	—	—	—	—	—	(974,685)	—
Foreign currency translation adjustment	—	—	—	—	—	—	(13,572)	—	(13,572)
Compensation expense	—	—	—	—	—	47,748	—	—	—
<b>July 31, 1999</b>	1,566,637	(22,286,749)	13,715,147	1,371,515	25,684,380	(216,168)	(1,198,511)	162,018,698	<u>\$30,752,623</u>
Net income	—	—	—	—	—	—	—	36,119,408	\$36,119,408
Shares purchased	192,400	(4,305,881)	—	—	—	—	—	—	—
Stock option activity	—	—	22,500	2,250	320,175	—	—	—	—
Restricted stock activity	—	—	6,350	635	164,465	(165,100)	—	—	—
Cash dividends - \$.08 per common share	—	—	—	—	—	—	—	(966,603)	—
Unrealized depreciation on investments	—	—	—	—	—	—	(1,504,298)	—	(1,504,298)
Foreign currency translation adjustment	—	—	—	—	—	—	82,097	—	82,097
Compensation expense	—	—	—	—	—	83,963	—	—	—
<b>July 31, 2000</b>	1,759,037	(26,592,630)	13,743,997	1,374,400	26,169,020	(297,305)	(2,620,712)	197,171,503	<u>\$34,697,207</u>
Net income	—	—	—	—	—	—	—	26,722,273	26,722,273
Shares purchased	149,400	(3,006,036)	—	—	—	—	—	—	—
Stock option activity	—	—	67,500	6,750	960,525	—	—	—	—
Restricted stock activity	—	—	6,350	635	128,778	(129,413)	—	—	—
Cash dividends - \$.08 per common share	—	—	—	—	—	—	—	(951,100)	—
Unrealized appreciation on investments	—	—	—	—	—	—	1,049,017	—	1,049,017
Foreign currency translation adjustment	—	—	—	—	—	—	(113,614)	—	(113,614)
Compensation expense	—	—	—	—	—	74,316	—	—	—
<b>July 31, 2001</b>	<u>1,908,437</u>	<u>\$ (29,598,666)</u>	<u>13,817,847</u>	<u>\$1,381,785</u>	<u>\$ 27,258,323</u>	<u>\$(352,402)</u>	<u>\$(1,685,309)</u>	<u>\$222,942,676</u>	<u>\$27,657,676</u>

See notes to consolidated financial statements.

# THOR INDUSTRIES, INC., AND SUBSIDIARIES

## Consolidated Statements of Cash Flows for the Years Ended July 31, 2001, 2000 and 1999

	2001	2000	1999
<b>Cash flows from operating activities:</b>			
<b>Net income</b> .....	<b>\$ 26,722,273</b>	<b>\$ 36,119,408</b>	<b>\$30,766,195</b>
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation.....	3,595,547	2,888,601	2,255,956
Amortization of intangibles .....	1,346,080	1,787,945	1,474,838
Deferred income taxes.....	3,582,045	(318,357)	(382,386)
Net loss on divestment of subsidiaries .....	—	2,323,714	1,812,526
Purchase of trading investments.....	(58,377,034)	(29,753,354)	—
Proceeds from sale of trading investments.....	30,371,983	11,423,052	—
Gain on sale of investments available-for-sale.....	(189,255)	(621,464)	—
Gain on sale of trading investments .....	(180,000)	—	—
<b>Changes in assets and liabilities, net of effects from acquisitions and divestments:</b>			
Accounts receivable .....	4,675,817	1,891,573	4,041,278
Inventories.....	9,258,576	(16,694,934)	(10,901,788)
Deferred taxes and other .....	(1,033,861)	240,226	(1,007,998)
Accounts payable .....	7,466,512	1,534,180	292,026
Accrued liabilities.....	(6,576,508)	3,490,328	7,474,363
Other.....	361,258	319,471	225,348
<b>Net cash provided by operating activities</b> .....	<b>21,023,433</b>	<b>14,630,389</b>	<b>36,050,358</b>
<b>Cash flows from investing activities:</b>			
Purchases of property, plant and equipment.....	(17,197,774)	(13,908,163)	(7,448,325)
Disposals of property, plant and equipment.....	46,310	114,343	124,991
Purchase of available-for-sale investments.....	(642,691)	(11,535,508)	—
Proceeds from sale of available-for-sale investments .....	277,723	6,356,517	—
Proceeds from divestment of subsidiary.....	—	—	261,954
<b>Net cash used in investing activities</b> .....	<b>(17,516,432)</b>	<b>(18,972,811)</b>	<b>(7,061,380)</b>
<b>Cash flows from financing activities:</b>			
Cash dividends.....	(951,100)	(966,603)	(974,685)
Purchase of treasury shares.....	(3,006,036)	(4,305,881)	(2,910,501)
Proceeds from issuance of common stock.....	967,275	322,425	243,610
<b>Net cash used in financing activities</b> .....	<b>(2,989,861)</b>	<b>(4,950,059)</b>	<b>(3,641,576)</b>
<b>Effect of exchange rate changes on cash</b> .....	<b>(113,614)</b>	<b>82,097</b>	<b>(13,572)</b>
Net increase (decrease) in cash and cash equivalents.....	403,526	(9,210,384)	25,333,830
Cash and cash equivalents, beginning of year.....	59,655,251	68,865,635	43,531,805
<b>Cash and cash equivalents, end of year</b> .....	<b>\$60,058,777</b>	<b>\$ 59,655,251</b>	<b>\$68,865,635</b>
<b>Supplemental cash flow information:</b>			
Income taxes paid.....	\$17,594,918	\$20,404,124	\$23,353,329
Interest paid .....	771,122	197,296	115,957
<b>Non-cash transactions:</b>			
Issuance of restricted stock .....	129,413	165,100	126,372
Note from divestment of subsidiary .....	—	—	750,000

## A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Principles of Consolidation** – The accompanying consolidated financial statements include the accounts of Thor Industries, Inc. and its wholly-owned domestic and foreign subsidiaries (collectively, the "Company"). All inter-company balances and transactions are eliminated in consolidation.

**Cash and Cash Equivalents** – Interest-bearing deposits and other investments with maturities of three months or less when purchased are considered cash equivalents. Cash, cash equivalents and short term investments of \$84,069,239 are held by a major financial institution. The remaining \$23,123,632 is held at various banks.

**Investments** – The Company classifies its debt and equity securities as trading or available-for-sale. Trading securities are bought and held principally for the purpose of selling them in the near term. All securities not classified as trading are classified as available-for-sale.

Trading securities and available-for-sale securities are recorded at fair value. Unrealized holding gains and losses on trading securities are included in earnings. Unrealized holding gains and losses, net of the related tax effect, on available-for-sale securities are excluded from earnings and are reported as a separate component of accumulated other comprehensive income, net of income taxes until realized. Realized gains and losses from the sale of available-for-sale securities are determined on a specific-identification basis. Dividend and interest income are recognized when earned.

At July 31, 2001, the Company held equity securities with a fair value of \$5,406,286 and a cost basis of \$6,106,618. These securities are classified as available-for-sale and are included in other investments. Gross unrealized losses were \$700,332. Available-for-sale securities were sold and a realized gain of \$189,255 in fiscal 2001 and \$621,464 in fiscal 2000 was recognized in other income.

The Company holds certain corporate debt securities that are classified as trading securities and reported as Investments – short term. Included in other income are net realized gains on trading securities of \$180,000 in fiscal 2001 and net realized losses on trading securities of \$12,620 in fiscal 2000.

**Inventories** – Inventories are stated at the lower of cost or market, determined principally by the last-in, first-out (LIFO) basis.

**Depreciation** – Property, Plant and Equipment is recorded at cost and depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and improvements – 10 to 39 years

Machinery and equipment – 3 to 10 years

**Other Assets** – Other assets are amortized using the straight-line method over the estimated lives of the assets as follows:

Goodwill – 20 or 30 years

Noncompete agreements – 5 or 10 years

Trademarks – 10 or 20 years

**Long-lived Assets** – Long-lived assets, identifiable intangibles and goodwill related to those assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable from undiscounted future cash flows.

**Product Warranties** – Estimated warranty costs are provided at the time of sale of the warranted products. During fiscal 2001, the Company formed a wholly owned insurance captive that provides coverage for product warranties.

**Revenue Recognition** – Revenues from the sale of recreation vehicles and buses are recognized when shipped to dealers, distributors, or contract buyers.

**Estimates** – The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Foreign Currency** – Assets and liabilities of the Company's Canadian operations reported in the consolidated balance sheets have been translated at current exchange rates and the translation adjustments have been included in accumulated other comprehensive loss. Revenues and expenses reported in the consolidated statements of income have been translated at the average exchange rate for the year. Transaction gains and losses are not significant.

**Stock Options** – The Company measures cost for stock options issued to employees using the method of accounting prescribed by Accounting Principles Board, or APB, Opinion No. 25, "Accounting for Stock Issued to Employees."

## THOR INDUSTRIES, INC., AND SUBSIDIARIES

**Earnings Per Share** – Basic earnings per common share (EPS) is computed by dividing net income by the weighted average number of common shares outstanding. Diluted EPS is computed by dividing net income by the weighted average number of common shares outstanding assuming dilution. The difference between basic EPS and diluted EPS is the result of outstanding stock options.

	2001	2000	1999
Weighted average shares outstanding for basic earnings per share . . . . .	11,903,800	12,106,199	12,179,962
Stock options. . . . .	58,754	44,013	42,712
Weighted average shares outstanding assuming dilution . . . . .	11,962,554	12,150,212	12,222,674

**Accounting Pronouncements** — On July 20, 2001, the Financial Accounting Standards Board, or FASB, issued Statement of Financial Accounting Standards, or SFAS, No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets." These statements will change the accounting for business combinations and goodwill in two significant ways. SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. Use of the pooling-of-interests method will be prohibited. SFAS No. 142 changes the accounting for goodwill from an amortization method to an impairment-only approach. Amortization of goodwill and trademark recorded in past business combinations will cease upon adoption of SFAS No. 142. The Company adopted SFAS No. 142 on August 1, 2001 and expects that the adoption of SFAS No. 142 will reduce annual amortization expense for goodwill and trademarks by approximately \$513,000 and \$175,000 respectively. Additionally, the Company does not expect to have significant goodwill impairment charges associated with the adoption of SFAS No. 142.

In December 1999, the SEC issued Staff Accounting Bulletin, or SAB, 101, "Revenue Recognition in Financial Statements," which provides guidance on applying U.S. GAAP for recognizing revenue. SAB 101 is effective for the fourth quarter of fiscal years beginning after December 15, 1999. The effect of adopting SAB 101 was not significant to the Company's financial condition or results of operations.

SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," was issued in June 1998. SFAS No. 133 requires derivatives to be recorded on the balance sheet as assets or liabilities measured at fair value. Gains or losses resulting from changes in fair value of the derivatives are recorded either as a separate component of stockholders' equity or in the income statement, depending upon whether the instruments meet the criterion for hedge accounting. SFAS No. 133 was effective for fiscal years beginning after June 15, 2000. The effect of adopting SFAS 133 was not significant to the Company's financial condition or results of operations.

**Reclassifications** – Certain reclassifications have been made in the fiscal 2000 and fiscal 1999 consolidated financial statements to conform to the presentation used in fiscal 2001, including reclassifications to comply with FASB's Emerging Issues Task Force 00-10, "Accounting for Shipping and Handling Fees and Costs." Net sales and cost of sales were reclassified related to shipping and handling income and expenses that were previously recorded in selling, general and administrative expenses.

### B. INVENTORIES

Major classifications of inventories are:

	As of July 31,	
	2001	2000
Finished products . . . . .	\$ 8,801,723	\$ 7,881,216
Work in process . . . . .	23,879,366	21,412,340
Raw materials. . . . .	33,974,281	36,010,315
Chassis . . . . .	19,021,209	29,122,188
Total . . . . .	85,676,579	94,426,059
Less excess of FIFO costs over LIFO costs. . . . .	5,389,942	4,880,846
Total inventories. . . . .	\$80,286,637	\$ 89,545,213

### C. LINE OF CREDIT

The Company has a \$30,000,000 unsecured revolving line of credit which bears interest below the prime rate (4.6% at July 31, 2001) and expires on November 30, 2001. There was no outstanding balance at July 31, 2001 and July 31, 2000. The loan agreement executed in connection with the line of credit contains certain covenants, including restrictions on additional indebtedness, and requires the Company to maintain certain financial ratios. The Company intends to renew the unsecured revolving line of credit prior to expiration.

## D. INCOME TAXES

	Years ended July 31,		
	2001	2000	1999
<b>Current:</b>			
Federal.....	\$ 8,838,522	\$19,160,948	\$17,769,357
State and local .....	3,329,770	4,635,513	3,397,346
Foreign.....	814,406	1,275,435	885,167
Total current .....	12,982,698	25,071,896	22,051,870
Total deferred.....	3,582,045	(318,357)	(382,386)
Income taxes.....	\$ 16,564,743	\$24,753,539	\$21,669,484

### A summary of defer red income taxes is:

#### Current defer red tax asset (liability):

	July 31, 2001	July 31, 2000
Inventory basis .....	\$(653,404)	\$(1,108,368)
Employee benefits.....	289,628	408,472
Self-insurance.....	571,401	831,457
Product warranties.....	1,064,312	4,157,464
Divestment of subsidiary .....	66,500	205,158
Other .....	(773,815)	(881,580)
<b>Total current defer red tax asset included in defer red income taxes and other .....</b>	<b>564,622</b>	<b>3,612,603</b>

#### Long-term defer red tax asset (liability):

	July 31, 2001	July 31, 2000
Property basis .....	(628,947)	(412,689)
Investments.....	245,152	810,007
Deferred compensation.....	528,709	202,479
Other .....	(520,375)	123,661
<b>Total long-term defer red tax asset included in other assets (liability) .....</b>	<b>(375,461)</b>	<b>723,458</b>
<b>Net deferred tax asset .....</b>	<b>\$ 189,161</b>	<b>\$ 4,336,061</b>

The differences between income taxes at the federal statutory rate and the actual income taxes are as follows:

	2001	2000	1999
Provision at statutory rates.....	\$15,150,456	\$21,305,531	\$18,352,488
State and local income taxes, net of federal tax benefit.....	2,164,351	3,013,083	2,208,275
Amortization of intangibles .....	220,966	220,966	321,866
FSC benefit .....	(245,000)	(200,000)	—
Divestment of subsidiary (Note K) .....	(1,047,000)	—	—
Other.....	320,970	413,959	786,855
Income taxes .....	\$16,564,743	\$24,753,539	\$21,669,484

Income before income taxes includes foreign income of \$1,986,357 in fiscal 2001, \$3,110,847 in fiscal 2000 and \$2,158,651 in fiscal 1999.

# THOR INDUSTRIES, INC., AND SUBSIDIARIES

## E. LEASES

The Company has operating leases principally for land, buildings and equipment. Minimum future rental payments required under these operating leases are \$9,057,748, which includes the following amounts due in each of the next five fiscal years ending July 31: \$1,992,950 in fiscal 2002; \$1,484,146 in fiscal 2003; \$1,412,454 in fiscal 2004; \$1,262,201 in fiscal 2005; \$805,587 in fiscal 2006 and \$2,100,410 thereafter. Rent expense was \$2,338,299 in fiscal 2001, \$2,250,404 in fiscal 2000, and \$2,220,929 in fiscal 1999.

## F. EMPLOYER BENEFIT PLANS

Substantially all non-highly compensated employees can participate in a 401(k) plan. Company contributions are at the discretion of the Company's board of directors, except that Company contributions for union employees are based on hours worked. Total expense for the plans was \$462,209 in fiscal 2001, \$212,153 in fiscal 2000 and \$219,942 in fiscal 1999.

During fiscal 2001, the Company established a deferred compensation plan for executives who do not participate in a 401(k) plan. This plan allows executives to defer a portion of their compensation and to direct the Company to invest the funds in mutual fund investments held by the Company. Participant benefits are limited to the value of the investments held on their behalf. Investments held by the Company are accounted for as trading securities and the obligation to the participants is reported as a liability. The Company does not make contributions to the plan. At July 31, 2001 the balance of investments held in this plan was \$856,842.

## G. CONTINGENT LIABILITIES AND COMMITMENTS

It is customary practice for companies in the recreation vehicle industry to enter into agreements with financing institutions to provide financing to their dealers. Generally, these repurchase agreements provide for the repurchase of products from the financing institution in the event of a dealer's default. Although the total contingent liability approximated \$162,888,000 at July 31, 2001, the risk of loss under these agreements is spread over numerous dealers and is further reduced by the resale value of the units which the Company would be required to repurchase. Losses under these agreements have not been significant in the periods presented in the accompanying consolidated financial statements, and management believes that any future losses under these agreements will not have a significant effect on the Company's consolidated financial position or results of operations. During fiscal 2001, the Company incurred losses due to repurchase of approximately \$468,000 compared to \$401,000 in fiscal 2000.

The Company obtains certain vehicle chassis from automobile manufacturers under converter pool agreements. These agreements generally provide that the manufacturer will supply chassis at the Company's various production facilities under the terms and conditions set forth in the agreement. The manufacturer does not transfer the certificate of origin to the Company and, accordingly, the Company accounts for the chassis as consigned, unrecorded inventory. Chassis are typically converted and delivered to customers within 90 days of delivery. If the chassis is not converted within 90 days of delivery to the Company, the Company purchases the chassis and records the inventory. At July 31, 2001, chassis on hand accounted for as consigned, unrecorded inventory was approximately \$15,688,000.

The Company is involved in various litigation generally incidental to normal operations. In management's opinion, the resolution of pending litigation is not expected to have a material effect on the Company's financial condition, results of operations or liquidity.

## H. STOCKHOLDERS' EQUITY

The Company's officers and key employees have been granted stock options under the Company's 1988 Incentive Stock Option Plan and all outstanding shares are fully vested. Additionally, on September 16, 1999 the Company's board of directors approved the 1999 Stock Option Plan. 500,000 shares were authorized under the 1999 Plan. Options expire 10 years from the date of grant and are vested evenly over 3 years from the date of grant.

A summary of option transactions under the Incentive Stock Option Plans is as follows:

	2001		2000		1999	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding at beginning of year	110,500	\$14.33	133,000	\$14.33	153,000	\$14.33
Exercised	(67,500)	14.33	(22,500)	14.33	(17,000)	14.33
Canceled	—	—	—	—	(3,000)	14.33
Granted	150,000	20.00	—	—	—	—
Outstanding at end of year	193,000	\$18.74	110,500	\$14.33	133,000	\$14.33
Exercisable at year-end	43,000	\$14.33	110,500	\$14.33	71,500	\$14.33
Weighted average fair value of options granted	—	\$ 8.37	—	—	—	—

The Company applies Accounting Practices Board Opinion No. 25 and related interpretations in accounting for the 1988 and 1999 Stock Option Plans. Accordingly, no compensation cost has been recognized for this plan.

The following summarizes information about stock options outstanding at July 31, 2001, under the 1988 and 1999 Incentive Stock Option Plans.

Options Outstanding			Options Exercisable			
Exercise Price	Number Outstanding at July 31, 2001	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable at July 31, 2001	Exercise Price	Shares Available For Future Grants
\$14.33	43,000	6 years	\$14.33	43,000	\$14.33	0
\$20.00	150,000	9 years	\$20.00	—	\$20.00	350,000

Had compensation cost for the Company's grants been determined based on the fair value at the grant dates for awards under those plans consistent with the method of SFAS No. 123, the Company's net income and earnings per common share would have been as follows:

	2001	2000	1999
Net income			
As reported . . . . .	\$ 26,722,273	\$36,119,408	\$30,766,195
Pro forma . . . . .	\$ 26,471,305	\$36,119,408	\$30,626,400
Earnings per common share—basic			
As reported . . . . .	\$ 2.24	\$ 2.98	\$ 2.53
Pro forma . . . . .	\$ 2.22	\$ 2.98	\$ 2.51
Earnings per common share—diluted			
As reported . . . . .	\$ 2.23	\$ 2.97	\$ 2.52
Pro forma . . . . .	\$ 2.21	\$ 2.97	\$ 2.51

The assumptions used in determining the fair value of options granted during fiscal 2001 are as follows:

Expected volatility	36%
Expected life of grant	6 years
Risk free interest rate	5.82%
Expected dividend rate	0.39%

On September 29, 1997, the Company's board of directors approved a stock award plan which allows for the granting of up to 150,000 shares of restricted stock to selected executives. Restrictions expire 50% after 5 years following the date of issue and the balance after six years. As of July 31, 2001, the Company issued 25,275 shares of restricted stock under this plan and 124,725 shares remain outstanding. Compensation costs related to this plan were \$74,316 in fiscal 2001, \$83,963 in fiscal 2000, and \$47,748 in fiscal 1999 and is being amortized over the restriction period.

## I. RESEARCH AND DEVELOPMENT

Research and development costs are expensed as incurred and were approximately \$1,507,000 in fiscal 2001, \$579,000 in fiscal 2000, and \$619,000 in fiscal 1999.

## J. JOINT VENTURES

In March 1996, the Company and Cruise America, Inc. formed a joint venture, CAT Joint Venture LLC, to rent recreation vehicles to the public. The Company's total investment of \$1,096,876 includes a subordinated note receivable of \$1,010,000 due in quarterly installments beginning December 30, 2001.

In March 1994, the Company and a financial services company formed a joint venture, Thor Credit Corporation, to finance the sales of recreation vehicles to consumer buyers. The Company's total investment of \$1,095,577 includes a note receivable of \$250,000 due in May 2004.

These investments are 50% owned and are accounted for using the equity method.

## THOR INDUSTRIES, INC., AND SUBSIDIARIES

### K. DIVESTMENT OF SUBSIDIARY

The Company sold its western motorhome operations in December 1998 and recognized a loss of \$3,990,000 in fiscal 1998. Additional losses of \$1,812,526 and \$2,323,714 were recognized during fiscal 1999 and fiscal 2000, respectively. During fiscal 2000, the entity that purchased the operation filed for bankruptcy. As a result, the Company was required to honor its guarantee of \$750,000 of the purchaser's debt as well as assume responsibility for warranties of the western motorhome products sold prior to December 1998. In addition, the Company incurred losses in subletting the western motorhome facility and writing off debt due to the Company from the purchasers. Fiscal 1999 net sales and losses before income taxes of the western motorhome operation included in the Company's consolidated statements of income were \$4,050,351 and \$726,766, respectively. Based on recent judicial decisions, in fiscal 2001 the Company recorded a tax benefit of \$1,047,000 associated with the stock basis of the divestiture. In addition, the Company guaranteed certain vendor obligations of the purchaser in the amount of approximately \$1,000,000. The holder of the guarantee has demanded payment of \$819,000 plus interest but the Company believes that it is not obligated to pay because of the holder's failure to perfect a security interest in the assets purchased by the purchaser which were the subject of the guarantee.

### L. BUSINESS SEGMENTS

The Company operates in principally two segments – recreation vehicles and small and mid-size buses. Manufacturing and sales are conducted in the United States and, to a much lesser extent, in Canada. Operating income is total revenue less cost of sales and operating expenses. Identifiable assets are those assets used in the operation of each industry segment. Corporate assets primarily consist of cash, deferred income tax assets, the cash value of Company-owned life insurance and various investments.

	2001	2000	1999
	(\$000)	(\$000)	(\$000)
<b>Net sales:</b>			
Recreation vehicles			
Towables	\$ 341,729	\$402,514	\$ 367,290
Motorized	189,889	270,080	231,287
Other	3,265	5,715	7,578
Buses	292,048	237,733	220,506
<b>Total</b>	<b>\$ 826,931</b>	<b>\$ 916,042</b>	<b>\$ 826,661</b>
<b>Income before income taxes:</b>			
Recreation vehicles	\$ 25,285	\$ 46,258	\$ 38,594
Buses	20,182	18,882	18,027
Net loss on divestment of subsidiary (Note K)	—	(2,324)	(1,813)
Corporate	(2,180)	(1,943)	(2,372)
<b>Total</b>	<b>\$ 43,287</b>	<b>\$ 60,873</b>	<b>\$ 52,436</b>
<b>Identifiable assets:</b>			
Recreation vehicles	\$ 114,150	\$118,700	\$ 108,343
Buses	82,194	66,251	52,203
Corporate	112,723	97,180	85,366
<b>Total</b>	<b>\$ 309,067</b>	<b>\$ 282,131</b>	<b>\$ 245,912</b>
<b>Depreciation and amortization expense:</b>			
Recreation vehicles	\$ 4,129	\$ 3,985	\$ 3,075
Buses	810	692	656
<b>Total</b>	<b>\$ 4,939</b>	<b>\$ 4,677</b>	<b>\$ 3,731</b>
<b>Capital expenditures:</b>			
Recreation vehicles	\$ 6,803	\$ 11,207	\$ 6,839
Buses	10,395	2,701	609
<b>Total</b>	<b>\$ 17,198</b>	<b>\$ 13,908</b>	<b>\$ 7,448</b>



## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors and Stockholders  
Thor Industries, Inc.:

We have audited the accompanying consolidated balance sheets of Thor Industries, Inc. and subsidiaries (the "Company") as of July 31, 2001 and 2000, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended July 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of July 31, 2001 and 2000, and the results of its operations and its cash flows for each of the three years in the period ended July 31, 2001, in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP

Dayton, Ohio  
September 21, 2001

## DIRECTORS

Wade F. B. Thompson  
Chairman, President and Chief Executive Officer

Peter B. Orthwein  
Vice Chairman and Treasurer

Neil D. Chrisman  
Managing Director (retired) J.P. Morgan & Co.

Alan Siegel, Esq.  
Partner, Akin, Gump, Strauss, Hauer & Feld, L.L.P., Attorneys-at-Law

Jan H. Suwinski  
Professor, Business Operations, Graduate School of Management, Cornell University

William C. Tomson  
President, Board Member, Inc.

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## OFFICERS AND SENIOR MANAGEMENT

Wade F. B. Thompson  
Chairman, President and Chief Executive Officer

Peter B. Orthwein  
Vice Chairman and Treasurer

Walter L. Bennett  
Senior Vice President, Finance, and Secretary  
Chief Financial Officer

Clare G. Wentworth  
Senior Vice President, Purchasing

Richard E. Riegel III  
Vice President, Corporate Development

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Daniel L. Dimich  
President, General Coach, British Columbia

Richard W. Florea  
President, Dutchmen, Aero Coach

Lawrence J. Hittle  
President, Airstream

Jeffery L. Kime  
President, Four Winds

Thomas J. Powell  
President, Thor California

John D. Pryde  
President, General Coach, Ontario

Michael W. Stout  
President, Thor America

### Buses

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President, Thor Bus

Sheldon E. Walle  
Senior Vice President, Eldorado National, Kansas

Anthony W. Wayne  
Vice President, Eldorado National, California

Don W. Roberts  
President, Champion Bus, General Coach America

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The use of recycled paper in this annual report and our product brochures is part of Thor's effort to minimize waste, conserve our resources and reduce litter. Providing our customers with safe, fuel-efficient recreation vehicles and buses is another major objective. It's our way of demonstrating we are the industry leader in preserving our nation's environment.

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**The Land Yacht 396 XL is Airstream's and Thor's largest and most luxurious motor coach: thirty-nine feet long with dual slide-outs.**



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