2003 ANNUAL REPORT

COACHMEN INDUSTRIES, INC.

2003 Annual Report

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Corporate Profile

Coachmen Industries, Inc. was founded in Middlebury, Indiana in 1964 and serves two specific industries: recreational vehicles (RVs) and systems-built homes/commercial buildings. The Company's RV subsidiaries manufacture a full array of recreational vehicles including camping trailers, travel trailers, fifth wheels and both Class C and Class A motorhomes. RV manufacturing facilities are located in Georgia, Indiana and Michigan, and these products are marketed through a nationwide network of independent dealers. The Company's systems-built housing and building subsidiaries primarily produce single-family residences, multi-family duplexes and apartments, hotels, offices, specialized structures for municipal and commercial use, and telecommunications shelters. Manufacturing facilities are located in Colorado, Indiana, Iowa, Kansas, New York, North Carolina, Ohio, Pennsylvania, Tennessee, Vermont and Virginia. All American Homes® is the nation's largest producer of systems-built modular homes. Coachmen Industries, Inc. is a publicly held Company with stock listed on the New York Stock Exchange under the COA ticker symbol.

Highlights

(dollars in thousands, except share and per share data)

	2003	2002	2001	2000	1999	1998
Net sales	**$711,145**	$665,192	$587,202	$728,018	$868,334	$774,624
Gross profit	**104,701**	99,219	83,445	96,409	128,971	128,334
Net income (loss)	**7,365**	9,929	(3,951)	2,164	29,502	33,063
Net income (loss) per share:						
Basic	**0.48**	0.62	(0.25)	0.14	1.80	1.93
Diluted	**0.48**	0.62	(0.25)	0.14	1.80	1.92
Working capital	**95,963**	93,574	102,006	116,237	135,103	139,306
Total assets	**310,688**	293,195	288,560	296,446	285,766	269,341
Long-term debt	**9,419**	10,097	11,001	11,795	8,346	10,191
Shareholders' equity	**211,151**	209,426	208,640	214,949	213,646	204,332
Book value per share	**13.58**	13.37	13.09	13.69	13.76	12.32
Number of employees	**4,490**	4,233	3,788	4,149	4,942	4,690

Summary of Sales

(dollars in millions)

	2003	**%**	2002	%	2001	%	2000	%	1999	%	1998	%
Recreational Vehicles												
Motorhomes	**$312.1**	**43.9**	$272.5	41.0	$209.5	35.7	$334.6	46.0	$461.3	53.1	$406.6	52.5
Travel Trailers and Fifth Wheels	**138.4**	**19.5**	122.2	18.4	98.6	16.8	146.6	20.1	162.7	18.7	152.7	19.7
Camping Trailers	**17.9**	**2.5**	22.0	3.3	17.6	3.0	24.2	3.3	26.5	3.1	26.1	3.4
Truck Campers	**0.0**	**0.0**	0.0	0.0	0.6	0.1	1.8	0.2	2.2	0.3	3.7	0.5
Parts and Supplies	**19.8**	**2.8**	18.8	2.8	18.3	3.1	35.9	4.9	47.8	5.5	45.3	5.8
	488.2	**68.7**	435.5	65.5	344.6	58.7	543.1	74.6	700.5	80.7	634.4	81.9
Housing and Buildings	**222.9**	**31.3**	229.7	34.5	242.6	41.3	184.9	25.4	167.8	19.3	140.2	18.1
Total	**$711.1**	**100.0**	$665.2	100.0	$587.2	100.0	$728.0	100.0	$868.3	100.0	$774.6	100.0

Common Stock Data

	High and Low Sales Prices			Dividends Paid		
	2003	2002	2001	**2003**	2002	2001
1st Quarter	**$16.54 - 10.00**	$19.20 - 12.00	$12.81 - 8.75	**$ .06**	$ .05	$ .05
2nd Quarter	**13.82 - 10.50**	19.50 - 13.75	13.45 - 8.50	**$ .06**	$ .05	$ .05
3rd Quarter	**14.30 - 11.45**	17.35 - 11.30	13.65 - 8.25	**$ .06**	$ .06	$ .05
4th Quarter	**19.20 - 11.96**	17.15 - 12.60	12.38 - 8.95	**$ .06**	$ .06	$ .05

The Company's common stock is traded on the New York Stock Exchange: symbol **COA**. *The number of shareholders of record as of January 31, 2004 was 1,910. The total number of common shares issued and outstanding as of January 31, 2004 was 15.6 million.*

Fellow Shareholders:

Overall, 2003 felt something like a roller coaster, with both highs and lows, and I welcome this opportunity to review our performance with you as well as discuss our views for 2004. The end result for 2003 was a 6.9 percent increase in sales, to $711.1 million from $665.2 million in 2002 and earnings of $0.48 per share compared with $0.62 per share in the previous year. Our earnings of $0.62 per share for 2002 included $0.10 per share in real estate and other non-operating gains, while 2003 only benefited by $0.02 per share from the same items. While we are not satisfied with our 2003 results, we are very pleased with the many factors that demonstrate that a long-awaited turn-around should be in sight.

In the first quarter, we lost $0.18 per share when RV sales were curtailed because of the war, and Mother Nature hampered housing sales. In the second quarter, despite again being challenged by weather conditions, we made $0.18 per share, and then rebounded even further in the third quarter, with earnings of $0.35 per share. At that time, we thought we were on track to surpass our operating results of 2002, excluding the $0.10 per share we experienced in that year attributable to gains on sale of real estate, or $0.52 per share. Then, we received news of a major RV component shortage that hit in late November, causing us to lower our projection for the fourth quarter to $0.06 to $0.10 cents per share, and to $0.41 to $0.45 cents per share for the year.

The Sportscoach® Cross Country® Special Edition represents the success of a product development team focused exclusively on rear diesels. From its stately, handsome full body paint exterior to its sumptuously appointed interior, the Cross Country SE is one reason our 2003 rear diesel shipments were up 50.4 percent.

We were able to somewhat mitigate those challenges, resulting in actual earnings of $0.13 per share for the quarter and $0.48 per share for the year. However, there still was an impact. Without those fourth quarter challenges, we indeed would have exceeded our 2002 operating income, even with the loss of $0.18 per share in the first quarter. This is just one of the factors that gives us confidence that 2004 will yield much more gratifying results. In 2003, we saw progressive improvements, driven by solid sales growth and product acceptance in the market.

For the full year, our overall sales increased by 6.9 percent, based on momentum that grew with each successive quarter. First quarter sales for the Company were actually down 4.2 percent from 2002; second quarter sales were up slightly at 1.9 percent; third quarter sales were up a solid 13.1 percent; and fourth quarter sales amounted to an increase of 15.8 percent over last year. We are indeed pleased with the trends and momentum we have as the Company moves into 2004.

RECREATIONAL VEHICLE GROUP DELIVERS STRONG SALES GAINS; DEALERS ENTHUSIASTIC ABOUT NEW 2004 PRODUCT OFFERINGS

Our Recreational Vehicle Group delivered steady improvements throughout 2003, driven by the continued strength of the Coachmen® brand and new product offerings. The opening of two new plants will ensure that demand for our products will be met in the future. First quarter sales for recreational vehicles were down 0.9 percent from 2002; second quarter sales were up 5.2 percent; third quarter sales were up a strong 19.9 percent; and our fourth quarter sales were up 24.4 percent versus the previous year. The year finished out with a 12.1 percent increase over 2002. Pre-tax profits showed similar progress throughout 2003, posting a full-year gain of 9.7 percent. Though measurably improved, RV profits were hampered by operating inefficiencies related to major material shortages, including RV ovens and ranges, among other components.

Wholesale recreational vehicle shipments for the Company, in units, were down 4.0 percent compared to 2002, while sales were up 12.1 percent. This was the result of a much richer mix of units being sold. Unit shipments of the more expensive motorized and towable product types, Class A's and fifth wheels, were up 13.4 percent and 34.8 percent for the year, respectively. Rear diesel shipments were up 50.4 percent over 2002. Much of this success came toward the latter half of the year. Along with the strong wholesale shipment performances of our new 2004 rear diesel Class A and higher-line fifth wheel product lines came increases in the average price of our units shipped in those product categories of 20.4 percent and 10.7 percent, respectively.

Dealer reaction to the Company's new 2004 model offerings has been overwhelmingly positive. At the important National RV Trade Show in Louisville, Kentucky last December, dealer orders for recreational vehicles exceeded 3,200 units, representing over $100 million of product. This was a 75 percent increase over the record sales experienced in 2002. Nearly half of the Recreational Vehicle Group's 2004 RV lineup represents new or improved models. Some of the hottest new products, at both retail and wholesale, include the Sportscoach® Cross Country® and Georgie Boy™ Bellagio™ rear diesel Class A's, the new Concord™ "C+" motorhome, the Freelander by Coachmen™ Class C, the Somerset Dream Catcher™ fifth wheel, and the Cascade™ travel trailer.

Based on the strength of product acceptance, year-end backlog levels are up 26.6 percent compared to December 31, 2002. Production rates have been increased in virtually every plant, including the two new RV production facilities brought on line during the year. Further production increases are being planned for early 2004.

Finally, the Company has entered into a long-term exclusive licensing agreement with The Coleman Company to design, produce and market a comprehensive new line of innovative recreational vehicles specifically targeted to appeal to the active outdoor enthusiasts who have looked to Coleman for quality recreational products for many years. The initial product offerings will be a line of camping trailers, which we will launch in the third quarter, followed by travel trailers, scheduled for a fall introduction, and then a line of sport utility trailers planned for early next year. A separate dealer body will be developed for the exciting new *Coleman by Coachmen* recreational vehicles.

Because the initial products will be among the least expensive types to ultimately be offered, and the rollout is not scheduled until after mid-year, we expect only a modest revenue increase in 2004 from the Coleman products. Due to the investments we will be making in staffing, research and development, and additional capacity requirements, earnings will be adversely impacted in 2004. We expect to see accelerating positive returns on these investments beginning in 2005.

We believe that this is an exceptional development for Coachmen and our shareholders. Coachmen has long been known as the recreational vehicle Leader to the Great Outdoors™, just as Coleman is widely recognized as the Greatest Name in the Great Outdoors*. The Coachmen and Coleman brands are both powerful in their own right, and combining our respective experiences to develop innovative products for the outdoor enthusiast makes this a perfect alliance between two fine companies.

So, as you can see, the recreational vehicle business has some very strong momentum going into 2004.

**Trademark of the Coleman Company*

All American Homes' aptly named Bayshore is a popular choice for wooded settings, locations along a lake or river, and other areas with an abundance of scenic splendor. Its long, narrow design fits well onto lakeside lots, with the open Great Room, plenty of windows and a deck at the rear providing an excellent view of the natural surroundings. The Bayshore's ceiling is unique because it is all wood.

"At the important National RV Trade Show in Louisville... dealer orders for recreational vehicles exceeded 3,200 units, representing over $100 million of product...a 75 percent increase over the record sales experienced in 2002."

Coachmen's Spirit of America™ travel trailer continues to be one of our best-sellers accounting for 44 percent of our travel trailer shipments in 2003. Highlighted by patriotic exterior graphics, the series offers the freedom of eight different value-priced floor plans to choose from: three lightweight travel trailers, two mid-size travel trailers, as well as three fifth wheels.

"...we are forecasting a much improved performance in 2004...we expect to achieve a sales increase of 11 percent to 12 percent and an 80 percent to 95 percent increase in earnings per share."

HOUSING AND BUILDING GROUP GAINS MOMENTUM WITH NEW INITIATIVES

Like the Recreational Vehicle business, the Housing and Building Group experienced challenges in the first and fourth quarters. Disappointing consumer confidence levels and concerns over the war had a major impact on our Building Group during the first quarter. First and fourth quarter poor weather conditions held up finished homes in inventory resulting in earnings performance very similar to 2002, despite increased order flow.

For our investors who may be less familiar with our Building business, virtually all of the Housing and Building Group's homes are pre-sold prior to the start of production. However, the builders must be able to prepare the home site and lay the foundations before we can deliver the homes. Snow, sleet, heavy rain and even strong winds can delay this crucial site work. Those conditions can also impede our ability to deliver the homes, which in turn prevents us from completing the sales process. Thus, our financial results for any given quarter are highly dependent upon the weather and weather-related road conditions, within that 90-day period.

With that in mind, first quarter sales for the Housing and Building Group were down 12.4 percent from 2002; second quarter sales were down 4.1 percent; third quarter sales turned up slightly, posting a gain of 1.1 percent; and our fourth quarter sales were up again by 1.1 percent over last year. For the year, sales were down 2.9 percent compared to 2002. Despite this, sales support remained strong, as evidenced by a year-ending increase in backlogs of 16.1 percent versus last year, and by the increased levels of completed homes sitting in finished goods inventory waiting to be delivered to the expectant new homeowners. Even with the shipment delays and the overall decrease in sales, pre-tax profits remained comparable to last year at $10.0 million.

During 2004, we expect growth in the Housing and Building Group to be driven by success in the Company's primary systems-built home markets. Our strategy of expanding the residential housing side of the business into higher growth markets continues to make significant progress.

All American Building Systems™ is dedicated to opportunities in the special projects area, while expanding and strengthening its builder network. Contracts for two urban in-fill projects have been signed, coming on the heels of a 63-home project completed in the third quarter. A contract for a luxury retirement home in Virginia has been signed and another one is nearing the final stages of negotiation. Our new Ameri-Log™ business, a marketer and producer of custom log homes, has opened five regional sales centers with models. They are located in Colorado, Indiana, Ohio, North Carolina and Virginia. Four additional builders have signed exclusive agreements to become Ameri-Log builders. Each will have a model home sales center open soon.

In terms of geographic expansion, All American Homes® continues to make inroads into the Florida market, with new builders in seven key Florida markets. Highlighting the expansion drive is a major builder retail sales center located in Okeechobee, featuring well-appointed model homes showcasing a wide spectrum of product offerings. The Company's building prowess was featured at the recent International Builders Show in Las Vegas. All American Homes was selected to build the NextGen04 Home, which is used to display the latest in home features from a variety of home products manufacturers. The home was also on display at the International Consumer Electronics Show just preceding the Builders Show. It was a hit at both events.

So, like the Recreational Vehicle Group, our Housing and Building Group has some very strong momentum going into 2004.

We’re pleased with the underlying trends of both business Groups and look forward to improving their performance in 2004.

FINANCIAL POSITION REMAINS STRONG

Our financial position at the end of 2003 remained strong. Working capital at the end of the year totaled $96.0 million, and included $12.1 million in cash. Our capital structure is the strongest, with only 4.3 percent of our total capitalization coming from debt. At year-end, long-term debt was $9.4 million and our shareholders equity was $211.2 million, with 15.5 million shares outstanding. Book value per share was $13.58. For 86 consecutive quarters, Coachmen Industries has paid a dividend to its shareholders.

CONTINUED GROWTH AND IMPROVED PROFITABILITY EXPECTED IN 2004; STRENGTHENED MANAGEMENT TEAM

We remain extremely focused on achieving continued growth in 2004 and are working very hard to achieve improved returns for our shareholders. Despite the challenges we faced during the first and fourth quarters of 2003, the underlying fundamentals of both business Groups have been steadily improving and we are experiencing strong demand for our products in both our Recreational Vehicle and Housing and Building Groups.

Our products are very well positioned to suit our customers’ needs, we are expanding into new markets consistent with a solid strategic plan, we have increased our capacity and we are building greater strength in our management team.

We are extremely pleased to have strengthened our Executive Management Team with the addition of Matthew Schafer, who joined Coachmen on December 1, 2003, as our new President and Chief Operating Officer. He has an outstanding track record of managing manufacturing and financial service businesses to achieve the highest levels of operational efficiency, and his expertise and understanding of manufacturing processes will benefit both segments of our business. In consideration of our growth objectives for Coachmen Industries, we felt it was time to add a very experienced operating executive to our team to help the Company realize our top- and bottom-line growth potential.

Based on these facts and trends, and assuming no significant impact from external factors, we are forecasting a much improved performance in 2004. We expect to achieve a sales increase of 11 percent to 12 percent, and an 80 percent to 95 percent increase in earnings per share. We will work extremely hard to achieve this goal for our shareholders in 2004, and will endeavor to tighten up this forecast as the year progresses and external events become more certain.

On behalf of our Directors and Senior Management Team, I want to express our deepest appreciation to all our employees who worked so hard in 2003 to overcome the numerous challenges we faced, and to our many customers who have so enthusiastically embraced our products. Finally, we also want to thank you, our shareholders, for your continued support of Coachmen Industries.

Sincerely,

Claire C. Skinner
Chairman of the Board
Chief Executive Officer

Miller Building Systems showcases its proficiency in building healthcare facilities with this 2,000 sq. ft. magnetic resonance imaging (MRI) center located in California. Miller incorporated the stucco exterior, solar-shaded glass and other design features reflecting the building’s southwestern location into the construction, and the building arrived on-site 95 percent complete for its permanent installation.

Recreational Vehicle Group

Coachmen is one of the best known and most highly respected names in the recreational vehicle industry today. The Coachmen RV Group consists of Coachmen RV Company, LLC; Georgie Boy Manufacturing, LLC; and Viking Recreational Vehicles, LLC. In addition, the Company operates two retail RV dealerships as well as Prodesign, LLC, a plastics thermoforming subsidiary that primarily serves the automotive, recreational vehicle and marine industries.

The Coachmen RV Group markets its products through over 700 independent dealers. Its products include most categories of RV types, which cover all price points except the ultra high-end. With its wide selection of product offerings, Coachmen is uniquely positioned to attract the many new buyers entering the RV marketplace.

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WINNING PRODUCTS

Success in the recreational vehicle industry requires having the right products, with the right designs, features and pricing, at the right time. Based on the numerous achievements experienced by the RV Group in 2003, it is clear that Coachmen now holds all the requisite product keys to success.

Over half of the RV Group's 2004 RV line represents new or improved models. Some of the hottest products, at both retail and wholesale, include the Georgie Boy™ Bellagio™ and Sportscoach® Cross Country® rear diesel Class A's, the Landau® and Santara® gasoline Class A's, the new Concord™ "C+" motorhome, the Freelander by Coachmen™ Class C, the Somerset Dream Catcher™ and the Chaparral™ fifth wheels, and the Spirit of America™, Capri™ and Cascade™ travel trailers.

As a result, record amounts of orders were taken from dealers at both the mid-year dealer meetings and at the National RV Trade Show in Louisville last December. Additionally, the RV Group experienced strong success in several key categories. For the year, Class A wholesale shipments increased by 13.4 percent, which compares favorably to the industry gains of 4.8 percent. Shipments of rear diesel-powered Class A's were up 50.4 percent, while the industry recorded shipments unchanged from the 2002 rate. At the same time, RV Group shipments of the non-motorized fifth wheel product category increased by 34.8 percent, which compares to the industry increase of 2.0 percent. Viking RV, Coachmen's camping trailer subsidiary, continues to be a remarkable success story, increasing its market share once again to its highest level ever. Over the last six years, Viking has increased its market share 38 percent.

The RV Group had lower shipments in the other product categories in comparison to 2002. In Class C motorhomes, Coachmen's shipments were down 10.8 percent, while the industry shipments were up 1.7 percent. Travel trailer shipments decreased by 4.8 percent, while the industry increased by 13.3 percent. Coachmen management believes that much of the decrease in Class C's and travel trailers is attributable to inadequate capacity to meet demand, which was addressed in 2003 by the opening of two new plants. And in the camping trailer category, Coachmen's shipments decreased by 19.6 percent, which was slightly better than the industry-wide decrease of 20.3 percent. The camping trailer category suffered an industry-wide erosion, which was due, in part, to the emergence of the new "hybrid" product design that is part camping trailer and part travel trailer. Sales of these hybrid units are being registered as travel trailers, even though customers who have traditionally purchased camping trailers often buy these units.

RV Group shipments for all product types combined decreased by 4.0 percent, even though sales revenues increased by 12.1 percent. This reflects a positive trend toward a much richer mix of products being sold, driven by the popularity of the more expensive Class A and fifth wheel products.

To provide Coachmen RV Group dealers with the financial strength to grow, Coachmen Financial Services℠ was created. This program focuses primarily on wholesale inventory financing, giving Coachmen dealers dedicated lines of credit to purchase products at highly competitive rates and terms. With the ability to expand to offer even more services, the entire program provides Coachmen Industries dealers with better financial services and greater flexibility.

MEETING THE DEMAND

Based on the strength of product acceptance, year-ending backlog levels were up 26.6 percent compared to December 31, 2002. In 2003, Coachmen RV Company took some major steps to meet current and future demand by enhancing its production capabilities.

Top Photo – Owners of light trucks, mini-vans and sport utility vehicles will especially appreciate the Captiva™, since it was redesigned with those owners in mind. It's built with Alumicage™ laminated construction that includes lightweight, corrosion-resistant aircraft-grade aluminum. Along with the Shasta® Capri™, the Captiva offers first time RVers and young families a travel trailer that's light but rugged.

Middle Photo - Demonstrating their Class A motorhome expertise is the Georgie Boy™ Bellagio™ rear diesel. Their historic first quad-slide unit features a stunning interior with an island kitchen, Sony audio/video systems and many other elegant highlights.

Bottom Photo - The new amenity-filled Freelander by Coachmen™ is a high-quality Class C motorhome with an entry-level price, with innovative floor plans appealing to RV veterans and newcomers alike. In addition, with Class C's dominating the growing RV rental market, the Freelander is Coachmen's primary model designed to take advantage of the lucrative potential this market offers.

In response to market demand for travel trailers and fifth wheels, the Coachmen RV operation in Fitzgerald, Georgia acquired and opened a nearby 100,000 sq. ft. towables plant in the second quarter. This new plant meaningfully increases travel trailer and fifth wheel production capacity, and it allows a faster, more efficient response to dealer orders from the southeastern market than in the past, when orders were shipped from Indiana.

In the third quarter Coachmen RV opened a new state-of-the-art plant in Middlebury, Indiana dedicated to producing Class C motorhomes. The 127,000 sq. ft. plant is the largest plant within the Coachmen RV Group, and the first to incorporate two separate assembly lines. This allows production to be segregated based on the complexity of models, which increases efficiency and output. Class C production rates are already up 25 percent and will continue increasing throughout 2004. This investment facilitates the fulfillment of the extensive orders for the brand new, highly successful Coachmen Concord, which competes in the fast-growing "C+" category of the Class C market. Also, attention and capacity will now be devoted to the sizeable Class C RV rental market, where participation previously had been limited due to capacity constraints.

In response to strong demand and backlogs, production rates have been aggressively increased in our Class A manufacturing facilities. At the Georgie Boy subsidiary, in Edwardsburg, Michigan, production rates have doubled. In Middlebury, production has been significantly increased in both Class A facilities, and most notably at the high-line plant dedicated to producing the Sportscoach brand rear diesel models, along with the all-new, high-end Coachmen Santara® gas-powered Class A.

Finally, Coachmen's commitment to continued growth in volume and innovative products led to investments in the latest lamination and CNC equipment. Not only will this additional equipment aid in the design and production of great products, it will also improve the efficiency with which those products are produced.

ANTICIPATING 2004 WITH EXCITEMENT

Moving into 2004, the Coachmen RV Group is intensely focused on continuing the growth and improvements established in 2003. Even though the year has just begun, the Group has already undertaken several exciting and significant initiatives.

As announced in January, Coachmen has entered into a long-term exclusive licensing agreement to design, produce and market an extensive line of new Coleman brand recreational vehicles, specifically targeted to appeal to the active outdoor enthusiasts who are nearly synonymous with the name Coleman.

The Company believes that this is an exceptional development for Coachmen and its shareholders. Coachmen has long been known as the recreational vehicle Leader to the Great Outdoors™, just as Coleman is widely recognized as being the leader in outdoor products and accessories. Coachmen and Coleman are both powerful brands, and combining their respective experiences to develop innovative products for the outdoor enthusiast gives the RV Group the opportunity to expand into new markets.

Introduced in 2003, Coachmen's Concord™ competes in the fast-growing "C+" category of the Class C motorhome market. These C+ motorhomes resemble a Class C motorhome, though they don't have the normal front overhead bunk area. Designed to appeal to active couples and Class A aficionados now looking to travel only part-time, the Concord created plenty of excitement when it was unveiled to dealers at the Coachmen RV Company's Dealer Seminar. The Concord's abundant exterior storage includes Coachmen's innovative Stow-n-Go™ garage-like compartment.

The RV industry and, specifically, the Coachmen RV Group are going strong, and getting stronger as more people discover the benefits and joys of RV ownership. Market demographics indicate that both Baby Boomers and Generation Xers will provide increasing numbers of RV buyers over the next decade. In fact, the median age for RV owners is now 49, as freedom-loving Americans realize that RVs offer a relaxing, versatile, economical way to enjoy the outdoors and the pursuit of a multitude of leisure activities with friends and family.

According to the Recreation Vehicle Industry Association (RVIA), over 320,000 RVs were shipped in 2003, making it one of the best years for the industry since 1977. That number should be surpassed in 2004, according to the University of Michigan's Dr. Richard Curtin, an economic consultant to the RVIA.

Coachmen is looking forward to this bright future, and is ready for it. The RV Group's products are well positioned to strongly impact their market segments. The Group has increased production capacity and rates during 2003, and expects to increase capacity further in 2004. They have one of the strongest dealer bodies in the industry, and the finest service commitment in the business. With its proud 39-year history, some of the most recognized RV brand names in the industry, products for every family and every budget and a skilled management team and workforce – the Coachmen RV Group is poised for even greater success in the future!

Top Photo – This Shasta® Cheyenne™ is only one of six different Class C motorhomes assembled in our new state-of-the-art plant in Middlebury, Ind., which provides Coachmen with additional production capacity to meet the strong demand for our Class C lineup. The affordably deluxe Cheyenne boasts an enticing array of comfortable features, including a flat screen TV, slideouts for extra room, oak cabinetry and residential-style décor throughout for a welcome touch of home.

Middle Photo – Palatial and luxurious, the Coachmen® Somerset Dream Catcher™ fifth wheel is packed with design features and innovations that would delight any homeowner – including 50 product enhancements since last year. Because of its popularity, shipments increased 46 percent.

Bottom Photo – Every family camping adventure in a Viking® Saga™ will produce great stories, with family-friendly features like extra-thick, insulated beds and a three-burner inside/outside range. By helping Viking reach its highest market share level ever, the Saga is part of Viking's remarkable story.

Prodesign creates a great effect with ground effects. Their thermoformed Xterior Body Kits™ offer a quick, easy and economical method to improve your car's looks and performance.

Coachmen Industries Produces Most RV Types at Multiple Price Points

(base retail prices)

Camping Trailer – $3,500 - $9,500

Class C Motorhome – $50,100 - $80,300

Travel Trailer – $14,300 - $27,500

Class A Gas Motorhome – $59,900 - $127,600

Fifth Wheel – $18,300 - $43,600

Class A Diesel Motorhome – $126,800 - $236,600

Housing and Building Group

If someone needs a roof over their head, Coachmen Industries considers them a potential customer of the Company's Housing and Building subsidiaries. Whether it's a home, an apartment complex, an office building, a community revitalizing its urban landscape, or the U.S. Government, Coachmen Industries can build a sound systems-built structure to suit their needs.

Coachmen's All American Homes® subsidiary is the country's largest producer of systems-built modular homes, and historically has focused primarily on single-family residential customers. For over 30 years, All American has been helping people realize their dream of home ownership by building a wide range of systems-built homes, from entry-level dwellings to large, luxurious, upscale models.

THE SYSTEMS-BUILT DIFFERENCE

Systems-built homes are built using the same construction methods, and often higher quality materials, as site-built homes. Though they look no different than a conventional site-built home, they're superior in terms of quality and strength. Built with fine craftsmanship and combined with state-of-the-art manufacturing processes and exceptional quality control, a systems-built home from All American Homes is built with meticulous care and factory precision. Full-time, experienced employees work year-round in a climate-controlled environment, which virtually eliminates weather-related defects that site-built homes are plagued with, like water damage, freezing, and cracking of brittle materials, not to mention construction site vandalism.

This building method provides enormous advantages to the homeowner and the site developer. Costs are reduced because of the efficiencies of precision engineering and large material purchases. Construction time is usually reduced, as an All American systems-built home generally is completed in 8 to 16 weeks, a fraction of the time normally spent constructing a site-built home. And, each home is 80-90 percent complete when it arrives at its site and is permanently affixed to its foundation.

All American's systems-built homes are built to the same stringent building codes as site-built homes. All framing, insulation, roofing, plumbing and electrical work is subject to continuous quality control during construction. Each home is also inspected in the All American plant by either a state inspector or a certified third-party inspection agency to ensure that it will meet all code requirements specific to the location where it will permanently reside.

Designed to withstand over-the-road truck delivery, All American's homes are stronger than site-built homes. In fact, a report issued by the Federal Emergency Management Agency noted the superb strength of systems-built homes, saying they withstood a hurricane far better than site-built homes. Their strength was amply demonstrated during a series of devastating tornadoes that swept through the Midwest in May 2003, including the site of the All American Homes plant in Tennessee. Three of the six model homes on display suffered roof damage, yet none suffered any major structural damage – including one home that was literally picked up by the twister and carried 30 feet from its original location!

It should be noted that systems-built homes are sometimes confused with mobile or manufactured homes. While both systems-built homes and mobile homes are partially constructed in a factory, major differences exist in the areas of building standards, codes, materials and costs. Systems-built homes, however, have the decided advantage over manufactured homes in terms of quality and permanence, features that are highly valued by homebuyers.

EXPANDING THE CUSTOMER BASE

All American Homes has traditionally marketed its homes in rural communities where scattered lot homes are very popular. Long an essential part of All American's success, the Company remains firmly committed to this market segment. At the same time, because the majority of single-family housing starts occur in larger population centers, All American is continuing its strategy to expand into those markets through subdivision developments.

The Company is also expanding its customer base through new products. The new Ameri-Log Homes™ brand is focused exclusively on the production, marketing and sales of custom, high quality log homes. Now, for the first time, homebuyers can enjoy the quality control,

Top Photo – At 4,283 sq. ft., the sprawling, luxurious Wellington model amply displays Mod-U-Kraf's skill at building upscale, high-end family homes. This floor plan includes four bedrooms, three-and-one-half baths, a balcony overlooking a two-story living room, and a large open-space family room-kitchen-dining nook combination for entertaining friends and family.

Bottom Photo - Handsome hardwood floors are just one of the many highlights of the Kingston Classic Series, a Cape Cod model from All American Homes®. This particular model includes three bedrooms and two-and-one-half baths in its two levels, totaling 2,710 sq. ft. The comfortably spacious interior includes the open living room and kitchen. With numerous customizable floor plan options, the attractive Kingston fits equally well on scattered lots and in subdivisions.

Top Photo – Combining systems-built technology with the splendor of a high quality log home, the new Ameri-Log Homes™ brand grew rapidly in 2003 and will continue expanding in 2004, with such breathtaking models as the "Mountain View."

Bottom Photo – All American Homes' Hampton has a stately design that offers amenities not found in other homes its size. The first floor features a large Great Room open to the second floor as well as a spacious kitchen and breakfast nook. The owner's suite, also on the first floor, is luxuriously appointed with a whirlpool and a shower. The second floor has a gorgeous view of the Great Room plus three more bedrooms. This three-and-one-half bath Hampton is currently featured as the sales center for All American's suburban housing development at The Quarry in Toledo, Ohio.

time savings and cost benefits that come with building a systems-built home, with the solid strength and warm appeal of an authentic white cedar log home.

The newly formed All American Building Systems is extending its reach into inner-city housing projects, hotels, apartment buildings and other multi-family dwellings. In addition, the Housing and Building subsidiaries continue to enter additional commercial markets with medical clinics, professional office buildings, schools, offices, banks, telecommunication equipment shelters, high-wind resistant classrooms for areas of the country affected by hurricanes and other commercial buildings. This includes shelters for state-sponsored communications networks that are part of the Department of Homeland Security, and shelters for a similar network linking state and federal prisons.

BUILDING UPON SUCCESS

All American Building Systems recently opened its first exclusively All American suburban housing development in a new section of The Quarry, an upscale residential community in Toledo, Ohio – a project that calls for 58 systems-built residences.

All American also made inroads into the urban renewal market, including a 120-unit project in Detroit's inner city, which has led to other similar projects. Retirement homes, multi-family duplexes and other projects are now in various stages of development, from the beginning of construction to near completion, in Washington, D.C.; Toledo, Ohio; Rutland, Ohio; and Lexington, Virginia; among other cities.

Because of the ability of All American's systems-built homes to meet high-wind zone standards, they are very desirable throughout the hurricane-prone coastal regions of the southeast, including Georgia, South Carolina, North Carolina and most recently, Florida. All American has signed agreements with new builders in seven key Florida markets, including a major builder in Okeechobee with a large retail sales center featuring several model homes.

To showcase its systems-built benefits, All American Homes was invited to build the NextGen04 Home. Designed to be both high-tech and affordable, the special home was built to emphasize advanced techniques that provide maximum durability, energy efficiency, safety and quality while minimizing waste. The All American NextGen04 Home was prominently displayed at the International Builders Show and the Consumer Electronics Show, both held in Las Vegas in January 2004. Through its participation, All American Homes was able to demonstrate why its systems-built designs will be an integral part of the prototypical home of the future.

TIME FOR GROWTH

Home ownership has always been one of the staples of the American dream. Continued low interest rates and a strengthening economy should help keep new home starts going strong. And, as systems-built technology keeps gaining recognition as a better, more efficient way to build homes, the prospects for growth within the Company's Housing and Building Group are excellent.

With the best builder network in the industry, All American Homes' traditional residential markets are solid, and the Company is expanding into new markets with new products. The All American Building Systems structure will enable the Company to capture commercial markets with more expertise and flexibility than ever before. In summary, the foundation has been laid, the pieces are in place and Coachmen Industries anticipates exciting growth in 2004 and beyond.

FORM 10-K

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark one)
(X) ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2003.

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____.

Commission file number 1-7160

COACHMEN INDUSTRIES, INC.
(Exact name of registrant as specified in its charter)

Indiana
(State of incorporation
or organization)

35-1101097
(IRS Employer Identification No.)

2831 Dexter Drive, Elkhart, Indiana 46514
(Address of principal executive offices) (Zip Code)

(574) 262-0123
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, Without Par Value,
and associated Common Share Purchase Rights
(Title of each class)

New York Stock Exchange
(Name of each exchange on
which registered)

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. X Yes _ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment hereto. X

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). X Yes _ No

The aggregate market value of Common Stock held by non-affiliates of the registrant on June 30, 2003 (the last business day of the registrant's most recently completed second fiscal quarter) was $165.6 million (based upon the closing price on the New York Stock Exchange and that 90.0% of such shares are owned by non-affiliates).

As of February 27, 2004, 15,559,062 shares of the registrant's Common Stock were outstanding.

Documents Incorporated by Reference

Document	Parts of Form 10-K into which the Document is Incorporated
Portions of the Proxy Statement for the Annual Meeting of Shareholders to be held on April 29, 2004	Part III

PART I

ITEM 1. BUSINESS

Coachmen Industries, Inc. (the "Company" or the "Registrant") was incorporated under the laws of the State of Indiana on December 31, 1964, as the successor to a proprietorship established earlier that year. All references to the Company include its wholly owned subsidiaries and divisions.

The Company is one of America's leading manufacturers of recreational vehicles with well-known brand names including Coachmen®, Georgie Boy®, Sportscoach®, and Viking®. Through its housing and building group, Coachmen Industries also comprises one of the nation's largest producers of both systems-built homes and commercial structures with its All American Homes®, Mod-U-Kraf®, All American Building Systems™, and Miller Building Systems™ products. Prodesign, LLC is a subsidiary that produces custom composite and thermoformed plastic parts for numerous industries under the Prodesign® brand. Coachmen Industries, Inc. is a publicly held company with stock listed on the New York Stock Exchange (NYSE) under the COA ticker symbol.

The Company operates in two primary business segments, recreational vehicles and housing and buildings (formerly modular housing and buildings). The Recreational Vehicle ("RV") Segment manufactures and distributes Class A and Class C motorhomes, travel trailers, fifth wheels, camping trailers and related parts and supplies. The Housing and Building Segment manufactures and distributes factory-built modules for residential and commercial buildings.

The Company's annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports are made available free of charge through the Financial Information section of the Company's Internet website (http://www.coachmen.com) as soon as practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission.

RECREATIONAL VEHICLE SEGMENT

Products

The RV Segment consists of recreational vehicles and parts and supplies. This group consists of five operating companies: Coachmen RV Company, LLC; Coachmen RV Company of Georgia, LLC; Georgie Boy Manufacturing, LLC; Viking Recreational Vehicles, LLC; and Prodesign, LLC (a producer of composite and plastic parts) and two Company-owned retail dealerships located in Indiana and North Carolina.

The principal brand names for the RV group are Aurora™, Bellagio™, Capri™, Captiva™, Cascade™, Catalina®, Chaparral™, Cheyenne™, Clipper®, Coachmen®, Concord™, Cross Country®, Cruise Air®, Cruise Master®, Epic™, Freedom by Coachmen™, Freelander by Coachmen™, Georgie Boy®, Landau®, Legend™, Leprechaun®, Mirada™, Oasis™, Pursuit®, Saga™, Santara®, Shasta®, Somerset Dream Catcher™, Spirit of America™, Sportscoach®, Velocity™ and Viking®.

In January 2004, the Company entered into a long-term exclusive licensing agreement with The Coleman Company, Inc. to design, produce and market a full line of new Coleman® brand recreational vehicles. The initial product offerings will be a line of camping trailers, beginning in the third quarter of 2004, with other product offerings to follow.

Recreational vehicles are either driven or towed and serve as temporary living quarters for camping, travel and other leisure activities. Recreational vehicles manufactured by the Company may be categorized as motorhomes, travel trailers or camping trailers. A motorhome is a self-powered mobile dwelling built on a special heavy-duty motor vehicle chassis. A travel trailer is a non-motorized mobile dwelling designed to be towed behind another vehicle.

Camping trailers are smaller towed units constructed with sidewalls that may be raised up and folded out.

The RV group currently produces recreational vehicles on an assembly line basis in Indiana, Michigan, and Georgia. Components used in the manufacturing of recreational vehicles are primarily purchased from outside sources. However, in some cases (such as fiberglass products) where it is profitable for the RV group to do so, or where it has experienced shortages of supplies, the RV group has undertaken to manufacture its own components. The RV group depends on the availability of chassis from a limited number of manufacturers. Occasionally, chassis availability has limited the group's production (see Note 12 of Notes to Consolidated Financial Statements for information concerning the use of converter pool agreements to purchase vehicle chassis).

Prodesign, LLC, located in Indiana, is a custom manufacturer of diversified thermoformed and composite products for the automotive, marine, recreational vehicle, medical and heavy truck industries.

Marketing

Recreational vehicles are generally manufactured against orders received from RV dealers, who are responsible for the retail sale of the product. These products are marketed through approximately 700 independent dealers located in 48 states and internationally and through the two Company-owned dealerships. Subject to applicable laws, agreements with most of its dealers are cancelable on short notice, provide for minimum inventory levels and establish sales territories. No dealer accounts for 10% or more of the Company's net sales.

The RV group considers itself customer driven. Representatives from sales and service regularly visit dealers in their regions, and respond to questions and suggestions. Divisions host dealer advisory groups and conduct informative dealer seminars and specialized training classes in areas such as sales and service. Open forum meetings with owners are held at campouts, providing ongoing focus group feedback for product improvements. Engineers and product development team members are encouraged to travel and vacation in Company recreational vehicles to gain a complete understanding and appreciation for the products.

As a result of these efforts, the RV group believes it has the ability to respond promptly to changes in market conditions. Most of the manufacturing facilities can be changed over to the assembly of other existing products in two to six weeks. In addition, these facilities may be used for other types of light manufacturing or assembly operations. This flexibility enables the RV group to adjust its manufacturing capabilities in response to changes in demand for its products.

Most dealers' purchases of RV's from the RV group are financed through "floor plan" arrangements. Under these arrangements, a bank or other financial institution agrees to lend the dealer all or most of the purchase price of its recreational vehicle inventory, collateralized by a lien on such inventory. The RV group generally executes repurchase agreements at the request of the financing institution. These agreements typically provide that, for up to twelve months after a unit is financed, the Company will repurchase a unit that has been repossessed by the financing institution for the amount then due to the financing institution. This is usually less than 100% of the dealer's cost. Risk of loss resulting from these agreements is spread over the Company's numerous dealers and is further reduced by the resale value of the products repurchased (see Note 12 of Notes to Consolidated Financial Statements). Resulting mainly from periodic business conditions negatively affecting the recreational vehicle industry, the Company has previously experienced some losses under repurchase agreements. Accordingly, the Company has recorded an accrual for estimated losses under repurchase agreements. In addition, at December 31, 2003, the group was contingently liable under guarantees to financial institutions of their loans to independent dealers for amounts totaling approximately $4.6 million, an increase of approximately $3.7 million from the $.9 million in guarantees at December 31, 2002. The RV group does not finance retail consumer purchases of its products, nor does it generally guarantee consumer financing.

Business Factors

Many recreational vehicles produced by the RV group require gasoline for their operation. Gasoline has, at various times in the past, been difficult to obtain, and there can be no assurance that the supply of gasoline will continue uninterrupted, that rationing will not be imposed or that the price of, or tax on, gasoline will not significantly increase in the future. Shortages of gasoline and significant increases in gasoline prices have had a substantial adverse effect on the demand for recreational vehicles in the past and could have a material adverse effect on demand in the future.

Recreational vehicle businesses are dependent upon the availability and terms of financing used by dealers and retail purchasers. Consequently, increases in interest rates and the tightening of credit through governmental action, economic conditions or other causes have adversely affected recreational vehicle sales in the past and could do so in the future.

Recreational vehicles are high-cost discretionary consumer durables. In the past, recreational vehicle sales have fluctuated in a generally direct relationship to overall consumer confidence.

Competition and Regulation

The RV industry is highly competitive, and the RV group has numerous competitors and potential competitors in each of its classes of products, some of which have greater financial and other resources than the Company. Initial capital requirements for entry into the manufacture of recreational vehicles, particularly towables, are comparatively small; however, codes, standards, and safety requirements enacted in recent years may act as deterrents to potential competitors.

The RV group's recreational vehicles generally compete at all price points except the ultra high-end. The RV group strives to be a quality and value leader in the RV industry. The RV group emphasizes a quality product and a strong commitment to competitive pricing in the markets it serves. The RV group estimates that its current overall share of the recreational vehicle market is approximately six percent, on a unit basis.

The recreational vehicle industry is fairly heavily regulated. The National Highway Traffic Safety Administration (NHTSA), the Transportation Recall Enhancement, Accountability, and Documentation Act (TREAD), state lemon law statutes, laws regulating the operation of vehicles on highways, state and federal product warranty statutes and state legislation protecting motor vehicle dealerships all impact the way the RV group conducts its recreational vehicle business.

State and federal environmental laws also impact both the production and operation of the Company's products. The Company has an Environmental Department dedicated to efforts to comply with applicable environmental regulations. To date, the RV group has not experienced any material adverse effect from existing federal, state, or local environmental regulations.

HOUSING AND BUILDING SEGMENT

Products

The Housing and Building Segment consists of residential and commercial buildings. The Company's housing and building subsidiaries (the All American Homes group, Mod-U-Kraf Homes, LLC and Miller Building Systems, Inc.) produce factory-built modules for single-family residences, multi-family duplexes, apartments, condominiums, hotels and specialized structures for municipal and commercial use.

All American Homes and Mod-U-Kraf design, manufacture and market factory-built modular housing and modular commercial structures. All American Homes is the largest producer of modular homes in the United States and has seven operations strategically located in Colorado, Indiana, Iowa, Kansas, North Carolina, Ohio and Tennessee. Mod-U-Kraf operates from a plant in Virginia. Together these plants serve approximately 470 independent builders in 36 states and three Company-owned builders located in Indiana, Kansas and Tennessee. Modular homes are built to the same local building codes as site-built homes by skilled craftsmen in a factory environment unaffected by weather conditions during production. Production takes place on an assembly line, with components moving from workstation to workstation for framing, electrical, plumbing, drywall, roofing, and cabinet setting, among other operations. An average two-module home can be produced in just a few days. As nearly completed homes when they leave the plant, home modules are delivered to their final locations, typically in two to seven sections, and are crane set onto a waiting basement or crawl space foundation.

Miller Building Systems, Inc. ("Miller Building") designs, manufactures and markets factory-built modular buildings for commercial use such as office buildings, permanent housing, temporary housing, classrooms, telecommunication shelters and other forms of shelter. Miller Building specializes in the education and medical fields with its commercial modular buildings. It is also a major supplier of shelters to house sophisticated telecommunications equipment for cellular and digital telephones, data transmission systems and two-way wireless communications. Miller Building also offers site construction services, which range from site management to full turnkey operations. Depending on the specific requirements of its customers, Miller Building uses wood, wood and steel, concrete and steel, cam-lock panels or all concrete to fabricate its structures. Miller Building manufactures its buildings in a factory, and the assembled modules are delivered to the site location for final installation. Miller Building has manufacturing facilities located in Indiana, Pennsylvania and Vermont.

Marketing

The Housing and Building group participates in an expanding market for the factory-built residential and commercial buildings. Housing is marketed directly to approximately 470 builders in 36 states who will sell, rent or lease the buildings to the end-user. Commercial buildings are marketed to approximately 135 companies in 35 states. Customers may be national, regional or local in nature.

The housing group regularly conducts builder meetings to review the latest in new design options and component upgrades. These meetings provide an opportunity for valuable builder input and suggestions at the planning stage. The modular homes business is currently concentrated in the rural, scattered lot markets in the geographic regions served. The Company has launched initiatives to supply product into additional markets, including residential subdivisions in lower tier metropolitan areas, group living facilities, motels/hotels, professional office buildings and other commercial structures.

The success of modular buildings in the commercial market is the result of innovative designs that are created by listening to customer needs and taking advantage of advancements in technology. While price is often a key factor in the purchase decision, other factors may also apply, including delivery time, quality and prior experience with a certain manufacturer. A significant benefit to the customer is the speed with which factory-built buildings can be made available for use compared to on-site construction, and, in the commercial area, the ability to relocate the building to another location if the end-user's utilization requirements change. The sales staff calls on prospective customers in addition to maintaining continuing contact with existing customers and assists its customers in developing building specifications to facilitate the preparation of a quotation. The sales staff, in conjunction with the engineering staff, maintains ongoing contact with the customer for the duration of the building project.

To further develop its initiatives to expand into additional markets, the Company formed a new subsidiary during the year called All American Building Systems, LLC. This new subsidiary will integrate direct sales and marketing for both the All American Homes facilities and the Miller Building Systems facilities. The Company anticipates that by combining the high volume production capacity of All American Homes with Miller's custom building orientation they will be able to provide a building solution without match in the market place. Ultimately, this new entity will be dedicated to identifying new markets for the Company's products through channels other than the traditional builder/dealer network. All American Building Systems, LLC will become the primary, if not sole, sales group for Miller Building Systems. Miller's technical sales personnel will become part of the new entity in order to provide estimating capability and support the sales efforts. Miller's existing engineering department will form the nucleus of the combined engineering effort. This will all but eliminate the need for out-sourced design services for All American Homes and ensure commonality of the products manufactured by the various plants. The operating business model for both Miller Building Systems and All American Homes is being revised to reflect the evolving growth opportunities that exist within the modular industry.

Business Factors

As a result of transportation costs, the effective distribution range of factory-built homes and commercial buildings is limited. The shipping area from each manufacturing facility is typically 200 to 300 miles for modular homes and 600 miles for commercial buildings. The potential shipping radius of the telecommunication shelters is not as restricted as that of factory-built homes and commercial buildings; however, the marketing of these shelters is concentrated in geographic areas where there is a freight advantage over a large portion of the competitors.

The overall strength of the economy and the availability and terms of financing used by builders, dealers and end-users have a direct impact on the sales of the Housing and Building group. Consequently, increases in interest rates and the tightening of credit due to government action, economic conditions or other causes have adversely affected the group's sales in the past and could do so in the future.

Competition and Regulation

Competition in the factory-built building industry is intense and the Housing and Building group competes with a number of entities, some of which may have greater financial and other resources than the Company. The demand for modular homes may be impacted by the ultimate purchaser's acceptance of factory-built homes as an alternative to site-built homes. To the extent that factory-built buildings become more widely accepted as an alternative to conventional on-site construction, competition from local contractors and manufacturers of other pre-engineered building systems may increase. In addition to the competition from companies designing and constructing on-site buildings, the Housing and Building group competes with numerous factory-built building manufacturers that operate in particular geographical regions.

The Housing and Building group competes for orders from its customers primarily on the basis of quality, timely delivery, engineering capability, reliability and price. The group believes that the principal basis on which it competes with on-site construction is the combination of: the timeliness of factory versus on-site construction, the cost of its products relative to on-site construction, the quality and appearance of its buildings, its ability to design and engineer buildings to meet unique customer requirements, and reliability in terms of completion time. Manufacturing efficiencies, quantity purchasing and generally lower wage rates of factory construction, even with the added transportation expense, result in the cost of factory-built buildings being equal to or lower than the cost of on-site construction of comparable quality. With manufacturing facilities strategically located throughout the country, the Housing and Building group provides a streamlined

construction process. This process of manufacturing the building modules in a weather-free, controlled environment, while the builder prepares the site, significantly reduces the time to completion on a customer's project.

Customers of the Housing and Building group are generally required to obtain building installation permits from applicable governmental agencies. Buildings completed by the group are manufactured and installed in accordance with applicable building codes set forth by the particular state or local regulatory agencies.

State building code regulations applicable to factory-built buildings vary from state to state. Many states have adopted codes that apply to the design and manufacture of factory-built buildings, even if the buildings are manufactured outside the state and delivered to a site within that state's boundaries. Generally, obtaining state approvals is the responsibility of the manufacturer. Some states require certain customers to be licensed in order to sell or lease factory-built buildings. Additionally, certain states require a contractor's license from customers for the construction of the foundation, building installation, and other on-site work. On occasion, the Housing and Building group has experienced regulatory delays in obtaining the various required building plan approvals. In addition to some of its customers, the group actively seeks assistance from various regulatory agencies in order to facilitate the approval process and reduce the regulatory delays.

GENERAL
(Applicable to all of the Company's principal markets)

Business Segments

The table below sets forth the composition of the Company's net sales for each of the last three years (dollar amounts in millions):

	2003		2002		2001	
	Amount	%	Amount	%	Amount	%
Recreational Vehicles	$488.2	68.7	$435.6	65.5	$344.6	58.7
Housing and Buildings	222.9	31.3	229.6	34.5	242.6	41.3
Total	$711.1	100.0	$665.2	100.0	$587.2	100.0

Additional information concerning business segments is included in Note 2 of the Notes to Consolidated Financial Statements.

Seasonality

Historically, the Company has experienced greater sales during the second and third quarters with lesser sales during the first and fourth quarters. This reflects the seasonality of RV sales for products used during the summer camping season and also the adverse impact of weather on general construction for the modular building applications.

Employees

At December 31, 2003, Coachmen employed 4,490 persons, 945 of whom are salaried and involved in operations, engineering, purchasing, manufacturing, service and warranty, sales, distribution, marketing, human resources, accounting and administration. The Company provides group life, dental, vision services, hospitalization, and major medical plans under which the employee pays a portion of the cost. In addition, employees can participate in a 401(k) plan and a stock purchase plan. Certain employees can participate in a stock option plan and in deferred and supplemental deferred compensation plans (see Notes 8 and 9 of Notes to Consolidated Financial Statements). The Company considers its relations with employees to be good.

Research and Development

During 2003, the Company spent approximately $7.2 million on research related to the development of new products and improvement of existing products. The amounts spent in 2002 and 2001 were approximately $6.4 million and $6.6 million, respectively.

ITEM 2. PROPERTIES

The Registrant owns or leases 3,517,522 square feet of plant and office space, located on 1,144.0 acres, of which 2,937,074 square feet are used for manufacturing, 243,296 square feet are used for warehousing and distribution, 46,024 square feet are used for research and development, 70,844 square feet are used for customer service and 220,284 square feet are offices. Included in these numbers are 71,310 square feet leased to others and 86,310 square feet available for sale or lease. The Registrant believes that its present facilities, consisting primarily of steel clad, steel frame or wood frame construction and the machinery and equipment contained therein, are well maintained and in good condition.

The following table indicates the location, number and size of the Registrant's properties by segment as of December 31, 2003:

Location	Acreage	No. of Buildings	Building Area (Sq. Ft.)
Properties Owned and Used by Registrant:			
Recreational Vehicle Group			
Elkhart, Indiana	46.1	1	318,094
Middlebury, Indiana	490.5	27	888,993
Fitzgerald, Georgia	29.6	4	167,070
Centreville, Michigan	105.0	4	84,865
Edwardsburg, Michigan	83.1	12	303,254
Colfax, North Carolina	7.1	3	15,200
Goshen, Indiana	18.0	1	80,000
Subtotal	779.4	62	1,857,476
Housing and Building Group			
Decatur, Indiana	40.0	1	202,870
Elkhart, Indiana	20.0	4	132,300
Dyersville, Iowa	20.0	1	168,277
Leola, Pennsylvania	20.0	2	113,100
Springfield, Tennessee	45.0	1	132,603
Rutherfordton, North Carolina	37.7	1	169,177
Zanesville, Ohio	23.0	2	139,753
Bennington, Vermont	5.0	1	28,900
Rocky Mount, Virginia	39.6	4	129,293
Osage City, Kansas	29.2	3	130,818
Wichita, Kansas	3.0	-	-
Milliken, Colorado	23.0	1	141,675
Subtotal	305.5	21	1,488,766
Total owned and used	1,084.9	83	3,346,242
Properties Leased and Used by Registrant:			
Recreational Vehicle Group			
Elkhart, Indiana	6.6	1	8,000
Subtotal	6.6	1	8,000

Properties (Continued)

Properties Leased and Used by Registrant			
Housing and Building Group			
Vestal, New York	-	1	5,660
Sioux Falls, South Dakota	2.0	-	-
Subtotal	2.0	1	5,660
Total leased and used	8.6	2	13,660
Properties Owned by Registrant and Leased to Others:			
Recreational Vehicle Group			
Crooksville, Ohio	10.0	2	39,310
Melbourne, Florida	7.5	1	32,000
Total owned and leased	17.5	3	71,310
Properties Owned by Registrant and Available for Sale or Lease:			
Recreational Vehicle Group			
Perris, California	2.2	-	-
Grapevine, Texas	8.6	-	-
Longview, Texas	9.2	-	-
Subtotal	20.0	-	-
Housing and Building Group			
Decatur, Indiana	3.3	2	86,310
Rocky Mount, Virginia	9.7	-	-
Subtotal	13.0	2	86,310
Total owned and available for sale or lease	33.0	2	86,310
Total Company	1,144.0	90	3,517,522

ITEM 3. LEGAL PROCEEDINGS

The Company is involved in various legal proceedings, most of which are ordinary disputes incidental to the industry and most of which are covered in whole or in part by insurance. Management believes that the ultimate outcome of these matters and any liabilities in excess of insurance coverage and self-insurance accruals will not have a material adverse impact on the Company's consolidated financial position, future business operations or cash flows.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted during the quarter ended December 31, 2003 to a vote of security holders, through the solicitation of proxies or otherwise.

Executive Officers of the Registrant

The following table sets forth the executive officers of the Company, as of December 31, 2003:

Name	Position
Claire C. Skinner	Chairman of the Board and Chief Executive Officer
Matthew J. Schafer	President and Chief Operating Officer
Richard M. Lavers	Executive Vice President and General Counsel and Secretary
Joseph P. Tomczak	Executive Vice President and Chief Financial Officer
Michael R. Terlep, Jr.	President, CLI dba Coachmen RV Group and President, Coachmen Recreational Vehicle Company, LLC
Steven E. Kerr	President, All American Homes, LLC
William G. Lenhart	Senior Vice President, Human Resources

Claire C. Skinner (age 49) served as Chairman of the Board and Chief Executive Officer since August 1997 while assuming the position of President of the Company from September 2000 through November 2003. Before that, she served as Vice Chairman of the Company since May 1995, and as Executive Vice President from 1990 to 1995. From 1987 through July 1997, Ms. Skinner served as the President of Coachmen RV, the Company's largest division. Prior to that, she held several management positions in operations and marketing since 1983. She received her B.F.A. degree in Journalism/Marketing from Southern Methodist University and her J.D. degree from the University of Notre Dame Law School.

Matthew J. Schafer (age 43) joined Coachmen Industries in December 2003 as President and Chief Operating Officer. Before joining Coachmen, Mr. Schafer served for more than 19 years in various executive positions with General Electric Company. From 2002 to 2003, he was Chief Operating Officer, GE Equipment Management, TIP & Modular Space, a full-line leasing, sales and service company of trailers, modular space units, containers and storage products. From 1999 to 2002, Schafer served as President, GE Equipment Management, Modular Space North America, a leading leasing, sales, turnkey construction and service business of modular units. From 1995 through 1998, he served as the General Manager for three businesses of General Electric Industrial Systems, a global manufacturer of AC/DC motors, controls, security equipment, and software for the HVAC, commercial, appliance, and industrial markets. Schafer also held several other management positions with General Electric from 1984 through 1994. Schafer holds a Bachelor of Science degree in mechanical engineering from Union College in Schenectady, New York, and an Associates of Science degree in engineering science from Hudson Valley College in Troy, New York.

Richard M. Lavers (age 56) assumed the position of Executive Vice President of the Company in May 2000 and has served as Secretary of the Company since March 1999. He joined the Company in October 1997 as General Counsel. From 1994 through 1997, Mr. Lavers was Vice President, Secretary and General Counsel of RMT, Inc. and Heartland Environmental Holding Company. Mr. Lavers earned both his B.A. degree and his J.D. degree from the University of Michigan.

Joseph P. Tomczak (age 48) joined Coachmen Industries in July 2001 as Executive Vice President and Chief Financial Officer. Before joining Coachmen, Mr. Tomczak served in that same capacity at Kevco, Inc. from January 2000 through June 2001. In February 2001, Kevco and all of its wholly owned subsidiaries filed voluntary petitions for reorganization under Chapter 11 of the United States Bankruptcy Code. Prior to that, he held the positions at Outboard Marine Corporation of Vice President of Finance for the Engine Operations Group and Vice President and Corporate Controller. Prior to that, Mr. Tomczak was Vice President and Corporate Controller at Alliant Foodservice, Inc. He received his Masters of Management degree from Northwestern University's Kellogg Graduate School of Management and his B.A.

degree in Accounting and Business Administration from Augustana College. Mr. Tomczak is a Certified Public Accountant.

Michael R. Terlep, Jr. (age 42) was appointed President of CLI, dba Coachmen RV Group in March 2003 and appointed President of Coachmen Recreational Vehicle Company (RV) in June 1997. Prior to that, he was Executive Vice President of Coachmen RV, with retained responsibility for product development, among other duties, since 1993. He was given the additional responsibility of General Manager of the Indiana Division in 1995. Prior to his promotion to Executive Vice President, Mr. Terlep served as Vice President of Sales and Product Development from 1990 to 1993. He has held several other management positions with the Company since joining Coachmen in 1984. He received his B.A. degree from Purdue University.

Steven E. Kerr (age 55) joined Coachmen Industries in February 1999. He served as Vice President/General Manager of All American Homes from February 1999 to July 2000, when he was appointed President of All American Homes. Prior to joining the Company, Mr. Kerr served as Vice President, Marketing of Unibilt Industries, Inc. Prior to that, he served as Vice President/General Manager of New England Homes, Inc. Mr. Kerr received his B.A. degree from Indiana University.

William G. Lenhart (age 55) joined Coachmen Industries in June 2001 as Senior Vice President of Human Resources. Prior to that, he held the position of Vice President of Human Resources for Svedala Industries, Inc., an international mining and mineral processing equipment manufacturing company. Prior to that, he held senior human resources positions with Arandel Corporation and St. Mary's Medical Center. Mr. Lenhart holds a B.S. degree in Business Administration from Defiance College.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The following table discloses the high and low sales prices for Coachmen's common stock during the past two years as reported on the New York Stock Exchange, along with information on dividends paid per share during the same periods.

	High & Low Sales Prices		Dividends Paid	
	2003	2002	2003	2002
1st Quarter	$16.54 - $10.00	$19.20 - $12.00	$.06	$.05
2nd Quarter	13.82 - 10.50	19.50 - 13.75	.06	.05
3rd Quarter	14.30 - 11.45	17.35 - 11.30	.06	.06
4th Quarter	19.20 - 11.96	17.15 - 12.60	.06	.06

The Company's common stock is traded on the New York Stock Exchange: Stock symbol COA. The number of shareholders of record as of January 31, 2004 was 1,910.

See Item 12 for the Equity Compensation Table.

ITEM 6. SELECTED FINANCIAL DATA

Five-Year Summary of Selected Financial Data
-Year Ended December 31-
(in thousands, except per share amounts)

	2003	2002	2001	2000	1999
Net sales	$711,145	$665,192	$587,212	$728,018	$868,334
Gross profit	104,701	99,219	83,445	96,409	128,971
Net income (loss)	7,365	9,929	(3,951)	2,164	29,502
Net income (loss) per share:					
Basic	.48	.62	(.25)	.14	1.80
Diluted	.48	.62	(.25)	.14	1.80
Cash dividends per share	.24	.22	.20	.20	.20
At year end:					
Working capital	95,963	93,574	102,006	116,237	135,103
Total assets	310,688	293,195	288,560	296,446	285,766
Long-term debt	9,419	10,097	11,001	11,795	8,346
Shareholders' equity	211,151	209,426	208,640	214,949	213,646
Book value per share	13.58	13.37	13.09	13.69	13.76
Number of employees	4,490	4,233	3,788	4,149	4,942

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The analysis of the Company's financial condition and results of operations should be read in conjunction with the Selected Financial Data and the Consolidated Financial Statements.

Overview

The Company was founded in 1964 as a manufacturer of recreational vehicles and began manufacturing modular homes in 1982. Since that time, the Company has evolved into a leading manufacturer in both the recreational vehicle ("RV") and housing and building business segments through a combination of internal growth and strategic acquisitions.

The Company's new plant openings have been an important component of its internal growth strategy. In 1995, the Company opened a new modular housing plant in Tennessee and in 1996, the Company expanded its modular housing production capacity with the construction of a new facility for the North Carolina housing operation. The construction of a new modular housing facility in Ohio became fully operational in 1998. Increases in production capacity also included additions to the modular housing plant in Iowa with an addition completed in 1998. New additions to expand the North Carolina and Iowa modular housing production facilities were completed in 2000. Additional travel trailer plants in Indiana became operational in 1996 and 1997. These additional plants helped capitalize on the growing market share of value-priced travel trailers. In 1999, a new service building was constructed at the RV production facility in Georgia and construction was completed in 1999 for a new manufacturing facility in Indiana for Class A motorhomes. During 2003, the Company completed construction of a new Class C motorhome manufacturing facility in Indiana and purchased an existing facility in Georgia to expand its manufacturing capacity for travel trailers and fifth wheels. The Company is also in the final stages of completing a new service facility located at its Company-owned dealership in North Carolina. For 2004, the Company is planning for a new manufacturing facility to support anticipated production requirements associated with the exclusive licensing arrangement with The Coleman Company, Inc.

Acquisitions have also played an important role in the Company's growth strategy, particularly in the housing and building segment. In 2001, the Company acquired Kan Build, Inc. ("Kan Build"), a manufacturer of modular buildings with facilities in Kansas and Colorado. During 2000, the Company significantly expanded its housing and building segment with the acquisitions of Mod-U-Kraf Homes, Inc. ("Mod-U-Kraf Homes") and Miller Building Systems, Inc. ("Miller Building"). For further details, including unaudited pro forma financial information, see Note 11 of Notes to Consolidated Financial Statements. While continuing to consider potential candidates for acquisition, none were completed in 2003.

The Company's business segments are cyclical and subject to certain seasonal demand cycles and changes in general economic and political conditions. Demand in the RV and certain portions of the housing and building segments generally declines during the winter season, while sales and profits are generally highest during the spring and summer months. Inflation and changing prices have had minimal direct impact on the Company in the past in that selling prices and material costs have generally followed the rate of inflation. Changes in interest rates impact both the RV and housing and building segments, with rising interest rates potentially dampening sales.

Results of Operations

The following table sets forth, for the periods indicated, the percentage of net sales represented by certain items reflected in the Consolidated Statements of Operations expressed as a percentage of sales and the percentage change in the dollar amount of each such item from that in the indicated previous year:

	Percentage of Net Sales Years Ended December 31			Percent Change	
	2003	2002	2001	2003 to 2002	2002 to 2001
Net sales	100.0%	100.0%	100.0%	6.9%	13.3%
Cost of sales	85.3	85.1	85.8	7.2	12.3
Gross profit	14.7	14.9	14.2	5.5	18.9
Operating expenses:					
Delivery	4.7	4.6	5.4	11.5	(3.3)
Selling	3.8	3.6	3.7	13.2	9.4
General and administrative	4.7	4.8	5.7	4.0	(4.7)
Amortization of goodwill	-	-	.2	n/m	(100.0)
Total operating expenses	13.2	13.0	15.0	9.2	(2.0)
Operating income (loss)	1.5	1.9	(.8)	(18.7)	n/m
Nonoperating (income) expense:					
Interest expense	.2	.2	.4	(9.8)	(35.8)
Investment income	(.1)	(.1)	(.1)	125.7	(2.7)
Gain on sale of properties, net	(.1)	(.4)	(.1)	(79.9)	673.3
Other (income) expense	(.1)	(.1)	-	(46.5)	n/m
Total nonoperating (income) expense	(.1)	(.4)	.2	(73.2)	n/m
Income (loss) before income taxes	1.6	2.3	(1.0)	(25.8)	n/m
Income taxes (benefit)	.6	.8	(.3)	(25.9)	n/m
Net income	1.0	1.5	(.7)	(25.8)	n/m

n/m – not meaningful

Comparison of 2003 to 2002

Consolidated net sales increased $45.9 million, or 6.9% to $711.1 million in 2003 from $665.2 million in 2002. After a slow start at the beginning of 2003, hindered by the anticipation of war in Iraq, industry trends improved, particularly in the RV segment. The Company's RV segment experienced a net sales increase of $52.6 million, or 12.1%, over 2002. During 2003, the Company saw a shift in demand towards higher end products in the RV segment resulting in a sales dollar increase over 2002 while unit shipments declined. Full-year recreational vehicle wholesale unit shipments for the Company were down 4.0% compared to 2002, while the industry was up 3.9% in the same categories. In the various product categories, the Company's Class A market share increased to 7.1% in 2003 as compared to 6.6% in 2002. Class C market share declined to 11.6% compared to 13.3% in 2002. Travel trailer market share declined .9 percentage points to 5.0% from 5.9% in 2002. Fifth wheel market share increased to 3.1% in 2003 from 2.4% in 2002 and camping trailer market share increased to 12.0% from 11.9% the previous year. The increase in Class A market share is attributable to the improved performance of the Company's Georgie Boy subsidiary during 2003 coupled with the increased emphasis on rear diesel products at Coachmen Recreational Vehicle Company. Travel trailer market share decreased mainly due to the lower volumes achieved from Coachmen RV's Spirit of America entry-level trailer. Also, more of the Company's towable business shifted to fifth wheels, with unit shipments increasing 34.8% as compared to 2002. Fifth wheel market share increased 29.2% as a result of several successful new floor plan introductions during 2003. Camping trailers saw an industry-wide decline in wholesale shipments of over 20% during 2003, The Company did slightly better, resulting in a .1 percentage point market share gain. Because of this overall decrease in unit shipments when compared to the industry, Coachmen's share of recreational vehicle wholesale shipments for the year declined to 6.0%, a .6 percentage point decline from its 2002

full-year share of 6.6%. The 12.1% increase in sales dollars for the recreational vehicle segment coupled with a 4.0% decrease in unit shipments resulted in an increase of 16.7% in the average sales price per unit for products sold by the Company in 2003. RV backlogs were a positive sign at the end of 2003, being 26.6% higher at the end of 2003 as compared to the end of 2002. The housing and building segment had a net sales decrease in 2003 of $6.7 million, or 2.9%. Due to weather related problems, deliveries were hampered throughout much of the year at several of the Company's locations, as builders were unable to complete the foundations and site-preparation. As a result, finished goods for the housing and building segment were 23.9% higher at December 31, 2003 as compared to December 31, 2002. On a positive note, 2003 year-end residential backlogs were 16.1% higher than year-end 2002. With cooperative weather conditions, these products should be delivered during the first quarter of 2004. For 2003, the housing and building segment experienced an increase in the average sales price per unit but a decrease in unit sales. The increase was mainly the result of sales price increases and surcharges related to increased cost of raw materials, particularly lumber. Historically, the Company's first and fourth quarters are the slowest for sales in both segments.

Gross profit was $104.7 million, or 14.7% of net sales, in 2003 compared to $99.2 million, or 14.9% of net sales, in 2002. For the RV segment, gross profit in dollars improved in 2003 while the gross profit percentage declined. Gross profit in dollars and as a percentage of net sales was negatively affected in 2003 for the RV segment as a result of major material shortages experienced throughout the year, including ovens and ranges during the fourth quarter. Initial startups at the Company's two new RV manufacturing facilities located in Indiana and Georgia also affected production efficiencies. However, as production rates increased in these new plants, efficiencies steadily improved. For the housing and building segment, gross profit in dollars and as a percentage of net sales improved slightly in 2003 when compared to the previous year. The overall increase in gross profit dollars was primarily attributable to the continued recovery of the RV segment while the decrease in gross profit as a percentage of sales was primarily the result of manufacturing inefficiencies in the RV segment previously discussed.

Operating expenses, consisting of selling, delivery, general and administrative expenses, were $94.1 million and $86.2 million, or as a percentage of net sales, 13.2% and 13.0% for 2003 and 2002, respectively. Delivery expenses were $33.8 million in 2003, or 4.7% of net sales, compared with $30.3 million, or 4.6% of net sales in 2003. Delivery expense is affected by product mix, delivery distance as well as operating expenses and outsourcing costs. For 2003, delivery expense increased $3.5 million as compared to 2002. However, revenue generated from delivery, included in sales revenue, increased $4.9 million, more than offsetting the increase in expenses for the year. Selling expenses for 2003 were $27.0 million, or 3.8% of net sales, a .2 percentage point increase over the $23.8 million, or 3.6% of net sales, experienced in 2002. The $3.2 million increase in selling expense came primarily from the RV segment and was related to increased sales staffing and travel-related expenses along with increased expenses associated with new product shows. General and administrative expenses were $33.3 million in 2003, or 4.7% of net sales, compared with $32.0 million, or 4.8% of net sales, in 2002. The increase, while less as a percentage of sales than 2002, was primarily related to increases in insurance costs and professional services.

Operating income in 2003 of $10.6 million compared with operating income of $13.0 million in 2002, a decrease of $2.4 million. This decrease is consistent with the $5.5 million increase in gross profit coupled with the $7.9 million overall increase in operating expenses.

Interest expense for 2003 and 2002 was $1.3 million and $1.5 million, respectively. Interest expense varies with the amount of short- and long-term borrowings incurred by the Company. The Company periodically borrows from its line of credit to meet working capital needs, as indicated by the $5.0 million outstanding balance at December 31, 2003. These borrowings were generally associated with the increased inventory levels maintained by the Company

during 2003, along with the investment in two new manufacturing facilities during 2003 that were funded primarily from available cash and marketable securities. Investment income for 2003 of $1.0 million was $.5 million higher than 2002 (see Note 1 of Notes to Consolidated Financial Statements).

The gain on sale of properties decreased to $.5 million in 2003 from $2.3 million in 2002. The gains for 2003 resulted primarily from the sale of vacant lots located in California. Assets are continually analyzed and every effort is made to sell or dispose of properties that are determined to be excess or unproductive.

Pretax income for 2003 was $11.1 million compared with pretax income of $15.0 million for 2002. The Company's RV segment generated pretax income of $2.1 million, or .4% of recreational vehicle net sales in 2003, compared with pretax income of $1.9 million, or .4% of the RV segment's net sales in 2002. The housing and building segment recorded 2003 pretax income of $10.0 million and in 2002, $10.1 million, or 4.5% and 4.4%, respectively, of segment net sales (see Note 2 of Notes to Consolidated Financial Statements). The provision for income taxes was an expense of $3.8 million for 2003 versus an expense of $5.1 million for 2002, representing an effective tax rate of 33.8% for both periods. The Company's effective tax rate fluctuates based upon the states where sales occur, the level of export sales, the mix of nontaxable investment income and other factors (see Note 10 of Notes to Consolidated Financial Statements).

Net income for the year ended December 31, 2003 was $7.4 million ($.48 per diluted share) compared to net income of $9.9 million ($.62 per diluted share) for 2002.

Comparison of 2002 to 2001

Consolidated net sales for 2002 were $665.2 million, an increase of 13.3% from the $587.2 million reported in 2001. The Company's RV segment experienced a sales increase of 26.4%, while the housing and building segment's sales decreased by 5.3%. Improving industry trends, as well as the Company's extensive branding and design improvements, resulted in increased dealer and consumer demand for products in the RV segment. Full-year recreational vehicle wholesale shipments for the Company were up 29.7% compared to 2001, while the industry was up 22.1% in the same categories. Because the Company outperformed the industry, Coachmen's share of recreational vehicle wholesale shipments for the year was 6.6%, a 6.5% increase from its 2001 full-year share. The recreational vehicle segment experienced an increase in unit sales and a slight increase in the average sales price per unit. The housing and building segment experienced an increase in the average sales price per unit, but a decrease in unit sales. The poor sales performance for less expensive commercial structures to the telecom industry during 2002 as compared to 2001 was a major factor impacting both the unit sales decrease and the average sales price per unit increase in the housing and building segment. Historically, the Company's first and fourth quarters are the slowest for sales in both segments.

Gross profit for 2002 increased to $99.2 million, or 14.9% of net sales, from $83.4 million, or 14.2% of sales, in 2001. Gross profit in dollars and as a percentage of net sales improved significantly in 2002 for the RV segment. For the housing and building segment, gross profit in dollars and as a percentage of net sales decreased in 2002 when compared to the previous year. The overall improvement in gross profit was primarily attributable to the sales recovery of the RV industry coupled with the realized benefit of cost reduction efforts in the RV segment. Such efforts included the improved utilization of manufacturing facilities resulting from plant consolidations that took place in 2001. The housing and building segment's gross profit as a percentage of net sales decreased mainly due to reduced sales volume, resulting in less efficient utilization of manufacturing facilities.

Operating expenses, which include selling, delivery and general and administrative expenses, were $86.2 million, or 13.0% of net sales in 2002, compared with $87.9, or 15.0% of sales in 2001. Delivery expenses were $30.3 million, or 4.6% of net sales in 2002, compared with $31.4 million, or 5.4% of net sales in 2001. Delivery expenses as a percentage of sales are considerably higher for the housing and building segment as compared to the recreational vehicle segment. With the recovery of the RV industry in 2002, the recreational vehicle segment contributed a greater percentage of overall Company sales in 2002 as compared to 2001, resulting in a decrease in delivery expense as a percentage of net sales. Selling expenses for 2002, at $23.8 million or 3.6% of net sales, improved slightly as a percentage of sales from the $21.8 million or 3.7% of net sales in 2001. General and administrative expenses were $32.0 million, or 4.8%, of net sales in 2002, compared with $34.8 million, or 5.9%, of net sales in 2001. This decrease was primarily the result of the discontinuation of goodwill amortization in 2002 resulting from the adoption of SFAS No. 142. If nonamortization provision of SFAS No. 142 had been applied in 2001, general and administrative expense would have decreased by $1.2 million, or .2% of net sales (see Note 1 of Notes to Consolidated Financial Statements).

Operating income was $13.0 million in 2002 compared with an operating loss of $4.5 million in 2001, an improvement of $17.5 million. This increase was consistent with the $15.8 million increase in gross profit coupled with the decrease of $1.7 million in operating expenses.

Interest expense for 2002 and 2001 was $1.5 million and $2.3 million, respectively. Interest expense varies with the amount of long-term debt and the amount of premiums borrowed by the Company against the cash surrender value of the Company's investment in life insurance contracts. Such outstanding borrowing amounts declined in 2002. Interest expense also was higher in 2001 as a result of assumed debt obligations in the acquisitions of Mod-U-Kraf Homes, Miller Building and Kan Build. Investment income for 2002 of $.5 million was consistent with 2001. Cash and temporary cash investments were used to reduce debt obligations, particularly the borrowings against life insurance policies of $18.5 million (see Note 1 of Notes to Consolidated Financial Statements).

The gain on sale of properties increased to $2.3 million in 2002 from $.3 million in 2001. These gains resulted primarily from the sale of the two idle Shasta facilities in Indiana and the closed Coachmen facility located in Oregon. In addition, two of the previously closed Company-owned dealerships were sold in 2002. Other gains resulted from the sale of real estate in California and other smaller properties. There were no significant gains on the sale of properties in 2001. Assets are continually analyzed and every effort is made to sell or dispose of properties that are determined to be excess or unproductive.

Pretax income for 2002 was $15.0 million compared with a pretax loss of $6.1 million for 2001. The Company's RV segment generated pretax income of $1.9 million, or .4% of recreational vehicle net sales in 2002, compared with a pretax loss of $11.6 million, or (3.4)% of the RV segment's net sales in 2001. The housing and building segment produced 2002 pretax income of $10.1 million and in 2001, $15.5 million, or 4.4% and 6.4%, respectively, of segment net sales (see Note 2 of Notes to Consolidated Financial Statements).

The provision for income taxes was an expense of $5.1 million for 2002 versus a benefit of $2.2 million for 2001, representing an effective tax rate of 33.8% and (35.4%), respectively. The Company's effective tax rate fluctuates based upon the states where sales occur, the level of export sales, the mix of nontaxable investment income and other factors (see Note 10 of Notes to Consolidated Financial Statements).

Net income for the year ended December 31, 2002 was $9.9 million ($.62 per diluted share) compared to a net loss of $4.0 million ($(.25) per diluted share) for 2001.

Liquidity and Capital Resources

The Company generally relies on funds from operations as its primary source of working capital and liquidity. In addition, the Company maintains a $35 million secured line of credit to meet its seasonal working capital needs (see Note 5 of Notes to Consolidated Financial Statements). This credit line was periodically utilized in 2003 and there were $5.0 million in outstanding borrowings at December 31, 2003. The credit line was not utilized during 2002. During 2001, there were borrowings of $13.5 million under the credit facilities to finance the cash purchase price of Kan Build and such borrowings were subsequently repaid.

For 2002 and 2001, the Company's operating activities had been the principal source of cash flows. However, during 2003, mainly as a result of increased inventories and receivables, offset somewhat by an increase in trade payables, the Company generated a negative cash flow from operations. Cash used in operations in 2003 was $3.6 million while operating cash flows were $13.1 million and $41.3 million for 2002 and 2001, respectively. For the year 2003, net income, adjusted for depreciation, and an increase in trade payables, were the significant factors in generating operating cash flows, which were offset by increases in trade receivables and inventories. The increase in receivables was related to the 15.8% increase in fourth quarter sales as compared to the previous year and particularly by the RV segment's strong sales effort during the final two weeks of December. For the year 2002, net income, adjusted for depreciation, was a significant factor in generating operating cash flows, offset by increases in trade receivables and inventories. The increase in receivables was related to the 28.5% increase in fourth quarter sales volume. In 2001, depreciation and the decreases in receivables and inventories, offset somewhat by decreases in trade accounts payable, were the major sources of cash flows. The decrease in receivables was directly related to the decrease in total net sales for the fourth quarter of 2001 compared to the same period in 2000.

Investing activities used cash of $3.4 million in 2003, provided cash of $4.8 million in 2002 and used cash of $4.4 million in 2001. In 2003, the investment in two additional manufacturing facilities for the RV segment represented a major use of cash. In 2002, the sale of property and equipment, including real estate held for sale and rental properties provided cash flows of $10.0 million. In 2001, investment activities were mainly attributable to the acquisition of Kan Build. The sale of marketable securities, net of purchases, provided cash flows of $4.9 million, $.4 million and $3.9 million for 2003, 2002 and 2001, respectively. These proceeds were used in part to fund the investment in the two additional manufacturing facilities in 2003. Acquisitions of businesses consumed cash of $7.7 million in 2001 (see Note 11 of Notes to Consolidated Financial Statements). Other than the two additional manufacturing facilities, capital expenditures of $12.1 million during 2003 included a new service facility currently under construction at the Company-owned dealership in North Carolina and investments in machinery and equipment and transportation equipment for both the recreational vehicle segment and the housing and building segment. Capital expenditures during 2002 consisted mainly of completion of a new office building for Mod-U-Kraf Homes and investments in machinery and equipment and transportation equipment for both operating segments. Major capital expenditures during 2001 included the completion of the Milliken, Colorado facility which was under construction at the time of the Kan Build acquisition.

In 2003, cash flows from financing activities reflected the Company's short-term borrowing activity. The principal use of cash flows from financing activities was $4.4 million used to purchase common shares under the Company's share repurchase program during the first quarter. In 2002, the principal use of cash flows from financing activities was the $18.5 million used to repay borrowings against life insurance policies, and $7.9 million used to purchase common shares under the Company's share repurchase program. In 2001, cash flows from financing activities reflected borrowings of $13.5 million, which were used for the purchase of Kan Build. This was subsequently repaid during the year along with $7.9 million of long-term debt acquired with the purchase.

Other financing activities for 2003, 2002 and 2001, which used cash in each of the years, were payments of long-term debt and cash dividends. These negative cash flows were partially offset by the issuance of common shares under stock option and stock purchase plans. For a more detailed analysis of the Company's cash flows for each of the last three years, see the Consolidated Statements of Cash Flows.

The Company's cash and temporary cash investments at December 31, 2003 were $6.4 million, or a decrease of $10.1 million from 2002. The Company anticipates that available funds, together with anticipated cash flows generated from future operations and amounts available under its existing credit facilities, will be sufficient to fund future planned capital expenditures and other operating cash requirements through the end of 2004. In addition, the Company has $5.7 million of marketable securities available, if needed, for operations.

A downturn in the U.S. economy, lack of consumer confidence and other factors adversely impact the RV industry. This has a negative impact on the Company's sales of recreational vehicles and also increases the Company's risk of loss under repurchase agreements with lenders to the Company's independent dealers (see Note 12 of Notes to Consolidated Financial Statements and Critical Accounting Policies below).

In 2003, working capital increased $2.4 million, to $96.0 million from $93.6 million. The $18.2 million increase in current assets at December 31, 2003 versus December 31, 2002 was primarily due to increases in trade receivables and inventories. The $15.8 million increase in current liabilities is substantially due to increases in trade payables and short-term borrowings.

The Company anticipates capital expenditures in 2004 of approximately $12 million. The major planned expenditures include a new manufacturing facility to provide increased capacity for camping trailer production and other product offerings associated with the exclusive licensing agreement signed with The Coleman Company, Inc. in January 2004. The balance of the planned capital expenditures for 2004 will be for purchase or replacement of machinery and equipment and transportation equipment to be used in the ordinary course of business. The Company plans to finance these expenditures with funds generated from operating cash flows.

Principal Contractual Obligations and Commercial Commitments

The Company's future contractual obligations for agreements with initial terms greater than one year are summarized as follows (in thousands):

	Payment Period					
	2004	2005	2006	2007	2008	Thereafter
Credit facility borrowings	$5,000.0	$ -	$ -	$ -	$ -	$ -
Long-term debt	990.2	1,265.8	1,221.0	1,581.7	1,462.1	3,888.0
Operating leases	166.5	96.0	84.9	70.7	31.7	-

The Company's commercial commitments, along with the expected expiration period of the commitment, is summarized as follows (in thousands):

	Total Amounts Committed	Amount of Commitment Expiration Per Period	
		Less Than One Year	In Excess of One Year
Letters of credit	$ 3,229.8	$ 3,229.8	$ -
Guarantees	6,042.6	4,594.3	1,448.3
Standby repurchase obligations	238,000.0	238,000.0	-
Chassis pool obligations	11,638.9	11,638.9	-

Critical Accounting Policies

The following discussion of accounting policies is intended to supplement the summary of significant accounting policies presented in Note 1 of Notes to Consolidated Financial Statements. These policies were selected because they are broadly applicable within our operating units and they involve additional management judgment due to the sensitivity of the methods, assumptions and estimates necessary in determining the related income statement, asset and/or liability amounts.

Investments – The Company regularly reviews its investment portfolio for any unrealized losses that would be deemed other-than-temporary and require the recognition of an impairment loss in earnings. The Company recognizes other than temporary losses for investments when cost has exceeded fair market value for nine or more months. At December 31, 2003, Management considers $457,800 of unrealized losses to be other than temporary and, accordingly, has recorded a charge against earnings for the year ended December 31, 2003.

Impairment of Goodwill – Indefinite-Lived Intangibles - The Company evaluates the carrying amounts of goodwill and indefinite-lived intangible assets annually to determine if they may be impaired. If the carrying amounts of the assets are not recoverable based upon discounted cash flow analysis, they are reduced by the estimated shortfall of fair value compared to the recorded value. The Company completed the annually required valuation process and no impairment losses were recognized in 2003. However, should actual results or changes in future expectations differ from those projected by management, goodwill impairment may be required and may be material.

Warranty Reserves – The Company provides customers of its products with a warranty covering defects in material or workmanship for periods generally ranging from one to two years in length and up to ten years on certain structural components. The Company records a liability based on its estimate of the amounts necessary to settle future and existing claims on products sold as of the balance sheet date. Estimated costs related to product warranty are accrued at the time of sale and included in cost of sales. Average per unit costs are estimated based upon past warranty claims and unit sales history and adjusted as required to reflect actual costs incurred, as information becomes available. Warranty expense totaled $16.3 million, $16.6 million and $16.8 million in 2003, 2002 and 2001, respectively. Accrued liabilities for warranty expense at December 31, 2003 and 2002 were $8.7 million and $8.8 million, respectively.

Litigation and Product Liability Reserves – At December 31, 2003 the Company had reserves for certain other loss exposures, such as product liability ($2.9 million) and litigation ($1.6 million)(see Note 12 of Notes to Consolidated Financial Statements). The Company litigation reserve is determined based on an individual case evaluation process. The Company’s estimated loss reserves for product liability are determined using loss triangles established by the Company’s management reflecting historical claims incurred by the Company. While the Company believes this method to be consistent and appropriate, changes in estimates based on historical trends could materially affect the Company’s recorded liabilities for loss.

New and Pending Accounting Policies

(See New Accounting Pronouncements in Note 1 of Notes to Consolidated Financial Statements).

Forward-Looking Statements

This Annual Report contains certain statements that are “forward-looking” statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are based on management’s expectations and beliefs concerning future events. Forward-looking statements are necessarily subject

to risks, uncertainties and other factors, many of which are outside the control of the Company that could cause actual results to differ materially from such statements. These uncertainties and other factors include, but are not limited to, the potential fluctuations in the Company's operating results; the availability and price of gasoline, which can impact the sale of recreational vehicles; the availability and cost of real estate for residential housing; the Company's dependence on chassis and appliance suppliers; the condition of the telecommunications industry which purchases modular structures; interest rates, which affect the affordability of the Company's products; potential liabilities under repurchase agreements and guarantees; changing government regulations, such as those covering accounting standards, environmental matters or product warranties and recalls, which may affect costs of operations, revenues, product acceptance and profitability; legislation governing the relationships of the Company with its recreational vehicle dealers, which may affect the Company's options and liabilities in the event of a general economic downturn; the impact of economic uncertainty on high-cost discretionary product purchases, which can hinder the sales of recreational vehicles; the demand for commercial structures in the various industries that the housing and building segment serves; the impact of performance on the valuation of intangible assets; the ability of the housing and building segment to perform in new market segments where it has limited experience; and also on the state of the recreational vehicle and building industries in the United States. Other factors affecting forward-looking statements include the cyclical and seasonal nature of the Company's businesses, adverse weather conditions affecting home deliveries, changes in property taxes and energy costs, changes in federal income tax laws and federal mortgage financing programs, changes in public policy, competition in these industries, the Company's ability to maintain or increase gross margins which are critical to profitability whether there are or are not increased sales; further developments in the war on terrorism and related international crises; and other risks and uncertainties. The foregoing list is not exhaustive, and the Company disclaims any obligation to subsequently revise any forward-looking statements to reflect events or circumstances after the date of such statements.

At times, the Company's actual performance differs materially from its projections and estimates regarding the economy, the recreational vehicle and building industries and other key performance indicators. Readers of this Report are cautioned that reliance on any forward-looking statements involves risks and uncertainties. Although the Company believes that the assumptions on which the forward-looking statements contained herein are reasonable, any of those assumptions could prove to be inaccurate given the inherent uncertainties as to the occurrence or nonoccurrence of future events. There can be no assurance that the forward-looking statements contained in this Report will prove to be accurate. The inclusion of a forward-looking statement herein should not be regarded as a representation by the Company that the Company's objectives will be achieved.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business, operations of the Company are exposed to fluctuations in interest rates. These fluctuations can vary the costs of financing and investing yields. In 2003, the Company periodically utilized its credit facility to meet short-term working capital needs and these borrowings were typically repaid in the near-term. The Company had borrowings of $5.0 million outstanding against its credit facility at December 31, 2003. The Company did not utilize its credit facility in 2002. In 2001, the Company utilized its credit facility in connection with the acquisition of Kan Build and such borrowings were r epaid within six months. Accordingly, changes in interest rates would primarily impact the Company's long-term debt. At December 31, 2003, the Company had $10.4 million of long-term debt, including current maturities. Long-term debt consists mainly of industrial development revenue bonds. In January of 2003, the Company entered into various interest rate swap agreements that became effective beginning in October of 2003. These swap agreements, which are designated as cash flow hedges for accounting

purposes, effectively convert a portion of the Company's variable-rate borrowings to a fixed-rate basis through November of 2011, thus reducing the impact of changes in interest rates on future interest expense. The fair value of the Company's interest rate swap agreements represents the estimated receipts or payments that would be made to terminate the agreements. A loss of $160,000, net of taxes, attributable to changes in the fair value of interest rate swap agreements was recorded as a component of accumulated other comprehensive income (loss) in 2003. If in the future the interest rate swap agreements were determined to be ineffective or were terminated before the contractual termination dates, or if it became probable that the hedged variable cash flows associated with the variable-rate borrowings would stop, the Company would be required to reclassify into earnings all or a portion of the unrealized losses on cash flow hedges included in accumulated other comprehensive income (loss). At December 31, 2003, the Company had four interest rate swap agreements with notional amounts of $2,000,000, $580,000, $3,600,000, and $2,200,000, respectively, that were used to convert the variable interest rates on certain industrial development revenue bonds to fixed rates. In accordance with the terms of the swap agreements, the Company pays 3.39%, 3.12%, 3.71%, and 3.36% interest rates, respectively, and receives the Bond Market Association Index (BMA), calculated on the notional amounts, with net receipts or payments being recognized as adjustments to interest expense.

At December 31, 2003, the Company had $5.7 million invested in marketable securities. The Company's marketable securities consist of public utility preferred stocks which typically pay quarterly fixed rate dividends. These financial instruments are subject to market risk in that available energy supplies and changes in available interest rates would impact the market value of the preferred stocks. As discussed in Note 1 of Notes to Consolidated Financial Statements, the Company utilizes U.S. Treasury bond futures options as a protection against the impact of increases in interest rates on the fair value of the Company's investments in these fixed rate preferred stocks. Outstanding options are marked to market with market value changes recognized in current earnings. The U.S. Treasury bond futures options generally have terms ranging from 90 to 180 days. Based on the Company's overall interest rate exposure at December 31, 2003, including variable or floating rate debt and derivatives used to hedge the fair value of fixed rate preferred stocks, a hypothetical 10 percent change in interest rates applied to the fair value of the financial instruments as of December 31, 2003, would have no material impact on earnings, cash flows or fair values of interest rate risk-sensitive instruments over a one-year period.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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All other schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

REPORT OF INDEPENDENT AUDITORS

Board of Directors and Shareholders
Coachmen Industries, Inc.

We have audited the accompanying consolidated balance sheets of Coachmen Industries, Inc. (the Company) and subsidiaries as of December 31, 2003 and 2002, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2003. Our audits also included the financial statement schedule listed in the Index at Item 15(a)(2). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. 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, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Coachmen Industries, Inc. and subsidiaries at December 31, 2003 and 2002, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 1 to the consolidated financial statements, in 2002 the Company adopted the provisions of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets."

Ernst & Young LLP

Grand Rapids, Michigan
January 29, 2004

Coachmen Industries, Inc. and Subsidiaries

Consolidated Balance Sheets

as of December 31
(in thousands)

Assets

	2003	2002
CURRENT ASSETS		
Cash and temporary cash investments	$ 6,408	$ 16,549
Marketable securities	5,667	7,641
Trade receivables, less allowance for doubtful receivables 2003 - $1,208 and 2002 - $861	46,232	29,408
Other receivables	1,906	1,572
Refundable income taxes	642	2,878
Inventories	101,100	85,010
Prepaid expenses and other	4,622	4,412
Deferred income taxes	5,959	6,885
Total current assets	172,536	154,355
Property, plant and equipment, net	79,225	78,889
Goodwill	18,954	18,954
Cash value of life insurance, net of loans	36,506	33,155
Real estate held for sale	-	276
Other	3,467	7,566
TOTAL ASSETS	$310,688	$293,195

Liabilities and Shareholders' Equity

	2003	2002
CURRENT LIABILITIES		
Accounts payable, trade	$ 30,486	$ 18,801
Accrued income taxes	2,511	1,222
Accrued expenses and other liabilities	37,586	39,856
Short-term borrowings and current maturities of long-term debt	5,990	902
Total current liabilities	76,573	60,781
Long-term debt	9,419	10,097
Deferred income taxes	4,089	4,123
Postretirement deferred compensation benefits	9,172	8,729
Other	284	39
Total liabilities	99,537	83,769
COMMITMENTS AND CONTINGENCIES (Note 12)		
SHAREHOLDERS' EQUITY		
Common shares, without par value: authorized 60,000 shares; issued 2003 – 21,086 shares and 2002 - 21,062 shares	91,539	91,283
Additional paid-in capital	7,616	6,133
Retained earnings	172,700	169,054
Treasury shares, at cost, 2003 – 5,533 shares and 2002 – 5,395 shares	(59,858)	(56,383)
Unearned compensation	(1,136)	-
Accumulated other comprehensive income (loss)	290	(661)
Total shareholders' equity	211,151	209,426
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$310,688	$293,195

See Notes to Consolidated Financial Statements.

Coachmen Industries, Inc. and Subsidiaries

Consolidated Statements of Operations

for the years ended December 31
(in thousands, except per share amounts)

	2003	2002	2001
Net sales	$711,145	$665,192	$587,212
Cost of sales	606,444	565,973	503,767
Gross profit	104,701	99,219	83,445
Operating expenses:			
Delivery	33,814	30,324	31,354
Selling	26,983	23,828	21,786
General and administrative	33,312	32,046	34,794
	94,109	86,198	87,934
Operating income (loss)	10,592	13,021	(4,489)
Nonoperating (income) expense:			
Interest expense	1,332	1,476	2,298
Investment income	(1,045)	(463)	(476)
Gain on sale of properties, net	(471)	(2,343)	(303)
Other (income) expense, net	(345)	(645)	110
	(529)	(1,975)	1,629
Income (loss) before income taxes	11,121	14,996	(6,118)
Income taxes (benefit)	3,756	5,067	(2,167)
Net income (loss)	$ 7,365	$ 9,929	$ (3,951)
Earnings (loss) per common share:			
Basic	$ .48	$ .62	$ (.25)
Diluted	.48	.62	(.25)
Shares used in the computation of earnings per common share:			
Basic	15,437	15,996	15,835
Diluted	15,487	16,107	15,835

See Notes to Consolidated Financial Statements.

Coachmen Industries, Inc. and Subsidiaries

Consolidated Statements of Shareholders' Equity

for the years ended December 31, 2003, 2002 and 2001
(in thousands, except per share amounts)

	Comprehensive Income (Loss)	Common Shares Number	Common Shares Amount	Additional Paid-In Capital	Retained Earnings	Treasury Shares Number	Treasury Shares Amount	Unearned Compensation	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance at January 1, 2001	$ -	21,020	$90,861	$5,563	$169,766	(5,317)	$(51,241)	$ -	$ -	$214,949
Net loss	(3,951)	-	-	-	(3,951)	-	-	-	-	(3,951)
Net unrealized loss on securities net of tax benefit of $510	(931)	-	-	-	-	-	-	-	(931)	(931)
Total comprehensive loss	$(4,882)									
Issuance of common shares upon the exercise of stock options net of tax benefit of $10		-	-	(258)	-	176	1,414	-	-	1,156
Issuance of common shares under employee stock purchase plan		26	211	-	-	-	-	-	-	211
Issuance of common shares from treasury		-	-	450	-	84	588	-	-	1,038
Acquisition of common shares for treasury		-	-	-	-	(53)	(663)	-	-	(663)
Cash dividends of $.20 per common share		-	-	-	(3,169)	-	-	-	-	(3,169)
Balance at December 31, 2001		21,046	91,072	5,755	162,646	(5,110)	(49,902)	-	(931)	208,640
Net income	$ 9,929	-	-	-	9,929	-	-	-	-	9,929
Reduction in unrealized losses on securities net of taxes of $105	270	-	-	-	-	-	-	-	270	270
Total comprehensive income	$10,199									
Issuance of common shares upon the exercise of stock options net of tax benefit of $121		-	-	(222)	-	164	1,044	-	-	822
Issuance of common shares under employee stock purchase plan		16	211	-	-	-	-	-	-	211
Issuance of common shares from treasury		-	-	600	-	58	332	-	-	932
Acquisition of common shares for treasury		-	-	-	-	(507)	(7,857)	-	-	(7,857)
Cash dividends of $.22 per common share		-	-	-	(3,521)	-	-	-	-	(3,521)
Balance at December 31, 2002		21,062	91,283	6,133	169,054	(5,395)	(56,383)	-	(661)	209,426
Net income	$ 7,365	-	-	-	7,365	-	-	-	-	7,365
Net unrealized gain on securities net of taxes of $681	1,111	-	-	-	-	-	-	-	1,111	1,111
Net unrealized loss on cash flow hedges net of taxes of $98	(160)	-	-	-	-	-	-	-	(160)	(160)
Total comprehensive income	$ 8,316									
Issuance of common shares upon the exercise of stock options net of tax benefit of $37		-	-	112	-	25	143	-	-	255
Issuance of common shares under employee stock purchase plan		24	256	-	-	-	-	-	-	256
Issuance of common shares from treasury		-	-	1,371	-	130	736	(1,136)	-	991
Acquisition of common shares for treasury		-	-	-	-	(293)	(4,354)	-	-	(4,354)
Cash dividends of $.24 per common share		-	-	-	(3,719)	-	-	-	-	(3,719)
Balance at December 31, 2003		21,086	$91,539	$7,616	$172,700	(5,533)	$(59,858)	$(1,136)	$ 290	$211,151

See Notes to Consolidated Financial Statements.

Coachmen Industries, Inc. and Subsidiaries

Consolidated Statements of Cash Flows
for the years ended December 31
(in thousands)

	2003	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$ 7,365	$ 9,929	$ (3,951)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation	9,678	9,927	10,890
Amortization and write-off of intangibles	-	-	1,179
Provision for doubtful receivables	574	183	379
Provision for write-down of property to net realizable value	-	-	869
Net realized and unrealized losses on marketable securities and derivatives	(74)	1,048	1,759
Gain on sale of properties, net of losses	(471)	(2,343)	(303)
Increase in cash surrender value of life insurance policies	(2,055)	(1,472)	(1,203)
Deferred income tax provision	(109)	2,802	(1,035)
Tax benefit from stock options exercised	37	121	10
Other	2,588	1,529	901
Changes in certain assets and liabilities, net of effects of acquisitions and dispositions:			
Trade receivables	(17,732)	(5,245)	14,572
Inventories	(16,090)	(4,533)	21,365
Prepaid expenses and other	(210)	244	(2,378)
Accounts payable, trade	11,685	(143)	(5,744)
Income taxes - accrued and refundable	3,525	91	1,998
Accrued expenses and other liabilities	(2,270)	1,010	1,996
Net cash provided by (used in) operating activities	(3,559)	13,148	41,304
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sales of marketable securities	30,975	32,157	51,672
Proceeds from sale of properties	2,869	10,004	1,800
Proceeds from notes receivable	-	-	3,244
Investments in marketable securities	(26,072)	(31,756)	(47,752)
Purchases of property and equipment	(12,067)	(5,283)	(4,719)
Acquisitions of businesses, net of cash acquired	-	-	(7,707)
Other	902	(294)	(922)
Net cash provided by (used in) investing activities	(3,393)	4,828	(4,384)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from short-term borrowings	32,000	-	-
Payments of short-term borrowings	(27,000)	-	-
Proceeds from long-term debt	571	-	13,500
Payments of long-term debt	(1,161)	(919)	(22,143)
Repay borrowings against cash value of life insurance policies	-	(18,458)	-
Issuance of common shares under stock incentive plans	474	912	1,357
Cash dividends paid	(3,719)	(3,521)	(3,169)
Purchases of common shares for treasury	(4,354)	(7,857)	(663)
Net cash used in financing activities	(3,189)	(29,843)	(11,118)

Consolidated Statements of Cash Flows, Continued
for the years ended December 31
(in thousands)

	2003	2002	2001
Increase (decrease) in cash and temporary cash investments	(10,141)	(11,867)	25,802
CASH AND TEMPORARY CASH INVESTMENTS			
Beginning of year	16,549	28,416	2,614
End of year	$ 6,408	$ 16,549	$ 28,416
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	$ 1,109	$ 1,153	$ 2,624
Income taxes	2,130	4,626	1,480

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements
(in thousands, except per share amounts)

1. NATURE OF OPERATIONS AND ACCOUNTING POLICIES.

Nature of Operations – Coachmen Industries, Inc. and its subsidiaries (the "Company") manufacture a full array of recreational vehicles and modular housing and buildings. Recreational vehicles are sold through a nationwide dealer network. The modular products (modular homes, townhouses and specialized structures) are sold to builders/dealers or directly to the end user for certain specialized modular structures.

Principles of Consolidation – The accompanying consolidated financial statements include the accounts of Coachmen Industries, Inc. and its subsidiaries, all of which are wholly or majority owned. All intercompany transactions have been eliminated in consolidation.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Revenue Recognition – For the recreational vehicle segment, the shipping terms are free on board ("FOB") shipping point and title and risk of ownership are transferred to the independent dealers at that time. Accordingly, sales are recognized as revenue at the time the products are shipped. For the housing and building segment, the shipping terms are generally FOB destination. Title and risk of ownership are transferred when the Company completes installation of the product. The Company recognizes the revenue at the time delivery and installation are completed. Revenue from final set-up procedures, which are perfunctory, is deferred and recognized when such set-up procedures are completed.

Cash Flows and Noncash Activities – For purposes of the consolidated statements of cash flows, cash and temporary cash investments include cash, cash investments and any highly liquid investments purchased with original maturities of three months or less.

Noncash investing and financing activities are as follows:

	2003	2002	2001
Issuance of common shares, at market value, in lieu of cash compensation	$ 991	$ 932	$ 1,038
Liabilities assumed in business acquisitions	-	-	12,728

Concentrations of Credit Risk – Financial instruments that potentially subject the Company to credit risk consist primarily of cash and temporary cash investments and trade receivables.

At December 31, 2003, cash and temporary cash investments invested in money market accounts and short-term bond funds were less than $.1 million versus $12.7 million at December 31, 2002.

1. NATURE OF OPERATIONS AND ACCOUNTING POLICIES, Continued.

The Company has a concentration of credit risk in the recreational vehicle industry, although there is no geographic concentration of credit risk. The Company performs ongoing credit evaluations of its customers' financial condition and sales to its recreational vehicle dealers are generally subject to pre-approved dealer floor plan financing whereby the Company is paid upon delivery or shortly thereafter. The Company generally requires no collateral from its customers. Future credit losses are provided for currently through the allowance for doubtful receivables and actual credit losses are charged to the allowance when incurred.

Marketable Securities – Marketable securities consist of public utility preferred stocks which pay quarterly cash dividends. The preferred stocks are part of a dividend capture program whereby preferred stocks are bought and held for the purpose of capturing the preferred dividend. The securities are available to be sold after exceeding the minimum 45 or 90-day holding period required for favorable tax treatment and the proceeds are reinvested again in preferred stocks. The Company's dividend capture program is designed to maximize dividend income which is 70% excludable from taxable income under the Internal Revenue Code and related state tax provisions. The Company accounts for its marketable securities under Statement of Financial Accounting Standards ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities," which requires certain securities to be categorized as either trading, available-for-sale or held-to-maturity. Based on the Company's intent to invest in the securities at least through the minimum holding period, the Company's marketable securities at December 31, 2003 and 2002 are classified as available-for-sale and, accordingly, are carried at fair value with net unrealized appreciation (depreciation) recorded as a separate component of shareholders' equity. During 2003, the Company concluded that certain marketable securities which had been in a loss position for nine or more months were other than temporarily impaired and the loss position on those securities were charged against earnings. At December 31, 2003, there were unrealized losses of $457.8 that were considered other than temporary. The cost of securities sold is determined by the specific identification method and are classified as both short-term marketable securities and long-term other assets, depending on the intended holding period.

The cost, unrealized gains and losses, and market value of securities available for sale as of December 31, 2003 and 2002 are as follows:

	2003	2002
Cost	$5,399	$12,101
Other than temporary impairment of unrealized losses	(458)	-
Unrealized gains	726	360
Unrealized losses	-	(1,460)
Market value	$5,667	$11,001

The Company utilizes U.S. Treasury bond futures options to mitigate the impact of increases in interest rates on the fair value of the Company's investments in marketable securities (fixed rate preferred stocks). The options are marked to market with market value changes recognized in the consolidated statements of operations in the period of change. At December 31, 2003 and 2002, the carrying amounts of U.S. Treasury bond futures options, which are derivative instruments, aggregated $10 and $11, respectively.

1. NATURE OF OPERATIONS AND ACCOUNTING POLICIES, Continued.

Investment income consists of the following for the years ended December 31:

	2003	2002	2001
Interest income	$ 107	$ 818	$1,079
Increase in cash value of life insurance policies	1,241	-	-
Dividend income on preferred stocks	415	839	646
Net realized losses on sale of preferred stocks and bond funds	(342)	(920)	(1,252)
Net realized gains (losses) on closed U.S. Treasury bond futures options	82	(240)	55
Other than temporary unrealized losses on preferred stocks	(458)	-	-
Unrealized gains (losses) on open U.S. Treasury bond futures options	-	(34)	(52)
Total	$1,045	$ 463	$ 476

Fair Value of Financial Instruments – The carrying amounts of cash and temporary cash investments, receivables and accounts payable approximated fair value as of December 31, 2003 and 2002, because of the relatively short maturities of these instruments. The carrying amount of long-term debt, including current maturities, approximated fair value as of December 31, 2003 and 2002, based upon terms and conditions currently available to the Company in comparison to terms and conditions of the existing long-term debt. The Company has investments in life insurance contracts principally to fund obligations under deferred compensation agreements (see Note 9). At December 31, 2003 and 2002, the carrying amount of life insurance policies, which equaled their fair value, was $36.5 million and $33.2 million, respectively.

Prior to 2003, increases in the cash value of life insurance policies were offset by interest paid on the borrowings against those policies. In 2002, all borrowings against these polices, totaling $18.5 million, were repaid. Because there is no longer any interest expense associated with these policies, increases in the cash value are now treated as investment income.

As required by SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," the Company adopted the requirements of SFAS No. 133 effective January 1, 2001. SFAS No. 133, as amended by Statement No.'s. 137 and 138, requires that all derivative instruments be recorded on the balance sheet at their fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction. The Company utilizes U.S. Treasury bond futures options, which are derivative instruments, and changes in market value are recognized in current earnings. The Company has also entered into various interest rate swap agreements to manage the economic risks associated with fluctuations in interest rates by converting a portion of the Company's variable rate debt to a fixed rate basis, thus reducing the impact of changes in interest rates on future interest expense. Hedge effectiveness is evaluated by the hypothetical derivative method and any hedge ineffectiveness is reported as interest expense. Hedge ineffectiveness was not material in 2003.

1. NATURE OF OPERATIONS AND ACCOUNTING POLICIES, Continued.

Inventories – Inventories are valued at the lower of cost (first-in, first-out method) or market.

Property, Plant and Equipment – Property, plant and equipment are carried at cost less accumulated depreciation. Amortization of assets held under capital leases is included in depreciation and amortized over the estimated useful life of the asset. Depreciation is computed using the straight-line method on the costs of the assets, at rates based on their estimated useful lives as follows:

Land improvements	3-15 years
Buildings and improvements	10-30 years
Machinery and equipment	3-10 years
Transportation equipment	2-7 years
Office furniture and fixtures, including capitalized computer software	2-10 years

Upon sale or retirement of property, plant and equipment, including real estate held for sale and rental properties, the asset cost and related accumulated depreciation is removed from the accounts and any resulting gain or loss is included in earnings.

Evaluation of Impairment of Long-Lived Assets – In June 2001, the FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets," which revised the standard for accounting for goodwill and other intangible assets. Statement No. 142 requires that goodwill and indefinite lived identifiable intangible assets no longer be amortized, but be tested for impairment at least annually based on their estimated fair market values. Any impairment of goodwill must be recognized currently as a charge to earnings in the financial statements. The provisions for SFAS No. 142 became effective on January 1, 2002 and required full implementation of the impairment measurement provisions by December 31, 2002. The Company completed its initial impairment analysis under SFAS No. 142 in June 2002 and performed its annual impairment analyses as of October 31, 2003 and October 31, 2002. Based on the estimated fair values of the Company's reporting units using a discounted cash flows valuation, no goodwill for any unit was evaluated as impaired. Effective January 1, 2002, the Company discontinued recording goodwill amortization expense. Application of the non-amortization provisions of Statement No. 142 in prior years is as follows:

	2003	2002	2001
Reported net income (loss)	$7,365	$ 9,929	$(3,951)
Add back: Goodwill amortization, net of tax	-	-	762
Adjusted net income (loss)	$7,365	$ 9,929	$(3,189)
Basic earnings (loss) per share:			
Reported basic net income (loss) per share	$ .48	$ .62	$ (.25)
Goodwill amortization	-	-	.05
Adjusted basic earnings (loss) per share	$ .48	$ .62	$ (.20)
Diluted earnings (loss) per share:			
Reported diluted net income (loss) per share	$ .48	$ .62	$ (.25)
Goodwill amortization	-	-	.05
Adjusted diluted earnings (loss) per share	$ .48	$ .62	$ (.20)

1. NATURE OF OPERATIONS AND ACCOUNTING POLICIES, Continued.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which addresses financial accounting and reporting for the impairment or disposal of long-lived assets and supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of," and the accounting and reporting provisions of APB Opinion No. 30, "Reporting the Results of Operations" for a disposal of a segment of a business. The Company was required to adopt Statement No. 144 as of January 1, 2002.

The Company is actively marketing certain real property, which is no longer being used in the operations of the business. However, under the transition rules contained in SFAS No. 144, certain of these assets no longer qualified as assets held for sale at December 31, 2002. Under the definition contained in the statement, approximately $3.8 million of these assets were reclassified to assets held and used at that date and re-measured at the lower of their original carrying amount adjusted for depreciation had the asset been in continuous use or to its fair value. As a result, additional depreciation of $.2 million was recognized in 2002 to comply with the pronouncement. Assets classified as held for sale at December 31, 2002 were sold in the first quarter of 2003.

The Company periodically reviews its long-lived assets and finite-lived intangible assets for impairment and assesses whether significant events, changes in business circumstances or economic trends indicate that the carrying value of the assets may not be recoverable. An impairment loss, equal to the difference between carrying value and fair value, is recognized when the carrying amount of an asset exceeds the anticipated undiscounted future cash flows expected to result from use of the asset and its eventual disposal.

Intangibles – Prior to the adoption of SFAS No. 142 on January 1, 2002, intangibles, consisting principally of excess of cost over the fair value of net assets of businesses acquired ("goodwill"), had been amortized on a straight-line basis over 5 to 40 years.

Warranty Expense – The Company offers to its customers a variety of warranties on its products ranging from 1 to 2 years in length and up to ten years on certain structural components. Estimated costs related to product warranty are accrued at the time of sale and included in cost of sales. Estimated costs are based upon past warranty claims and sales history and adjusted as required to reflect actual costs incurred, as information becomes available. Warranty expense totaled $16.5 million, $16.6 million and $16.8 million in 2003, 2002 and 2001, respectively.

Changes in the Company's warranty liability during the years ended December 31, 2003 and 2002 were as follows:

	2003	2002
Balance of accrued warranty at January 1	$ 8,796	$ 8,391
Warranties issued during the period and changes in liability for pre-existing warranties	16,467	16,575
Cash settlements made during the period	(16,605)	(16,170)
Balance of accrued warranty at December 31	$ 8,658	$ 8,796

1. NATURE OF OPERATIONS AND ACCOUNTING POLICIES, Continued.

Stock-Based Compensation – On March 1, 2003, the Company adopted the Performance Based Restricted Stock Plan initiated to motivate and reward participants for superior achievement of the Company's pre-established long-term financial performance goals. This new plan, effective as of January 1, 2003, utilizes variable plan accounting, meaning that the cost of the awards are expensed over the vesting period based upon the fair value of the estimated shares to be earned at the end of the vesting period. During the year ended December 31,2003, 86.7 contingent shares, net of 1.8 forfeited shares, were awarded to key employees under the plan. The exact number of shares that each employee will receive is dependent on the Company's performance, with respect to net income, over a three-year period. The amount expensed during the year ended December 31, 2003 was $523.

The Company also has stock option plans and an employee stock purchase plan, which are described more fully in Note 8. The Company accounts for these plans under the recognition and measurement principles of APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. No stock-based employee compensation cost is reflected in net earnings for these plans, as all options granted under these plans have an exercise price equal to the market value of the underlying common stock at the date of grant. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," to stock-based compensation.

Had the Company adopted the provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," the Company's pro forma net income (loss) and net income (loss) per share would have been:

	2003	2002	2001
Net income (loss), as reported	$7,365	$9,929	$(3,951)
Add: Stock-based compensation expense under variable plan included in reporting net income, net of taxes	347	-	-
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of taxes	(943)	(517)	(690)
Pro forma net income (loss)	$6,769	$9,412	$(4,641)
Earnings per share:			
Basic – as reported	.48	.62	(.25)
Basic – pro forma	.44	.59	(.29)
Diluted – as reported	.48	.62	(.25)
Diluted – pro forma	.44	.58	(.29)

The pro forma amounts and the weighted-average grant-date fair-value of options granted were estimated using the Black-Scholes option-pricing model with the following assumptions:

	2003	2002	2001
Risk free interest rate	3.05%	3.68%	4.33%
Expected life	4.00 years	4.00 years	4.00 years
Expected volatility	49.4%	48.6%	47.7%
Expected dividends	1.8%	1.4%	1.9%

1. NATURE OF OPERATIONS AND ACCOUNTING POLICIES, Continued.

New Accounting Pronouncements – The Financial Accounting Standards Board (FASB) Interpretation No. 45 (FIN 45), "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," changes current practice in accounting for, and disclosure of, guarantees. FIN 45 clarifies the requirements for a guarantor's accounting for the disclosure of certain guarantees issued and outstanding. FIN 45 requires certain guarantees to be recorded as liabilities at fair value on the Company's balance sheet. Previous practice required that liabilities related to guarantees be recorded only when a loss is probable and reasonably estimable, as those terms are defined in FASB Statement No. 5, "Accounting for Contingencies." FIN 45 also requires a guarantor to make significant new disclosures, even when the likelihood of making any payments under the guarantee is remote, which was another change from previous practice. The disclosure requirements of FIN 45 became effective for financial statements of interim or annual periods ending after December 15, 2002. The new recognition and measurement provisions did not have a significant impact on the Company's consolidated statement of financial position, operating results, or cash flows in the current year.

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities" (FIN 46). This standard clarifies the application of Accounting Research Bulletin No. 51, "Consolidated Financial Statements," and addresses the consolidation by business enterprises of variable interest entities. FIN 46 requires existing unconsolidated variable interest entities to be consolidated by their primary beneficiaries if the entities do not effectively disperse risk among the parties involved. FIN 46 also enhances the disclosure requirements related to variable interest entities. This statement is effective for any variable interest entities entered into by the Company as of the end of the first quarter of 2004. The Company's adoption of FIN 46 is not expected to have a material impact on the Company's consolidated financial position, results of operations, or cash flows.

In November 2002, the Emerging Issues Task Force reached a consensus on Issue 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables," which addresses how to account for arrangements that may involve the delivery or performance of multiple products, services, and/or rights to use assets. Revenue arrangements with multiple deliverables should be divided into separate units of accounting if the deliverables in the arrangement meet the following criteria: (1) value to the customer on a stand alone basis, (2) there is objective and reliable evidence of the fair value of the undelivered items and (3) the arrangement includes a general right of return, where delivery or performance of the undelivered items is considered probable and substantially in the control of the vendor. Arrangement consideration should be allocated among the separate deliverables based on their relative fair values. The accounting for revenue arrangements under EITF 00-21 was applicable for all new agreements entered into in fiscal periods beginning after June 15, 2003. The new recognition and measurement provisions did not have a significant impact on the Company's consolidated financial position, results of operations, or cash flows.

Research and Development Expenses – Research and development expenses charged to operations were approximately $7,220, $6,370 and $6,583 for the years ended December 31, 2003, 2002 and 2001, respectively.

Shipping and Handling Costs – The Company records freight billed to customers as sales. Costs incurred related to shipping and handling of products are reported as delivery expense in operating expenses.

1. NATURE OF OPERATIONS AND ACCOUNTING POLICIES, Continued.

Volume-Based Sales and Dealer Incentives – The Company nets certain volume-based sales rebates against sales revenue. Effective as of January 1, 2002 the Company adopted EITF 01-09, "Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)," which required the Company to net against sales or classify as cost of sales certain costs that had previously been classified as selling or delivery expenses. These costs included interest reimbursement expenses, freight subsidies and certain rebates that were not volume-based. The amount of sales incentives reclassified to net sales was $6.7 million in fiscal year 2001. The adoption of the new EITF pronouncement had no impact on net income.

Comprehensive Income (Loss) – Comprehensive income (loss) represents net earnings and any revenues, expenses, gains and losses that, under accounting principles generally accepted in the United States, are excluded from net earnings and recognized directly as a component of shareholders' equity. The components of accumulated other comprehensive income (loss) are as follows:

	Unrealized Gains (Losses) on Securities	Unrealized Gains (Losses) on Cash Flow Hedges	Accumulated Other Comprehensive Income (Loss)
Balances at January 1, 2002	$ (931)	$ -	$ (931)
Other comprehensive income (loss)	270	-	270
Balances at December 31, 2002	(661)	-	(661)
Other comprehensive income (loss)	1,111	(160)	951
Balances at December 31, 2003	$ 450	$ (160)	$ 290

Income Taxes – The Company recognizes income tax expense in accordance with SFAS No. 109, "Accounting for Income Taxes." Deferred tax assets and liabilities are established for the expected future tax consequences of events that have been included in the financial statements or tax returns using enacted tax rates in effect for the years in which the differences are expected to reverse and is subject to ongoing assessment of realizability. Deferred income tax expense (benefit) represents the change in net deferred tax assets and liabilities during the year.

Reclassifications – Certain reclassifications have been made in the fiscal 2002 and 2001 consolidated financial statements to conform to the presentation used in fiscal 2003.

2. SEGMENT INFORMATION.

The Company has determined that its reportable segments are those that are based on the Company's method of internal reporting, which disaggregates its business by product category. The Company's two reportable segments are recreational vehicles, including related parts and supplies, and housing and building. The Company evaluates the performance of its segments and allocates resources to them based on performance. The accounting policies of the segments are the same as those described in Note 1 and there are no inter-segment revenues. Differences between reported segment amounts and corresponding consolidated totals represent corporate income or expenses for administrative functions and income, costs or expenses relating to property and equipment that are not allocated to segments.

2. SEGMENT INFORMATION, continued.

The table below presents information about segments, including product class information within the recreational vehicle segment, used by the chief operating decision maker of the Company for the years ended December 31:

	2003	2002	2001
Net sales:			
Recreational vehicles			
Motorhomes	$312,065	$272,525	$209,488
Travel trailers and fifth wheels	138,431	122,200	98,582
Camping trailers	17,891	21,988	17,656
Truck campers	28	11	632
Parts and supplies	19,763	18,824	18,287
Total recreational vehicles	488,178	435,548	344,645
Housing and buildings	222,967	229,644	242,567
Consolidated total	$711,145	$665,192	$587,212
Pretax income (loss):			
Recreational vehicles	$ 2,087	$ 1,903	$(11,631)
Housing and buildings	10,037	10,058	15,466
Other reconciling items	(1,003)	3,035	(9,953)
Consolidated total	$ 11,121	$ 14,996	$ (6,118)
Total assets:			
Recreational vehicles	$126,157	$ 93,571	$ 88,629
Housing and buildings	105,056	97,765	97,578
Other reconciling items	79,475	101,859	102,353
Consolidated total	$310,688	$293,195	$288,560

The following specified amounts are included in the measure of segment pretax income or loss reviewed by the chief operating decision maker:

	2003	2002	2001
Interest expense:			
Recreational vehicles	$ 277	$ 299	$ 209
Housing and buildings	227	528	910
Other reconciling items	828	649	1,179
Consolidated total	$ 1,332	$ 1,476	$ 2,298
Depreciation:			
Recreational vehicles	$ 2,869	$ 2,737	$ 3,643
Housing and buildings	4,268	4,400	4,546
Other reconciling items	2,541	2,790	2,701
Consolidated total	$ 9,678	$ 9,927	$ 10,890

Certain segment amounts previously reported in 2001 have been reclassified to conform with the presentation used in 2003 and 2002.

3. INVENTORIES.

Inventories consist of the following:

	2003	2002
Raw materials	$ 32,452	$ 28,432
Work in process	15,256	11,054
Improved lots	2,314	-
Finished goods	51,078	45,524
Total	$101,100	$ 85,010

4. PROPERTY, PLANT AND EQUIPMENT.

Property, plant and equipment consists of the following:

	2003	2002
Land and improvements	$ 15,889	$ 17,240
Buildings and improvements	76,250	71,352
Machinery and equipment	29,575	27,337
Transportation equipment	14,707	13,829
Office furniture and fixtures	19,252	18,681
Total	155,673	148,439
Less, accumulated depreciation	76,448	69,550
Property, plant and equipment, net	$ 79,225	$ 78,889

5. SHORT-TERM BORROWINGS.

At June 30, 2003, the Company entered into a new Revolving Credit Facility credit agreement that provides an unsecured line of credit aggregating $35 million through June 30, 2006. This agreement was subsequently amended to provide the Company with more flexibility in achieving its financial objectives for 2004 and beyond. The new facility replaces the previous Amended and Restated Revolving Credit Facility secured line of credit aggregating $30 million that expired June 30, 2003. As of December 31,2003, the Company had borrowings outstanding on the new facility of $5.0 million and outstanding letters of credit of $3.2 million. Borrowings under the new Credit Facility bear interest equal to: (i) a eurodollar rate plus an applicable margin of 1.5%, or (ii) a floating rate, for any day, equal to the greater of the prime rate or the federal funds effective rate plus .5%. The Company is also required to pay a facility fee of .25% of the daily unborrowed portion of the aggregate commitment.

The Credit Facility also contains customary affirmative and negative covenants including financial covenants requiring the maintenance of a specified consolidated current ratio, fixed charge coverage ratio, leverage ratio and a required minimum net worth.

6. LONG-TERM DEBT.

Long-term debt consists of the following:

	2003	2002
Obligations under industrial development revenue bonds, variable rates (effective weighted average interest rates of 3.1% and 1.7% at December 31, 2003 and 2002, respectively), with various maturities through 2015	$10,065	$10,930
Obligations under Community Development Block Grants, fixed rates of 3.5% and 4.5% with various maturities through 2005	32	69
Obligations under capital leases, interest imputed at rates ranging from 2.9% to 4.25%, with maturities through 2011	312	-
Subtotal	10,409	10,999
Less, current maturities of long-term debt	990	902
Long-term debt	$ 9,419	$10,097

Principal maturities of long-term debt during the four fiscal years succeeding 2004 are as follows: 2005 - $1,266; 2006 - $1,221; 2007 - $1,582 and 2008 - $1,462.

In connection with the industrial development revenue bond obligations, the Company obtained, as a credit enhancement for the bondholders, irrevocable letters of credit in favor of the bond trustees. Under the industrial revenue bond for the Mod-U-Kraf Homes' manufacturing facility in Virginia, the issuer of the letter of credit holds a first lien and security interest on that facility. The agreements relating to these letters of credit contain, among other provisions, certain covenants relating to required amounts of working capital and net worth and the maintenance of certain required financial ratios. At December 31, 2003, the Company was in compliance with all related covenants. Community Development Block Grants payable to the City of Osage City, Kansas aggregating $32 were obtained as part of the Kan Build acquisition and are payable in monthly installments through 2005.

In January of 2003, the Company entered into various interest rate swap agreements that became effective beginning in October of 2003. These swap agreements are designated as cash flow hedges under the provisions of Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," and are used to manage the economic risks associated with fluctuations in interest rates by converting a portion of the Company's variable-rate debt to a fixed-rate basis through November of 2011, thus reducing the impact of changes in interest rates on future interest expense. Hedge effectiveness is evaluated by the hypothetical derivative method. Any hedge ineffectiveness is reported within the interest expense caption of the statement of operations. Hedge ineffectiveness was not material in 2003. The fair value of the Company's interest rate swap agreements represents the estimated receipts or payments that would be made to terminate the agreements. If, in the future, the interest rate swap agreements are determined to be ineffective hedges or are terminated before the contractual termination dates, or if it became probable that the hedged variable cash flows associated with the variable-rate borrowings would stop, the Company would be required to reclassify into earnings all or a portion of the unrealized amounts on cash flow hedges included in accumulated other comprehensive income (loss) within shareholders' equity.

6. LONG-TERM DEBT, continued.

At December 31, 2003, the Company had four interest rate swap agreements with notional amounts of $2,000, $580, $3,600, and $2,200, respectively, that were used to convert the variable interest rates on certain industrial development revenue bonds to fixed rates. In accordance with the terms of the swap agreements, the Company pays 3.39%, 3.12%, 3.71%, and 3.36% interest rates, respectively, and receives the Bond Market Association Index (BMA), calculated on the notional amounts, with net receipts or payments being recognized as adjustments to interest expense. At December 31, 2003, the Company recorded a liability for the potential early settlement of these new swap agreements in the amount of $267. This exposure represents the fair value of the swap instruments and has been recorded in the balance sheets in accordance with SFAS No. 133 as a noncurrent liability. The effective portion of the cash flow hedge has been recorded, net of taxes, as a reduction of shareholders' equity as a component of accumulated other comprehensive loss.

7. ACCRUED EXPENSES AND OTHER LIABILITIES.

Accrued expenses and other liabilities at year-end consist of the following:

	2003	2002
Wages, salaries, bonuses and commissions	$ 4,953	$ 5,661
Dealer incentives, including volume bonuses, dealer trips, interest reimbursement, co-op advertising and other rebates	3,839	4,368
Warranty	8,658	8,796
Insurance-products and general liability, workers compensation, group health and other	6,361	7,434
Customer deposits and unearned revenues	7,000	5,598
Other current liabilities	6,775	7,999
Total	$37,586	$39,856

Certain dealer incentives, including volume bonuses, interest reimbursement and other rebates are accounted for as a reduction of revenue in accordance with EITF 00-22 and EITF 01-09 (see Note 1 regarding volume-based sales and dealer incentives).

8. COMMON STOCK MATTERS AND EARNINGS PER SHARE.

Stock Option Plan

The Company has stock option plans, including the 2000 Omnibus Stock Incentive Program (the "2000 Plan") which was approved by the shareholders on May 4, 2000. The 2000 Plan provides for an additional one million common shares to be reserved for grants under the Company's stock option and award plans. The Company's stock option plan provides for the granting of options to directors, officers and eligible key employees to purchase common shares. The 2000 Plan permits the issuance of either incentive stock options or nonqualified stock options. Stock Appreciation Rights ("SARs") may be granted in tandem with stock options or independently of and without relation to options. There were no SARs outstanding at December 31, 2003. The option price for incentive stock options shall be an amount of not less than 100% of the fair market value per share on the date of grant and the option price for nonqualified stock options shall be an amount of not less than 90% of the fair market value per share on the date the option is granted. No such options may be exercised during the first year after grant, and are exercisable cumulatively in four installments of 25% each year thereafter. Options have terms ranging from five to ten years.

The following table summarizes stock option activity:

	Number of Shares	Weighted-Average Exercise Price
Outstanding, January 1, 2001	1,388	$13.83
Granted	72	11.81
Canceled	(268)	16.43
Exercised	(176)	7.18
Outstanding, December 31, 2001	1,016	13.84
Granted	102	16.69
Canceled	(135)	19.37
Exercised	(267)	8.37
Outstanding, December 31, 2002	716	15.74
Granted	36	12.41
Canceled	(180)	18.17
Exercised	(26)	8.66
Outstanding, December 31, 2003	546	$15.05

8. COMMON STOCK MATTERS AND EARNINGS PER SHARE, Continued.

Options outstanding at December 31, 2003 are exercisable at prices ranging from $4.05 to $24.88 per share and have a weighted average remaining contractual life of 4.9 years. The following table summarizes information about stock options outstanding and exercisable at December 31, 2003:

	Options Outstanding			Options Exercisable	
Range of Exercise Price	Number Outstanding at December 31, 2003	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable at December 31, 2003	Weighted-Average Exercise Price
$4.05 - $12.00	253	7.2	$10.45	157	$10.21
12.01 - 17.00	167	4.6	15.34	100	14.88
17.01 - 22.00	19	3.1	18.40	9	18.79
22.01 - 24.88	107	0.1	24.88	107	24.88
	546			373	

At December 31, 2002 and 2001 there were exercisable options to purchase 395 and 640 shares, respectively, at weighted-average exercise prices of $16.62 and $13.50, respectively. The weighted-average grant-date fair value of options granted during the years ended December 31, 2003, 2002 and 2001 were $4.55, $6.31 and $4.33, respectively. As of December 31, 2003, 1,129 shares were reserved for the granting of future stock options and awards, compared with 1,119 shares at December 31, 2002.

Stock Award Programs

On October 19, 1998, the Board of Directors approved a Stock Award Program which provided for the awarding to key employees of up to 109 shares of common stock from shares reserved under the Company's stock option plan. On December 1, 1998, the Company awarded 64 shares to certain employees, subject to the terms, conditions and restrictions of the award program. During the year ended December 31, 2001, no shares were awarded, 9.0 shares were issued and 5.5 awarded shares were canceled. During the year ended December 31, 2002, no shares were awarded, 8.8 shares were issued and .3 shares were canceled. During the year ended December 31,2003, no shares were awarded, issued or canceled. The shares under the stock award program were issued in four annual installments of 25% beginning one year from the date of grant. The Company recognized compensation expense over the term of the awards. Compensation expense of $-0-, $196 and $201 was recognized for the years ended December 31, 2003, 2002 and 2001, respectively.

The 2000 Plan also permits the granting of restricted and unrestricted stock awards to the Company's key employees and non-employee directors. In accordance with the provisions of the 2000 Plan, the Board of Directors may grant shares of stock to eligible participants for services to the Company. Restricted shares vest over a period of time as determined by the Board of Directors and are granted at no cost to the recipient. For restricted shares that are not subject to pre-established Company performance objectives, compensation expense is recognized over the vesting period at an amount equal to the fair market value of the shares on the grant date. Compensation expense for discretionary unrestricted stock awards is recognized at date of grant. There were 14.2, 4.6 and 15.1 restricted non-contingent stock awards granted at a weighted-average per share grant-date fair value of $14.98, $18.68 and $11.48 in 2003, 2002 and 2001, respectively. Compensation expense of $124.6, $134.0 and $64.5 was recognized in the years ended December 31, 2003, 2002 and 2001, respectively.

8. COMMON STOCK MATTERS AND EARNINGS PER SHARE, Continued.

On March 1, 2003, the Company adopted the Performance Based Restricted Stock Plan covering 115 shares of common stock per performance period for officers and other key employees. The purpose of the plan is to permit grants of shares, subject to restrictions, to key employees of the Company as a means of retaining and rewarding them for long-term performance and to increase their ownership in the Company. Shares awarded under the plan entitle the shareholder to all rights of common stock ownership except that the shares may not be sold, transferred, pledged, exchanged or otherwise disposed of during the restriction period. There is also a requirement to forfeit the award upon certain terminations of employment, in cases other than death, disability or retirement. The plan, effective as of January 1, 2003, is accounted for in accordance with the variable plan accounting provisions of FASB Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation," and therefore awards are expensed based upon the fair value of the estimated shares to be earned over the vesting period. The exact number of shares that each employee will receive, if any, is dependent on the Company's performance, with respect to net income, over a three-year period. During 2003, 86.7 shares, net of forfeitures, were awarded under this plan. The weighted-average grant-date fair value was $11.18 in 2003 for the shares awarded under the plan. The market value of the shares awarded is recognized as unearned compensation in the consolidated statements of shareholders' equity and is amortized to operations over the vesting period. The Company amortized $523.4 to compensation expense for the year ended December 31, 2003.

Stock Purchase Plan

The Company has an employee stock purchase plan under which a total of 455 shares of the Company's common stock are reserved for purchase by full-time employees through weekly payroll deductions. Shares of the Company's common stock are purchased quarterly by the employees at a price equal to the lesser of 90% of the market price at the beginning or end or the quarter. As of December 31, 2003, there were 282 employees actively participating in the plan. Since its inception, a total of 369 shares have been purchased by employees under the plan. The Company sold to employees 24.3, 16.5 and 26.2 shares at weighted fair values of $10.53, $12.77 and $8.08 in 2003, 2002 and 2001, respectively. Certain restrictions in the plan limit the amount of payroll deductions an employee may make in any one quarter. There are also limitations as to the amount of ownership in the Company an employee may acquire under the plan.

8. COMMON STOCK MATTERS AND EARNINGS PER SHARE, Continued.

Earnings Per Share

Basic earnings per share is based on the weighted average number of shares outstanding during the period. Diluted earnings per common share is based on the weighted average number of shares outstanding during the period, after consideration of the dilutive effect of stock options and awards and shares held in deferred compensation plans. Basic and diluted earnings per share were calculated as follows:

	2003	2002	2001
Numerator:			
Net income (loss) available to common stockholders	$ 7,365	$ 9,929	$(3,951)
Denominator:			
Number of shares outstanding, end of period:			
Common stock	15,553	15,667	15,936
Effect of weighted average contingently liable shares outstanding during period	(77)	-	-
Effect of weighted average shares outstanding during period	(39)	329	(101)
Weighted average number of common shares used in basic EPS	15,437	15,996	15,835
Effect of dilutive securities			
Stock options and awards	50	101	-
Deferred compensation plans	-	10	-
Weighted average number of common shares used in diluted EPS	15,487	16,107	15,835

As the Company reported a net loss for the year ended December 31, 2001, 104 common stock equivalents related to stock options did not enter into the computation of diluted earnings per share because their inclusion would have been antidilutive.

For the years ended December 31, 2003, 2002 and 2001, 285, 305 and 499 shares, respectively, of outstanding stock options were not included in the computation of diluted earnings per share because their exercise price was greater than the average market prices for the respective periods and their inclusion would have been antidilutive.

The sum of quarterly earnings per share may not equal year-to-date earnings per share due to rounding and changes in diluted potential common shares.

8. COMMON STOCK MATTERS AND EARNINGS PER SHARE, Continued.

Shareholder Rights Plan

On October 21, 1999, the Company's Board of Directors adopted a new shareholder rights plan to replace an existing rights plan that was due to expire on February 15, 2000. The new rights plan, which became effective January 12, 2000 (the "Record Date"), provides for a dividend distribution of one common share purchase right (the "Rights") for each outstanding common share to each shareholder of record on the Record Date. The Rights will be represented by common share certificates and will not be exercisable or transferable apart from the common shares until the earlier to occur of (i) ten (10) business days following a public announcement that a person or group of persons (an "Acquiring Person") has acquired, or obtained the right to acquire, beneficial ownership of 20% or more of the outstanding common shares or (ii) ten (10) business days following the commencement of (or announcement of an intention to make) a tender offer or exchange offer if, upon consummation thereof, such an Acquiring Person would be the beneficial owner of 20% or more of the outstanding common shares. Upon the occurrence of the certain events and after the Rights become exercisable, each right would entitle the rightholder (other than the Acquiring Person) to purchase one fully paid and nonaccessable common share of the Company at a purchase price of $75 per share, subject to anti-dilutive adjustments. The Rights are nonvoting and expire February 1, 2010. At any time prior to a person or a group of persons becoming an Acquiring Person, the Company's Board of Directors may redeem the Rights in whole, but not in part, at a purchase price $.01 per Right.

9. COMPENSATION AND BENEFIT PLANS.

Incentive Compensation

The Company has incentive compensation plans for its officers and other key management personnel. The amounts charged to expense for the years ended December 31, 2003, 2002 and 2001 aggregated $1,598, $2,959 and $1,665, respectively.

Deferred Compensation

The Company has established a deferred compensation plan for executives and other key employees. The plan provides for benefit payments upon termination of employment, retirement, disability, or death. The Company recognizes the cost of this plan over the projected service lives of the participating employees based on the present value of the estimated future payment to be made. The plan is funded by insurance contracts on the lives of the participants. At December 31, 2003 and 2002, the carrying amount of these policies, which equaled their fair value, was $35,117 and $32,821, respectively. The deferred compensation obligations, which aggregated $7,588 and $7,231 at December 31, 2003 and 2002, respectively, are included in other non-current liabilities, with the current portion ($364 and $312 at December 31, 2003 and 2002, respectively) included in other current liabilities.

9. COMPENSATION AND BENEFIT PLANS, Continued.

In connection with the acquisitions of Miller Building Systems and Mod-U-Kraf Homes in 2000 (see Note 11), the Company assumed obligations under existing deferred compensation agreements. The liabilities recognized in the consolidated balance sheets aggregated $536 and $1,109 at December 31, 2003 and 2002, respectively. As part of these acquisitions, the Company assumed ownership of life insurance contracts and trust accounts established for the benefit of participating executives. Such assets, which are valued at fair value, aggregated $58 and $680 at December 31, 2003 and 2002, respectively. During 2003, the trustees of the Miller plan elected to dissolve their plan and release the collateral to the five remaining participants in the plan. Liquidation of the Miller plan had no impact on earnings.

Supplemental Deferred Compensation

The Company has established a supplemental deferred compensation plan (Mirror Plan) for key employees as determined by the Board of Directors. The plan allows participants to defer compensation only after they had deferred the maximum allowable amount under the Company's 401(k) Plan. The participants select certain mutual funds investments and Company stock whose performance is tracked by the Company. In addition, the Company matches a certain level of participant contributions that vests over a five-year period. Under the plan, the investments are not funded directly, including the matching contributions and investments in Company stock. Instead, the plan administrator tracks the performance of investments in mutual funds and Company stock as directed by the participant and a liability to the participants is recorded by the Corporation based on the performance of the phantom investments. Participant benefits are limited to the value of the vested benefits recorded on their behalf.

The Company has also established a supplemental deferred compensation plan (Executive Savings Plan) for certain key executive management as determined by the Board of Directors. This plan allows participants to defer compensation without regard to participation in the Company's 401(k) plan. The participants select certain mutual funds investments and Company stock whose performance is tracked by the Company. In addition, the Company matches a certain level of participant contributions that vests after a five-year period. Under the plan, the investments are not funded directly, including the matching contributions and investments in Company stock. Instead, the plan administrator tracks the performance of investments in mutual funds and Company stock as directed by the participant and a liability to the participants is recorded by the Corporation based on the performance of the phantom investments. Participant benefits are limited to the value of the vested benefits recorded on their behalf.

Liabilities recorded on the consolidated balance sheets related to these plans as of December 31, 2003 and 2002 are $1,523 and $800, respectively.

Employee Benefit Plans

Effective January 1, 2000, the Company established a retirement plan (the "Plan"), under Section 401(k) of the Internal Revenue Code that covers all eligible employees. The Plan is a defined contribution plan and allows employees to make voluntary contributions up to 20% of annual compensation. Under the Plan, the Company may make discretionary matching contributions up to 6% of participants' compensation. Expense under the Plan aggregated $1,291, $1,296 and $1,317 for the years ended December 31, 2003, 2002 and 2001, respectively.

10. INCOME TAXES.

Income taxes (benefit) are summarized as follows for the year ended December 31:

	2003	2002	2001
Federal:			
Current	$ 3,036	$ 1,895	$(1,170)
Deferred	285	2,581	(906)
	3,321	4,476	(2,076)
State:			
Current	411	370	38
Deferred	24	221	(129)
	435	591	(91)
Total	$ 3,756	$ 5,067	$(2,167)

The following is a reconciliation of the provision (benefit) for income taxes computed at the federal statutory rate (35% in 2003 and 2001 and 34% in 2002) to the reported provision (benefit) for income taxes:

	2003	2002	2001
Computed federal income tax (benefit) at federal statutory rate	$ 3,892	$ 5,099	$(2,141)
Changes resulting from:			
Increase in cash surrender value of life insurance contracts	(434)	(389)	(444)
State income taxes, net of federal income tax benefit	291	310	-
Preferred stock dividend exclusion	(100)	(199)	(158)
Goodwill amortization	-	-	306
Extraterritorial income exclusion/ Foreign Sales Corporation subject to lower tax rate	(50)	(34)	(148)
Other, net	157	280	418
Total	$ 3,756	$ 5,067	$(2,167)

10. INCOME TAXES, Continued.

The components of the net deferred tax assets (liabilities) are as follows:

	2003	2002
Current deferred tax asset:		
Accrued warranty expense	$ 3,277	$ 3,369
Accrued self-insurance	1,355	1,708
Inventories	544	483
Receivables	459	327
Other	324	998
Net current deferred tax asset	$ 5,959	$ 6,885
Noncurrent deferred tax asset (liability):		
Deferred compensation	$ 2,869	$ 2,731
Property and equipment and other real estate	(4,482)	(5,070)
Intangible assets	(2,263)	(2,165)
Other	(213)	381
Net noncurrent deferred tax liability	$(4,089)	$(4,123)

11. ACQUISITIONS.

On February 12, 2001, the Company acquired all of the issued and outstanding shares of capital stock of Kan Build, Inc. ("Kan Build"), a manufacturer of modular buildings. The purchase price aggregated $21.6 million and consisted of $8.9 million cash paid at closing and the assumption of $12.7 million of liabilities. The excess of purchase price over fair value of assets acquired ("goodwill") approximated $4.1 million. The acquisition was accounted for as a purchase and the operating results of Kan Build are included in the Company's consolidated financial statements from the date of acquisition. Prior to 2002, goodwill was being amortized on a straight-line basis over 20 years.

Unaudited pro forma financial information as if this acquisition had occurred at the beginning of the period is as follows:

	2001
Net sales	$590,734
Net income (loss)	(3,922)
Earnings (loss) per share:	
Basic	$ (.25)
Diluted	(.25)

12. COMMITMENTS AND CONTINGENCIES.

Lease Commitments

The Company leases various manufacturing and office facilities under non-cancelable agreements that expire at various dates through November 2006. Several of the leases contain renewal options and options to purchase and require the payment of property taxes, normal maintenance and insurance on the properties. Certain office and delivery equipment is also leased under non-cancelable agreements that expire at various dates through June 2008. The above-described leases are accounted for as operating leases.

Future minimum annual operating lease commitments at December 31, 2003 aggregated $450 and are payable as follows: 2004 - $166; 2005 - $96; 2006 - $85; 2007 - $71; 2008 - $32. Total rental expense for the years ended December 31, 2003, 2002 and 2001 aggregated $1,057, $1,118 and $1,269, respectively.

Obligation to Purchase Consigned Inventories

The Company obtains vehicle chassis for its recreational and specialized vehicle products directly from automobile manufacturers under converter pool agreements. The agreements generally provide that the manufacturer will provide a supply of chassis at the Company's various production facilities under the terms and conditions as set forth in the agreement. Chassis are accounted for as consigned inventory until either assigned to a unit in the production process or 90 days have passed. At the earlier of these dates, the Company is obligated to purchase the chassis and it is recorded as inventory. Chassis inventory at December 31, 2003 and 2002, accounted for as consigned inventory, approximated $11.6 million and $14.6 million, respectively.

Repurchase Agreements

The Company is contingently liable to banks and other financial institutions on repurchase agreements in connection with financing provided by such institutions to most of the Company's independent dealers in connection with their purchase of the Company's recreational vehicle products. These agreements provide for the Company to repurchase its products from the financial institution in the event that they have repossessed them upon a dealer's default. Products repurchased from dealers under these agreements are accounted for as a reduction in revenue at the time of repurchase. Although the estimated contingent liability approximates $238 million at December 31, 2003 ($204 million at December 31, 2002), the risk of loss resulting from these agreements is spread over the Company's numerous dealers and is further reduced by the resale value of the products repurchased. Based on losses previously experienced under these obligations, the Company has established a reserve for estimated losses under repurchase agreements. Accordingly, the Company is recording an accrual for estimated losses under repurchase agreements at December 31, 2003 and 2002 of $.3 million and $.4 million, respectively. Due to improved market conditions within the recreational vehicle industry during both 2003 and 2002, the Company has reduced its estimate of anticipated losses. The favorable change in estimate exceeded actual losses incurred by $.1 million and $.3 million for the years ended December 31, 2003 and 2002, respectively. This compares to losses of $.7 million the year ended December 31, 2001.

12. COMMITMENTS AND CONTINGENCIES, Continued.

Corporate Guarantees

The Company was contingently liable under guarantees to financial institutions of their loans to independent dealers for amounts totaling approximately $4.6 million at December 31, 2003, $.9 million at December 31, 2002 and $3.1 million at December 31, 2001. During 2003, the Company entered into an agreement with a financial institution to form a private-label financing program to provide wholesale inventory financing to the Company's dealers in the recreational vehicle segment. The agreement provides for a preferred program that provides financing that is subject to the standard repurchase agreement described above. In addition, the agreement provides for a reserve pool whereby the financial institution makes available an aggregate line of credit not to exceed $40 million that will provide financing for dealers that may not otherwise qualify for credit approval under the preferred program. No dealer being provided financing from the reserve pool can receive an aggregate line of credit exceeding $5 million. Per each contract year, in addition to the standard repurchase agreement described above, the Company will be liable to the financial institution for the first $2 million of aggregate losses, as defined by the agreement, incurred by the financial institution on designated dealers with higher credit risks that are accepted into the reserve pool financing program. As of December 31, 2003, the Company was contingently liable for $4.6 million in loans from the reserve pool. The Company has recorded a loss reserve of $.1 million associated with these guarantees.

In addition, the Company is liable under a guarantee to a financial institution for model home financing provided to certain independent builders doing business with the Company's housing and building segment. The amount outstanding under this agreement at December 31, 2003 is $1.4 million. Any losses incurred would be offset by the proceeds from the resale of the model home and losses are limited to 20% of the original contract price, and cannot exceed $2.0 million. As of December 31, 2003, no losses had been incurred by the Company under the model home financing program.

Share Repurchase Programs

Periodically, the Company has repurchased its common stock as authorized by the Board of Directors. Under the repurchase program, common shares are purchased from time to time, depending on market conditions and other factors, on the open market or through privately negotiated transactions. The Company repurchased 293, 507 and 53 shares during 2003, 2002 and 2001, respectively. At December 31, 2003, there are 73 remaining shares authorized for repurchase by the Board of Directors.

Self-Insurance

The Company is self-insured for a portion of its product liability and certain other liability exposures. Depending on the nature of the claim and the date of occurrence, the Company's maximum exposure ranges from $250 to $500 per claim. The Company accrues an estimated liability based on various factors, including sales levels, insurance coverage and the amount of outstanding claims. Management believes the liability recorded (See Note 7) is adequate to cover the Company's self-insured risk.

12. COMMITMENTS AND CONTINGENCIES, Continued.

Change of Control Agreements

On February 3, 2000, the Company entered into Change of Control Agreements with key executives. Under the terms of these agreements, in the event of a change in control of the Company, as defined, the Company would be obligated to pay these key executives for severance and other benefits. These agreements, as adjusted for subsequent changes in key personnel, aggregated obligations of approximately $14.0 million and $12.9 million based on salaries and benefits at December 31, 2003 and 2002, respectively. In addition, in the event of a change of control of the Company, all outstanding stock options and SARs shall become immediately exercisable and all stock awards shall immediately be deemed fully achieved.

Also on February 3, 2000, the Company established a rabbi trust, which in the event of a change of control, as defined, will be funded to cover the Company's obligations under its deferred compensation plan (see Note 9).

Litigation

The Company is involved in various legal proceedings, most of which are ordinary disputes incidental to the industry and most of which are covered in whole or in part by insurance. Management believes that the ultimate outcome of these matters and any liabilities in excess of insurance coverage and self-insurance accruals will not have a material adverse impact on the Company's consolidated financial position, future business operations or cash flows.

13. UNAUDITED INTERIM FINANCIAL INFORMATION.

Certain selected unaudited quarterly financial information for the years ended December 31, 2003 and 2002 is as follows:

	2003 Quarter Ended			
	March 31	June 30	September 30	December 31
Net sales	$146,387	$173,903	$200,809	$190,046
Gross profit	17,034	27,546	33,130	26,991
Net income (loss)	(2,820)	2,836	5,358	1,991
Net income (loss) per common share:				
Basic	(.18)	.18	.35	.13
Diluted	(.18)	.18	.35	.13

	2002 Quarter Ended			
	March 31	June 30	September 30	December 31
Net sales	$152,846	$170,725	$177,535	$164,086
Gross profit	18,270	26,299	29,445	25,205
Net income (loss)	(590)	3,563	4,296	2,660
Net income (loss) per common share:				
Basic	(.04)	22	.27	.17
Diluted	(.04)	.22	.27	.17

13. UNAUDITED INTERIM FINANCIAL INFORMATION, continued.

Included in the fourth quarter of 2003 were gains of $376 from the sale of vacant lots located in California and investment income $870 which included the sale of marketable securities and increased cash surrender value of investments in Company-owned life insurance policies.

The fourth quarter of 2002 was adversely impacted by $455 of special charges related to closing a manufacturing facility located in New York that specialized in producing modular structures for the telecom industry. Equipment related to the production of these products was relocated to the Pennsylvania facility. Closing costs included reconditioning the abandoned leased facility and writing down finished goods to estimated realizable value.

Also included in the fourth quarter of 2002 were gains of $747 from the sale of two previously closed Company-owned dealerships and a gain of $444 from the sale of the previously closed Oregon manufacturing facility.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not Applicable in 2003.

ITEM 9A. CONTROLS AND PROCEDURES

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures as of December 31, 2003. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of December 31, 2003. There were no material changes in the Company's internal control over financial reporting during the fourth quarter of 2003.

PART III.

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

(a) Identification of Directors

Information regarding the Registrant's directors is contained under the captions "Election of Directors" and "2003 Committees of the Board" in the Company's Proxy Statement dated March 22, 2004 and is incorporated herein by reference.

(b) Executive Officers of the Company

See "Executive Officers of the Registrant" contained herein.

(c) Beneficial Ownership Reporting Compliance

Information for "Section 16 (a) Beneficial Ownership Reporting Compliance" is contained under that caption in the Company's Proxy Statement dated March 22, 2004 and is incorporated herein by reference.

(d) Code of Ethics

The Company has adopted a code of ethics that applies to all of its directors, officers (including its chief executive officer, chief operating officer, chief financial officer, controller and any person performing similar functions) and employees. The Company has filed a copy of this Code of Ethics as Exhibit 14 to this Form 10-K. The Company has also made the Code of Ethics available on its website at http://www.coachmen.com.

ITEM 11. EXECUTIVE COMPENSATION

Information for Item 11 is contained under the headings “Compensation of Executive Officers,” “Management Development/Compensation Committee Report,” “Outside Director Compensation” and “Performance Graph” in the Company’s Proxy Statement dated March 22, 2004 and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information for Item 12 is contained under the captions “Directors’ and Officers’ Stock Ownership” and “Stock Ownership Information” in the Company’s Proxy Statement dated March 22, 2004 and is incorporated herein by reference.

The following table summarizes share and exercise price information about the Company’s equity compensation plans as of December 31, 2003:

Equity Compensation Plan Information

Plan Category	# of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	# of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by shareholders	546,425	$15.05	1,559,831
Equity compensation plans not approved by shareholders	-	-	-
Total	546,425	$15.05	1,559,831

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Not Applicable.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information regarding the Principal Accountant Fees and Services is contained under the caption “Independent Auditors” in the Company’s Proxy Statement dated March 22, 2004 and is incorporated herein by reference.

PART IV.

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) The following Financial Statements and Financial Statement Schedule are included in Item 8 herein.

1. Financial Statements

Report of Independent Auditors
Consolidated Balance Sheets at December 31, 2003 and 2002
Consolidated Statements of Operations
for the years ended December 31, 2003, 2002 and 2001
Consolidated Statements of Shareholders' Equity
for the years ended December 31, 2003, 2002 and 2001
Consolidated Statements of Cash Flows for the years
ended December 31, 2003, 2002 and 2001
Notes to Consolidated Financial Statements

2. Financial Statement Schedule

Schedule II - Valuation and Qualifying Accounts

3. Exhibits

See Index to Exhibits.

(b) Reports on Form 8-K during the quarter ended December 31, 2003

Form 8-K, dated October 10, 2003, reporting an Item 9 and Item 12 event (a press release announcing an expectation of improved financial results for the third quarter).

Form 8-K, dated October 27, 2003, reporting an Item 9 and Item 12 event (a press release announcing third quarter results).

Form 8-K, dated November 13, 2003, reporting an Item 5 event (a press release announcing the declaration of a $.06 per share regular quarterly dividend).

Form 8-K, dated November 18, 2003, reporting an Item 5 event (a press release announcing the appointment of Matthew J. Schafer as President and Chief Operating Officer of the Company).

Form 8-K, dated December 9, 2003, reporting an Item 9 event (a press release announcing record sales results from RV industry trade show).

Form 8-K, dated December 15, 2003, reporting an Item 9 event (a press release commenting on its fourth quarter performance).

SCHEDULE II

VALUATION AND QUALIFYING ACCOUNTS

Description	Balance At Beginning Of Period	Additions Charged To Costs And Expenses	Payment or Utilization	Balance At End Of Period
Fiscal year ended December 31, 2003:				
Allowance for doubtful accounts:	$ 861,000	574,000	$ (227,000) (A)	$1,208,000
Product warranty reserves:	$8,796,000	$16,467,000	$(16,605,000) (C)	$8,658,000
Repurchase agreement and Corporate guarantee loss reserves:	$ 403,000	$ (11,000) (D)	$ (42,000)	$ 350,000
Fiscal year ended December 31, 2002:				
Allowance for doubtful accounts:	$ 972,000	$ 183,000	$ (294,000) (A)	$ 861,000
Product warranty reserves:	$8,391,000	$16,575,000	$(16,170,000) (C)	$8,796,000
Repurchase agreement and Corporate guarantee loss reserves:	$1,169,000	$ (306,000) (D)	$ (460,000)	$ 403,000
Fiscal year ended December 31, 2001:				
Allowance for doubtful accounts:	$1,066,000	$ 379,000	$ (488,000) (A) 15,000 (B)	$ 972,000
Product warranty reserves:	$7,796,000	$16,850,000	$(16,538,000) (C) 283,000 (B)	$8,391,000
Repurchase agreement and Corporate guarantee loss reserves:	$1,524,000	$ 650,000	$ (1,005,000)	$1,169,000

(A) Write-off of bad debts, less recoveries.
(B) Amounts from acquired companies.
(C) Claims paid, less recoveries.
(D) Reflects favorable change in estimate described in Note 12.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

COACHMEN INDUSTRIES, INC.

Date: March 12, 2004

/s/ J. P. Tomczak

J. P. Tomczak
(Executive Vice President and
Chief Financial Officer)

/s/ G. L. Near

G. L. Near
(Vice President and Controller)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities as of March 12, 2004.

/s/ C. C. Skinner

C. C. Skinner
(Director)
(Chief Executive Officer)

/s/ W. P. Johnson

W. P. Johnson
(Director)

/s/ T. H. Corson

T. H. Corson
(Director)

/s/ P. G. Lux

P. G. Lux
(Director)

/s/ E. W. Miller

E. W. Miller
(Director)

/s/ G. B. Bloom

G. B. Bloom
(Director)

/s/ R. J. Deputy

R. J. Deputy
(Director)

/s/ R. Martin

R. Martin
(Director)

/s/ D. W. Hudler

D. W. Hudler
(Director)

Board of Directors

Claire C. Skinner age 49
Chairman of the Board and CEO
Coachmen Industries, Inc.

Geoffrey B. Bloom[2,3] age 62
Chairman of the Board
Wolverine World Wide, Inc.

Robert J. Deputy[3] age 65
Chairman of the Board and CEO
Godfrey Marine

William P. Johnson[1] age 62
Chairman of the Board and CEO
Flying J, LLC

Rex Martin[3] age 52
Chairman of the Board,
President and CEO
NIBCO, Inc.

Thomas H. Corson age 76
Past Chairman of the Board (Retired 1997)
Coachmen Industries, Inc.

Donald W. Hudler[2,3] age 69
President and CEO
DDH Investments of Texas

Philip G. Lux[1,2] age 75
Past President (Retired 1991)
Coachmen Industries, Inc.

Edwin W. Miller[1,2] age 58
Chairman of the Board and CEO
Millennium Capital Group

Committee Memberships:
(1) Audit (2) Governance (3) Management Development/Compensation

Executive Management Committee

Claire C. Skinner age 49
Chairman of the Board
and CEO

Joseph P. Tomczak age 48
Executive Vice President
and CFO

Michael R. Terlep, Jr. age 42
President, Coachmen Recreational
Vehicle Company, LLC

William G. Lenhart age 55
Senior Vice President
Human Resources

Matthew J. Schafer age 43
President and COO

Richard M. Lavers age 56
Executive Vice President,
General Counsel and Secretary

Steven E. Kerr age 55
President
All American Homes, LLC

SUBSIDIARIES

Recreational Vehicle Group

COACHMEN RECREATIONAL VEHICLE COMPANY, LLC
Middlebury, Indiana
574-825-5821
www.coachmenrv.com

Coachmen Recreational Vehicle Company of Georgia, LLC
Fitzgerald, Georgia
229-423-5471

GEORGIE BOY MANUFACTURING, LLC
Edwardsburg, Michigan
269-663-3415
www.georgieboy.com

VIKING RECREATIONAL VEHICLES, LLC
Centreville, Michigan
269-467-6321
www.vikingrv.com

PRODESIGN, LLC
Elkhart, Indiana
574-262-9250
www.prodesignproducts.com

Housing and Building Group

ALL AMERICAN HOMES, LLC
Decatur, Indiana
260-724-8044
www.allamericanhomes.com

All American Homes of Colorado, LLC
Milliken, Colorado
970-587-0544

All American Homes of Indiana, LLC
Decatur, Indiana
260-724-9171

All American Homes of Iowa, LLC
Dyersville, Iowa
563-875-2421

All American Homes of Kansas, LLC
Osage City, Kansas
785-528-4163

All American Homes of North Carolina, LLC
Rutherfordton, North Carolina
828-245-2140

All American Homes of Ohio, LLC
Zanesville, Ohio
740-450-0500

All American Homes of Tennessee, LLC
Springfield, Tennessee
615-382-7111

Mod-U-Kraf Homes, LLC
Rocky Mount, Virginia
540-483-0291
www.mod-u-kraf.com

Miller Building Systems, Inc.
Elkhart, Indiana
574-295-1214
www.mbsionline.com

CORPORATE OFFICE:
2831 Dexter Drive
Elkhart, IN 46514

Transfer Agent & Registrar:
National City Bank
Dept. 5352
P.O. Box 92301
Cleveland, OH 44193-0900

Independent Auditors:
Ernst & Young LLP
Grand Rapids, MI

Stock Symbol:

10-K Furnished:
Securities and Exchange Commission Form 10-K is available without charge to shareholders upon written request to the Company or via the Internet at www.coachmen.com

Coachmen Industries, Inc.
Financial Department
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