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Fleetwood Enterprises, Inc.
2003 Annual Report

FLEETWOOD

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COMPANY PROFILE

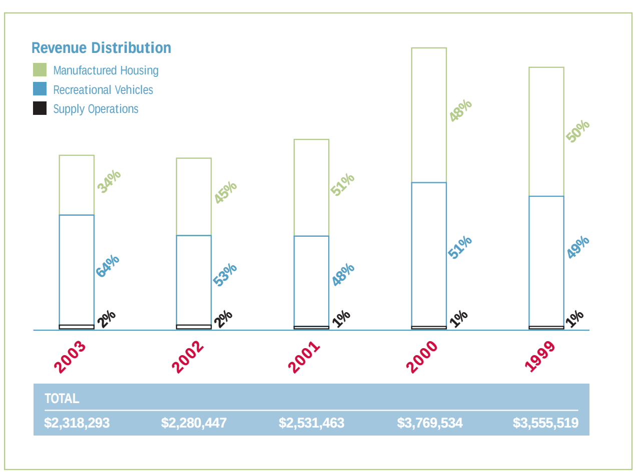
Fleetwood Enterprises, Inc., a Fortune 1000 company listed on the New York Stock Exchange under the trading symbol FLE, is the nation's leader in recreational vehicle sales, and a leading builder and retailer of manufactured housing. The Company has its headquarters in Riverside, California, about 45 miles east of Los Angeles. Fleetwood employs approximately 13,000 people throughout the United States and Canada.

Established in 1950 to build travel trailers, Fleetwood's business quickly evolved to building "long trailers," or mobile homes, in factories. In 1964, the Company re-entered the RV business with the acquisition of the Terry Travel Trailer Company. Fleetwood now manufactures a wide variety of recreational vehicle products including motor homes, travel trailers, folding camping trailers and slide-in truck campers. The Company's production of quality manufactured housing has made it one of the nation's largest homebuilders. Also, Fleetwood's supply operations provide fiberglass and lumber products to its core businesses and outside customers.

financial summary

DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA

YEARS ENDED APRIL	2003	2002	2001	2000	1999
Sales	$2,318,293	$2,280,447	$2,531,463	$3,769,534	$3,555,519
Operating income (loss)	(32,208)	(90,543)	(307,626)	162,176	190,311
Net income (loss)	(70,739)	(161,928)	(283,990)	83,494	107,121
Earnings (loss) per share—diluted	(1.97)	(3.90)	(8.67)	2.41	2.94
Dividends declared per common share	—	.08	.46	.76	.72
Cash flow from operations	(25,471)	34,482	11,844	(4,757)	114,522
Shareholders' equity	110,968	174,743	286,148	584,805	586,703
Return (loss) on average shareholders' equity	(49.5)%	(70.3)%	(65.2)%	14.3%	22.3%



letter to shareholders

Thomas B. Pitcher, Chairman of the Board
Edward B. Caudill, President and Chief Executive Officer

Reinventing our processes. Renewing our product. Rebuilding our financial strength. Regaining our momentum.

That was fiscal 2003 in a nutshell, as Fleetwood made solid progress toward improved performance. With industry-leading new product and a strengthened management team, we entered the new fiscal year with renewed energy and with a firm conviction that we now have the pieces in place to tackle the ongoing industry and economic challenges and opportunities.

These challenges, which include a continuing industry decline in manufactured housing and a slow economy that was exacerbated by war in Iraq, resulted in net losses of $70.7 million, down from $161.9 million last year. There is a portion of both of these numbers, though, that includes impairments and unusual charges that reflect our past problems. Because our entire team looked candidly at what went wrong in the last few years and focused intensely on every area that we could control, we have dealt with the issues that caused those problems.

First then, a brief recap, because where we are today is the result of a process that has been ongoing for at least the past three years. Although Fleetwood was profitable and had record revenues in fiscal 2000, management could see that lenders in the manufactured housing arena were tightening credit standards, while on the RV side of the business, our market share had been eroding for some time. That's when we really began to rightsize the Housing Group, and to overhaul the RV product development process.

In fiscal 2001 and 2002, we squeezed more costs out of every segment of our Company. We restructured our Housing sales organization and modified our warranty and service processes, and we began to capture significant savings based on the combined purchasing power of all our operations groups. The most exciting aspect of the changes made during this time involved our products. We continued to invest in our future sales growth with innovative new housing products and, in fiscal 2002, introduced a powerfully refreshed line of Class A motor homes, followed by an exciting new lineup of travel trailers the following year.

We are well into the process of reinventing this company, and we are now seeing real results. We want to explain in this letter what we have done in the past year, and tell you where we think we stand in this dynamic process.

Here are some of the aggressive actions we took across all of our businesses in fiscal 2003.

BENEFICIAL RIGHTSIZING OF OUR HOUSING DIVISION CONTINUED

As the manufactured housing market continued its decline to the lowest quarterly shipment level in 40 years, we adjusted our manufacturing capacity and retail outlets accordingly. From November 2002 through February 2003, we closed four housing manufacturing plants in Georgia, Tennessee, Texas and North Carolina. And during the fiscal year, we closed eight stores that were part of Fleetwood Retail Corp. (FRC), our Company-owned housing retail operation. These and other cost-saving actions have resulted in savings in excess of $20 million on an annualized basis, in addition to the annualized savings that we are realizing from reductions in prior years. Because of uncompromising cost management, our housing manufacturing operations are now profitable at just over 50 percent capacity utilization. This embeds powerful operating leverage in our manufacturing group for when the industry turns.

Within our retail operation, we are not just cutting stores but looking for opportunities to add home centers in selected areas where we can make the business case. FRC is still losing money at the net income line, but it is an integral part—an essential element—in our strategy of full vertical integration.

OUR IMPORTANT FINANCING SUBSIDIARY WAS LAUNCHED

Besides manufacturing and retail, the third key element in full vertical integration is financing. In fiscal 2002 we began to fund loans in HomeOne Credit Corp., our wholly owned financing subsidiary. During fiscal 2003 we wrote over $18 million of quality loans, primarily chattel. We expect that prudent growth of HomeOne will improve FRC's performance as we replace some of the retail lending capacity that has disappeared from our industry. We have an exciting long-term view of the role of HomeOne and are currently taking the proper steps to roll out its financing to customers of our Company-operated stores. We are in the process of building a quality portfolio that has intrinsic value and drives sales volume for both retail and manufacturing.

In order to expand HomeOne to fund the quantity and quality of loans needed to make a substantial difference in sales volume, however, we need to put a warehouse credit line in place. While we are still in discussions with potential lenders about providing backing for HomeOne, we believe that a transaction will be successfully concluded.

NEW TRAVEL TRAILER MODELS WERE INTRODUCED

During the third quarter of our fiscal year, we launched completely new versions of more than half of our travel trailer line. They were introduced at the Louisville show in the first week of December 2002, and were received with great enthusiasm by our dealers and their customers. However, due to the number of changed models and the product complexity, our factories struggled to produce them efficiently. Additionally, because of the war in Iraq and, to a lesser extent, the severe weather in the East, our dealers were reluctant to increase inventories in the seasonally slow period of the year. During our fourth fiscal quarter we moved aggressively to address the production issue, including allocating the production of like products to specific plants to gain efficiencies. Dealer confidence is now rising, our plant performance has improved, and our travel trailer business is now solidly on the path to profitability.

MOTOR HOME IMPROVEMENTS LED TO PROFITABILITY

A real success story during the year was the improved performance of our motor home division. We followed the successful introduction of our new diesel brands with several enhancements in our established diesel motor homes. Our Class A gasoline-powered units also enjoyed renewed popularity. Overall, market share improved in Class A

letter to shareholders

motor homes from 18.8 percent at the end of fiscal 2002 to 20.4 percent 12 months later, giving us overall leadership in Class A motor homes. The most important part of this growth has been the Motor Home Division's return to solid profitability.

OUR MANAGEMENT TEAM HAS BEEN STRENGTHENED

This is the first year Ed Caudill has co-written our annual letter to shareholders, having joined Fleetwood as president and CEO in August 2002, just at the beginning of our second fiscal quarter. During the year, we promoted Chuck Wilkinson, one of the most respected veterans in the manufactured housing industry, to chief operating officer. With Chuck as COO and Boyd Plowman, another veteran of Fleetwood and our industries, as CFO, and with first-class people behind them, the transition to a new management structure has been smooth.

We have since added Scott Grafft as senior vice president–strategic planning and market development. He's already leading us in new and exciting directions in marketing and product planning. Early in fiscal 2004, we also added new senior vice presidents in both the Housing and RV groups. Roger Howsmon (Housing) and Chris Braun (Recreational Vehicles) are seasoned executives who bring excellent depth to already strong teams.

Also during the year, we promoted Joe Corona, who has been running our HomeOne subsidiary, to vice president, and we have combined our company-wide purchasing under the leadership of Larry Mace, who takes on the title of VP–purchasing in addition to his former duties. We also promoted Larry Marsh to vice president to run Fleetwood Folding Trailers, Inc., replacing Pat Scanlon, who retired after a long and distinguished career. Larry Marsh is a 30-plus-year veteran of this industry, Larry Mace has 30 years with Fleetwood, and Joe Corona has 17 years of manufactured housing finance experience. These are great examples of the bench strength that we have throughout the Company.

OUR LINE OF CREDIT WAS ENHANCED

Early in the fourth quarter, we were able to successfully renegotiate our bank lines, giving us more working capital flexibility and reducing the line from $190 million to $130 million, which is closer to the actual amount we can utilize. This move freed up collateral and improved borrowing availability, while the number of participants in the line was reduced from six to a more cohesive group of four financial institutions, which continues to be led by Bank of America.

CORPORATE GOVERNANCE ACTIVITIES CONTINUED TO BE A FOCUS

Management and the Board of Directors take our responsibilities to shareholders very seriously. During the year, we implemented all of the rulings of the Securities and Exchange Commission relating to the Sarbanes-Oxley legislation, and we also anticipated many of the pending proposals from the New York Stock Exchange. Our Board of Directors, with the exceptions of Ed Caudill and our former chairman and CEO Glenn Kummer, is composed of fully independent directors. We have separated the positions of chief executive officer and chairman, with Tom Pitcher, a co-author of this shareholder letter, filling the position of non-executive chairman. A Governance and Nominating Committee was formed, comprehensive corporate governance guidelines were adopted, and a governance page was launched on our corporate Website. We also established a highly empowered disclosure committee made up of financial, operating and legal executives of the Company. It serves to ensure that any potential issues are brought to the forefront before we publish our financial and operating results. We have always been a company of high integrity and these actions serve to reinforce this culture.

WE ARE NOW POSITIONED FOR GROWTH

With the major changes made at Fleetwood in the past year, we believe we have further strengthened ourselves for future growth. Significant progress has been made toward profitability and we feel that with some cooperation from the economy, the Company is positioned to consistently produce stronger financial results for our shareholders. Management and the associate group at Fleetwood are committed to performance, and our challenge in fiscal 2004 is, simply, to deliver.

These goals would not have been accomplished without the steadfast commitment of our associates, our recreational vehicle dealers, our independent manufactured housing retailers and our suppliers, and we thank them for their loyalty and support.

Finally, we want to close with a special word of acknowledgement for Glenn Kummer, who is retiring from the Board at the Annual Meeting in September. Glenn served in a variety of positions at Fleetwood since joining the Company in 1965. In 1983, he was appointed president and chief operating officer, and joined the Board at that time. He later served as chief executive officer and chairman, and he has served both our industries in various trade organizations throughout the years. Glenn's contributions to Fleetwood, and to the RV and the manufactured housing industries, are truly without parallel, and all of us at Fleetwood are proud to have been associated with him.

Edward B. Caudill

Edward B. Caudill, President and CEO

Thomas B. Pitcher

Thomas B. Pitcher, Chairman of the Board

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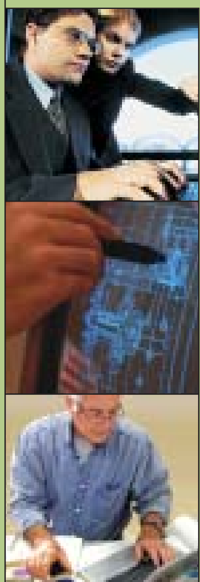

OPERATIONS

In fiscal 2000, Fleetwood was a $3.8 billion company; the following year revenues plunged by one-third to $2.5 billion. While working to recover sales, we also had to slash expenses. **We set out to reinvent our operations.**

First, we reduced capacity to more closely match demand. After one year, we had decreased our workforce by 33 percent, mothballed nine Housing plants and five RV facilities, and sold or closed 73 FRC stores. Similar, though less drastic, moves have been made since. But we had to do more than just cut costs.

The silver lining in a crisis is that the need for change is more clearly understood. People start to rethink standard operating procedure, ideas can be heard and red tape is recognized and eliminated.

We needed to fully realize our economies of scale. We centralized our purchasing process to include both RVs and Housing, and trimmed an excessive variety of alternatives within several material categories.

We began to upgrade computer systems. The rewards are already being felt throughout the Company in product design, customer relations, production and financial reporting.

We centralized certain aspects of our service and warranty functions, resulting in more speed—from answering customer calls, to having needed parts at hand, making repairs and communicating quality concerns to the plants.

Our operating expenses have declined by $175 million over the past three years. Most of these savings will continue into the future as revenues increase. The resulting improvement in operating leverage will benefit the Company for years to come.

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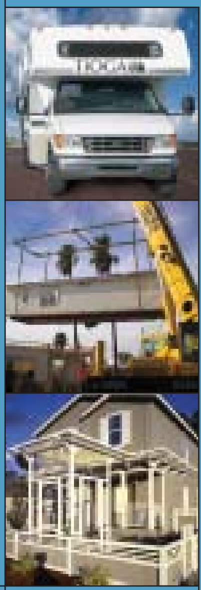

PRODUCTS

In years past, while Fleetwood was becoming the largest producer of both recreational vehicles and manufactured housing, a strong emphasis was put on design innovation and advances in manufacturing techniques. After we'd been at the top of our industries for a while, some of that drive diminished. **We've now renewed our commitment to our products and our markets.**

This commitment is especially critical in RVs, where customers are continually looking for innovations. The system we use to develop products has undergone dramatic transformation.

We began to use a more defined process for product planning and development in both groups. As our consumer research reveals feature preferences, they are incorporated into our products. We introduced three new RV diesel brands in fiscal 2002, and have since refreshed most of the core motor home and travel trailer brands. We developed a two-story home and other exciting new floor plans, and began to utilize some modular construction techniques. Our homes further utilize the features and appearance of site-built houses. An internal committee focuses on product innovation and early input from all disciplines.

As a direct result, motor home sales have surged, market share has increased and profitability has returned. Travel trailer sales are responding to the new model-year product introductions, and we fully expect market share and profitability to follow in that division as well. While market and competitive pressures in Housing are precluding us from realizing sales gains, we are highly encouraged by consumer reaction to our product line.

We have no doubt that our renewed commitment to providing our customers with the very best, most innovative products is the way to regain industry preeminence.

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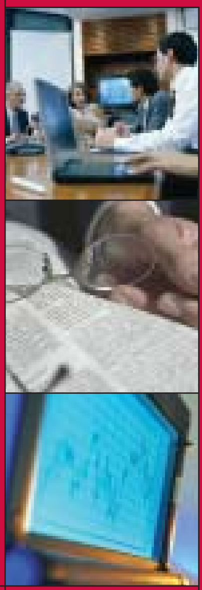


MOMENTUM

Although the reasons for the recent slumps in both of Fleetwood's business lines were quite different, they happened almost concurrently and the velocity of Fleetwood's business slowed considerably. **We had to take action to regain our momentum.**

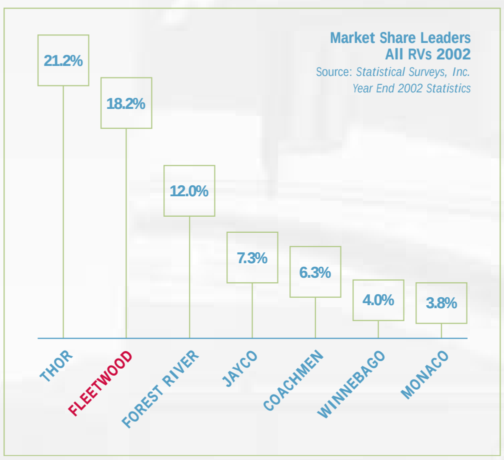
With the manufactured housing industry in a four-year depression, and RV industry sales slipping for 18 months starting in early 2001—exacerbated by shortcomings in some Fleetwood RV products—our revenues and earnings suffered significantly.

Historically, Fleetwood had enjoyed strong cash flow and an abundance of liquidity. In the last three years, however, substantially lower volumes have mandated careful balance sheet management, and we continue to emphasize cash conservation, tighter control over receivables, leaner inventories and disposition of idle assets. Downsizing operations and overheads is always painful, but it creates a leaner, more efficient organization and a lighter load. Stronger managers, reduced overheads and greater agility in product development and manufacturing all translate to operating leverage and opportunity.

During this same period, we turned our attention to recruiting for critical management positions that had become vacant. While many of our top people have been with us for decades, and their experience is vital to our continued success, we took the opportunity to reach outside to diversify our experience and create new synergies. We brought in a new chief executive officer, as well as new leadership for the Housing and RV groups to work with our seasoned chief operating officer, plus a point person for strategic planning and market development—all ingredients in a recipe for forward motion.

Forecasts show better times ahead in both industries. Certainly we're not up to speed yet, but with the changes we've effected in products, processes and people, we are moving in the right direction and quickly gaining momentum.

RECREATIONAL vehicles



THE RECREATIONAL VEHICLE INDUSTRY

The recreational vehicle industry had one of its best years ever in calendar 2002 in terms of both the number of vehicles manufactured and, more importantly, the number of new RVs purchased by retail customers. Shipments were up 21 percent over 2001, while the retail value of industry shipments increased by 28 percent to $11 billion. The dollar amount outpaced even 1999, the previous record year, thanks to a continued trend toward more upscale models of all products, particularly diesel motor homes.

REALIZING A POSITIVE, AND INTERESTING, YEAR

The improving RV market surprised many industry observers. Consumer confidence has long been accepted as the best predictor of near-term retail sales, but 2002 proved to be an exception to the rule. Because RVs are a discretionary purchase, people tend to buy them when they're feeling confident about the economy and their own future prospects. In 2002, however, it appears that other factors outweighed a downward trend in consumer confidence that persisted throughout much of the year. As domestic air travel has declined in popularity, and worries about international tensions have reduced travel outside the continent, people have increasingly turned to RVs for their leisure travel plans. The added benefits of spending more time with family and touring the country during this time of heightened patriotism also appear to be playing into buying decisions.

The first quarter of calendar 2003, however, brought the war in Iraq, causing sales to slow as both customers and dealers chose to "wait and see." Lower-end products were especially affected—the folding trailer retail market experienced year-over-year declines of 24 percent for the first four months of the calendar year. Conventional travel trailers and gasoline-powered motor homes were also affected disproportionately. While it appears that this hesitation may prevent 2003 from posting improved numbers over 2002, sales did begin to improve shortly after the war concluded.

OPTIMISTIC FORECASTS ARE EMERGING

While consumer confidence is usually an excellent predictor of near-term sales, the industry looks to demographics to forecast sales in the long term. For the next 10 years, the "Baby Boomer" generation will be passing through their prime years for the purchase of an RV. According to a 2002 survey conducted by the

University of Michigan, the highest ownership percentages are for those 55 and over. However, because the age group from 35 to 54 is much larger, more RVs are owned by this younger group. As this group ages, we expect that the ownership rates will increase, creating a boon for the industry.

The RV industry is also benefiting from medical breakthroughs that help people remain healthier as they age, allowing customers to enjoy the RV lifestyle longer. Marketing campaigns designed to attract younger buyers also appear to be working. The result of these factors is that the "traditional RV-buying age" has been stretched at both ends, greatly increasing the industry's target market.

Independent studies show that there are more recreational vehicles in use today than ever before, with almost 1 in 12, or 8 percent, of all vehicle-owning households owning one. Perhaps even more significantly, the University of Michigan study indicates that 6 out of 10 current owners expect to purchase another RV. In all, 16 percent of all vehicle-owning households said that they intended to buy an RV in the future. Obviously, the future looks quite bright for the RV industry.

FLEETWOOD RV GROUP

The RV Group made strides toward its long-range goals during the year and, on the whole, progress is on target. The Group experienced a remarkable $70 million swing in profitability from the prior year. Overall, this Group generated revenues of $1.48 billion and operating profits of $32.5 million. In fiscal 2002, revenues were $1.21 billion, with an operating loss of $37.5 million.

Despite the dramatic turnaround, RV financial results still aren't up to historic levels or their ultimate potential, but they are a strong indication that the Group has properly identified and successfully addressed a problem that contributed significantly to underperformance in recent years.

During the late 1990s, the Company experienced record RV sales and operating profits, giving rise to a sense of complacency relative to the development of new products. In hindsight, this led to an "if it ain't broke, don't fix it" mentality, even though Fleetwood's market share had begun to erode. The aged inventory on dealer lots translated into

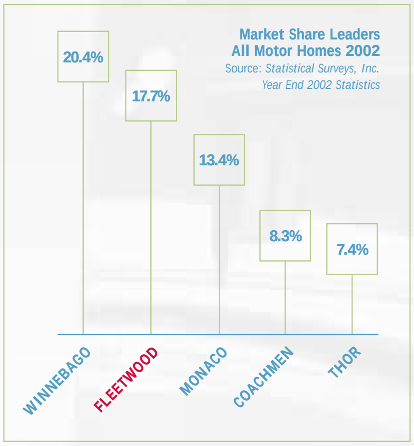
RECREATIONAL vehicles

sizable financial losses in fiscal 2001. Needless to say, that got the Group's attention.

TIGHTENING OUR PRODUCT FOCUS

The RV business is complex. It involves the design, production and testing of increasingly sophisticated products. It includes the sourcing and purchase of all of the components, from lighting to appliances to chassis. It requires the establishment and maintenance of a capable distribution system and a responsive service organization.

Of all of these factors, it's clear that innovative, well-designed product is the most critical. In the late '90s when products were allowed to become stale, Fleetwood began losing market share despite having the largest—and arguably the best—dealer and service network in the industry. It isn't an exaggeration to say that virtually the entire motor home and travel trailer product line needed to be refreshed.



An RV is a small home on wheels, and a motor home adds the additional complexities of an engine. The amenities must be of residential quality, and sturdy enough to withstand the rigors of the road. Every aspect is essential to the owner's enjoyment of the vehicle—from the wheels to the décor.

In fiscal 2000, the RV Group began to utilize a more structured method of product planning and development, highlighting the fact that there were price categories within Fleetwood's target market that had been neglected. It also became apparent that the Company was failing to capitalize on the public's desire for more space, which several of its competitors were addressing by adding increasing numbers of slide-outs per coach. (A slide-out is a section of the vehicle that electronically extends, or slides out, 18" to 36" when the vehicle is parked, providing more living space.)

In its efforts to remedy product deficiencies, the Company focused more resources initially on motor homes, primarily because they offered the opportunity for greater profit improvement. As a result of more interactive market research and improved execution of product development, the RV Group introduced three new diesel brands (Fleetwood Revolution, Fleetwood Excursion and Fleetwood Providence) in fiscal 2002, and refreshed most of the core brands, adding floor plans with double and triple slide-outs on many of them.

Fleetwood's excellent, established dealer network allowed these new products to reach consumers quickly and market share began to rebound starting in December 2001, along with substantially higher sales and profitability.

Retail market share in Class A motor homes improved from 18.7 percent to 20.8 percent during 2002, making Fleetwood the market leader in the Company's most profitable product category. The increases have continued throughout the first part of calendar 2003. As a consequence, year-over-year sales were up each quarter, and the Motor Home Division posted a $40.2 million profit at the operating line, versus $0.4 million in fiscal 2002.

STREAMLINING OUR DESIGN PROCESS

Generally speaking, the approach used to rejuvenate motor homes was repeated in travel trailers approximately a year later. The 2002 Louisville RV Show, the largest dealer show in the industry, was chosen as the debut event for the Company's new lineup of travel trailers. Major changes and upgrades that affected more than 60 percent of Fleetwood's core brands were unveiled, with an emphasis on new, higher-end fifth wheels, a growing product category in which Fleetwood's market share had been particularly impaired in recent years.

As with motor homes, careful research was conducted to determine what customers were looking for and what they were doing to custom-fit their trailers. These features were then incorporated into Fleetwood's lineup, generating an overwhelmingly positive reaction from dealers and retail customers.

The introduction was not without its problems, however. First, the sheer number and complexity of product changes resulted in production inefficiencies, causing labor costs to spike upward. For similar reasons, the optimal mix of products was not produced during the first few months. Finally, despite their enthusiasm for the products, dealers hesitated to place orders for the trailers due to international tensions, a desire to liquidate older models before taking delivery on newly designed trailers and, in the East, unusually bad weather.

By the end of the fourth quarter, the plants had returned to more normal production efficiencies and the dampening effects from the economic and geopolitical challenges had dissipated. Production at plants was rationalized to better accommodate order flow. The war in Iraq ended and dealers' retail efforts, in conjunction with some Fleetwood sales programs, reduced the number of prior-model-year products in inventory.

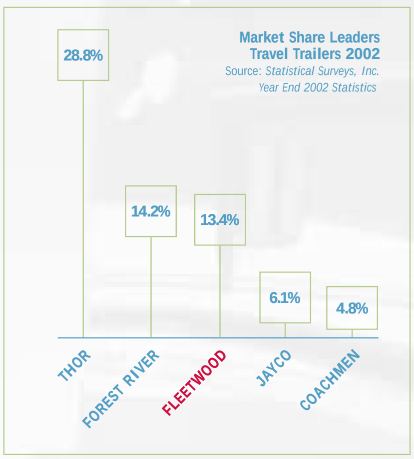
RECREATIONAL vehicles

The result of all these factors was that sales, which had been trending down from quarter to quarter during fiscal 2003, rebounded in the fourth quarter, rising 85 percent from the third quarter, and 20 percent compared with the fourth quarter in the prior year. The success of the product introductions has allowed Fleetwood dealers to turn 2004 inventory into sales more than twice as quickly as they were able to do with the 2003 products when they were new.

PROMOTING OPERATIONAL EFFICIENCIES

The profitability of the Travel Trailer Division was affected positively in the first half of the fiscal year, due to a focus on material utilization and increased efficiency of the workforce. The second half was difficult because of the factors previously noted.

In the first quarter, the division earned an operating profit of $5.7 million compared to a loss of $6.3 million in the prior year. The second quarter gain was $3.6 million, up from a $12.0 million loss in the prior year. In the third quarter, which began just about a month before the product launch at the national RV show in Louisville, the division lost $15.5 million, which was the only negative quarterly comparison to fiscal 2002, when the loss was $14.8 million. The fourth quarter demonstrated evidence of the progress noted above. Although the division lost $2.9 million during the quarter, it was a 46 percent improvement when compared with a loss of $5.3 million a year earlier.



FOCUSING ON THE CUSTOMER

Fleetwood now has processes in place to make certain that it continues its emphasis on product development. An internal committee for all products, including those of the Housing Group, ensures that creative ideas are used, as applicable, throughout the Company. A few of the more notable improvements that were made to Fleetwood's RV products during the fiscal year include quadruple slides in both motor homes and fifth-wheel travel trailers; increased storage space, both exterior and throughout the cabin; increased use of pullout baskets and shelves to improve accessibility; models with electric fireplaces; new choices of décors, wood cabinets and exterior paint patterns; full paint on high-end motor homes; and increased motor home towing capacity.

Some of the design improvements for the future are already winning awards today. Fleetwood was honored as a finalist in *Computerworld's* annual "A Search for New Heroes" program. Intel® nominated the Company in the Transportation category for its "Smart Coach" prototype. The Smart Coach was designed to

allow motor home owners to use wireless technology and an integrated server to control the coach's appliances, entertainment systems and electrical functions, and access the Internet for online banking, email and browsing through a two-way Internet access satellite system. Aspects of the Smart Coach are being integrated into an option package for our higher-end diesel products, and will probably be incorporated into other motor homes over time.

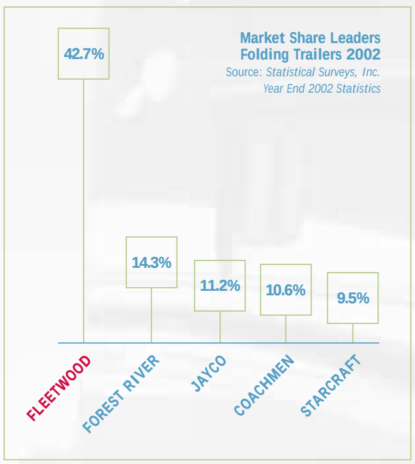
New RV dealer councils provide a forum for input from the dealers' perspective and allow them to share best practices among themselves. An emphasis on direct-to-consumer (DTC) communications, including a new comprehensive survey of Fleetwood's retail customer and potential customer perceptions, will provide constant feedback from the people who have the strongest—and most important—opinions of all.

This dealer and consumer input feeds directly into Fleetwood's sales and marketing plans, as well as into product development. The dealer councils are an adjunct to other dealer relations tools such as written communications, sales support materials, Web-based training modules and, of course, face-to-face contact with sales associates.

Fleetwood's computer systems were upgraded during fiscal 2001 to include an integrated customer relationship management (CRM) program. Club Fleetwood was formed in August 2002 to provide support, networking, group events and current product information to all Fleetwood owners who wish to join. In contrast, earlier "Fleetwood clubs" are consumer-operated and brand-based. New efforts are now being made to build ongoing relationships with the 70 percent of owners who do not participate in rallies and other group events. The budget for DTC marketing has been dramatically increased, gearing up for both direct marketing and Internet-based communications, and allowing the information gathered through the CRM technology to be used more effectively.

CRM also provides a platform for Fleetwood's motor home service and parts operation to maintain its database and communication network and has allowed the operation to centralize its primary business units: owner relations, warranty administration, dealer technical support, parts distribution and training. Fleetwood provides the infrastructure and support systems needed by dealers to provide quality service to their retail customers, who are primarily members of the

RECREATIONAL vehicles



"Baby Boomer" generation. These customers have become accustomed to very reliable products and outstanding customer service with most other discretionary purchases, and their expectations of their RVs are high and constantly rising. Fleetwood continues to implement quality and service initiatives to stay ahead of these discerning customers' demands. Product quality is being constantly improved, which has also led to lower costs. The goal to more effectively deliver significantly higher levels of service for fewer dollars is being realized.

REGAINING MARKET SHARE STRENGTH

For calendar 2002, retail statistics indicate that Fleetwood Discovery was the fourth best-selling diesel brand; Fleetwood Bounder ranked second among Class A gasoline brands, with the Fleetwood Southwind and Fleetwood Pace Arrow coming in fourth and sixth in the category. Fleetwood Tioga and Fleetwood Jamboree were both in the top 10 of Class C brands at six and nine, respectively. Fleetwood Prowler was the second best-selling travel trailer, followed by Fleetwood Wilderness at number seven. Other market share highlights for the year include Fleetwood Revolution emerging as the fastest-growing diesel brand, and Fleetwood Pace Arrow up 76 percent within gasoline-powered Class A motor homes.

As compelling as some of Fleetwood's market share gains have been, the Company is clearly dominant in the folding trailer segment. The Company ended calendar 2002 with 42.7 percent of the industry's folding trailer shipments, up from 41.5 percent a year earlier. Retail market share through the first calendar quarter of 2003 was 50.8 percent compared with 48.6 percent for the same period last year, indicating that Fleetwood folding trailers outsold all other competitors combined during the first three months of 2003.

The industry honored Fleetwood Folding Trailers for its accomplishments during calendar 2002. Statistical Surveys, Inc., presented the division with its Top Folding Trailer Manufacturer award for the 20th consecutive year. And in December, the RVDA (Recreation Vehicle Dealers Association) presented its first Quality Circle Award ever given to an operational group or division, rather than a corporate parent, reflecting a consistently high dealer satisfaction index. Retail customers also rate Fleetwood Folding Trailers very highly—its customer satisfaction index for the 2003 model year to date stands at 96.7 percent, up from 95.9 percent last year.

Despite the achievements of Fleetwood Folding Trailers during fiscal 2003, it was a very challenging year for the folding trailer market as a whole. Industry sales were off more than 16 percent in both the third and fourth quarters of calendar 2002 and things only got worse at the beginning of calendar 2003, with first quarter sales slumping 23 percent from the prior year. The younger and less affluent consumer that buys folding trailers had concerns about potential job layoffs and a sluggish post-war economy that, combined with the unusually cold and wet spring weather conditions, significantly impacted this market segment. Numerous new folding trailer models and floorplans are slated for the 2004 model year introduction in late summer 2003. With some assistance from the economy, these new products should help address first-time buyer concerns and provide the formula for continued growth and market dominance that has been the hallmark of Fleetwood Folding Trailers.

The difficulties with the market took their toll on the division's profitability, resulting in losses that totaled $1.2 million for the last two quarters of the year, a sharp contrast to profits of $1.1 million and $1.4 million recorded in the first two quarters, respectively.

MAKING MANAGEMENT CHANGES

Top management for the RV Group changed during the past 12 months. Christopher J. Braun was named senior vice president–RV Group in May 2003, and is now responsible for operations, sales and product development for both the Motor Home and Travel Trailer divisions. The position had been vacant for 20 months, during which those functions reported directly to Chuck Wilkinson, Fleetwood's chief operating officer. Braun has 16 years of experience at PACCAR, most recently serving as second-in-command for the Kenworth Truck Division, which has over $2 billion in annual revenue. His responsibilities included sales and marketing for the North American organization, as well as operations. Braun now reports to Wilkinson.

In October, Larry Marsh was named vice president and general manager of the Folding Trailer Division, succeeding Pat Scanlon who retired. Marsh started with the Coleman Company in 1970, and had been promoted to regional sales manager by 1973. Other positions he held with Coleman included marketing and national accounts manager, director of dealer development and national sales manager. When Fleetwood acquired Coleman Recreation Vehicles in 1989, Marsh was vice president–sales and marketing. Fleetwood named him director–sales and marketing of its new Folding Trailer Division, a position he held until his promotion.

LOOKING TO THE FUTURE

The RV Group is looking optimistically toward the future. Heightened competition and the Group's recent experience indicate a critical need to continually strive for innovation and quality. In keeping with Fleetwood's cost-conscious culture, strategic investments are being made in the RV Group pursuant to careful analysis of projected returns.

In this regard, some of the most promising initiatives include full-paint facilities for high-end motor homes, information technology for customer relations, direct marketing to qualified leads, product training for dealers' sales personnel, and, of course, numerous product development projects.

RV industry experts seem to agree that the recreational vehicle industry is on the verge of an excellent decade of growth. Given recent revitalization, Fleetwood is poised to not only participate in that growth, but to lead it.

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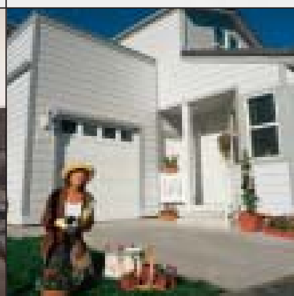

THE HOUSING INDUSTRY

In sharp contrast to the RV industry, the manufactured housing industry experienced arguably the worst year in its history. Not only did industry shipments hit a 40-year low, but the related financial results of most industry participants were equally dismal.

LENDING CHALLENGES CONTINUE

While the site-built housing market has been booming, manufactured housing shipments have been plummeting in recent years. The difference lies primarily in the way that manufactured housing has been financed. Traditionally, the majority of homes have been financed as personal property, using chattel loans. In other words, land was not part of the financing arrangement. Most of the financing was provided by lenders who specialized in this type of financing, and not traditional mortgage lenders.

In the 1990s, some of the larger lenders began to package their loans and sell them in the asset-backed securities (ABS) market. This provided a valuable source of funding, allowing them to make more loans. In addition, because they often used gain-on-sale accounting, lenders were able to generate excellent short-term financial results. This combination created a seemingly insatiable appetite for manufactured housing loans. Credit standards were relaxed to accelerate volume and some retailers embellished information on loan applications to permit marginal customers to meet even those too-liberal standards. When many of these loans inevitably became delinquent and turned into repossessions, all participants—lenders, retailers, consumers and manufacturers—suffered. Because of the significant impact on lenders, many reacted by sharply restricting availability and elevating underwriting standards to levels that were unattainable even by many solid potential buyers. As a consequence, both manufacturing and retail capacity have contracted by about 50 percent since the late ’90s.

The lending landscape has changed dramatically over the past few years. The single largest lender, which once captured more than 30 percent of the market, has declared bankruptcy, primarily due to the losses incurred in its portfolio of manufactured housing loans. Several other lenders have also left the business, damaged by an inability to access the ABS market at a reasonable cost. Those

that have stayed in the business have scaled back considerably, mostly by raising credit standards, down payment requirements and interest rates. Although the cost to build a manufactured home is less than half the cost of a site-built home, the average interest rate is currently twice as high. These factors have diminished the traditional affordability advantage of manufactured housing, at least temporarily.

Today, most manufactured home buyers utilize land/home loans, similar to those used for site-built houses. The current lack of chattel financing severely limits the market for manufactured homes in locations that have traditionally been preferred by many customers, such as in manufactured housing communities or on previously purchased land, and also particularly affects sales of single-section homes. Most industry observers believe that these market segments will recover as lending restrictions are eased.

Further pressure was put on the industry last year by a new law in Texas, which had the effect of prohibiting chattel transactions unless the house was being placed in a rental community. This prevented landowners, such as ranchers or farmers, from adding homes for workers or relatives without also mortgaging their land. The result included a loss of jobs in the state, as manufacturers, including Fleetwood, closed plants due to the reduced volume. Fleetwood and the industry actively sought to overturn the Texas law, and in June 2003 were gratified by the enactment of a bill that effectively rescinded the most damaging provisions of the prior legislation.

REPOSSESSIONS PERSIST

The excesses of the '90s left another unpleasant legacy—repossessed houses continue to create competition for new homes and depress prices for resales. Some thought that the repossessions would have largely worked their way out of the system by now, but instead they continue to be a persistent problem. It is clear that some lenders who were saddled with the repossessed houses, in their haste to dispose of them, repeated some of their loan underwriting mistakes. A substantial percentage of resold repossessed homes have been repossessed a second time.

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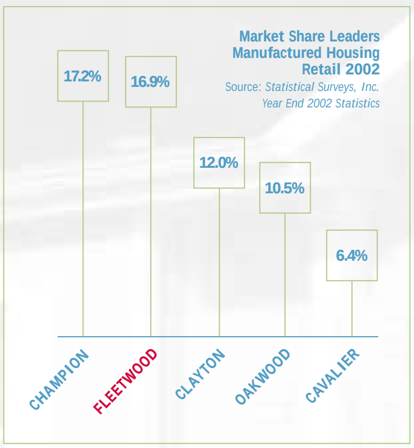

Consumer demand for manufactured housing has remained relatively steady at approximately 225,000–275,000 homes per year for a decade or more. When shipment numbers were higher, particularly in the late '90s, one of the chief reasons was that new retailers were purchasing houses for their own inventories. Shipment numbers are now much lower—168,000 in calendar 2002 and a projected 140,000 in calendar 2003—primarily because the rest of the demand is being filled by repossessed homes, which were estimated at 90,000 in 2002 and are forecast to be even higher in 2003. Most observers expect that the impact of the repossessions will begin to moderate later in calendar 2003. The bankruptcies of a large vertically integrated competitor and a major independent lender led to a spate of homes hitting the market, which made the following period particularly difficult. There is evidence, however, that these are being resold for cash or to better-qualified buyers, and consequently that many of these repossessed houses are being effectively taken out of circulation.

Sales in late 2002 and early 2003 were also hurt by the war in Iraq and a volatile stock market, exacerbated by unusually bad weather in the East. Manufactured housing customers are affected by economic uncertainties to a greater extent than most RV customers.

LONG-TERM OUTLOOK IS IMPROVING

Despite the current environment, there are reasons for optimism in the long-term. As noted above, retail demand has remained stable, notwithstanding the well-publicized problems in the industry. The demographics remain strong, as affordable housing is a significant ongoing need and the number of people in the industry's traditional customer age and income brackets remains high. Meanwhile, the quality and aesthetics of manufactured homes have continued to improve, which should attract new buyers. The tribulations of the past few years have also inspired manufacturers to look beyond their traditional markets, leading to, for instance, two-story homes that are ideal for urban infill projects.

The industry got a dose of good news in June, when U.S. Bank's Consumer Lending Division announced its entrance into the manufactured housing finance business with plans to partner with reputable, preferred dealers and manufacturers to reach a customer base with low-risk demographics.

In other financing developments, the tighter underwriting standards widely adopted three years ago should lead to fewer repossessions to compete with sales of new product and to better performance of manufactured housing loan

portfolios. Fleetwood's management believes that the structural changes in the industry that were precipitated by the current financing crisis, including fewer but stronger retailers with more rational levels of inventory, will ultimately lead to a more robust industry with greater credibility for its financing on Wall Street and greater credibility for its product on Main Street.

FLEETWOOD HOUSING GROUP

A total of 25,724 Fleetwood homes were retailed in calendar 2002, a decline of 22 percent from the prior year. The Company was once again the second-largest manufacturer with retail market share of 16.9 percent, less than one percentage point behind the current market leader.

Fleetwood's shipments dropped from 30,410 last year to 25,032 this year, which led to a drop in wholesale market share to 14.9 percent. Fleetwood is the market share leader in multi-section homes. Its market share is not as high in single-section homes, largely due to customers having difficulty obtaining financing for these products. Although the one competing manufacturer with a well-established and well-capitalized finance arm is only the fourth largest manufacturer of multi-section homes, it has the leading market share in single-section homes, principally because of its ability to provide loans for its own customers.

The manufacturing division's gross revenues were $667.1 million, down 21 percent from $842.5 million in the prior year. The division lost $13.1 million, compared to income of $16.8 million in fiscal 2002.

RETAIL SEGMENT IS STRATEGICALLY INTEGRATED

In 1998, after almost 50 years of building homes, Fleetwood entered the retail segment of the manufactured housing business. The move was made largely for defensive reasons, as competitors were purchasing independent retailers from the Company's high-quality network at an alarming rate. By the time the decision was made to enter into the retail arena, retailers representing 25 percent of the Company's housing revenues had been sold to competitors, and another 15 to 20 percent were involved in similar negotiations.

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In hindsight, the timing of the entry couldn't have been worse, as competing offers inflated purchase prices and the entire industry began its decline shortly afterwards. Nonetheless, the Company's management believes that vertical integration is the best model for the manufactured housing industry, and has positioned FRC to become profitable on slightly improved volume while continuing to contribute to the success of our manufacturing division. Meanwhile, Fleetwood is benefiting from greater control over the entire selling process and its direct contact with customers, which provides quicker, more accurate feedback on consumer preferences. The Company also believes that it is a better partner to its independent retailers because of an improved ability to see things from their perspective. Last but not least, FRC allows Fleetwood to provide a consistent retail experience and further its industry-leading brand name recognition.

VERTICALLY INTEGRATED MODEL IS COMPLETED

A necessary addition to complete the vertically integrated model is a finance vehicle. Even before it became so difficult for customers to qualify for chattel loans, this "third leg of the stool" was in Fleetwood's long-term plans. The difficult environment has, however, accelerated its incorporation. HomeOne Credit Corp. was created in 2001 and began funding loans at a modest rate during fiscal 2003. It is helping to support incremental sales for FRC and is growing steadily and carefully.

Roger Howsmon joined the Housing Group as senior vice president in June 2003, taking on responsibility for both manufacturing and retail. The position had been vacant since September 2001, when Chuck Wilkinson, Fleetwood's chief operating officer, was promoted to executive vice president. The Group had been reporting directly to Wilkinson, who also has had overall responsibility for the RV Group. Howsmon, who has more than 20 years of chief executive level experience at a variety of manufacturing and service companies, reports to Wilkinson.

MANUFACTURING MOVES ARE FOCUSED ON PROFITABILITY

As cited above, after a number of years of expansion, the industry suddenly began to experience a prolonged, steady downturn. Although Fleetwood's revenues continued to grow even through fiscal 2000, management saw the writing on the wall and began to make cuts in costs and size that year. Numerous plants have been closed, the workforce has been reduced by a third,

and every expenditure has been scrutinized. Consequently, the manufacturing division of the Housing Group has stayed ahead of the downward curve throughout and has remained profitable with the exception of just three quarters during this four-year industry depression.

This concentration on preserving profitability has resulted in some loss of market share, as competitors have cut prices to compete with repossessed manufactured houses.

Unfortunately, additional factors in late calendar 2002 and early 2003 led to increased pressure on operating income. The bankruptcy of what had been the largest lender to the industry not only increased the difficulty for consumers to get chattel loans and for retailers to get floorplan lending, but it also added more repossessed homes to an already saturated market. The decline in consumer confidence, which was further impacted by the war in Iraq, also led to decreased sales. Consequently, three plants were closed in the last half of fiscal 2003, and another two were consolidated. As a result of all these factors, the manufacturing division lost over $16 million in the second half of fiscal 2003, resulting in its first annual loss since 1982.

While the division continues to emphasize its culture of cost-consciousness, it believes that the days of closing plants are over. At this point, overcapacity within all regions has been eliminated. Toward the end of fiscal 2003, backlogs began improving in most plants and Fleetwood is fully prepared to take advantage of the opportunity presented by the eventual upturn.

THE GROUP IS STAYING INNOVATIVE TO STAY COMPETITIVE

Although the Company has put every effort into reducing costs, it is also prepared for anticipated expansion in the industry through a continued investment in the design, marketing, distribution and servicing of its homes.

The emphasis continues to be on creating manufactured homes that are virtually indistinguishable from site-built houses except, of course, for the advantages of price and the time from purchase to occupancy. This has resulted in an

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increase in the use of such features as tape-and-texture on the interior walls, higher-pitched roofs and luxury master suites. Options are also available for high-end countertops and cabinetry, as well as a variety of flooring alternatives.

A greater focus has been placed on market research to develop new products and communication strategies targeted to specific market segments and future trends. The Entertainer® Home illustrates how Fleetwood is recapturing its product innovation leadership and taking advantage of this enhanced market understanding. The Entertainer Home continues to be one of the best-selling houses on the market. It is available nationwide and provides a number of popular amenities such as a large family room with a built-in entertainment center, a security system, a spacious kitchen with a deluxe Whirlpool® appliance package, and a luxurious master bedroom. One of the most successful sales promotions of the year was “The Ultimate Entertainer Package,” which provided homebuyers with a free package that included a home theater system with 600-watt surround sound, computer, video game system and a flip-down TV with the purchase of an Entertainer.

To further distinguish itself from the competition, Fleetwood has built a relationship with popular interior designer Christopher Lowell of the Discovery Channel’s “The Christopher Lowell Show.” Lowell completely decorated two homes that were featured on his show and were on display for several months at Country Club Homes, a Tucson-based Fleetwood Pinnacle retailer. The Company also participated in shows throughout the country during the year to showcase new designs and floorplans for both consumers and retailers.

MARKETING ACTIVITIES ENTER NEW AREAS

The sales force has concentrated on maintaining a viable distribution base, which has been a challenge as independent retailers continue to exit the industry. Because of these efforts, the number of Fleetwood retailers has remained relatively steady at approximately 1,200. The Company continues to emphasize exclusivity through its Pinnacle Program, as sales have been proven to be much higher at exclusive sites. Pinnacle retailers receive assistance with contacts for both floorplan and consumer lending, valuable marketing support, and training programs.

In response to the down market, the Company has looked to nontraditional outlets for its homes. The development of these markets should add to the earnings potential of the division when the industry improves. Fleetwood has

begun marketing two-story homes as a way to replace homes in urban areas, taking advantage of the limited disruption offered by a manufactured home compared with the construction of a new house, while providing more floor space on a limited footprint. Two-story homes are also being used in upscale communities, as seen here at a community in Southern California. Fleetwood has put new emphasis on designing and marketing homes specifically for community owners and developers.

The Group's warranty and service function has focused on reducing costs while improving the speed of delivery of parts and service to homes covered under Fleetwood's warranty. This is resulting in higher customer satisfaction. "Best practice" information from the manufacturing centers regarding their experience with various types of repair methods is being captured centrally and disseminated throughout the service organization. As a result, costs have declined substantially and the average elapsed time from the customer's first request to the service call is being reduced.

FLEETWOOD RETAIL CORP.

Fleetwood Retail Corp. retailed 5,004 homes in fiscal 2003, 35 percent fewer than the prior year. Revenues, however, were only down 25 percent from $328.2 million last year to $247.3 million. The smaller percentage reduction in revenues versus homes was the result of higher average selling prices, partially resulting from a sales mix with more higher-priced, multi-section homes. The decline in sales volume at FRC was a direct result of prevailing industry conditions. The competitive environment continued to deteriorate during the year, with many retailers participating in the resale of repossessed units at fire-sale prices or exiting the business altogether through the wholesale liquidation of their inventories. At the same time, the further restriction of financing for retail customers, occasioned by the departure of additional lenders from the market, curtailed demand even more.

Despite lower sales, the division posted an operating loss for the year that was a 21 percent improvement over fiscal 2002, $51.7 million versus $65.2 million. The higher sales prices along with the improved sales mix helped boost the

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division's gross profit margin from 15.2 percent to 20.8 percent. Elimination of a number of idle sales centers and their related lease costs, along with other cost-cutting measures, resulted in a $12 million reduction in operating expenses, a 10 percent improvement. A 15 percent reduction in headcount was also a significant contributor to lower operating costs.

Beyond the improvements in operating margins and costs, the division made a concerted effort during fiscal 2003 to lower and freshen inventories. As a result, the average number of new homes per sales center was reduced by 17 percent. The composition of the inventory improved as well, with the number of pre-owned homes cut by 40 percent to three units per sales center and the percentage of homes in inventory for more than 540 days trimmed by 22 percent.

The number of stores remained relatively steady during the fiscal year, ending at 136 retail locations, compared with 138 at the beginning of the year. Eight sales centers were closed and six were opened, as the division worked to optimize geographic coverage. In the next fiscal year, FRC anticipates strategic growth of 15 to 20 locations. In a testament to the advantage of vertical integration, 18 percent of Fleetwood's production volume for the year was sold through Company-operated sales centers and 99 percent of the new homes sold by FRC were manufactured by Fleetwood.

In an effort to boost sales volume, FRC worked successfully during the year to promote new product offerings from the manufacturing group, including the popular Entertainer Home, and both two-story and modular homes. With an emphasis on national sales promotions, the division successfully employed targeted direct mail, referral marketing and online initiatives.

FRC works to differentiate itself from the competition despite difficult times by continuing to invest in its people through programs designed to raise the standard of performance. For example, a mandatory two-week training course for general managers focuses on operational excellence, including profit and loss management, inventory mix, hiring and managing people, sales execution and more. With the advent of the finance company, the division also introduced training programs for all sales associates that focus on HomeOne financing programs and how best to optimize the vertically integrated model.

HOMEONE CREDIT CORP.

HomeOne Credit Corp. was established in 2000 as the first step toward creating a completely vertically integrated business model. The HomeOne platform was originally established in 1999 to facilitate external financing for FRC homebuyers as well as provide the operational controls essential to the business. By May 2002, the development of the platform was complete and the business model was launched.

A primary purpose for HomeOne is to help insulate the Company from the historically volatile availability of retail financing for its manufactured housing customers. Additionally, leveraging operational synergies between retail and finance will help stabilize earnings over the long-run by providing the Company with a consistent source of portfolio income. This is accomplished by creating a partnership between HomeOne and the general managers of the retail stores. Incentive compensation is tied to the long-term performance of loans the general managers helped to originate—in effect making them managers of their own loan portfolios. Finally, in an effort to maximize effectiveness, the Company has established a methodical implementation strategy to gradually increase loan production.

Today, HomeOne operates as a full-service lending organization, under a seasoned management team that averages over 19 years of industry lending experience. Joe Corona, who is executive vice president of HomeOne and was named a vice president of Fleetwood Enterprises at the end of fiscal 2003, has led the operation from the outset. Corona reports directly to Boyd Plowman, Fleetwood's chief financial officer. During fiscal 2003, HomeOne originated over $20 million in loans, with a total of more than $30 million since inception. To date, there has been no delinquency.

REALIZING THE CHALLENGES AND POTENTIAL OF THIS INDUSTRY

Manufactured homes are not only an affordable, enduring alternative to site-built housing, but they are increasingly more comparable in terms of aesthetics and quality. Interest, as shown by consumer traffic through retail outlets, has remained strong throughout the current downturn in the market. There are still many significant challenges remaining from the overexpansion of the industry, and the Company does not expect a dramatic turnaround in fiscal 2004. Fleetwood does see encouraging signs, however, that the industry may have already reached its low-water mark.

As reasonable financing becomes available and the number of repossessed houses returns to a normal level, Fleetwood will be in an excellent position to take advantage of the recovery. The Company has successfully weathered several previous cycles. With a solid, bottom-line-oriented manufacturing operation, a very strong distribution network (including both independent retailers and Company-operated stores), and a solid platform for a finance arm, Fleetwood's Housing Group will deliver the promise of its mission statement to "fulfill the dream of home ownership by providing the best housing value and highest customer satisfaction."

ten-year summary of selected financial data

DOLLARS (EXCEPT PER SHARE AMOUNTS) AND SHARES OUTSTANDING ARE IN THOUSANDS

FISCAL YEARS ENDED APRIL	2003	2002	2001
SUMMARY OF OPERATIONS:			
Sales	$2,318,293	$2,280,447	$2,531,463
Gross profit	425,657	438,089	481,016
Operating expenses	453,863	508,727	587,939
Impairment of goodwill and other charges	4,002	19,905	200,703
Operating income (loss)	(32,208)	(90,543)	(307,626)
Income (loss) from continuing operations	(70,739)	(161,928)	(283,990)
Net income (loss)	(70,739)	(161,928)	(283,990)
Earnings (loss) from continuing operations per share—diluted	(1.97)	(3.90)	(8.67)
Earnings (loss) per share—diluted	(1.97)	(3.90)	(8.67)
FINANCIAL POSITION:			
Total assets	$ 924,566	$ 984,940	$1,126,861
Property, plant and equipment, net	260,318	273,695	294,813
Long-term debt	2,357	8,741	3,676
Mandatorily redeemable preferred securities	374,377	373,145	287,500
Shareholders' equity	110,968	174,743	286,148
Book value per share	3.09	4.95	8.74
OTHER STATISTICS:			
Gross profit percentage	18.4%	19.2%	19.0%
Depreciation	$ 26,505	$ 29,761	$ 29,930
Capital expenditures	19,857	20,473	36,921
Dividends declared	—	2,621	15,059
Dividends declared per Common share	—	.08	.46
Weighted average Common shares—diluted	35,869	33,942	32,755
Number of shareholders of record	1,200	1,200	1,300
Market price per share:			
— High	$ 11.22	$ 17.25	$ 16.00
— Low	2.37	7.60	8.10
— Close	4.98	10.74	12.34

2000	1999	1998	1997	1996	1995	1994
$3,769,534	$3,555,519	$3,121,278	$2,945,777	$2,872,890	$2,860,225	$2,377,993
792,614	727,224	572,362	519,768	507,404	487,689	404,102
630,438	536,913	402,167	380,209	375,872	365,460	312,253
—	—	—	—	—	—	—
162,176	190,311	170,195	139,559	131,532	122,229	91,849
83,494	107,121	108,545	90,052	69,901	75,998	58,553
83,494	107,121	108,545	124,830	79,609	84,633	65,928
2.41	2.94	3.01	2.30	1.50	1.63	1.27
2.41	2.94	3.01	3.19	1.71	1.82	1.43
$1,536,693	$1,531,184	$1,129,480	$ 871,547	$1,108,932	$ 940,374	$ 845,219
312,067	303,934	277,211	278,331	266,587	262,640	220,154
80,000	55,000	55,000	55,000	80,000	—	—
287,500	287,500	287,500	—	—	—	—
584,805	586,703	376,026	443,095	649,137	608,143	546,466
17.88	16.67	11.96	12.40	14.22	13.20	11.88
21.0%	20.5%	18.3%	17.6%	17.7%	17.1%	17.0%
$ 28,567	$ 27,615	$ 27,538	$ 25,581	$ 25,857	$ 21,973	$ 18,266
55,078	49,757	37,809	56,184	32,916	67,864	72,543
24,957	24,672	23,744	24,408	27,551	25,778	22,878
.76	.72	.68	.64	.60	.56	.50
39,194	40,171	36,933	39,162	46,469	46,531	46,207
1,400	1,500	1,500	1,600	1,800	2,000	2,000
$ 29.25	$ 46.44	$ 48.00	$ 37.25	$ 29.00	$ 27.25	$ 26.00
14.00	25.00	25.13	24.13	18.13	17.75	16.50
14.63	28.19	46.13	25.13	26.38	23.00	19.50

five-year history of selected segment data

DOLLARS IN THOUSANDS

FISCAL YEARS ENDED APRIL	2003	2002	2001	2000	1999
OPERATING REVENUES:					
Manufactured housing					
Manufacturing	$ 667,087	$ 842,536	$ 981,366	$1,517,681	$1,631,076
Retail	247,336	328,162	552,904	591,895	332,309
Less intercompany	(115,903)	(137,187)	(242,589)	(312,093)	(186,861)
	798,520	1,033,511	1,291,681	1,797,483	1,776,524
Recreational vehicles					
Motor homes	918,742	716,734	637,833	1,193,609	1,058,593
Travel trailers*	441,885	378,412	451,872	599,051	556,536
Folding trailers	121,968	117,758	117,085	128,944	119,887
Total RV sales	1,482,595	1,212,904	1,206,790	1,921,604	1,735,016
Supply operations	37,178	34,032	32,992	50,447	43,979
	$2,318,293	$2,280,447	$2,531,463	$3,769,534	$3,555,519
OPERATING INCOME (LOSS):					
Manufactured housing	$ (13,089)	$ 16,843	$ 27,533	$ 83,816	$ 99,939
Housing retail	(51,734)	(65,239)	(77,105)	3,845	4,851
Recreational vehicles	32,542	(37,489)	(73,066)	104,082	109,915
Supply operations	2,103	8,895	6,114	20,483	16,255
Corporate and other	(7,631)	(24,046)	(194,465)	(35,596)	(24,643)
Intercompany profits	5,601	10,493	3,363	(14,454)	(16,006)
	$ (32,208)	$ (90,543)	$ (307,626)	$ 162,176	$ 190,311
UNITS SOLD:					
Manufactured housing					
Factory shipments					
Single-section	4,203	6,863	9,426	21,200	27,927
Multi-section	17,973	23,193	26,775	38,258	37,950
	22,176	30,056	36,201	59,458	65,877
Retail sales					
Single-section	916	1,903	3,667	5,308	3,418
Multi-section	4,088	5,835	9,085	9,220	4,837
	5,004	7,738	12,752	14,528	8,255
Less intercompany	(3,790)	(4,886)	(8,657)	(11,768)	(7,674)
	23,390	32,908	40,296	62,218	66,458
Recreational vehicles					
Motor homes	9,935	8,366	8,148	16,294	14,923
Travel trailers	29,259	26,036	31,660	40,524	37,208
Folding trailers	17,118	17,946	19,090	21,890	21,171
Slide-in truck campers	757	1,227	1,327	1,412	1,420
	57,069	53,575	60,225	80,120	74,722

*Includes sales of slide-in truck camper units.

management's discussion and analysis of financial condition and results of operations

OVERVIEW

We are the nation's leader in recreational vehicle sales, including motor homes, travel trailers, folding trailers and slide-in truck campers, and one of the nation's largest producers and retailers of manufactured housing. In fiscal 2002 and for fiscal 2003, we sold 53,575 and 57,069 recreational vehicles, respectively. In calendar 2002, we had an 18.2 percent share of the overall recreational vehicle retail market, consisting of a 17.7 percent share of the motor home market, a 13.4 percent share of the travel trailer market and a 42.7 percent share of the folding trailer market.

In fiscal 2002 and for fiscal 2003, we shipped 30,056 and 22,176 manufactured homes, respectively, and were the second largest producer of HUD-Code homes in the United States in terms of units sold. In calendar 2002, we had a 16.9 percent share of the manufactured housing retail market.

Our manufacturing activities are conducted in 16 states within the U.S., and to a much lesser extent in Canada. In addition, we operate five supply companies that provide components for our manufactured housing and recreational vehicle operations, while also generating outside sales. Our business began in 1950 producing manufactured homes. We entered the recreational vehicle business in 1964. We distribute our manufactured products primarily through a network of independent dealers throughout the United States and Canada. However, in fiscal 1999, we entered the manufactured housing retail business through a combination of key acquisitions and internal development of new retail sales centers. At April 27, 2003, we operated 135 retail sales locations in 21 states, and were one of the four largest retailers of manufactured homes in the United States.

CRITICAL ACCOUNTING POLICIES

Our financial statements are prepared in accordance with accounting principles generally accepted in the United States. This requires us to make estimates and assumptions that affect the amounts reported in the financial statements and notes. We evaluate these estimates and assumptions on an ongoing basis and use historical experience factors and various other assumptions that we believe are reasonable under the circumstances. The results of these estimates form the basis for making judgments about the carrying values of assets and liabilities. Actual results could differ from these estimates under different assumptions or conditions.

The following is a list of the accounting policies that we believe reflect our more significant judgments and estimates, and that could potentially result in materially different results under different assumptions and conditions.

Revenue Recognition

We recognize revenue in accordance with SEC Staff Accounting Bulletin No. 101, Revenue Recognition in Financial Statements (SAB 101), as amended by SAB 101A and 101B.

Revenue for manufacturing operations is generally recorded when all of the following conditions have been met:

1. an order for a product has been received from a dealer;
2. written or verbal approval for payment has been received from the dealer's flooring institution;
3. a common carrier signs the delivery ticket accepting responsibility for the product as agent for the dealer; and
4. product is removed from Fleetwood's property for delivery to the dealer who placed the order.

Most manufacturing sales are made on cash terms, with most dealers financing their purchases under flooring arrangements with banks or finance companies. Products are not ordinarily sold on consignment; dealers do not ordinarily have the right to return products; and dealers are typically responsible for interest costs to floorplan lenders. On average, we receive payments from floorplan lenders on products sold to independent dealers within 15 days of the invoice date, i.e. the date product is shipped.

To adopt the provisions of SAB 101, in fiscal 2001 we changed our retail housing revenue recognition policy. For retail sales from Company-owned retail stores, sales revenue is recognized when the home has been delivered, set up and accepted by the consumer, title has been transferred and funds have been received either from the finance company or the homebuyer. Prior to fiscal 2001, we followed the industry practice of recording credit retail sales when a written contract and down payment were secured. We recorded the cumulative effect of this accounting change on the amount of retained earnings at the beginning of fiscal year 2001 as a charge against net income in the second quarter of fiscal 2001. The after-tax amount of the cumulative effect was $11.2 million, or 34 cents per diluted share.

Warranty

Fleetwood provides customers of our products with a warranty covering defects in material or workmanship for periods ranging from one to two years, with longer warranties on certain structural components. We record a liability based on our best estimate of the amounts necessary to settle future and existing claims on products sold as of the balance sheet date. Factors we use in estimating the warranty liability include a history of units sold to customers, the average cost incurred to repair a unit and a profile of the distribution of warranty expenditures over the warranty period. A significant increase in dealer shop rates, the cost of parts or the frequency of claims could have a material adverse impact on our operating results for the period or periods in which such claims or additional costs materialize.

Insurance Reserves

Generally, we are self-insured for health benefits, workers' compensation, products liability and personal injury insurance. Under these plans, liabilities are recognized for claims incurred (including those incurred but not reported), changes in the reserves related to prior claims and an administration fee. At the time a claim is filed, a liability is estimated to settle the claim. The liability for workers' compensation claims is guided by state statute. Factors considered in establishing the estimated liability for products liability and personal injury claims are the nature of the claim, the geographical region in which the claim originated, loss history, severity of the claim, the professional judgment of our legal counsel and inflation. Any material change in the aforementioned factors could have an adverse impact on our operating results. We maintain excess liability insurance with outside insurance carriers to minimize our risks related to catastrophic claims.

Deferred Taxes

Deferred tax assets and liabilities are determined based on temporary differences between income and expenses reported for financial reporting and tax reporting. We are required to record a valuation allowance to reduce our deferred tax assets to the amount that we believe is more likely than not to be realized. In assessing the need for a valuation allowance, we previously have considered all positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial performance. The accounting guidance states that forming a conclusion that a valuation allowance is not needed is difficult when there is negative evidence such as cumulative losses in recent years. As a result of this guidance, our recent cumulative losses and the full utilization of our loss carryback potential, we recently concluded that a partial valuation allowance against our net deferred tax assets was appropriate. Accordingly, as of fiscal year 2003, after considering only the effects of prudent and feasible tax strategies, we recognized a valuation allowance of $28.4 million. We continue to believe that the combination of all positive and negative factors will enable us to realize the full value of the deferred tax assets. If, after future assessments of the realizability of our deferred tax assets, we determine a lesser allowance is required, we would record a reduction to income tax expense and the valuation allowance in the period of such determination.

Legal Proceedings

We are regularly involved in legal proceedings in the ordinary course of our business. Because of the uncertainties related to the outcome of the litigation and range of loss on cases other than breach of warranty, we are generally unable to make a reasonable estimate of the liability that could result from an unfavorable outcome. In other cases, including products liability (discussed above) and personal injury cases, we prepare estimates based on historical experience, the professional judgment of our legal counsel, and other assumptions that we believe are reasonable. As additional information becomes available, we reassess the potential liability related to pending litigation and revise our estimates. Such revisions and any actual liability that greatly exceeds our estimates could materially impact our results of operations and financial position.

Repurchase Commitments

Producers of recreational vehicles and manufactured housing customarily enter into repurchase agreements with lending institutions that provide wholesale floorplan financing to independent dealers. These agreements generally provide that, in the event of a default by a dealer in its obligation to these credit sources, we will repurchase product. With most repurchase agreements our obligation ceases when the amount for which we are contingently liable to the lending institution has been outstanding for more than 12, 18 or 24 months, depending on the terms of the agreement. The contingent liability under these agreements approximates the outstanding principal balance owed by the dealer for units subject to the repurchase agreement less any scheduled principal payments waived by the lender. Although the maximum potential contingent repurchase liability approximated $157 million for inventory at manufactured housing dealers and $544 million for inventory at RV dealers as of April 27, 2003, the risk of loss is reduced by the potential resale value of any products that are subject to repurchase, and is spread over numerous dealers and financial institutions. The gross repurchase obligation will vary depending on the season and the level of dealer inventories. Typically, the fiscal third quarter repurchase obligation will be greater than other periods due to high dealer inventories. The RV repurchase obligation is significantly more than the manufactured housing obligation due to a higher average cost per motor home and more units in dealer inventories. Past losses under these agreements have not been significant and lender repurchase demands have been funded out of working capital. In the past three fiscal years we have had the following repurchase activity:

DOLLARS IN MILLIONS

FISCAL YEARS	2003	2002	2001
Units	182	417	641
Repurchase amount	$4.4	$10.5	$15.0
Loss recognized	$ –	$ 2.1	$ 3.3

BUSINESS OUTLOOK

Late in calendar year 2001, the wholesale motor home market, particularly for gasoline-powered Class A products, began to improve after about 20 months of decline. The combination of the improved market and positive acceptance of our new motor home products has been reflected in increased market share and higher production rates, resulting in significantly improved motor home earnings compared with the past two years. The Travel Trailer Division introduced new products covering 60 percent of its model line-up at the national trade show in December 2002. Even though the dealers were reluctant to increase their inventories with new products during the seasonally slow winter quarter, indications are the new products are being well received by retail customers. The impact of the new products on production efficiencies negatively affected the operating results in the second half of fiscal year 2003. However, we have now begun to experience improved operating efficiencies and expect the travel trailer business to return to profitability in the first quarter of fiscal year 2004.

With the current low interest rates and the introduction of new products, we expect our RV Group will continue to achieve improved operating results in fiscal 2004 over fiscal 2003. However, the anticipated improvement could be at risk if consumer confidence, which is a key factor affecting the recreational vehicle industry, deteriorates due to concerns regarding the economy, gasoline prices or global tensions.

Conditions in the manufactured housing market have been in decline since 1999, and further deteriorated in the last half of fiscal year 2003. Competition from repossessed homes, more stringent lending standards, relatively high retail interest rates for manufactured housing and the shortage of retail financing have adversely affected the industry. These conditions were aggravated by several developments during calendar 2002. As a result of the exit of several consumer lenders, there has been a reduction in the volume of loans being written, particularly in the chattel, or home only, portion of the business related mostly to single-section homes. Further, legislation in Texas, the largest manufactured home state in the country, which was effective at the beginning of calendar year 2002, required more restrictive procedures and legal processes to be applied to sales of manufactured homes. The Texas legislature has passed a new law as of June 2003 that substantially moderates the effect of the earlier, more restrictive statute. In March 2002, Conseco Finance Servicing Corp. (Conseco), the largest floorplan lender in the country, announced its withdrawal from that business. In October, Deutsche Financial Services (Deutsche), another large housing wholesale floorplan lender, announced it would be exiting the business. Since the announcements by Conseco and Deutsche, dealer transition to other floorplan sources has been orderly and most dealers have found alternative sources of inventory financing, including our Company-owned stores.

In October, Conseco, also formerly the largest provider of retail financing to the manufactured housing industry, announced it would no longer provide retail financing in any form and that it would more aggressively liquidate its existing inventory of repossessed homes. Further, Oakwood Homes, the fourth largest manufacturer, as well as a major retailer and lender of manufactured homes, announced in November 2002 that it was filing for Chapter 11 bankruptcy protection. Subsequently, Conseco and Oakwood have been aggressively liquidating their inventories of repossessed homes, which has depressed demand and pricing for new homes. While we expect the industry will benefit in the longer term from these accelerated efforts to liquidate inventories of repossessed homes, thereby eventually reducing the competition for new homes, we expect we will continue to be challenged by the overhang of repossessions for at least the next year. In the meantime, industry shipments in the first calendar quarter of 2003 were lower than in any other first quarter in the past 40 years. As a result of these conditions, over the past three years there have been significant industry manufacturing and retail capacity reductions and more are expected until retail finance and inventory conditions improve.

We expect that the operating environment for manufactured housing will continue to be challenging, at least through fiscal year 2004. However, a national lender has recently announced its intention to provide manufactured housing retail financing. Depending on the extent of the financing actually provided by this lender, in combination with retail financing that may be provided by other new entrants or that Fleetwood may make available through our own HomeOne Credit Corp. finance subsidiary, it is possible that new sources of financing could begin to moderate the effect of restrictive retail financing that has challenged the manufactured housing industry in recent years. For fiscal 2004, we expect to achieve profitability in the RV Group and be above breakeven at the operating line in the manufacturing segment of housing, although we expect we will incur an operating loss at our retail housing business. Overall, the anticipated improved results from our RV Group are expected to more than offset the losses from our retail housing segment.

CONSOLIDATED RESULTS FISCAL YEAR 2003 COMPARED WITH FISCAL YEAR 2002

Consolidated Results:

In fiscal year 2003, we incurred a net loss of $70.7 million or $1.97 per diluted share compared to a net loss of $161.9 million or $3.90 per diluted share for the similar period last year. A substantial portion of last year's loss, $80.6 million, net of tax, was attributable to a non-cash charge for impairment of goodwill related to the adoption of Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets," and $19.9 million to other restructuring and impairment charges. The net loss for fiscal year 2003 was negatively impacted by a $28.4 million or 79 cent per diluted share partial valuation allowance of our deferred tax assets. The significantly lower net loss in fiscal year 2003 was the result of a $70.0 million swing in the RV Group operating results from a loss of $37.5 million in fiscal 2002 to an operating profit of $32.5 million in fiscal 2003. Partially offsetting the turnaround in the RV business segments was a decline in manufactured housing from an operating profit of $27.3 million, including $10.5 million in intercompany profit elimination, to an operating loss of $7.5 million including $5.6 million of intercompany profit elimination.

Over the past three years we have been downsizing our operations, resulting in significant restructuring and other unusual charges that have negatively impacted our results. A summary is provided below to illustrate the type of adjustments, the business segments affected and the magnitude of the adjustments. Generally, warranty reserve adjustments and inventory write-downs related to closed facilities are not considered restructuring.

AMOUNTS IN THOUSANDS

	Housing				
	Mfg.	Retail	RV	Other	Total
FISCAL YEAR 2003					
Restructuring and impairment					
Asset impairments	$ –	$ 1,242	$ –	$ –	$ 1,242
Severance	2,588	2	–	–	2,590
Future lease obligations of closed stores	–	170	–	–	170
Subtotal	2,588	1,414	–	–	4,002
Other					
Legal reserves	–	–	–	6,758	6,758
Severance	565	–	184	56	805
Total	$ 3,153	$ 1,414	$ 184	$ 6,814	$ 11,565
FISCAL YEAR 2002					
Goodwill impairment	$ –	$ –	$ –	$80,635	$ 80,635
Restructuring and impairment					
Asset impairments	7,035	2,500	1,670	1,300	12,505
Severance	–	–	1,000	–	1,000
Future lease obligations of closed stores	–	4,200	–	–	4,200
Plant/store shutdown costs	–	2,200	–	–	2,200
Subtotal	7,035	8,900	2,670	1,300	19,905
Other					
Legal reserves	–	–	–	8,375	8,375
Inventory write-downs	3,214	9,500	–	–	12,714
Warranty—closed plants/recalls	5,800	–	1,200	–	7,000
Severance	276	–	–	4,300	4,576
Total	$16,325	$18,400	$3,870	$94,610	$133,205

Consolidated revenues for the fiscal year rose 2 percent to $2.32 billion compared to $2.28 billion for the similar period last year. A strong recreational vehicle market and improved products drove a 22 percent sales increase in RVs, which more than offset a 21 percent decline in manufactured housing revenues and a 25 percent drop in housing retail sales.

Gross profit margin fell to 18.4 percent of sales compared to 19.2 percent last year, mainly due to a decline in housing margin from 24.8 percent to 20.9 percent. Overall RV gross margins in fiscal year 2003 improved from 12.9 percent to 14.5 percent. In addition, housing retail's gross margin improved from 15.2 percent to 20.8 percent due to lower levels of aged inventory resulting in reduced inventory write-down.

Operating expenses, which include selling, general and administrative expenses, declined $54.9 million or 11 percent primarily due to reduced product warranty expenses and prior period downsizing actions. Included in the prior year operating expense was $8.4 million for the legal settlement of two class action suits compared to $6.8 million this year related to potential legal settlements. Selling expenses declined 16 percent to $196.8 million and decreased as a percentage of sales from 10.4 percent to 8.5 percent. Lower payroll-related costs and a 20 percent drop in product warranty costs led to the expense reduction. General and administrative expenses fell $15.7 million or 6 percent to $257.1 million and decreased as a percentage of sales from 12.0 percent to 11.1 percent. The reduction in cost was mainly due to staff reductions resulting from manufacturing plant and retail store closures in prior periods. Partially offsetting the reductions were the above-mentioned legal settlements and $9.8 million to reverse incorrect balance sheet adjusting entries at the retail operation, which were related primarily to the integration and conversion of accounting systems from previously acquired entities.

In the prior year, there were $19.9 million of restructuring and other expenses related to asset impairment and plant and store closures compared to $4.0 million this year.

Other expense was $2.1 million compared with $14.7 million in the prior year. Fiscal 2003 included a $5.8 million net gain from the sale of fixed assets, which included three parcels of land and three facilities. The prior year included interest expense of $2.3 million for yield maintenance charges related to the early retirement of the senior unsecured notes on July 30, 2001. Excluding the $2.3 million yield maintenance charges from the prior year, interest expense was lower this year mainly due to a smaller retail housing inventory floorplan liability resulting from a reduction in inventories, combined with lower interest expense on other borrowings. Investment income was down 24 percent from the prior year as a result of lower interest rates on lower invested balances.

Recreational Vehicles:

Recreational vehicle revenues increased 22 percent to $1.48 billion, primarily as a result of a stronger recreational vehicle market and customer acceptance of our new diesel products. Motor home sales were up 28 percent to $918.7 million compared to $716.7 million in the prior year. The motor home performance was the result of improved market conditions and favorable acceptance of three new diesel products. For fiscal year 2003, Class A diesel product shipments rose 32 percent. Travel trailer revenues increased 17 percent to $441.9 million on a 10 percent increase in unit volume. Folding trailer sales rose 4 percent to $122.0 million on a 5 percent decline in unit volume. The disproportionate increase in folding trailer revenues to shipments reflects the sales growth of the larger, higher-priced Caravan product offered since July 2001.

The RV Group earned $32.5 million in the 12-month period ending April 27, 2003, compared to a loss of $37.5 million in the same period of the prior year. The $70.0 million swing in profitability was mainly due to the increase in diesel sales, which have higher selling prices and gross margins, and a $29.4 million reduction in the travel trailer operating loss resulting from higher revenues and gross margins. Operating expenses declined $11.1 million and decreased from 16.0 percent of sales to 12.3 percent in the current year mainly due to lower product warranty costs.

Manufactured Housing:

Manufactured housing segment sales to the retail housing segment and related manufacturing profits are included in the manufactured housing segment. Retail housing segment results include retail profits from the sale of homes to consumers but do not include any manufactured housing segment profits associated with the homes sold. Intercompany transactions between the operating segments are eliminated in consolidation, including intercompany profit in inventory, which represents the amount of manufactured housing segment gross margin in Fleetwood-produced inventory at Company-owned retailers.

Manufactured Housing Operations:

Gross manufacturing revenues in fiscal year 2003 were $667.1 million, down 21 percent from the prior year, and included $115.9 million of intercompany sales to Company-owned retail sales centers. Manufacturing unit volume declined 26 percent to 22,176 homes, but the number of housing sections was off a lesser 25 percent to 40,557 due to the continuing shift in sales mix toward multi-section homes. Multi-section homes represented 81 percent of factory sales versus 77 percent last year.

Sales volume was below the prior year because of a weaker manufactured housing market, which has been adversely affected by competition from repossessed units and restrictive retail financing conditions. This condition has further deteriorated in the past year because of legislation in Texas, the largest manufactured housing state, which had the effect of restricting the use of chattel financing. During the same period, the industry’s two largest retail lenders and the two largest inventory floorplan lenders exited the business.

Operating income, before the adjustment for intercompany profit elimination of $5.6 million this year and $10.5 million in the prior year, dropped from $16.8 million to an operating loss of $13.1 million, due to the decline in volume and erosion to gross margin resulting from the depressed market and competitive environment. Gross profit margin for the Housing Group declined from 24.8 percent to 20.9 percent of sales, mainly as a result of improving the competitiveness of the product by adding features without commensurate price increases. Housing Group operating costs declined $39.6 million or 21 percent as a result of reduced product warranty expenses and lower employee compensation due to staffing reductions in prior quarters.

Retail Housing Operations:

Retail housing’s revenues declined 25 percent from $328.2 million to $247.3 million for fiscal year 2003. Unit sales for the retail operation were off 35 percent to 5,004 homes. The smaller decrease in revenues resulted from a rise in the average unit price of 10 percent to $44,162 for the current year due to the sale of more multi-section homes and fewer homes at discounted prices. As a result, gross margins improved from 15.2 percent in the prior year to 20.8 percent. The retail division incurred an operating loss of $51.7 million in fiscal year 2003, before interest expense on inventory financing, compared to an operating loss of $65.2 million last year. The reduced loss mainly resulted from the higher gross margin and a 10 percent reduction in operating expenses. The operating expense reduction was negatively affected by a $9.8 million charge for incorrect balance sheet adjusting entries related to integrating and then converting unique accounting systems from previously acquired dealers into a single system. Interest expense on inventory financing decreased 48 percent from $4.4 million to $2.3 million as a result of lower interest rates, an 11 percent reduction in inventories and a related pay-down of the flooring liability.

FLEETWOOD RETAIL CORP.
KEY OPERATIONAL INFORMATION

FISCAL YEAR ENDED	MARCH 2003*	MARCH 2002*
Number of retail stores		
Beginning	138	216
New	6	12
Closed	(8)	(50)
Transferred	0	(40)
Ending	136	138
Average number of retail stores	136	154
Unit volume		
Retail—new		
Single-section	794	1,600
Multi-section	3,541	4,905
Subtotal	4,335	6,505
Retail—pre-owned	669	1,233
Total	5,004	7,738
Average number of homes sold per store	37	50
Average sales price		
New		
Single-section	$26,973	$26,524
Multi-section	$54,542	$51,996
Pre-owned	$ 9,620	$ 8,110
Average unit inventory per store at quarter end		
New	20	20
Pre-owned	3	4

*The above information is as of Fleetwood Retail Corp.'s (FRC) fiscal year end, which is the last day in March. All other statistics in this report regarding FRC are as of Fleetwood Enterprises, Inc.'s fiscal year end, which is the last Sunday in April of each year.

Supply Operations:

Our Supply Group contributed revenues of $37.2 million for the 12-month period through April 27, 2003, compared to $34.0 million in the prior year. Operating income decreased from $8.9 million to $2.1 million mainly due to a shift in product mix to less profitable business.

CONSOLIDATED RESULTS FISCAL YEAR 2002 COMPARED WITH FISCAL YEAR 2001

We incurred a net loss in fiscal 2002 of $161.9 million or $3.90 per diluted share. A substantial portion of the loss, $80.6 million, was attributable to a non-cash charge for impairment of goodwill and $19.9 million to other restructuring and impairment charges. This compares with a loss of $284.0 million or $8.67 per diluted share for fiscal 2001, which included other non-operating charges of $165.9 million for the impairment of goodwill and $34.9 million for restructuring and asset impairment. In addition to the goodwill and other impairments, the current year loss also stems from significantly reduced sales volume in both the manufacturing and retail operations of the Housing Group. These declines are primarily the result of competitive market conditions caused by a restrictive financing environment and competition for sales of new homes with repossessed units, which have negatively impacted the manufactured housing industry for the past three years.

In terms of earnings per share, the impairment to goodwill and the other downsizing related charges amounted to approximately $2.37 and 38 cents in fiscal year 2002 and $4.94 and 69 cents in fiscal year 2001. In addition to the impairment and restructuring charges, a change in accounting for credit retail housing sales, which was adopted in the first quarter of fiscal year 2001, also contributed $11.2 million or 34 cents per share to the prior year loss.

Consolidated revenues for the fiscal year were $2.28 billion, down 10 percent from the prior year's $2.53 billion. The decline was primarily due to continued weakness in the demand for manufactured housing. Housing revenues for the fiscal year were $1.0 billion, down 20 percent from the prior year. Gross revenues for the manufacturing segment of housing fell by 14 percent to $843 million, including intercompany sales of $137 million. Retail revenues were down by 41 percent to $328 million, which approximates the percentage decrease in the number of retail stores. Stronger recreational vehicle demand in the second half of the year pushed recreational vehicle revenues to $1.2 billion, the same as the prior year.

Gross profit margin in the current year increased to 19.2 percent of sales from 19.0 percent a year ago, reflecting improved manufacturing margins. Manufacturing gross margin rose from 17.2 percent of sales in fiscal 2001 to 18.1 percent for the current year mainly due to improved housing and motor home margins. Reduced retail housing margins reflect very competitive market conditions and declining industry sales, as well as a $9.5 million write-down of aged and distressed inventory to net realizable value this year.

Operating expenses, which include selling, general and administrative expenses, excluding other charges, declined $79 million or 13 percent to $509 million. As a percentage of sales, these costs declined from 23.2 percent in fiscal 2001 to 22.3 percent in fiscal 2002 due to continued downsizing activities. Selling expenses declined 4 percent to $236 million, but rose as a percentage of sales from 9.8 percent to 10.4 percent on the lower sales volume. Most of the dollar reduction in selling costs resulted from reduced expenditures for advertising, point of purchase materials, shows, sales commissions and sales compensation. The bulk of these cost reductions occurred within the recreational vehicle segment, and can be attributed not only to volume, but enhanced cost controls. Selling expenses were lower this year, but as a percentage of sales they were higher in the current year due to increased warranty and service costs.

General and administrative expenses declined 20 percent to $273 million, and declined as a percentage of sales from 13.5 percent to 12.0 percent. Most of the reduction in general and administrative costs stems from downsizing in the second half of fiscal 2001, lower profit-based incentive compensation and lower staffing levels.

Non-operating expenses of $14.7 million were 26 percent higher than last year's $11.6 million, mainly due to lower investment income, partially offset by lower interest expense. Investment income was down 59 percent from the prior year as a result of lower interest rates and reduced invested balances, and interest expense was lower due to reduced borrowings.

Our effective income tax rate increased from 18 percent in fiscal 2001 to 35 percent in the current year. The sharp increase primarily reflects the impact of the higher charge for the impairment of goodwill in fiscal year 2001, which, for the most part, is not deductible for tax purposes.

Recreational Vehicles

In fiscal year 2002, recreational vehicle sales were flat with the prior year at $1.21 billion. Motor home revenues increased by 12 percent to $716.7 million on a 3 percent increase in shipments from 8,148 units to 8,366 units. This mainly reflects improved retail demand and motor home dealer confidence beginning late in calendar year 2001. In the towable recreational vehicle category, travel trailer sales declined 16 percent from $451.9 million to $378.4 million as we continued to suffer from a lukewarm response to new product offerings in this segment. Folding trailer sales rose 1 percent to $117.8 million. Fiscal year unit shipments for travel trailers and folding trailers were 27,263 (including slide-in truck campers) and 17,946 respectively, representing a decrease of 17 percent for travel trailers and 6 percent for folding trailers.

The RV Group incurred a $37.5 million operating loss for the year compared with a $73.1 million loss in fiscal year 2001. The operating loss was due to travel trailers losing $38.3 million on the decline in sales and low gross margins. Motor homes earned $392,000 compared to a loss of $44.1 million in the prior year. The significant improvement in earnings was the result of a 12 percent increase in sales, improved gross margins and reduced operating expenses. Folding trailers earned $451,000 compared to $4.7 million in the prior year. Last year's RV Group results were negatively impacted by high sales incentives, labor inefficiencies due to erratic production schedules, and plant shutdown costs. Gross profit margin for the RV Group increased from 12.3 percent to 12.9 percent due to improvement in motor home margins. Motor home gross margin improvement was primarily due to a shift in product mix from Class C product to higher priced Class A motor homes. RV Group operating costs were 12 percent lower than the prior year on flat sales mainly due to the prior year's downsizing activities.

Manufactured Housing

Gross manufacturing revenues of $842.5 million were off 14 percent from the prior year, and included $137.2 million of intercompany sales to Company-owned retail home centers. Manufacturing unit volume declined 17 percent to 30,056 homes, but the number of sections was off a lesser 16 percent to 53,942 due to the continuing shift in sales mix toward multi-section homes. Multi-section homes represented 77 percent of our factory sales versus 74 percent in the prior year.

The lower housing volume reflects a weak manufactured housing market that has further deteriorated over the past year. During the past three years, the industry has been adversely affected by excessive retail inventories and restrictive retail financing conditions. Lenders have imposed more stringent credit standards and higher down payment requirements for retail buyers, and have taken higher spreads between their cost of funds and retail financing rates. Additionally, several consumer lenders have withdrawn from the business, which has limited the amount of funding available to the industry. These actions, combined with relatively higher interest rates charged to manufactured housing customers, have eliminated many potential buyers from the market. We anticipate that industry wholesale shipments will continue to be weak until the current inventory imbalance is resolved, the timing of which depends largely on improved availability and terms of retail financing.

Housing operating income, before the adjustment for intercompany manufacturing profit of $10.5 million in fiscal year 2002 and $3.4 million in fiscal year 2001, declined 39 percent from $27.4 million to $16.8 million, and operating margin fell from 2.8 percent to 2.0 percent of sales. The operating income decline is greater if the $12.2 million of restructuring and impairment charges related to plant closings and downsizing initiatives are added back to fiscal 2001 operating income and the $7.0 million of asset impairment charges are added back to the current year income. Excluding the other charges, fiscal year 2002 income was $23.8 million or a 40 percent reduction from the adjusted fiscal 2001 operating income of $39.6 million. Gross profit margin for the Housing Group improved slightly from 22.8 percent to 24.8 percent of sales as a result of lower raw material costs. More efficient material usage and improved product pricing contributed to the higher gross margin percentage. Housing Group operating costs, excluding the other charges, would have been the same as the prior year, despite the sales decline, mainly as a result of higher product warranty and service costs. The increase in warranty and service costs was due to increased reserves for closed facilities and costs related to new regional service centers. These higher costs effectively offset the positive impact of lower general and administrative costs due to staffing reductions resulting from downsizing efforts.

Retail Housing Operations

Revenues for retail housing declined by $224.7 million or 41 percent to $328.2 million in fiscal 2002. The decline is due to the significant decrease in the number of retail stores during the year. It also is due to lower sales volume as a result of the restrictive retail financing environment. Unit sales from Fleetwood retail stores fell 39 percent to 7,738 homes. As a result of a change in accounting for retail credit sales, we incurred a one-time cumulative charge against earnings of $11.2 million after taxes in fiscal year 2001. We had 137 retail stores in operation at fiscal year-end compared to 188 one year earlier. The retail division incurred an operating loss of $65.2 million compared to a loss of $77.1 million a year ago. The current year loss includes restructuring charges totaling $8.9 million related to downsizing initiatives. Earnings were also adversely affected by a $9.5 million inventory write-down. Excluding these unusual charges, the operating loss in the current year was due to the weak market environment and lower gross margins stemming from extremely competitive market conditions. Operating expenses, excluding restructuring and impairment charges, decreased $50.6 million or 32 percent due to reducing the number of retail stores by 36 percent and consolidating operations. Interest expense on inventory financing decreased from $11.3 million to $4.4 million due to lower interest rates and a $61.6 million reduction in our retail flooring liability.

Supply Operations

Our Supply Group contributed revenues of $34 million compared to $33 million in the prior year. Operating income increased 45 percent to $8.9 million mainly due to improved labor efficiencies from increased capacity utilization gained mainly through increased internal sales to motor home plants.

LIQUIDITY AND CAPITAL RESOURCES

We have historically relied upon internally generated cash flows to satisfy working capital needs and to fund capital expenditures. In recent periods, however, primarily due to operating losses, we have used external funding sources to supplement internal cash flows. Cash totaling $25.5 million was used in operating activities during fiscal year 2003 compared to cash generated of $34.5 million for the similar period one year ago. In addition to the $70.7 million net loss, the use of cash from operations resulted primarily from a $22.5 million increase in inventories and a $16.8 million increase in other assets, consisting primarily of chattel loans internally funded through our HomeOne finance subsidiary. The increase in inventories was mainly due to a planned buildup of motor home and travel trailer finished goods in anticipation of improved market conditions. Partially offsetting the increased use of cash was a $21.9 million reduction to income tax receivable related to a refund from a carryback of prior year losses and a $16.9 million increase in other liabilities mainly due to the deferral of the distribution on the 6% convertible trust preferred securities. Last year, the $34.5 million of cash generated from operations was mainly attributable to a reduction of retail inventories and a $50.3 million refund of Federal taxes from a carryback of losses to prior periods. As a result of the above-mentioned changes, cash and marketable investments decreased $41.3 million from $111.1 million as of April 28, 2002, to $69.8 million as of April 27, 2003.

Additional cash outlays in fiscal year 2003 included $19.9 million in capital expenditures. In the same period of the prior year, the Company paid common stock dividends of $2.6 million and had capital expenditures of $20.5 million. Distributions on the 6% convertible trust preferred securities were deferred, whereas the distributions on the 9.5% issues were paid in common stock in the first quarter of fiscal year 2003 and paid in cash for the remainder of the year, in the amount of $13.4 million.

At fiscal year end, short-term borrowings under our secured syndicated credit facility, led by Bank of America, N.A., as administrative agent, were $16.1 million. Currently, lender commitments to the facility total $130 million. Our borrowing capacity, however, is governed by the amount of a borrowing base, consisting of inventories and accounts receivable, that fluctuates significantly from week-to-week. The borrowing base is revised weekly for changes in receivables and monthly for changes in inventory balances. Under the borrowing agreement, $30 million must be maintained as minimum unused availability, with the remainder available to support standby letters of credit and fund borrowings. At the end of the fiscal year, the borrowing base totaled $139.1 million. After consideration of the unused minimum requirement, collateral reserves of $2.4 million, $43.8 million in standby letters of credit and the outstanding borrowings, unused borrowing capacity was approximately $37.5 million.

Credit Agreement Amendments

On January 27, 2003, we announced that we had successfully restructured our revolving line of credit to provide greater flexibility and borrowing capacity. The maximum amount of credit available to us under the line was reduced from $190 million to $110 million. This more closely matches the size of the line to the loan value of the borrowing base, or pool of inventory and receivables, that supports our borrowings. At the same time, the lenders agreed to reduce the borrowing availability reserve that we are required to maintain from $50 million to $30 million, and to release certain excess real estate and equipment collateral.

Additional provisions of the amendment allowed for greater flexibility in making capital contributions, advances and distributions among Fleetwood and our subsidiaries. The amendment specifically authorized Fleetwood to make additional capital contributions to our HomeOne Credit finance subsidiary, and to enter into a warehouse line of credit to further support the operations of HomeOne. In return, Fleetwood paid a fee of three-eighths of a percent of the new commitment amount to the syndicate.

On March 26, 2003, we announced that the lenders in the syndicated revolving line of credit had agreed to restate the financial covenant relating to adjusted earnings before interest, taxes, depreciation and amortization (EBITDA). We also announced at the same time that we had amended our inventory financing agreement with Textron Financial, which had incorporated the same covenant.

We further announced that as part of the same amendment, the maximum amount of the revolving line of credit had been increased by $20 million to $130 million, reflecting the return of a former syndicate member to the loan arrangement and that we had paid the syndicate an amendment fee of three-eighths of a percent of the new, higher commitment level.

Subsequent to year end, on July 21, 2003, the adjusted EBITDA covenant was amended to accommodate the reversal of the incorrect accounting entries at FRC. In addition, FRC's wholesale financing agreement with Textron Financial Corporation (Textron) is subject to a cross-default provision in which Fleetwood agreed that it would not modify the adjusted EBITDA covenant in the senior credit facility without Textron's prior consent. Accordingly, we also requested and obtained Textron's consent to the amendment.

Convertible Trust Preferred Securities

On December 11, 2001, we commenced an offer of up to an aggregate of $37.95 million in liquidation amount of new 9.5% Convertible Trust II Preferred Securities due February 15, 2013, in exchange for up to an aggregate of $86.25 million of the $287.5 million in liquidation amount of outstanding 6% Convertible Trust Preferred Securities due February 15, 2028. The exchange offer expired on January 4, 2002, and was completed on January 10, 2002. Each new trust preferred security issued in the exchange offer is convertible, at the option of the holder, at any time into 1.752 shares of Fleetwood common stock (i.e., a conversion price of $12.56 per common share). With 1.725 million shares of new trust preferred issued in the exchange offer, the potential dilution to common shareholders upon conversion of the new exchange offer trust preferred is 3.0 million common shares. As a result of the exchange, debentures supporting the exchanged convertible trust preferred securities were cancelled, resulting in a taxable gain of $46.2 million. After deducting taxes of $16.8 million, the remainder of $29.4 million was reported as an increase to additional paid-in capital and treated as income attributable to common shareholders in the calculation of earnings per share.

In conjunction with the exchange offer, we offered to sell for cash $150 million of 9.5% Convertible Trust III Preferred Securities due February 15, 2013. The registration statement was declared effective by the Securities and Exchange Commission on December 11, 2001, and the cash offer closed on December 14, 2001. Each Trust III Preferred Security issued in the cash offer is convertible, at the option of the holder, at any time into 4.826 shares of Fleetwood common stock (i.e., a conversion price of $10.36 per common share). With 3.0 million shares of new trust preferred issued in the cash offer, the potential dilution to common shareholders upon conversion of the new cash offer trust preferred is 14.5 million common shares. Upon closing, of the $141.2 million net proceeds received, $24.0 million was used to pay down the bank term loan to a balance of $6.0 million and another approximately $4.0 million was used to pay off the balance then outstanding on the revolving loan. The balance of the proceeds remained available for general corporate purposes.

Dividends and Distributions

On October 30, 2001, the board of directors discontinued the payment of dividends on our common stock in conjunction with an election to defer the distribution on our existing 6% convertible trust preferred securities due to be made on November 15, 2001. The distributions on the remaining 6% convertible trust preferred securities due to be paid on February 15, 2002, May 15, 2002, August 15, 2002, November 15, 2002, February 15, 2003 and May 15, 2003, were also deferred. We have the right to elect to defer distributions for up to 20 consecutive quarters under the trust indenture governing the existing 6% convertible trust preferred securities. When we defer a distribution on the 6% securities, we are prevented from declaring or paying dividends on our common stock during the period of the deferral. In light of our business environment and recent operating results, we currently anticipate that we will find it necessary to defer distributions on the existing 6% convertible trust preferred securities for the foreseeable future, subject to the terms of the governing documents. At the end of fiscal 2003, we have deferred $25.2 million, including accrued interest at 6 percent on the deferred amounts. Distributions on the new 9.5% convertible trust preferred securities can be paid in cash or, at our election, prior to February 15, 2004, in our common stock, at a rate of 9.5% per year of the liquidation amount of $22 per exchange preferred security and $50 per cash offer preferred security. After February 15, 2004, we can defer interest payments on the new securities for up to 20 consecutive quarterly periods. As previously announced, we elected to pay the distributions on the new convertible trust preferred securities due to be made on February 15, 2002, and May 15, 2002, in shares of our common stock. Due to the low price of the stock since August 2002 and the resulting large quantity of shares required to satisfy the distribution obligation, subsequent distributions on the 9.5% securities have been paid in cash, which have totaled $13.4 million.

Other

We are in the process of exploring other financing options including junior capital to replace some of the existing debt, although there is no assurance any such financing can be obtained, on favorable terms or at all.

In the opinion of management, the combination of existing cash resources, expected future cash flows from operations, and available lines of credit will be sufficient to satisfy our foreseeable cash requirements for the next 12 months, including up to $34 million for capital expenditures, to be utilized primarily for enhancements to motor home manufacturing facilities.

CONTRACTS AND COMMITMENTS

Below is a table showing payment obligations for long-term debt, capital leases, operating leases and purchase obligations for the next five years and beyond:

AMOUNTS IN THOUSANDS

		Payments Due by Period		
CONTRACTUAL OBLIGATIONS	Total	1-3 years*	3-5 years**	More than 5 years
Long-term debt	$ 2,357	$ 684	$ 311	$ 1,362
Capital lease obligations	1,436	1,436	–	–
Operating leases (1)	38,362	27,870	6,535	3,957
Purchase obligations (2)	13,139	13,139	–	–
Other long-term liabilities				
Deferred compensation and non-qualified retirement plans	58,196	22,574	17,624	17,998
Insurance reserves	30,344	30,344		
Company-obligated mandatorily redeemable convertible preferred securities (3)	374,377	–	–	374,377
Total	$518,211	$96,047	$24,470	$397,694

* Includes payments due through fiscal year ending April 30, 2006.

**Includes payments due from May 1, 2006, through fiscal year ending April 27, 2008.

(1) Most of the Company's retail sales locations and certain of its other facilities are leased under terms that range from monthly to 15 years. Also included in the above amounts are equipment leases. Management expects that in the normal course of business, leases will be renewed or replaced by other leases to support continuing operations.

(2) We have an operating agreement with a large dealer who manages 54 retail store locations for FRC. Either party may terminate the agreement by giving written notice 120 days in advance of the date of the termination. If termination notice is provided, Fleetwood is obligated to repurchase the outstanding inventory at that time for the amount of the dealer's obligations to its flooring institutions. Similarly, an equivalent amount is included in the aggregate repurchase obligation described in Note 14 to the Company's financial statements contained elsewhere in this Report. That repurchase obligation would become due and payable to the flooring institution only in the event the dealer defaults prior to its agreement with Fleetwood being terminated.

(3) The mandatorily redeemable convertible trust preferred securities were issued in three separate transactions, and are currently reflected on the balance sheet as a quasi-equity interest. In fiscal 1998, Fleetwood, through a wholly owned Delaware business trust, issued $287.5 million aggregate liquidation amount of 6% convertible trust preferred securities due 2028. In fiscal 2002, Fleetwood, through another Delaware business trust, exchanged $86.25 million in liquidation amount of the existing 6% convertible trust preferred securities for $37.95 million in liquidation amount of new 9.5% convertible trust preferred securities due 2013. Also in fiscal 2002, Fleetwood, again through a Delaware business trust, issued $150 million in aggregate liquidation amount of new 9.5% convertible trust preferred securities due 2013. The obligations of the business trusts to holders of the convertible trust preferred securities are supported by debentures issued by Fleetwood to the respective business trusts and a guarantee by Fleetwood of certain of the trusts' obligations. The interest is payable quarterly. Currently, as permitted by the trust documents, payment of interest is being deferred on the outstanding 6% convertible trust preferred securities.

OFF-BALANCE SHEET ARRANGEMENTS

In March 2000, Fleetwood entered into a sale and leaseback agreement involving 22 manufactured housing retail stores. The minimum rental payments required under this agreement are included in the Contractual Obligation schedule above, under operating leases. The agreement includes a contingent rental reset provision which provides that, in the event that the Company's credit rating falls below a certain level anytime prior to March 2005, the Company could be required, at the option of the lessor, to make an accelerated rent payment equal to the unamortized principal of the lessor's underlying debt. Since entering into the agreement, the Company's credit rating has fallen below the specified level, raising the possibility that the provision could be exercised in March 2005. The accelerated payment would be approximately $20 million.

A number of alternatives to the accelerated rent payment are currently available to the Company and are being considered. It is likely that sometime prior to March 2005, the Company will move to restructure the arrangement to mitigate the potential negative cash impact.

We describe our aggregate contingent repurchase obligation in Note 14 to the Company's financial statements and under "Critical Accounting Policies" in this Management's Discussion and Analysis of Financial Condition and Results of Operations.

We describe our obligations pursuant to the convertible trust preferred securities issued by our wholly owned Delaware business trusts in Note 8 to our financial statements and in footnote 3 to the "Contracts and Commitments" table (above) in this Management's Discussion and Analysis of Financial Condition and Results of Operations.

Under the senior credit agreement, Fleetwood Enterprises, Inc. is a guarantor of the borrowings of Fleetwood Holdings, Inc. (FHI) and Fleetwood Retail Corp. (FRC). FHI includes most of the wholly owned manufacturing subsidiaries and FRC includes all the retail housing subsidiaries. Only the FRC parent company, however, and seven of the retail subsidiaries are borrowers under the loan and covered under the guarantee. In addition, Fleetwood Enterprises, Inc. guarantees FRC's floorplan obligation to Textron pursuant to FRC's wholesale financing agreement with Textron.

Subsequent to the end of fiscal year 2003, Fleetwood Enterprises, Inc. entered into three limited guarantees aggregating $1,575,000, to certain obligations of certain retailers to floorplan lenders.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risks related to fluctuations in interest rates on marketable investments, investments underlying a Company-owned life insurance program (COLI), variable rate debt under the secured credit facility and the liability for flooring of manufactured housing retail inventories. With respect to the COLI program, the underlying investments are subject to both interest rate risk and equity market risk. We do not currently use interest rate swaps, futures contracts or options on futures, or other types of derivative financial instruments.

The vast majority of our marketable investments are in fixed rate securities with average original maturity dates of approximately two weeks, minimizing the effect of interest rate fluctuations on their fair value.

For fixed rate debt, changes in interest rates generally affect the fair market value, but not earnings or cash flows. Conversely, for variable rate debt, changes in interest rates generally do not influence fair market value, but do affect future earnings and cash flows. Based upon the amount of variable rate debt outstanding at the end of the third quarter, and holding the variable rate debt balance constant, each one percentage point increase in interest rates occurring on the first day of an annual period would result in an increase in interest expense of approximately $314,000.

We do not believe that future market equity or interest rate risks related to our marketable investments or debt obligations will have a material impact on our results.

NEW ACCOUNTING PRONOUNCEMENTS

In December 2002, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 148, "Accounting for Stock-Based Compensation—Transition and Disclosure," which amends SFAS 123, "Accounting for Stock-Based Compensation" to provide alternative methods of transition for a voluntary change to the fair value method of accounting for stock-based compensation. In addition, this statement amends the disclosure requirements of SFAS 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. We will continue to account for stock-based compensation using the intrinsic method as permitted by SFAS 123 and prominently disclose the additional information required by SFAS 148 in our annual and interim reports.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity." This statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. This statement requires an issuer to classify a financial instrument issued in the form of shares that are mandatorily redeemable—that embodies an unconditional obligation requiring the issuer to redeem them by transferring its assets at a specified or determinable date—as a liability. We have three series of convertible trust preferred securities totaling $374 million that are now treated as a quasi-equity securities that are mandatorily redeemable at specified dates. Effective with the second quarter of fiscal year 2004, these financial instruments will be classified as long-term liabilities on the statement of financial position, valued at fair market value using the present value of the redemption amount, at the rate implicit in the contract at inception. Distributions to the minority interest, now classified below the tax provision (benefit) as an after-tax amount, will be reclassified on the consolidated statement of operations to a separate line item included in other income (expense) as an interest expense.

In November 2002, the FASB issued Interpretation No. 45 (FIN 45), "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." This interpretation specifies the disclosures to be made by a guarantor in its interim and annual financial statements concerning its obligations under certain guarantees that it has issued. FIN 45 also requires a guarantor to recognize a liability, at the inception of the guarantee, for the fair value of obligations it has undertaken in issuing the guarantee. The disclosure requirements of FIN 45 are effective for interim and annual periods ending after December 15, 2002. The initial recognition and initial measurement requirements of FIN 45 are effective prospectively for guarantees issued or modified after December 31, 2002. Accordingly, we adopted the disclosure provisions of FIN 45, which have been reflected in the accompanying consolidated financial statements. The adoption of these provisions did not have a material impact on the Company's financial position, results of operations or cash flows.

In January 2003, the FASB issued Interpretation No. 46 (FIN 46), "Consolidation of Variable Interest Entities," which expands upon and strengthens existing accounting guidance concerning when a company should include in its financial statements the assets, liabilities and activities of another entity. Prior to the issuance of FIN 46, a company generally included another entity in its consolidated financial statements only if it controlled the entity through voting interests. FIN 46 now requires a variable interest entity, as defined in FIN 46, to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. FIN 46 also requires disclosures about variable interest entities that the company is not required to consolidate but in which it has a significant variable interest. The consolidation requirements of FIN 46 apply immediately to variable interest entities created after January 31, 2003, and to older entities in the first fiscal year or interim period beginning after June 15, 2003. Certain of the disclosure requirements apply to all financial statements issued after January 31, 2003, regardless of when the variable interest entity was established. The Company does not believe the adoption of FIN 46 will have a material impact on the Company's financial position, results of operations or cash flows.

report of independent public accountants

We terminated our engagement of Arthur Andersen as independent auditors on April 2, 2002. The decision to terminate the engagement of Arthur Andersen was recommended by our Audit Committee and approved by the Board of Directors. Arthur Andersen's report on our financial statements for each of the years ended April 30, 2000, and April 29, 2001, did not contain an adverse opinion or a disclaimer of opinion and was not qualified or modified as to uncertainty, audit scope or accounting principles. During the years ended April 30, 2000, and April 29, 2001, and the interim period between April 30, 2001, and April 2, 2002, there were no disagreements between us and Arthur Andersen on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Arthur Andersen, would have caused it to make reference to the subject matter of the disagreements in connection with its report.

During the years ended April 30, 2000, and April 29, 2001, and the interim period between April 30, 2001, and April 2, 2002, there were no reportable events (as defined in Item 304(a)(1)(v) of Regulation S-K promulgated by the Securities and Exchange Commission). During the years ended April 30, 2000, and April 29, 2001, and the interim period between April 30, 2001, and April 2, 2002, we did not consult with Ernst & Young LLP regarding (i) the application of accounting principles to a specified transaction, either completed or proposed, (ii) the type of audit opinion that might be rendered on our financial statements or (iii) any matter that was either the subject of a disagreement (as described above) or a reportable event.

We provided Arthur Andersen with a copy of the above disclosures and requested that it furnish us with a letter addressed to the Securities and Exchange Commission stating whether or not it agrees with the above statements. That letter was attached to a Form 8-K we filed on April 5, 2002, to disclose our change in auditors.

The following report of Arthur Andersen LLP ("Andersen") is a copy of the original report dated July 30, 2001, rendered on the prior years' financial statements. It is being furnished solely in respect of the Consolidated Statement of Operations for fiscal year 2001. The SEC has provided regulatory relief designed to allow public companies to dispense with the requirement that they file a consent of Andersen in certain circumstances. After reasonable efforts, we have not been able to obtain a re-issued report or consent from Andersen. Because we have not been able to obtain Arthur Andersen's consent, you may not be able to recover against Arthur Andersen under Section 11 of the Securities Act for any untrue statements of a material fact contained in our financial statements audited by Arthur Andersen or any omission to state a material fact required to be stated therein.

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF FLEETWOOD ENTERPRISES, INC.

We have audited the accompanying consolidated balance sheets of FLEETWOOD ENTERPRISES, INC. (a Delaware Corporation) and subsidiaries as of April 29, 2001 and April 30, 2000, and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for each of the three years in the period ended April 29, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. 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 financial position of Fleetwood Enterprises, Inc. and subsidiaries as of April 29, 2001 and April 30, 2000, and the results of their operations and their cash flows for each of the three years in the period ended April 29, 2001 in conformity with accounting principles generally accepted in the United States.

As explained in Note 1(b) to the financial statements, effective May 1, 2000, the Company changed its method of accounting for its revenue recognition for credit retail housing sales.

ARTHUR ANDERSEN LLP

Orange County, California
July 30, 2001

independent auditors' report

BOARD OF DIRECTORS AND SHAREHOLDERS
FLEETWOOD ENTERPRISES, INC.

We have audited the accompanying consolidated balance sheets of Fleetwood Enterprises, Inc. as of April 27, 2003 and April 28, 2002, and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for each of the two years in the period ended April 27, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Fleetwood Enterprises, Inc. at April 27, 2003 and April 28, 2002, and the consolidated results of its operations and its cash flows for each of the two years in the period ended April 27, 2003, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Orange County, California
July 14, 2003,
except for Note 7, as to which the date is
July 22, 2003

consolidated statements of operations

AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA

FISCAL YEARS ENDED APRIL	2003	2002	2001
Net sales:			
Manufacturing	$2,186,860	$2,089,472	$2,221,148
Retail	247,336	328,162	552,904
Less intercompany	(115,903)	(137,187)	(242,589)
	2,318,293	2,280,447	2,531,463
Cost of products sold	1,892,636	1,842,358	2,050,447
Gross profit	425,657	438,089	481,016
Operating expenses	453,863	508,727	587,939
Impairment of goodwill	—	—	165,850
Other charges	4,002	19,905	34,853
	457,865	528,632	788,642
Operating loss	(32,208)	(90,543)	(307,626)
Other income (expense):			
Investment income	2,494	3,300	8,004
Interest expense	(10,331)	(17,279)	(20,026)
Other	5,777	(690)	417
	(2,060)	(14,669)	(11,605)
Loss before benefit for income taxes, minority interest and cumulative effect of accounting change	(34,268)	(105,212)	(319,231)
Benefit (provision) for income taxes	(16,154)	37,108	57,575
Minority interest in Fleetwood Capital Trusts I, II and III, net of income taxes	(20,317)	(13,189)	(11,158)
Loss before cumulative effect of accounting change	(70,739)	(81,293)	(272,814)
Cumulative effect of accounting change, net of income taxes	—	(80,635)	(11,176)
Net loss	$ (70,739)	$ (161,928)	$ (283,990)
Net loss attributable to common shareholders, diluted	$ (70,739)	$ (132,525)	$ (283,990)

FISCAL YEARS ENDED APRIL	2003		2002		2001	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
Loss per common share:						
Loss before cumulative effect of accounting change	$ (1.97)	$ (1.97)	$ (1.53)	$ (1.53)	$ (8.33)	$ (8.33)
Cumulative effect of accounting change, net of income taxes	—	—	(2.37)	(2.37)	(.34)	(.34)
Net loss per common share	$ (1.97)	$ (1.97)	$ (3.90)	$ (3.90)	$ (8.67)	$ (8.67)
Weighted average common shares	35,869	35,869	33,942	33,942	32,755	32,755

See accompanying notes to consolidated financial statements.

consolidated balance sheets

AMOUNTS IN THOUSANDS, EXCEPT SHARE DATA

	APRIL 27, 2003	APRIL 28, 2002
ASSETS		
Cash	$ 31,515	$ 26,083
Marketable investments	38,261	85,064
Receivables	143,746	146,011
Inventories	240,521	218,005
Deferred taxes	58,488	58,325
Income tax receivable	1,813	23,666
Other current assets	17,185	16,812
Total current assets	531,529	573,966
Property, plant and equipment, net	260,318	273,695
Deferred taxes	31,275	42,558
Cash value of Company-owned life insurance	55,004	61,296
Goodwill	6,366	6,366
Other assets	40,074	27,059
Total assets	$924,566	$984,940
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable	$ 78,890	$ 78,446
Employee compensation and benefits	70,006	65,721
Product warranty reserve	62,137	68,046
Retail flooring liability	15,357	24,241
Other short-term borrowings	16,054	10,412
Accrued minority interest distribution	25,249	12,367
Other current liabilities	80,631	81,847
Total current liabilities	348,324	341,080
Deferred compensation and retirement benefits	58,196	62,151
Insurance reserves	30,344	25,080
Long-term debt	2,357	8,741
Total liabilities	439,221	437,052
Commitments and contingencies		
Company-obligated mandatorily redeemable convertible preferred securities of Fleetwood Capital Trusts I, II and III holding solely convertible subordinated debentures of the Company	374,377	373,145
Shareholders' equity:		
Preferred stock, $1 par value, authorized 10,000,000 shares, none outstanding	—	—
Common stock, $1 par value, authorized 75,000,000 shares, outstanding 35,935,000 at April 27, 2003, and 35,290,000 at April 28, 2002	35,935	35,290
Additional paid-in capital	250,175	245,983
Retained deficit	(173,076)	(102,337)
Accumulated other comprehensive loss	(2,066)	(4,193)
	110,968	174,743
	$924,566	$984,940

See accompanying notes to consolidated financial statements.

consolidated statements of cash flows

AMOUNTS IN THOUSANDS

FISCAL YEARS ENDED APRIL	2003	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$(70,739)	$ (161,928)	$ (283,990)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation expense	26,505	29,761	29,930
Amortization of intangibles and goodwill	—	—	6,616
Amortization of financing costs	4,793	3,812	—
Impairment of goodwill	—	80,635	165,850
Other asset impairment charges	1,242	12,505	22,675
Gains on sales of property, plant and equipment	(5,777)	(140)	(417)
Non-cash charge for options and warrants issued to outside parties	—	1,469	—
Issuance of stock in lieu of cash for minority interest distribution	4,464	2,765	—
Changes in assets and liabilities—			
(Increase) decrease in receivables	2,265	(23,067)	145,591
(Increase) decrease in inventories	(22,516)	55,380	89,607
(Increase) decrease in income tax receivable	21,853	7,873	(48,289)
(Increase) decrease in deferred taxes	11,120	5,475	(20,300)
(Increase) decrease in cash value of Company-owned life insurance	6,292	(167)	4,481
(Increase) decrease in other assets	(16,768)	4,080	10,106
Increase (decrease) in accounts payable	444	12,007	(65,495)
Increase (decrease) in employee compensation and benefits	330	(13,022)	(13,731)
Increase (decrease) in product warranty reserve	(5,909)	8,228	(3,674)
Increase (decrease) in other liabilities	16,930	8,816	(27,116)
Net cash provided by (used in) operating activities	(25,471)	34,482	11,844
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of investment securities available-for-sale	(709,432)	(1,163,341)	(3,636,885)
Proceeds from sale of investment securities available-for-sale	756,198	1,114,710	3,692,489
Purchases of property, plant and equipment	(19,857)	(20,473)	(36,921)
Proceeds from sales of property, plant and equipment	11,264	6,253	7,689
Acquisition of retail companies, net of cash acquired	—	—	(650)
Net cash provided by (used in) investing activities	38,173	(62,851)	25,722
CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividends to Common shareholders	—	(2,621)	(15,059)
Common stock issued—private placement	—	19,864	—
Proceeds from issuance of trust preferred securities, net	—	138,574	—
Motor home chassis inventory financing	—	(11,135)	11,135
Retail flooring	(8,884)	(61,620)	(43,277)
Proceeds from short-term borrowings	5,642	10,412	—
Long-term debt	(6,384)	5,065	3,676
Repayment of senior unsecured notes payable	—	(80,000)	—
Proceeds from exercise of stock options	192	294	—
Net cash provided by (used in) financing activities	(9,434)	18,833	(43,525)
Foreign currency translation adjustment	2,164	(983)	(1,088)
Increase (decrease) in cash	5,432	(10,519)	(7,047)
Cash at beginning of year	26,083	36,602	43,649
Cash at end of year	$ 31,515	$ 26,083	$ 36,602
Supplementary disclosures:			
Interest paid	$ 6,931	$ 14,753	$ 19,054
Income taxes paid	$ 3,439	$ 2,577	$ 8,285

See accompanying notes to consolidated financial statements.

consolidated statements of changes in shareholders' equity

AMOUNTS IN THOUSANDS

	Common Stock Number of Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
BALANCE APRIL 30, 2000	32,712	$32,712	$193,497	$ 361,261	$(2,665)	$584,805
Comprehensive loss:						
Net loss	—	—	—	(283,990)	—	(283,990)
Other comprehensive income (loss):						
Foreign currency translation, net of taxes of $512	—	—	—	—	(1,088)	(1,088)
Investment securities, net of taxes of $349	—	—	—	—	611	611
Comprehensive loss						(284,467)
Cash dividends declared on Common stock	—	—	—	(15,059)	—	(15,059)
Stock issued for acquisitions	28	28	841	—	—	869
BALANCE APRIL 29, 2001	32,740	32,740	194,338	62,212	(3,142)	286,148
Comprehensive loss:						
Net loss	—	—	—	(161,928)	—	(161,928)
Other comprehensive loss:						
Foreign currency translation, net of taxes of $636	—	—	—	—	(983)	(983)
Investment securities, net of taxes of $38	—	—	—	—	(68)	(68)
Comprehensive loss						(162,979)
Cash dividends declared on Common stock	—	—	—	(2,621)	—	(2,621)
Stock options and warrants issued	—	—	1,469	—	—	1,469
Stock options exercised (including related tax benefits)	30	30	264	—	—	294
Contribution from exchange of convertible trust preferred securities, net of taxes of $16,750	—	—	29,403	—	—	29,403
Stock issued for minority interest distribution	295	295	2,470	—	—	2,765
Stock issued—private placement	2,210	2,210	17,654	—	—	19,864
Stock issued for acquisitions	15	15	385	—	—	400
BALANCE APRIL 28, 2002	35,290	35,290	245,983	(102,337)	(4,193)	174,743
Comprehensive loss:						
Net loss	—	—	—	(70,739)	—	(70,739)
Other comprehensive loss:						
Foreign currency translation, net of taxes of $1,384	—	—	—	—	2,164	2,164
Investment securities, net of taxes of $21	—	—	—	—	(37)	(37)
Comprehensive loss						(68,612)
Restricted stock issued	148	148	33	—	—	181
Stock options exercised (including related tax benefits)	20	20	172	—	—	192
Stock issued for minority interest distribution	477	477	3,987	—	—	4,464
BALANCE APRIL 27, 2003	35,935	$35,935	$250,175	$(173,076)	$(2,066)	$110,968

See accompanying notes to consolidated financial statements.

notes to consolidated financial statements

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of consolidation:

The consolidated financial statements include the accounts of Fleetwood Enterprises, Inc. and its wholly owned subsidiaries. The term "Company" or "Fleetwood" used herein means Fleetwood Enterprises, Inc. and its subsidiaries, unless otherwise indicated by the context. All material intercompany accounts and transactions have been eliminated.

(b) Revenue recognition:

Revenue for manufacturing operations is generally recorded when all of the following conditions have been met:

1. an order for a product has been received from a dealer,
2. written or verbal approval for payment has been received from the dealer's flooring institution,
3. a common carrier signs the delivery ticket accepting responsibility for the product as agent for the dealer, and
4. product is removed from Fleetwood's property for delivery to the dealer.

Most manufacturing sales are made for cash, with most dealers financing their purchases under flooring arrangements with banks or finance companies. Products are not sold on consignment; dealers do not have the right to return products; and dealers are typically responsible for interest charges from floorplan lenders. On average, we receive payments from floorplan lenders on products sold to independent dealers within about 15 days of the invoice date, i.e. the date the product is shipped.

Amounts billed to dealers for delivery of products are recognized as revenue with the corresponding delivery expense charged to cost of sales. Also, cash sales incentives are treated as a reduction of revenue.

To adopt the provisions of the Securities and Exchange Commission (SEC) Staff Accounting Bulletin 101, in fiscal 2001 we changed our retail housing revenue recognition policy. For retail sales from Company-owned retail stores, sales revenue is recognized when the home has been delivered, set up and accepted by the consumer, title has been transferred and funds have been received, either from the finance company or the homebuyer. Prior to fiscal 2001, we followed the industry practice of recording credit retail sales when a written contract and down payment were secured. We recorded the cumulative effect of this accounting change on the amount of retained earnings at the beginning of fiscal year 2001 as a charge against net income in the first quarter of fiscal 2001. The after-tax amount of the cumulative effect was $11.2 million, or 34 cents per diluted share.

(c) Stock-based incentive compensation:

The Company accounts for stock-based incentive compensation plans, which are described more fully in Note 19, using the intrinsic method under which no compensation cost is recognized for stock option grants because the options are granted at fair market value at the date of grant. Had compensation costs for these plans been determined using the fair value method, under which a compensation cost is recognized over the vesting period of the stock option based on its fair value at the date of grant, the Company's net loss and loss per share would have been affected as indicated by the following table:

AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA

FISCAL YEARS ENDED APRIL	2003	2002	2001
Net loss, as reported	$(70,739)	$(161,928)	$(283,990)
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(2,439)	(3,383)	(1,171)
Pro forma net loss	$(73,178)	$(165,311)	$(285,161)
Basic and diluted loss per share, as reported	$ (1.97)	$ (3.90)	$ (8.67)
Basic and diluted loss per share, pro forma	$ (2.04)	$ (4.00)	$ (8.71)

During fiscal 2002, $401,000 of compensation cost, net of taxes, was included in the net loss as reported, as a result of a modification in terms of 200,000 options granted to an employee whose status changed from employee to non-employee. There was no stock-based employee compensation in fiscal 2003 or fiscal 2001.

(d) Marketable investments:

All of the marketable investments of the Company are classified as available-for-sale securities. The Company does not hold investments classified as trading securities. Marketable investments classified as available-for-sale are reported on the consolidated balance sheet at their market value. The net unrealized gains or losses for these securities are reported, net of related taxes, as separate components of other comprehensive income (loss). Interest income from the securities portfolio is accrued as earned including the accretion of discounts and the amortization of premiums based on the original cost of each security.

(e) Foreign currency translation:

Exchange adjustments resulting from foreign currency transactions are recognized currently in income, whereas adjustments resulting from the translation of non-U.S. functional currency financial statements are reflected in other comprehensive income (loss) as a separate component of shareholders' equity. The assets and liabilities of the Canadian operation (which are not material) are translated to U.S. dollars at current exchange rates. Revenues and expenses are translated at the average exchange rates for the year. Gains or losses on foreign currency transactions in fiscal years 2003, 2002 and 2001 were not material.

(f) Inventory valuation:

Inventories are valued at the lower of cost (first-in, first-out) or market. Manufacturing cost includes materials, labor and manufacturing overhead. Retail finished goods are valued at cost less intercompany manufacturing profit. Inventories consist of the following:

AMOUNTS IN THOUSANDS

	APRIL 27, 2003	APRIL 28, 2002
Manufacturing inventory—		
Raw materials	$105,971	$ 97,076
Work in process	29,176	22,597
Finished goods	25,146	8,423
	160,293	128,096
Retail inventory—		
Finished goods	97,957	113,239
Less manufacturing profit	(17,729)	(23,330)
	80,228	89,909
	$240,521	$218,005

(g) Long-lived assets:

The Company assesses the recoverability of its long-lived assets by determining whether the net book value can be recovered through projected cash flows over the remaining life. If projections indicate that the value of long-lived assets will not be recovered, an adjustment is made to reduce the asset to fair value based upon estimated recoverability upon sale, where appropriate, or other estimates of fair value such as discounting future cash flows. Cash flow projections, although subject to a degree of uncertainty, are based on trends of historical performance and management's estimate of future performance, giving consideration to existing and anticipated competitive and economic conditions. The Company recorded asset impairment charges of $1.2 million, $12.5 million and $22.7 million for fiscal years 2003, 2002 and 2001, respectively. In fiscal 2001, the Company recorded goodwill impairment charges of $165.9 million. See Notes 5 and 6.

(h) Depreciation:

Depreciation is provided using straight-line or accelerated methods based on the following estimated useful lives:

- Buildings and improvements—10-40 years
- Machinery and equipment—3-15 years

(i) Goodwill:

The Company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (SFAS No. 142) as of the first quarter in fiscal year 2002. This new accounting standard requires that goodwill not be amortized but instead be tested at least annually for impairment and expensed against earnings when the implied fair value of a reporting unit, including goodwill, is less than its carrying amount (see Note 5).

(j) Product warranty costs:

Fleetwood provides customers of our products with a warranty covering defects in material or workmanship for periods ranging from one to two years, with longer warranties on certain structural components. We record a liability based on our best estimate of the amounts necessary to settle future and existing claims on products sold as of the balance sheet date. Factors we use in estimating the warranty liability include a history of units sold to customers, the average cost incurred to repair a unit and a profile of the distribution of warranty expenditures over the warranty period. Changes in the Company's product warranty liability during the fiscal years ended April 27, 2003, and April 28, 2002, are as follows:

AMOUNTS IN THOUSANDS

	2003	2002
Balance at beginning of year	$68,046	$59,818
Warranties issued and changes in the estimated liability during the period	72,169	106,206
Settlements made during the period	(78,078)	(97,978)
Balance at end of year	$62,137	$68,046

(k) Dealer volume rebates and sales incentives:

Estimated costs related to dealer volume rebates and sales incentives are accrued at the time products are sold.

(l) Research and development costs and advertising expense:

The Company follows the policy of charging research and development costs against income in the periods incurred. Expenditures for product research and development activities were $19.6 million in fiscal 2003, $19.3 million in fiscal 2002 and $21.7 million in fiscal 2001. Advertising expenditures, which were also charged against income in the periods incurred, totaled $1.5 million in fiscal 2003, $2.2 million in fiscal 2002 and $10.2 million in fiscal 2001.

(m) Accounting period:

The Company's fiscal year ends on the last Sunday in April. The year-end dates for the past three fiscal years were April 27, 2003, April 28, 2002 and April 29, 2001. Included in the consolidated financial statements are the results of Fleetwood Retail Corp. (FRC) and HomeOne Credit Corp. (HCC), the Company's wholly owned housing retail and finance subsidiaries, respectively, for the 12-month periods ended March 31, 2003, March 31, 2002 and March 31, 2001, in order to ensure timely preparation of the consolidated financial statements.

(n) Cash flow statements:

For purposes of these statements, cash includes cash on hand and cash in banks in demand deposit accounts.

(o) Insurance reserves:

Insurance reserves primarily represent estimated liabilities for products liability and workers' compensation claims. Workers' compensation reserves mainly consist of estimated case reserves on known claims, as well as a factor for incurred but not reported claims. Products liability reserves include both case reserves on known claims as well as estimated liabilities for claims which have not been reported. Products liability reserves include estimated amounts for unpaid claims and claim adjustment expenses, which are based on historical experience and independent actuarial calculations.

(p) 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(q) Income taxes:

Deferred income tax assets or liabilities are computed based on the difference between the financial statement and income tax basis of assets and liabilities using the enacted marginal tax rate. Deferred income tax expenses or benefits are based on the changes in the deferred asset or liability from period to period. A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax asset will not be realized.

(r) Reclassification:

During fiscal 2001, manufacturing segment delivery revenues were reclassified to net sales from operating expenses, and delivery expenses were reclassified from operating expenses to cost of sales due to the adoption of EITF No. 00-10 “Accounting for Shipping and Handling Fees and Costs.” Certain sales incentives were reclassified from selling expense to net sales due to the adoption of EITF No. 00-14 “Accounting for Certain Sales Incentives.” Also in 2001, the distribution on preferred securities was reclassified from other income and expense to minority interest, to more clearly reflect these distributions as a minority interest in the preferred securities of the Fleetwood Capital Trusts. Certain other amounts previously reported have been reclassified to conform with the 2003 presentation.

(s) New accounting pronouncements:

In December 2002, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 148, “Accounting for Stock-Based Compensation—Transition and Disclosure,” which amends SFAS 123, “Accounting for Stock-Based Compensation” to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based compensation. In addition, this statement amends the disclosure requirements of SFAS 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. We will continue to account for stock-based compensation using the intrinsic method as permitted by SFAS 123 and prominently disclose the additional information required by SFAS 148 in our annual and interim reports.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity." This statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. This statement requires an issuer to classify a financial instrument issued in the form of shares that are mandatorily redeemable—that embodies an unconditional obligation requiring the issuer to redeem them by transferring its assets at a specified or determinable date—as a liability. We have three series of convertible trust preferred securities totaling $374 million that are now treated as quasi-equity securities that are mandatorily redeemable at specified dates. Effective with the second quarter of fiscal year 2004, these financial instruments will be classified as long-term liabilities on the statement of financial position, valued at fair market value using the present value of the redemption amount, at the rate implicit in the contract at inception. Distributions to the minority interest, now classified below the tax provision (benefit) as an after-tax amount, will be reclassified on the consolidated statement of operations to a separate line included in other income (expense) as an interest expense.

In November 2002, the FASB issued Interpretation No. 45 (FIN 45), "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." This interpretation specifies the disclosures to be made by a guarantor in its interim and annual financial statements concerning its obligations under certain guarantees that it has issued. FIN 45 also requires a guarantor to recognize a liability, at the inception of the guarantee, for the fair value of obligations it has undertaken in issuing the guarantee. The disclosure requirements of FIN 45 are effective for interim and annual periods ending after December 15, 2002. The initial recognition and initial measurement requirements of FIN 45 are effective prospectively for guarantees issued or modified after December 31, 2002. Accordingly, we adopted the disclosure provisions of FIN 45, which have been reflected in the accompanying consolidated financial statements. The adoption of these provisions did not have a material impact on the Company's financial position, results of operations or cash flows.

In January 2003, the FASB issued Interpretation No. 46 (FIN 46), "Consolidation of Variable Interest Entities," which expands upon and strengthens existing accounting guidance concerning when a company should include in its financial statements the assets, liabilities and activities of another entity. Prior to the issuance of FIN 46, a company generally included another entity in its consolidated financial statements only if it controlled the entity through voting interests. FIN 46 now requires a variable interest entity, as defined in FIN 46, to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. FIN 46 also requires disclosures about variable interest entities that the company is not required to consolidate but in which it has a significant variable interest. The consolidation requirements of FIN 46 apply immediately to variable interest entities created after January 31, 2003, and to older entities in the first fiscal year or interim period beginning after June 15, 2003. Certain of the disclosure requirements apply to all financial statements issued after January 31, 2003, regardless of when the variable interest entity was established. The Company does not believe the adoption of FIN 46 will have a material impact on the Company's financial position, results of operations or cash flows.

(2) SUPPLEMENTAL INFORMATION ON CONSOLIDATED INSURANCE SUBSIDIARY

The insurance subsidiary was formed primarily for the purpose of insuring products liability risks of the parent company and its subsidiaries. Condensed financial information for this subsidiary, excluding intercompany eliminations, is as follows:

AMOUNTS IN THOUSANDS

FISCAL YEARS ENDED APRIL	2003	2002	2001
Insurance subsidiary:			
Investments	$14,535	$16,516	$15,435
Other assets	22,339	21,047	31,363
Reserves for losses	30,996	24,857	28,866
Other liabilities	1,944	7,261	2,595
Net premiums	5,218	3,417	2,422
Underwriting loss	(2,675)	(1,129)	(1,181)
Investment income	537	1,106	2,010
Net income (loss)	(1,420)	(58)	481

(3) MARKETABLE INVESTMENTS

The Company has a cash management program which provides for the investment of excess cash balances primarily in short-term money market and debt instruments. Investments consist of non-equity type investments stated at cost, which approximates market.

The following is a summary of investment securities:

AMOUNTS IN THOUSANDS

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
APRIL 27, 2003				
Available-for-Sale Securities:				
U.S. corporate debt securities	$ 2,643	$19	$ –	$ 2,662
Foreign corporate debt securities	11,883	12	28	11,867
Institutional money market funds	23,043	–	–	23,043
Bankers' acceptances	689	–	–	689
	$38,258	$31	$28	$38,261
APRIL 28, 2002				
Available-for-Sale Securities:				
U.S. corporate debt securities	$ 6,416	$38	$15	$ 6,439
Foreign corporate debt securities	10,033	16	–	10,049
Institutional money market funds	59,616	–	–	59,616
Bankers' acceptances	8,960	–	–	8,960
	$85,025	$54	$15	$85,064

By contractual maturity, all marketable investments at April 27, 2003, are due in one year or less.

Investment income consisted of the following:

AMOUNTS IN THOUSANDS

FISCAL YEARS ENDED	2003	2002	2001
Interest income	$2,475	$3,112	$8,018
Gross realized gains	76	261	135
Gross realized losses	(20)	(36)	(103)
Investment management fees	(37)	(37)	(46)
	$2,494	$3,300	$8,004

(4) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost and consists of the following:

AMOUNTS IN THOUSANDS

FISCAL YEARS ENDED	2003	2002
Land	$ 25,402	$ 24,250
Buildings and improvements	289,805	293,624
Machinery and equipment	160,164	159,594
Idle facilities, net of accumulated depreciation	39,089	33,668
	514,460	511,136
Less accumulated depreciation	(254,142)	(237,441)
	$260,318	$273,695

Idle facilities includes closed plants and certain other properties that are not in current use by the Company. There were 22 idle plant facilities at the end of fiscal 2003 and 21 at the end of fiscal 2002. Of the current 22 idle facilities, eight are being held for sale and have a net book value of $10.4 million, with the remaining facilities being held for future use. During fiscal 2003, four idle facilities were activated, two idle facilities were sold and seven additional manufacturing facilities were deactivated.

The carrying value of idle facilities was $39,089,000 at April 27, 2003, and $33,668,000 at April 28, 2002, net of accumulated depreciation of $34,703,000 and $35,789,000, respectively. In the opinion of management, the carrying values of idle facilities are not in excess of net realizable value.

During fiscal 2003, three facilities, including two that were idle, with a carrying value of $2.6 million were sold, resulting in a gain of $2.6 million. Also sold during the current fiscal year were three parcels of land with an aggregate carrying value of $900,000, resulting in a gain of $4.4 million. These gains are reflected in the Consolidated Statement of Operations in the “Other” line under the “Other income (expense)” caption.

(5) GOODWILL

Fleetwood adopted Statement of Financial Accounting Standards No. 142, “Goodwill and Other Intangible Assets” (SFAS No. 142) as of the first quarter in fiscal year 2002. This accounting standard requires that goodwill not be amortized but instead be tested at least annually for impairment and expensed against earnings when the implied fair value of a reporting unit, including goodwill, is less than its carrying amount. Fleetwood engaged a prominent independent appraisal company to assist with the valuation.

In fiscal 2002, the Company had two reporting units with goodwill, folding trailers and retail housing. As determined by the first phase assessment for each reporting unit, folding trailers’ estimated fair value exceeded its carrying amount including goodwill, resulting in no impairment, and retail housing’s estimated fair value was less than its carrying amount. The second phase of the assessment was conducted only for retail housing since the first phase assessment indicated there was impairment. Based on the estimated fair value of retail housing, the remaining $80.6 million of goodwill was determined to be fully impaired. Since the goodwill impairment was the result of an accounting change that was effective with the first quarter, the $80.6 million was not reflected in the fourth quarter results. However, it does appear as a line item on the income statement for the fiscal year described as “Cumulative effect of accounting change, net of income taxes.” The first quarter results as reflected in Note 16, Results by Quarter, have been adjusted for the goodwill impairment. In fiscal 2001, the Company incurred a similar non-cash charge related to the impairment of goodwill at retail housing in the amount of $165.9 million.

Conditions in the manufactured housing market have been in a state of decline for the past four fiscal years. Excess retail locations and inventory, combined with tightened consumer credit standards, high interest rates on manufactured homes, major lenders exiting the business, and high consumer repossession levels, resulted in lower sales volume and retail store closings. The large non-cash impairment charges recorded in fiscal years 2001 and 2002 in the retail housing segment were the result of the above-mentioned market and financing conditions.

Based on the evaluation performed in fiscal 2001, a $165.9 million reduction to the value of goodwill related to prior acquisitions of retail business was recorded. The impairment was measured by calculating the fair value of each impaired retail acquisition based on discounted expected future cash flows for 15 years and comparing the result to the carrying amount of the goodwill. The discount rate used to calculate the present value was 9.5 percent, which was the Company’s computed cost of capital. The excess of the carrying amount over fair value was recorded as a charge. Some of the factors considered in the determination of the 15 years were: 1) the effect of market and economic conditions on the business, 2) the ease of entering and exiting the business, 3) the sensitivity to interest rates and financing availability and 4) sustainability of the factors that contributed to paying the seller an amount in excess of book value. The Company also reduced the amortization period for goodwill from 40 years to 15 years. The effect of this change was to increase the net loss in the fourth quarter of fiscal 2001 by $887,000 or 3 cents per share.

In fiscal 2002, instead of estimating the fair value of individual retail stores, the entire retail housing reporting unit was evaluated. The first phase was the determination of an estimate of fair value. Since there was not any market information on comparable companies, the appraisal firm mainly relied on the income approach (discounted cash flow) to determine the estimated fair value of retail housing. Some of the factors considered in their evaluation were: 1) management’s estimate of future cash flows through fiscal year 2016; 2) current and anticipated economic conditions; 3) state of the industry, including excess capacity, competition with resellers of repossessed manufactured homes, high interest rates for manufactured homes, tight credit standards, and the recent number of lenders exiting the business; and 4) a discount rate of 14 percent based on the weighted average cost of capital specific to the retail housing segment. Based on the appraisal firm’s findings, the estimated fair value of Fleetwood Retail Corp. was projected to be less than its carrying amount. The second phase of the evaluation allocated the estimated fair value to all of the assets and liabilities of the retail housing reporting unit, in order to determine the estimated implied fair value of the goodwill. As a result of this evaluation, the remaining goodwill from the acquisition of retail stores was determined to be fully impaired.

Net goodwill from sources other than acquisitions of retail operations was $6.4 million at April 27, 2003, and April 28, 2002, originating from the previous acquisition of the folding trailer operation. We will evaluate the estimated fair value of the folding trailer operation at the end of each year or whenever circumstances dictate that a review should be completed. As a result of the fiscal year 2003 review of folding trailer’s remaining goodwill, it was determined that folding trailer’s estimated fair value exceeded its carrying value, including goodwill, resulting in no impairment.

The effect of amortization on the net loss and on loss per share for fiscal 2001 prior to adopting SFAS No. 142 is as follows (which is not deductible for Federal or state tax purposes):

AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA

	2001 Basic	2001 Diluted
Reported net loss	$(283,990)	$(283,990)
Amortization, net of tax	6,616	6,616
Adjusted net loss	$(277,374)	$(277,374)
Reported loss per common share	$ (8.67)	$ (8.67)
Amortization per share	0.20	0.20
Adjusted loss per common share	$ (8.47)	$ (8.47)

The changes in the carrying amount of goodwill for the fiscal years ended 2003, 2002 and 2001 were as follows:

AMOUNTS IN THOUSANDS

FISCAL YEARS ENDED	2003	2002	2001
Beginning of the year	$6,366	$86,908	$254,974
Additions	–	93	4,400
Amortization	–	–	(6,616)
Impairment	–	(80,635)	(165,850)
End of the year	$6,366	$ 6,366	$ 86,908

(6) OTHER CHARGES

The other charges incurred in fiscal years 2003, 2002 and 2001 include $1.2 million, $12.5 million and $22.7 million for the write-down of impaired assets and $2.8 million, $7.4 million and $9.9 million for restructuring costs, respectively. Also included in fiscal 2001 was $2.3 million of retail sales commissions.

Write-Down of Impaired Assets

The Company determined that the current net book value of certain closed manufacturing facilities and retail locations exceeded net realizable value. The write-down of assets related to retail housing operations resulted from the decision to close certain retail sales centers and to transfer the management responsibility of others to an unrelated third party. Net realizable values were determined based on estimated recoverability upon sale, where appropriate, or other estimates of fair value such as discounting estimated future cash flows. The Company recorded a pre-tax charge for asset impairment of $1.2 million, $12.5 million and $22.7 million during fiscal years 2003, 2002 and 2001, respectively.

Restructuring and Other Charges

During the current fiscal year, the Company recorded pre-tax restructuring charges of $2.8 million, of which $2.6 million related to the reduction of the workforce in the Manufactured Housing segment, and $170,000 related to future lease obligations of closed retail sales locations. The Company eliminated 51 management and administrative positions and 611 production assembly workers in the Housing Group.

During fiscal 2002, the Company recorded pre-tax restructuring charges of $7.4 million, of which $1.0 million related to the reduction of the workforce in the RV segment. The balance of the restructuring charges included $4.2 million for future lease obligations of closed retail sales locations and $2.2 million for other shutdown costs related to the closed retail sales locations. The Company eliminated 10 management and administrative positions during fiscal 2002 in the RV Group as well as 80 other product development and production assembly workers.

During fiscal 2001, the Company recorded pre-tax restructuring charges of $9.9 million, of which $5.1 million related to the reduction of the workforce. The balance of the restructuring charges was for facility costs in connection with the shutdown of both housing and recreational vehicle plants. These actions were taken in response to the downturn in the recreational vehicle business and the tight manufactured housing market. The Company eliminated 388 management and administrative positions during fiscal 2001 in the RV and Housing Groups as well as at the corporate headquarters. In addition, approximately 2,000 production assembly positions were eliminated as a result of plant closings. The other charges of $2.3 million relate to one-time commissions for retail housing sales associates.

Following are tables summarizing the balance of the reserves related to these charges:

AMOUNTS IN THOUSANDS

FISCAL YEAR ENDED 2003	Balance at April 28, 2002	Additions charged to costs and expenses	Payment or utilization	Balance at April 27, 2003
Severance costs	$ 604	$ 2,590	$(2,590)	$ 604
Future lease obligations of closed stores	4,200	170	(2,795)	1,575
	$4,804	$ 2,760	$(5,385)	$2,179

FISCAL YEAR ENDED 2002	Balance at April 29, 2001	Additions charged to costs and expenses	Payment or utilization	Balance at April 28, 2002
Severance costs	$ 904	$ 1,000	$(1,300)	$ 604
Future lease obligations of closed stores	–	4,200	–	4,200
Miscellaneous shutdown costs	1,276	2,200	(3,476)	–
	$2,180	$ 7,400	$(4,776)	$4,804

FISCAL YEAR ENDED 2001	Balance at April 30, 2000	Additions charged to costs and expenses	Payment or utilization	Balance at April 29, 2001
Severance costs	$ –	$ 5,117	$(4,213)	$ 904
Commissions	–	2,275	(2,275)	–
Miscellaneous shutdown costs	–	4,786	(3,510)	1,276
	$ –	$12,178	$(9,998)	$2,180

(7) SECURED CREDIT FACILITY

On July 27, 2001, we entered into an agreement for a senior secured credit facility to be funded by a syndicate of banks led by Bank of America. A portion of the proceeds from the new credit facility was used to retire the senior unsecured notes payable held by the Prudential Insurance Company of America (Prudential). A principal payment of $68.2 million, prepayment penalties of $2.3 million and accrued interest of $663,000 was remitted to Prudential on July 30, 2001, as part of the funding of the new facility. As amended, the senior secured credit facility was structured as a three-year revolving credit line for up to $190 million plus a $30 million two-year term loan.

Three amendments to the credit agreement were executed during fiscal 2002, mainly to redefine several financial performance covenants. Among the modifications to the credit agreement, the adjusted EBITDA (earnings before interest, taxes, depreciation and amortization) covenant was replaced with a Free Cash Flow covenant, the revolving credit facility was reduced to a commitment level of $190 million, and Bank of America was given the right to require daily reporting of our borrowing base. With the $141.2 million of net proceeds received from the sale of the 9.5% convertible trust preferred securities in December 2001, $24.0 million was used to pay down the bank term loan to a balance of $6.0 million and another approximately $4.0 million was used to pay off the balance then outstanding on the revolving loan.

In July 2002, the facility was further amended, effective as of April 28, 2002, to eliminate the Free Cash Flow covenant as well as a Fixed Charge Coverage Ratio covenant and replace them with a new adjusted EBITDA covenant and a covenant requiring the Company to maintain liquidity (which includes the daily average of cash equivalents and borrowing availability under the credit facility) of at least $80 million. At the same time, the term loan was paid in full and retired and a property, plant and equipment subfacility was eliminated as part of the borrowing base. On January 24, 2003, the credit agreement was amended again to provide greater flexibility and borrowing capacity. The maximum amount of credit available under the line was reduced from $190 million to $110 million, to more closely match the size of the line to the loan value of the borrowing base of inventory and receivables. At the same time, the lenders agreed to reduce the borrowing availability reserve that the Company is required to maintain from $50 million to $30 million, and to release certain excess real estate and equipment collateral. Additional provisions of the amendment allowed for greater flexibility in making capital contributions, advances and distributions among Fleetwood and its subsidiaries. In addition, the amendment specifically authorized Fleetwood to make additional capital contributions to its HCC finance subsidiary, and to enter into a warehouse line of credit to further support the operations of HCC. On March 25, 2003, the credit agreement was amended again to primarily restate the financial covenant relating to adjusted EBITDA, as defined in the credit agreement. As part of the same amendment, the maximum amount of the revolving line of credit was increased by $20 million to $130 million, reflecting the return of a former syndicate member to the loan arrangement.

Subsequent to the end of the fiscal year, the adjusted EBITDA covenant was further amended to give effect to a reversal of incorrect adjusting entries at Fleetwood Retail Corp. that would otherwise have resulted in a default under that covenant.

The revolving credit line bears interest, at our option, at variable rates based on either Bank of America's prime rate or one, two or three month LIBOR. As amended, the facility is secured by virtually all of the Company's receivables and a significant portion of its inventories, plus $75 million in appraised value of real estate. Advances under the revolving credit line are limited by the available borrowing base of eligible accounts receivable and inventories, and are subject to a minimum excess availability of $30 million. The credit agreement contains customary affirmative and negative covenants, some of which require compliance with certain financial tests including the adjusted EBITDA covenant. As part of the credit agreement, there is a $75 million sub-facility to support letters of credit, of which $43 million was utilized as of fiscal year-end.

The balance outstanding on the revolver as reflected on the balance sheet at the end of fiscal 2003 and fiscal 2002 in other short-term borrowings was $16.1 million and $10.4 million, respectively. Currently, lender commitments to the facility total $130 million. Our borrowing capacity, however, is governed by the amount of a borrowing base, consisting of inventories and accounts receivable, that fluctuates significantly from week to week. The borrowing base is revised weekly for changes in receivables and monthly for changes in inventory balances. Under the borrowing agreement, $30 million must be maintained as minimum unused availability, with the remainder available to support standby letters of credit and fund borrowings. At the end of the fiscal year, the borrowing base totaled $139.1 million. After consideration of the unused minimum requirement, collateral reserves of $2.4 million, $43.8 million in standby letters of credit and the outstanding borrowings, unused borrowing capacity was approximately $37.5 million. The weighted average interest rate on these short-term borrowings was 5.25 percent and 5.75 percent at the end of fiscal 2003 and fiscal 2002, respectively.

(8) CONVERTIBLE TRUST PREFERRED SECURITIES

Three Delaware business trusts that are wholly owned by the Company have issued three separate series of convertible trust preferred securities, which are convertible into shares of the Company's common stock. These securities are more fully described below, and are summarized in the following table:

Series	Number of Securities Outstanding	Par Value Per Share	Aggregate Amount Outstanding(1)	Maturity	Interest Rate	Conversion Price
Trust I	4,025,000	$50	$201,250,000	2028	6%	$48.72 or 1.02627 shares of common stock per share of Trust I Securities
Trust II	1,725,000	$22	$ 37,950,000	2013	9.5%	$12.56 or 1.752 shares of common stock per share of Trust II Securities
Trust III	3,000,000	$50	$150,000,000	2013	9.5%	$10.36 or 4.826 shares of common stock per share of Trust III Securities

(1) The carrying value of the securities as reflected on the consolidated balance sheet is less than the sum of the above liquidation amounts due to issuance costs, which were treated as a discount to the liquidation amount and are being accreted over the life of the securities.

During fiscal 1998, Fleetwood Capital Trust (Trust I), a Delaware business trust wholly owned by the Company, completed a $287.5 million private placement of 5,750,000 shares of 6% Convertible Trust Preferred Securities (Trust I Securities) with a liquidation value of $50 per security. The combined proceeds from the transaction and from the purchase by the Company of the common shares of Trust I were tendered to the Company in exchange for 6 percent convertible subordinated debentures (Trust I Debentures) in the aggregate principal amount of $296.4 million, maturing on February 15, 2028. The Trust I Debentures are the sole assets of Trust I and eliminate in consolidation. In a subsequent exchange offer, described below, the number of Trust I Securities outstanding was reduced to 4,025,000 and the aggregate principal amount outstanding was reduced to $201,250,000.

Distributions on the Trust I Securities are cumulative and are paid quarterly in arrears at an annual rate of 6 percent. The Company has the option to defer payment of the distributions for an extended period of up to 20 consecutive quarters, so long as the Company is not in default in the payment of interest on the debentures and discontinues the payment of dividends on common stock while the deferral is in effect. Considered together, the undertakings under the Trust, the related indentures and guarantees and the convertible subordinated debentures constitute a full and unconditional guarantee by the Company of the Trust's obligations under the securities. For the third and fourth quarters of fiscal 2002 and the four quarters of fiscal 2003, the Company elected to defer the quarterly distributions on the Trust I Securities. The total amount deferred, including accrued interest, was $25.2 million at the end of fiscal 2003. The Company further indicated that it will continue to defer the distribution on the Trust I Securities for the foreseeable future, subject to the terms in the governing documents.

The Trust I Securities are convertible, at the option of the holder, at any time at the rate of 1.02627 shares of Fleetwood common stock (i.e., a conversion price of $48.72 per common share), subject to adjustment in certain circumstances. Since February 15, 2001, the Trust I Debentures have been redeemable in whole or in part, at the option of the Company, at a price equal to a premium currently 103.00 percent of the principal amount plus accrued and unpaid interest, declining annually to par if redeemed on or after February 15, 2006. The Trust I Securities are subject to mandatory redemption to the extent of any early redemption of the Trust I Debentures and upon maturity of the Trust I Debentures on February 15, 2028.

In December 2001, Fleetwood Capital Trust III (Trust III), also a Delaware business trust wholly owned by the Company, completed a $150.0 million private placement of 3,000,000 shares of 9.5% Convertible Trust Preferred Securities with a face value of $50 per share. The combined proceeds from the transaction and from the purchase by the Company of the common shares of Trust III were tendered to the Company in exchange for 9.5 percent convertible subordinated debentures (Trust III Debentures) in the aggregate principal amount of $154.6 million, maturing on February 15, 2013. The Trust III Debentures are the sole assets of Trust III and eliminate in consolidation.

In January 2002, Fleetwood Capital Trust II (Trust II), another wholly owned Delaware business trust, issued 1,725,000 shares of 9.5% Convertible Trust Preferred Securities with a face value of $22 per share and an aggregate liquidation value of $37.95 million to Trust I Securities holders in exchange for 1,725,000 shares of 6% Trust I Securities with a $50 face value and an aggregate liquidation value of $86.25 million. The Trust I Securities and the proceeds from the purchase by the Company of the common shares of Trust II were tendered to the Company in exchange for new convertible subordinated debentures (Trust II Debentures) in the amount of $39.12 million. In turn, the Company tendered the $86.25 million of Trust I Securities to Trust I to be retired in exchange for the cancellation of a like amount of Trust I Debentures. The Trust II Debentures, which mature on February 15, 2013, are the sole assets of Trust II and eliminate in consolidation.

Distributions on the new securities can be paid in cash or, at the Company's election, prior to February 15, 2004, in Fleetwood's common stock, at a rate of 9.5 percent per year of the liquidation amount of $22 per exchange preferred security and $50 per cash offer preferred security. After February 15, 2004, the Company can defer interest payments on the new securities for up to 20 consecutive quarterly periods. The Company elected to pay the first and second quarterly distribution on the new securities due in February and May 2002 in Fleetwood's common stock. Subsequent distributions through May 2003 have been paid with cash.

The new trust preferred securities are convertible, at the option of the holder, at any time at the rate of 4.826 shares of Fleetwood common stock (i.e., a conversion price of $10.36 per common share) for the cash offer security ($50 per share face value) and 1.752 shares of Fleetwood common stock (i.e., a conversion price of $12.56 per common share) for the exchange preferred security ($22 per share face value).

Each new security is mandatorily redeemable upon maturity on February 15, 2013. In addition, after February 15, 2004, we may elect to redeem the new securities for a price equal to 100 percent of the liquidation amount plus accrued interest, upon not less than 30 but no more than 60 days' notice. Prior to February 15, 2004, the Company may only elect to redeem the new securities for a price equal to 100 percent of the liquidation amount plus accrued interest if our common stock price has exceeded 200 percent of the conversion price for at least 20 days during a 30-day trading period ending five trading days prior to the notice of redemption.

(9) RETIREMENT AND DEFERRED COMPENSATION PLANS

The Company has qualified defined contribution (DC) retirement plans covering most employees. There are no prior service costs associated with these plans. The Company follows the policy of funding qualified retirement plan contributions as accrued. The Company also maintains non-qualified plans to accrue retirement benefits subject to Internal Revenue Code limitations. During fiscal 2003, the Company terminated three DC plans that covered the majority of its employees: a 401(k) plan that previously included the employees at Fleetwood Retail Corp, a money purchase plan for workers at the manufacturing subsidiaries and a profit-sharing plan for associates at the Company's headquarters. All assets and participant accounts associated with the terminated plans were transferred to a new single 401(k) plan, with no loss of benefits. In addition, the Company established a new non-qualified Deferred Compensation Alternative (DCA) plan that serves as a retirement vehicle for after-tax contributions in excess of IRS limitations. The costs associated with these retirement plans are summarized as follows:

FISCAL YEARS	Qualified DC Plans	Non-Qualified Plans	Total
2003	$18,775	$1,419	$20,194
2002	20,146	1,920	22,066
2001	18,672	3,266	21,938

AMOUNTS IN THOUSANDS

The Company also sponsors one defined benefit plan assumed in connection with the acquisition of Fleetwood Folding Trailers, Inc. in 1989. The plan covers over 500 participants and has approximately $4 million in assets. Plan assets are held in trust and are invested in equity and fixed income securities. The funding policy is set to meet statutory minimum funding requirements plus such additional amounts as the Company may determine to be appropriate. Plan assets for determining minimum funding requirements are valued by recognizing 20 percent of the difference between actual and expected investment income each year. On this basis, the plan is 95 percent funded with respect to benefits earned under the plan. The plan is approximately 80 percent funded on a market-value basis.

In addition to non-qualified retirement plans, the Company has a deferred compensation plan that allows for the voluntary deferral of a portion of managers' compensation. With the exception of the new DCA plan, participant balances in the various non-qualified plans are credited with interest at a rate set at the discretion of the Company which, for the three years ended April 2003, was the prime rate as published by a major U.S. bank. To enhance security for the benefits payable under these plans, the Company has established a "Rabbi Trust," funded with Company-owned life insurance (COLI) policies on the lives of participants. The assets of the trust are not generally available to the Company or its creditors except in the event of the Company's insolvency. No premium payments were made in fiscal years 2003 or 2002. In fiscal 2001, a premium payment of $5.5 million was made. In fiscal 2003, $8.2 million was borrowed from the trust in the form of a policy loan to pay participant benefits. In fiscal 2001, $7.0 million was withdrawn and $3.0 million was borrowed from the trust to pay participant benefits. The liability for benefits accrued under the non-qualified plans at the end of fiscal 2003 and fiscal 2002 totaled $58.2 million and $62.2 million, respectively. The cash values of the related trust assets reflected in the accompanying balance sheets were $55.0 million and $61.3 million, respectively, at those same dates.

(10) INCOME TAXES

Deferred tax assets and liabilities are determined based on temporary differences between income and expenses reported for financial reporting and tax reporting. We are required to record a valuation allowance to reduce our deferred tax assets to the amount that we believe is more likely than not to be realized. In assessing the need for a valuation allowance, we previously have considered all positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial performance. The accounting guidance states that forming a conclusion that a valuation allowance is not needed is difficult when there is negative evidence such as cumulative losses in recent years. As a result of this guidance, our recent cumulative losses and the full utilization of our loss carryback potential, we recently concluded that a partial valuation allowance against our net deferred tax assets was appropriate. Accordingly, as of fiscal year 2003, after considering only the effects of prudent and feasible tax strategies, we recognized a valuation allowance of $28.4 million. We continue to believe that the combination of all positive and negative factors will enable us to realize the full value of the deferred tax assets. If, after future assessments of the realizability of our deferred tax assets, we determine a lesser allowance is required, we would record a reduction to income tax expense and the valuation allowance in the period of such determination.

The benefit (provision) for income taxes for the last three fiscal years is summarized below:

AMOUNTS IN THOUSANDS

	2003	2002	2001
Current:			
U.S. Federal	$ –	$34,743	$39,028
Foreign	(1,012)	108	(499)
State	(2,029)	821	1,213
	(3,041)	35,672	39,742
Deferred, principally Federal:			
Deferred tax valuation allowance	(28,400)	–	–
Tax loss carryforward	14,581	–	–
Insurance reserves	(3,207)	1,656	(394)
Restructuring accruals	1,743	2,786	13,526
Other	2,170	(3,006)	4,701
	(13,113)	1,436	17,833
	$(16,154)	$37,108	$57,575

The benefit (provision) for income taxes computed by applying the Federal statutory rate to loss before taxes is reconciled to the actual benefit (provision) for the last three fiscal years as follows:

AMOUNTS IN THOUSANDS

	2003		2002		2001	
	Amount	%	Amount	%	Amount	%
Loss before benefit for income taxes:						
U.S. Federal	$(36,971)	107.9%	$(105,102)	99.9%	$(320,361)	100.4%
Foreign	2,703	(7.9)	(110)	.1	1,130	(.4)
	$(34,268)	100.0%	$(105,212)	100.0%	$(319,231)	100.0%
Computed statutory tax	$ 11,994	35.0%	$ 36,824	35.0%	$ 111,731	35.0%
Valuation allowance	(28,400)	(82.9)	–	–	–	–
State income taxes, net	(140)	(.4)	477	.5	2,621	.8
Impairment of goodwill	–	–	–	–	(54,048)	(16.9)
Other items, net	392	1.2	(193)	(.2)	(2,729)	(.9)
	$(16,154)	(47.1)%	$ 37,108	35.3%	$ 57,575	18.0%

The components of the Company's deferred tax assets at April 27, 2003, and April 28, 2002, were as follows:

AMOUNTS IN THOUSANDS

	2003	2002
Tax loss carryforward	$27,512	$ –
Insurance reserves	13,613	11,676
Deferred compensation and benefits	26,752	24,200
Product warranty reserves	19,368	23,324
Dealer volume rebates	1,988	184
Depreciation	6,182	2,795
Restructuring accruals	7,012	4,740
Other financial accruals	15,736	33,964
	118,163	100,883
Valuation allowance	(28,400)	–
	$89,763	$100,883

At April 27, 2003, the Company had a Federal net operating loss carryforward of approximately $73.4 million. The Federal net operating loss carryforward begins to expire in 2023. In addition, the Company has related state net operating loss carryforwards with varying expiration dates.

(11) RETAIL FLOORING LIABILITY

Retail flooring liability represents amounts borrowed by Company-owned retail sales centers to finance inventory purchases of manufactured homes. All but a minor portion of the amount outstanding at April 27, 2003, was financed under an agreement with a national floorplan lender that provides for a security interest in the units financed and repayment at the time the units are sold. Substantially all amounts outstanding currently bear interest at 6.75 percent.

(12) OTHER CURRENT LIABILITIES

Other current liabilities consist of the following:

AMOUNTS IN THOUSANDS

	APRIL 27, 2003	APRIL 28, 2002
Dealer volume rebates	$10,517	$11,382
Accrued selling programs	16,827	17,931
Accrued litigation settlements	7,362	8,904
Retail customer deposits	8,807	8,061
Other	37,118	35,569
	$80,631	$81,847

(13) FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company has estimated the fair value of its financial instruments in compliance with Statement of Financial Accounting Standards No. 107, "Disclosure About Fair Value of Financial Instruments." The estimates were made as of April 27, 2003, and April 28, 2002, based on relevant market information. Financial instruments include those set out below and investments which are discussed in Note 3. The estimated fair values of all financial instruments approximate book values except for the convertible trust preferred securities which were valued based upon the average of bid and ask prices of trades executed in the over-the-counter market in close proximity to the fiscal year end.

The book and estimated fair values were as follows:

AMOUNTS IN THOUSANDS

	APRIL 27, 2003		APRIL 28, 2002	
	Book Value	Estimated Fair Value	Book Value	Estimated Fair Value
Cash	$31,515	$31,515	$26,083	$26,083
Cash value of Company-owned life insurance	55,004	55,004	61,296	61,296
Retail flooring liability	15,357	15,357	24,241	24,241
Other short-term borrowings	16,054	16,054	10,412	10,412
Long-term debt	2,357	2,357	8,741	8,741
Convertible preferred securities	374,377	218,156	373,145	270,133

(14) COMMITMENTS AND CONTINGENCIES

Producers of recreational vehicles and manufactured housing customarily enter into repurchase agreements with lending institutions that provide wholesale floorplan financing to independent dealers. These agreements generally provide that, in the event of a default by a dealer in its obligation to these credit sources, we will repurchase product. With most repurchase agreements our obligation ceases when the amount for which we are contingently liable to the lending institution has been outstanding for more than 12, 18 or 24 months, depending on the terms of the agreement. The contingent liability under these agreements approximates the outstanding principal balance owed by the dealer for units subject to the repurchase agreement, less any scheduled principal payments waived by the lender. Although the maximum potential contingent repurchase liability approximated $157 million for inventory at manufactured housing dealers and $544 million for inventory at RV dealers as of April 27, 2003, the risk of loss is reduced by the potential resale value of any products that are subject to repurchase, and is spread over numerous dealers and financial institutions. The gross repurchase obligation will vary depending on the season and the level of dealer inventories. Typically, the repurchase obligation for the third fiscal quarter will be greater than other periods due to high dealer inventories. The RV repurchase obligation is significantly more than the manufactured housing obligation due to a higher average cost per motor home and more units in dealer inventories. Past losses under these agreements have not been significant and lender repurchase demands have been funded out of working capital.

In the past three fiscal years we have had the following repurchase activity:

DOLLARS IN MILLIONS

FISCAL YEARS	2003	2002	2001
Units	182	417	641
Repurchase amount	$4.4	$10.5	$15.0
Loss recognized	$ –	$ 2.1	$ 3.3

The Company previously reported that Fleetwood is a defendant in a class action lawsuit in the case of *McManus v. Fleetwood Enterprises, Inc.,* which was filed on April 9, 1999, and is pending in the U.S. District Court for the Western District of Texas, San Antonio Division. The complaint attempts to establish a class of purchasers of our Class A motor homes for the model years 1994-1999 and makes claims with respect to the alleged breach of express and implied warranties, negligent misrepresentation, fraudulent concealment, and violation of various state statutes in connection with the ability of such motor homes to tow an automobile or other vehicle or cargo. On September 24, 2001, the Court certified a subclass of Texas residents who purchased a subject motor home from a Texas dealer and who still own the motor home. The Company appealed this certification to the Fifth Circuit Court of Appeals on October 4, 2001, and on February 14, 2003, the Fifth Circuit ruled that the trial court had erred in certifying a State sub-class based upon fraud and/or misrepresentation, but confirmed a class based upon the implied warranty of merchantability. On May 1, 2003, the Company reached a preliminary settlement agreement with representatives of the class, which received preliminary approval from the court on June 25, 2003. A hearing for final approval has been scheduled for September 30, 2003. Pursuant to the preliminary settlement agreement, the Company would pay attorneys' fees in the amount of $2.85 million in settlement of the case plus $250 to each member of the class who still owns their vehicle and who can demonstrate that they have purchased a supplemental braking system or intend to purchase a supplemental braking system.

The Company also previously reported that on July 29, 2002, a purported class action lawsuit entitled *Fairley v. Fleetwood Enterprises, Inc.,* was filed in Los Angeles, California, Superior Court, Central District, alleging fraud and misrepresentation in the marketing of Fleetwood motor homes from model years 1994 through 2000. The complaint contends that Fleetwood misrepresented the towing capacities of its motor homes without informing consumers of the need for auxiliary brakes on the towed vehicle, and seeks a variety of damages and injunctive relief. This matter is virtually the same as the *McManus* lawsuit referenced above, and the preliminary settlement in the *McManus* case will also settle the *Fairley* case.

On January 29, 2002, a purported class action was filed by 16 individual plaintiffs against us and 13 of our subsidiaries, along with 253 other companies in the manufactured housing industry. The matter, designated *Matte v. Sunshine Homes, Inc.,* was filed in the 27th Judicial District Court, St. Landry Parish, Lafayette, Louisiana, and purports to be a class action consisting of all individuals in the United States who purchased a manufactured home built to the federal Department of Housing and Urban Development (HUD) construction and safety standards. HUD regulates all manufactured housing in the United States. The complaint alleges breach of warranty claims and various personal injuries and property damages resulting from water infiltration, mold and mildew. On February 28, 2002, the matter was removed to the United States Federal District Court, Western District of Louisiana, Lafayette-Opelousas Division. Currently, several motions are pending before the Court. The Company denies the material allegations in the complaint and plan to assert a vigorous defense to that end. It is not possible at this time to properly assess the risk of an adverse verdict or the magnitude of possible exposure.

On May 29, 2003, the Company filed a complaint in state court in Kansas, in the 18th Judicial District, District Court, Sedgewick County, Civil Department, against The Coleman Company, Inc. in connection with a dispute over the use of the “Coleman” brand name. Fleetwood’s Folding Trailer Division has licensed the name since 1989, when the Company bought Coleman Recreation Vehicles, Inc. Coleman recently notified the Company that it now has a different interpretation of the manner in which royalties were intended to be calculated under the license agreement. The Company had entered into discussions with Coleman to address these concerns in good faith, but on May 12, 2003, Coleman notified the Company that it had terminated the agreement and ordered us to cease using the name. The lawsuit seeks declaratory and injunctive relief. On June 6, 2003, Coleman filed an answer and counterclaimed against the Company alleging various counts, including breach of contract and trademark infringement. A hearing on the matters was held on June 17, 18 and 19. On July 11, 2003, the Court issued an order stating that the rights and obligations of the parties should be resolved at a trial and not by injunctive relief. We intend to aggressively pursue this litigation and provide a vigorous defense to Coleman’s counterclaim. It is not possible at this time to properly assess the risk of an adverse verdict or the magnitude of the possible exposure.

The Company is also subject to other litigation from time to time in the ordinary course of business. Fleetwood’s liability under some of this litigation is covered in whole or in part by insurance. Although the amount of any liability with respect to such claims and litigation over and above the Company’s insurance coverage cannot currently be determined, in the opinion of management such liability is not expected to have a material adverse effect on our financial condition or results of operations.

Under the senior credit agreement, Fleetwood Enterprises, Inc. is a guarantor of the borrowings of Fleetwood Holdings, Inc. (FHI) and Fleetwood Retail Corp. (FRC). FHI includes most of the wholly owned manufacturing subsidiaries and FRC includes all the retail housing subsidiaries. Only the FRC parent company, however, and seven of the retail subsidiaries are borrowers under the loan and covered under the guarantee. In addition, Fleetwood Enterprises, Inc. guarantees FRC’s floorplan obligation to Textron pursuant to FRC’s wholesale financing agreement with Textron.

In March 2000, Fleetwood entered into a sale and leaseback agreement involving 22 manufactured housing retail stores. The agreement includes a contingent rental reset provision which provides that, in the event that the Company’s credit rating falls below a certain level anytime prior to March 2005, the Company could be required, at the option of the lessor, to make an accelerated rent payment equal to the unamortized principal of the lessor’s underlying debt. Since entering into the agreement, the Company’s credit rating has fallen below the specified level, raising the possibility that the provision could be exercised in March 2005. The accelerated payment would be approximately $20 million.

Subsequent to the end of fiscal year 2003, Fleetwood Enterprises, Inc. entered into three limited guarantees aggregating $1,575,000, to certain obligations of certain retailers to floorplan lenders.

(15) LEASES

Most of the Company’s retail sales locations and certain of its other facilities and equipment are leased under terms that range from monthly to 15 years. Management expects that in the normal course of business, leases will be renewed or replaced by other leases to support continuing operations.

The following is a schedule by years of future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of April 27, 2003:

AMOUNTS IN THOUSANDS

FISCAL YEAR	Minimum Rental Payments
2004	$10,304
2005	8,852
2006	4,809
2007	3,863
2008	2,672
Later years	3,957
Total minimum lease payments*	$34,457

*Minimum payments have not been reduced by minimum sublease rentals of $3.9 million due in the future.

Rental expense for the last three fiscal years was as follows:

AMOUNTS IN THOUSANDS

	2003	2002	2001
Rental expense	$12,518	$16,952	$13,684
Less: Sublease rentals	(780)	(943)	–
	$11,738	$16,009	$13,684

(16) RESULTS BY QUARTER (UNAUDITED)

The unaudited results by quarter for fiscal years 2003 and 2002 are shown below:

AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA

FISCAL YEAR ENDED APRIL 2003:	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Number of weeks in the quarter	13	13	13	13
Revenues	$611,275	$641,146	$493,215	$572,657
Gross profit	122,019	128,255	81,906	93,477
Operating income (loss)(1)	9,181	15,107	(23,123)	(33,373)
Income (loss) before income taxes and minority interest	6,900	15,525	(21,803)	(34,890)
Net income (loss) used for basic and diluted earnings (loss) per common share(1)	$ (1,520)	$ 4,601	$ (18,405)	$ (55,415)
Earnings (loss) per common share(2):				
Basic	$ (.04)	$ .13	$ (.51)	$ (1.54)
Diluted	$ (.04)	$ .13	$ (.51)	$ (1.54)
Weighted average common shares:				
Basic	35,694	35,911	35,935	35,935
Diluted	35,694	36,005	35,935	35,935

AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA

FISCAL YEAR ENDED APRIL 2002:	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Number of weeks in the quarter	13	13	13	13
Revenues	$564,132	$590,756	$522,381	$603,178
Gross profit	110,292	121,942	105,934	99,921
Operating loss(3)	(9,613)	(12,327)	(19,010)	(49,593)
Loss before income taxes, minority interest and cumulative effect of accounting change	(14,164)	(15,200)	(23,203)	(52,645)
Net earnings (loss) used for earnings (loss) per share before cumulative effect of accounting change:				
Basic	(11,127)	(12,349)	12,108	(40,522)
Diluted	(11,127)	(12,349)	14,762	(40,522)
Cumulative effect of accounting change, net of income taxes	(80,635)	–	–	–
Net earnings (loss) used for earnings (loss) per common share:				
Basic	$ (91,762)	$ (12,349)	$ 12,108	$ (40,522)
Diluted	$ (91,762)	$ (12,349)	$ 14,762	$ (40,522)
Earnings (loss) per common share before cumulative effect of accounting change:				
Basic	$ (.34)	$ (.38)	$ .35	$ (1.15)
Diluted	(.34)	(.38)	.31	(1.15)
Cumulative effect of accounting change, net of income taxes	(2.46)	–	–	–
Net earnings (loss) per share(2):				
Basic	$ (2.80)	$ (.38)	$ .35	$ (1.15)
Diluted	$ (2.80)	$ (.38)	$ .31	$ (1.15)
Weighted average common shares:				
Basic	32,756	32,832	34,969	35,209
Diluted	32,756	32,832	48,179	35,209

(1) The operating results in the fourth quarter of fiscal year 2003 were negatively impacted as a result of the $9.8 million reversal of an incorrect adjusting entry at FRC and an accrual of $6.8 million for the potential settlement of two lawsuits. In addition, the net loss for the quarter includes a charge of $28.4 million for a valuation allowance against our net deferred tax assets.

(2) Net earnings (loss) per share is computed independently for each of the quarters presented and the summation of quarterly amounts may not equal the total net earnings (loss) per share reported for the year.

(3) Fiscal year 2002 fourth quarter includes $18.4 million of incremental reserves for retail store closures and inventory write-downs at FRC, $12.2 million increase to warranty reserves and asset impairment charges related primarily to closed plants and $3.2 million to write-down Housing service inventory.

(17) EARNINGS PER SHARE

Basic earnings per share are computed by dividing income available to common shareholders by the weighted average number of common shares outstanding. The effect of stock options and preferred securities was anti-dilutive in fiscal 2003, 2002 and 2001, and was, therefore, not added back to determine diluted earnings (loss). However, during fiscal 2002, the Company exchanged new 9.5% convertible trust preferred securities with a liquidation value of $37.95 million for existing 6% convertible trust preferred securities with a liquidation value of $86.25 million. In accordance with generally accepted accounting principles, the $29.4 million after-tax difference between the liquidation value of the two securities was not included in the net loss as shown on the statement of operations.

However, the gain did increase shareholders' equity and was therefore treated as additional income attributable to common shareholders for purposes of computing basic and diluted earnings per share. The table below shows the calculation components of both basic and diluted earnings per share:

AMOUNTS IN THOUSANDS

	APRIL 27, 2003		APRIL 28, 2002		APRIL 29, 2001	
	Income (Loss)	Weighted Average Shares	Income (Loss)	Weighted Average Shares	Income (Loss)	Weighted Average Shares
Loss before cumulative effect of accounting change	$(70,739)	35,869	$ (81,293)	33,942	$(272,814)	32,755
After-tax difference on exchange of convertible trust preferred securities	–	–	29,403	–	–	–
Basic and diluted loss before cumulative effect of accounting change	(70,739)	35,869	(51,890)	33,942	(272,814)	32,755
Cumulative effect of accounting change	–	–	(80,635)	–	(11,176)	–
Basic and diluted loss	$(70,739)	35,869	$(132,525)	33,942	$(283,990)	32,755
Anti-dilutive options and warrants available		6,645		4,316		3,567
Anti-dilutive convertible trust preferred securities		21,631		21,631		5,901

(18) ACCUMULATED OTHER COMPREHENSIVE LOSS

The following reflects the balances and activity, net of income taxes, for the components of accumulated other comprehensive loss for the periods:

AMOUNTS IN THOUSANDS

	Foreign Currency Items	Unrealized Gains (Losses) on Securities	Accumulated Other Comprehensive Loss
BALANCE APRIL 29, 2001	$(3,250)	$108	$(3,142)
Foreign currency translation adjustment	(983)	–	(983)
Unrealized holding gains	–	75	75
Reclassification adjustment for gains included in net income, net of income taxes of $82	–	(143)	(143)
Net	(983)	(68)	(1,051)
BALANCE APRIL 28, 2002	(4,233)	40	(4,193)
Foreign currency translation adjustment	2,164	–	2,164
Unrealized holding gains (losses)	–	(1)	(1)
Reclassification adjustment for gains included in net income, net of income taxes of $20	–	(36)	(36)
Net	2,164	(37)	2,127
BALANCE APRIL 27, 2003	$(2,069)	$ 3	$(2,066)

(19) STOCK-BASED INCENTIVE COMPENSATION PLANS

Under the Company's Amended and Restated 1992 Stock-Based Incentive Compensation Plan, as amended, stock options may be granted to officers and other key employees of the Company for the purchase of up to 9,900,000 shares of the Company's common stock. Expiration dates for the options may not exceed 10 years from the date of grant. Under a separate plan for non-employee directors, up to 400,000 shares have been authorized for distribution of options. Automatic grants are made annually under this plan.

The following is a summary of the stock option activity for employees and non-employee directors for the last three fiscal years.

	2003 Shares	2003 Wtd. Avg. Exercise Price	2002 Shares	2002 Wtd. Avg. Exercise Price	2001 Shares	2001 Wtd. Avg. Exercise Price
Outstanding at beginning of year	4,166,408	$18.82	3,566,633	$21.55	3,087,136	$26.06
Granted	2,610,598	4.21	1,047,300	10.76	933,500	9.15
Exercised	(20,200)	9.13	(30,000)	9.01	–	–
Forfeited	(261,854)	16.80	(417,525)	22.34	(454,003)	26.19
Outstanding at end of year	6,494,952	$13.06	4,166,408	$18.82	3,566,633	$21.55
Exercisable at end of year	3,401,866	$20.21	2,945,029	$22.16	2,380,167	$25.74
Weighted average fair value of options granted		$ 2.82		$ 6.24		$ 5.08

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions used for grants in fiscal years 2003, 2002 and 2001, respectively: risk-free interest rates of 4.0 percent, 5.0 percent and 5.0 percent; expected dividend yields of 0.0 percent, 0.0 percent and 1.3 percent; expected lives of four years, six years and six years; and expected volatility of 92 percent, 60 percent and 62 percent.

The following table summarizes information about stock options outstanding and exercisable as of the current fiscal year end:

Range of Exercise Price	Number Outstanding as of 4/27/03	Wtd. Avg. Remaining Contractual Life	Wtd. Avg. Exercise Price	Number Exercisable as of 4/27/03	Wtd. Avg Exercise Price of Exercisable Options
$ 2.57 – $ 3.17	1,845,298	9.76	$ 3.06	–	$ –
$ 6.94 – $ 9.01	1,422,800	8.21	$ 7.96	494,000	$ 8.90
$ 9.30 – $12.62	956,300	7.85	$10.70	637,312	$10.59
$13.90 – $20.13	821,860	3.57	$16.76	821,860	$16.76
$20.63 – $28.63	1,061,365	4.27	$27.67	1,061,365	$27.67
$28.79 – $39.63	387,329	4.91	$37.34	387,329	$37.34

(20) STOCKHOLDER RIGHTS PLAN

On September 15, 1998, the Company's Board of Directors adopted a new stockholder rights agreement to replace the previous plan which expired on November 9, 1998, granting certain new rights to holders of the Company's common stock. Under the new plan, which was effective November 10, 1998, one right was granted for each share of common stock held as of November 9, 1998, and one right will be granted for each share subsequently issued. Each right entitles the holder, in an unfriendly takeover situation and after paying the exercise price (currently $160), to purchase Fleetwood common stock having a market value equal to two times the exercise price. Also, if the Company is merged into another corporation, or if 50 percent or more of the Company's assets are sold, then rightholders are entitled, upon payment of the exercise price, to buy common shares of the acquiring corporation at a 50 percent discount from their then current market value. In either situation, these rights are not available to the acquiring party. However, these exercise features will not be activated if the acquiring party makes an offer to acquire all of the Company's outstanding shares at a price which is judged by the Board of Directors to be fair to all Fleetwood shareholders. The rights may be redeemed by the Company under certain circumstances at the rate of $.02 per right. The shareholder rights plan dated September 15, 1998, was amended effective April 30, 2001 and again effective December 31, 2002. The rights will expire on November 9, 2008.

(21) INDUSTRY SEGMENT INFORMATION

The Company conducts manufacturing operations principally in two industries, manufactured housing and recreational vehicles, as well as retail operations in the manufactured housing business. On a smaller scale, the Company operates supply companies which provide fiberglass parts, lumber and other wood components to its primary businesses while also generating outside sales. Manufacturing operations are conducted in the United States and to a much lesser extent in Canada. Retail operations are conducted exclusively in the U.S. The retail segment includes the operations of HCC, the Company's housing retail and finance subsidiary. The operations of the Company's wholly owned insurance and real estate subsidiaries have been included in the "Corporate and Other" category because the impact on consolidated operating income is not material. Operating profit is total revenue less cost of sales and operating expenses. Manufactured housing segment sales to the retail segment and related manufacturing profits are included in the manufactured housing segment. Retail segment results include retail profits from the sale of homes to consumers but do not include any manufactured housing segment profits associated with the homes sold. The adjustments and eliminations include intercompany revenues of manufactured housing and the wholly owned insurance subsidiary along with the change in intercompany profit related to units sold by manufacturing that remain in the ending inventory at retail. None of the following items have been included in the computation of operating profit for the individual operating segments: corporate expenses, non-operating income and expenses and income taxes. Goodwill for the acquisition of Fleetwood Folding Trailers, Inc. and the acquisition of retail stores was included in total assets of the Recreational Vehicle and housing retail segments, respectively. However, the amortization, prior to adopting SFAS No. 142, was reflected in the Corporate and Other segment operating profit (loss), as well as the $165.9 million impairment recorded in fiscal year 2001. Identifiable assets are those assets used in the operation of each industry segment. Corporate assets primarily consist of cash, investments, deferred tax benefits, cash value of Company-owned life insurance, other assets and idle facilities. Information with respect to industry segments as of April 27, 2003, April 28, 2002 and April 29, 2001 and for each of the years then ended is set forth as follows:

AMOUNTS IN THOUSANDS

	Manufactured Housing	Recreational Vehicles	Supply Operations	Retail	Corporate and Other	Adjustments and Eliminations	Total
2003							
Operating revenues	$667,087	$1,482,595	$37,178	$247,336	$ 5,218	$(121,121)	$2,318,293
Operating profit (loss) before other charges	$(10,501)	$ 32,542	$ 2,103	$(50,320)	$ (7,631)	$ 5,601	$ (28,206)
Other charges	2,588	–	–	1,414	–	–	4,002
Operating profit (loss)	$(13,089)	$ 32,542	$ 2,103	$(51,734)	$ (7,631)	$ 5,601	$ (32,208)
Identifiable assets	$203,456	$ 352,009	$37,868	$219,709	$111,524	$ –	$ 924,566
Depreciation	8,456	7,510	1,652	5,664	3,223	–	26,505
Amortization	–	–	–	–	4,793	–	4,793
Capital expenditures	2,656	7,602	1,104	782	7,713	–	19,857
2002							
Operating revenues	$842,536	$1,212,904	$34,032	$328,162	$ 3,417	$(140,604)	$2,280,447
Operating profit (loss) before other charges	$ 23,878	$ (34,819)	$ 8,895	$(56,339)	$ (22,746)	$ 10,493	$ (70,638)
Other charges	7,035	2,670	–	8,900	1,300	–	19,905
Operating profit (loss)	$ 16,843	$ (37,489)	$ 8,895	$(65,239)	$(24,046)	$ 10,493	$ (90,543)
Identifiable assets	$210,410	$ 329,407	$32,993	$225,154	$186,976	$ –	$ 984,940
Depreciation	9,710	7,402	1,793	7,401	3,455	–	29,761
Amortization	–	–	–	–	3,812	–	3,812
Capital expenditures	3,633	6,518	425	2,685	7,212	–	20,473
2001							
Operating revenues	$981,366	$1,206,790	$32,992	$552,904	$ 2,421	$(245,010)	$2,531,463
Operating profit (loss) before goodwill impairment and other charges	$ 39,752	$ (66,667)	$ 6,114	$(60,870)	$ (28,615)	$ 3,363	$ (106,923)
Goodwill impairment	–	–	–	–	165,850	–	165,850
Other charges	12,219	6,399	–	16,235	–	–	34,853
Operating profit (loss)	$ 27,533	$ (73,066)	$ 6,114	$(77,105)	$(194,465)	$ 3,363	$ (307,626)
Identifiable assets	$217,710	$ 272,864	$31,239	$337,301	$267,747	$ –	$1,126,861
Depreciation	10,545	7,676	1,882	7,398	2,429	–	29,930
Amortization	–	–	–	–	6,616	–	6,616
Capital expenditures	4,579	10,839	1,363	16,034	4,106	–	36,921

(22) POSTRETIREMENT HEALTH CARE BENEFITS

The Company provides health care benefits to certain retired employees from retirement age to when they become eligible for Medicare coverage. Employees become eligible for benefits after meeting certain age and service requirements. The cost of providing retiree health care benefits is actuarially determined and accrued over the service period of the active employee group.

The components of the net periodic postretirement benefit cost are as follows:

AMOUNTS IN THOUSANDS

	2003	2002	2001
Service cost—benefits earned during the year	$270	$588	$ 670
Interest cost on projected benefit obligation	596	463	1,096
Recognized net actuarial gain or loss	637	597	943
Amortization of unrecognized prior service cost	(917)	(753)	(642)
Net periodic postretirement benefit cost	$586	$895	$2,067

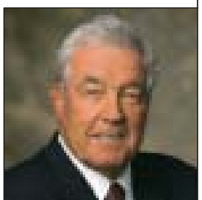
The changes in the benefit obligation and plan assets and the funded status of the postretirement benefit plan are as follows:

AMOUNTS IN THOUSANDS

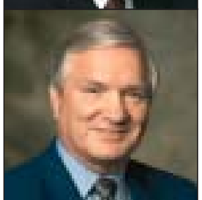
	APRIL 27, 2003	APRIL 28, 2002
Change in projected postretirement benefit obligation:		
Projected benefit obligation at beginning of year	$ 7,832	$7,148
Service cost	270	588
Interest cost	596	463
Actuarial loss	3,486	223
Net benefits paid	(502)	(590)
Plan amendments	(451)	–
Projected benefit obligation at end of year	$11,231	$7,832
Funded status	$11,231	$7,832
Unrecognized net actuarial loss	(8,283)	(5,544)
Unrecognized prior service cost	1,906	2,481
Accrued postretirement benefits	$ 4,854	$4,769

The discount rate was 6.00 percent and 6.75 percent in fiscal years 2003 and 2002, respectively. The health care cost trend rate begins at 10.00 percent and grades down over seven years to an ultimate level of 5.00 percent per year. A 1.00 percent increase in the assumed health care cost trend rate would increase the total service cost and interest cost by $88,000 and the accumulated postretirement benefit obligation (APBO) by $1,021,000. A 1.00 percent decrease in the assumed health care cost trend rate would decrease the total service cost and interest cost by $78,000 and the APBO by $913,000.

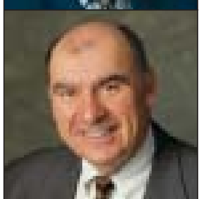
directors



THOMAS B. PITCHER
Chairman of the Board of Fleetwood Enterprises, Inc.; Advisory Counsel and retired Senior Partner of Gibson, Dunn & Crutcher, LLP. Director since 1998.



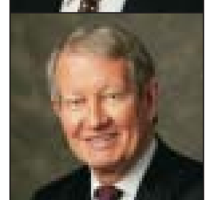
EDWARD B. CAUDILL
President and Chief Executive Officer of Fleetwood Enterprises, Inc. Director since 2002.



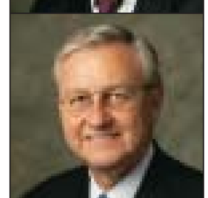
PAUL D. BORGHESANI
Counsel to Baker & Daniels law firm; President of Transportation Advisory Group LLC and Motor Carrier Services LLC. Director since 1999.

LOREN K. CARROLL
President and Chief Executive Officer of M-I LLC; Director of Smith International and Veritas DGC Inc. Director since 1999.

GLENN F. KUMMER
Retired Chairman of the Board of Fleetwood Enterprises, Inc. Director since 1983.

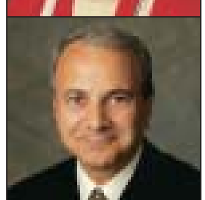


DOUGLAS M. LAWSON, Ph.D.
Chairman and Chief Executive Officer of Douglas M. Lawson Associates, Inc. Director since 1981.



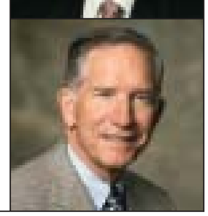
JOHN T. MONTFORD
President–External Affairs, SBC Southwest and SBC-SNET, and attorney at law. Director since 1999.

MARGARET S. DANO
Vice President, Worldwide Operations, of Garrett Engine Boosting Systems, a division of Honeywell, Inc. Director since 2000.



JAMES L. DOTI, Ph.D.
President and Donald Bren Distinguished Chair of Business and Economics, Chapman University. Director of The First American Corporation, RemedyTemp, Inc., and Standard Pacific Corp. Director since 1995.

DAVID S. ENGELMAN
Private investor; former Chairman, President and Chief Executive Officer of Union Federal Bank; and Director of MGIC Investment Corp., Mortgage Guaranty Insurance Corporation and Quaker City Bancorp, Inc. Director since 1999.



J. MICHAEL HAGAN
Director of Ameron International, Pimco Funds and RemedyTemp; former Chairman and CEO of Furon Company; and Chairman of Santa Clara University's Board of Regents. Director since 2002.

officers

THOMAS B. PITCHER
Chairman of the Board (Non-Executive)

EDWARD B. CAUDILL
President and Chief Executive Officer

BOYD R. PLOWMAN
Executive Vice President and Chief Financial Officer

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J. WESLEY CHANCEY
Vice President–Sales, Marketing and Product Design, Housing Group

JOSEPH N. CORONA, JR.
Vice President–Housing Finance

KEVIN L. HULL
Vice President–Sales, Housing Group

shareholder information

PRICE RANGE AND QUARTERLY CLOSING PRICE OF COMMON STOCK*

*Fleetwood's common stock is listed on the New York and the Pacific stock exchanges and trades on various regional exchanges (Ticker Symbol: FLE). Call and put options are traded on the American Stock Exchange and the Chicago Board Options Exchange.

DIVIDEND POLICY

On October 31, 2001, the Company announced that it would discontinue the payment of dividends after the previously declared dividend payment on November 14, 2001.

LEGAL COUNSEL

Gibson, Dunn & Crutcher LLP
Irvine, California

INDEPENDENT AUDITORS

Ernst & Young LLP
Orange County, California

SHAREHOLDER INQUIRIES

Inquiries from shareholders and securities analysts should be directed to Kathy Munson, Director of Investor Relations, (909) 351-3650, or Lyle Larkin, Vice President and Treasurer, (909) 351-3535.

ANNUAL MEETING

The annual meeting of shareholders will be held on Fleetwood's corporate campus, 3050 Myers Street, Riverside, California, at 9 a.m. on Tuesday, September 9, 2003.

TRANSFER AGENT AND REGISTRAR

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Providence, RI 02940-3010
(800) 733-5001

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Riverside, CA 92503
(909) 351-3500
Internet: www.fleetwood.com

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Statements used in this report that relate to future plans, events, financial results or performance are forward-looking statements as defined under the Private Securities Litigation Reform Act of 1995. These statements are based on the beliefs of Fleetwood's management as well as assumptions made by, and information currently available to, the Company's management. The forward-looking statements are subject to certain risks and uncertainties, including risk factors identified in Fleetwood's 10-K, including the sections entitled "Business Outlook" and "Risk Factors." These risk factors include, without limitation, the cyclical nature of both the manufactured housing and recreational vehicle industries; ongoing weakness in the manufactured housing market; the potential impact on demand for our products as a result of weak consumer confidence; the effect of global tensions on consumer confidence; continued acceptance of the Company's products; expenses and uncertainties associated with the introduction of new products; the future availability of manufactured housing retail financing, as well as housing and RV wholesale financing; changes in retail inventory levels in the manufactured housing and recreational vehicle industries; competitive pricing pressures; the ability to attract and retain quality dealers, executive officers and other personnel; and the ability to obtain the financing we need in order to execute our business strategies. Actual results, events and performance may differ materially. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Fleetwood undertakes no obligation to release publicly the result of any revisions to these forward-looking statements that may arise from changing circumstances or unanticipated events.

Fleetwood Enterprises, Inc. is an equal opportunity employer.

Editor: Kathy A. Munson **Design:** Ervin | Bell Advertising

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