

THOR INDUSTRIES INC
Form 10-Q
March 10, 2008

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q**

**QUARTERLY REPORT UNDER SECTION 13 or 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

FOR QUARTER ENDED January 31, 2008 COMMISSION FILE NUMBER 1-9235

THOR INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Delaware

93-0768752

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

419 West Pike Street, Jackson Center, OH

45334-0629

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (937) 596-6849

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

| Class | Outstanding at 1/31/2008 |
|--|--------------------------|
| Common stock, par value \$.10 per share | 55,497,424 shares |

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Unless otherwise indicated, all amounts presented in thousands of dollars except units, share and per share data.

ITEM 1. Financial Statements

**THOR INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS**

| ASSETS | January 31, 2008 | July 31, 2007 |
|------------------------------|---------------------|---------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 87,935 | \$ 171,889 |
| Investments short term | 146,350 | 174,575 |
| Accounts receivable: | | |
| Trade | 177,681 | 171,596 |
| Other | 9,995 | 5,799 |
| Inventories | 200,975 | 168,980 |
| Prepaid expenses | 12,199 | 6,684 |
| Deferred income taxes | 17,966 | 6,005 |
| Total current assets | 653,101 | 705,528 |
| Property: | | |
| Land | 20,566 | 21,795 |
| Buildings and improvements | 136,900 | 134,352 |
| Machinery and equipment | 69,283 | 64,572 |
| Total cost | 226,749 | 220,719 |
| Accumulated depreciation | 69,383 | 63,477 |
| Property, net | 157,366 | 157,242 |
| Investment in Joint ventures | 2,912 | 2,671 |
| Other assets: | | |
| Goodwill | 165,663 | 165,663 |
| Non-compete agreements | 1,493 | 1,906 |
| Trademarks | 13,900 | 13,900 |
| Other | 12,419 | 12,387 |
| Total other assets | 193,475 | 193,856 |
| TOTAL ASSETS | \$ 1,006,854 | \$ 1,059,297 |

LIABILITIES AND STOCKHOLDERS EQUITY

| | | |
|----------------------|------------|------------|
| Current liabilities: | | |
| Accounts payable | \$ 138,240 | \$ 123,433 |

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| | | |
|--|---------------------|---------------------|
| Accrued liabilities: | | |
| Taxes | 10,878 | 17,991 |
| Compensation and related items | 30,108 | 39,242 |
| Product warranties | 61,690 | 64,310 |
| Promotions and rebates | 12,801 | 11,697 |
| Product/property liability and related liabilities | 11,307 | 11,691 |
| Other | 13,019 | 8,835 |
| | | |
| Total current liabilities | 278,043 | 277,199 |
| | | |
| Long Term Liabilities: | | |
| Unrecognized tax benefits | 27,134 | |
| Other | 20,573 | 15,767 |
| | | |
| Total long term liabilities | 47,707 | 15,767 |
| | | |
| Contingent liabilities and commitments | | |
| | | |
| Stockholders' equity: | | |
| Common stock — authorized 250,000,000 shares; issued 57,313,263 shares @ 1/31/08 and 57,222,404 shares @ 7/31/07; par value of \$.10 per share | 5,731 | 5,722 |
| Additional paid-in capital | 92,737 | 90,247 |
| Accumulated other comprehensive income | 3,766 | 2,756 |
| Retained earnings | 650,798 | 727,729 |
| Less Treasury shares of 1,815,839 @ 1/31/08 & 1,441,600 @ 7/31/07 | (71,928) | (60,123) |
| | | |
| Total stockholders' equity | 681,104 | 766,331 |
| | | |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 1,006,854 | \$ 1,059,297 |

See notes to condensed consolidated financial statements

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THOR INDUSTRIES, INC. AND SUBSIDIARIES
STATEMENTS OF CONDENSED CONSOLIDATED INCOME
FOR THE THREE & SIX MONTHS ENDED JANUARY 31, 2008 AND 2007

| | Three Months Ended January 31 | | Six Months Ended January 31 | |
|--|----------------------------------|------------|--------------------------------|--------------|
| | 2008 | 2007 | 2008 | 2007 |
| Net sales | \$ 599,170 | \$ 584,049 | \$ 1,362,906 | \$ 1,311,765 |
| Cost of products sold | 529,453 | 522,880 | 1,191,914 | 1,161,428 |
| Gross profit | 69,717 | 61,169 | 170,992 | 150,337 |
| Selling, general and administrative expenses | 39,819 | 37,424 | 85,229 | 80,869 |
| Gain on sale of property | 2,308 | | 2,308 | |
| Interest income | 3,161 | 2,346 | 7,357 | 5,256 |
| Interest expense | 353 | 164 | 713 | 351 |
| Other income | 192 | 315 | 971 | 865 |
| Income before income taxes | 35,206 | 26,242 | 95,686 | 75,238 |
| Provision for income taxes | 13,604 | 7,990 | 35,875 | 26,389 |
| Net income | \$ 21,602 | \$ 18,252 | \$ 59,811 | \$ 48,849 |
| Average common shares outstanding: | | | | |
| Basic | 55,758,534 | 55,654,744 | 55,757,936 | 55,634,023 |
| Diluted | 55,910,429 | 55,927,479 | 55,937,211 | 55,909,970 |
| Earnings per common share: | | | | |
| Basic | \$.39 | \$.33 | \$ 1.07 | \$.88 |
| Diluted | \$.39 | \$.33 | \$ 1.07 | \$.87 |
| Regular dividends declared per common share: | \$.07 | \$.07 | \$.14 | \$.14 |
| Special dividends declared per common share: | \$ | \$ | \$ 2.00 | \$ 1.00 |

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| | | | | | | | | |
|--|----|-----|----|-----|----|------|----|------|
| Regular dividends paid per common share: | \$ | .07 | \$ | .07 | \$ | .14 | \$ | .14 |
| Special dividends paid per common share: | \$ | | \$ | | \$ | 2.00 | \$ | 1.00 |
| See notes to condensed consolidated financial statements | | | | | | | | |
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THOR INDUSTRIES, INC. AND SUBSIDIARIES
STATEMENTS OF CONDENSED CONSOLIDATED CASH FLOWS
FOR THE SIX MONTHS ENDED JANUARY 31, 2008 AND 2007

| | 2008 | 2007 |
|---|-------------|-------------|
| Cash flows from operating activities: | | |
| Net income | \$ 59,811 | \$ 48,849 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Depreciation | 6,692 | 6,393 |
| Amortization | 413 | 454 |
| Deferred income taxes | (11,961) | (7,699) |
| (Gain) Loss on disposition of assets | (2,344) | 86 |
| Loss on disposition of trading investments | | 104 |
| Stock based compensation | 162 | 319 |
| Changes in non cash assets and liabilities, net of effect from acquisitions: | | |
| Proceeds from disposition of trading investments | | 68,133 |
| Accounts receivable | (10,281) | 7,434 |
| Inventories | (31,995) | (6,345) |
| Prepays and other | (5,788) | (13,537) |
| Accounts payable | 14,843 | (22,221) |
| Accrued liabilities | (3,906) | 152 |
| Other liabilities | 4,754 | 1,838 |
| | | |
| Net cash provided by operating activities | 20,400 | 83,960 |
| | | |
| Cash flows from investing activities: | | |
| Purchase of property, plant & equipment | (9,439) | (7,101) |
| Proceeds from disposition of assets | 4,983 | 224 |
| Purchases of available for sale investments | (29,900) | (202,320) |
| Proceeds from sale of available for sale investments | 58,125 | 83,897 |
| | | |
| Net cash provided by (used in) investing activities | 23,769 | (125,300) |
| | | |
| Cash flows from financing activities: | | |
| Cash dividends | (119,513) | (63,516) |
| Purchase of common stock held as treasury shares | (11,805) | (1,630) |
| Proceeds from issuance of common stock | 2,185 | 2,146 |
| | | |
| Net cash used in financing activities | (129,133) | (63,000) |
| | | |
| Effect of exchange rate changes | 1,010 | (461) |

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| | | |
|--|------------------|------------------|
| Net decrease in cash and equivalents | (83,954) | (104,801) |
| Cash and equivalents, beginning of period | 171,889 | 196,136 |
| Cash and equivalents, end of period | \$ 87,935 | \$ 91,335 |
| Supplemental cash flow information: | | |
| Income taxes paid | \$ 46,145 | \$ 25,846 |
| Interest paid | 713 | 351 |
| Non cash transactions: | | |
| Capital expenditures in accounts payable | \$ 167 | \$ 166 |
| See notes to condensed consolidated financial statements | | |

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Table of Contents**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

- The July 31, 2007 amounts are derived from the annual audited financial statements. The interim financial statements are unaudited. In the opinion of management, all adjustments (which consist of normal recurring adjustments) necessary to present fairly the financial position, results of operations and change in cash flows for the interim periods presented have been made. These financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended July 31, 2007. The results of operations for the six months ended January 31, 2008 are not necessarily indicative of the results for the full year.
- Major classifications of inventories are:

| | January 31, 2008 | July 31, 2007 |
|---|---------------------|------------------|
| Raw materials | \$ 97,187 | \$ 87,245 |
| Chassis | 46,435 | 42,528 |
| Work in process | 57,730 | 52,102 |
| Finished goods | 26,722 | 12,326 |
| Total | 228,074 | 194,201 |
| Less excess of FIFO costs over LIFO costs | 27,099 | 25,221 |
| Total inventories | \$ 200,975 | \$ 168,980 |

3. Earnings Per Share

| | Three Months Ended January 31, 2008 | Three Months Ended January 31, 2007 | Six Months Ended January 31, 2008 | Six Months Ended January 31, 2007 |
|---|--|--|--|--|
| Weighted average shares outstanding for basic earnings per share | 55,758,534 | 55,654,744 | 55,757,936 | 55,634,023 |
| Stock options and restricted stock | 151,895 | 272,735 | 179,275 | 275,947 |
| Total For diluted shares | 55,910,429 | 55,927,479 | 55,937,211 | 55,909,970 |

4. Comprehensive Income

| | Three Months Ended January 31, 2008 | Three Months Ended January 31, 2007 | Six Months Ended January 31, 2008 | Six Months Ended January 31, 2007 |
|---|---|---|--|--|
| Net income | \$ 21,602 | \$ 18,252 | \$ 59,811 | \$ 48,849 |
| Foreign currency translation adjustment | (1,009) | (562) | 1,010 | (461) |
| Comprehensive income | \$ 20,593 | \$ 17,690 | \$ 60,821 | \$ 48,388 |

5. Segment Information

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The Company has three reportable segments: 1.) towable recreation vehicles, 2.) motorized recreation vehicles, and 3.) buses. The towable recreation vehicle segment consists of product lines from the following operating companies that have been aggregated: Airstream, Breckenridge, CrossRoads, Dutchmen, General Coach Hensall and Oliver, Keystone, Komfort, and Thor California. The motorized recreation vehicle segment consists of product lines from the following operating companies that have been aggregated: Airstream, Damon, Four Winds and Oliver. The bus segment consists of the following operating companies that have been aggregated: Champion Bus, ElDorado California, ElDorado Kansas and Goshen Coach.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

| | Three Months Ended January 31, 2008 | Three Months Ended January 31, 2007 | Six Months Ended January 31, 2008 | Six Months Ended January 31, 2007 |
|---------------------------|--|--|--|--|
| Net Sales: | | | | |
| Recreation vehicles: | | | | |
| Towables | \$ 394,441 | \$ 373,940 | \$ 918,152 | \$ 873,895 |
| Motorized | 110,825 | 116,694 | 251,325 | 252,617 |
| Total recreation vehicles | 505,266 | 490,634 | 1,169,477 | 1,126,512 |
| Buses | 93,904 | 93,415 | 193,429 | 185,253 |
| Total | \$ 599,170 | \$ 584,049 | \$ 1,362,906 | \$ 1,311,765 |

| | Three Months Ended January 31, 2008 | Three Months Ended January 31, 2007 | Six Months Ended January 31, 2008 | Six Months Ended January 31, 2007 |
|-----------------------------|--|--|--|--|
| Income Before Income Taxes: | | | | |
| Recreation vehicles: | | | | |
| Towables | \$ 30,492 | \$ 21,804 | \$ 81,304 | \$ 62,204 |
| Motorized | 3,561 | 3,468 | 10,414 | 9,536 |
| Total recreation vehicles | 34,053 | 25,272 | 91,718 | 71,740 |
| Buses | 3,556 | 3,154 | 7,695 | 6,174 |
| Corporate | (2,403) | (2,184) | (3,727) | (2,676) |
| Total | \$ 35,206 | \$ 26,242 | \$ 95,686 | \$ 75,238 |

| | January 31, 2008 | July 31, 2007 |
|---------------------------|---------------------|---------------|
| Identifiable Assets: | | |
| Recreation vehicles: | | |
| Towables | \$ 479,914 | \$ 449,276 |
| Motorized | 156,489 | 147,598 |
| Total recreation vehicles | 636,406 | 596,874 |
| Buses | 99,148 | 105,864 |
| Corporate | 271,300 | 356,559 |
| Total | \$ 1,006,854 | \$ 1,059,297 |

6. Treasury Shares

In the second quarter of fiscal year 2008, the Company purchased 374,239 shares and held them as treasury stock at a cost of \$11,805, an average cost of \$31.54 per share. In the first quarter of fiscal 2007, the Company purchased 40,400 shares and held them as treasury stock at a cost of \$1,630, an average cost of \$40.33 per share.

7. Investments – Short Term

Effective August 1, 2006, the Company began classifying all short term investment purchases as available-for-sale. This change was based on the Company's decision to change its investment strategy from one of generating profits on short term differences in price to one of preserving capital.

At January 31, 2008, all Investments – short term are comprised of auction rate securities that are classified as available-for-sale and are reported at fair value in accordance with SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities. The Company purchases its auction rate securities at par, which either mature or reset at par, and generally there are no

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

unrealized or realized gains or losses to report. Cost is determined on the specific identification basis. Interest income is accrued as earned.

At January 31, 2008, we held approximately \$146,000 of short term investments, with an auction reset feature (auction rate securities) whose underlying assets are generally student loans which are substantially backed by the Federal government. Since February 12, 2008, auctions have failed for some of these securities and there is no assurance that successful auctions on the other auction rate securities in our investment portfolio will succeed and as a result our ability to liquidate our investment and fully recover the carrying value of our investment in the near term may be limited or not exist. As of February 29, 2008, we held \$135,400 of auction rate securities. An auction failure means that the parties wishing to sell securities could not. All of our auction rate securities, including those subject to the failure, are currently rated AAA, the highest rating, by a rating agency. If the issuers are unable to successfully close future auctions and their credit ratings deteriorate, we may in the future be required to record an impairment charge on these investments. We believe we will be able to liquidate our investment without significant loss within the next year, and we currently believe these securities are not significantly impaired, primarily due to the government guarantee of the underlying securities; however, it could take until the final maturity of the underlying notes (up to 40 years) to realize our investments recorded value. Based on our expected operating cash flows, and our other sources of cash, we do not anticipate the potential lack of liquidity on these investments will affect our ability to execute our current business plan.

8. Goodwill and Other Intangible Assets

The components of other intangible assets are as follows:

| | January 31, 2008 | | July 31, 2007 | |
|------------------------------|---|---|--|--|
| | Cost | Accumulated Amortization | Cost | Accumulated Amortization |
| Amortized Intangible Assets: | | | | |
| Non-compete agreements | \$6,256 | \$4,763 | \$6,256 | \$4,350 |
| | Three Months Ended January 31, 2008 | Three Months Ended January 31, 2007 | Six Months Ended January 31, 2008 | Six Months Ended January 31, 2007 |
| Non-compete Agreements: | | | | |
| Amortization Expense | \$ 200 | \$ 217 | \$ 413 | \$ 454 |

Non-compete agreements are amortized on a straight-line basis.

Estimated Amortization Expense:

| | |
|-------------------------------|-------|
| For the year ending July 2008 | \$812 |
| For the year ending July 2009 | \$476 |
| For the year ending July 2010 | \$322 |
| For the year ending July 2011 | \$238 |
| For the year ending July 2012 | \$ 58 |

There was no change in the carrying amount of goodwill and trademarks for the six month period ended January 31, 2008.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As of January 31, 2008, Goodwill and Trademarks by segments totaled as follows:

| | Goodwill | Trademarks |
|---------------------------|------------|------------|
| Recreation Vehicles: | | |
| Towables | \$ 143,795 | \$ 10,237 |
| Motorized | 17,252 | 2,600 |
| Total Recreation Vehicles | 161,047 | 12,837 |
| Bus | 4,616 | 1,063 |
| Total | \$ 165,663 | \$ 13,900 |

9. Warranty

Thor provides customers of our products with a warranty covering defects in material or workmanship for periods generally 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, existing dealer inventory, average cost incurred 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. Management believes that the warranty reserve is adequate; however, actual claims incurred could differ from estimates, requiring adjustments to the reserves. Warranty reserves are reviewed and adjusted as necessary on a quarterly basis.

| | Three Months Ended January 31, 2008 | Three Months Ended January 31, 2007 | Six Months Ended January 31, 2008 | Six Months Ended January 31, 2007 |
|-------------------|--|--|--|--|
| Beginning Balance | \$ 66,011 | \$ 60,923 | \$ 64,310 | \$ 59,795 |
| Provision | 13,525 | 15,243 | 32,075 | 33,194 |
| Payments | (17,846) | (17,105) | (34,695) | (33,928) |
| Ending Balance | \$ 61,690 | \$ 59,061 | \$ 61,690 | \$ 59,061 |

10. Commercial Commitments

Our principal commercial commitments at January 31, 2008 are summarized in the following chart:

| Commitment | Total Amount Committed | Term of Commitment less than 1 year |
|---|------------------------------|--|
| Guarantee on dealer financing | \$ 2,116 | |
| Standby repurchase obligation on dealer financing | \$ 1,010,074 | |

less than 1
year

The Company records repurchase and guarantee reserves based on prior experience and known current events. The combined repurchase and recourse reserve balances are approximately \$1,727 and \$1,293 as of January 31, 2008 and July 31, 2007, respectively.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

| | Three Months Ended January 31, 2008 | Three Months Ended January 31, 2007 | Six Months Ended January 31, 2008 | Six Months Ended January 31, 2007 |
|-----------------------------|---|---|--|--|
| Cost of units repurchased | \$ 1,650 | \$ 6,128 | \$ 2,754 | \$ 8,089 |
| Realization on units resold | 1,596 | 5,474 | 2,435 | 7,017 |
| Losses due to repurchase | \$ 54 | \$ 654 | \$ 319 | \$ 1,072 |

11. Income Taxes

The Company adopted FASB Interpretation No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement No. 109, on August 1, 2007. FIN 48 clarifies the accounting for uncertainties in income tax law by prescribing a minimum recognition threshold a tax position is required to meet before being recognized for financial accounting purposes. FIN 48 also provides guidance on derecognition, measurement, classification, interest and penalties, and disclosure.

On August 1, 2007 the Company recognized a cumulative effect adjustment of \$17,200 as a reduction to the balance of retained earnings and an increase in tax liabilities of \$11,300 and an increase in liability for penalties and interest of \$5,900. The amount of unrecognized tax benefits as of August 1, 2007 totaled \$25,900, all of which would increase income from continuing operations, and thus impact the Company's effective tax rate, if ultimately recognized into income. Unrecognized state income tax benefits are reported net of their related deferred federal income tax benefit.

It is the Company's policy to recognize interest and penalties accrued relative to unrecognized tax benefits in income tax expense. As of August 1, 2007, \$6,500 in interest and penalties had been accrued.

The Company and its corporate subsidiaries file a consolidated U.S. federal income tax return and multiple state income tax returns. The federal returns are subject to examination by taxing authorities for all years after 2005. We are currently under audit by various state Departments of Revenue for 2002 through 2005 tax years. The anticipated effect on unrecognized tax benefits resulting from these audits is not expected to have a material impact on the financial statements.

The Company anticipates a decrease of approximately \$2,100 in unrecognized tax benefits within the next 12 months from (1) expected settlements or payments of uncertain tax positions, and (2) lapses of the applicable statutes of limitations. Actual results may differ materially from this estimate.

12. Retained Earnings

The components of changes in retained earnings are as follows:

| | |
|-------------------|------------|
| Balance @ 7/31/07 | \$ 727,729 |
| Net income | 59,811 |
| Dividends paid | (119,513) |

| | |
|-------------------|------------|
| FIN 48 adjustment | (17,229) |
| Balance @ 1/31/08 | \$ 650,798 |

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Unless otherwise indicated, all amounts presented in thousands of dollars, except unit, share and per share data.

Executive Overview

We were founded in 1980 and have grown to be the largest manufacturer of Recreation Vehicles (RVs) and a major manufacturer of commercial buses in North America. Our market share in the travel trailer and fifth wheel segment of the industry (towables), is approximately 31%. In the motorized segment of the industry we have a market share of approximately 14%. Our market share in small and mid-size buses is approximately 38%. We also manufacture and sell 40-foot buses at our facility in Southern California designed for that product as well as our existing 30-foot and 35-foot buses.

Our growth has been internal and by acquisition. Our strategy has been to increase our profitability in North America in the recreation vehicle industry and in the bus business through product innovation, service to our customers, manufacturing quality products, improving our facilities and acquisitions. We have not entered unrelated businesses and have no plans to do so in the future.

We rely on internally generated cash flows from operations to finance our growth although we may borrow to make an acquisition if we believe the incremental cash flows will provide for rapid payback. We have invested significant capital to modernize and expand our plant facilities and expended \$13,105 for that purpose in fiscal 2007 and \$118,723 over the prior four fiscal years.

Our business model includes decentralized operating units and we compensate operating management primarily with cash based upon profitability of the unit which they manage. Our corporate staff provides financial management, centralized purchasing services, insurance, legal and human resources, risk management, and internal audit functions. Senior corporate management interacts regularly with operating management to assure that corporate objectives are understood clearly and are monitored appropriately.

Our RV products are sold to dealers who, in turn, retail those products. Our buses are sold through dealers to municipalities and private purchasers such as rental car companies and hotels. We do not directly finance dealers but do provide repurchase agreements in order to facilitate the dealers obtaining floor plan financing. We have a joint venture, Thor Credit, operated by GE Consumer Finance, which provides retail credit to ultimate purchasers of any recreation vehicle purchased from a Thor dealer. This retail credit on recreation vehicles is not limited to Thor products only.

Trends and Business Outlook

The most important determinant of demand for recreation vehicles is demographics. The baby boomer population is now reaching retirement age and retirees are a large market for our products. The baby boomer retiree population in the United States is expected to grow five times as fast as the total United States population. We believe a primary indicator of the strength of the recreation vehicle industry is retail RV sales, which we closely monitor to determine industry trends. Recently, the towable segment of the RV industry has been stronger than the motorized segment. For the towable segment, retail sales as reported by Statistical Surveys, Inc. were up approximately 2% for the twelve months ended December 31, 2007 compared with the same period last year. The motorized segment was down approximately 6%. Higher interest rates and fuel prices appear to affect the motorized segment more severely.

Government entities are primary users of our buses. Demand in this segment is subject to fluctuations in government spending on transit. In addition, hotel and rental car companies are also major users of

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our small and mid-size buses and therefore airline travel is an important indicator for this market. The majority of our buses have a 5-year useful life and are being continuously replaced by operators. According to Mid Size Bus Manufacturers Association unit sales of small and mid-sized buses are up 8% for the twelve months ended December 31, 2007 compared with the same period last year.

Economic or industry-wide factors affecting our recreation vehicle business include raw material costs of commodities used in the manufacture of our product. Material cost is the primary factor determining our cost of products sold. Additional increases in raw material costs would impact our profit margins negatively if we were unable to raise prices for our products by corresponding amounts.

Three Months Ended January 31, 2008 vs.

Three Months Ended January 31, 2007

| | Three Months Ended January 31, 2008 | Three Months Ended January 31, 2007 | Change Amount | % |
|---------------------------|--|--|------------------|-------|
| NET SALES: | | | | |
| Recreation Vehicles | | | | |
| Towables | \$ 394,441 | \$ 373,940 | \$ 20,501 | 5.5 |
| Motorized | 110,825 | 116,694 | (5,869) | (5.0) |
| Total Recreation Vehicles | 505,266 | 490,634 | 14,632 | 3.0 |
| Buses | 93,904 | 93,415 | 489 | .5 |
| Total | \$ 599,170 | \$ 584,049 | \$ 15,121 | 2.6 |

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| | As of January 31, 2008 | As of January 31, 2007 | Change Amount | % |
|---------------------------|------------------------------|------------------------------|------------------|-------|
| Recreation Vehicles | | | | |
| Towables | \$ 215,479 | \$ 238,658 | \$ (23,179) | (9.7) |
| Motorized | 102,884 | 99,756 | 3,128 | 3.1 |
| Total Recreation Vehicles | 318,363 | 338,414 | (20,051) | (5.9) |
| Buses | 249,495 | 206,820 | 42,675 | 20.6 |
| Total | \$ 567,858 | \$ 545,234 | \$ 22,624 | 4.1 |

CONSOLIDATED

Net sales and gross profit for the three months ended January 31, 2008 were up 2.6% and 14.0%, respectively, compared to the three months ended January 31, 2007. Selling, general and administrative expenses for the three months ended January 31, 2008 were up 6.4% compared to the three months ended January 31, 2007. Income before income taxes for the three months ended January 31, 2008 increased 34.2% compared to the three months ended January 31, 2007. The specifics on changes in net sales, gross profit, selling, general and administrative expense and income before income taxes are addressed in the segment reporting below.

Corporate costs in selling, general and administrative were \$5,505 for the three months ended January 31, 2008 compared to \$4,572 for the three months ended January 31, 2007. This \$933 increase is primarily the result of increased compensation, and audit related expenses. Corporate interest income and other income was \$3,119 for the three months ended January 31, 2008 compared to \$2,330 for the three months ended January 31, 2007.

The overall effective tax rate for the three months ended January 31, 2008 was 38.6% compared to 30.4% for the three months ended January 31, 2007.

The primary reason for the lower effective tax rate in 2007 was that the Company recorded \$1.9 million of tax benefit in the three months ended January 31, 2007 related to its research and development credits. This tax benefit was recorded because the 2006 Tax Relief and Health Care Act retroactively reinstated the research and development credit to January 1, 2006 and the Company reached an agreement with the Internal Revenue Service regarding the amount of research and development credit for fiscal years 2003 through 2005 which was previously not recognized. The Company is also recording in the current fiscal year additional FIN 48 liability for uncertain tax positions and the benefit from an increased domestic production activities deduction.

SEGMENT REPORTING**Recreation Vehicles**

Analysis of Percentage Change in Net Sales Versus Prior Year

| | Average Price Per Unit | Units | Net Change |
|------------------------------------|------------------------------|---------|------------|
| Recreation Vehicles | | | |
| Towables | 3.3% | 2.2% | 5.5% |
| Motorized | 6.9% | (11.9)% | (5.0)% |
| <i>Towable Recreation Vehicles</i> | | | |

The increase in towables net sales of 5.5% resulted from a 2.2% increase in unit shipments and a 3.3% increase in average price per unit and mix of product. The overall industry decrease in unit shipments of

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towables for November and December of 2007 was 3.5% according to statistics published by the Recreation Vehicle Industry Association.

Towables gross profit percentage increased to 13.2% of net sales for the three months ended January 31, 2008 from 11.9% of net sales for the three months ended January 31, 2007. The primary factor for the \$7,503 increase in gross profit was increased sales volume of \$20,501. Selling, general and administrative expenses were 6.1% of net sales for the three months ended January 31, 2008 and the three months ended January 31, 2007.

Towables income before income taxes increased to 7.7% of net sales for the three months ended January 31, 2008 from 5.8% of net sales for the three months ended January 31, 2007. The primary factors for this increase of \$8,688 was the profits on increased sales volume of \$20,501 and a gain on the sale of property of \$2,308.

Motorized Recreation Vehicles

The decrease in motorized net sales of 5.0% resulted from a 11.9% decrease in unit shipments offset by a 6.9% increase in average price per unit and product mix. The overall market decrease in unit shipments of motorhomes was 8.6% for the two month period November and December 2007 according to statistics published by the Recreation Vehicle Industry Association.

Motorized gross profit percentage increased to 8.9% of net sales for the three months ended January 31, 2008 from 8.4% of net sales for the three months ended January 31, 2007. Selling, general and administrative expenses were 5.7% of net sales for the three months ended January 31, 2008 and 5.5% of net sales for the three months ended January 31, 2007.

Motorized income before income taxes was 3.2% of net sales for the three months ended January 31, 2008 and 3.0% of net sales for the three months ended January 31, 2007.

Buses

Analysis of Percentage Change in Net Sales Versus Prior Year

| | Average Price Per Unit | Units | Net Change |
|-------|---------------------------|--------|---------------|
| Buses | 7.3% | (6.8%) | .5% |

The increase in buses net sales of .5% resulted from a 6.8% decrease on unit shipments offset by a 7.3% increase in average price and product mix. The increase in the average price per unit resulted primarily from the product mix.

Buses gross profit percentage increased to 8.3% of net sales for the three months ended January 31, 2008 from 7.2% of net sales for the three months ended January 31, 2007. The primary reason for the increase in gross profit percentage was due principally to reduced material cost as a percent of sales due to increased average price per unit and mix of units. Selling, general and administrative expenses were 4.1% of net sales for the three months ended January 31, 2008 and 3.8% for the three months ended January 31, 2007.

Buses income before income taxes increased to 3.8% of net sales for the three months ended January 31, 2008 from 3.4% for the three months ended January 31, 2007.

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Six Months Ended January 31, 2008 vs.
Six Months Ended January 31, 2007

| | Six Months Ended January 31, 2008 | | Six Months Ended January 31, 2007 | | Change Amount | % |
|--|--|---------------------------------|--------------------------------------|---------------------------------|------------------|-------|
| NET SALES: | | | | | | |
| Recreation Vehicles | | | | | | |
| Towables | \$ 918,152 | | \$ 873,895 | | \$ 44,257 | 5.1 |
| Motorized | 251,325 | | 252,617 | | (1,292) | (.5) |
| Total Recreation Vehicles | 1,169,477 | | 1,126,512 | | 42,965 | 3.8 |
| Buses | 193,429 | | 185,253 | | 8,176 | 4.4 |
| Total | \$ 1,362,906 | | \$ 1,311,765 | | \$ 51,141 | 3.9 |
| # OF UNITS: | | | | | | |
| Recreation Vehicles | | | | | | |
| Towables | 41,640 | | 40,926 | | 714 | 1.8 |
| Motorized | 3,111 | | 3,376 | | (265) | (7.8) |
| Total Recreation Vehicles | 44,751 | | 44,302 | | 449 | 1.0 |
| Buses | 2,970 | | 3,088 | | (118) | (3.8) |
| Total | 47,721 | | 47,390 | | 331 | .7 |
| | | % of Segment Net Sales | | % of Segment Net Sales | Change Amount | % |
| GROSS PROFIT: | | | | | | |
| Recreation Vehicles | | | | | | |
| Towables | \$ 131,255 | 14.3 | \$ 114,398 | 13.1 | \$ 16,857 | 14.7 |
| Motorized | 23,673 | 9.4 | 22,493 | 8.9 | 1,180 | 5.2 |
| Total Recreation Vehicles | 154,928 | 13.2 | 136,891 | 12.2 | 18,037 | 13.2 |
| Buses | 16,064 | 8.3 | 13,446 | 7.3 | 2,618 | 19.5 |
| Total | \$ 170,992 | 12.5 | \$ 150,337 | 11.5 | \$ 20,655 | 13.7 |
| SELLING, GENERAL AND ADMINISTRATIVE EXPENSES: | | | | | | |
| Recreation Vehicles | | | | | | |
| Towables | \$ 52,628 | 5.7 | \$ 52,383 | 6.0 | \$ 245 | .5 |

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| | | | | | | | |
|---------------------------|----|--------|-----|-----------|-----|----------|------|
| Motorized | | 13,296 | 5.3 | 12,944 | 5.1 | 352 | 2.7 |
| Total Recreation Vehicles | | 65,924 | 5.6 | 65,327 | 6.0 | 597 | .9 |
| Buses | | 7,668 | 4.0 | 7,003 | 3.8 | 665 | 9.5 |
| Corporate | | 11,638 | | 8,539 | | 3,099 | 36.3 |
| Total | \$ | 85,230 | 6.3 | \$ 80,869 | 6.2 | \$ 4,361 | 5.4 |

INCOME BEFORE INCOME TAXES:

| | | | | | | | |
|---------------------------|----|---------|-----|-----------|-----|-----------|--------|
| Recreation Vehicles | | | | | | | |
| Towables | \$ | 81,304 | 8.9 | \$ 62,204 | 7.1 | \$ 19,100 | 30.7 |
| Motorized | | 10,414 | 4.1 | 9,536 | 3.8 | 878 | 9.2 |
| Total Recreation Vehicles | | 91,718 | 7.8 | 71,740 | 6.4 | 19,978 | 27.8 |
| Buses | | 7,695 | 4.0 | 6,174 | 3.3 | 1,521 | 24.6 |
| Corporate | | (3,727) | | (2,676) | | (1,051) | (39.3) |
| Total | \$ | 95,686 | 7.0 | \$ 75,238 | 5.7 | \$ 20,448 | 27.2 |

CONSOLIDATED

Net sales and gross profit for the six months ended January 31, 2008 were up 3.9% and 13.7%, respectively, compared to the six months ended January 31, 2007. Selling, general and administrative expenses increased 5.4% compared to the six months ended January 31, 2007. The specifics on changes in net sales, gross profit, selling, general and administrative expense and income before income taxes are addressed in the segment reporting below.

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Corporate costs in selling, general and administrative were \$11,628 for the six months ended January 31, 2008 compared to \$8,539 in the six months ended January 31, 2007. This \$3,099 increase is primarily the result of increased legal costs, compensation expense, and audit related expenses. Corporate interest income and other income was \$7,900 for the six months ended January 31, 2008 compared to \$5,786 for the six months ended January 31, 2007. The overall effective tax rate for the six months ended January 31, 2008 was 37.5% compared to 35.1% for the six months ended January 31, 2007.

The primary reason for the lower overall effective tax rate in 2007 was that the Company recorded \$1.9 million of tax benefit in the three months ended January 31, 2007 related to its research and development credits. This tax benefit was recorded because the 2006 Tax Relief and Health Care Act retroactively reinstated the research and development credit to January 1, 2006 and the Company reached an agreement with the Internal Revenue Service regarding the amount of research and development credit for fiscal years 2003 through 2005 which was previously not recognized. The Company is also recording in the current fiscal year additional FIN 48 liability for uncertain tax positions and the benefit from an increased domestic production activities deduction.

SEGMENT REPORTING**Recreation Vehicles**

Analysis of Percentage Change in Net Sales Versus Prior Year

| | Average Price | | Net Change |
|---------------------|------------------|--------|---------------|
| | Per Unit | Units | |
| Recreation Vehicles | | | |
| Towables | 3.3% | 1.8% | 5.1% |
| Motorized | 7.3% | (7.8%) | (.5%) |

Towable Recreation Vehicles

The increase in towables net sales of 5.1% resulted primarily from a 3.3% increase in average price per unit and mix of product and a 1.8% increase in unit shipments. The overall industry decrease in towables for August through December of 2007 was 2.3% according to statistics published by the Recreation Vehicle Industry Association.

Towables gross profit percentage increased to 14.3% of net sales for the six months ended January 31, 2008 from 13.1% of net sales for the six months ended January 31, 2007. The primary factor for the \$16,857 increase in gross profit was increased sales volume of \$44,257. Selling, general and administrative expenses were 5.7% of net sales for the six months ended January 31, 2008 and 6.0% of net sales for the six months ended January 31, 2007.

Towables income before income taxes increased to 8.9% of net sales for the six months ended January 31, 2008 from 7.1% of net sales for the six months ended January 31, 2007. The primary factors for this increase of \$19,100 was the profits on increased sales volume of \$44,257 and a gain on the sale of property of \$2,308.

Motorized Recreation Vehicles

The decrease in motorized net sales of .5% resulted from a 7.8% decrease in unit shipments offset by a 7.3% increase in average price and product mix. The overall market increase in motorhome unit shipments was 3.6% for the five month period August through December 2007 according to statistics

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published by the Recreation Vehicle Industry Association. The increase in the average price per unit resulted from the product mix.

Motorized gross profit percentage increased to 9.4% of net sales for the six months ended January 31, 2008 from 8.9% of net sales for the six months ended January 31, 2007. The primary reason for the increase in gross profit percentage was due principally to reduced material cost as a percentage of sales due to increased average price per unit and mix of units. Selling, general and administrative expenses were 5.3% of net sales for the six months ended January 31, 2008 and 5.1% of net sales for the six months ended January 31, 2007.

Motorized income before income taxes was 4.1% of net sales for the six months ended January 31, 2008 and 3.8% of net sales for the six months ended January 31, 2007.

Buses

Analysis of Percentage Change in Net Sales Versus Prior Year

| | Average Price Per Unit | Units | Net Change |
|-------|---------------------------|--------|---------------|
| Buses | 8.2% | (3.8%) | 4.4% |

The increase in buses net sales of 4.4% resulted from a 3.8% decrease in unit shipments offset by a 8.2% increase in average price and product mix.

Buses gross profit percentage increased to 8.3% of net sales for the six months ended January 31, 2008 from 7.3% of net sales for the six months ended January 31, 2007. The primary reason for the increase in gross profit percentage was due principally to reduced material cost as a percent of sales due to increased average price per unit and mix of units. Selling, general and administrative expenses were 4.0% of net sales for the six months ended January 31, 2008 and 3.8% for the six months ended January 31, 2007.

Buses income before income taxes increased to 4.0% of net sales for the six months ended January 31, 2008 from 3.3% for the six months ended January 31, 2007.

Financial Condition and Liquidity

As of January 31, 2008, we had \$234,285 in cash, cash equivalents and short-term investments, compared to \$346,464 on July 31, 2007. The decrease is primarily due to a \$2.07 per share dividend payment during the first quarter of fiscal 2008 that totaled \$115,601.

At January 31, 2008, we held approximately \$146,000 of short term investments, with an auction reset feature (auction rate securities) whose underlying assets are generally student loans which are substantially backed by the Federal government. Since February 12, 2008, auctions have failed for some of these securities. We believe we will be able to liquidate our investment without significant loss within the next year. However, it could take until the final maturity of the underlying notes (up to 40 years) to realize our investments recorded value. Based on our expected operating cash flows, and our other sources of cash, we do not anticipate the potential lack of liquidity on these investments will affect our ability to execute our current business plan.

Working capital at January 31, 2008 was \$374,318 compared to \$428,329 at July 31, 2007. We have no long-term debt. We currently have a \$30,000 revolving line of credit which bears interest at negotiated rates below prime and expires on November 30, 2008. There were no borrowings on this line of credit during the six months ended January 31, 2008. The loan agreement executed in connection with the line

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of credit contains certain covenants, including restrictions on additional indebtedness, and requires us to maintain certain financial ratios. We believe that internally generated funds and the line of credit will be sufficient to meet our current needs and any additional capital requirements for the foreseeable future. Capital expenditures of approximately \$9,403 for the six months ended January 31, 2008 were primarily for planned expansions and improvements of our recreation vehicle segments.

The Company anticipates additional capital expenditures in fiscal 2008 of approximately \$9,900. These expenditures will be made primarily to expand our RV companies and to replace machinery and equipment to be used in the ordinary course of business.

Critical Accounting Principles

The consolidated financial statements of Thor are prepared in conformity with accounting principles generally accepted in the United States. The preparation of these financial statements requires the use of estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods presented. We believe that of our accounting policies, the following may involve a higher degree of judgments, estimates, and complexity:

Impairment of Goodwill, Trademarks and Long-Lived Assets

We at least annually review the carrying value of goodwill and trademarks with indefinite useful lives. Long-lived assets, identifiable intangibles that are amortized, goodwill and trademarks with indefinite useful lives are also reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable from future cash flows. This review is performed using estimates of future cash flows. If the carrying value of a long-lived asset is considered impaired, an impairment charge is recorded for the amount by which the carrying value of the long-lived asset exceeds its fair value. Management believes that the estimates of future cash flows and fair values are reasonable; however, changes in estimates of such cash flows and fair values could affect the evaluations.

Insurance Reserves

Generally, we are self-insured for workers' compensation and group medical insurance. Under these plans, liabilities are recognized for claims incurred, including those incurred but not reported, and changes in the reserves. The liability for workers' compensation claims is determined by the Company with the assistance of a third party administrator using various state statutes and reserve requirements and historical claims experience. Group medical reserves are funded through a trust and are estimated using historical claims experience. We have a self-insured retention for products liability and personal injury matters of \$5,000 per occurrence. We have established a reserve on our balance sheet for such occurrences based on historical data and actuarial information. We maintain excess liability insurance aggregating \$25,000 with outside insurance carriers to minimize our risks related to catastrophic claims in excess of all our self-insured positions. Any material change in the aforementioned factors could have an adverse impact on our operating results.

Warranty

We provide customers of our products with a warranty covering defects in material or workmanship for periods generally 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, existing dealer inventory, average cost incurred 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

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our operating results for the period or periods in which such claims or additional costs materialize. Management believes that the warranty reserve is adequate; however, actual claims incurred could differ from estimates, requiring adjustments to the reserves. Warranty reserves are reviewed and adjusted as necessary on a quarterly basis.

Income Taxes

The Company accounts for income taxes under the provisions of SFAS No. 109, Accounting for Income Taxes. The objectives of accounting for income taxes are to recognize the amount of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in the Company's financial statements or tax returns. Judgment is required in assessing the future tax consequences of events that have been recognized in the company's financial statements or tax returns. Fluctuations in the actual outcome of these future tax consequences could materially impact the Company's financial position or its results of operations.

Revenue Recognition

Revenue from the sale of recreation vehicles and buses are 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 oral approval for payment has been received from the dealer's financing institution;
- 3) A common carrier signs the delivery ticket accepting responsibility for the product as agent for the dealer; and
- 4) The product is removed from the Company's property for delivery to the dealer who placed the order.

Certain shipments are sold to customers under cash on delivery (COD) terms. The Company recognizes revenue on COD sales upon payment and delivery. Most sales are made by dealers financing their purchases under financing 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 costs to floorplan lenders. On average, the Company receives payments from floorplan lenders on products sold to dealers within 15 days of the invoice date.

Repurchase Commitments

It is customary practice for companies in the recreation vehicle industry to enter into repurchase agreements with financing institutions to provide financing to their dealers. Generally, these agreements provide for the repurchase of products from the financing institution in the event of a dealer's default. The risk of loss under these agreements is spread over numerous dealers and further reduced by the resale value of the units which the Company would be required to repurchase. Losses under these agreements have not been significant in the periods presented in the consolidated financial statements, and management believes that any future losses under these agreements will not have a significant effect on the Company's consolidated financial position or results of operations. The Company records repurchase and guarantee reserves based on prior experience and known current events.

Investments

We have an investment portfolio comprised of marketable debt securities including municipal notes which may have an auction reset feature, corporate notes, commercial paper, and money market funds meeting certain criteria. The value of these securities is subject to market volatility for the period we hold these investments and until their sale or maturity. We recognize realized losses when declines in the fair value of our investments, below their cost basis, are judged to be other-than-temporary. In determining whether a decline in fair value is other-than-temporary, we consider various factors including market price (when available), investment ratings, the length of time and the extent to which the fair value has

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been less than our cost basis, auction success and failure rates, and our intent and ability to hold the investment until maturity or for a period of time sufficient to allow for any anticipated recovery in market value. We make significant judgments in considering these factors. If it is judged that a decline in fair value is other-than-temporary, the investment is valued at the current fair value and a realized loss equal to the decline is reflected in net income, which could materially adversely affect our operating results.

Accounting Pronouncements

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities. SFAS No. 159 gives us the irrevocable option to carry many financial assets and liabilities at fair values, with changes in fair value recognized in earnings. SFAS No. 159 is effective for Thor's fiscal year beginning August 1, 2008, although early adoption is permitted. We are currently assessing the potential impact that adoption of SFAS No. 159 will have on our financial statements.

In September 2006, the FASB issued SFAS No. 157, Fair Value Accounting, (SFAS 157) which defines fair value, establishes a framework for measuring fair value and expands disclosure about fair value measurements. SFAS 157 will be effective for Thor's fiscal year beginning August 1, 2008. We are currently assessing the potential impact that adoption of SFAS 157 will have on our financial statements.

In December 2007, the FASB issued SFAS 141R, *Business Combinations*, which is effective as of the beginning of an entity's first fiscal year beginning after December 15, 2008. This standard will significantly change the accounting for business acquisitions both during the period of the acquisition and in subsequent periods. Among the more significant changes in the accounting for acquisitions are the following:

- § Transaction costs, many of which are currently treated as costs of the acquisition, will generally be expensed.
- § In-process research and development will be accounted for as an asset, with the cost recognized as the research and development is realized or abandoned. These costs are currently expensed at the time of the acquisition.
- § Contingencies, including contingent consideration, will generally be recorded at fair value with subsequent adjustments recognized in operations. Contingent consideration is currently accounted for as an adjustment of the purchase price.
- § Decreases in valuation allowances on acquired deferred tax assets will be recognized in operations. Previously such changes were considered to be subsequent changes in consideration and were recorded as decreases in goodwill.

The effects of implementing SFAS 141R on the Company's financial position, results of operations, and cash flows will depend on future acquisitions.

Forward Looking Statements

This report includes certain statements that are forward looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934 as amended. These forward looking statements involve uncertainties and risks. There can be no assurance that actual results will not differ from the Company's expectations. Factors which could cause materially different results include, among others, additional issues that may arise in connection with the findings of the completed investigation of the Audit Committee of the Board of Directors and the SEC's requests for additional information, fuel prices, fuel availability, interest rate increases, increased material costs, the success of new product introductions, the pace of acquisitions, cost structure improvements, the impact of the recent auction market failures on our liquidity, competition and general economic

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conditions and the other risks and uncertainties discussed more fully in Item 1A of our Annual Report on Form 10-K for the year ended July 31, 2007. The Company disclaims any obligation or undertaking to disseminate any updates or revisions to any change in expectation of the Company after the date hereof or any change in events, conditions or circumstances on which any statement is based except as required by law.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

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

At January 31, 2008, we held approximately \$146,000 of short term investments, with an auction reset feature (auction rate securities) whose underlying assets are generally student loans which are substantially backed by the Federal government. Since February 12, 2008, auctions have failed for some of these securities and there is no assurance that successful auctions on the other auction rate securities in our investment portfolio will succeed and as a result our ability to liquidate our investment and fully recover the carrying value of our investment in the near term may be limited or not exist. As of February 29, 2008, we hold \$135,400 of auction rate securities. An auction failure means that the parties wishing to sell securities could not. All of our auction rate securities, including those subject to the failure, are currently rated AAA, the highest rating, by a rating agency. If the issuers are unable to successfully close future auctions and their credit ratings deteriorate, we may in the future be required to record an impairment charge on these investments. We believe we will be able to liquidate our investment without significant loss within the next year, and we currently believe these securities are not significantly impaired, primarily due to the government guarantee of the underlying securities; however, it could take until the final maturity of the underlying notes (up to 40 years) to realize our investments' recorded value. Based on our expected operating cash flows, and our other sources of cash, we do not anticipate the potential lack of liquidity on these investments will affect our ability to execute our current business plan.

ITEM 4. Controls and Procedures

The Company maintains disclosure controls and procedures, as such term is defined under Securities Exchange Act Rule 13a-15(e), that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. In designing and evaluating the disclosure controls and procedures, the Company's management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and the Company's management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. The Company has carried out an evaluation, as of the end of the period covered by this report, under the supervision and with the participation of the Company's management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms.

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During the six months ending on January 31, 2008 and through the date of this report, there have been no material changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II Other Information

ITEM 1. LEGAL PROCEEDINGS

The SEC is reviewing the facts and circumstances giving rise to the restatement of our previously issued financial statements as of July 31, 2006 and 2005, and for each of the years in the three-year period ended July 31, 2006, and the financial results in each of the quarterly periods in 2006 and 2005, and our financial statements as of and for the three months ended October 31, 2006 and related matters. We intend to cooperate fully with the SEC. The investigation by the SEC staff could result in the SEC seeking various penalties and relief, including, without limitation, civil injunctive relief and/or civil monetary penalties or administrative relief. The nature of the relief or remedies the SEC may seek, if any, cannot be predicted at this time.

Thor has been named in several complaints, some of which are punitive class actions, filed against manufacturers of travel trailers and manufactured homes supplied to the Federal Emergency Management Agency (FEMA) to be used for emergency living accommodations in the wake of Hurricane Katrina. The complaints generally allege injury due to the presence of formaldehyde in the units. Thor strongly disputes the allegations in these complaints and intends to vigorously defend itself in all such matters.

In addition, we are involved in certain litigation arising out of our operations in the normal course of our business most of which are based upon state lemon laws, warranty claims, other claims and accidents (for which we carry insurance above a specified deductible amount). We do not believe that any one of these claims is material.

ITEM 1A. RISK FACTORS

Other than with respect to the risk factor below, there have been no material changes from the risk factors previously disclosed in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended July 31, 2007.

Our investments in auction rate securities are subject to risks which may cause losses and affect the liquidity of these investments.

At January 31, 2008, we held approximately \$146,000 of short term investments, with an auction reset feature (auction rate securities) whose underlying assets are generally student loans which are substantially backed by the Federal government. As of February 29, 2008, we held \$135,400 of auction rate securities, all of which are currently rated AAA, the highest rating by a rating agency. Since February 12, 2008, auctions have failed for some of these securities and there is no assurance that successful auctions on the other auction rate securities in our investment portfolio will succeed. An auction failure means that the parties wishing to sell their securities could not do so as a result of a lack of buying demand. As a result of auction failures, our ability to liquidate our investment and fully recover the carrying value of our investment in the near term may be limited or not exist. These developments may result in the classification of some or all of these securities as long-term investments in our consolidated financial statements.

If the issuers of these auction rate securities are unable to successfully close future auctions and their credit ratings deteriorate, we may in the future be required to record an impairment charge on these investments. We believe we will be able to liquidate our investment without significant loss within the

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next year, and we currently believe these securities are not significantly impaired, primarily due to the government guarantee of the underlying securities. However, it could take until the final maturity of the underlying notes (up to 40 years) to realize our investments recorded value.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES***c) Issuer Purchases of Equity Securities***

| Period | (a) Total Number of Shares (or Units) Purchased | (b) Average Price Paid Per Share (or Unit) | (c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs ⁽¹⁾ | (d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs |
|---------------|---|--|---|--|
| November 2007 | | | | 1,947,200 |
| December 2007 | | | | 1,947,200 |
| January 2008 | 374,239 | \$31.54 | 374,239 | 1,572,961 |

(1) On June 26, 2006 our Board of Directors authorized the repurchase of 2,000,000 shares extending over a 24-month period before expiring. At January 31, 2008, 1,572,961 shares of common stock remained authorized for repurchase under the repurchase program.

ITEM 4. Submission of Matters to a Vote of Security Holders

The Company held its Annual Meeting of Stockholders on December 4, 2007. At the meeting, the stockholders elected three Class A directors of the Company to serve until the Company's Annual Meeting of Stockholders in 2010. The names of the directors elected and the number of votes cast for or withheld, as well as the number of broker non-votes, with respect to each director are as follows:

| Director | For | Withheld | Broker Non-Votes |
|----------|-----|----------|---------------------|
|----------|-----|----------|---------------------|

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| | | |
|-----------------------|------------|-----------|
| H. Coleman Davis, III | 51,265,563 | 2,387,623 |
| Peter B. Orthwein | 52,891,869 | 761,317 |
| William C. Tomson | 53,028,249 | 624,937 |

The terms of directors Wade F. B. Thompson, Jan H. Suwinski, Neil D. Chrisman, Alan Siegel and Geoffrey A. Thompson continued after the meeting.

For more information on the above matters submitted to a vote of security holders, see the Company's proxy statement dated October 30, 2007.

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ITEM 6. Exhibits

Exhibit Description

- 31.1 Chief Executive Officer's Certification filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Chief Financial Officer's Certification filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Chief Executive Officer's Certification furnished pursuant to Section 906 of the Sarbanes-Oxley Act 2002.
- 32.2 Chief Financial Officer's Certification furnished pursuant to Section 906 of the Sarbanes- Oxley Act 2002.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THOR INDUSTRIES, INC.

(Registrant)

DATE: March 10, 2008

By: /s/ Wade F. B. Thompson
Wade F. B. Thompson
Chairman of the Board, President and
Chief Executive Officer

DATE: March 10, 2008

By: /s/ Walter L. Bennett
Walter L. Bennett
Executive Vice President, Secretary and
Chief Financial Officer