

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

(X) Annual report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934 (No Fee Required) for the fiscal year ended August 30, 1997; or

() Transition report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934 (No Fee Required)

For the transition period from _____ to _____

Commission File Number 1-6403

WINNEBAGO INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Iowa
(State or other jurisdiction of
incorporation or organization)

42-0802678
(I.R.S. Employer
Identification No.)

P.O. Box 152, Forest City, Iowa
(Address of Principal executive offices)

50436
(Zip Code)

Registrant's telephone number, including area code: (515) 582-3535

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

| TITLE OF EACH CLASS | NAME OF EACH EXCHANGE ON WHICH REGISTERED |
|--------------------------------|---|
| Common Stock (\$.50 par value) | The New York Stock Exchange, Inc. Chicago Stock Exchange, Inc. The Pacific Stock Exchange, Inc. |

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

None

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

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

Aggregate market value of the common stock held by non-affiliates of the Registrant on October 13, 1997: \$111,684,545 (14,410,909 shares at closing price on New York Stock Exchange of \$7.75).

Common stock outstanding on November 19, 1997, 25,480,827 shares.

DOCUMENTS INCORPORATED BY REFERENCE

1. The Winnebago Industries, Inc. Annual Report to Shareholders for the fiscal year ended August 30, 1997, portions of which are incorporated by reference into Part II hereof.
2. The Winnebago Industries, Inc. Proxy Statement for the Annual Meeting of Shareholders scheduled to be held December 17, 1997, portions of which are incorporated by reference into Part III hereof.

WINNEBAGO INDUSTRIES, INC.

FORM 10-K

Report for the Fiscal Year Ended August 30, 1997

PART I

ITEM 1. Business

GENERAL

Winnebago Industries, Inc. is a leading U.S. manufacturer of motor homes, self-contained recreation vehicles used primarily in leisure travel and outdoor recreation activities. Motor home sales by the Company represented more than 87 percent of its revenues in each of the past five fiscal years. The Company's motor homes are sold through dealer organizations primarily under the Winnebago, Itasca, Vectra, Rialta and Luxor brand names.

Other products manufactured by the Company consist principally of extruded aluminum, commercial vehicles, and a variety of component products for other manufacturers. Finance revenues consisted of revenues from floor plan unit financing of the Company's products in dealer inventories.

The Company was incorporated under the laws of the state of Iowa on February 12, 1958, and adopted its present name on February 28, 1961. The Company's executive offices are located at 605 West Crystal Lake Road in Forest City, Iowa. Unless the context indicates otherwise, the term "Company" refers to Winnebago Industries, Inc. and its subsidiaries.

PRINCIPAL PRODUCTS

The Company determined it was appropriate to define its operations into two business segments for fiscal 1997 (See Note 16, "Business Segment Information" in the Company's Annual Report to Shareholders for the year ended August 30, 1997). However, during each of the last five fiscal years, at least 91% of the revenues of the Company were derived from recreational vehicle products.

The following table sets forth the respective contribution to the Company's net revenues by product class for each of the last five fiscal years (dollars in thousands):

| | Fiscal Year Ended (1) | | | | |
|---|-----------------------|----------------------|----------------------|----------------------|----------------------|
| | August 30, 1997 | August 31, 1996 | August 26, 1995 | August 27, 1994 | August 28, 1993 |
| Motor Homes (Class A and C) | \$ 381,191 87.0% | \$ 432,212 89.2% | \$ 402,435 87.5% | \$ 385,319 88.9% | \$ 326,861 89.4% |
| Other Recreation Vehicle Revenues (2) | 19,771 4.5% | 17,166 3.5% | 19,513 4.2% | 21,903 5.1% | 17,655 4.8% |
| Other Manufactured Products Revenues (3) | 35,750 8.2% | 34,020 7.0% | 36,961 8.0% | 25,184 5.8% | 20,344 5.6% |
| Total Manufactured Products Revenues | 436,712 99.7% | 483,398 99.7% | 458,909 99.7% | 432,406 99.8% | 364,860 99.8% |
| Finance Revenues (4) | 1,420 .3% | 1,406 .3% | 1,220 .3% | 831 .2% | 595 .2% |
| Total Net Revenues | \$ 438,132 100.0% | \$ 484,804 100.0% | \$ 460,129 100.0% | \$ 433,237 100.0% | \$ 365,455 100.0% |

(1) The fiscal year ended August 31, 1996 contained 53 weeks; all other fiscal years in the table contained 52 weeks. All years are appropriately restated to exclude the Company's discontinued Cycle-Sat, Inc. (Cycle-Sat) subsidiary's revenues from satellite courier and tape duplication services and discontinued North Iowa Electronics, Inc. (NIE) subsidiary's revenues from contract assembly of a variety of electronic products.

(2) Primarily EuroVan Campers, recreation vehicle related parts, recreation vehicle service revenue and van conversions.

(3) Primarily sales of extruded aluminum, commercial vehicles and component products for other manufacturers.

(4) Winnebago Acceptance Corporation (WAC) revenues from dealer financing.

Unit sales of the Company's principal recreation vehicles for the last five fiscal years were as follows:

| | Fiscal Year Ended (1) | | | | |
|---|-----------------------|--------------------|--------------------|--------------------|--------------------|
| | August 30, 1997 | August 31, 1996 | August 26, 1995 | August 27, 1994 | August 28, 1993 |
| Unit Sales: | | | | | |
| Class A | 4,834 | 5,893 | 5,993 | 6,820 | 6,095 |
| Class C | 2,724 | 2,857 | 2,853 | 1,862 | 1,998 |
| Total Motor Homes | 7,558 | 8,750 | 8,846 | 8,682 | 8,093 |
| Class B Conversions (EuroVan Camper) .. | 1,205 | 857 | 1,014 | 376 | --- |

(1) The fiscal year ended August 31, 1996 contained 53 weeks; all other fiscal years in the table contained 52 weeks.

The primary use of recreation vehicles for leisure travel and outdoor recreation has historically led to a peak retail selling season concentrated in the spring and summer months. The Company's sales of recreation vehicles are generally influenced by this pattern in retail sales, but can also be affected by the level of dealer inventory. The Company has generally manufactured recreation vehicles during the entire year, both for immediate delivery and for inventory to satisfy the peak selling season.

Order backlog information is not deemed significant to understand the Company's business.

Presently, the Company meets its working capital and capital equipment requirements and cash requirements of subsidiaries with funds generated internally and funds from agreements with financial institutions. Since March 26, 1992, the Company has had a financing and security agreement with NationsCredit Corporation (See Note 7, "Notes Payable" in the Company's Annual Report to Shareholders for the year ended August 30, 1997).

RECREATION VEHICLES

MOTOR HOMES - A motor home is a self-propelled mobile dwelling used primarily as a temporary dwelling during vacation and camping trips.

Recreation Vehicle Industry Association (RVIA) classifies motor homes into three types (Class A, Class B and Class C). The Company currently manufactures Class A and C motor homes and converts Class B motor homes.

Class A models are conventional motor homes constructed directly on medium-duty truck chassis which include the engine and drivetrain components. The living area and driver's compartment are designed and produced by the recreation vehicle manufacturer.

Class B models are panel-type trucks to which sleeping, kitchen and toilet facilities are added. These models also have a top extension added to them for more head room.

Class C models are mini motor homes built on van-type chassis onto which the manufacturer constructs a living area with access to the driver's compartment. Certain models of the Company's Class C units include van-type driver's compartments built by the Company.

The Company currently manufactures and sells motor homes primarily under the Winnebago, Itasca, Vectra, Rialta and Luxor brand names. The Class A and Class C motor homes generally provide living accommodations for four to seven persons and include kitchen, dining, sleeping and bath areas, and in some models, a lounge. Optional equipment accessories include, among other items, air conditioning, electric power plant, stereo system and a wide selection of interior equipment. The Company converts Class B motor homes under the EuroVan Camper brand name, which are distributed through the Volkswagen dealer organization.

The Company offers, with the purchase of any new Winnebago, Itasca, Vectra or Luxor motor home, a comprehensive 12-month/15,000-mile warranty, a 3-year/36,000-mile warranty on sidewalls and slide-out room assemblies, and a 10-year fiberglass roof warranty. The Rialta has a 2-year/24,000-mile warranty.

The Company's motor homes are sold by dealers in the retail market at prices ranging from approximately \$40,000 to more than \$210,000, depending on size and model, plus optional equipment and delivery charges.

The Company currently manufactures Class A and Class C motor homes ranging in length from 26 to 37 feet and 22 to 31 feet, respectively. Class B motor homes converted by the Company (EuroVan Camper) are 17 feet in length.

NON-RECREATION VEHICLE ACTIVITIES

OEM, COMMERCIAL VEHICLES, AND OTHER PRODUCTS

OEM - Original equipment manufacturer sales of component parts such as aluminum extrusions, metal stamping, rotational moldings, vacuum formed plastics and fiberglass to outside manufacturers.

Commercial Vehicles - Commercial vehicles sales are custom shells designed specifically for the buyer's special needs and requirements.

Other Products - Sales of molded plastic docks for marine applications.

WINNEBAGO ACCEPTANCE CORPORATION - WAC engages in floor plan and rental unit financing for a limited number of the Company's dealers.

DISCONTINUED ACTIVITIES -

On November 19, 1996, the Company sold all of the assets of its Cycle-Sat subsidiary, a distributor of satellite courier and tape duplication services, to Vyvx, Inc., a subsidiary of The Williams Companies, Inc., Tulsa, Oklahoma. See Note 2, "Discontinued Operations - Sale of Cycle-Sat Subsidiary" in the Company's Annual Report to Shareholders for the year ended August 30, 1997.

The Company discontinued its van conversion operations in fiscal 1995.

The Company sold a majority of the assets of its NIE subsidiary, a contract assembler of a variety of electronic products, on August 8, 1993. See Note 3, "Discontinued Operations - Disposal of Electronic Component Assembly Segment" in the Company's Annual Report to Shareholders for the year ended August 30, 1997.

PRODUCTION

The Company's Forest City facilities have been designed to provide vertically integrated production line manufacturing. The Company also operates a fiberglass manufacturing facility in Hampton, Iowa, and a sewing operation in Lorimor, Iowa. The Company manufactures the majority of the components utilized in its motor homes, with the exception of the chassis, engines, auxiliary power units and appliances.

Most of the raw materials and components utilized by the Company are obtainable from numerous sources. The Company believes that substitutes for raw materials and components, with the exception of chassis, would be obtainable with no material impact on the Company's operations. The Company purchases Class A and C chassis from General Motors Corporation - Chevrolet Motor Division and Ford Motor Company; Class C chassis from Volkswagen of America, Inc.; and Class A chassis from Freightliner Custom Chassis Corporation. Class B chassis from Volkswagen of America, Inc. are utilized in the Company's Rialta motor home and the EuroVan Camper. Only two vendors accounted for as much as five percent of the Company's purchases in fiscal 1997, Ford Motor Company and General Motors Corporation (approximately 30 percent, in the aggregate).

Motor home bodies are made from various materials and structural components which are typically laminated into rigid, lightweight panels. Body designs are developed with computer design and analysis, and subjected to a variety of tests and evaluations to meet Winnebago standards and requirements.

The Company manufactures picture windows, lavatories, and all of the doors, cabinets, shower pans, waste holding tanks, wheel wells and sun visors used in its recreation vehicles. In addition, the Company produces most of the bucket seats, upholstery items, lounge and dinette seats, seat covers, mattresses, decorator pillows, curtains and drapes.

The Company produces substantially all of the raw, liquid-painted and powder-coated aluminum extrusions used for interior and exterior trim in its recreation vehicles. The Company also sells aluminum extrusions to over 130 customers.

DISTRIBUTION AND FINANCING

The Company markets its recreation vehicles on a wholesale basis to a broadly diversified dealer organization located throughout the United States and, to a limited extent, in Canada and other foreign countries. Foreign sales, including Canada, were less than 8.5 percent of net revenues in fiscal 1997. As of August 30, 1997 and August 31, 1996, the motor home dealer organization in the United States and Canada included approximately 340 dealers. During fiscal 1997, 11 dealers accounted for approximately 25 percent of motor home unit sales, and only one dealer accounted for more than seven percent (7.1%) of motor home unit sales.

Winnebago Industries Europe GmbH, a wholly owned subsidiary, was sold in August 1997 (See Note 16, "Business Segment Information," in the Company's Annual Report to Shareholders for the year ended August 30, 1997). All international sales (except Canada) are now handled by eight distributors who market the Company's recreation vehicles within ten foreign countries.

The Company has sales agreements with dealers which are renewed on an annual or bi-annual basis. Many of the dealers are also engaged in other areas of business, including the sale of automobiles, and many dealers carry one or more competitive lines. The Company continues to place high emphasis on the capability of its dealers to provide complete service for its recreation vehicles. Dealers are obligated to provide full service for owners of the Company's recreation vehicles, or in lieu thereof, to secure such service at their own expense from other authorized firms.

At August 30, 1997, the Company had a staff of 37 people engaged in field sales and service to the motor home dealer organization.

The Company advertises and promotes its products through national RV magazines and cable TV networks and on a local basis through trade shows, television, radio and newspapers, primarily in connection with area dealers.

Substantially all sales of recreation vehicles to dealers are made on cash terms. Most dealers are financed on a "floor plan" basis under which a bank or finance company lends the dealer all, or substantially all, of the purchase price, collateralized by a lien upon, or title to, the merchandise purchased. Upon request of a lending institution financing a dealer's purchases of the Company's products, and after completion of a credit investigation of the dealer involved, the Company will execute a repurchase agreement. These agreements provide that, in the event of default by the dealer on the dealer's agreement to pay the lending institution, the Company will repurchase the financed merchandise. The agreements provide that the Company's liability will not exceed 100 percent of the invoice price and provide for periodic liability reductions based on the time since the date of the invoice. The Company's contingent liability on all repurchase agreements was approximately \$115,637,000 and \$129,135,000 at August 30, 1997 and August 31, 1996, respectively. Included in these contingent liabilities are approximately \$24,868,000 and \$33,216,000, respectively, of certain dealer receivables subject to recourse (See Note 10, "Contingent Liabilities and Commitments" in the Company's Annual Report to Shareholders for the year ended August 30, 1997). The Company's contingent liability under repurchase agreements varies significantly from time to time, depending upon seasonal shipments, competition, dealer organization, gasoline supply and availability of bank financing.

COMPETITION

The recreation vehicle market is highly competitive, both as to price and quality of the product. The Company believes its principal marketing advantages are the quality of its products, its dealer organization, its warranty and service capability and its marketing techniques. The Company also believes that its prices are competitive with the competitions' units of comparable size and quality.

The Company is a leading manufacturer of motor homes. For the 12 months ended August 31, 1997, Recreation Vehicle Industry Association (RVIA) reported factory shipments of 36,900 Class A motor homes, 4,100 Class B motor homes and 13,300 Class C motor homes. Unit sales of such products by the Company for the last five fiscal years are shown elsewhere in this report. The Company is not a significant factor in the markets for its other recreation vehicle products and its non-recreation vehicle products and services.

REGULATION, TRADEMARKS AND PATENTS

The plumbing, heating and electrical systems manufactured and installed in all of the Company's motor homes are manufactured and installed to meet National Fire Protection Association 501C (American National Standards Institute 119.2) as well as Federal Motor Vehicle Safety Standards applicable to motor homes. A variety of other federal and state regulations pertaining to safety in recreation vehicles have been adopted or are proposed from time to time. The Company believes that it is in compliance with all such existing regulations and while it is not able to predict what effect the adoption of any such future regulations will have on its business, it is confident of its ability to equal or exceed any reasonable safety standards.

The Company has several registered trademarks, including Winnebago, Itasca, Minnie Winnie, Brave, Sunrise, Adventurer, Spirit, Suncruiser, Sundancer, Warrior, Vectra, Luxor, Rialta, Minnie, Thermo-Panel and Thermo-Steel.

RESEARCH AND DEVELOPMENT

During fiscal 1997, 1996 and 1995, the Company spent approximately \$1,695,000, \$801,000 and \$2,216,000, respectively, on research and development activities. These activities involved the equivalent of 24, 12 and 23 full-time employees during fiscal 1997, 1996 and 1995, respectively.

HUMAN RESOURCES

As of September 1, 1997, 1996 and 1995, the Company employed approximately 2,830, 3,150 and 3,010 persons, respectively. Of these, approximately 2,270, 2,250 and 2,240 persons, respectively, were engaged in manufacturing and shipping functions. None of the Company's employees are covered under a collective bargaining agreement.

ITEM 2. Properties

The Company's manufacturing, maintenance and service operations are conducted in multi-building complexes owned by the Company, containing an aggregate of approximately 1,452,000 square feet in Forest City, Iowa. The Company also owns 698,000 square feet of warehouse facilities located in Forest City. The Company leases approximately 235,000 square feet of its unoccupied manufacturing facilities in Forest City to others. The Company also owns a manufacturing facility (74,000 square feet) in Hampton, Iowa. The Company leases a storage facility (25,000 square feet) in Hampton, Iowa and a manufacturing facility (17,200 square feet) in Lorimor, Iowa. Leases on the above facilities expire at various dates, the earliest of which is January 1, 1998. In fiscal 1989, the Company purchased a 308,000 square foot shopping mall on 30 acres in Temple, Texas (this facility was sold in August 1997). In fiscal 1993, Winnebago Industries Europe GmbH purchased a distribution and service facility consisting of approximately 16,700 square feet and located on approximately six acres of land in Kirkel, Germany (this facility was sold in August 1997). The Company's facilities in Forest City are located on approximately 780 acres of land, all owned by the Company.

Most of the Company's buildings are of steel or steel and concrete construction and are fire resistant with high-pressure sprinkler systems, dust collector systems, automatic fire doors and alarm systems. The Company believes that its facilities and equipment are well maintained, in excellent condition, suitable for the purposes for which they are intended and adequate to meet the Company's needs for the foreseeable future.

ITEM 3. Legal Proceedings

The Company is involved in various legal proceedings which are ordinary routine litigation incident to its business, many of which are covered in whole or in part by insurance. While it is impossible to estimate with certainty the ultimate legal and financial liability with respect to this litigation, management is of the opinion that while the final resolution of any such litigation may have an impact on the Company's consolidated results for a particular reporting period, the ultimate disposition of such litigation will not have any material adverse effect on the Company's financial position, results of operations or liquidity.

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

Not Applicable.

Executive Officers of the Registrant

| NAME | OFFICE (YEAR FIRST ELECTED AN OFFICER) | AGE |
|-----------------------|--|-----|
| Fred G. Dohrmann + | Chairman of the Board & Chief Executive Officer (1989) | 65 |
| Bruce D. Hertzke + | President & Chief Operating Officer (1989) | 46 |
| Edwin F. Barker | Vice President, Chief Financial Officer (1980) | 50 |
| Raymond M. Beebe | Vice President, General Counsel & Secretary (1974) | 55 |
| Ronald D. Buckmeier | Vice President, Product Development (1997) | 50 |
| Brian J. Hrubes | Controller (1996) | 46 |
| James P. Jaskoviak | Vice President, Sales and Marketing (1994) | 45 |
| Robert J. Olson | Vice President, Manufacturing (1996) | 46 |
| Joseph L. Soczek, Jr. | Treasurer (1996) | 54 |

+ Director

Officers are elected annually by the Board of Directors. All of the foregoing officers have been employed by the Company as officers or in other responsible positions for at least the last five years.

PART II

ITEM 5. Market for the Registrant's Common Equity and Related Stockholder Matters

Reference is made to information concerning the market for the Company's common stock, cash dividends and related stockholder matters on page 32 of the Company's Annual Report to Shareholders for the year ended August 30, 1997, which information is incorporated by reference herein. On October 16, 1997, the Board of Directors declared a cash dividend of \$.10 per common share payable January 5, 1998 to shareholders of record on December 5, 1997. The Company paid dividends of \$.20 per common share during fiscal year 1997 and \$.30 per common share during fiscal 1996.

ITEM 6. Selected Financial Data

Reference is made to the information included under the caption "Selected Financial Data" on page 31 of the Company's Annual Report to Shareholders for the year ended August 30, 1997, which information is incorporated by reference herein.

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Reference is made to the information under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 10 through 13 of the Company's Annual Report to Shareholders for the year ended August 30, 1997, which information is incorporated by reference herein.

ITEM 8. Financial Statements and Supplementary Data

The consolidated financial statements of the Company which appear on pages 14 through 29 and the report of the independent accountants which appears on page 30, and the supplementary data under "Interim Financial Information (Unaudited)" on page 9 of the Company's Annual Report to Shareholders for the year ended August 30, 1997, are incorporated by reference herein.

ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not Applicable.

PART III

ITEM 10. Directors and Executive Officers of the Registrant

Reference is made to the table entitled Executive Officers of the Registrant in Part One of this report and to the information included under the caption "Election of Directors" in the Company's Proxy Statement for the Annual Meeting of Shareholders scheduled to be held December 17, 1997, which information is incorporated by reference herein.

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's officers and directors and persons who own more than 10 percent of the Company's common stock (collectively "REPORTING PERSONS") to file reports of ownership and changes in ownership with the Securities and Exchange Commission (the "SEC") and the New York Stock Exchange. Reporting Persons are required by the SEC regulations to furnish the Company with copies of all Section 16(a) forms they file. Based solely on its review of the copies of such forms received or written representations from certain Reporting Persons that no Forms 5 were required for those persons, the Company believes that, during fiscal year 1997, all the Reporting Persons complied with all applicable filing requirements. Mr. Gerald E. Boman, a director of the Company, inadvertently omitted to file a Form 5 for fiscal 1996 reporting an aggregate of eight gifts of common stock by Mr. Boman and his wife. These transactions were reported in an amended Form 5 for fiscal 1997.

ITEM 11. Executive Compensation

Reference is made to the information included under the caption "Executive Compensation" in the Company's Proxy Statement for the Annual Meeting of Shareholders scheduled to be held December 17, 1997, which information is incorporated by reference herein.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management

Reference is made to the share ownership information included under the caption "Voting Securities and Principal Holders Thereof" in the Company's Proxy Statement for the Annual Meeting of Shareholders scheduled to be held December 17, 1997, which information is incorporated by reference herein.

ITEM 13. Certain Relationships and Related Transactions

Reference is made to the information included under the caption "Certain Transactions with Management" in the Company's Proxy Statement for the Annual Meeting of Shareholders scheduled to be held December 17, 1997, which information is incorporated by reference herein.

PART IV

ITEM 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

- (a)
1. The consolidated financial statements of the Company are incorporated by reference in ITEM 8 and an index to financial statements appears on page 13 of this report.
 2. Consolidated Financial Statement Schedules Winnebago Industries, Inc. and Subsidiaries

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|---|------|
| | ---- |
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All schedules, other than Schedule II, are omitted because of the absence of the conditions under which they are required or because the information required is shown in the consolidated financial statements or the notes thereto.

(a) 3. Exhibits

See Exhibit Index on page 16.

(b) Reports on Form 8-K

No reports on Form 8-K have been filed during the last quarter of the period covered by this report.

UNDERTAKING

For the purposes of complying with the amendments to the rules governing Form S-8 (effective July 13, 1990) under the Securities Act of 1933, the undersigned registrant hereby undertakes as follows, which undertaking shall be incorporated by reference into registrant's Registration Statements on Form S-8 Nos. 2-40316 (which became effective on or about June 10, 1971), 2-82109 (which became effective on or about March 15, 1983), 33-21757 (which became effective on or about May 31, 1988), 33-59930 (which became effective on or about March 24, 1993) and 333-31595 (which became effective on or about July 18, 1997).

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

SIGNATURES

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

WINNEBAGO INDUSTRIES, INC.

By /s/ Fred G. Dohrman
Chairman of the Board

| SIGNATURE | CAPACITY |
|--|---|
| /s/ Fred G. Dohrmann Fred G. Dohrmann | Chairman of the Board, Chief Executive Officer and Director |
| /s/ Edwin F. Barker Edwin F. Barker | Vice President, Chief Financial Officer |
| /s/ Gerald E. Boman Gerald E. Boman | Director |
| /s/ Jerry N. Currie Jerry N. Currie | Director |
| /s/ John V. Hanson John V. Hanson | Director |
| /s/ Bruce D. Hertzke Bruce D. Hertzke | Director |
| /s/ Gerald C. Kitch Gerald C. Kitch | Director |
| /s/ Richard C. Scott Richard C. Scott | Director |
| /s/ Joseph M. Shuster Joseph M. Shuster | Director |
| /s/ Frederick M. Zimmerman Frederick M. Zimmerman | Director |
| /s/ Francis L. Zrostlik Francis L. Zrostlik | Director |

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* Refers to respective pages in the Company's 1997 Annual Report to Shareholders, a copy of which is attached hereto, which pages are incorporated herein by reference.

INDEPENDENT AUDITORS' REPORT

Board of Directors and Shareholders
Winnebago Industries, Inc.
Forest City, Iowa

We have audited the consolidated financial statements of Winnebago Industries, Inc. and subsidiaries (the Company) as of August 30, 1997 and August 31, 1996 and for each of the three years in the period ended August 30, 1997 and have issued our report thereon dated October 21, 1997. Such consolidated financial statements and report are included in your fiscal 1997 Annual Report to Shareholders and are incorporated herein by reference. Our audits also included the consolidated financial statement schedule of Winnebago Industries, Inc. and subsidiaries, as listed in Item 14(a)2. This consolidated financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, such consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ Deloitte & Touch LLP
Deloitte & Touche LLP
Minneapolis, Minnesota
October 21, 1997

WINNEBAGO INDUSTRIES, INC. AND SUBSIDIARIES
SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS

(Dollars in thousands)

| COLUMN A | COLUMN B | COLUMN C | | COLUMN D | COLUMN E | COLUMN F |
|--|--------------------------------------|---|--------------------------|---------------------------|-------------|--------------------------------|
| PERIOD AND DESCRIPTION | BALANCE AT BEGINNING OF PERIOD | ADDITIONS (REDUCTIONS) CHARGED TO | | DEDUCTIONS CHARGE-OFFS | OTHER* | BALANCE AT END OF PERIOD |
| | | COST AND EXPENSES | BAD DEBTS RE-COVERIES | | | |
| Year Ended August 30, 1997: | | | | | | |
| Allowance for doubtful accounts receivable | \$ 702 | \$ 730 | \$ 1 | \$ 4 | \$ --- | \$ 1,429 |
| Allowance for doubtful dealer receivables | 197 | (160) | 118 | --- | --- | 155 |
| Allowance for excess and obsolete inventory | 569 | 1,319 | --- | 1,074 | --- | 814 |
| Allowance for doubtful notes receivable | 797 | 668 | --- | --- | --- | 1,465 |
| Year Ended August 31, 1996: | | | | | | |
| Allowance for doubtful accounts receivable | 1,128 | 359 | --- | 329 | (456) | 702 |
| Allowance for doubtful dealer receivables | 255 | (70) | 29 | 17 | --- | 197 |
| Allowance for excess and obsolete inventory | 669 | 1,301 | --- | 1,401 | --- | 569 |
| Allowance for doubtful notes receivable | 950 | (324) | --- | 285 | 456 | 797 |
| Year Ended August 26, 1995: | | | | | | |
| Allowance for doubtful accounts receivable | 1,472 | (228) | 19 | 135 | --- | 1,128 |
| Allowance for doubtful dealer receivables | 279 | 47 | 11 | 82 | --- | 255 |
| Allowance for excess and obsolete inventory | 1,370 | 1,425 | --- | 2,126 | --- | 669 |
| Allowance for doubtful notes receivable | 2,024 | --- | --- | 1,074 | --- | 950 |

* Includes transfers of reserves from doubtful dealer receivables to doubtful accounts and from doubtful accounts to long-term notes receivable.

EXHIBIT INDEX

- 3a. Articles of Incorporation previously filed with the Registrant's Annual Report on Form 10-K for the fiscal year ended August 27, 1988 (Commission File Number 1-6403), and incorporated by reference herein.
- 3b. Amended Bylaws of the Registrant.
- 4a. Restated Inventory Floor Plan Financing Agreement between Winnebago Industries, Inc. and NationsCredit Corporation previously filed with the Registrant's Annual Report on Form 10-K for the fiscal year ended August 27, 1994 (Commission File Number 1-6403), and incorporated by reference herein and the First Amendment dated October 31, 1995 thereto.
- 4b. Restated Financing and Security Agreement dated July 6, 1995 between Winnebago Industries, Inc. and NationsCredit Commercial Corporation previously filed with the Registrant's Annual Report on Form 10-K for the fiscal year ended August 26, 1995 (Commission File Number 1-6403), and incorporated by reference herein.
- 10a. Winnebago Industries, Inc. Stock Option Plan for Outside Directors previously filed with the Registrant's Annual Report on Form 10-K for the fiscal year ended August 29, 1992 (Commission File Number 1-6403), and incorporated by reference herein.
- 10b. Amendment to Winnebago Industries, Inc. Deferred Compensation Plan previously filed with the Registrant's Annual Report on Form 10-K for the fiscal year ended August 26, 1995 (Commission File Number 1-6403), and incorporated by reference herein.
- 10c. Amendment to Winnebago Industries, Inc. Profit Sharing and Deferred Savings and Investment Plan previously filed with the Registrant's Annual Report on Form 10-K for the fiscal year ended August 26, 1995 (Commission File Number 1-6403), and incorporated by reference herein.
- 10d. Winnebago Industries, Inc. Book Unit Rights Plan previously filed with the Registrant's Annual Report on Form 10-K for the fiscal year ended August 29, 1987 (Commission File Number 1-6403), and incorporated by reference herein.
- 10e. Winnebago Industries, Inc. 1987 Non-Qualified Stock Option Plan previously filed with the Registrant's Annual Report on Form 10-K for the fiscal year ended August 29, 1987 (Commission File Number 1-6403), and incorporated by reference herein.
- 10f. Winnebago Industries, Inc. RV Incentive Compensation Plan.
- 10g. Winnebago Industries, Inc. Employee's Stock Bonus Plan and Trust Agreement previously filed with the Registrant's Annual Report on Form 10-K for the fiscal year ended August 31, 1996 (Commission File Number 1-6403) and incorporated by reference herein.
- 10h. Winnebago Industries, Inc. Directors' Deferred Compensation Plan.
- 10i. Winnebago Industries, Inc. 1997 Stock Option Plan.
- 13. Winnebago Industries, Inc. Annual Report to Shareholders for the year ended August 30, 1997.
- 21. List of Subsidiaries.
- 23. Consent of Independent Auditors.
- 27. Financial Data Schedule.

EXHIBIT 3b.

BY-LAWS
OF
WINNEBAGO INDUSTRIES, INC.
AS AMENDED

ARTICLE I. OFFICES

The principal office of the Corporation in the State of Iowa, shall be located in the City of Forest City, County of Winnebago, State of Iowa.

The Corporation may have such other offices, either within or without of the State of Iowa, as the Board of Directors may designate or as the business of the Corporation may require from time to time.

ARTICLE II. SHAREHOLDERS

Section 1. Annual Meeting

The Annual Meeting of the Shareholders shall be held on a date in the month of January of each year, commencing with the January, 1999 meeting, to be annually set by the Board of Directors with written notice thereof to be given not less than ten (10) days prior thereto by the Secretary, to be held in Forest City, Iowa, at such place as may be designated by the Board of Directors, for the purpose of electing directors and for the transaction of such other business as may come before the meeting.

ARTICLE III. BOARD OF DIRECTORS

Section 1. General Powers

The business and affairs of this Corporation shall be managed by its Board of Directors.

Section 2. Number, Tenure and Qualifications

The number of directors constituting the Board of Directors of the Corporation shall be ten (10) until increased or decreased by proper amendment thereto. Each director shall hold office until the next annual meeting of the shareholders and until his successor shall have been elected and qualified. Directors need not be residents of the State of Iowa nor shareholders of the Corporation.

Section 3. Regular Meetings

The regular meeting of the Board of Directors shall be held without other notice than these By-Laws, immediately after, and at the same place as, the Annual Meeting of the Shareholders. The Board of Directors may provide, by resolution, the time and place, either within or without the State of Iowa, for the holding of additional regular meetings without other notice than such resolution.

Section 4. Special Meetings

Special meetings of the Board of Directors may be called by or at the request of the President or any one director. The persons or person authorized to call special meetings of the Board of Directors may fix the time for holding any special meetings of the Board of Directors so called, but the place shall be the same as the regular meeting place unless another place is unanimously agreed upon at the time and ratified by appropriate resolution.

Section 5. Notice of Meetings

Notice of any special meeting of the Board of Directors shall be given at least five (5) days previously thereto by written notice delivered personally or mailed to each director at his business address, or by telegram. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail so addressed, with sufficient postage thereon prepaid. If notice be given by telegram, such notice shall be deemed to be delivered when the telegram is delivered to the telegraph company; any director may waive notice of any meeting. The attendance of a director at a meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the expressed purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of any regular or special meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting.

Section 6. Committees

The Board of Directors may, by resolution adopted by a majority of the whole board, designate from among its members an Executive Committee and one or more other committees. Any such committee, to the extent provided in the resolution, shall have and may exercise all the authority of the Board of

Directors; provided, however, that no such committee shall have such authority in reference to any matter for which such authority is specifically reserved to the full Board of Directors by the terms of the Iowa Business Corporation Act, as amended. Each such committee shall keep regular minutes of its meetings and report the same to the Board of Directors when required.

ARTICLE IV. OFFICERS

Section 1. Number

The officers of the Corporation shall be a President, Vice President, a Secretary and a Treasurer. Such other officers, assistant officers and acting officers as may be deemed necessary, may be elected or appointed by the Board of Directors. Any two or more offices may be held by the same person if so nominated and elected.

Section 2. Election and Term of Office

The officers of the Corporation to be elected by the Board of Directors shall be elected annually by the Board of Directors at the first meeting of the Board of Directors held after each annual meeting of the shareholders. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. The officers of the Corporation shall hold office until their successors are chosen and qualify or until their death or resignation. Any officer elected by the Board of Directors may be removed at any time by the affirmative vote of a majority of the Board of Directors in office. Any vacancy occurring in any office in the Corporation shall be filled by the Board of Directors.

ARTICLE V. FISCAL YEAR

The fiscal year of this Corporation shall begin on the 1st day of September and end on the last day of August, in each year.

ARTICLE VI. AMENDMENTS

These By-Laws may be altered, amended or repealed and new By-Laws may be adopted by the Board of Directors at any regular or special meeting of the Board of Directors.

September 19, 1997

RV OFFICER INCENTIVE COMPENSATION PLAN

GROUP A - OFFICER
FISCAL PERIOD 1997-1998

WINNEBAGO INDUSTRIES, INC.
FOREST CITY, IOWA

PURPOSE

The purpose of this plan is to provide greater incentive to employees in officer positions, who contribute to the success of the Company, by enabling them to participate in that success, and to aid in attracting and retaining employees who will contribute to the progress and profitability of the Company.

It is the purpose of this plan to attract, obtain, develop, motivate, and retain capable officer personnel, stimulate constructive and imaginative thinking, and otherwise contribute to the growth and profits of the corporation

ADMINISTRATION

The plan prior to each new fiscal year must meet the approval of the Human Resource Committee of the Board of Directors. The Human Resource Committee may establish such rules and regulations as it deems necessary for proper administration of this plan and may amend or revoke any rule or regulation so established.

PARTICIPANTS

Recommendation of a participant must be made by the President of Winnebago Industries, Inc.

MINIMUM QUALIFICATIONS REQUIRED OF PARTICIPANTS:

1. Participant must be an officer with specific responsibilities which can impact the corporation
2. Participants must be employed for the entire fiscal year to be eligible for the bonus and in addition, participant must be employed at the time the bonus is paid except as waived by the Human Resource Committee.

NATURE OF THE PLAN

The incentive award is based on the performance of the CORPORATION.

This is a bonus based upon the Company's attainment of a predetermined profit goal for the fiscal quarter. The profit goal is to be recommended by the Human Resource Committee and approved by the Board of Directors each quarter at the beginning of the fiscal quarter.

PS433/1

The profit goal, for purposes of this plan, will be the "Incentive Compensation Profit" which shall mean the combined gross income from the operation of the Company less the combined expenses, deductions and credits of the Company attributable to such operations. In computing the incentive compensation profit, no deduction shall be taken or allowance made for federal or state income taxes, or any expenses associated with retirement plans or incentive compensation plans. Incentive awards are determined in proportion to the actual operating profit generated for the quarter in relation to the profit goal that was set. If the operating profit achieved is less than 80 percent of goal set, no bonus is paid and the maximum bonus paid at 120 percent of the profit goal.

METHOD OF PAYMENT

The quarterly amount of a participant's incentive compensation for the quarter shall be the percentage of the total amount of base salary received by the individual the fiscal quarter when he was a participant in the plan. 60% of the quarterly amount of the earned bonus will be paid within 45 days after the close of the fiscal quarter and the remainder of the bonus due will be paid after the books have been audited at the end of the fiscal year providing the Company has made its objective in each quarter. Bonuses will be paid as follows:

| NUMBER OF QUARTERS OBJECTIVE WAS MADE | AMOUNT OF THE BONUS HOLDBACK TO BE PAID |
|--|--|
| ----- | ----- |
| 1 | 25% |
| 2 | 50% |

The attached quarterly bonus formula developed for the Officers Group I of Winnebago Industries provides a 40 percent bonus calculation for a 100 percent achievement of operating profit.

A participant must be employed by Winnebago Industries on August 28, 1998 to be eligible for any previous quarterly or holdback allocations.

Approved By:

/s/ Fred G. Dohrmann

Fred G. Dohrmann
C.E.O. & Chairman of the Board

10-15-97

Dated

/s/ Joseph M. Shuster

Joseph M. Shuster
Chairperson, Human Resource Committee
of the Winnebago Board of Directors

10-15-97

Dated

PS433/2

September 19, 1997

RV EXECUTIVE MANAGEMENT INCENTIVE COMPENSATION PLAN

GROUP B - EXECUTIVE
FISCAL PERIOD 1997-1998

WINNEBAGO INDUSTRIES, INC.
FOREST CITY, IOWA

PURPOSE

The purpose of this plan is to provide greater incentive to employees in managerial positions, who contribute to the success of the Company, by enabling them to participate in that success, and to aid in attracting and retaining employees who will contribute to the progress and profitability of the Company.

It is the purpose of this plan to attract, obtain, develop, motivate, and retain capable managerial personnel, stimulate constructive and imaginative thinking, and otherwise contribute to the growth and profits of the corporation.

ADMINISTRATION

The plan prior to each new fiscal year must meet the approval of the Human Resource Committee of the Board of Directors. The Human Resource Committee may establish such rules and regulations as it deems necessary for proper administration of this plan and may amend or revoke any rule or regulation so established.

PARTICIPANTS

Recommendation of a participant must be made by the Vice President that has the responsibility for the specific unit or group which the proposed participant is a member. The Vice President must justify direct dependence of recommended employee's influence, performance and achievements, which could determine the success of that unit or group and employee must be considered a direct link to the success and profitability of the corporation.

MINIMUM QUALIFICATIONS REQUIRED OF PARTICIPANTS:

1. Participant must be in Labor Grade Number 70 or above.
2. Participant must be in the capacity of a staff supervisor or manager of a specific unit or group with specific responsibilities which can impact the corporation.
3. Participants must be employed for the entire fiscal year to be eligible for the bonus and in addition, participant must be employed at the time the bonus is paid except as waived by the Human Resource Committee.

Appointment of participants to the "Executive Management Incentive Compensation Plan" will be recommended by the President to the Human Resource Committee for approval based on meeting the aforementioned qualifications and upon recommendation of the respective Vice President.

NATURE OF THE PLAN

The incentive award is based on the performance of the CORPORATION.

This is a bonus based upon the Company's attainment of a predetermined profit goal for the fiscal quarter. The profit goal is to be recommended by the Human Resource Committee and approved by the Board of Directors each quarter at the beginning of the fiscal quarter.

PS432/1

The profit goal, for purposes of this plan, will be the "Incentive Compensation Profit" which shall mean the combined gross income from the operation of the Company less the combined expenses, deductions and credits of the Company attributable to such operations. In computing the incentive compensation profit, no deduction shall be taken or allowance made for federal or state income taxes, or any expenses associated with retirement plans or incentive compensation plans. Incentive awards are determined in proportion to the actual operating profit generated for the quarter in relation to the profit goal that was set. If the operating profit achieved is less than 80 percent of goal set, no bonus is paid and the maximum bonus paid at 120 percent of the profit goal.

METHOD OF PAYMENT

The quarterly amount of a participant's incentive compensation for the quarter shall be the percentage of the total amount of base salary received by the individual the fiscal quarter when he was a participant in the plan. 60% of the quarterly amount of the earned bonus will be paid within 45 days after the close of the fiscal quarter and the remainder of the bonus due will be paid after the books have been audited at the end of the fiscal year providing the Company has made its objective in each quarter. Bonuses will be paid as follows:

| NUMBER OF QUARTERS OBJECTIVE WAS MADE | AMOUNT OF THE BONUS HOLDBACK TO BE PAID |
|--|--|
| 1 | 25% |
| 2 | 50% |
| 3 | 75% |
| 4 | 100% |

The attached quarterly bonus formula developed for the Executive Group II of Winnebago Industries provides a 30 percent bonus calculation for a 100 percent achievement of operating profit.

A participant must be employed by Winnebago Industries on August 28, 1998 to be eligible for any previous quarterly or holdback allocations.

Approved By:

/s/ Fred G. Dohrmann

Fred G. Dohrmann
C.E.O. & Chairman of the Board

10-15-97

Dated

/s/ Joseph M. Shuster

Joseph M. Shuster
Chairperson, Human Resource Committee
of the Winnebago Board of Directors

10-15-97

Dated

September 19, 1997

RV MANAGEMENT INCENTIVE COMPENSATION PLAN

GROUP C - MANAGEMENT
FISCAL PERIOD 1997-1998

WINNEBAGO INDUSTRIES, INC.
FOREST CITY, IOWA

PURPOSE

The purpose of this plan is to provide greater incentive to employees in managerial positions, who contribute to the success of the Company, by enabling them to participate in that success, and to aid in attracting and retaining employees who will contribute to the progress and profitability of the Company.

It is the purpose of this plan to attract, obtain, develop, motivate, and retain capable managerial personnel, stimulate constructive and imaginative thinking, and otherwise contribute to the growth and profits of the corporation

ADMINISTRATION

The plan prior to each new fiscal year must meet the approval of the Human Resource Committee of the Board of Directors. The Human Resource Committee may establish such rules and regulations as it deems necessary for proper administration of this plan and may amend or revoke any rule or regulation so established.

PARTICIPANTS

Recommendation of a participant must be made by the Vice President member that has the responsibility for the specific unit or group which the proposed participant is a member. The Vice President must justify direct dependence of recommended employee's influence, performance and achievements, which could determine the success of that unit or group and employee must be considered a direct link to the success and profitability of the corporation.

MINIMUM QUALIFICATIONS REQUIRED OF PARTICIPANTS:

1. Participant must be in the capacity of a manager of a specific unit or group with budget responsibilities and specific responsibilities which significantly can impact the corporation.
2. Participants must be employed for the entire fiscal year to be eligible for the bonus and in addition, participant must be employed at the time the bonus is paid except as waived by the Human Resource Committee.

Appointment of participants to the "Management Incentive Compensation Plan" will be recommended by the President to the Human Resource Committee for approval based on meeting the aforementioned qualifications and upon recommendation of the respective Vice President.

NATURE OF THE PLAN

The incentive award is based on the performance of the CORPORATION.

This is a bonus based upon the Company's attainment of a predetermined profit goal for the fiscal quarter. The profit goal is to be recommended by the Human Resource Committee and approved by the Board of Directors each quarter at the beginning of the fiscal quarter.

PS434/1

The profit goal, for purposes of this plan, will be the "Incentive Compensation Profit" which shall mean the combined gross income from the operation of the Company less the combined expenses, deductions and credits of the Company attributable to such operations. In computing the incentive compensation profit, no deduction shall be taken or allowance made for federal or state income taxes, or any expenses associated with retirement plans or incentive compensation plans.

METHOD OF PAYMENT

The quarterly amount of a participant's incentive compensation for the quarter shall be the percentage of the total amount of base salary received by the individual the fiscal quarter when he was a participant in the plan. 60% of the quarterly amount of the earned bonus will be paid within 45 days after the close of the fiscal quarter and the remainder of the bonus due will be paid after the books have been audited at the end of the fiscal year providing the Company has made its objective in each quarter. Bonuses will be paid as follows:

| NUMBER OF QUARTERS OBJECTIVE WAS MADE | AMOUNT OF THE BONUS HOLDBACK TO BE PAID |
|--|--|
| 1 | 25% |
| 2 | 50% |
| 3 | 75% |
| 4 | 100% |

A participant must be employed by Winnebago Industries on August 28, 1998 to be eligible for any previous quarterly or holdback allocations.

Incentive awards are determined in proportion to the actual operating profit generated for the quarter in relation to the profit goal that was set. If the operating profit achieved is less than 80 percent of goal set, no bonus is paid and the maximum bonus paid at 120 percent of the profit goal.

The attached quarterly bonus formula developed for the Management Group III of Winnebago Industries provides a 20 percent bonus calculation for a 100 percent achievement of operating profit.

Approved By:

/s/ Fred G. Dohrmann

Fred G. Dohrmann
C.E.O. & Chairman of the Board

10-15-97

Dated

/s/ Joseph M. Shuster

Joseph M. Shuster
Chairperson, Human Resource Committee
of the Winnebago Board of Directors

10-15-97

Dated

WINNEBAGO INDUSTRIES, INC.
DIRECTORS' DEFERRED COMPENSATION PLAN

1. **PLAN**
The Winnebago Industries, Inc. Directors' Deferred Compensation Plan (the "Plan")
2. **EFFECTIVE DATE AND PLAN YEAR**
The Plan is effective April 1, 1997. The Plan Year shall be from January 1 through December 31 each year.
3. **PURPOSE OF THE PLAN**
The Plan's purpose is to enable the directors of Winnebago Industries, Inc. (the "Company"), who are nonemployees, to elect to receive their fees and retainers as members of the Board of Directors and committees of the Board in a form other than as direct payments.
4. **PARTICIPANTS**
Any member of the Board of Directors of the Company who is not an employee may elect to become a participant ("Participant" or "Director") under the Plan by filing an election in the form prescribed by the Board of Directors.
5. **COMPENSATION ELIGIBLE FOR DEFERRAL**
Any Participant may elect, in accordance with Section 6 of this Plan, to defer annually the receipt of a portion of the director's fees or retainers otherwise payable to him or her by the Company in any calendar year for services to the Company ("Deferral Compensation"), which portion shall be designated by him or her. Compensation paid to a Director for business or professional services rendered to the Company shall not be treated as Deferral Compensation.
6. **ELECTION FORM**
Each Director shall be entitled to file with the Plan Administrator before June 1, 1997, and thereafter prior to December 31 of each Plan Year (or prior to the commencement of the term of a new Director) a form prescribed by the Board of Directors so as to make an election under the Plan. Pursuant to such election, a Director may elect with respect to a Plan Year to defer a designated percentage of Deferral Compensation of either fifty percent (50%) or one hundred percent (100%). The Director's election shall also include: (i) the manner in which the Deferral Compensation is to be applied, (ii) the timing of receipt of payment of any Deferral Compensation which is prescribed in Section 9; and (iii) the form of distribution of any Deferral Compensation which is prescribed in Section 10.

A Director's election regarding the amount of Deferral Compensation, and the time and method payment of Deferral Compensation, shall be irrevocable with respect to Deferral Compensation deferred in any one year and Company matching contributions thereon, if any.

A Director may elect to apply 100% of his or her Deferral Compensation to either but not both of the following forms:
 - a. "Money Credits" which are described in Section 8(a); or
 - b. "Winnebago Stock Units" which are described in Section 8(b).
7. **MATCHING CONTRIBUTION ON WINNEBAGO STOCK UNITS**
Any Director electing to defer fees under the Plan and to invest Deferral Compensation in "Winnebago Stock Units", as described in Section 8, shall receive a matching contribution from the Company equal to twenty-five percent (25%) of the Deferral Compensation so invested. The Company's match provided pursuant to this Plan shall be credited to the Director's Deferral Accounts and invested in "Winnebago Stock Units" pursuant to the provisions of Section 8(b).
8. **DIRECTOR'S DEFERRAL ACCOUNTS**
Accounts ("Director's Deferral Accounts") will be established by the Company for each Director electing to defer fees or retainers and invest his or her Deferral Compensation in either "Money Credits" or "Winnebago Stock Units." His or her Director's Deferral Accounts shall be credited as of the last day of each calendar month with the amount of Deferral Compensation earned, and any Company matches made with respect to Winnebago Stock Units, during that month. Deferral Compensation shall be converted into "Money Credits" or "Winnebago Stock Units" in accordance with the following procedures:
 - a. **MONEY CREDITS**
"Money Credits" are units credited in accordance with the Participant's election to the Director's Deferral Accounts in the form of dollars. The Money Credits shall accrue interest from the credit date. The rate of interest which shall be applied to the Participant's Money Credits

is the 30 year Treasury bond yields as of the first business day of the Plan Year. The Board of Directors may from time to time prescribe additional methods for the accrual of interest on Money Credits with respect to Deferral Compensation deferred in Plan Year's subsequent to the Director's new election.

b. WINNEBAGO STOCK UNITS

"Winnebago Stock Units" are units credited in accordance with the Participant's election to the Director's Winnebago Stock Unit Account in the form of common stock of the Company. The common stock utilized for purposes of the Plan shall be treasury shares of the Company. Winnebago Stock Units shall be recorded in the Director's Winnebago Stock Unit Account on the basis of the mean between the high and the low prices of the common stock of the Company on the date upon which the Account is to be credited, as officially quoted by the New York Stock Exchange. Winnebago Stock Units representing the Company match provided pursuant to Section 7 shall be recorded in the Director's Matching Winnebago Stock Unit Account on the same basis.

A Participant's Matching Winnebago Stock Unit Account shall vest on a graduated basis at the rate of thirty-three and one-third percent (33-1/3%) for each complete 12 month period of service as a Director following the Effective Date of the Plan, and any matching Winnebago Stock Units thereafter recorded in such account after the Director's completion of 36 months of service after the Effective Date will be fully vested and nonforfeitable. Notwithstanding the above, the Participant's Matching Winnebago Stock Unit Account shall become fully vested upon his or her attainment of age 69-1/2 or death while serving as Director. In the event that a Participant terminates his or her service as a Director, any unvested Winnebago Stock Units shall be forfeited by the Director and applied to future Company matching contributions.

In the event of any change in the outstanding shares of common stock of the Company by reason of any stock dividend or split, recapitalization, merger, consolidation, spin-off, reorganization, combination or exchange of shares or other similar corporate change, then if the Plan Administrator shall determine, in its sole discretion, that such change equitably requires an adjustment in the number of Winnebago Stock Units then held in the Director's Winnebago Stock Unit Account, or in the Matching Winnebago Stock Unit Account, such adjustments shall be made by the Plan Administrator and shall be conclusive and binding for all purposes of the Plan.

9. **TIMING OF DISTRIBUTION OF DIRECTOR'S DEFERRAL ACCOUNTS**
A Participant shall receive distribution, or commence to receive distribution of his or her Director's Deferral Accounts, in accordance with the Participant's election which shall be upon the earliest of:
- a. a designated date;
 - b. his or her attainment of a specified age;
 - c. the occurrence of a stipulated event, such as termination of service as a Director, death, disability, his or her cessation of business activity, or any other event specified by the Participant and approved by the Plan Administrator;
 - d. the first anniversary of the Participant's date of death; or
 - e. the fifth anniversary of the Participant's termination of service as a Director.

In the event of a "change in the control of the Company", as defined in Section 14, the Participant shall receive a lump sum distribution of his or her Director's Deferral Accounts within 30 days following his or her termination of service as a Director after such change in control. Notwithstanding the above, in no event shall a Participant's receipt of a distribution of Winnebago Stock Units from his or her Director's Deferral Accounts precede the six-month anniversary of his or her election to convert Deferral Compensation into Winnebago Stock Units.

10. **FORM OF DISTRIBUTION OF MONEY UNITS IN DIRECTOR'S DEFERRAL ACCOUNTS**
A Participant shall be entitled to receive distribution of his or her Money Units in his or her Director's Deferral Accounts in either of the following forms as designated by the Participant in the deferral election filed pursuant to Section 6:
- a. a lump sum; or
 - b. approximately equal annual installments over a five-year period.

11. **FORM OF DISTRIBUTION OF WINNEBAGO STOCK UNITS IN DIRECTOR'S DEFERRAL ACCOUNTS**
A Participant's vested Winnebago Stock Units shall be distributed fully and in kind on the distribution date elected by the Participant in his or her deferral election filed with the Plan Administrator pursuant to Section 6. All shares of Company stock distributed pursuant to this Plan but which are not registered with the Securities and Exchange Commission shall bear an appropriate restrictive legend as shall be determined by the Company's securities counsel:

12. **BENEFICIARY**
If a Participant shall cease to be a Director by reason of his or her death, or if he or she shall die after he or she shall be entitled to distributions hereunder but prior to receipt of all distributions hereunder, all Money Units or Winnebago Stock Units then distributable hereunder shall be distributed (i) to such beneficiary as such Participant shall designate by an instrument in writing filed with the Company, or (ii) in the absence of such designation, to his or her personal representative, or (iii) if no personal representative is appointed within six months of his or her death to his or her spouse, or (iv) if his or her spouse is not then living, to his or her then living descendants, per stirpes, in the same manner and at the same intervals as they would have been made to such Participant had he or she continued to live; provided however, in no event shall shares of Company stock be distributed prior to the date elected by the Director.

13. PARTICIPANTS' RIGHTS UNSECURED

The right of any Participant to receive a distribution hereunder of Money Credits or Winnebago common stock shall be an unsecured claim against the general assets of the Company. The Deferral Compensation and any interest thereon may not be assigned, transferred, encumbered, or otherwise disposed of until the same shall be paid to such Director. The Company shall be obligated to credit treasury shares in anticipation of its obligation to make such distributions under the Plan, but no Participant shall have any rights in or against any shares of common stock so credited or in any cash or Money Units held in his or her Director's Deferral Accounts. All such common stock and Money Units shall constitute general assets of the Company and may be disposed of by the Company at such time and for such purposes as it may deem appropriate.

14. DEPOSIT OF FUNDS INTO GRANTOR TRUST

The Company shall deposit with the trustee of a grantor trust established by the Company an amount of funds which is sufficient to carry out the terms of the Plan and which is to be distributed in accordance with the terms and conditions of the Plan. The funds deposited into such trust shall remain subject to the claims of the general creditors of the Company as if such funds were general assets of the Company.

Upon the occurrence of a "change in control of the Company," the Director's Deferral Account shall be distributed to him or her in a lump sum within thirty days following the termination of his or her services as a Director.

For purposes of this Plan, "change in control of the Company" means the time when (i) any person, either individually or together with such persons' affiliates or associates, shall have become the beneficial owner, directly or indirectly, of at least 30% of the outstanding stock of the Company and there shall have been a public announcement of such occurrence by the Company or such person, or (ii) individuals who shall qualify as Continuing Directors shall have ceased for any reason to constitute at least a majority of the Board of Directors of the Company; provided, however, that in the case of either clause (i) or (ii) a Change of Control shall not be deemed to have occurred if the event shall have been approved prior to the occurrence thereof by a majority of the Continuing Directors who shall then be members of such Board of Directors; and that in the case of clause (i), a Change of Control shall not be deemed to have occurred upon the transfer of stock of the Company by gift or bequest from one Hanson Family Member to another Hanson Family Member or to an Affiliate of a Hanson Family Member. For the purpose of this definition:

- (a) "Continuing Director" means any member of the Board of Directors of the Company, while such person is a member of the Board, who is not an affiliate or associate of any Acquiring Person or of any such Acquiring Person's affiliate or associate and was a member of the Board prior to the time when such Acquiring Person shall have become an Acquiring Person, and any successor of a Continuing Director, while such successor is a member of the Board, who is not an Acquiring Person or any affiliate or associate of an Acquiring Person or a representative or nominee of an Acquiring Person or of any affiliate or associate of such Acquiring Person and is recommended or elected to succeed the Continuing Director by a majority of the Continuing Directors.
- (b) "Acquiring Person" means any person or group of affiliates or associates who acquires the beneficial ownership, directly or indirectly, of 20% or more of the outstanding stock of the Company if such acquisition occurs following the date of this Agreement.
- (c) "Affiliate" means a person that directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the person specified.

- (d) "Associate" means (1) any corporation or organization (other than the Company or a majority owned subsidiary of the Company) of which such person is an officer or partner or is, directly or indirectly the beneficial owner of ten percent (10%) or more of any class of equity securities, (2) any trust or fund in which such person has a substantial beneficial interest or as to which such person serves as trustee or in a similar fiduciary capacity, (3) any relative or spouse of such person, or any relative of such spouse, or (4) any investment company for which such person or any affiliate of such person serves as investment advisor. No pension, profit-sharing, stock bonus, Employee Stock ownership plan or other retirement plan intended to be qualified under Section 401(a) of the Internal Revenue Code established by the Company or any subsidiary shall be deemed an Acquiring Person or an Affiliate or Associate of an Acquiring Person. In addition, stock held by such a plan shall not be treated as outstanding in determining ownership percentages in clause (i) of Section 14 or paragraph (b) of Section 14 above.
- (e) "Hanson Family Member" means John K. Hanson and Luise V. Hanson, the executors and administrators of the estates of John K. Hanson and Luise V. Hanson, the lineal descendants of John K. Hanson and Luise V. Hanson, the spouses of such lineal descendants, and the John K. and Luise V. Hanson Foundation.

15. PLAN ADMINISTRATOR

The Plan Administrator shall be the Human Resources Committee of the Board of Directors of the Company. The Plan Administrator shall interpret the Plan (including ambiguous provisions thereof), determine benefits which are payable to Participants, and make all final decisions with respect to the rights of Participants hereunder. The Plan Administrator shall at least annually provide each participating Director with a statement of his or her account.

16. AMENDMENTS TO THE PLAN

The Board of Directors of the Company may amend the Plan at any time, without the consent of the Participants or their beneficiaries, provided, however, that no amendment shall divest any Participant or beneficiary of rights to which he or she would have been entitled if the Plan had been terminated on the effective date of such amendment.

17. TERMINATION OF PLAN

The Board of Directors of the Company may terminate the Plan at any time. Upon termination of the Plan, distributions in respect of credits and units in a Participant's Director's Deferral Accounts as of the date of termination shall be made in the manner and at the time heretofore prescribed or, alternatively, the Board of Directors may provide the Participant or beneficiaries with benefits under a substitute plan which shall not be less than the vested benefits which would have been distributed in a full and complete distribution of all credits and units in a Participant's Director's Deferral Accounts as of the date of Plan termination.

18. EXPENSES

All costs of administration of the Plan will be paid by the Company.

WINNEBAGO INDUSTRIES, INC.
DIRECTORS' SHARE OPTION PROGRAM

ARTICLE I

PURPOSE

1.1 PURPOSE. The purpose of the Plan is to provide stock options to non-employee directors of Winnebago Industries, Inc. in a form that will provide incentives and rewards for performance as a member of the Board of Directors, and allow the recipients to diversify their investment portfolios.

1.2 INTENT. The Plan is intended to be a nonqualified stock option plan within the meaning of Section 83 of the Code. The plan is not intended to be a plan covered by the Employee Retirement Income Security Act of 1974, as amended.

ARTICLE II

DEFINITIONS AND CONSTRUCTION

2.1 DEFINITIONS. AS used herein, the following capitalized words and phrases shall have the respective meanings set forth below

"BENEFICIARY" means the person or persons designated by a Participant, pursuant to Section 3.7, to exercise an Option after the Participant's death.

"BOARD OF DIRECTORS" OR "BOARD" means the board of directors of the Employer.

"CHANGE OF CONTROL" MEANS the time when (i) any person, either individually or together with such persons' affiliates or associates, shall have become the beneficial owner, directly or indirectly, of at least 30% of the outstanding stock of the Company and there shall have been a public announcement of such occurrence by the Company or such person, or (ii) individuals who shall qualify as Continuing Directors shall have ceased for any reason to constitute at least a majority of the Board of Directors of the Company; provided, however, that in the case of either clause (i) or (ii) a Change of Control shall not be deemed to have occurred if the event shall have been approved prior to the occurrence thereof by a majority of the Continuing Directors who shall then be members of such Board of Directors, and that in the case of clause (i), a Change of Control shall not be deemed to have occurred upon the transfer of stock of the Company by gift or bequest from one Hanson Family Member to another Hanson Family Member or to an Affiliate of the Hanson Family Member. For the purpose of this definition:

(a) "Continuing Director" means any member of the Board of Directors of the Company, while such person is a member of the Board, who is not an affiliate or associate of any Acquiring Person or of any such Acquiring Person's affiliate or associate and was a member of the Board prior to the time when such Acquiring Person shall have become an Acquiring Person, and any successor of a Continuing Director, while such successor is a member of the Board, who is not an Acquiring Person or any affiliate or associate of an Acquiring Person or a representative or nominee of an Acquiring Person or of any affiliate or associate of such Acquiring Person and is recommended or elected to succeed the Continuing Director by a majority of the Continuing Directors.

(b) "Acquiring Person" means any person or group of affiliates or associates who acquires the beneficial ownership, directly or indirectly, of 20% or more of the outstanding stock of the Company if such acquisition occurs following the date of this Agreement.

(c) "Affiliate" means a person that directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the person specified.

(d) "Associate" means (1) any corporation or organization (other than the Company or a majority-owned subsidiary of the Company) of which such person is an officer or partner or is, directly or indirectly the beneficial owner of ten percent (10%) or more of any class of equity securities, (2) any trust or fund in which such person has a substantial beneficial interest or as to which such person serves as trustee or in a similar fiduciary capacity, (3) any relative or spouse of such person, or any relative of such spouse, or (4) any investment company for which such person or any affiliate of such person serves as investment advisor. No pension, profit-sharing, stock bonus, Employee Stock ownership plan or other retirement plan intended to be qualified under Section 401(a) of the Internal Revenue Code established by the Company or any subsidiary shall be deemed an Acquiring Person or an Affiliate or Associate of an Acquiring Person. In addition, stock held by such a plan shall not be treated as outstanding in determining ownership percentages in Sections 11.1(i) or 11.2(b) above.

(e) "Hanson Family Member" means John K. Hanson and Luise V. Hanson, the executors or administrators of their estates, their lineal descendants, the spouses of their lineal descendants, and the John K. and Luise V. Hanson Foundation.

"CODE" means the Internal Revenue Code of 1986, any amendments thereto, and any regulations or rulings issued thereunder.

"COMMITTEE" means the Winnebago Compensation Committee appointed in accordance with Section 6.1.

"DIRECTOR" means an active member of the Board of Directors who is not an employee.

"EFFECTIVE DATE" MEANS April 1, 1997.

"EMPLOYEE" means any key individual, including but not limited to a person in an executive position with the Employer, who is employed by the Employer.

"EMPLOYER" means Winnebago Industries, Inc. and any successor thereto.

"ERISA" means the Employee Retirement Income Security Act of 1974, any amendments thereto, and any regulations or rulings issued thereunder.

"EXERCISE PERIOD" means the period during which a Participant may exercise an Option, as determined under Section 4.1.

"EXERCISE PRICE" means the price to be paid by a Participant to exercise an Option, as determined under Section 3.3.

"FAIR MARKET VALUE" means the closing price of a share of Stock reflected in the consolidated trading tables of The Wall Street Journal (presently the NYSE-Composite Transactions), or other recognized market source, as determined by the Committee, on the applicable date of reference hereunder, or if there is no sale on such date, then the closing price on the last previous day on which a sale is reported.

"GRANT DATE" means, with respect to any Option, the date on which the Option Agreement is executed by the Employer and the Participant.

"OPTION" means the right of a Participant, granted by the Employer in accordance with Section 3.2, to purchase Stock from the Employer at the Exercise Price.

"OPTION AGREEMENT" means an agreement setting forth the terms of an Option executed by the Employer and a Participant pursuant to Section 3.2.

"PARTICIPANT" means any Director who has been granted Options in accordance with the Plan and whose Options have not been exercised in full.

"PLAN" means the Winnebago Industries, Inc. Directors' Share Option Plan, as set forth herein and from time to time amended.

"STOCK" means shares of common or preferred stock of a corporation listed on a national securities exchange (exclusive of the stock of Winnebago Industries, Inc.) or NASDAQ, or shares of a regulated investment company designated by the Committee as subject to purchase through the exercise of an Option.

"TERMINATION OF SERVICE" means a Director's' separation from the service as a member of the Board of the Employer (including all subsidiaries and affiliates of the Employer) by reason of resignation, failure to be renominated, discharge, death or other termination. The Committee may, in its discretion, determine whether any leave or other absence from service constitutes a Termination of Service for purposes of the Plan

"TRUST" means the trust established pursuant to Article VII to hold the Stock that is subject to purchase through the exercise of an Option.

"TRUST AGREEMENT" means an agreement setting forth the terms of the Trust established pursuant to Article VII.

"TRUST FUND" means the Stock subject to an Option that is held in the Trust

"TRUSTEE" means the persons or institution acting as trustee of the Trust.

2.2 HEADINGS. The headings of Articles, Sections and Paragraphs are solely for convenience of reference. If there is any conflict between such headings and the text of this Plan. the text shall control.

2.3 GENDER. Unless the context clearly requires a different meaning, all pronouns shall refer indifferently to persons of any gender.

2.4 SINGULAR AND PLURAL. Unless the context clearly requires a different meaning, singular terms shall also include the plural and vice versa.

ARTICLE III

OPTION GRANT

3.1 ELIGIBILITY. Options may be granted to any Director selected by the Committee from the members of the Board of Directors of the Employer. In making this selection and in determining the form and amount of Options, the Committee shall consider any factors that it deems relevant, including the individual's responsibilities, value of services to the Employer, and past and potential contributions to the Employer's direction, profitability and growth.

3.2 GRANT OF OPTIONS. Options may be granted by the Committee at any time on or after the Effective Date and prior to the termination of the Plan. Options shall become effective upon the execution by Employer and the Participant of an Option Agreement specifying the Stock, the number of shares subject to the Option, the Exercise Price, and such other terms and in such form as the Committee may from time to time determine in accordance with the Plan.

3.3 EXERCISE PRICE. The Exercise Price shall be initially determined by the Committee but shall be no less than 25 percent and no more than 100 percent of the Fair Market Value of the Stock on the Grant Date. The Exercise Price shall be subsequently adjusted so that in the event of a stock dividend, stock split, reverse stock split, rights offering, return of capital distribution, recapitalization or similar transaction that materially affects the Fair Market Value of the Stock, the Committee shall adjust the Exercise Price so that it retains the same ratio to the Fair Market Value of the Stock as existed immediately before such transaction, or as may otherwise be provided in the Option Agreement.

3.4 CONDITIONS OF GRANT. As a condition to the grant of a Stock Option, the Committee may, in its discretion, require a Participant to enter into an agreement with the Employer on or before the Grant Date to remain in the service of the Board of Directors of the Employer for at least six months after the Grant Date of an Option.

3.5 STOCK TO BE HELD IN TRUST. Upon the grant of an Option, the Employer shall acquire the Stock and contribute it to the Trust as soon as practicable after the Grant Date. At the time contributed to the Trust, the Stock shall not be subject to any security interest, whether or not perfected, or to any option or contract under which any other person may acquire any interest in it, except as otherwise provided in Section 7.2 and Section 12 of the Trust Agreement.

3.6 SUBSTITUTION OF ASSETS HELD IN TRUST. The Committee may, in its discretion, after consultation with the Participant, substitute Stock of equal Fair Market Value for any Stock subject to purchase through the exercise of an Option.

3.7 DESIGNATION OF BENEFICIARY. As soon as practicable after the grant of an Option, the Participant shall designate one or more Beneficiaries and successor Beneficiaries, and may change a Beneficiary designation at any time, by filing the prescribed form with the Committee. The consent of the Participant's current Beneficiary shall not be required for a change of Beneficiary. No Beneficiary shall have any rights under the Plan or an Option Agreement during the lifetime of the Participant, except as may otherwise be provided in Section 3.9.

(a) The Beneficiary of a Participant who dies without having designated a Beneficiary in accordance with this Section 3.7 and who is lawfully married on the date of death shall be the Participant's surviving spouse

(b) The Beneficiary of any other Participant who dies without having designated a Beneficiary in accordance with this Section 3.7 shall be the Participant's estate.

3.8 GENERAL NON-TRANSFERABILITY. No Option granted under this Plan may be transferred, assigned, or alienated (whether by operation of law or otherwise), except as provided herein, and no Option shall be subject to execution, attachment or similar process. An Option may be exercised only by the Participant (or the Participant's Beneficiary pursuant to Section 3.7).

ARTICLE IV

OPTION EXERCISE

4.1 EXERCISE PERIOD. A Participant may exercise all or any portion of an Option at any time during the period beginning six months after the Grant Date and ending on the earlier of

- (a) twelve months after the Participant's date of death, and
- (b) fifteen years after the Grant Date.

4.2 OPTION EXERCISE. A Participant (or the Participant's Beneficiary pursuant to Section 3.7) may exercise all or any portion of an Option by giving written notice to the Committee and tendering full payment of the Exercise Price by bank certified or cashiers check on or before the date of exercise.

4.3 DELIVERY OF STOCK. On the date of exercise, or as soon as practicable thereafter (but in no event later than five business days after the date of exercise), the Employer shall deliver or cause to be delivered the Stock then being purchased to the Participant (or the Participant's Beneficiary pursuant to Section 3.7). In the event that the listing, registration or qualification of the Option or the Stock on any securities exchange or under any state or federal law, or the consent or approval of any governmental regulatory body, is necessary as a condition of, or in connection with, the exercise of the Option, then the Option shall not be exercised in whole or in part until such listing, registration, qualification, consent or approval has been effected or obtained.

4.4 FAILURE TO EXERCISE. No Option shall be exercised, in whole or in part, after the end of the Exercise Period and the Employer shall have no obligation to deliver or cause to be delivered to the Participant (or the Participant's Beneficiary) the Stock subject to such Option.

ARTICLE V

AMENDMENT OR TERMINATION

5.1 PLAN AMENDMENT. The Board may, from time to time in its discretion, amend any provision of the Plan, in whole or in part, with respect to any Participant or group of Participants. Such amendment shall be effective as of the date specified therein and shall be binding upon the Committee, all Participants and Beneficiaries, and all other persons claiming an interest under the Plan.

5.2 PLAN TERMINATION. The Plan shall terminate on the fifteenth anniversary of the Effective Date or such earlier date as the Board may determine in its discretion. Such termination shall be effective as of the date determined by the Board and shall be binding upon the Committee, all Participants and Beneficiaries, and all other persons claiming an interest under the Plan. Options shall continue to be exercisable after the effective date of such termination, and may be exercised in accordance with Article IV, but no new Options shall be granted.

5.3 AMENDMENT OF OPTIONS. An Option may be amended by the Committee at any time if the Committee determines that an amendment is necessary or advisable as a result of:

- (a) any addition to or change in the Code or ERISA, a federal or state securities law or any other law or regulation, which occurs after the Grant Date and by its terms applies to the Option,
- (b) any substitution of stock held in Trust pursuant to Section 3.6,

(c) any Plan amendment pursuant to Section 5.1, or Plan termination pursuant to Section 5.2, provided that the amendment does not materially affect the terms, conditions and restrictions applicable to the Option, or

(d) any circumstances not specified in Paragraphs (a), (b), or (c), with the consent of the Participant.

5. 4 CHANGE OF CONTROL. Notwithstanding any other provision of the Plan or an Option Agreement, in the event of a Change of Control:

(a) the Participant shall not be required to remain in the employ of the Employer for at least six months after the Grant Date of an Option under Section 3.4(b),

(b) the Exercise Period under Section 4.1 shall not end prior to six months after such Change of Control,

(c) an Option Agreement shall not be amended by the Committee under Section 5.3 for any reason without the consent of the Participant, and

(d) an Option may be terminated by the Committee on any date after a Change of Control, in its sole discretion and without the consent of the Participant, if the Committee makes a cash payment to the Participant on such date in an amount equal to the Fair Market Value of the Stock subject to such Option, reduced by the Exercise Price, and multiplied by the number of shares subject to such Option.

ARTICLE VI

ADMINISTRATION

6.1 THE COMMITTEE. The Plan shall be administered by a Committee consisting of one or more persons appointed by the Board of Directors. The Committee shall act by a majority of its members at the time in office and may take action either by vote at a meeting or by consent in writing without a meeting.

(a) The Board may remove any member of the Committee at any time, with or without cause, and may fill any vacancy. If a vacancy occurs, the remaining member or members of the Committee shall have full authority to act.

(b) Any member of the Committee may resign by written resignation delivered to the Board. Any such resignation shall become effective upon its receipt by the Board or on such other date as agreed to by the Board and the resigning member.

6.2 POWERS OF THE COMMITTEE. In carrying out its duties with respect to the general administration of the Plan, the Committee shall have, in addition to any other powers conferred by the Plan or by law, the following powers:

(a) to determine eligibility to participate in the Plan and eligibility to receive Options;

(b) to grant Options, and to determine the form, amount and timing of such Options;

(c) to determine the terms and provisions of the Option Agreements, and to modify such Option Agreements as provided in Section 5.3;

(d) to substitute stock held in Trust as provided in Section 3.6;

(e) to maintain all records necessary for the administration of the Plan;

(f) to prescribe, amend, and rescind rules for the administration of the Plan to the extent not inconsistent with the terms thereof;

(g) to appoint such individuals and subcommittees as it deems desirable for the conduct of its affairs and the administration of the Plan;

(h) to employ counsel, accountants and other consultants to aid in exercising its powers and carrying out its duties under the Plan; and

(i) to perform any other acts necessary, and proper for the conduct of its affairs and the administration of the Plan, except those reserved by the Board.

6.3 DETERMINATIONS BY THE COMMITTEE. The Committee shall interpret and construe the Plan and the Option Agreements, and its interpretations and determinations shall be conclusive and binding on all Participants, Beneficiaries and any other persons claiming an interest under the Plan or any Option Agreement. The Committee's interpretations and determinations under the Plan and the Option Agreements need not be uniform and may be made by it selectively among Participants, Beneficiaries and any other persons whether or not they are similarly situated.

6.4 INDEMNIFICATION OF THE COMMITTEE. The Employer shall indemnify and hold harmless each member of the Committee against any and all expenses and liabilities arising out of such member's action or failure to act in such capacity excepting only expenses and liabilities arising out of such member's own willful misconduct or gross negligence.

(a) Expenses and liabilities against which a member of the Committee is indemnified hereunder shall include, without limitation, the amount of any settlement or judgment, costs, counsel fees and related charges reasonably incurred in connection with a claim asserted or a proceeding brought against him or the settlement thereof.

(b) This right of indemnification shall be in addition to any other rights to which any member of the Committee may be entitled.

(c) The Employer may, at its own expense, settle any claim asserted or proceeding brought against any member of the Committee when such settlement appears to be in the best interests of the Employer.

6.6 EXPENSES OF THE COMMITTEE. The members of the Committee shall serve without compensation for services as such. All expenses of the Committee shall be paid by the Employer.

ARTICLE VII

TRUST PROVISIONS

7.1 ESTABLISHMENT OF THE TRUST. The Trust shall be established to hold all Stock contributed by the Employer pursuant to Section 3.5. Except as otherwise provided in Section 7.2, and Section 12 of the Trust Agreement, the Trust shall be irrevocable and no portion of the Trust Fund shall be used for any purpose other than the delivery of Stock pursuant to the exercise of an Option, and the payment of expenses of the Plan and Trust.

7.2 TRUST STATUS. The Trust is intended to be a grantor trust, within the meaning of Section 671 of the Code, of which the Employer is the grantor, and this Plan is to be construed in accordance with that intention. Notwithstanding any other provision of this Plan, the Trust Fund shall remain the property of the Employer and shall be subject to the claims of its creditors in the event of its bankruptcy or insolvency. No Participant shall have any priority claim on the Trust Fund or any security interest or other right superior to the rights of a general creditor of the Employer.

ARTICLE VIII

MISCELLANEOUS PROVISIONS

8.1 GOVERNING LAW. Except to the extent preempted by federal law, the construction and operation of the Plan shall be governed by the laws of the State of Iowa without regard to the choice of law principles of such state.

8.2 SEVERABILITY. If any provision of this Plan is held illegal or invalid by any court or governmental authority for any reason, the remaining provisions shall remain in full force and effect and shall be construed and enforced in accordance with the purposes of the Plan as if the illegal or invalid provision did not exist.

8.3 NO OBLIGATION TO EXERCISE. The granting of an Option shall impose no obligation upon a Participant to exercise such Option.

8.4 NO RIGHTS OF SHAREHOLDER. Neither the Participant or a Beneficiary shall be, or shall have any of the rights and privileges of, a stockholder with respect to any Stock purchasable or issuable upon the exercise of an Option, prior to the date of exercise of such Option.

8.5 NO RIGHT TO CONTINUED SERVICE. Nothing contained in the Plan shall be deemed to give any Director the right to be retained as a member of the Board of Directors of the Employer, or to interfere with the right of the shareholders of the Employer to discharge any Director in accordance with applicable corporate laws without regard to the effect that such discharge shall have upon such Director's ' rights or potential rights, if any, under the Plan. The provisions of the Plan are in addition to, and not a limitation on, any rights that a Participant may have against the Employer by reason of any other agreement with the Employer.

8.6 NOTICES. Unless otherwise specified in an Option Agreement, any notice to be provided under the Plan to the Committee shall be mailed (by certified mail, postage prepaid) or delivered to the Committee in care of the Employer at its executive offices, and any notice to the Participant shall be mailed (by certified mail, postage prepaid) or delivered to the Participant at the current address shown on the payroll records of the Employer. No notice shall be binding on the Committee until received by the Committee, and no notice shall be binding on the Participant until received by the Participant.

WINNEBAGO INDUSTRIES, INC.

STOCK OPTION PLAN

THIS Stock Option Plan ("PLAN"), effective as of the date of its approval by the Board of Directors, the 14th day of August, 1997, is hereby adopted and established by Winnebago Industries, Inc., an Iowa corporation, ("COMPANY") and will be maintained by the Company for the purpose of providing stock options for selected management, key employees, directors, advisors and consultants as provided herein.

ARTICLE 1 -- PURPOSE

The purpose of the Plan is to provide additional incentive to those officers, employees, directors, advisors and consultants of the Company whose substantial contributions are essential to the continued growth and success of the Company's business in order to strengthen their commitment to the Company, to motivate them to faithfully and diligently perform their assigned responsibilities and to attract and retain competent and dedicated individuals whose efforts will result in the long-term growth and profitability of the Company. To accomplish such purposes, the Plan provides that the Company may grant Incentive Stock Options, Nonqualified Stock Options and Stock Appreciation Rights. The provisions of the Plan are intended to satisfy the requirements of Section 16(b) of the Exchange Act, and the regulations promulgated thereunder.

ARTICLE 2 -- DEFINITIONS

For purposes of this Plan:

2.1 "ADVISOR" or "CONSULTANT" means an advisor or consultant who is an independent contractor with respect to the Company or a Subsidiary, and who provides bona fide services (other than in connection with the offer or sale of securities in a capital raising transaction) to the executive officers or Board of Directors regarding major functions, portions or operations of the Company's business; who is not an employee, officer, director or holder of more than ten percent (10%) of the outstanding voting securities of the Company; and whose services the Committee determines is of vital importance to the overall success of the Company.

2.2 "AGREEMENT" means the written agreement evidencing the grant of an Award and setting forth the terms and conditions thereof.

2.3 "AWARD" means, individually or collectively, a grant under this Stock Option Plan, Stock Appreciation Rights, or both as the context requires.

2.4 "BOARD" means the Board of Directors of the Company.

2.5 "CHANGE IN CONTROL" means one of the following events:

(i) any "person" or group of persons acting in concert (as defined in Sections 13(d) and 14(d) of the Exchange Act), other than the Hanson Family, the Company, or a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any Subsidiary, acquires, directly or indirectly, after the Effective Date of this Plan "beneficial ownership" (as defined in Rule 13d-3 under the Exchange Act) of any class of securities representing at least thirty percent (30%) of the combined voting power of the Company;

(ii) during any period of not more than two consecutive years, individuals who at the beginning of such period constitute the Board and any new directors (other than any director designated by a person who has entered into an agreement with the Company to effect a transaction described in Subsections 2.5(i), 2.5(iii), or 2.5(iv) of this Plan), cease for any reason to constitute a majority thereof;

(iii) the stockholders of the Company approve a merger other than (A) a merger that would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity), in combination with the ownership of any trustee or other fiduciary holding securities under an employee benefit plan of the Company or any Subsidiary, at least fifty percent (50%) of the combined voting power of all classes of stock of the Company or such surviving entity outstanding immediately after such merger or (B) a merger effected to implement a recapitalization of the Company (or similar transaction) in which the shareholders of the Company immediately prior to the recapitalization (or similar transaction) acquire at least fifty percent (50%) of the combined voting power of the Company's then outstanding securities through the recapitalization (or similar transaction); or

(iv) the stockholders of the Company approve a plan of complete liquidation of the Company or a sale of all or substantially all of the assets of the Company.

2.6 "CODE" means the Internal Revenue Code of 1986, as amended.

2.7 "COMMITTEE" means a Committee which may be appointed by the Board to administer the Plan to perform the functions set forth herein, composed of two or more directors who are Non-Employee Directors, as defined in paragraph (b)(3)(i) of Rule 16b-3 under the Exchange Act. Unless and until the Board appoints such Committee, the Board shall administer the Plan and perform the functions set forth herein, and references herein to the Committee shall be deemed to refer to the Board.

2.8 "COMPANY" means Winnebago Industries, Inc., an Iowa corporation, or any successor thereto.

2.9 "DISABILITY" means the inability, due to illness or injury, to engage in any gainful occupation for which the individual is suited by education, training or experience, which condition continues for at least six (6) months.

2.10 "EFFECTIVE DATE OF THIS PLAN" shall be the date first written above on which this Plan was adopted by the Board.

2.11 "ELIGIBLE EMPLOYEE" shall have the meaning given to it by Article 5.

2.12 "EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

2.13 "FAIR MARKET VALUE" means the fair market value of the Shares as determined by the Committee in its sole discretion, PROVIDED, HOWEVER, that if the Shares are then admitted to trading on a national securities exchange, the Fair Market Value on any date shall be the mean between the high and low prices for a share of the Company's Common Stock on the New York Stock Exchange at the time the option is granted.

2.14 "FREE-STANDING STOCK APPRECIATION RIGHT" means a Stock Appreciation Right that is not granted in conjunction with the grant of an Option.

2.15 "HANSON FAMILY" shall mean collectively the spouse, lineal descendent, or spouse of a lineal descendent of John K. Hanson, or any entity, affiliate or associate controlled by the spouse, lineal descendent, or spouse of a lineal descendent of John K. Hanson.

2.16 "IMMEDIATE FAMILY MEMBER" means a person who is the Participant's spouse, mother, father, brother, sister, or child.

2.17 "INCENTIVE STOCK OPTION" means an Option within the meaning of Section 422 of the Code.

2.18 "NON-EMPLOYEE DIRECTOR" means a member of the Board who is not an employee of the Company.

2.19 "NONQUALIFIED STOCK OPTION" means an Option which is not an Incentive Stock Option.

2.20 "OPTION" means an Incentive Stock Option, a Nonqualified Stock Option, or either or both of them, as the context requires.

2.21 "PARTICIPANT" means a person to whom an Award has been granted under the Plan.

2.22 "PLAN" means the Winnebago Industries, Inc. Stock Option Plan, as amended from time to time.

2.23 "RELATED STOCK APPRECIATION RIGHT" means a Stock Appreciation Right that is granted in conjunction with the grant of an Option.

2.24 "RETIREMENT" means termination of employment with the Company by a Participant (other than as a result of death or Disability) if the Participant is at least fifty-five (55) years of age.

2.25 "SECURITIES ACT" means the Securities Act of 1933, as amended.

2.26 "SHARES" means shares of Common Stock, with fifty cents (\$.50) par value per share, of the Company.

2.27 "STOCK APPRECIATION RIGHT" means the right to receive all or some portion of the increase in the value of the Shares as provided in Article 7 hereof

2.28 "SUBSIDIARY" means any corporation in a descending, unbroken chain of corporations, beginning with the Company, if each of the corporations other than the last corporation in the unbroken chain owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

2.29 "TEN-PERCENT STOCKHOLDER" means an Eligible Employee, who, at the time an Incentive Stock Option is to be granted to such Eligible Employee, owns (within the meaning of Section 422(b)(6) of the Code) stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company, a parent or a Subsidiary within the meaning of Sections 424(e) and 424(f), respectively, of the Code.

ARTICLE 3 -- ADMINISTRATION

3.1 The Plan shall be administered by the Board or, if the Board so determines, by a Committee, which Committee shall at all times satisfy the provisions of Rule 16b-3 under the Exchange Act. The Committee shall hold meetings at such times as may be necessary for the proper administration of the Plan. The Committee shall keep minutes of its meetings. A majority of the Committee shall constitute a quorum and a majority of a quorum may authorize any action. Any decision reduced to writing and signed by all of the members of the Committee shall be fully effective as if it had been made at a meeting duly held. No member of the Committee shall be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or Options and all members of the Committee shall be fully indemnified by the Company with respect to any such action, determination or interpretation. The Company shall pay all expenses incurred in the administration of the Plan.

3.2 Subject to the express terms and conditions set forth herein, the Committee shall have the power from time to time:

(i) to determine those Eligible Employees to whom Awards shall be granted under the Plan and the number of Shares subject to such Awards to be granted to each Eligible Employee and to prescribe the terms and conditions (which need not be identical) of each Award, including the purchase price per share of each Award, and the forfeiture provisions, if any, if the Employee leaves the employment of the Company or a Subsidiary within a prescribed time or acts against the interests of the Company within a prescribed time;

(ii) to construe and interpret the Plan, the Awards granted hereunder and to establish, amend and revoke rules and regulations for the administration of the Plan, including, but not limited to, correcting any defect or supplying any omission, or reconciling any inconsistency in the Plan or in any Agreement, and (subject to the provisions of Article 12 below) to amend the terms and conditions of any outstanding Award to the extent such terms and conditions are within the discretion of the Committee as provided in the Plan, in the manner and to the extent it shall deem necessary or advisable to make the Plan fully effective, and all decisions and determinations by the Committee in the exercise of this power shall be final and binding upon the Company or a Subsidiary, and the Participants, as the case may be;

(iii) to determine the duration and purposes for leaves of absence which may be granted to a Participant without constituting a termination of employment or service for purposes of the Plan; and

(iv) generally, to exercise such powers and to perform such acts as are deemed necessary or advisable to promote the best interests of the Company with respect to the Plan.

3.3 Notwithstanding any other provision in this Plan, a grant of Options to any Eligible Employee who is an officer of the Company or a Subsidiary shall be approved by a majority vote of the Board.

ARTICLE 4 -- STOCK SUBJECT TO PLAN

4.1 The maximum number of Shares that may be issued or transferred pursuant to Awards granted under this Plan is Two Million (2,000,000) (or the number and kind of shares of stock or other securities that are substituted for those Shares or to which those Shares are adjusted pursuant to Article 8), and the Company shall reserve for the purposes of the Plan, out of its treasury shares or its authorized but unissued Shares, such number of Shares.

4.2 Whenever any outstanding Award or portion thereof expires, is canceled or is otherwise terminated (other than by exercise of the Award), the Shares allocable to the unexercised portion of such Award may again be the subject of Awards hereunder, to the extent permitted by Rule 16b-3 under the Exchange Act.

ARTICLE 5 -- ELIGIBILITY

Eligible Employees shall be the officers, employees, directors, Advisors and Consultants of the Company who occupy responsible managerial or professional positions and who have the capability of making a substantial contribution to the success of the Company. In making the selection and in determining the form and amount of Awards, the Committee shall give consideration to the functions and responsibilities of the individual, past and potential contributions to profitability and sound growth, the value of the individual's services to the Company, and any other factors deemed relevant by the Committee. The Committee shall have full and final authority on selecting those Eligible Employees who will receive Awards.

ARTICLE 6 -- OPTIONS

The Committee may grant Options in accordance with the Plan, the terms and conditions of which shall be set forth in an Agreement. Each Option and Agreement shall be subject to the following conditions:

6.1 PURCHASE PRICE. The purchase price or the manner in which the purchase price is to be determined for Shares under each Option shall be set forth in the Agreement, PROVIDED, HOWEVER, that the purchase price per Share under (a) each Nonqualified Stock Option shall not be less than eighty-five percent (85%) of the Fair Market Value of a Share at the time the Option is granted, (b) each Incentive Stock Option shall not be less than one hundred percent (100%) of the Fair Market Value of a Share at the time the Option is granted, and (c) each Incentive Stock Option granted to a Ten-Percent Stockholder shall not be less than one hundred ten (110%) of the Fair Market Value of a Share at the time the Option is granted.

6.2 DURATION. Options granted hereunder shall be for such term as the Committee shall determine, PROVIDED, HOWEVER, that no Option shall be exercisable after the expiration of ten (10) years from the date it is granted, or five (5) years in the case of an Incentive Stock Option granted to a Ten-Percent Stockholder. The Committee may, subsequent to the granting of any Option, extend the term thereof but in no event shall the term as so extended exceed the maximum term provided for in the preceding sentence.

6.3 NON-TRANSFERABILITY. No Option granted hereunder shall be transferable by the Participant to whom such Option is granted otherwise than (a) by gift to an Immediate Family Member or members, (b) by gift to a partnership or limited liability company consisting only of Immediate Family Members, (c) by gift to a trust solely for the benefit of the Participant and/or Immediate Family Members, (collectively, an "assignee"), or (d) by will or the laws of descent and distribution; PROVIDED, HOWEVER, an Incentive Stock Option shall only be transferable by will or the laws of descent or distribution. An Option may be exercised during the lifetime of such Participant only by the Participant, the Participant's assignee, or such Participant's guardian or legal representative. The terms of such Option shall be binding upon the beneficiaries, executors, administrators, heirs, assignees and successors of the Participant.

6.4 VESTING. Subject to Section 6.5, unless otherwise set forth in the Agreement, each Option shall become exercisable upon the earlier of (a) as to all of the Shares covered by the Option on the death, Retirement, or Disability of the Participant, or (b) six (6) months after the date the Option was granted. To the extent not exercised, installments shall accumulate and be exercisable, in whole or in part, at any time after becoming exercisable, but not later than the date the Option expires. The Committee may accelerate the exercisability of any Option or portion thereof at any time.

6.5 ACCELERATED VESTING. Notwithstanding the provisions in Section 6.4, each Option granted to a Participant shall become vested in full and immediately exercisable upon the occurrence of a Change in Control.

6.6 TERMINATION OF EMPLOYMENT. In the event that a Participant ceases to be employed by the Company or any Subsidiary, any outstanding Options held by such Participant shall, unless this Plan or the Agreement evidencing such Option provides otherwise, terminate as follows:

(a) If the Participant's termination of employment is due to his death, Disability, or Retirement, the Option shall become vested in full and immediately exercisable for a period of three (3) years following such termination of employment, and shall thereafter terminate; and

(b) If the Participant's termination of employment is for any other reason (including a Participant's ceasing to be employed by a Subsidiary as a result of the sale of such Subsidiary or an interest in such Subsidiary), the Option (to the extent that such Option is vested as provided for in Section 6.4 at the time of the Participant's termination of employment) shall be exercisable for a period of ninety (90) days following such termination of employment, and shall thereafter terminate.

Notwithstanding the foregoing, the Committee may provide, either at the time an Option is granted or thereafter, that the Option may be exercised after the periods provided for in this Section, but in no event beyond the term of the Option.

6.7 CANCELLATION AND RESCISSION OF OPTIONS. Unless the Agreement specifies otherwise, the Committee may cancel and rescind any unexpired, unpaid, unexercised, or deferred Options (whether vested or unvested pursuant to this Section 6) at any time before the exercise thereof, if the Participant is not in compliance with the following conditions:

(i) A Participant shall not render services for any organization or engage directly or indirectly in any business which, in the judgment of the Committee, is or becomes competitive with the Company, or which organization or business, or the rendering of services to such organization or business, is or becomes prejudicial to or in conflict with the interests of the Company. For Participants whose employment has terminated, the judgment of the Committee shall be based on the Participant's position and responsibilities while employed by the Company or its Subsidiaries, the Participant's post-employment responsibilities and position with the other organization or business, the extent of past, current, and potential competition or conflict between the Company and the other organization or business, the effect of the Participant's assuming the postemployment position on the Company's or its Subsidiary's customers, suppliers, and competitors, and such other considerations as are deemed relevant given the applicable facts and circumstances. A Participant may, however, purchase as an investment or otherwise, stock or other securities of any organization or business so long as such investment does not represent a greater than five percent (5%) equity interest in the organization or business.

(ii) A Participant shall not, without prior written authorization from the Company, disclose to anyone outside the Company or Subsidiaries, or use in other than the Company's or Subsidiary's business, any information or materials determined to be confidential by the Committee relating to the business of the Company or its Subsidiaries, acquired by the Participant either during or after employment with the Company or its Subsidiaries.

6.8 METHOD OF EXERCISE. The exercise of an Option shall be made only by a written notice delivered to the Secretary of the Company at the Company's principal executive office, specifying the number of Shares to be purchased and accompanied by payment therefor and otherwise in accordance with the Agreement pursuant to which the Option was granted. The purchase price for any Shares purchased pursuant to the exercise of an Option shall be paid in full upon such exercise in cash, by check, or, at the discretion of the Committee and upon such terms and conditions as the Committee shall approve, by (a) a loan made by the Company to the Participant, (b) transferring Shares already owned to the Company pursuant to Section 6.9, or (c) by delivery of an unconditional and irrevocable undertaking by a broker to sell a portion of the Shares and deliver to the Company sufficient funds to pay for the exercise price and applicable federal, state, and local tax withholding. If requested by the Committee, the Participant shall deliver the Agreement evidencing the Option to the Secretary of the Company who shall endorse thereon a notation of such exercise and return such Agreement to the Participant.

6.9 ALTERNATIVE PAYMENT METHOD. If the Committee, in its sole discretion, determines that the Participant may pay for the purchase price of Shares purchased pursuant to an exercise of an Option by using Shares already owned, the Participant shall deliver a notarized statement of ownership (hereinafter, "STATEMENT"), in a form to be determined by the Committee, to the Company indicating that the Participant owns Shares of sufficient number and value to cover the purchase price of the Shares purchased pursuant to the exercise of the Option. However, no surrender of the actual stock certificates relating to the Shares listed in the Statement is necessary. The number of Shares in the Statement will be treated as a constructive payment of the purchase price, and the Participant shall retain ownership of such Shares. The Company shall issue a stock certificate for a number of Shares equal to the Shares purchased pursuant to the Option minus the number of Shares used for the constructive payment. All Shares listed in the Statement shall be valued at their Fair Market Value

6.10 RIGHTS OF PARTICIPANTS. No Participant shall be deemed for any purpose to be the owner of any Shares subject to any Option unless and until (a) the Option shall have been exercised pursuant to the terms thereof, (b) the Company shall have issued and delivered the Shares to the Participant, and (c) the Participant's name shall have been entered as a stockholder of record on the books of the Company. Thereupon, the Participant shall have full voting, dividend and other ownership rights with respect to such Shares.

6.11 ANNUAL LIMITATION. To the extent that the aggregate Fair Market Value (measured at the date of grant) of Incentive Stock Options which become exercisable for the first time by any Participant during any calendar year exceeds one hundred thousand dollars (\$ 100,000), the excess of such Options shall be treated as Nonqualified Stock Options.

6.12 EFFECT OF EXERCISE. The exercise of any Option shall cancel that number of Related Stock Appreciation Rights, if any, which is equal to the number of Shares purchased pursuant to the exercised Option.

ARTICLE 7 -- STOCK APPRECIATION RIGHTS

7.1 GRANT. The Committee may from time to time, and subject to such other terms and conditions as the Committee may prescribe, grant a Free-Standing Stock Appreciation Right or a Related Stock Appreciation Right to any Eligible Employee. The terms and conditions of such Stock Appreciation Right shall be set forth in the Agreement. A Related Stock Appreciation Right shall be related on a one-for-one basis to Shares which are subject to the Option concurrently being granted under the Plan to the grantee of such Related Stock Appreciation Right. A Related Stock Appreciation Right shall be subject to the same terms and conditions as the related Option, and shall only be granted at the same time as the related Option is so granted. A Free-Standing Stock Appreciation Right may be granted by the Committee at any time.

7.2 EXERCISE OF A RELATED STOCK APPRECIATION RIGHT. A Participant who has been granted a Related Stock Appreciation Right may, in lieu of the exercise of an equal number of Options, elect to exercise one or more Related Stock Appreciation Rights and thereby become entitled to receive from the Company payment of the amount determined pursuant to Section 7.5. Related Stock Appreciation Rights shall be exercisable only to the same extent and subject to the same conditions as the Option or Options related thereto are exercisable, as provided for in Article 6. A Related Stock Appreciation Right issued in tandem with an Incentive Stock Option may be exercised only when the Fair Market Value of the Shares subject to the Incentive Stock Option exceeds the exercise price of such Option. The Committee may, in its discretion, prescribe additional conditions to the exercise of any Related Stock Appreciation Rights.

7.3 EXERCISE OF FREE-STANDING STOCK APPRECIATION RIGHTS. Free-Standing Stock Appreciation Rights generally will be exercisable at such time or times, and may be subject to such other terms and conditions, as shall be determined by the Committee, in its discretion, and such terms and conditions shall be set forth in the Agreement; PROVIDED, HOWEVER, that no Free-Standing Stock Appreciation Right shall be exercisable after the expiration of ten (10) years from the date it is granted. No Free-Standing Stock Appreciation Right granted hereunder shall be transferable by the Participant to whom such right is granted otherwise than by will or the laws of descent and distribution, and a Free-Standing Stock Appreciation Right may be exercised during the lifetime of such Participant only by the Participant or such Participant's guardian or legal representative. The terms of such Free-Standing Stock Appreciation Right shall be binding upon the beneficiaries, executors, administrators, heirs and successors of the Participant.

7.4 CHANGE IN CONTROL. Notwithstanding any other provision in this Plan, each Stock Appreciation Right granted to a Participant shall become immediately exercisable in full upon the occurrence of a Change in Control.

7.5 AMOUNT PAYABLE. Upon the exercise of each Stock Appreciation Right, the Participant shall be entitled to receive the following:

(A) If the Participant exercised a Free-Standing Stock Appreciation Right, the amount equal to the excess of the Fair Market Value of one Share on the exercise date over the Fair Market Value of one Share on the grant date; and

(B) If the Participant exercised a Related Stock Appreciation Right, the amount equal to the excess of the Fair Market Value of one Share on the exercise date over the exercise price for one Share under the Option to which the Stock Appreciation Right relates.

7.6 EFFECT OF EXERCISE. The exercise of a Related Stock Appreciation Right shall cancel an equal number of Shares subject to Options related thereto.

7.7 METHOD OF EXERCISE. Stock Appreciation Rights shall be exercised by a Participant only by a written notice delivered in person or by mail to the Secretary of the Company at the Company's principal executive office, specifying the number of Shares with respect to which the Stock Appreciation Right is being exercised. If requested by the Committee, the Participant shall deliver the Agreement evidencing the Stock Appreciation Right being exercised and with respect to a Related Stock Appreciation Right, the Agreement evidencing any related Option to the Secretary of the Company who shall endorse thereon a notation of such exercise and return such Agreement or Agreements to the Participant.

7.8 FORM OF PAYMENT. Payment of the amount determined under this Article, may be made solely in whole Shares in a number determined based upon their Fair Market Value on the date of exercise of the Stock Appreciation Right, or alternatively, at the sole discretion of the Committee, solely in cash, or in a combination of cash and Shares as the Committee deems advisable. In the event that a Stock Appreciation Right is exercised within sixty (60) days following a Change in Control, any amount payable shall be solely in cash. If the Committee decides to make full payment in Shares, and the amount payable results in a fractional Share, payment for the fractional Share will be made in cash.

ARTICLE 8 -- LOANS

8.1 The Company or any Subsidiary may make loans to a Participant in connection with the exercise of an Option, subject to the terms and conditions in this Article and such other terms and conditions not inconsistent with the Plan including the rate of interest, as the Committee shall impose from time to time.

8.2 No loan made under the Plan shall exceed the sum of (a) the aggregate purchase price payable pursuant to the Option with respect to which the loan is made, plus (b) if applicable, the amount of the reasonably estimated income and payroll taxes payable by the Participant with respect to the exercise of the Option. In no event may any such loan exceed the Fair Market Value, at the date of exercise, of the Shares received pursuant to such exercise.

8.3 No loan shall have an initial term exceeding five (5) years, PROVIDED, HOWEVER, that loans under the Plan shall be renewable at the discretion of the Committee, and PROVIDED, HOWEVER, that the indebtedness under each loan shall become due and payable, as the case may be, on a date no later than (a) one (1) year after termination of the Participant's employment due to death or Disability, or (b) the date of termination of the Participant's employment for any reason other than death or Disability.

8.4 Loans under the Plan may be satisfied by a Participant, as determined by the Committee, in cash or, with the consent of the Committee, in whole or in part by the transfer to the Company of Shares whose Fair Market Value on the date of such payment is equal to part or all of the outstanding balance of such loan.

8.5 A loan shall be secured by a pledge of Shares with a Fair Market Value of not less than the principal amount of the loan. After any repayment of a loan, pledged Shares no longer required as security may be released to the Participant.

8.6 Every loan shall meet all applicable laws, regulations and rules of the Federal Reserve Board and shall satisfy the applicable laws and regulations under the Code for imputed interest.

ARTICLE 9 -- ADJUSTMENT UPON CHANGES IN CAPITALIZATION

9.1 In the event of any change in the outstanding Shares of the Company by reason of a stock dividend, stock split, recapitalization, merger, consolidation, combination, or exchange of shares or other similar corporate change, the Committee in its sole discretion shall make such adjustments as it deems appropriate in the aggregate number and kind of Shares issuable under the Plan, in the number and kind of Shares covered by Awards made under the Plan, and in the exercise price of outstanding Options, and such determination shall be conclusive.

9.2 Any such adjustment in the Shares or other securities subject to outstanding Incentive Stock Options (including any adjustments in the purchase price) shall be made in such manner as not to constitute a modification as defined by Section 424(h)(3) of the Code and only to the extent otherwise permitted by Sections 422 and 424 of the Code.

9.3 In the event of any liquidation, dissolution, merger, consolidation or other reorganization (collectively, a "TRANSACTION") of the Company, the Options and Agreements shall continue in effect in accordance with their respective terms, except that following a Transaction each Participant shall be entitled to receive in respect of each Share subject to an Option, as the case may be, upon exercise of any Option, the same number and kind of stock, securities, cash, property or other consideration that each holder of a Share was entitled to receive in the Transaction in respect of a Share.

ARTICLE 10 -- OUTSIDE DIRECTOR OPTIONS

10.1 GENERAL. Notwithstanding any of the other provisions of the Plan to the contrary, the provisions of this Article shall apply only to grants of Options to directors of the Company ("Outside Directors") who do not hold a position of employment with the Company or a Subsidiary besides his or her position as a director of the Company. Except as set forth in this Article, the other provisions of the Plan shall apply to grants of Options to Outside Directors to the extent not inconsistent with this Article. Solely for purposes of interpreting Article 6 of this Plan, an Outside Director's service as a member of the Board shall be deemed to be employment with the Company. All Outside Directors shall receive Nonqualified Stock Options in accordance with this Article and the Plan, and may not be granted Incentive Stock Options under this Plan. The purchase price per Share purchasable under Options granted to Outside Directors shall be the Fair Market Value of a Share on the date of grant. No Agreement with any Outside Director may alter the provisions of this Article and no Option granted to an Outside Director may be subject to a discretionary acceleration of exercisability.

10.2 AUTOMATIC GRANT TO CURRENT OUTSIDE DIRECTORS. Each Outside Director of the Company on the Effective Date of this Plan who has not been granted an option to purchase 10,000 Shares under the Company's Stock Option Plan for Outside Directors in effect immediately prior to the Effective Date of this Plan, will, without action by the Committee, be granted automatically a Nonqualified Stock Option to purchase 10,000 Shares at a per share price equal to the Fair Market Value of a Share on the date of grant.

10.3 AUTOMATIC GRANT TO NEW OUTSIDE DIRECTORS. Each Outside Director who, after the Effective Date of this Plan, is elected or appointed to the Board for the first time and who is not granted an option to purchase 10,000 Shares under the Company's Stock Option Plan for Outside Directors in effect immediately prior to the Effective Date of this Plan, will, at the time such Director is so elected or appointed and duly qualified, be granted automatically, without action by the Committee, a Nonqualified Stock Option to purchase 10,000 Shares at a per share price equal to the Fair Market Value of a Share on the date of grant.

10.4 DISCRETIONARY GRANT TO OUTSIDE DIRECTORS. The Board of Directors of the Company may, in its discretion, grant additional Nonqualified Stock Options to Outside Directors subject to the terms and conditions of this Article 10 and the Plan.

10.5 DECLINING AWARDS. Notwithstanding any automatic grant of an Award under this Article, an Outside Director may elect, at any time before the Award would otherwise be made, to decline an automatic Award under this Plan or to revoke a previous election to decline an automatic Award. An Outside Director who elects to decline an automatic Award under this Plan shall receive nothing in lieu of such Award, either at the time of such election or at any time thereafter.

10.6 DISCRETIONARY GRANT TO EMPLOYEE DIRECTORS. If a Participant is a director and holds a position of employment with the Company or a Subsidiary besides his or her position as a director of the Company, the Company may grant such Participant Options under this Plan as an employee of the Company without the restrictions of this Article.

ARTICLE 11 -- RELEASE OF FINANCIAL INFORMATION

A copy of the Company's annual report to stockholders shall be delivered to each Participant if and at the time any such report is distributed to the Company's stockholders. Upon request, by any Participant, the Company shall furnish to such Participant a copy of its most recent annual report and each quarterly report and current report filed under the Exchange Act since the end of the Company's prior fiscal year.

ARTICLE 12 -- TERMINATION AND AMENDMENT OF THE PLAN

12.1 The Plan shall terminate on the day preceding the tenth anniversary of its Effective Date, except with respect to Awards outstanding on such date, and no Awards may be granted thereafter. The Board may sooner terminate or amend the Plan at any time, and from time to time; PROVIDED, HOWEVER, that, except as provided in Article 8 hereof, no amendment shall be effective unless approved by the stockholders of the Company where stockholder approval of such amendment is required (a) to comply with Rule 16b-3 under the Exchange Act, or (b) to comply with any other law, regulation or stock exchange rule. Notwithstanding anything in this Section to the contrary, Article 10 relating to Options for Directors shall not be amended more than once in any six-month period, other than to comport with changes in the Code, the Employee Retirement Income Security Act of 1974, as amended, or the rules or regulations thereunder.

12.2 Except as provided in Article 9 hereof, rights and obligations under any Award granted before any amendment of the Plan shall not be adversely altered or impaired by such amendment, except with the consent of the Participant.

ARTICLE 13 -- NON-EXCLUSIVITY OF THE PLAN

The adoption of the Plan by the Board shall not be construed as amending, modifying or rescinding any previously approved incentive arrangement or as creating any limitations on the power of the Board to adopt such other incentive arrangements as it may deem desirable, including, without limitation, the granting of stock options otherwise than under the Plan, and such arrangements may be either applicable generally or only in specific cases.

ARTICLE 14 -- LIMITATION OF LIABILITY

As illustrative of the limitations of liability of the Company, but not intended to be exhaustive thereof, nothing in the Plan shall be construed to:

14.1 give any employee any right to be granted an Award other than at the sole discretion of the Committee;

14.2 give any person any rights whatsoever with respect to Shares except as specifically provided in the Plan;

14.3 limit in any way the right of the Company or its Subsidiaries to terminate the employment of any person at any time; or

14.4 be evidence of any agreement or understanding, expressed or implied, that the Company, or its Subsidiaries, will employ any person in any particular position, at any particular rate of compensation or for any particular period of time.

ARTICLE 15 -- REGULATIONS AND OTHER APPROVALS; GOVERNING LAW

15.1 This Plan and the rights of all persons claiming hereunder shall be construed and determined in accordance with the laws of the State of Iowa.

15.2 The obligation of the Company to sell or deliver Shares with respect to Options granted under the Plan shall be subject to all applicable laws, rules and regulations, including all applicable federal and state securities laws, and the obtaining of all such approvals by governmental agencies as may be deemed necessary or appropriate by the Committee.

15.3 Any provisions of the Plan inconsistent with Rule 16b-3 under the Exchange Act shall be inoperative and shall not affect the validity of the Plan.

15.4 Except as otherwise provided in Article 12, the Board may make such changes as may be necessary or appropriate to comply with the rules and regulations of any government authority or to obtain for Participants granted Incentive Stock Options, the tax benefits under the applicable provisions of the Code and regulations promulgated thereunder.

15.5 Each Award is subject to the requirement that, if at any time the Committee determines, in its absolute discretion, that the listing, registration or qualification of Shares issuable pursuant to the Plan is required by any securities exchange or under any state or federal law, or the consent or approval of any governmental regulatory body is necessary or desirable as a condition of, or in connection with, the grant of an Award or the issuance of Shares, no Awards shall be granted or payment made or Shares issued, in whole or in part, unless listing, registration, qualification, consent or approval has been effected or obtained free of any conditions as acceptable to the Committee.

15.6 In the event that the disposition of Shares acquired pursuant to the Plan is not covered by a then current registration statement under the Securities Act and is not otherwise exempt from such registration, such Shares shall be restricted against transfer to the extent required by the Securities Act or regulations thereunder, and the Company may place a restrictive legend on the share certificate indicating such restrictions. Furthermore, the Committee may require a Participant receiving Shares pursuant to the Plan, as a condition precedent to receipt of such Shares, to represent to the Company in writing that the Shares acquired by such Participant are acquired for investment only and not with a view to distribution.

ARTICLE 16 -- MISCELLANEOUS

16.1 MULTIPLE AGREEMENTS. The terms of each Award may differ from, other Awards granted under the Plan at the same time, or at any other time. The Committee may also grant more than one Award to a given Participant during the term of the Plan, either in addition to, or in substitution for, one or more Awards previously granted to that Participant. The grant of multiple Awards may be evidenced by a single Agreement or multiple Agreements, as determined by the Committee.

16.2 WITHHOLDING OF TAXES.

(a) Whenever the Company proposes to issue or transfer Shares under the Plan, the Company shall have the right to require the Participant to remit to the Company prior to the issuance of any stock certificates and to deduct from any payment of cash to the Participant an amount sufficient to satisfy any federal, state, and local withholding tax requirements.

(b) Whenever under the Plan payments are to be made in cash, such payments will be net of an amount sufficient to satisfy any federal, state, and local withholding tax requirements.

(c) The Participant may satisfy, totally or in part, the obligations pursuant to Section 16.2(a) by electing to have Shares withheld having a Fair Market Value equal to the amount of cash required to be withheld. All elections shall be irrevocable, and be made in writing and signed by the Participant prior to the day of exercise.

(d) The Agreement evidencing any Incentive Stock Options granted under this Plan shall provide that if the Participant makes a disposition, within the meaning of Section 424(c) of the Code and regulations promulgated thereunder, of any Share or Shares issued to such Participant pursuant to such Participant's exercise of an Incentive Stock Option, and such disposition occurs within the two (2) year period commencing on the day after the date of grant of such Option or within the one (1) year period commencing on the day after the date of transfer of the Share or Shares to the Participant pursuant to the exercise of such Option, such Participant shall, within ten (10) days of such disposition, notify the Company thereof and thereafter immediately deliver to the Company any amount of federal, state or local income taxes and other amounts that the Company informs the Participant the Company is required to withhold.

16.3 DESIGNATION OF BENEFICIARY. Each Participant may, with the consent of the Committee, designate a person or persons to receive in the event of such Participant's death, any Award or any amount of Shares payable pursuant thereto, to which such Participant would then be entitled. Such designation shall be made upon forms supplied by and delivered to the Company and may be revoked or changed in writing. In the event of the death of a Participant and in the absence of a beneficiary validly designated under the Plan who is living at the time of such Participant's death, the Company shall deliver such Options, and/or amounts payable to the executor or administrator of the estate of the Participant, or if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its discretion, may deliver such Options, and/or amounts payable to the spouse or to any one or more dependents or relatives of the Participant, or if no spouse, dependent or relative is known to the Company, then to such other person as the Company may designate.

16.4 GENDER AND NUMBER. Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine; the plural shall include the singular and the singular shall include the plural.

16.5 SEVERABILITY. In the event any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

16.6 SUCCESSORS. All obligations of the Company under the Plan, with respect to Awards granted hereunder, shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.

16.7 SHAREHOLDER APPROVAL. Shareholder approval of this Plan is required to qualify any Option as an Incentive Stock Option, and if shareholder approval is not received within twelve (12) months after the Effective Date of this Plan, any Awards of Incentive Stock Options shall be automatically converted into Nonqualified Stock Options.

NOW, THEREFORE, this Plan is made effective as of the day, month and year first above written.

WINNEBAGO INDUSTRIES, INC.

By: /s/ Fred G. Dohrmann

 Fred G. Dohrmann, Chief Executive Officer

CORPORATE PROFILE

Winnebago Industries, Inc., headquartered in Forest City, Iowa, is a leading United States manufacturer of motor homes, self-contained recreation vehicles used primarily in leisure travel and outdoor recreation activities. Motor home sales by the Company represented more than 87 percent of its revenues in each of the past five fiscal years. These vehicles are sold through dealer organizations primarily under the Winnebago(R), Itasca(R), Vectra(R), Rialta(R) and Luxor(R) brand names. The Company markets its recreation vehicles on a wholesale basis to a broadly diversified dealer organization located throughout the United States, and to a limited extent, in Canada and other foreign countries. As of August 30, 1997, the motor home dealer organization in the United States and Canada included approximately 340 dealers. In addition, the Company's subsidiary, Winnebago Acceptance Corporation, provides floor plan financing of dealer inventories of the Company's products.

The Company was incorporated under the laws of the state of Iowa on February 12, 1958, and adopted its present name on February 28, 1961.

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ABOUT THE COVER

Winnebago Industries started from scratch and utilized a great deal of new technology when designing the all-new 1998 Winnebago Chieftain. No longer do you have to sacrifice storage in order to reap the benefits of increased living space in a slideout motor home.

MOTOR HOME PRODUCT CLASSIFICATION

[GRAPHIC OMITTED] CLASS A MOTOR HOMES
These are conventional motor homes constructed directly on medium-duty truck chassis which include the engine and drivetrain components. The living area and driver's compartment are designed and produced by Winnebago Industries, Inc. Class A motor homes from Winnebago Industries include: Winnebago Brave(R), Adventurer(R) and Chieftain(R); Itasca Sunrise(R), Suncruiser(R) and Sunflyer(R); Vectra Grand Tour(R) and Luxor(R).

[GRAPHIC OMITTED] CLASS B VAN CAMPERS
These are panel-type trucks to which any two of the following conveniences are added; sleeping, kitchen and toilet facilities, also 110-volt electrical hook-up, fresh water storage, city water hook-up and a top extension to provide more head room. Winnebago Industries converts the EuroVan Camper, which is distributed by Volkswagen of America and Volkswagen of Canada.

[GRAPHIC OMITTED] CLASS C MOTOR HOMES (MINI)
These are mini motor homes built on van-type chassis onto which Winnebago Industries constructs a living area with access to the driver's compartment. Class C motor homes from Winnebago Industries include: Winnebago Minnie(R) and Minnie Winnie(R); Itasca Spirit(R) and Sundancer(R); and the Rialta(R).

WINNEBAGO INDUSTRIES
MOTOR HOME FAMILY TREE

Winnebago Industries manufactures five brands of Class A & C motor homes.
Listed below are the brand names and model designations of the Company's 1998 product line.

[GRAPHIC OMITTED] [GRAPHIC OMITTED] [GRAPHIC OMITTED] [GRAPHIC OMITTED] [GRAPHIC OMITTED]
WINNEBAGO [LOGO] ITASCA [LOGO] RIALTA [LOGO] VECTRA [LOGO] LUXOR [LOGO]

- | | | |
|-----------------|--------------|----------------|
| - Minnie | - Spirit | - Vectra Grand |
| - Minnie Winnie | - Sundancer | Tour |
| - Brave | - Sunrise | |
| - Adventurer | - Suncruiser | |
| - Chieftain | - Sunflyer | |

TO OUR SHAREHOLDERS

A YEAR OF TRANSITION

If there is one word that best describes fiscal 1997 for Winnebago Industries, Inc., it is "transition." We focused our attention and resources in fiscal 1997 on our core business of motor home manufacturing. Following the loss of our founder and former Chairman John K. Hanson, Winnebago Industries continued on its path to refocus on its core business of building quality, value-driven recreation vehicle (RV) products.

This transition within the Company resulted in divestiture of businesses and corporate assets in fiscal 1997 that have not contributed to the Company's growth within the RV industry. During fiscal 1997, the Company sold its 80 percent owned subsidiary, Cycle-Sat, Inc., as well as Outdoor America (a Temple, Texas mall), Totem Vending Services and a corporate airplane. We also reevaluated our international sales strategies and sold our wholly owned subsidiary, Winnebago Industries Europe, GmbH (WIE).

[PHOTO] PRESIDENT AND CHIEF OPERATING OFFICER BRUCE D. HERTZKE (LEFT) AND CHAIRMAN AND CHIEF EXECUTIVE OFFICER FRED G. DOHRMANN

FINANCIAL RESULTS

Revenues for fiscal 1997 were \$438.1 million, compared to revenues of \$484.8 million for the previous fiscal year. Net income for fiscal 1997 was \$23.0 million, or 91 cents per share, compared to \$12.4 million, or 49 cents per share, for the same period last year. Included in fiscal 1997 net income is a \$16.5 million net gain, or 65 cents per share, from the sale of our 80 percent interest in Cycle-Sat, Inc.

Operating results for fiscal 1997 were negatively impacted by soft market conditions for the Company's motor homes in the last half of the year, causing the Company to increase promotional programs to stimulate wholesale and retail activity. Also impacting operating results for the year was a loss of \$7.7 million from the operations and August 1997 sale of WIE. A tax credit of approximately \$3.7 million was realized in the fourth quarter as a result of the closing of WIE.

PRODUCTS

Significant product development in fiscal 1997 led to over half of all our 1998 model lineup featuring either brand new or significantly redesigned products. Realizing weakness in some of our 1997 Class A product offerings, we concentrated on developing new Class A products that will meet the growing market demand for widebody and slideout room floorplans. In addition, we have continued to build on three years of consistent market share growth in the Class C market with the development of some very exciting products for this market segment. (Please see page five for an overview of Winnebago Industries' exciting new 1998 product offerings.)

[PHOTO] 1998 WINNEBAGO ADVENTURER 35WP

NEW PRODUCT DEVELOPMENT PROCESS

The Company's product development team, under the leadership of Ron Buckmeier, vice president of product development, has implemented a process to develop new products and maximize manufacturing efficiencies. Taking a cue from the auto industry, we've created a cross-functional approach for the design and manufacture of our motor homes.

This approach encourages individual departments to broaden their scope beyond their respective areas of responsibility in developing new products or processes. In addition to the goal of faster introduction of new designs and models, we've realized a broader level of responsibility and accountability throughout the entire organization. For example, we are now in a position where those employees responsible for the final-stage development of our products have a better understanding of the market-driven factors behind those products; by the same token, employees who previously focused on only the early stages of development now have a clearer understanding of their impact on the entire production process.

The new system also streamlines the production process, allowing us to work closely together as a team.

Although the team is less than a year old, we're very proud of the impact it had on our 1998 products. Next year, the product development team's impact will be felt 100 percent throughout the entire product line.

INTERNATIONAL

As discussed previously, a transition was also seen in our international operations with the sale of our wholly owned subsidiary and European distributor, WIE. In August 1997 we sold WIE, and awarded distribution rights to sell our products within Germany, The Netherlands, Belgium, Luxembourg and Austria. All international sales (except Canadian) now operate under the same distributorship philosophy with eight distributors now marketing our products within 10 foreign countries.

Winnebago Industries will continue to produce motor home models compatible for the foreign markets and will continue to search out new market opportunities for global expansion.

OEM

Winnebago Industries generated \$29.0 million in revenue in fiscal 1997 from the sale of original equipment manufacturing (OEM) components to a wide array of outside companies. In comparison, we had OEM revenues of \$28.3 million in fiscal 1996. The sale of OEM components allows the Company to maximize use of the Company's production capacity, while affording us the added benefit of low cost component parts which helps in keeping our motor home prices as competitive as possible.

The Creative Aluminum Products Company (CAPCO), which produces aluminum extrusions for Winnebago Industries as well as for a variety of outside companies, is our largest OEM facility, accounting for nearly 90 percent of Winnebago Industries current OEM business.

OEM revenues are also generated from the sale of thermoformed and rotocast plastics and fiberglass components.

QUALITY

A motto the Company emulates is, "Quality is a Journey -- Not a Destination." Although we are extremely pleased with the results of our quality control efforts, we will never be completely satisfied and will continue to look for ways to make our products better. The Company has now embarked on a higher level of quality, implementing more preventative measures in the production process, coupled with additional employee training. We believe that Winnebago Industries is the most technologically advanced manufacturer in the RV industry, providing employees the tools necessary to do their jobs better, resulting in top quality motor homes.

[PHOTO] 1997 RIALTA 22RC

We're proud of the quality work our employees produce and of their commitment to the Company. (For more information about our quality programs, please see the Excellence in Quality section on page seven.)

OUTLOOK

Although industry projections suggest shipments will be somewhat stagnant in calendar 1998, Winnebago Industries is set to increase market share due to the positive impact of our new 1998 products in the marketplace. The long-term outlook for motor home sales continues to appear very favorable. Future growth over the next decade will be enhanced by the "baby boom" population segment's emergence into the RV market's prime buying age of 50 plus. According to a 1993 University of Michigan study, RV ownership will continue to grow in popularity for years to come. Overall, one of every four respondents to the survey stated intentions to purchase an RV in the future. Demographics of this market segment have shown that they have more time and discretionary income to enjoy leisure travel and outdoor recreation than ever before, which indicates that prospects for the industry will remain favorable over the next 20 years. Winnebago Industries supports the "Go RVing Coalition" which has been formed by various RV industry entities to work toward RV market expansion, particularly to the "baby boom" market.

In addition to our traditional market, we are exploring ways to benefit from the licensing of our Winnebago brand name in product categories that might benefit from the use of this highly recognized name. To take advantage of the equity in the name, we've retained the services of one of the country's best licensing firms to explore marketing the Winnebago name in categories from bicycles to park model homes. Licensing provides additional revenue, keeps motor home prices as competitive as possible and creates added exposure and awareness of the brand name.

We're also looking ahead at the possibility of enlarging Winnebago Industries through expansions or acquisitions in the RV area. A Corporate Development Committee of our Board of Directors has been created to review all future plans for expansion or acquisition.

Winnebago Industries is an extremely financially stable company. Our land, buildings, and equipment are all paid for and there is no long-term debt. We have an enviable cash balance, providing the Company with the opportunity of future growth. Winnebago Industries will continue to focus resources, financial and otherwise, on building quality RVs; increasing motor home market share; and expanding profitability. We believe our renewed focus on what we do best -- the manufacture of quality RVs -- will accomplish these goals.

/s/ Fred G. Dohrmann
Fred G. Dohrmann
Chairman and
Chief Executive Officer

/s/ Bruce D. Hertzke
Bruce D. Hertzke
President and
Chief Operating Officer

November 10, 1997

[PHOTO] 1998 ITASCA SUNFLYER 33WB

OPERATIONS REVIEW

NEW PRODUCTS

Winnebago Industries is making the largest introduction of new and redesigned motor homes in the Company's history. Over one half of all the motor home products for the Company's 1998 model lineup are either brand new or have major modifications.

[PHOTO] 1998 ITASCA SUNFLYER 33WB

CHIEFTAIN AND SUNFLYER INTRODUCED.

Leading the 1998 product introductions are the new Winnebago Chieftain and Itasca Sunflyer product lines. Winnebago Industries started from scratch and utilized a great deal of new technology when designing the all-new Chieftain and Sunflyer models. No longer do RVers have to sacrifice storage in order to reap the benefits of increased living space in a slideout motor home. Most Chieftain and Sunflyer models include a new galley and couch slideout with the new StoreMore(TM) Slideout System. This system provides spacious interior and exterior storage that extends with the slide for ease of access. The Chieftain and Sunflyer also feature a new Powerline Energy Management System(TM). When utilizing 30 amp service, this fully automatic system has the ability to run two roof air conditioners at the same time by monitoring the usage of 120 volt electrical power and redistributing the power as needed. The Chieftain and Sunflyer models range in length from approximately 33 to 36 feet.

BRAVE AND SUNRISE REDESIGNED. The Winnebago Brave and Itasca Sunrise were completely redesigned for 1998. Three distinct product lines are now offered in this series: the entry-level Brave SE and Sunrise SE, the upgraded Brave DL and Sunrise DL and full-basement Brave and Sunrise models, each featuring widebody design with spacious exterior storage compartments. All of the various Brave and Sunrise models range from approximately 26 to 35 feet in length.

ADVENTURER AND SUNCRUISER REDESIGNED. The top selling Winnebago Adventurer and Itasca Suncruiser were also redesigned for 1998. Ranging in length from approximately 30 to 37 feet, many of these widebody, basement style motor homes also utilize the new StoreMore(TM) Slideout System. Designed for full-time use, the Adventurer and Suncruiser feature Home Comfort Design, with high-line fabrics, stain-resistant carpets and beautiful interior furnishings in a variety of very functional floorplans.

VECTRA GRAND TOUR. The Vectra Grand Tour line continues to be an excellent value in mid-range, widebody, bus-style motor homes and has four models available ranging from approximately 34 to 36 feet in length. The 35WQ pusher model has a 275 hp Cummins diesel engine with an optional 300 hp Caterpillar engine available.

LUXOR. The top-of-the-line Luxor model is an excellent value in diesel pusher motor homes and is available in two beautiful 37-foot floorplans, the 37WQ and 37WP, each featuring lavish interior decor with spacious custom-made cabinets and hand-laid ceramic tile floors in the galley. The 1998 Luxor was recently featured by Andy Parag, the "Gadget Guru" on NBC's "Today" show as an example of a deluxe high line motor home.

CONTINUED CLASS C GROWTH. Winnebago Industries has experienced continued growth in Class C market share, showing consistent retail market share growth for the past three years. The Company's retail market share for all Class C products was 19.9 percent in August 1996, the last report available from Statistical Surveys, Inc., an independent RV reporting firm. This compares to 10.1 percent in August 1994, an increase of 97 percent.

MINNIE AND SPIRIT. Winnebago Industries Class C offerings have also been redesigned for 1998 to initiate even more future growth. The Winnebago Minnie and Itasca Spirit units are an excellent entry-level

value and now feature new widebody and slideout models. Available in models ranging from approximately 22 to 31 feet in length, the Minnie and Spirit include new 31 foot models featuring the new StoreMore(TM) Slideout System that provides an additional 110 cubic feet of livable space inside.

MINNIE WINNIE AND SUNDANCER. The Winnebago Minnie Winnie and Itasca Sundancer lines now feature four widebody, basement models for 1998, including the new 31WS with a unique rear slideout system. When camped, the rear wall of the innovative 31WS slides out with the bed to provide a comfortable full size bedroom with a queen size walk-around bed and wardrobe. With the expanding bedroom, the 31WS is able to provide additional lounge and galley features previously only available in Class A products.

[PHOTO] 1998 WINNEBAGO MINNIE WINNIE 31WS-DL

RIALTA. The Rialta is a unique Class C product that offers fuel efficiency, great front-wheel-drive maneuverability and multi-purpose usability. Available in three floorplans, the Rialta is an easy-to-drive 22-feet in length and is available with full motor home amenities. The VR6 engine that was designed into the Rialta last year provided the product with additional power, as well as stimulated sales in 1997. The Rialta product line has been refreshed for 1998 and the Company expects to see continued market improvement. The Rialta was featured for several weeks last spring as the official motor home of the "RV Roadtrip" segment on ABC's "Good Morning America."

EUROVAN CAMPER. The EuroVan Camper project has also been very successful. Winnebago Industries converts the camper portion of this Class B motor home which is marketed through a select group of Volkswagen of America and Volkswagen of Canada dealers. Currently, it is a leader in Class B sales in the United States.

COMMERCIAL VEHICLES. In fiscal 1997, the Company separated responsibilities for its Specialty and Commercial Vehicles. Winnebago Specialty Vehicles are typically a modification of an existing motor home or commercial vehicle to meet the specific requirements of persons with a wide range of disabilities or those with special business applications. Commercial Vehicles are designed from the ground up from an empty motor home shell for a wide variety of uses such as mobile police and fire command centers, dental offices, educational training centers, hair salons, etc. Net revenues from Commercial Vehicles and Specialty Vehicles increased 16 percent in fiscal 1997 versus 1996.

MARKETING OPPORTUNITIES

[PHOTO] COMMERCIAL VEHICLE - POLICE AND FIRE COMMAND CENTER

MOTORSPORTS. Winnebago Industries is striving to reach other niche markets such as motorsports through its various marketing programs. The Company and its dealers participate in 23 national NHRA drag events and several NASCAR Winston Cup events each year. Providing additional exposure, Winnebago Industries products are the official motor homes of several race tracks, including the Texas Motor Speedway and the Phoenix International Raceway. The Company's products are also the official motor homes of the Nashville Network's "TNN Motorsports,"

providing additional exposure on "Southern Outdoors," "Winston Cup Racing" and "NHRA Racing" television programs.

YOUNG MARKET. In an attempt to attract a younger, first-time buyer, Winnebago Industries provides the Winnebago Minnie motor home that appears on MTV's "Road Rules" television program. While the demographics of viewers for this weekly television series are not typical of those of our traditional motor home buyer, the use of the motor home helps portray the image to a younger audience that motor homes are great fun for family travel and people of all ages.

WINNEBAGO INDUSTRIES WEBSITE. The Company's website (<http://www.winnebagoind.com>) has been expanded to provide extensive product and company information to consumers on the internet. Due to the popularity of computers, Winnebago Industries has increased the number of models offering areas for computers and/or computer work stations with outlets for power and telephone modems.

SERVICE

[PHOTO] PERSONNEL FOR WINNEBAGO INDUSTRIES' DEALERS ARE REGULARLY BROUGHT INHOUSE FOR INTENSIVE SALES AND SERVICE TRAINING.

Winnebago Industries has what it believes to be the most comprehensive service programs in the RV industry, providing the Company with an important market advantage when selling our motor homes.

WARRANTY. With the purchase of any new Winnebago, Itasca, Vectra or Luxor motor home, Winnebago Industries offers a comprehensive 12-month/15,000-mile warranty, a 3-year/36,000-mile warranty on sidewalls and slideout room assemblies, and a 10-year fiberglass roof warranty. The Rialta has a 2-year/24,000 mile warranty.

TOLL-FREE HOTLINE. Experienced service advisors respond to inquiries from prospective customers, answer questions pertaining to Winnebago Industries produced vehicles and work with the owners and dealership personnel to expedite repairs.

PREFERRED CARE. Every owner of a new Winnebago Industries motor home receives a free one-year membership in the Company's Preferred Care Program that provides 24-hour customer assistance and emergency road service including jump starts, fuel delivery, lockout assistance and tire changing.

TRIP SAVER. Winnebago Industries now offers a new parts program, making the Company's outstanding service and warranty programs even better. The "Trip Saver" program is designed to get customers back on the road quicker. Trip saver provides 24-hour air shipment of qualified in-stock parts during the new vehicle's warranty period.

COMPUTERIZED NETWORK. Winnebago Industries dealers have many other market advantages such as access to a computerized network for filing warranty claims and parts ordering, the most extensive service literature in the RV industry, hands-on sales and service training, microfiche parts catalog and parts shipping advantages.

EXCELLENCE IN QUALITY

The Company believes its employees are critical to the total quality process. Employee suggestions are solicited for improvements in the Company's products and processes that result in cost and time savings. Since the employee cost savings suggestion program was initiated six years ago, 1,850 ideas have been implemented, resulting in annual cost savings of more than \$3 million.

This cost savings program is designed to help the Company to control costs and thereby improve financial performance. It also helps us to build high quality products that represent the greatest value for the dollar to our customers.

"QUALITY IS A JOURNEY -- NOT A DESTINATION." Although we are extremely pleased with the results of our quality efforts, we will never be completely satisfied and will continue to look for ways to make our products better. The Company has now embarked on a higher level of quality, implementing more preventative measures in the production process, coupled with additional employee training.

LEADER IN TECHNOLOGY. The drive for excellence in quality has led the Company to become an industry leader in technology. The high level of technology at Winnebago Industries provides employees with the tools necessary to do their jobs better and to maximize quality and efficiency. The Company's investment in advanced technology is on-going to assure our customers of top-quality products in the future.

For example, a fixtureless sidewall frame process was implemented during fiscal 1997. This process allows us to utilize the pre-routed paths to place aluminum tubes that are then welded into the sidewall. The frame is actually welded in position within the sidewall during the assembly line process, not only improving the quality fit, but also eliminating the need for the complicated, high-maintenance weld fixture previously used.

The Company has completed the process of converting spray adhesive application equipment used in the production of motor home sidewalls to a new roll-coating process. In addition to an improvement in adhesive effectiveness, this effectively eliminated this area as a major volatile organic compound source. The change in process also enabled the Company to convert to a new polystyrene insulation material that can be reprocessed into plastic feedstock instead of being discarded in a local landfill. A densifier, that works much like a hay baler, now collects and processes all polystyrene scrap.

These new technologies translate into better quality due to improved accuracy, fit and finish; faster processes and an improved environment.

QUALITY AWARD. This quality emphasis has resulted in Winnebago Industries fully meeting Ford Motor Company's 1997 requirements for the Ford Motor Home and Transit Bus - Qualified Vehicle Modifier Program.

[LOGO] WINNEBAGO INDUSTRIES CIRCLE OF EXCELLENCE SINCE 1986

CUSTOMER SATISFACTION. The Company also made a strong commitment to customer satisfaction through the implementation of several programs such as a Customer Satisfaction Index (CSI) program. Our CSI program includes two separate customer surveys. One focuses on the sales and delivery process, while the second deals with service after the sale. This information helps us to identify quality issues and create solutions. CSI is also a critical segment of our "Circle of Excellence" dealer recognition program.

Winnebago Industries' management met recently with the Company's dealers in Las Vegas for a very successful national dealer meeting. The 1998 products were well received by dealers and since the meeting in August, motor home orders have remained well ahead when compared to the same period last year.

[PHOTO] WINNEBAGO BRAVE DL 31DQ

DEALER SATISFACTION. The Company's dealers also awarded Winnebago Industries their seal of approval with excellent results on the 1996 Dealer Satisfaction Index (DSI). Conducted by the Recreation Vehicle Dealers Association, the DSI ranking showed Winnebago Industries moved up to be ranked second overall among all RV manufacturers, trailing the leader by only 1.18 percentage points. Winnebago Industries' score shows an 11 percent increase in overall dealer satisfaction, to 80 percent and was the only manufacturer to have improvement in nearly every category. The Company ranked as the leader in aftermarket and sales support quality. Winnebago Industries aftermarket scores, which include service, training, parts, warranty, etc. showed a satisfaction rating of 85 percent, a full ten points higher than the next closest manufacturer. This reaffirms Winnebago Industries' core belief that taking care of the customer after the sale is key to growth in the industry.

NET REVENUES BY MAJOR PRODUCT CLASS

| (dollars in thousands) | Fiscal year ended (1) | | | | |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | August 30, 1997 | August 31, 1996 | August 26, 1995 | August 27, 1994 | August 28, 1993 |
| Motor homes (Class A & C) | \$381,191 87.0% | \$432,212 89.2% | \$402,435 87.5% | \$385,319 88.9% | \$326,861 89.4% |
| Other recreation vehicle revenues (2) | 19,771 4.5% | 17,166 3.5% | 19,513 4.2% | 21,903 5.1% | 17,655 4.8% |
| Other manufactured products revenues (3) | 35,750 8.2% | 34,020 7.0% | 36,961 8.0% | 25,184 5.8% | 20,344 5.6% |
| Total manufactured products revenues | 436,712 99.7% | 483,398 99.7% | 458,909 99.7% | 432,406 99.8% | 364,860 99.8% |
| Finance revenues (4) | 1,420 .3% | 1,406 .3% | 1,220 .3% | 831 .2% | 595 .2% |
| Total net revenues | \$438,132 100.0% | \$484,804 100.0% | \$460,129 100.0% | \$433,237 100.0% | \$365,455 100.0% |

(1) The fiscal year ended August 31, 1996 contained 53 weeks; all other fiscal years in the table contained 52 weeks. All years are appropriately restated to exclude the Company's discontinued Cycle-Sat subsidiary's revenues from satellite courier and tape duplication services and discontinued NIE subsidiary's revenues from contract assembly of a variety of electronic products.

(2) Primarily EuroVan Campers, recreation vehicle related parts, recreation vehicle service revenue and van conversions.

(3) Primarily sales of extruded aluminum, commercial vehicles and component products for other manufacturers.

(4) WAC revenues from dealer financing.

INTERIM FINANCIAL INFORMATION (UNAUDITED)

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

| FISCAL 1997 | November 30, 1996 | Quarter ended March 1, 1997 | Quarter ended May 31, 1997 | Quarter ended August 30, 1997 |
|--|-------------------|--------------------------------|-------------------------------|----------------------------------|
| Net revenues from continuing operations | \$113,892 | \$105,702 | \$117,226 | \$101,312 |
| Operating income (loss) from continuing operations | 3,856 | (3,330) | 5,514 | (892) |
| Income (loss) from continuing operations | 2,706 | (3,674) | 3,720 | 3,824 |
| Net income (loss) | 19,178 | (3,674) | 3,720 | 3,824 |
| Income (loss) per common share: | | | | |
| Continuing operations | .11 | (.15) | .15 | .15 |
| Discontinued operations | .65 | -- | -- | -- |
| Net income (loss) | .76 | (.15) | .15 | .15 |

| FISCAL 1996 | December 2, 1995 | Quarter ended March 2, 1996 | Quarter ended June 1, 1996 | Quarter ended August 31, 1996 |
|---|------------------|--------------------------------|-------------------------------|----------------------------------|
| Net revenues from continuing operations | \$113,735 | \$106,161 | \$144,363 | \$120,545 |
| Operating income from continuing operations | 3,967 | 2,873 | 7,445 | 6,424 |
| Income from continuing operations | 2,672 | 2,198 | 5,394 | 4,160 |
| Net income | 2,990 | 2,238 | 5,411 | 1,746 |
| Income (loss) per common share: | | | | |
| Continuing operations | .11 | .09 | .21 | .16 |
| Discontinued operations | .01 | -- | -- | (.09) |
| Net income | .12 | .09 | .21 | .07 |

The Company recorded a net gain on the sale of the Cycle-Sat subsidiary of \$16,472,000 during the first quarter of fiscal 1997. The Company recorded a tax credit of approximately \$3,700,000 during the fourth quarter of fiscal 1997 due to the closing of WIE.

The information presented in this annual report differs from that in certain of the filed 10-Q's, for fiscal 1996, due to required restatements to reflect the Company's Cycle-Sat and electronic component assembly segments as discontinued operations.

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

GENERAL

The primary use of recreation vehicles (RVs) for leisure travel and outdoor recreation has historically led to a peak retail selling season concentrated in the spring and summer months. The Company's sales of RVs are generally influenced by this pattern in retail sales, but can also be affected by the level of dealer inventory. The Company has generally manufactured RVs during the entire year, both for immediate delivery and for inventory to satisfy the peak selling season.

RESULTS OF OPERATIONS
FISCAL 1997 COMPARED TO FISCAL 1996

Net revenues for manufactured products were \$436,712,000 for fiscal 1997, a decrease of \$46,686,000, or 9.7 percent, from fiscal 1996. Motor home shipments (Class A and C) during fiscal 1997 were 7,558 units, a decrease of 1,192 units, or 13.6 percent, compared to fiscal 1996. Fiscal 1997 revenues for manufactured products were negatively impacted by the performance of the Company's Class A motor home products in the marketplace. The Company's Class A motor home product shipments decreased by 18.0 percent during fiscal 1997 when compared to fiscal 1996 whereas the Recreation Vehicle Industry Association (RVIA) factory shipment numbers for the comparable period showed an increase of 8.2 percent. The Company, recognizing its weakness in the Class A market, has concentrated on intensive product development and will bring to the market the most extensive new product lineup in its history. Over one half of the Company's 1998 products feature new or significantly redesigned models, with the most revolutionary new product offerings being in the Class A motor home series. Management believes that long-term prospects remain bright as the Company continues to develop products to meet the increasing demands of the "baby boom" market segment.

Early indications are that the Company's 1998 products are being received well in the marketplace and the initial orders through October 1997, for the Company's 1998 products are currently running ahead of orders received for the same period last year.

Cost of manufactured products, as a percent of manufactured product revenues, was 88.3 percent for fiscal 1997 compared to 86.3 percent for fiscal 1996. This increase can be attributed primarily to reduced sales volume in Class A motor homes and an increase in sales discounts offered during fiscal 1997.

Selling and delivery expenses increased by \$1,841,000 to \$27,131,000 comparing fiscal 1997 to fiscal 1996 and increased as a percentage of net revenues to 6.2 percent from 5.2 percent. The increase in dollars and percentage were due to increases in product promotional expenses.

General and administrative expenses decreased by \$1,261,000 to \$20,313,000 comparing fiscal 1997 to fiscal 1996 but increased in fiscal 1997, as a percentage of net revenues, to 4.6 percent from 4.5 percent in fiscal 1996. The decrease in dollars was caused primarily by a decrease in the Company's product liability costs and by a reduction in the Company's overall compensation and bonus expenses during fiscal 1997. The increase in percentage was attributed primarily to the reduced sales volume.

For fiscal 1997, the Company had net financial income of \$1,844,000, due to investment income from higher cash balances maintained by the Company, a result of the Cycle-Sat sale, compared to net financial income of \$354,000 during fiscal 1996. During fiscal 1997, the Company recorded \$2,258,000 of net interest and dividend income, \$137,000 of realized and unrealized gains in its trading securities portfolio, and losses of \$551,000 in foreign currency transactions, relating to transactions by the Company with Winnebago Industries

Europe, GmbH (WIE) and by WIE with dealers located in foreign countries other than Germany. During fiscal 1996, the Company recorded \$930,000 of net interest and dividend income, \$350,000 of realized and unrealized losses in its trading securities portfolio, and losses of \$226,000 in foreign currency transactions, relating to the Company's investment in European operations caused by the weakening of the U.S. dollar against European currencies.

For fiscal 1997, the Company had income from continuing operations before taxes of \$6,992,000 compared to \$21,063,000 for fiscal 1996. The tax loss from the closing and sale of the Company's European subsidiary, WIE, resulted in a tax credit of approximately \$3,700,000. The tax credit reduced the effective tax rate on continuing operations to 5.9 percent for the year.

During fiscal 1997, the Company completed the sale of its 80% owned subsidiary, Cycle-Sat, Inc., for approximately \$57,000,000 which resulted in an after-tax gain of \$16,472,000 or \$.65 per common share (See Note 2 to the Company's 1997 Consolidated Financial Statements).

For fiscal 1997, the Company had net income of \$23,048,000, or \$.91 per share, compared to fiscal 1996's net income of \$12,385,000, or \$.49 per share.

FISCAL 1996 COMPARED TO FISCAL 1995

Net revenues for manufactured products were \$483,398,000 for fiscal 1996, an increase of \$24,489,000, or 5.3 percent, from fiscal 1995. Motor home shipments (Class A and C) during fiscal 1996 were 8,750 units, a decrease of 96 units, or 1.1 percent, compared to fiscal 1995. Even though fiscal 1996 unit sales were down, fiscal 1996 showed an increase in revenues, when compared to fiscal 1995, due to a product mix change more heavily weighed to more expensive units with a slideout feature.

Finance revenues were \$1,406,000 for fiscal 1996 an increase of \$186,000, or 15.2 percent from fiscal 1995. The increase can be attributed to an increase in the average dealer receivable balances during fiscal 1996 when compared to fiscal 1995.

Cost of manufactured products, as a percent of manufactured product revenues, was 86.3 percent for fiscal 1996 compared to 86.7 percent for fiscal 1995. This decrease can be attributed primarily to the shift in product mix to higher margin slideout units, offset partially by a decrease in motor home production volume.

Selling and delivery expenses were fairly stable in fiscal 1996 as compared to fiscal 1995 but decreased in fiscal 1996, as a percentage of net revenues, to 5.2 percent from 5.5 percent in fiscal 1995, primarily due to increased 1996 revenue.

General and administrative expenses increased by \$2,623,000 to \$21,574,000 comparing fiscal 1996 to fiscal 1995 and increased as a percentage of net revenues to 4.5 percent from 4.1 percent. The increase in dollars was caused primarily by increases in the Company's employee bonus programs and an increase in provisions for legal expenses.

For fiscal 1996, the Company had net financial income of \$354,000 compared to net financial income of \$2,114,000 during fiscal 1995. During fiscal 1996, the Company recorded \$930,000 of net interest and dividend income, \$350,000 of realized and unrealized losses in its trading securities portfolio, and losses of \$226,000 in foreign currency transactions, relating to the Company's investment in European operations caused by the weakening of the U.S. dollar against European currencies. During fiscal 1995, the Company recorded \$1,213,000 of foreign currency transaction gains, \$559,000 of net interest and dividend income and \$342,000 of realized and unrealized gains in its trading securities portfolio.

For fiscal 1996, the Company had income from continuing operations before taxes of \$21,063,000 compared to \$20,006,000 for fiscal 1995. During fiscal 1995, the Company recorded a credit for income taxes of \$7,912,000, the result of reductions of the Company's deferred tax asset valuation allowance.

During fiscal 1996, the Company reported losses from discontinued operations of \$2,039,000 which related to discontinued operations of the Cycle-Sat subsidiary and to a

loss on the disposal of the electronic component assembly segment. During fiscal 1995, the Company reported a loss in discontinued operations related to the Cycle-Sat subsidiary of \$162,000.

For fiscal 1996, the Company had net income of \$12,385,000, or \$.49 per share, compared to fiscal 1995's net income of \$27,756,000, or \$1.10 per share.

ANALYSIS OF FINANCIAL CONDITION, LIQUIDITY AND RESOURCES

The Company meets its working capital, capital equipment requirements and cash requirements of subsidiaries with funds generated internally and funds from agreements with financial institutions.

At August 30, 1997, working capital was \$99,935,000, an increase of \$37,780,000 from the amount at August 31, 1996. Cash provided by operations was \$5,215,000, \$17,258,000 and \$25,404,000 during fiscal years ended August 30, 1997, August 31, 1996 and August 26, 1995, respectively. Operating cash flows were lower in fiscal 1997, due primarily to a decrease in net income for the fiscal year. Cash flows provided by investing activities was \$46,678,000 in fiscal 1997 compared to cash used by investing activities of \$14,950,000 in fiscal 1996 and \$15,031,000 in fiscal 1995. Cash provided by investing activities for fiscal 1997 was up significantly due to the proceeds the Company received from the sale of the Cycle-Sat subsidiary. Cash flows used by investing activities primarily include investments in dealer receivable, long-term notes receivable and capital expenditures. Capital expenditures were \$4,438,000 in fiscal 1997, \$10,463,000 in fiscal 1996 and \$9,348,000 in fiscal 1995. Net cash used by financing activities was \$20,560,000 in fiscal 1997, \$10,019,000 in fiscal 1996 and \$2,712,000 in fiscal 1995. The change in cash used by financing activities was due primarily to the payment of long-term debt of the Cycle-Sat subsidiary during fiscal 1997. (See Consolidated Statements of Cash Flows.)

The Company's sources of liquidity consisted principally of cash and cash equivalents in the amount of \$32,130,000 at August 30, 1997 compared to cash and marketable securities of \$5,113,000 at August 31, 1996.

The Company also has available a line of credit for \$30,000,000, (or 75 percent of eligible inventory, whichever is less) through a financing and security agreement with NationsCredit Corporation. There were no outstanding borrowings under the line of credit at August 30, 1997. (See Note 7 to the Company's 1997 Consolidated Financial Statements.)

Principal expected demands at August 30, 1997 on the Company's liquid assets for fiscal 1998 include approximately \$4,250,000 of capital expenditures (primarily equipment replacements) and payments of cash dividends.

Management currently expects its cash on hand, funds from operations and borrowings available under existing credit facilities to be sufficient to cover both short-term and long-term operating requirements.

ACCOUNTING CHANGES

Impairment of Long-Lived Assets

Statement of Financial Accounting Standards ("SFAS") No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" was issued in March 1995 and was adopted by the Company in fiscal 1997. The impact on the Company of adopting this statement was immaterial.

Earnings per Share

SFAS No. 128, "Earnings per Share," was issued in February 1997 and will be adopted by the Company in the second quarter of fiscal 1998. The adoption of SFAS No. 128 is not expected to have a significant impact on the calculation of earnings per share.

Comprehensive Income

SFAS No 130, "Reporting Comprehensive Income" was issued in June 1997 and must be adopted by the Company no later than fiscal 1999. The statement requires companies to disclose comprehensive income and its components in their general purpose financial statements.

Segment Disclosures

SFAS No. 131, "Disclosures about Segments of and Enterprise and Related Information" was issued in June 1997 and must be adopted by the Company no later than fiscal 1999. The statement establishes standards which redefine how operating segments are determined and requires public companies to report financial and descriptive information about reportable operating segments.

The Company has not completed the process of evaluating the effect of SFAS No. 130, "Reporting Comprehensive Income" and SFAS No. 131 "Disclosures about Segments of and Enterprise and Related Information" but does not believe the new accounting pronouncements will significantly affect the Company's financial condition or operating results.

FORWARD LOOKING INFORMATION

Except for the historical information contained herein, certain of the matters discussed in this report are "forward looking statements" as defined in the Private Securities Litigation Reform Act of 1995, which involve risks and uncertainties, including, but not limited to demand from customers, effects of competition, the general state of the economy, interest rates, consumer confidence, changes in the product or customer mix or revenues and in the level of operating expenses and other factors which may be disclosed throughout this Annual Report. Any forecasts and projections in this report are "forward looking statements," and are based on management's current expectations of the Company's near-term results, based on current information available pertaining to the Company, including the aforementioned risk factors. Actual results could differ materially.

IMPACT OF INFLATION

Historically, the impact of inflation on the Company's operations has not been significantly detrimental, as the Company has usually been able to adjust its prices to reflect the inflationary impact on the cost of manufacturing its products.

CONSOLIDATED BALANCE SHEETS

(dollars in thousands)

August 30, 1997

August 31, 1996

ASSETS

CURRENT ASSETS

| | | |
|---|-----------|---------|
| Cash and cash equivalents | \$ 32,130 | \$ 797 |
| Marketable securities | -- | 4,316 |
| Receivables, less allowance for doubtful accounts (\$1,429 and \$702 respectively) | 31,322 | 30,029 |
| Dealer financing receivables, less allowance for doubtful accounts (\$155 and \$197, respectively) | 13,336 | 11,491 |
| Inventories | 53,584 | 63,103 |
| Prepaid expenses | 5,872 | 3,253 |
| Deferred income taxes | 4,917 | 6,343 |
| Current assets of discontinued operations | -- | 7,285 |
| Total current assets | 141,161 | 126,617 |

PROPERTY AND EQUIPMENT, at cost

| | | |
|-----------------------------------|---------|---------|
| Land | 1,167 | 1,501 |
| Buildings | 42,455 | 43,952 |
| Machinery and equipment | 66,142 | 67,456 |
| Transportation equipment | 5,004 | 7,878 |
| | 114,768 | 120,787 |
| Less accumulated depreciation | 81,175 | 80,858 |
| Total property and equipment, net | 33,593 | 39,929 |

LONG-TERM NOTES RECEIVABLE, less allowances
(\$1,465 and \$797, respectively)

5,692 3,918

INVESTMENT IN LIFE INSURANCE

17,641 16,821

DEFERRED INCOME TAXES, NET

14,900 14,548

OTHER ASSETS

488 3,906

LONG-TERM ASSETS OF DISCONTINUED OPERATIONS

-- 14,857

TOTAL ASSETS

\$213,475 \$220,596

See notes to consolidated financial statements.

(dollars in thousands)

August 30, 1997

August 31, 1996

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

| | | |
|---|--------|----------|
| Current maturities of long-term debt | \$ 695 | \$ 1,866 |
| Accounts payable, trade | 20,471 | 20,232 |
| Current liabilities of discontinued operations | -- | 17,532 |
| Provision for loss on disposal of electronic component assembly segment | -- | 4,074 |

Accrued expenses:

| | | |
|--------------------|-------|-------|
| Insurance | 2,687 | 2,947 |
| Product warranties | 3,329 | 3,489 |
| Vacation liability | 3,012 | 3,116 |
| Promotional | 2,508 | 2,193 |
| Other | 8,524 | 9,013 |

Total current liabilities

41,226 64,462

LONG-TERM DEBT

-- 1,692

POSTRETIREMENT HEALTH CARE AND DEFERRED COMPENSATION BENEFITS

48,367 46,937

MINORITY INTEREST IN DISCONTINUED OPERATIONS

-- 2,194

CONTINGENT LIABILITIES AND COMMITMENTS

STOCKHOLDERS' EQUITY

Capital stock common, par value \$.50; authorized

60,000,000 shares

12,927 12,920

Additional paid-in capital

23,109 23,723

Reinvested earnings

92,179 74,221

128,215 110,864

Less treasury stock, at cost

4,333 5,553

TOTAL STOCKHOLDERS' EQUITY

123,882 105,311

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY

\$213,475 \$220,596

CONSOLIDATED STATEMENTS OF OPERATIONS

| (dollars in thousands, except per share data) | August 30, 1997 | Year Ended August 31, 1996 | August 26, 1995 |
|--|--------------------|----------------------------------|--------------------|
| <hr/> | | | |
| Continuing Operations | | | |
| Revenues | | | |
| Manufactured products | \$436,712 | \$483,398 | \$458,909 |
| Finance | 1,420 | 1,406 | 1,220 |
| Total net revenues | 438,132 | 484,804 | 460,129 |
| <hr/> | | | |
| Costs and expenses | | | |
| Cost of manufactured products | 385,540 | 417,231 | 397,870 |
| Selling and delivery | 27,131 | 25,290 | 25,416 |
| General and administrative | 20,313 | 21,574 | 18,951 |
| Total costs and expenses | 432,984 | 464,095 | 442,237 |
| <hr/> | | | |
| Operating income | 5,148 | 20,709 | 17,892 |
| Financial income | 1,844 | 354 | 2,114 |
| <hr/> | | | |
| Income from continuing operations before income taxes | 6,992 | 21,063 | 20,006 |
| Provision (credit) for taxes | 416 | 6,639 | (7,912) |
| <hr/> | | | |
| Income from continuing operations | 6,576 | 14,424 | 27,918 |
| Discontinued operations | | | |
| Income (loss) from operations of discontinued Cycle-Sat subsidiary (less applicable income tax provisions and (credits) of \$261, and (\$88), respectively) | -- | 593 | (162) |
| Gain on sale of Cycle-Sat subsidiary (less applicable income tax provision of \$13,339) | 16,472 | -- | -- |
| Loss from the disposal of discontinued operations (less applicable income tax credits of \$1,157) | -- | (2,632) | -- |
| <hr/> | | | |
| Net income | \$23,048 | \$12,385 | \$ 27,756 |
| <hr/> | | | |
| Income (loss) per share: | | | |
| Income from continuing operations | \$.26 | \$.57 | \$ 1.11 |
| Discontinued operations | .65 | (.08) | (.01) |
| <hr/> | | | |
| Net income | \$.91 | \$.49 | \$ 1.10 |
| <hr/> | | | |
| Weighted average number of shares of stock (in thousands) | 25,435 | 25,349 | 25,286 |

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

| (dollars in thousands) | August 30, 1997 | Year Ended August 31, 1996 | August 26, 1995 |
|--|--------------------|----------------------------------|--------------------|
| <hr/> | | | |
| Cash flows from operating activities: | | | |
| Net income | \$ 23,048 | \$12,385 | \$27,756 |
| Adjustments to reconcile net income to net cash from operating activities: | | | |
| Pre-tax gain on sale of Cycle-Sat subsidiary | (29,811) | -- | -- |
| Depreciation and amortization | 6,468 | 9,700 | 8,863 |
| Loss on disposal of property, leases and other assets | 577 | 503 | 959 |
| Provision (credit) for doubtful receivables | 1,238 | (637) | 202 |
| Realized and unrealized (gains) and losses on trading securities, net | (137) | 350 | (342) |
| Purchases of trading securities | -- | (10,789) | (4,373) |
| Proceeds from sale of trading securities | 4,453 | 8,267 | 5,872 |
| Provision for loss on disposal of electronic component assembly segment | (4,074) | 4,074 | -- |
| Change in assets and liabilities: | | | |
| (Increase) decrease in receivables and other assets | (4,027) | 1,462 | (166) |
| Decrease (increase) in inventories | 9,519 | (10,023) | 2,289 |
| (Decrease) increase in accounts payable and accrued expenses | (2,349) | 459 | (3,541) |
| Increase (decrease) in deferred income taxes | 1,074 | (560) | (14,030) |
| Increase in postretirement benefits | 1,430 | 1,845 | 1,832 |
| Other | (2,194) | 222 | 83 |
| Net cash provided by operating activities | 5,215 | 17,258 | 25,404 |
| <hr/> | | | |
| Cash flows from investing activities: | | | |
| Proceeds from sale of Cycle-Sat subsidiary | 57,000 | -- | -- |
| Payments to minority shareholder from sale of Cycle-Sat | (7,160) | -- | -- |
| Purchases of property and equipment | (4,438) | (10,463) | (9,348) |
| Proceeds from sale of property and equipment | 4,498 | 591 | 499 |
| Investments in dealer receivables | (38,228) | (41,003) | (35,899) |
| Collections of dealer receivables | 36,543 | 38,915 | 35,072 |
| Investments in long-term notes receivable and other assets | (4,131) | (3,883) | (3,077) |
| Proceeds from long-term notes receivable and other assets | 2,889 | 893 | 2,656 |
| Cash paid for acquisition of TFI | -- | -- | (4,934) |
| Other | (295) | -- | -- |
| Net cash provided (used) by investing activities | 46,678 | (14,950) | (15,031) |
| <hr/> | | | |
| Cash flows from financing activities and capital transactions: | | | |
| Payment of long-term debt of discontinued operations | (13,220) | -- | -- |
| Net proceeds from notes payable | -- | 215 | 1,700 |
| Payments of cash dividends | (5,090) | (7,604) | (7,586) |
| Payments of long-term debt and capital leases | (2,863) | (4,596) | (2,494) |
| Proceeds from issuance of long-term debt | -- | 1,884 | 5,100 |
| Proceeds from issuance of common and treasury stock | 613 | 82 | 568 |
| Net cash used by financing activities and capital transactions | (20,560) | (10,019) | (2,712) |
| <hr/> | | | |
| Net increase (decrease) in cash and cash equivalents | 31,333 | (7,711) | 7,661 |
| Cash and cash equivalents at beginning of year | 797 | 8,508 | 847 |
| <hr/> | | | |
| Cash and cash equivalents at end of year | \$32,130 | \$ 797 | \$ 8,508 |
| <hr/> | | | |

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF
CHANGES IN STOCKHOLDERS' EQUITY

| (amounts in thousands except per share data) | Common Shares | | Additional Paid-In Capital | Reinvested Earnings | Treasury Stock | |
|--|---------------|----------|----------------------------------|------------------------|----------------|---------|
| | Number | Amount | | | Number | Amount |
| Balance, August 27, 1994 | 25,822 | \$12,911 | \$24,175 | \$49,270 | 583 | \$6,646 |
| Proceeds from the sale of common stock to employees | 7 | 4 | (517) | -- | (95) | (1,081) |
| Cash dividends on common stock - \$.30 per share | -- | -- | -- | (7,586) | -- | -- |
| Net income | -- | -- | -- | 27,756 | -- | -- |
| Balance, August 26, 1995 | 25,829 | 12,915 | 23,658 | 69,440 | 488 | 5,565 |
| Proceeds from the sale of common stock to employees | 11 | 5 | 65 | -- | (1) | (12) |
| Cash dividends on common stock - \$.30 per share | -- | -- | -- | (7,604) | -- | -- |
| Net income | -- | -- | -- | 12,385 | -- | -- |
| Balance, August 31, 1996 | 25,840 | 12,920 | 23,723 | 74,221 | 487 | 5,553 |
| Proceeds from the sale of common stock to employees | 14 | 7 | (614) | -- | (107) | (1,220) |
| Cash dividends on common stock - \$.20 per share | -- | -- | -- | (5,090) | -- | -- |
| Net income | -- | -- | -- | 23,048 | -- | -- |
| Balance, August 30, 1997 | 25,854 | \$12,927 | \$23,109 | \$92,179 | 380 | \$4,333 |

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

In fiscal 1997, the Company's continuing operations were conducted predominantly in two industry segments: the manufacture and sale of recreation vehicles and other manufactured products, and floor plan financing for selected Winnebago, Itasca, Vectra, Rialta and Luxor dealers. The recreation vehicle market is highly competitive, both as to price and quality of the product. The Company believes its principal marketing advantages are the quality of its products, its dealer organization, its warranty and service capability and its marketing techniques. The Company also believes that its prices are competitive with the competitors' units of comparable size and quality.

PRINCIPLES OF CONSOLIDATION. The consolidated financial statements include the parent company and subsidiary companies. All material intercompany balances and transactions with subsidiaries have been eliminated.

For all fiscal years presented, the Consolidated Financial Statements reflect the Company's Cycle-Sat and electronic component assembly segments as discontinued operations.

STATEMENT OF CASH FLOWS. For purposes of these statements, cash equivalents primarily consisted of commercial paper, tax exempt money market preferreds and variable rate auction preferred stock with an original maturity of three months or less. For cash equivalents, the carrying amount is a reasonable estimate of fair value.

FISCAL PERIOD. The Company follows a 52/53 week fiscal year period. The financial statements for fiscal 1997 and 1995 are based on a 52 week period, fiscal 1996 is on a 53 week basis.

MARKETABLE SECURITIES

At August 31, 1996, marketable securities were primarily comprised of common stocks and mutual funds. These investments are categorized as trading and, in accordance with SFAS No. 115, are stated at fair value based on quoted market prices. Unrealized gains and losses are included in earnings as a component of financial income and expense. Net realized gains and losses on security transactions are determined on the specific identification basis.

REVENUE RECOGNITION. Sales are recorded by the Company when products are shipped to independent dealers. Interest income from dealer floor plan receivables are recorded on the accrual basis in accordance with the terms of the loan agreements.

INVENTORIES. Inventories are valued at the lower of cost or market, with cost being determined by using the last-in, first-out (LIFO) method and market defined as net realizable value.

PROPERTY AND EQUIPMENT. Depreciation of property and equipment is computed using the straight-line method on the cost of the assets, less allowance for salvage value where appropriate, at rates based upon their estimated service lives. Accelerated depreciation methods are used for tax purposes whenever permitted.

Management periodically reviews the carrying values of long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. In performing the review for recoverability, management estimates the undiscounted future cash flows expected to result from the use of the asset and its eventual disposition.

PROVISION FOR WARRANTY CLAIMS. Estimated warranty costs are provided at the time of sale of the warranted products.

INCOME TAXES. The Company accounts for income taxes under SFAS No. 109, "Accounting for Income Taxes". This Statement requires recognition of deferred assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial statement

and tax basis of assets and liabilities using enacted tax rates in effect for the years in which the differences are expected to reverse.

ALLOWANCE FOR DOUBTFUL ACCOUNTS. Allowance for doubtful accounts are based on previous loss experience. Additional amounts are provided through charges to income as management believes necessary after evaluation of receivables and current economic conditions. Amounts which are considered to be uncollectible are charged off and recoveries of amounts previously charged off are credited to the allowance upon recovery.

FAIR VALUE DISCLOSURES OF FINANCIAL INSTRUMENTS. Marketable securities are carried at fair value. All other financial instruments are carried at amounts believed to approximate fair value.

USE OF ESTIMATES. The preparation of financial statements in conformity with generally accepted accounting principles 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.

RECLASSIFICATIONS. Certain prior year information has been reclassified to conform to the current year presentation.

NOTE 2: DISCONTINUED OPERATIONS - SALE OF CYCLE-SAT SUBSIDIARY

The Company owned an 80% interest in Cycle-Sat, Inc. (Cycle-Sat), a telecommunications service firm that was a leading distributor of television and radio commercials using satellite, fiber optic and digital technologies. On August 5, 1996 (the measurement date), the Company adopted a formal plan to sell its Cycle-Sat subsidiary. Accordingly, Cycle-Sat is accounted for as a discontinued operation in the accompanying consolidated financial statements.

Cycle-Sat revenues were \$30,327,000 and \$24,628,000 for the fiscal years ended 1996 and 1995, respectively. The net assets of Cycle-Sat included in the accompanying consolidated balance sheet as of August 31, 1996 consisted of the following:

| (dollars in thousands) | Aug. 31, 1996 |
|--|------------------|
| ----- | ----- |
| Receivables | \$ 5,707 |
| Other current assets | 1,578 |
| ----- | ----- |
| Current assets of discontinued operations | \$ 7,285 |
| ----- | ----- |
| Property and equipment | \$ 4,858 |
| Intangible and other assets | 9,999 |
| ----- | ----- |
| Long-term assets of discontinued operations | \$14,857 |
| ----- | ----- |
| Current maturities of long-term debt | \$10,134 |
| Notes payable | 4,215 |
| Accounts payable and other current liabilities | 3,183 |
| ----- | ----- |
| Current liabilities of discontinued operations | \$17,532 |
| ----- | ----- |
| Minority interest in discontinued operations | \$ 2,194 |
| ----- | ----- |

On November 19, 1996, the Company sold all of the assets of its Cycle-Sat, Inc. subsidiary to Vyvx, Inc., a subsidiary of The Williams Companies, Inc., Tulsa, Oklahoma for approximately \$57 million. Vyvx, Inc., is a leading provider of integrated satellite and fiberoptic video transmission services. The transaction resulted in an after-tax gain of \$16.5 million or \$.65 per common share.

NOTE 3: DISCONTINUED OPERATIONS - DISPOSAL OF ELECTRONIC COMPONENT ASSEMBLY SEGMENT

In August 1993, the Company agreed to sell certain assets and liabilities of its electronic component assembly business, North Iowa Electronics, Inc. (NIE) to an unaffiliated third party (the buyer) for \$100,000 in cash and a \$1.6 million promissory note. The transaction was accounted for as a transfer of net assets with recognition of the gain (\$285,000) deferred due to uncertainty surrounding the buyer's ability to generate sufficient cash flows to retire the note.

During fiscal 1995, the Company guaranteed certain debt obligations of the buyer totaling \$4,500,000. The buyer experienced significant financial difficulties and the Company decided, during fiscal 1996, to make no

further financial accommodations and to exit ongoing involvement with this business.

In the fourth quarter of fiscal 1996, the Company provided \$4,074,000 for the anticipated loss related to the net cost of resolution of this matter. Cash in an amount approximating the amount provided was paid related to the guarantee to fully resolve this matter during fiscal 1997.

NOTE 4: DEALER FINANCING RECEIVABLES

Dealer floor plan receivables are collateralized by recreation vehicles and are due upon the dealer's sale of the vehicle, with the entire balance generally due at the end of one year. At August 30, 1997, the Company had certain concentration of credit risks whereby \$12,094,000 of dealer financing receivables were due from one dealer.

NOTE 5: INVENTORIES

Inventories consist of the following:

| (dollars in thousands) | Aug. 30, 1997 | Aug. 31, 1996 |
|------------------------|------------------|------------------|
| ----- | ----- | ----- |
| Finished goods | \$ 27,577 | \$ 28,228 |
| Work in process | 13,842 | 13,915 |
| Raw materials | 29,907 | 37,537 |
| | ----- | ----- |
| | 71,326 | 79,680 |
| LIFO reserve | 17,742 | 16,577 |
| | ----- | ----- |
| | \$ 53,584 | \$ 63,103 |

The above value of inventories, before reduction for the LIFO reserve, approximates replacement cost at the respective dates.

NOTE 6: LONG-TERM NOTES RECEIVABLE

Long-term notes receivable of \$5,692,000 and \$3,918,000 at August 30, 1997 and August 31, 1996, respectively, are primarily collateralized by dealer inventories and real estate. The notes had weighted average interest rates of 8.7 percent per annum and 8.5 percent per annum at August 30, 1997 and August 31, 1996, respectively, and have various maturity dates ranging through August 2002.

NOTE 7: NOTES PAYABLE

Short-term lines of credit and related borrowings outstanding at fiscal year-end are as follows:

| (dollars in thousands) | Available Credit Lines | | Outstanding | | Interest Rate | |
|-------------------------|---------------------------|------------------|------------------|------------------|------------------|------------------|
| | Aug. 30, 1997 | Aug. 31, 1996 | Aug. 30, 1997 | Aug. 31, 1996 | Aug. 30, 1997 | Aug. 31, 1996 |
| | Notes payable: | | | | | |
| Continuing operations | \$30,000 | \$30,000 | \$ -- | \$ -- | 9.0% | 8.75% |
| Discontinued operations | -- | 4,215 | -- | 4,215 | -- | 7.2% |

| (dollars in thousands) | Maximum Outstanding | | | Average Outstanding | | | Weighted Average Interest Rate During Year* | | |
|-------------------------|------------------------|-------|----------|------------------------|-------|-------|--|------|------|
| | 1997 | 1996 | 1995 | 1997 | 1996 | 1995 | 1997 | 1996 | 1995 |
| | Notes payable: | | | | | | | | |
| Continuing operations | \$ -- | \$ -- | \$ 2,000 | \$ -- | \$ -- | \$ 58 | \$ -- | -- | 9.6% |
| Discontinued operations | -- | 4,500 | 4,000 | -- | 4,274 | 2,711 | -- | 7.4% | 8.5% |

*Based on the approximate average aggregate amount outstanding during the year and the interest rate.

Since March 1992, the Company has had a financing and security agreement with Nations Credit Corporation (NationsCredit). Terms of the agreement limit borrowings to the lesser of \$30,000,000 or 75 percent of eligible inventory (fully manufactured recreation vehicles and motor home chassis and related components). Borrowings are secured by the Company's receivables and inventory. Borrowings under the agreement bear interest at the prime rate, as defined in the agreement, plus 50 basis points. The line of credit is available and continues for successive one-year periods unless either party provides at least 90-days' notice prior to the end of the one-year period to the other party that they wish to terminate the line of credit. The agreement also contains certain restrictive covenants including maintenance of minimum net worth, working capital and current ratio. As of August 30, 1997, the Company was in compliance with these covenants. There were no outstanding borrowings under the line of credit during 1997 or 1996.

NOTE 8: LONG-TERM DEBT

| (dollars in thousands) | Outstanding August 30, 1997 | | | Outstanding August 31, 1996 | | |
|--|-----------------------------|-----------|---------------|-----------------------------|-----------|---------------|
| | Current Maturities | Long Term | Interest Rate | Current Maturities | Long Term | Interest Rate |
| Long-term borrowings, continuing operations | \$ 695 | -- | 7.5% | \$ 1,866 | \$ 1,692 | 5.5-7.95% |
| Long-term obligations, discontinued operations | -- | -- | -- | 10,134 | -- | 8.0-15.15% |

During fiscal 1994, the Company and Winnebago RV, Inc. entered into a \$2,001,000 financing agreement with 1st Source Bank for the purchase of a 1990 King Air 350 airplane. Terms of the agreement called for 35 monthly installment payments beginning August 28, 1994, and a 36th payment to pay off the remaining principal and interest balance under the agreement. Borrowing under the agreement was secured by the airplane. The amount outstanding under the agreement was paid in full during the first quarter of fiscal 1997. The outstanding balance under this agreement at August 31, 1996 was \$1,709,000, with an interest rate of 7.95 percent per annum.

During fiscal year 1993, the Company and Winnebago Industries Europe, GmbH (WIE), a wholly owned subsidiary of the Company, entered into a financing arrangement with Volksbank Saarbrücken-St. Ingebert eG to finance the acquisition and renovation of a new facility in Kirkel, Saarland, Germany. The financing arrangement included four loans with interest rates ranging from 5.5 percent to 8.75 percent per annum. As of August 30, 1997 only one of the loans was outstanding which had an interest rate of 7.5 percent per annum. Borrowings under this agreement at August 30, 1997 were \$695,000. The loan was guaranteed by the Company and was secured by real estate and improvements to the new facility. The Company sold the facility in August 1997. Subsequent to fiscal 1997 year end, the Company paid all amounts outstanding under this agreement.

In fiscal 1995, Cycle-Sat entered into a series of long-term borrowings aggregating \$10,025,000 to finance the acquisition of a majority of the assets of the TFI division of MPO Videotronics. The interest rates on these borrowings ranged from 8.0 percent per annum to 8.2 percent per annum as of August 31, 1996. The outstanding balance of these obligations as of August 31, 1996 aggregated \$8,893,000. The Company repaid these obligations during fiscal 1997 in conjunction with the sale of Cycle-Sat discussed in Note 2.

NOTE 9: EMPLOYEE RETIREMENT PLANS

The Company has a qualified profit sharing and contributory 401(k) plan and a stock bonus retirement plan for eligible employees. The plans provide for contributions by the Company in such amounts as the Board of Directors may determine. Contributions to the plans in cash for fiscal years 1997, 1996 and 1995 were \$1,933,000, \$2,099,000, and \$2,106,000, respectively.

The Company also has a nonqualified deferred compensation program which permits key employees to annually elect (via individual contracts) to defer a portion of their compensation until their retirement. The retirement benefit to be provided is fixed based upon the amount of compensation deferred and the age of the individual at the time of the contracted deferral. An individual generally vests at the later of age 55 and five years of service since the deferral was made. For deferrals prior to December 1992, vesting occurs at the later of age 55 and five years of service from first deferral or 20 years of service. Deferred compensation expense was \$1,558,000, \$1,556,000, and \$1,629,000 in fiscal 1997, 1996 and 1995, respectively. Total deferred compensation liabilities were \$21,164,000, and \$21,025,000 at August 30, 1997 and August 31, 1996, respectively.

To assist in funding the deferred compensation liability, the Company has invested in corporate-owned life insurance policies. The cash surrender value of these policies (net of borrowings of \$10,335,000 and

\$10,499,000, at August 30, 1997 and August 31, 1996, respectively) are presented as assets of the Company in the accompanying balance sheets.

The Company has adopted a Directors' Deferred Compensation Plan which permits non-employee directors to receive their fees and retainers as members of the Board of Directors and committees of the Board in a form other than as direct payments.

The Company provides certain health care and other benefits for retired employees who have fulfilled eligibility requirements at age 55 with 15 years of continuous service. Retirees are required to pay a monthly premium for medical coverage based on years of service at retirement and then current age. The Company's postretirement health care plan currently is not funded. The status of the plan is as follows:

Accumulated postretirement benefit obligation at August 30, 1997 and August 31, 1996:

| (dollars in thousands) | Aug. 30, 1997 | Aug. 31, 1996 |
|---|------------------|------------------|
| Retirees | \$ 2,239 | \$ 2,042 |
| Fully eligible active plan participants | 3,578 | 2,852 |
| Other active plan participants | 13,738 | 10,005 |
| | ----- | ----- |
| | 19,555 | 14,899 |
| Unrecognized prior service cost | 509 | 558 |
| Unrecognized net gain | 7,139 | 10,455 |
| | ----- | ----- |
| Accrued postretirement benefit liability recognized in financial statements | \$27,203 | \$25,912 |
| | ----- | ----- |

Net postretirement benefit expense for the fiscal years ended August 30, 1997, August 31, 1996 and August 26, 1995 consisted of the following components:

| (dollars in thousands) | Aug. 30, 1997 | Aug. 31, 1996 | Aug. 26, 1995 |
|--|------------------|------------------|------------------|
| Service cost- | | | |
| benefits earned during the year | \$ 876 | \$ 947 | \$1,047 |
| Interest cost on accumulated postretirement obligation | 1,153 | 1,133 | 1,171 |
| Net amortization and deferral | (490) | (416) | (379) |
| | ----- | ----- | ----- |
| | \$1,539 | \$1,664 | \$1,839 |
| | ----- | ----- | ----- |

The average assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligation as of August 30, 1997 was 8.39 percent, decreasing each successive year until it reaches 5.25 percent in 2017 after which it remains constant.

A one-percentage point increase in the assumed health care cost trend rate for each year would increase the accumulated postretirement benefit obligation as of August 30, 1997 by approximately \$4,841,000. The effect of this change on the net postretirement health care cost for fiscal 1997 would be to increase it by approximately \$547,000.

The discount rate used in determining the accumulated postretirement benefit obligation was 7.0 percent at August 30, 1997 and 7.5 percent at August 31, 1996. During fiscal 1996, the Company revised certain provisions of its postretirement health care plan to offer different medical plan options and revised the monthly contribution rate for retirees. The impact of these revisions resulted in a decrease in the accumulated postretirement benefit obligation of approximately \$5,695,000 and a decrease in the previously estimated net postretirement benefit expense for fiscal year 1996 of approximately \$1,249,000. The unrecognized net gain as of August 31, 1996 is being amortized over the average remaining service period of active plan participants, estimated to be 18 years. The unrecognized prior service cost as of August 31, 1996 is being amortized over the average remaining years to full eligibility for benefits of active plan participants, estimated to be 12 years.

NOTE 10: CONTINGENT LIABILITIES AND COMMITMENTS

It is customary practice for companies in the recreation vehicle industry to enter into repurchase agreements with lending institutions which have provided wholesale floor plan financing to dealers. Most dealers are financing on a "floor plan" basis under which a bank or finance company lends the dealer all,

or substantially all, of the purchase price, collateralized by a lien upon, or title to, the merchandise purchased. Upon request of a lending institution financing a dealer's purchases of the Company's products, and after completion of a credit investigation of the dealer involved, the Company will execute a

repurchase agreement. These agreements provide that, in the event of default by the dealer on his agreement to pay the lending institution, the Company will repurchase the financed merchandise. The agreements provide that the Company's liability will not exceed 100 percent of the dealer invoice and provide for periodic liability reductions based on the time since the date of the original invoice. The Company's contingent liability on all repurchase agreements was approximately \$115,637,000 and \$129,135,000 at August 30, 1997 and August 31, 1996, respectively. The Company's losses under repurchase agreements were approximately \$344,000, \$202,000 and \$212,000 during fiscal years 1997, 1996 and 1995, respectively.

Included in these contingent liabilities are certain dealer receivables subject to full recourse to the Company with NationsCredit and Green Tree Financial. Contingent liabilities under these recourse agreements were \$24,868,000 and \$33,216,000 at August 30, 1997 and August 31, 1996, respectively. The Company's losses under these recourse agreements were approximately \$965,000, \$85,000 and \$11,000 during fiscal years 1997, 1996 and 1995, respectively.

The Company self-insures for a portion of product liability claims. Self-insurance retention liability varies annually based on market conditions and ranges from \$2,500,000 to \$5,000,000 per occurrence and \$8,000,000 to \$10,000,000 in aggregate per policy year (fiscal 1989 to fiscal 1997). Liabilities in excess of these amounts are the responsibility of the insurer.

The Company is involved in various legal proceedings which are ordinary routine litigation incident to its business, many of which are covered in whole or in part by insurance. While it is impossible to estimate with certainty the ultimate legal and financial liability with respect to this litigation, management is of the opinion that while the final resolution of any such litigation may have an impact on the Company's consolidated results for a particular reporting period, the ultimate disposition of such litigation will not have any material adverse effect on the Company's financial position, results of operations or liquidity.

NOTE 11: INCOME TAXES

The components of the provision (credit) for income taxes are as follows:

| (dollars in thousands) | Year Ended | | |
|--------------------------|-----------------|-----------------|-----------------|
| | August 30, 1997 | August 31, 1996 | August 26, 1995 |
| ----- | | | |
| Continuing operations | | | |
| Current | \$1,288 | \$ 5,707 | \$ 5,599 |
| Deferred | (872) | 932 | (13,511) |
| | ----- | ----- | ----- |
| | 416 | 6,639 | (7,912) |
| ----- | | | |
| Discontinued operations | | | |
| Current | \$11,393 | 596 | 431 |
| Deferred | 1,946 | (1,492) | (519) |
| | ----- | ----- | ----- |
| | 13,339 | (896) | (88) |
| ----- | | | |
| Total provision (credit) | \$13,755 | \$ 5,743 | \$ (8,000) |
| ----- | | | |

The following is a reconciliation of the U.S. statutory tax rate to the effective income tax rates (benefit) provided:

| | Year ended | | |
|--|-----------------|-----------------|-----------------|
| | August 30, 1997 | August 31, 1996 | August 26, 1995 |
| U.S. federal statutory rate | 35.0% | 35.0% | 35.0% |
| Cash surrender value | (0.9) | (2.0) | (1.5) |
| Life insurance premiums | 0.3 | 1.9 | .8 |
| Tax credits | (1.1) | (2.2) | (2.0) |
| Effect of change in valuation allowance | -- | -- | (77.9) |
| Net loss (income) of WIE not included in consolidated return | 7.3 | (1.4) | 1.7 |
| Loss on sale of WIE | (9.9) | -- | -- |
| State taxes, net of federal benefit | 1.0 | -- | -- |
| Foreign sales corporation commissions | 0.7 | -- | -- |
| Other | 5.0 | 0.4 | 3.4 |
| Total | 37.4% | 31.7% | (40.5)% |
| Whereof: | | | |
| Continuing operations | 5.9% | 31.5% | (39.5)% |
| Discontinued operations | 44.7% | (30.5)% | (35.2)% |

The tax effect of significant items comprising the Company's net deferred tax assets are as follows:

| (dollars in thousands) | August 30, 1997 | | | August 31, 1996 |
|-------------------------------------|------------------|-------------------|------------------|------------------|
| | Assets | Liabilities | Total | Total |
| CURRENT | | | | |
| Miscellaneous reserves | \$ 2,223 | \$ (105) | \$ 2,118 | \$ 3,597 |
| Non-deductible warranty reserves | 1,140 | -- | 1,140 | 1,198 |
| Bad debt reserves | 718 | -- | 718 | 516 |
| Self-insurance reserve | 941 | -- | 941 | 1,032 |
| Subtotal | 5,022 | (105) | 4,917 | 6,343 |
| NONCURRENT | | | | |
| Postretirement health care benefits | 9,521 | -- | 9,521 | 9,069 |
| Deferred compensation | 7,857 | -- | 7,857 | 7,825 |
| Accelerated depreciation | -- | (2,478) | (2,478) | (2,402) |
| Other | -- | -- | -- | 56 |
| Subtotal | 17,378 | (2,478) | 14,900 | 14,548 |
| Total | \$ 22,400 | \$ (2,583) | \$ 19,817 | \$ 20,891 |

In the second and fourth quarters of fiscal 1995, the Company recognized tax benefits of \$6,000,000 and \$2,000,000, respectively, due to a continued trend of earnings which increased the likelihood that the Company would realize its gross deferred tax assets in the future, thus eliminating the need for the valuation allowance.

In the fourth quarter of fiscal 1997, the Company recognized a tax benefit of approximately \$3,700,000 due to the sale and closing of WIE.

NOTE 12: FINANCIAL INCOME AND EXPENSE

The following is a reconciliation of financial income (expense):

| (dollars in thousands) | Year ended | | |
|---|-----------------|-----------------|-----------------|
| | August 30, 1997 | August 31, 1996 | August 26, 1995 |
| Net realized (losses) gains on sale of trading securities | \$ (995) | \$ 218 | \$ 101 |
| Net unrealized gains (losses) on trading securities | 1,132 | (568) | 241 |
| (Losses) gains on foreign currency transactions | (551) | (226) | 1,213 |
| Interest income from investments and receivables | 2,534 | 1,546 | 1,310 |
| Dividend income | 398 | 141 | 184 |
| Interest expense | (674) | (757) | (935) |
| | <u>\$ 1,844</u> | <u>\$ 354</u> | <u>\$ 2,114</u> |

NOTE 13: DIVIDEND DECLARED

On October 16, 1997, the Board of Directors declared a cash dividend of \$.10 per common share payable January 5, 1998, to shareholders of record on December 5, 1997.

NOTE 14: STOCK OPTION PLANS

The Company's 1987 stock option plans allow the granting of non-qualified and incentive stock options to key employees at prices not less than 100 percent of fair market value, determined by the mean of the high and low prices, on the date of grant. The plans are administered by a committee appointed by the Company's Board of Directors who are not employees of the Company or any of its subsidiaries. The Committee may determine at the time of granting whether each option granted will be a non-qualified or incentive stock option. The term of each option shall expire and all rights to purchase shares thereunder shall cease ten years after the date such option is granted or on such date prior thereto as may be fixed by the Committee. No option shall permit the purchase of any shares thereunder during the first year after the date such option is granted. The Committee may, at its discretion, limit the number of shares purchaseable in any year thereafter to the extent it considers appropriate with respect to a particular individual to whom an option is granted.

A summary of stock option activity for fiscal years 1997, 1996 and 1995 is as follows::

| | 1997 | | | 1996 | | | 1995 | | |
|----------------------------------|----------------|-------------------|-----------------------------|----------------|-------------------|-----------------------------|----------------|-------------------|-----------------------------|
| | Shares | Price per share | Wtd. Avg. Exercise Price/Sh | Shares | Price per share | Wtd. Avg. Exercise Price/Sh | Shares | Price per share | Wtd. Avg. Exercise Price/Sh |
| Outstanding at beginning of year | 746,000 | \$4 - \$12 | \$6.56 | 764,000 | \$4 - \$12 | \$6.02 | 900,500 | \$4-\$18 | \$7.11 |
| Options granted | 242,000 | 7 - 8 | 7.68 | -- | -- | -- | 10,000 | 10 | 10.00 |
| Options exercised | (107,000) | 4 - 6 | 4.87 | (1,000) | 6 | 5.69 | (94,833) | 4 - 9 | 5.35 |
| Options canceled | (231,500) | 8 - 12 | 10.40 | (17,000) | 9 - 12 | 10.03 | (51,667) | 9 - 18 | 15.97 |
| Outstanding at end of year | <u>649,500</u> | <u>\$4 - \$10</u> | <u>\$6.53</u> | <u>746,000</u> | <u>\$4 - \$12</u> | <u>\$6.56</u> | <u>764,000</u> | <u>\$4 - \$12</u> | <u>\$6.02</u> |

The following table summarizes information about stock options outstanding at August 30, 1997:

| Range of Exercise Prices | Number Outstanding at August 30, 1997 | Weighted Average Remaining Contractual Life | Weighted Average Exercise Price | Number Exercisable At Aug. 30, 1997 | Weighted Average Exercise Price |
|--------------------------|---------------------------------------|---|---------------------------------|-------------------------------------|---------------------------------|
| \$4.31 - \$5.69 | 337,500 | 3 | \$5.14 | 337,500 | \$5.14 |
| 7.19 - 7.75 | 227,000 | 9 | 7.68 | -- | -- |
| 8.88 - 10.00 | 85,000 | 2 | 9.03 | 85,000 | 9.03 |
| | 649,500 | 6 | \$6.53 | 422,500 | \$5.92 |

In 1997, the Company adopted SFAS No. 123, "Accounting for Stock Based Compensation." The Company has elected to continue following the accounting guidance of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" for measurement and recognition of stock-based transactions with employees. No compensation cost has been recognized for options issued under the Stock Option Plans because the exercise price of all options granted was not less than 100 percent of fair market value of the common stock on the date of grant. Had compensation cost for the stock options issued been determined based on the fair value at the grant date, consistent with provisions of SFAS No. 123, the Company's 1997 net income and earnings per share would have been changed to the pro forma amounts indicated below:

(dollars in thousands, except per share data)

| | 1997 |
|--------------------|----------|
| Net earnings | ----- |
| As reported | \$23,048 |
| Pro forma | 22,884 |
| Earnings per share | |
| As reported | \$.91 |
| Pro-forma | .90 |

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

| | |
|---|-----------------|
| Dividend yield | 3.19% |
| Risk free interest rate | 6.64% |
| Expected life | 9 years |
| Expected volatility | 29.27% |
| Estimated fair value of options granted per share | \$2.40 - \$2.58 |

There were no options granted during fiscal 1996.

The Company's Board of Directors has adopted and is recommending that the shareholders approve the 1997 Stock Option Plan during the Company's annual meeting on December 17, 1997. The plan provides additional incentives to those officers, employees, directors, advisors and consultants of the Company whose substantial contributions are essential to the continued growth and success of the Company's business. The plan allows the granting of non-qualified and incentive stock options as well as stock appreciation rights. The plan will be administered by the Board or by a committee appointed by the Company's Board of Directors. The purchase prices for these shares shall not be less than 85 percent of the fair market value of a share at the time of option granting for non-qualified stock options or less than 100 percent for incentive stock options. The term of each option would expire and all rights to purchase shares thereunder would cease ten years after the date such option is granted or on such date prior thereto as may be fixed by the Committee. Options granted under this plan would become exercisable six months after the date the option is granted. Options granted under this plan in August 1997, subject to shareholder approval, were 207,000 shares at an exercise price of \$8.5625. This option grant has not been included in the summary stock option tables shown above.

NOTE 15: SUPPLEMENTAL CASH FLOW DISCLOSURE Cash paid during the year for:

| (dollars in thousands) | Year ended | | |
|------------------------|-----------------|-----------------|-----------------|
| | August 30, 1997 | August 31, 1996 | August 26, 1995 |
| Interest | \$ 656 | \$2,000 | \$1,911 |
| Income taxes | 16,426 | 5,085 | 6,989 |

NOTE 16: BUSINESS SEGMENT INFORMATION

The Company defines its operations into two business segments: Recreation Vehicles and Other Manufactured Products, which includes all data relative to the manufacturing and selling of its recreational and other manufactured products; and Financing, which relates to the WAC subsidiary operation. Identifiable assets are those assets used in the operations of each industry segment. General Corporate assets consist of cash and cash equivalents, marketable securities, deferred income taxes and other corporate assets. General Corporate income and expenses include administrative costs. Inter-segment sales and expenses are not significant.

For the years ended August 30, 1997, August 31, 1996 and August 26, 1995, the Company's segment information is as follows:

| (dollars in thousands) | Recreation Vehicles and Other Manufactured Products | | | General Corporate | Total |
|--|---|-----------|---------|-------------------|-----------|
| | Manufactured Products | Financing | | | |
| 1997 | | | | | |
| Net revenues from continuing operations | \$436,712 | \$ 1,420 | \$ -- | \$ -- | \$438,132 |
| Operating income (loss) from continuing operations | 6,976 | 736 | (2,564) | | 5,148 |
| Identifiable assets | 136,810 | 16,912 | 59,753 | | 213,475 |
| Depreciation and amortization | 5,797 | 9 | 662 | | 6,468 |
| Capital expenditures | 3,982 | 35 | 421 | | 4,438 |

Summary information for WIE is as follows: Net revenues - \$9,655. Operating loss - \$(6,376). The Company sold WIE during August 1997. As a result of the sale, the Company recorded a capital loss for tax purposes resulting in a tax credit of approximately \$3,700,000 due to this loss. These amounts are included in the Recreation Vehicles and Other Manufactured Products segment above.

| | | | | | |
|--|-----------|----------|---------|-------|-----------|
| 1996 | | | | | |
| Net revenues from continuing operations | \$483,398 | \$ 1,406 | \$ -- | \$ -- | \$484,804 |
| Operating income (loss) from continuing operations | 23,169 | 1,518 | (3,978) | | 20,709 |
| Identifiable assets | 154,238 | 15,250 | 51,108 | | 220,596 |
| Depreciation and amortization | 5,790 | 7 | 3,903 | | 9,700 |
| Capital expenditures | 6,754 | -- | 3,709 | | 10,463 |

Summary information for WIE is as follows: Net revenues - \$13,773. Operating loss - \$(238). Identifiable assets - \$10,388. These amounts are included in the Recreation Vehicles and Other Manufactured Products segment above.

| | | | | | |
|--|-----------|----------|---------|-------|-----------|
| 1995 | | | | | |
| Net revenues from continuing operations | \$458,909 | \$ 1,220 | \$ -- | \$ -- | \$460,129 |
| Operating income (loss) from continuing operations | 19,053 | 989 | (2,150) | | 17,892 |
| Identifiable assets | 135,036 | 12,690 | 63,904 | | 211,630 |
| Depreciation and amortization | 5,292 | 12 | 3,559 | | 8,863 |
| Capital expenditures | 7,977 | 16 | 1,355 | | 9,348 |

Summary information for WIE is as follows: Net revenues - \$8,834. Operating loss - \$(1,209). Identifiable assets - \$9,426. These amounts are included in the Recreation Vehicles and Other Manufactured Products segment above.

INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS
WINNEBAGO INDUSTRIES, INC.
FOREST CITY, IOWA

We have audited the consolidated balance sheets of Winnebago Industries, Inc., and subsidiaries (the Company) as of August 30, 1997 and August 31, 1996 and the related statements of operations, cash flows and changes in stockholders' equity for each of the three years in the period ended August 30, 1997. 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 generally accepted auditing standards. 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 present fairly, in all material respects, the financial position of Winnebago Industries, Inc. and subsidiaries at August 30, 1997 and August 31, 1996, and the results of their operations and their cash flows for each of the three years in the period ended August 30, 1997 in conformity with generally accepted accounting principles.

/s/ DELOITTE & TOUCHE LLP

Deloitte & Touche LLP
Minneapolis, Minnesota

October 21, 1997

SELECTED FINANCIAL DATA(1)

| (dollars in thousands, except per share data) | August 30, 1997 | August 31, 1996 | August 26, 1995 | August 27, 1994 | August 28, 1993 |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| STATEMENT OF OPERATIONS | | | | | |
| Revenues | | | | | |
| Manufactured products | \$ 436,712 | \$ 483,398 | \$ 458,909 | \$ 432,406 | \$ 364,860 |
| Finance | 1,420 | 1,406 | 1,220 | 831 | 595 |
| Total net revenues | 438,132 | 484,804 | 460,129 | 433,237 | 365,455 |
| Income before taxes | 6,992 | 21,063 | 20,006 | 15,264 | 10,513 |
| Provision (credit) for income taxes | 416 | 6,639 | (7,912) | (1,312) | (1,087) |
| Income from continuing operations | 6,576 | 14,424 | 27,918 | 16,576 | 11,600 |
| (Loss) income from discontinued operations | -- | (2,039) | (162) | 869 | (2,322) |
| Gain on sale of Cycle-Sat subsidiary | 16,472 | -- | -- | -- | -- |
| Cumulative effect of accounting change | -- | -- | -- | (20,420) | -- |
| Net income (loss) | 23,048 | 12,385 | 27,756 | (2,975) | 9,278 |
| Per share data: | | | | | |
| Income from continuing operations | .26 | .57 | 1.11 | .66 | .46 |
| (Loss) income from discontinued operations | -- | (.08) | (.01) | .03 | (.09) |
| Gain on sale of Cycle-Sat subsidiary | .65 | -- | -- | -- | -- |
| Cumulative effect of accounting change | -- | -- | -- | (.81) | -- |
| Net income (loss) | \$.91 | \$.49 | \$ 1.10 | \$ (.12) | \$.37 |
| Cash dividends per share | \$.20 | \$.30 | \$.30 | \$ -- | \$ -- |
| Weighted average number of shares of common stock outstanding (in thousands) | | | | | |
| | 25,435 | 25,349 | 25,286 | 25,187 | 25,042 |
| BALANCE SHEET | | | | | |
| Total assets | \$ 213,475 | \$ 220,596 | \$ 211,630 | \$ 181,748 | \$ 155,227 |
| Stockholders' equity | 123,882 | 105,311 | 100,448 | 79,710 | 81,693 |
| Working capital | 99,935 | 62,155 | 69,694 | 58,523 | 44,633 |
| Long-term debt of continuing operations | \$ -- | \$ 1,692 | \$ 3,810 | \$ 2,693 | \$ 633 |
| Current ratio | 3.4 to 1 | 2.0 to 1 | 2.4 to 1 | 2.1 to 1 | 1.9 to 1 |
| UNIT SALES: | | | | | |
| Class A | 4,834 | 5,893 | 5,993 | 6,820 | 6,095 |
| Class C | 2,724 | 2,857 | 2,853 | 1,862 | 1,998 |
| Total Motor Homes | 7,558 | 8,750 | 8,846 | 8,682 | 8,093 |
| Class B Conversions (EuroVan Campers) | 1,205 | 857 | 1,014 | 376 | -- |

(1) Restated to reflect Cycle-Sat and NIE as discontinued operations

SHAREHOLDER INFORMATION

PUBLICATIONS

A notice of Annual Meeting of Shareholders and Proxy Statement is furnished to shareholders in advance of the annual meeting.

Copies of the Company's quarterly financial news releases and the annual report on Form 10-K (without exhibits), required to be filed by the Company with the Securities and Exchange Commission, may be obtained without charge from the corporate offices as follows:

Public Relations Department
Winnebago Industries, Inc.
P.O. Box 152
605 West Crystal Lake Road
Forest City, Iowa 50436
Telephone: (515) 582-0152
Fax: (515) 582-6966
E-mail: pr@winnebagoind.com

This annual report as well as corporate news releases may Minneapolis, Minnesota 55402-1844 also be viewed online in the financial section of Winnebago Industries' website: http://www.winnebagoind.com

Shareholder Account Assistance

Registration and Transfer Agent to contact for address changes, account certificates and stock holdings:

Norwest Bank Minnesota, N.A.
P.O. Box 64854
St. Paul, Minnesota 55164-0854

or

161 North Concord Exchange
South St. Paul, Minnesota 55075-1139
Telephone: (800) 468-9716 or (612) 450-4064

ANNUAL MEETING

The Annual Meeting of shareholders will be held on Wednesday, December 17, 1997 at 7:30 p.m. (CST) in Friendship Hall, Highway 69 South, Forest City, Iowa.

AUDITOR

Deloitte & Touche LLP
400 One Financial Plaza
120 South Sixth Street

COMMON STOCK DATA

The Company's common stock is listed on the New York, Chicago and Pacific Stock Exchanges.

Ticker symbol: WGO

Shareholders of record as of October 13, 1997: 11,746

Shares outstanding at year-end: 25,854,461

Below are the New York Stock Exchange high, low and closing prices of Winnebago Industries, Inc. stock for each quarter of fiscal 1997 and fiscal 1996.

Table with 8 columns: FISCAL 1997, High, Low, Close, FISCAL 1996, High, Low, Close. Rows include First Quarter, Second Quarter, Third Quarter, and Fourth Quarter for both years.

CASH DIVIDENDS PER SHARE

Table with 4 columns: FISCAL 1997, Date Paid, FISCAL 1996, Date Paid. Rows show dividend amounts and dates for 1997 and 1996.

DIRECTORS AND OFFICERS

DIRECTORS

Fred G. Dohrmann
CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER,
WINNEBAGO INDUSTRIES, INC.

Gerald E. Boman
FORMER SENIOR VICE PRESIDENT,
WINNEBAGO INDUSTRIES, INC.

Jerry N. Currie
PRESIDENT & CHIEF EXECUTIVE OFFICER
CURRIES COMPANY AND GRAHAM MANUFACTURING

John V. Hanson
FORMER PRESIDENT AND DEPUTY CHAIRMAN OF THE BOARD,
WINNEBAGO INDUSTRIES, INC.

Bruce D. Hertzke
PRESIDENT AND CHIEF OPERATING OFFICER
WINNEBAGO INDUSTRIES, INC.

Gerald C. Kitch
EXECUTIVE VICE PRESIDENT
PENTAIR, INC.

Richard C. Scott
VICE PRESIDENT, UNIVERSITY DEVELOPMENT
BAYLOR UNIVERSITY

Joseph M. Shuster
CHAIRMAN, TELTECH

Frederick M. Zimmerman
PROFESSOR OF MANUFACTURING SYSTEMS ENGINEERING,
THE UNIVERSITY OF ST. THOMAS

Francis L. Zrostlik
PRESIDENT, STELLAR INDUSTRIES

Luise V. Hanson
DIRECTOR EMERITUS

OFFICERS

Fred G. Dohrmann
CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER

Bruce D. Hertzke
PRESIDENT AND CHIEF OPERATING OFFICER

Edwin F. Barker
VICE PRESIDENT, CHIEF FINANCIAL OFFICER

Raymond M. Beebe
VICE PRESIDENT, GENERAL COUNSEL AND SECRETARY

Ronald D. Buckmeier
VICE PRESIDENT, PRODUCT DEVELOPMENT

Brian J. Hrubes
CONTROLLER

James P. Jaskoviak
VICE PRESIDENT, SALES AND MARKETING

Robert J. Olson
VICE PRESIDENT, MANUFACTURING

Joseph L. Soczek, Jr.
TREASURER

[PHOTO] WINNEBAGO INDUSTRIES' OFFICERS: (SEATED LEFT TO RIGHT) EDWIN F. BARKER,
FRED G. DOHRMANN AND BRUCE D. HERTZKE (STANDING LEFT TO RIGHT) JAMES P.
JASKOVIK, ROBERT J. OLSON, RAYMOND M. BEEBE, JOSEPH L. SOCZEK, JR., BRIAN J.
HRUBES AND RONALD D. BUCKMEIER.

WINNEBAGO INDUSTRIES, INC.
P.O. BOX 152
FOREST CITY, IOWA 50436

Bulk Rate
U.S. Postage
PAID
Minneapolis, MN
Permit No. 43

EXHIBIT 21

List of Subsidiaries

| NAME OF CORPORATION | JURISDICTION OF INCORPORATION | PERCENT OF OWNERSHIP |
|--|-------------------------------------|----------------------------|
| Winnebago Industries, Inc. | Iowa | Parent |
| Winnebago International Corporation | Iowa | 100% |
| Winnebago Health Care Management Company | Iowa | 100% |
| Winnebago Acceptance Corporation | Iowa | 100% |
| Winnebago R.V., Inc. | Delaware | 100% |
| Cycle-Sat, Inc. | Iowa | 80% |

INDEPENDENT ACCOUNTANTS' CONSENT

We consent to the incorporation by reference in Registration Statements No. 2-40316, No. 2-82109, No. 33-21757, No. 33-59930 and No. 333-31595 of Winnebago Industries, Inc. on Form S-8 of our reports dated October 21, 1997 appearing in and incorporated by reference in the Annual Report on Form 10-K for Winnebago Industries, Inc. for the year ended August 30, 1997.

/s/ Deloitte & Touche LLP
Deloitte & Touche LLP
Minneapolis, Minnesota
November 19, 1997

YEAR
AUG-30-1997
AUG-30-1997
32,130
0
46,242
1,584
53,584
141,161
114,768
81,175
213,475
41,226
0
12,927
0
0
110,955
213,475
438,132
438,132
385,540
385,540
47,444
0
1,844
6,992
416
6,576
16,472
0
0
23,048
.91
0