WINNEBAGO INDUSTRIES INC
Form 10-K
October 29, 2013

UNITED STATES
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 for the fiscal year ended August 31, 2013; or
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 for the transition period from ____________________ to ________________________
Commission File Number 001 06403
WINNEBAGO INDUSTRIES, INC.
(Exact name of registrant as specified in its charter)

Iowa	42-0802678
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
P.O. Box 152, Forest City, Iowa	50436
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (641) 585 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.

Securities registered pursuant to Section 12(g) of the Act: None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No x
Indicate by check mark whether the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x
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 o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web Site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K x.
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.
Large Accelerated Filer o Accelerated Filer x Non-accelerated filer o Smaller Reporting Company o
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No x
Aggregate market value of the common stock held by non-affiliates of the registrant: $539,981,520 (27,705,568 shares at the closing price on the New York Stock Exchange of $19.49 on March 1, 2013).

Common stock outstanding on October 15, 2013: 27,877,224 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement relating to the registrant's December 2013 Annual Meeting of Shareholders, scheduled to be held December 17, 2013, are incorporated by reference into Part II and Part III of this Annual Report on Form 10-K where indicated.

Winnebago Industries, Inc.
2013 Form 10-K Annual Report
Table of Contents

Table of Contents

Glossary

The following terms and abbreviations appear in the text of this report and are defined as follows:

AOCI	Accumulated Other Comprehensive Income (Loss)
ARS	Auction Rate Securities
ASC	Accounting Standards Codification
ASP	Average Sales Price
ASU	Accounting Standards Update
CCMF	Charles City Manufacturing Facility
COLI	Company Owned Life Insurance
Credit Agreement	Credit Agreement dated as of October 31, 2012 by and between Winnebago Industries, Inc. and Winnebago of Indiana, LLC, as Borrowers, and General Electric Capital Corporation, as Agent
DCF	Discounted Cash Flow
EBITDA	Earnings Before Interest, Tax, Depreciation, and Amortization
EPS	Earnings Per Share
FASB	Financial Accounting Standards Board
FIFO	First In, First Out
GAAP	Generally Accepted Accounting Principles
GECC	General Electric Capital Corporation
IRS	Internal Revenue Service
LIBOR	London Interbank Offered Rate
LIFO	Last In, First Out
Loan Agreement	Loan and Security Agreement dated October 13, 2009 by and between Winnebago Industries, Inc. and Wells Fargo Bank, National Association, as successor to Burdale Capital Finance, Inc., as Agent
MVA	Motor Vehicle Act
NMF	Non-Meaningful Figure
NOL	Net Operating Loss
NYSE	New York Stock Exchange
OCI	Other Comprehensive Income
OEM	Original Equipment Manufacturing
OSHA	Occupational Safety and Health Administration
ROE	Return on Equity
ROIC	Return on Invested Capital
RV	Recreation Vehicle
RVIA	Recreation Vehicle Industry Association
SEC	U.S. Securities and Exchange Commission
SERP	Supplemental Executive Retirement Plan
SIR	Self-Insured Retention
Stat Surveys	Statistical Surveys, Inc.
SunnyBrook	SunnyBrook RV, Inc.
Towables	Winnebago of Indiana, LLC, a wholly-owned subsidiary of Winnebago Industries, Inc.
US	United States of America
Wells Fargo	Wells Fargo Bank, National Association
XBRL	eXtensible Business Reporting Language

Table of Contents

WINNEBAGO INDUSTRIES, INC.
FORM 10 K
Report for the Fiscal Year Ended August 31, 2013

Forward-Looking Information

Certain of the matters discussed in this Annual Report on Form 10-K are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which involve risks and uncertainties. A number of factors could cause actual results to differ materially from these statements, including, but not limited to, increases in interest rates, availability of credit, low consumer confidence, significant increase in repurchase obligations, inadequate liquidity or capital resources, availability and price of fuel, a slowdown in the economy, increased material and component costs, availability of chassis and other key component parts, sales order cancellations, slower than anticipated sales of new or existing products, new product introductions by competitors, the effect of global tensions, integration of operations relating to mergers and acquisitions activities and other factors which may be disclosed throughout this Annual Report on Form 10-K. Although we believe that the expectations reflected in the "forward-looking statements" are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Undue reliance should not be placed on these "forward-looking statements," which speak only as of the date of this report. We undertake no obligation to publicly update or revise any "forward-looking statements," whether as a result of new information, future events or otherwise, except as required by law or the rules of the NYSE. We advise you, however, to consult any further disclosures made on related subjects in future quarterly reports on Form 10-Q and current reports on Form 8-K that are filed or furnished with the SEC.

PART I

Item 1. Business

General

The "Company," "Winnebago Industries," "we," "our" and "us" are used interchangeably to refer to Winnebago Industries, Inc. and its subsidiary, Winnebago of Indiana, LLC, as appropriate in the context.

Winnebago Industries, Inc., headquartered in Forest City, Iowa, is a leading United States manufacturer of RVs used primarily in leisure travel and outdoor recreation activities. We sell motorhomes through independent dealers under the Winnebago, Itasca and Era brand names.

On December 29, 2010 we purchased substantially all of the assets of SunnyBrook, a manufacturer of travel trailers and fifth wheel RVs. The aggregate consideration paid was $4.7 million, net of cash acquired, including the repayment of $3.3 million of SunnyBrook commercial and shareholder debt on the closing date. Also on December 29, 2010, we entered into a five-year operating lease agreement for the SunnyBrook facilities. The operations of Towables are included in our consolidated operating results from the date of its acquisition. Towables will continue to manufacture products under the SunnyBrook brands. In addition, Towables has broadened its product line by including Winnebago brand trailer and fifth wheel products. The primary reason for the acquisition was diversification outside of the motorized market while utilizing the Winnebago brand strength in the towable market allowing for the potential of revenue and growth.

Other products manufactured by us consist primarily of OEM parts, including extruded aluminum and other component products for other manufacturers and commercial vehicles.

We were incorporated under the laws of the state of Iowa on February 12, 1958, and adopted our present name on February 28, 1961. Our executive offices are located at 605 West Crystal Lake Road in Forest City, Iowa. Our telephone number is (641) 585-3535.

Available Information

Our website, located at www.winnebagoind.com, provides additional information about us. On our website, you can obtain, free of charge, this and prior year Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all of our other filings with the SEC. Our recent press releases are also available on our website. Our website also contains important information regarding our corporate governance practices. Information contained on our website is not incorporated into this Annual Report on Form 10-K. You may also read and copy any materials that we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Room 1580, Washington, D.C. 20549. You may obtain information on the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains a website that contains reports, proxy statements and other information that is filed electronically with the SEC. The website can be accessed at www.sec.gov.

Table of Contents

Principal Products

Net revenues by major product classes were as follows:

	Year Ended (1)														
(In thousands)	August 31, 2013			August 25, 2012			August 27, 2011			August 28, 2010			August 29, 2009		
Motorhomes (2)	$718,580	89.5	%	$496,193	85.3	%	$456,337	91.9	%	$428,932	95.4	%	$191,178	90.4	%
Towables (3)	54,683	6.8	%	56,784	9.8	%	16,712	3.4	%	—	—	%	—	—	%
Other manufactured products	29,902	3.7	%	28,702	4.9	%	23,369	4.7	%	20,552	4.6	%	20,341	9.6	%
Total net revenues	$803,165	100.0	%	$581,679	100.0	%	$496,418	100.0	%	$449,484	100.0	%	$211,519	100.0	%

(1) The fiscal year ended August 31, 2013 contained 53 weeks; all other fiscal years contained 52 weeks.

(2) Includes motorhome units, parts, and service.

(3) Includes towable units and parts.

Motorhomes, parts and service. A motorhome is a self-propelled mobile dwelling used primarily as temporary living quarters during vacation and camping trips, or to support some other active lifestyle. The RVIA classifies motorhomes into three types which are defined as follows:

- Class A models are conventional motorhomes constructed directly on medium- and heavy-duty truck chassis, which include the engine and drivetrain components. The living area and driver's compartment are designed and produced by the motorhome manufacturer. We manufacture Class A motorhomes with gas and diesel engines.
- Class B models are panel-type vans to which sleeping, kitchen, and/or toilet facilities are added. These models may also have a top extension to provide more headroom. We manufacture Class B motorhomes with gas and diesel engines.
- Class C models are motorhomes built on van-type chassis onto which the motorhome manufacturer constructs a living area with access to the driver's compartment. We manufacture Class C motorhomes with gas and diesel engines.

We manufacture and sell Class A and C motorhomes under the Winnebago and Itasca brand names and Class B motorhomes under the Winnebago Touring Coach brand name. Our product offerings for the 2014 model year are as follows:

Type	Winnebago	Itasca	Winnebago Touring Coach
Class A (gas)	Vista, Sightseer, Adventurer	Sunstar, Sunova, Suncruiser	
Class A (diesel)	Via, Forza, Journey, Tour	Reyo, Solei, Meridian, Ellipse	
Class B (gas and diesel)			Travato, Era
Class C	Minnie Winnie, Minnie Winnie Premier, Access Premier,Trend, Aspect, View, View Profile	Spirit, Spirit Silver, Impulse Silver, Viva!, Cambria, Navion, Navion iQ	

Motorhomes generally provide living accommodations for up to seven people and include kitchen, dining, sleeping and bath areas, and in some models, a lounge. Optional equipment accessories include, among other items, generators, home theater systems, king-size beds, and UltraLeather™ upholstery and a wide selection of interior equipment. With the purchase of any new motorhome, we offer a comprehensive 12-month/15,000-mile warranty on the coach and, for Class A and C motorhomes, a 3-year/36,000-mile structural warranty on sidewalls and floors.

Our Class A, B and C motorhomes are sold by dealers in the retail market with manufacturer's suggested retail prices ranging from approximately $66,000 to $383,000, depending on size and model, plus optional equipment and delivery charges. Our motorhomes range in length from 21 to 43 feet.

Unit sales of our motorhomes for the last five fiscal years were as follows:

Year Ended (1)(2)

Units	August 31, 2013			August 25, 2012			August 27, 2011			August 28, 2010			August 29, 2009		
Class A	3,761	55.1	%	2,579	55.6	%	2,436	55.4	%	2,452	55.3	%	822	37.4	%
Class B	372	5.5	%	319	6.9	%	103	2.3	%	236	5.3	%	149	6.8	%
Class C	2,688	39.4	%	1,744	37.6	%	1,856	42.2	%	1,745	39.4	%	1,225	55.8	%
Total motorhomes	6,821	100.0	%	4,642	100.0	%	4,395	100.0	%	4,433	100.0	%	2,196	100.0	%

(1) The fiscal year ended August 31, 2013 contained 53 weeks; all other fiscal years contained 52 weeks.

(2) Percentages may not add due to rounding differences.

Motorhome parts and service activities represent revenues generated by service work we perform for retail customers at our Forest City, Iowa facility and parts we sell to our dealers. As of August 31, 2013, our parts inventory was approximately $2.6 million and is

2

Table of Contents

located in a 450,000-square foot warehouse with what we believe to be among the most sophisticated distribution and tracking systems in the industry. Our competitive strategy is to provide proprietary manufactured parts through our dealer network, which we believe increases customer satisfaction and the value of our motorhomes.

Towable RVs. A towable is a non-motorized vehicle that connects to a ball hitch mounted on the tow vehicle and is used as temporary living quarters for recreational travel. We manufacture and sell conventional travel trailers which are towed by means of a hitch attached to the frame of the towing vehicle and fifth wheel trailers which are constructed with a raised forward section that is connected to the vehicle with a special fifth wheel hitch.

Our towable product offerings for the 2014 model year are as follows:

Type	Sunnybrook	Winnebago
Travel trailer	Sunset Creek, Remington MicroLite, Remington Ultra Lite, Remington XLT	ONE, Minnie, Ultra
Fifth wheel	Raven, Remington	Lite Five

Our travel trailers and fifth wheels are sold by dealers in the retail market with manufacturer's suggested retail prices ranging from approximately $18,000 to $56,000, depending on size and model, plus optional equipment and delivery charges. Our towables range in length from 18 to 37 feet. All new units purchased receive a comprehensive 12-month warranty. Unit sales of our towables were 2,038 travel trailers and 497 fifth wheels in Fiscal 2013, 1,372 travel trailers and 966 fifth wheels in Fiscal 2012 and 575 travel trailers and 194 fifth wheels in Fiscal 2011.

Other Manufactured Products. We manufacture aluminum extrusions which are sold to approximately 70 customers. To a limited extent, we manufacture other component parts sold to outside manufacturers. We also manufacture commercial vehicles which are motorhome shells, primarily custom designed for the buyer's special needs and requirements, such as law enforcement command centers and mobile medical and dental clinics. These commercial vehicles are sold through our dealer network. We've also begun manufacturing transit buses which we believe complement our motorized vehicle line-up. Our buses are sold through a single dealer.

Production

We generally produce motorhomes and towables to order from dealers. We have some ability to increase our capacity by scheduling overtime and/or hiring additional production employees or to decrease our capacity through the use of shortened workweeks and/or reducing head count. We have long been known as an industry leader in innovation as each year we introduce new or redesigned products. These changes generally include new floor plans and sizes as well as design and decor modifications.

Our motorhomes are produced in the state of Iowa at two different campuses. Our Forest City facilities are vertically integrated and provide mechanized assembly line manufacturing. We also operate an assembly plant and a hardwood cabinet products manufacturing facility in Charles City, Iowa. Our motorhome bodies are made from various materials and structural components which are typically laminated into rigid, lightweight panels. Body designs are developed with computer aided design and manufacturing and subjected to a variety of tests and evaluations to meet our standards and requirements. We manufacture a number of components utilized in our motorhomes, with the principal exceptions being chassis, engines, generators and appliances.

Most of our raw materials such as steel, aluminum, fiberglass and wood products are obtainable from numerous sources. Certain parts, especially motorhome chassis, are available from a small group of suppliers. We are currently purchasing Class A and C chassis from Ford Motor Company, Mercedes-Benz USA (a Daimler company) and Mercedes-Benz Canada (a Daimler company) and Class A chassis from Freightliner Custom Chassis Corporation (a Daimler company). Class B chassis are purchased from Mercedes-Benz USA, Mercedes-Benz Canada and Chrysler Group, LLC. Class C chassis are also purchased from Chrysler Group, LLC. In Fiscal 2013, only three vendors, Ford Motor Company, Freightliner Custom Chassis Corporation and Mercedes-Benz (USA and Canada combined) individually accounted for more than 10% of our raw material purchases and approximating 44% in the aggregate.

Our towables are produced at an assembly plant located in Middlebury, Indiana. The majority of components are comprised of frames, appliances and furniture and are purchased from suppliers.

Backlog

The approximate revenue of our motorhome backlog was $346.7 million and $163.7 million as of August 31, 2013 and August 25, 2012, respectively. The approximate revenue of our towable backlog was $4.7 million and $8.8 million as of August 31, 2013 and August 25, 2012, respectively. A more detailed description of our motorhome and towable order backlog is included in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Distribution and Financing

We market our RVs on a wholesale basis to a diversified independent dealer organization located throughout the US and, to a limited extent, in Canada. Foreign sales, including Canada, were 10% or less of net revenues during each of the past three fiscal years. See Note 15 to our Financial Statements of this Annual Report on Form 10-K.

As of August 31, 2013 and August 25, 2012, our motorhome dealer organization in the US and Canada included approximately 245 and 235 dealer locations, respectively. We have a number of dealers that carry our Winnebago, Itasca and Winnebago Touring Coach brands; we count each motorhome dealer location only once regardless of how many of our brands are offered at each such dealer location. Our towable dealer organization consisted of 272 and 232 dealer locations as of August 31, 2013 and August 25, 2012, respectively, across the US and Canada. Many of our towable dealerships also carry more than one of the towable product lines, but each dealership is counted only once in the number of towable dealer locations. One of our dealer organizations accounted for 26.5% of our net revenue for Fiscal 2013, as they sold our products in 68 of their dealership locations across 26 US states. A second dealer organization accounted for 12.3% of our net revenue for Fiscal 2013, as they sold our products in 11 dealership locations across 3 US states.

We have sales and service agreements with dealers which generally have a term of ten years but are subject to annual review. Many of the dealers are also engaged in other areas of business, including the sale of automobiles, trailers or boats, and many dealers carry one or more competitive lines of recreation vehicles. We continue to place high emphasis on the capability of our dealers to provide complete service for our recreation vehicles. Dealers are obligated to provide full service for owners of our recreation vehicles or, in lieu thereof, to secure such service from other authorized providers.

We advertise and promote our products through national RV magazines, the distribution of product brochures, the Go RVing national advertising campaign sponsored by RVIA, direct-mail advertising campaigns, various national promotional opportunities and on a local basis through trade shows, television, radio and newspapers, primarily in connection with area dealers.

Recreation vehicle sales to dealers are made on cash terms. Most dealers are financed on a "floorplan" basis under which a bank or finance company lends the dealer all, or substantially all, of the purchase price, collateralized by a security interest in the merchandise purchased. As is customary in the recreation vehicle industry, we typically enter into a repurchase agreement with a lending institution financing a dealer's purchase of our product upon the lending institution's request and after completion of a credit check of the dealer involved. Our repurchase agreements provide that for up to 18 months after a unit is financed, in the event of default by the dealer on the agreement to pay the lending institution and repossession of the unit(s) by the lending institution, we will repurchase the financed merchandise. Our maximum exposure for repurchases varies significantly from time to time, depending upon general economic conditions, seasonal shipments, competition, dealer organization, gasoline availability and access to and the cost of financing. See Note 11.

Competition

The RV market is highly competitive with many other manufacturers selling products which compete directly with our products. Some of our competitors are much larger than us most notably in the towable RV market, which may provide them additional purchasing power. The competition in the RV industry is based upon design, price, quality and service of the products. We believe our principal competitive advantages are our brand strength, product quality and our service after the sale. We also believe that our motorhome products have historically commanded a price premium as a result of these competitive advantages.

Seasonality

The primary use of RVs for leisure travel and outdoor recreation has historically led to a peak retail selling season concentrated in the spring and summer months. Our sales of RVs are generally influenced by this pattern in retail sales, but can also be affected by the level of dealer inventory. Our products are generally manufactured against orders from dealers.

Regulations and Trademarks

We are subject to a variety of federal, state and local laws and regulations, including the MVA, under which the National Highway Traffic Safety Administration may require manufacturers to recall recreation vehicles that contain safety-related defects, and numerous state consumer protection laws and regulations relating to the operation of motor vehicles, including so-called "Lemon Laws." We are also subject to regulations established by OSHA. Our facilities are periodically inspected by federal and state agencies, such as OSHA. We are a member of RVIA, a voluntary association of RV manufacturers which promulgates RV safety standards. We place an RVIA seal on each of our RVs to certify that the RVIA standards have been met. We believe that our products and facilities comply in all material respects with the applicable vehicle safety, consumer protection, RVIA and OSHA regulations and standards.

Our operations are subject to a variety of federal and state environmental laws and regulations relating to the use, generation, storage, treatment, emission and disposal of hazardous materials and wastes and noise pollution. We believe that we currently are in compliance with applicable environmental laws and regulations in all material aspects.

Table of Contents

We have several registered trademarks associated with our motorhomes which include: Access, Adventurer, Aspect, Cambria, Chalet, Destination, Ellipse, Era, Impulse, Itasca, Journey, Latitude, Meridian, Navion, Outlook, Reyo, Rialta, Sightseer, Spirit, Suncruiser, Sundancer, Sunova, Sunrise, Sunstar, Tour, Vectra, Via, View, Vista, Voyage, and Winnebago. Winnebago of Indiana, LLC also has several registered trademarks associated with their towable products which include: Bristol Bay, Brookside, Sunnybrook, Sunset Creek, West Pointe, and Raven. We believe that our trademarks and trade names are significant to our business and we will vigorously protect them against infringement. We are not dependent upon any patents or technology licenses of others for the conduct of our business.

Research and Development

Research and development expenditures are expensed as incurred. During Fiscal 2013, 2012 and 2011, we spent approximately $3.8 million, $3.4 million and $3.3 million, respectively on research and development activities.

Human Resources

At the end of Fiscal 2013, 2012 and 2011, we employed approximately 2,680, 2,380 and 2,130 persons, respectively. None of our employees are covered under a collective bargaining agreement. We believe our relations with our employees are good.

Executive Officers of the Registrant

Name	Office (Year First Elected an Officer)	Age
Randy J. Potts [1]	Chairman of the Board, Chief Executive Officer and President (2006)	54
S. Scott Degnan	Vice President, Sales and Product Management (2012)	48
Scott C. Folkers	Vice President, General Counsel & Secretary (2012)	51
Robert L. Gossett	Vice President, Administration (1998)	62
Daryl W. Krieger	Vice President, Manufacturing (2010)	50
Sarah N. Nielsen	Vice President, Chief Financial Officer (2005)	40
William J. O'Leary	Vice President, Product Development (2001)	64
Donald L. Heidemann	Treasurer and Director of Finance (2007)	41

(1) Director

Officers are elected annually by the Board of Directors. There are no family relationships between or among any of the Corporate Officers or Directors of the Company.

Mr. Potts has over 30 years of experience with Winnebago Industries. He has been Chairman of the Board since January 2012, Chief Executive Officer since June 2011, and President since January 2011. Prior to that time, he served as Senior Vice President, Strategic Planning from November 2009 to June 2011, Vice President, Manufacturing from October 2006 to November 2009, Director of Manufacturing from February 2006 to October 2006 and as General Manager of Manufacturing Services from November 2000 to February 2006.

Mr. Degnan joined Winnebago Industries in May 2012, as Vice President of Sales and Product Management. Prior to joining Winnebago Industries, Mr. Degnan served as vice president of sales for Riverside, California's MVP RV from 2010 to 2012. He also previously served in management and sales positions with Coachmen RV from 2008 to 2010, with National RV from 2007 to 2008, and Fleetwood Enterprises from 1987 to 2007.

Mr. Folkers joined Winnebago Industries in August 2010, as assistant general counsel. He was elected to the position of Vice President, General Counsel and Secretary in June 2012. Prior to joining Winnebago Industries, Mr. Folkers was employed as in house counsel for John Morrell & Co., in Sioux Falls, SD from 1998 to 2010. Mr. Folkers is a member of the Iowa Bar Association.

Mr. Gossett has over 14 years of experience with Winnebago Industries. He has been Vice President, Administration since joining the Company in 1998.

Mr. Krieger has over 29 years of experience with Winnebago Industries. He has been Vice President, Manufacturing since May 2010. Prior to that time, he served as Director of Manufacturing from November 2009 to May 2010 and General Manager - Fabrication from February 2002 to November 2009.

Ms. Nielsen has eight years of experience with Winnebago Industries. She has been Vice President and Chief Financial Officer since November 2005. Ms. Nielsen joined the Company in August 2005 as Director of Special Projects and Training. Prior to joining Winnebago Industries, she was employed as a senior audit manager at Deloitte & Touche LLP, where she worked from 1995 to 2005. Ms. Nielsen is a Certified Public Accountant.
Mr. O'Leary has over 41 years of experience with Winnebago Industries. He has been Vice President, Product Development since 2001.

Table of Contents

Mr. Heidemann has six years of experience with Winnebago Industries. He was elected to the position of Treasurer in August 2007 and added Director of Finance responsibilities in August 2011. Prior to joining Winnebago Industries, Mr. Heidemann served in various treasury positions for Select Comfort Corporation from 2003 to July 2007 and served in various treasury positions for Rent-A-Center Incorporated from 1998 to 2003.

Item 1A. Risk Factors

The following risk factors should be considered carefully in addition to the other information contained in this Annual Report on Form 10-K. The risks and uncertainties described below are not the only ones we face, but represent the most significant risk factors that we believe may adversely affect the RV industry and our business, operations or financial position. The risks and uncertainties discussed in this report are not exclusive and other risk factors that we may consider immaterial or do not anticipate may emerge as significant risks and uncertainties.

Risks Related to Our Business

Competition

The market for recreation vehicles is very competitive. Competition in this industry is based upon price, design, value, quality and service. There can be no assurance that existing or new competitors will not develop products that are superior to our recreation vehicles or that achieve better consumer acceptance, thereby adversely affecting our market share, sales volume and profit margins. Some of our competitors are much larger than us, most notably in the towable recreation vehicle market, which may provide them additional purchasing power. These competitive pressures may continue to have a material adverse effect on our results of operations.

General Economic Conditions and Certain Other External Factors

Companies within the recreation vehicle industry are subject to volatility in operating results due primarily to general economic conditions because the purchase of an RV is often viewed as a consumer luxury purchase. Specific factors affecting the recreation vehicle industry include:

- overall consumer confidence and the level of discretionary consumer spending;
- employment trends;
- the adverse impact of global tensions on consumer spending and travel-related activities; and
- adverse impact on margins of increases in raw material costs which we are unable to pass on to customers without negatively affecting sales.

Dependence on Credit Availability and Interest Rates to Dealers and Retail Purchasers

Our business is affected by the availability and terms of the financing to dealers. Generally, recreation vehicle dealers finance their purchases of inventory with financing provided by lending institutions. Two financial flooring institutions held 80% of our total financed dealer inventory dollars that were outstanding at August 31, 2013. In the event that either or both of these lending institutions limit or discontinue dealer financing, we could experience a material adverse effect on our results of operations. Our business is also affected by the availability and terms of financing to retail purchasers. Retail buyers purchasing a motorhome or towable may elect to finance their purchase through the dealership or a financial institution of their choice. Substantial increases in interest rates or decreases in the general availability of credit for our dealers or for the retail purchaser may have an adverse impact upon our business and results of operations.

Cyclicality and Seasonality

The recreation vehicle industry has been characterized by cycles of growth and contraction in consumer demand, reflecting prevailing economic and demographic conditions, which affect disposable income for leisure-time activities. Consequently, the results for any prior period may not be indicative of results for any future period. Seasonal factors, over which we have no control, also have an effect on the demand for our products. Demand in the recreation vehicle industry generally declines over the winter season, while sales are generally highest during the spring and summer months. Also, unusually severe weather conditions in some markets may impact demand. Our business also does well when the US housing market is strong and our business weakens when the US housing market weakens.

Potential Loss of a Large Dealer Organization

One of our dealer organizations accounted for 26.5% of our net revenue for Fiscal 2013, as they sold our products in 68 of their dealership locations across 26 US states. A second dealer organization accounted for 12.3% of our net revenue for Fiscal 2013, as they sold products in 11 of their dealership locations across 3 US states. The loss of either or both of these dealer organizations could have a significant adverse effect on our business. In addition, deterioration in the liquidity or creditworthiness of either of both of these dealers could negatively impact our sales and could trigger repurchase obligations under our repurchase agreements.

Table of Contents

Potential Repurchase Liabilities

In accordance with customary practice in the RV industry, upon request we enter into formal repurchase agreements with lending institutions financing a dealer's purchase of our products. In these repurchase agreements we agree, in the event of a default by an independent dealer in its obligation to a lender and repossession of the unit(s) by the lending institution, to repurchase units at declining prices over the term of the agreements, which can last up to 18 months. The difference between the gross repurchase price and the price at which the repurchased product can then be resold, which is typically at a discount to the gross repurchase price, represents a potential expense to us. In certain instances, we also repurchase inventory from our dealers due to state law or regulatory requirements that govern voluntary or involuntary terminations. If we are obligated to repurchase a substantially larger number of RVs in the future, this would increase our costs and could have a material adverse effect on our results of operations, financial condition, and cash flows.

Fuel Availability and Price Volatility

Gasoline or diesel fuel is required for the operation of motorized recreation vehicles. There can be no assurance that the supply of these petroleum products will continue uninterrupted or that the price or tax on these petroleum products will not significantly increase in the future. RVs, however, are not generally purchased for fuel efficiency. Fuel shortages and substantial increases in fuel prices have had a material adverse effect on the recreation vehicle industry as a whole in the past and could have a material adverse effect on us in the future.

Dependence on Suppliers

Most of our RV components are readily available from numerous sources. However, a few of our components are produced by a small group of suppliers. In the case of motorhome chassis, Ford Motor Company, Freightliner Custom Chassis Corporation and Mercedes-Benz (USA and Canada) are our major suppliers. Our relationship with our chassis suppliers is similar to our other supplier relationships in that no special contractual commitments are engaged in by either party. This means that we do not have minimum purchase requirements and our chassis suppliers do not have minimum supply requirements. Our chassis suppliers also supply to our competitors. Historically, chassis suppliers resort to an industry-wide allocation system during periods when supply is restricted. These allocations have been based on the volume of chassis previously purchased. Sales of motorhomes rely on chassis supply and are affected by shortages. Decisions by our suppliers to decrease production, production delays, or work stoppages by the employees of such suppliers could have a material adverse effect on our ability to produce motorhomes and ultimately, on our results of operations, financial condition and cash flows.

Warranty Claims

We receive warranty claims from our dealers in the ordinary course of our business. Although we maintain reserves for such claims, which to date have been adequate, there can be no assurance that warranty expense levels will remain at current levels or that such reserves will continue to be adequate. A significant increase in warranty claims exceeding our current warranty expense levels could have a material adverse effect on our results of operations, financial condition and cash flows.

In addition to the costs associated with the contractual warranty coverage provided on our products, we also occasionally incur costs as a result of additional service actions not covered by our warranties, including product recalls and customer satisfaction actions. Although we estimate and reserve for the cost of these service actions, there can be no assurance that expense levels will remain at current levels or such reserves will continue to be adequate.

Product Liability

We are subject, in the ordinary course of business, to litigation including a variety of warranty, "Lemon Law" and product liability claims typical in the recreation vehicle industry. We have an insurance policy covering product liability, however, we are self-insured for a portion of product liability claims. We cannot be certain that our insurance coverage will be sufficient to cover all future claims against us, which may have a material adverse effect on our results of operations and financial condition. Any increase in the frequency and size of these claims, as compared to our experience in prior years, may cause the premium that we are required to pay for insurance to rise significantly. Product liability claims may also cause us to pay punitive damages, not all of which are covered by our insurance. In addition, if product liability claims rise to a level of frequency or size that are significantly higher than similar claims made against our competitors, our reputation and business may be harmed.

Information Systems and Web Applications

We rely on our information systems and web applications to support our business operations, including but not limited to procurement, supply chain, manufacturing, distribution, warranty administration, invoicing and collection of payments. We use information systems to report and audit our operational results. Additionally, we rely upon information systems in our sales, marketing, human resources and communication efforts. Due to our reliance on our information systems, our business processes may be negatively impacted in the event of substantial disruption of service. Further, misuse, leakage or falsification of information could result in a violation of privacy laws and damage our reputation which could, in turn, have a negative impact on our results.

Table of Contents

Government Regulation

We are subject to numerous federal, state and local regulations. Some regulations govern the manufacture and sale of our products, including the provisions of the MVA, and the safety standards for recreation vehicles and components which have been established under the Motor Vehicle Act by the Department of Transportation. The MVA authorizes the National Highway Traffic Safety Administration to require a manufacturer to recall and repair vehicles which contain certain hazards or defects. Any major recalls of our vehicles, voluntary or involuntary, could have a material adverse effect on our results of operations, financial condition and cash flows. While we believe we are substantially in compliance with the foregoing laws and regulations as they currently exist, amendments to any of these regulations or the implementation of new regulations could significantly increase the cost of manufacturing, purchasing, operating or selling our products and could have a material adverse effect on our results of operations, financial condition, and cash flows. In addition, our failure to comply with present or future regulations could result in fines being imposed on us, potential civil and criminal liability, suspension of sales or production or cessation of operations.

We are also subject to federal and numerous state consumer protection and unfair trade practice laws and regulations relating to the sale, transportation and marketing of motor vehicles, including so-called "Lemon Laws." Federal and state laws and regulations also impose upon vehicle operators various restrictions on the weight, length and width of motor vehicles, including motorhomes that may be operated in certain jurisdictions or on certain roadways. Certain jurisdictions also prohibit the sale of vehicles exceeding length restrictions.

Failure to comply with NYSE and SEC laws or regulations could have an adverse impact on our business. Additionally, amendments to these regulations and the implementation of new regulations could increase the cost of manufacturing, purchasing, operating or selling our products and therefore could have an adverse impact on our business.

Recently, the SEC adopted new rules pursuant to Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act setting forth new disclosure requirements concerning the use or potential use of certain minerals, deemed conflict minerals (tantalum, tin, gold and tungsten), that are mined from the Democratic Republic of Congo and adjoining countries. These new requirements will necessitate due diligence efforts on our part to assess whether such minerals are used in our products in order to make the relevant required disclosures beginning in May 2014. There will be costs associated with complying with these new disclosure requirements, including for diligence to determine the sources of those minerals that may be used or necessary to the production of our products. We may face reputational challenges that could impact future sales if we determine that certain of our products contain minerals not determined to be conflict free or if we are unable to sufficiently verify the origins for all conflict minerals used in our products.

Finally, federal and state authorities also have various environmental control standards relating to air, water, noise pollution and hazardous waste generation and disposal which affect us and our operations. Failure by us to comply with present or future laws and regulations could result in fines being imposed on us, potential civil and criminal liability, suspension of production or operations, alterations to the manufacturing process, or costly cleanup or capital expenditures, any or all of which could have a material adverse effect on our results of operations.

Risks Related to Our Company

Anti-takeover Effect

Provisions of our articles of incorporation, by-laws, the Iowa Business Corporation Act and provisions in our credit facilities and certain of our compensation programs that we may enter into from time to time could make it more difficult for a third party to acquire us, even if doing so would be perceived to be beneficial by our shareholders. The combination of these provisions effectively inhibits a non-negotiated merger or other business combination, which, in turn, could adversely affect the market price of our common stock.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our principal manufacturing, maintenance and service operations are conducted in multi-building complexes owned or leased by us. The following sets forth our material facilities as of August 31, 2013:

Location	Facility Type/Use	# of Buildings	Owned or Leased	Square Footage
Forest City, Iowa	Manufacturing, maintenance, service and office	30	Owned	1,558,000
Forest City, Iowa	Warehouse	4	Owned	702,000
Charles City, Iowa	Manufacturing	2	Owned	161,000
Middlebury, Indiana	Manufacturing and office	4	Leased	277,000
		40		2,698,000

Table of Contents

The facilities that we own in Forest City and Charles City are located on approximately 450 acres of land. We lease 244,000 square feet of our warehouse facilities in Forest City to others. Most of our buildings are of steel or steel and concrete construction and are protected from fire with high pressure sprinkler systems, dust collector systems, automatic fire doors and alarm systems. We believe that our facilities and equipment are well maintained, in excellent condition and suitable for the purposes for which they are intended.

In January 2011, we entered into a five-year lease agreement with FFT Land Management for real property consisting of four buildings and approximately 30 acres of land located in Middlebury, Indiana. The buildings are being utilized to manufacture towable trailers. See Note 19.

In the first quarter of Fiscal 2013, property in Hampton, Iowa, an asset held for sale, was sold for $550,000 in gross proceeds resulting in a loss of $28,000 not including previous impairments. See Note 6.

Under terms of our credit facility, as further described in Note 8, we have encumbered substantially all of our real property for the benefit of the lender under such facility.

Item 3. Legal Proceedings

We are involved in various legal proceedings which are ordinary and routine litigation incidental to our business, some of which are covered in whole or in part by insurance. We believe, while the final resolution of any such litigation may have an impact on our results for a particular reporting period, the ultimate disposition of such litigation will not have any material adverse effect on our financial position, results of operations, or liquidity.

Item 4. Mine Safety Disclosure

Not Applicable.

PART II

Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common stock is listed on the New York and Chicago Stock Exchanges with the ticker symbol of WGO.

Below are the New York Stock Exchange high, low and closing prices of Winnebago Industries, Inc. common stock for each quarter of Fiscal 2013 and Fiscal 2012:

Fiscal 2013	High	Low	Close	Fiscal 2012	High	Low	Close
First Quarter	$14.49	$10.99	$14.22	First Quarter	$8.95	$6.02	$6.07
Second Quarter	20.10	13.53	19.49	Second Quarter	10.51	6.15	9.44
Third Quarter	22.34	16.72	20.76	Third Quarter	10.65	8.14	9.08
Fourth Quarter	25.15	19.33	22.27	Fourth Quarter	11.46	8.50	11.01

Holders

Shareholders of record as of October 15, 2013: 3,278

Dividends Paid Per Share

On October 15, 2008, our Board of Directors suspended future cash dividend payments in order to conserve capital and to maintain liquidity. No dividends have been paid since the first quarter of Fiscal 2009.

Our credit facility, as further described in Note 8, also contains covenants that limit our ability, among other things, to pay cash dividends without the consent of Wells Fargo, as Agent and the lenders thereunder, in their sole discretion.

Issuer Purchases of Equity Securities

Our credit facility, as further described in Note 8, contains covenants that limits our ability, among other things, except for limited purchases of our common stock from employees, to make distributions or payments with respect to or purchases of our common stock without consent of the lenders.

On December 19, 2007, the Board of Directors authorized the repurchase of outstanding shares of our common stock, depending on market conditions, for an aggregate consideration of up to $60 million. There is no time restriction on this authorization. During Fiscal 2013, approximately 882,000 shares were repurchased under the authorization, at an aggregate cost of approximately $12.7 million, or $14.40 per share. Approximately 21,000 of these shares were repurchased from employees who vested in Winnebago

Table of Contents

Industries shares during the fiscal year and elected to pay their payroll tax via delivery of common stock as opposed to cash. As of August 31, 2013, there was approximately $39.9 million remaining under this authorization.

This table provides information with respect to purchases by us of shares of our common stock during each fiscal month of the fourth quarter of Fiscal 2013:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Number of Shares Purchased as Part of Publicly Announced Plans or Programs		Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs
06/02/13 - 07/06/13	—	$—	—	(1)	$41,442,000
07/07/13 - 08/03/13	10,000	$24.01	10,000		$41,202,000
08/04/13 - 08/31/13	55,600	$23.02	55,600		$39,922,000
Total	65,600	$23.17	65,600	(1)	$39,922,000

Equity Compensation Plan Information

The following table provides information as of August 31, 2013 with respect to shares of our common stock that may be issued under our existing equity compensation plans:

(Adjusted for the 2-for-1 Stock Split on March 5, 2004) Plan Category	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights		(b) Weighted Average Exercise Price of Outstanding Options, Warrants and Rights		(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in (a))	
Equity compensation plans approved by shareholders	664,994	(1)	$	29.83	2,857,171	(2)
Equity compensation plans not approved by shareholders (3)	111,700	(4)		12.89	—	(5)
Total	776,694		$	27.39	2,857,171	

(1) This number includes 552,902 stock options granted under the 2004 Incentive Compensation Plan, as amended (the "Plan"). Also included are 112,092 options granted under the 1997 Stock Option Plan.

(2) This number represents stock options available for grant under the Plan as of August 31, 2013. The Plan replaced the 1997 Stock Option Plan effective January 1, 2004. No new grants may be made under the 1997 Stock Option Plan. Any stock options previously granted under the 1997 Stock Option Plan will continue to be exercisable in accordance with their original terms and conditions.

(3) Our sole equity compensation plan not previously submitted to our shareholders for approval is the Directors' Deferred Compensation Plan, as amended. The Board of Directors may terminate the Directors' Deferred Compensation Plan at any time. If not terminated earlier, the Directors' Deferred Compensation Plan will automatically terminate on June 30, 2023. For a description of the key provisions of the Directors' Deferred Compensation Plan, see the information in our Proxy Statement for the Annual Meeting of Shareholders scheduled to be held December 17, 2013 under the caption "Director Compensation," which information is incorporated by reference herein.

(4) Represents shares of common stock issued to a trust which underlie stock units, payable on a one-for-one basis, credited to stock unit accounts as of August 31, 2013 under the Directors' Deferred Compensation Plan.

(5) The table does not reflect a specific number of stock units which may be distributed pursuant to the Directors' Deferred Compensation Plan. The Directors' Deferred Compensation Plan does not limit the number of stock units issuable thereunder. The number of stock units to be distributed pursuant to the Directors' Deferred Compensation Plan will be based on the amount of the director's compensation deferred and the per share price of our common stock at the time of deferral.

Table of Contents

Performance Graph

The following graph compares our five-year cumulative total shareholder return (including reinvestment of dividends) with the cumulative total return on the Standard & Poor's 500 Index and a peer group. The peer group companies consisting of Thor Industries, Inc., Polaris Industries, Inc. and Brunswick Corporation were selected by us as they also manufacture recreation products. It is assumed in the graph that $100 was invested in our common stock, in the Standard & Poor's 500 Index and in the stocks of the peer group companies on August 30, 2008 and that all dividends received within a quarter were reinvested in that quarter. In accordance with the guidelines of the SEC, the shareholder return for each entity in the peer group index has been weighted on the basis of market capitalization as of each annual measurement date set forth in the graph.

Company/Index	Base Period 8/30/08	8/29/09	8/28/10	8/27/11	8/25/12	8/31/13
Winnebago Industries, Inc.	100.00	103.44	80.56	63.56	101.03	204.36
S&P 500 Index	100.00	82.41	86.99	98.07	120.11	142.18
Peer Group	100.00	92.57	113.89	156.35	237.56	366.45

Item 6. Selected Financial Data

	Fiscal Years Ended				
(In thousands, except EPS)	08/31/13	8/25/12 [1]	08/27/11	08/28/10	8/29/09 [1]
Income statement data:					
Net revenues	$803,165	$581,679	$496,418	$449,484	$211,519
Net income (loss)	31,953	44,972	11,843	10,247	(78,766)
Per share data:					
Net income (loss) - basic	1.14	1.54	0.41	0.35	(2.71)
Net income (loss) - diluted	1.13	1.54	0.41	0.35	(2.71)
Dividends declared and paid per common share	—	—	—	—	0.12
Balance sheet data:					
Total assets	309,145	286,072	239,927	227,357	220,466

[1] In Fiscal 2009 we established a valuation allowance of $45.3 million on our deferred tax assets. In Fiscal 2012, we determined we no longer needed the valuation allowance and re-established $39.0 million of deferred tax assets.

Table of Contents

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

Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is intended to provide a reader of our financial statements with a narrative from the perspective of our management on our financial condition, results of operations, liquidity and certain other factors that may affect our future results. Our MD&A is presented in eight sections:

Our MD&A should be read in conjunction with the Financial Statements and related Notes included in Item 8, Financial Statements and Supplementary Data, of this Annual Report on Form 10-K.

Executive Overview

Winnebago Industries, Inc. is a leading US manufacturer of RVs with a proud history of manufacturing RV products for more than 50 years. We produce all of our motorhomes in vertically integrated manufacturing facilities in Iowa and we produce all travel trailer and fifth wheel trailers in Indiana. We distribute our products primarily through independent dealers throughout the US and Canada, who then retail the products to the end consumer.

Our retail unit market share, as reported by Stat Surveys based on state records, is illustrated below. Note that this data is subject to adjustment and is continuously updated.

	Through August 31		Calendar Year		
US Retail Motorized:	2013	2012	2012	2011	2010
Class A gas	22.2 %	22.9 %	24.2 %	22.2 %	23.7 %
Class A diesel	17.4 %	20.0 %	19.4 %	17.6 %	15.2 %
Total Class A	20.3 %	21.7 %	22.2 %	20.2 %	19.5 %
Class C	16.3 %	17.2 %	18.3 %	17.4 %	17.9 %
Total Class A and C	18.4 %	19.6 %	20.5 %	19.0 %	18.8 %
Class B	17.4 %	16.9 %	17.6 %	7.9 %	15.6 %

	Through July 31		Calendar Year		
Canadian Retail Motorized:	2013	2012	2012	2011	2010
Class A gas	14.0 %	14.6 %	15.3 %	16.5 %	14.9 %
Class A diesel	15.4 %	15.9 %	17.3 %	18.0 %	9.9 %
Total Class A	14.5 %	15.0 %	16.1 %	17.1 %	12.6 %
Class C	11.7 %	13.1 %	14.9 %	15.9 %	13.8 %
Total Class A and C	12.8 %	14.0 %	15.5 %	16.5 %	13.2 %
Class B	20.2 %	11.5 %	12.7 %	7.1 %	4.8 %

	US				Canadian			
	Through July 31		Calendar Year		Through July 31		Calendar Year	
Retail Towables:	2013	2012	2012	2011	2013	2012	2012	2011
Travel trailer	0.9 %	0.8 %	0.8 %	0.6 %	0.8 %	0.5 %	0.6 %	0.5 %
Fifth wheel	0.8 %	1.0 %	1.1 %	0.5 %	1.2 %	1.3 %	1.5 %	0.6 %
Total towables	0.9 %	0.8 %	0.9 %	0.6 %	0.9 %	0.7 %	0.9 %	0.5 %

Table of Contents

Presented in fiscal quarters, certain key metrics are shown below:

	Class A, B & C Motorhomes				Travel Trailers & Fifth Wheels			
			As of Quarter End				As of Quarter End	
(In units)	Wholesale Deliveries	Retail Registrations	Dealer Inventory	Order Backlog	Wholesale Deliveries	Retail Registrations	Dealer Inventory	Order Backlog
Q1	1,040	1,053	1,945	618	435	255	1,146	460
Q2	1,001	872	2,074	1,004	562	332	1,376	417
Q3	1,280	1,414	1,940	1,237	646	652	1,370	505
Q4	1,321	1,334	1,927	1,473	695	700	1,365	411
Fiscal 2012	4,642	4,673			2,338	1,939		
Q1	1,534	1,416	2,045	2,118	557	367	1,555	687
Q2	1,419	1,072	2,392	2,752	548	328	1,775	381
Q3	1,978	1,736	2,634	2,846	713	846	1,642	443
Q4	1,890	1,870	2,654	3,409	717	748	1,611	221
Fiscal 2013	6,821	6,094			2,535	2,289		
Increase in units	2,179	1,421	727		197	350	246	
Percentage increase	46.9 %	30.4 %	37.7 %		8.4 %	18.1 %	18.0 %	

Highlights of Fiscal 2013:

Consolidated revenues, gross profit, and operating income were significantly higher for Fiscal 2013 as compared to Fiscal 2012. Quarterly results for the past two fiscal years are illustrated as follows:

(In thousands)	Revenues		Gross Profit		Gross Margin		Operating Income (Loss)		Operating Margin	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Q1	$193,554	$131,837	$20,747	$8,496	10.7 %	6.4 %	$9,946	$627	5.1 %	0.5 %
Q2	177,166	131,600	17,191	6,846	9.7 %	5.2 %	8,872	(1,164)	5.0 %	(0.9)%
Q3	218,199	155,709	21,197	12,071	9.7 %	7.8 %	10,248	3,527	4.7 %	2.3 %
Q4	214,246	162,533	25,496	16,267	11.9 %	10.0 %	15,332	6,536	7.2 %	4.0 %
Total	$803,165	$581,679	$84,631	$43,680	10.5 %	7.5 %	$44,398	$9,526	5.5 %	1.6 %

Motorized performance:

- Fiscal 2013 motorhome deliveries increased by approximately 47% as compared to Fiscal 2012. In addition delivery retail demand for our motorized products grew over 30% as compared to Fiscal 2012. As a result, dealer inventory grew by nearly 38% when comparing the same time periods. We view this as a reflection of our dealer network's confidence in our products and the overall industry. Our belief of improving dealer confidence is further supported by the continued growth in our sales order backlog. As noted in the above table, our backlog reached 3,409 at the end of the fiscal year. This is the first time our backlog has been in excess of 3,000 since the fourth quarter of Fiscal 2002.
- The continuing strong demand for our motorized products has led to enhanced financial performance. The sales pricing environment has firmed as compared to a year ago and the incremental volume has provided operating leverage in multiple areas. Approximately 17% of the incremental motorhome revenue flowed through to the operating profit line.

Towables performance:

- Towables generated an operating loss of $3.5 million in Fiscal 2013 compared to an operating loss of $744,000 in Fiscal 2012. Excluding non-cash expense of approximately $550,000 related to the acceleration of acquisition related intangible assets (see further discussion at Note 7), Towables was operationally break-even in the fourth quarter of Fiscal 2013.
-

The two most noteworthy issues that negatively impacted Towables' operating performance during Fiscal 2013 were increased warranty expense due to escalating negative claim experience and unfavorable overhead variances due to lower production. Significant changes were made in the first half of Fiscal 2013 in key management positions to address the recent performance problems. Notably, a new Towables president was named in January 2013 and leadership responsibilities of warranty and service were centralized to our company headquarters in Iowa to better leverage our expertise in these areas. During February 2013, production was idled in one of the assembly plants where production issues had been pervasive and only a small core group of employees were retained to train and work in the other assembly plant that has not experienced similar issues. Production resumed in this plant during the fourth quarter of Fiscal 2013.

Table of Contents

During Fiscal 2013, the Winnebago towable branded products experienced triple digit growth in both wholesale shipments and retail registrations. This growth is attributed to a concerted effort to update existing Winnebago product lines and through the introduction of a new line of Ultralite travel trailers that have successfully penetrated the fastest growing segment in the towable market. The SunnyBrook products have now been realigned with a renewed focus on primary large volume product segments. As a result of this new strategy, we have discontinued several models and focused the three SunnyBrook brands to more effectively penetrate specific segments of the market.

Industry Outlook

Key statistics for the motorhome industry are as follows:

	US and Canada Industry Class A, B & C Motorhomes							
	Wholesale Shipments[1]				Retail Registrations[2]			
	Calendar Year				Calendar Year			
(In units)	2012	2011	(Decrease) Increase	Change	2012	2011	Increase (Decrease)	Change
Q1	6,869	6,888	(19)	(0.3)%	5,706	5,114	592	11.6%
Q2	7,707	7,868	(161)	(2.0)%	8,206	8,140	66	0.8%
Q3	6,678	5,267	1,411	26.8%	6,916	6,102	814	13.3%
Q4	6,944	4,807	2,137	44.5%	4,922	4,623	299	6.5%
Total	28,198	24,830	3,368	13.6%	25,750	23,979	1,771	7.4%
(In units)	2013	2012	Increase	Change	2013	2012	Increase	Change
Q1	8,500	6,869	1,631	23.7%	7,127	5,706	1,421	24.9%
Q2	10,972	7,707	3,265	42.4%	10,747	8,206	2,541	31.0%
July	2,850	1,955	895	45.8%	3,272	2,538	734	28.9%
August	3,302	2,455	847	34.5%	2,424 (4)	2,287		
September	3,138 (3)	2,268	870	38.4%	(5)	2,091		
Q3	9,290 (3)	6,678	2,612	39.1%	(5)	6,916		
Q4	8,500 (3)	6,944	1,556	22.4%	(5)	4,922		
Total	37,262 (3)	28,198	9,064	32.1%		25,750		

(1) Class A, B and C wholesale shipments as reported by RVIA, rounded to the nearest hundred.

(2) Class A, B and C retail registrations as reported by Stat Surveys for the US and Canada combined, rounded to the nearest hundred.

(3) Monthly and quarterly 2013 Class A, B and C wholesale shipments for September and the third and fourth calendar quarters are based upon the forecast prepared by Dr. Richard Curtin of the University of Michigan Consumer Survey Research Center for RVIA and reported in the RoadSigns RV Fall 2013 Industry Forecast Issue. The revised RVIA annual 2013 wholesale shipment forecast is 37,100 and the annual forecast for 2014 is 38,700.

(4) U.S. retail registrations for Class A, B and C for August, 2013. Canadian retail registrations are not yet available.

(5) Stat Surveys has not issued a projection for 2013 retail demand for this period.

Table of Contents

Key statistics for the towable industry are as follows:

US and Canada Travel Trailer & Fifth Wheel Industry

	Wholesale Shipments[(1)] Calendar Year				Retail Registrations[(2)] Calendar Year			
(In units)	2012	2011	Increase	Change	2012	2011	Increase	Change
Q1	60,402	54,132	6,270	11.6 %	39,093	33,698	5,395	16.0 %
Q2	71,095	65,987	5,108	7.7 %	83,990	79,155	4,835	6.1 %
Q3	56,601	47,547	9,054	19.0 %	67,344	63,014	4,330	6.9 %
Q4	54,782	45,266	9,516	21.0 %	32,469	30,044	2,425	8.1 %
Total	242,880	212,932	29,948	14.1 %	222,896	205,911	16,985	8.2 %

(In units)	2013	2012	Increase (Decrease)	Change	2013	2012	Increase	Change
Q1	66,745	60,402	6,343	10.5 %	42,710	39,093	3,617	9.3 %
Q2	79,935	71,095	8,840	12.4 %	93,826	83,990	9,836	11.7 %
July	22,083	19,654	2,429	12.4 %	30,455	25,707	4,748	18.5 %
August	20,797	20,963	(166)	(.8)%	(4)	24,003		
September	18,634 (3)	15,984	2,650	16.6 %	(4)	17,634		
Q3	61,514 (3)	56,601	4,913	8.7 %	(4)	67,344		
Q4	57,000 (3)	54,782	2,218	4.0 %	(4)	32,469		
Total	265,194 (3)	242,880	22,314	9.2 %		222,896		

(1) Towable wholesale shipments as reported by RVIA, rounded to the nearest hundred.

(2) Towable retail registrations as reported by Stat Surveys for the US and Canada combined, rounded to the nearest hundred.

(3) Monthly and quarterly 2013 towable wholesale shipments for September and the third and fourth calendar quarters are based upon the forecast prepared by Dr. Richard Curtin of the University of Michigan Consumer Survey Research Center for RVIA and reported in the RoadSigns RV Fall 2013 Industry Forecast Issue. The revised annual 2013 wholesale shipment forecast is 267,700 and the annual forecast for 2014 is 281,100.

(4) Statistical Surveys has not issued a projection for 2013 retail demand for this period.

Company Outlook

Based on our profitable operating results in recent years, we believe that we have demonstrated our ability to maintain our liquidity, cover operations costs, recover fixed assets, and maintain physical capacity at present levels. Now that we have entered into the towable market, we are attempting to grow revenues and earnings in a market significantly larger than the motorized market.

As evidenced in the table below, our motorhome sales order backlog at the end of Fiscal 2013 significantly increased as compared to the end of Fiscal 2012. It has also increased sequentially from the end of our Fiscal 2013 third quarter, as previously illustrated. We believe the increase is a result of the positive dealer response to our new 2014 model year products introduced in late spring and increased retail registration activity of our products this past summer. We expect to continue to increase production during Fiscal 2014 to meet the growing demand for our products, while managing constraints as may occur in relation to labor and component parts.

We believe that the level of our dealer inventory at the end of Fiscal 2013 is reasonable given the improved retail demand and increased sales order backlog of our product.

Table of Contents

Our unit order backlog was as follows:

(In units)	As Of August 31, 2013			August 25, 2012			Increase (Decrease)	% Change	
Class A gas	1,405	41.6	%	642	43.6	%	763	118.8	%
Class A diesel	607	18.0	%	333	22.6	%	274	82.3	%
Total Class A	2,012	59.5	%	975	66.2	%	1,037	106.4	%
Class B	300	8.9	%	118	8.0	%	182	154.2	%
Class C	1,068	31.6	%	380	25.8	%	688	181.1	%
Total motorhome backlog(1)	3,380	100.0	%	1,473	100.0	%	1,907	129.5	%
Travel trailer	180	81.4	%	306	74.5	%	(126)	(41.2)	%
Fifth wheel	41	18.6	%	105	25.5	%	(64)	(61.0)	%
Total towable backlog(1)	221	100.0	%	411	100.0	%	(190)	(46.2)	%
Approximate backlog revenue in thousands									
Motorhome	$346,665			$163,725			$182,940	111.7	%
Towable	$4,744			$8,776			$(4,032)	(45.9)	%

(1) We include in our backlog all accepted purchase orders from dealers to be shipped within the next six months. Orders in backlog can be canceled or postponed at the option of the dealer at any time without penalty and, therefore, backlog may not necessarily be an accurate measure of future sales.

Impact of Inflation

Materials cost is the primary component in the cost of our products. Historically, the impact of inflation on our operations has not been significantly detrimental, as we have usually been able to adjust our prices to reflect the inflationary impact on the cost of manufacturing our products. While we have historically been able to pass on these increased costs, in the event we are unable to continue to do so due to market conditions, future increases in manufacturing costs could have a material adverse effect on our results of operations.

Results of Operations

Fiscal 2013 Compared to Fiscal 2012

The following is an analysis of changes in key items included in the statements of operations for the fiscal year ended August 31, 2013 compared to the fiscal year ended August 25, 2012:

(In thousands, except percent and per share data)	Year Ended August 31, 2013	% of Revenues(1)		August 25, 2012	% of Revenues(1)		Increase (Decrease)	% Change	
Net revenues	$803,165	100.0	%	$581,679	100.0	%	$221,486	38.1	%
Cost of goods sold	718,534	89.5	%	537,999	92.5	%	180,535	33.6	%
Gross profit	84,631	10.5	%	43,680	7.5	%	40,951	93.8	%
Selling	18,318	2.3	%	16,837	2.9	%	1,481	8.8	%
General and administrative	21,887	2.7	%	17,267	2.7	%	4,620	26.8	%
Assets held for sale impairment	28	—	%	50	—	%	(22)	NMF	
Operating expenses	40,233	5.0	%	34,154	5.9	%	6,079	17.8	%
Operating income	44,398	5.5	%	9,526	1.6	%	34,872	NMF	
Non-operating income	696	0.1	%	581	0.1	%	115	19.8	%
Income before income taxes	45,094	5.6	%	10,107	1.7	%	34,987	NMF	

Provision (benefit) for taxes	13,141	1.6 %	(34,865)	(6.0)%	48,006	(137.7)%
Net income	$31,953	4.0 %	$44,972	7.7 %	$(13,019)	(28.9)%
Diluted income per share	$1.13		$1.54		$(0.41)	(26.6)%
Diluted average shares outstanding	28,170		29,207			

(1) Percentages may not add due to rounding differences.

Table of Contents

Unit deliveries and ASP, net of discounts, consisted of the following:

(In units)	Year Ended August 31, 2013	Product Mix % [1]	August 25, 2012	Product Mix % [1]	Increase (Decrease)	% Change
Motorhomes:						
Class A gas	2,446	35.9 %	1,648	35.5 %	798	48.4 %
Class A diesel	1,315	19.3 %	931	20.1 %	384	41.2 %
Total Class A	3,761	55.1 %	2,579	55.6 %	1,182	45.8 %
Class B	372	5.5 %	319	6.9 %	53	16.6 %
Class C	2,688	39.4 %	1,744	37.6 %	944	54.1 %
Total motorhome deliveries	6,821	100.0 %	4,642	100.0 %	2,179	46.9 %
ASP (in thousands) [1]	$105		$105		$(1)	(0.9)%
Towables:						
Travel trailer	2,038	80.4 %	1,372	58.7 %	666	48.5 %
Fifth wheel	497	19.6 %	966	41.3 %	(469)	(48.6)%
Total towable deliveries	2,535	100.0 %	2,338	100.0 %	197	8.4 %
ASP (in thousands)[1]	$21		$24		$(3)	(10.5)%

[1] Percentages and dollars may not add due to rounding differences.

Net revenues consisted of the following:

(In thousands)	Year Ended August 31, 2013		August 25, 2012		Increase (Decrease)	% Change
Motorhomes [1]	$718,580	89.5 %	$496,193	85.3 %	$222,387	44.8 %
Towables [2]	54,683	6.8 %	56,784	9.8 %	(2,101)	(3.7)%
Other manufactured products	29,902	3.7 %	28,702	4.9 %	1,200	4.2 %
Total net revenues	$803,165	100.0 %	$581,679	100.0 %	$221,486	38.1 %

[1] Includes motorhome units, parts and service

[2] Includes towable units and parts

The increase in motorhome net revenues of $222.4 million or 44.8% was primarily attributed to a 46.9% increase in unit deliveries driven by higher dealer and retail consumer demand when compared to Fiscal 2012. ASP decreased 0.9% in Fiscal 2013.

Towables revenues were $54.7 million in Fiscal 2013 compared to revenues of $56.8 million in Fiscal 2012. Although towable unit deliveries increased by 8.4%, the growth was more than offset by an ASP decline of 10.5%.

Cost of goods sold was $718.5 million, or 89.5% of net revenues for Fiscal 2013 compared to $538.0 million, or 92.5% of net revenues for Fiscal 2012 due to the following:

- Total variable costs (materials, direct labor, variable overhead, delivery expense and warranty), as a percent of net revenues, decreased to 83.9% this year from 85.3% mainly due to decreased material costs and increased operating efficiencies.
- Fixed overhead (manufacturing support labor, depreciation and facility costs) and research and development-related costs decreased to 5.7% of net revenues compared to 7.1%. The difference was due primarily to increased revenues in Fiscal 2013.
- All factors considered, gross profit increased from 7.5% to 10.4% of net revenues.

Selling expenses decreased to 2.3% from 2.9% of net revenues in Fiscal 2013 and Fiscal 2012, respectively. However, selling expenses increased $1.5 million, or 8.8%, in Fiscal 2013. The expense increase was primarily due to increased wage-related expenses of $680,000 and advertising expenses of $440,000.

General and administrative expenses were 2.7% and 3.0% of net revenues in Fiscal 2013 and Fiscal 2012, respectively. General and administrative expenses increased $4.6 million, or 26.8%, in Fiscal 2013. This increase was due primarily to an increase of $3.7 million in wage-related expenses. We also recorded approximately $550,000 additional amortization on our Towables intangible assets (see Note 7).

During the first quarter of Fiscal 2013 we realized a loss of $28,000 on the sale of our Hampton, Iowa property. See Note 6.

Table of Contents

Non-operating income increased $115,000 or 19.8%, in Fiscal 2013. This difference is primarily due to decreased line of credit expenses and was partially offset by lower investment income. We also received proceeds from COLI policies in both Fiscal 2013 and Fiscal 2012. See Note 13.

The overall effective income tax rate for this year was an expense of 29.1% compared to a benefit of (345.0)% last year. The following table breaks down the two aforementioned tax rates:

	Year Ended			
	August 31, 2013		August 25, 2012	
(In thousands)	Amount	Effective Rate	Amount	Effective Rate
Tax expense on current operations	$13,551	30.0 %	$2,914	28.8 %
Valuation allowance	73	0.2 %	(37,681)	(372.8)%
Uncertain tax positions settlements and adjustments	(483)	(1.1)%	(159)	(1.6)%
Amended tax returns	—	— %	61	0.6 %
Total provision (benefit) for taxes	$13,141	29.1 %	$(34,865)	(345.0)%

Tax expense on current operations

The primary reason for the increase in the overall effective tax expense rate on current operations was due to higher pretax income from operations compared to the prior year. Significant permanent deductions include domestic production activities deduction, income tax credits and tax-free income from COLI and student loan-related tax exempt securities. For further discussion of income taxes (which includes a reconciliation of the US statutory income tax rate to our effective tax rate), see Note 12.

Valuation allowance

During the year, adjustments to the realizable value of certain deferred tax assets were recorded. This resulted in a non-cash tax expense of $73,000 through the increase of our valuation allowance. For further discussion of deferred tax assets (which includes a table of all types of deferred tax assets), see Note 12.

At the end of the fourth quarter of Fiscal 2012, we re-established almost all remaining deferred tax assets due to the fact that we were in a three-year historical cumulative income position as opposed to a three-year historical loss position and that we had a positive future outlook. This resulted in a non-cash tax benefit of $37.7 million through the reduction of our valuation allowance. For further discussion of deferred tax assets (which includes a table of all types of deferred tax assets), see Note 12.

Uncertain tax positions settlements and adjustments

During Fiscal 2013, benefits of $483,000 were recorded as a result of adjustments to uncertain tax positions. During Fiscal 2012, benefits of $159,000 were recorded as a result of adjustments to uncertain tax positions. For further discussion of income taxes, see Note 12.

Net income and diluted income per share were $32.0 million and $1.13 per share, respectively, for Fiscal 2013. In Fiscal 2012, the net income was $45.0 million and diluted income was $1.54 per share. Net income and diluted income per share were higher in Fiscal 2012 compared to Fiscal 2013 despite a significant increase in net revenue and pre-tax income due primarily to the tax benefit realized in Fiscal 2012.

Table of Contents

Fiscal 2012 Compared to Fiscal 2011

The following is an analysis of changes in key items included in the statements of operations for the fiscal year ended August 25, 2012 compared to the fiscal year ended August 27, 2011:

(In thousands, except percent and per share data)	Year Ended August 25, 2012	% of Revenues[1]	August 27, 2011	% of Revenues[1]	Increase (Decrease)	% Change
Net revenues	$581,679	100.0 %	$496,418	100.0 %	$85,261	17.2 %
Cost of goods sold	537,999	92.5 %	456,664	92.0 %	81,335	17.8 %
Gross profit	43,680	7.5 %	39,754	8.0 %	3,926	9.9 %
Selling	16,837	2.9 %	14,251	2.9 %	2,586	18.1 %
General and administrative	17,267	3.0 %	14,263	2.9 %	3,004	21.1 %
Assets held for sale impairment (gain), net	50	— %	(39)	— %	89	NMF
Operating expenses	34,154	5.9 %	28,475	5.7 %	5,679	19.9 %
Operating income	9,526	1.6 %	11,279	2.3 %	(1,753)	(15.5)%
Non-operating income	581	0.1 %	658	0.1 %	(77)	(11.7)%
Income before income taxes	10,107	1.7 %	11,937	2.4 %	(1,830)	(15.3)%
(Benefit) provision for taxes	(34,865)	(6.0)%	94	— %	(34,959)	NMF
Net income	$44,972	7.7 %	$11,843	2.4 %	$33,129	279.7 %
Diluted income per share	$1.54		$0.41		$1.13	275.6 %
Diluted average shares outstanding	29,207		29,148			

[1] Percentages may not add due to rounding differences.

Unit deliveries and ASP, net of discounts, consisted of the following:

(In units)	Year Ended August 25, 2012	Product Mix %[1]	August 27, 2011	Product Mix %[1]	Increase (Decrease)	% Change
Motorhomes:						
Class A gas	1,648	35.5 %	1,518	34.5 %	130	8.6 %
Class A diesel	931	20.1 %	918	20.9 %	13	1.4 %
Total Class A	2,579	55.6 %	2,436	55.4 %	143	5.9 %
Class B	319	6.9 %	103	2.3 %	216	209.7 %
Class C	1,744	37.6 %	1,856	42.2 %	(112)	(6.0)%
Total motorhome deliveries	4,642	100.0 %	4,395	100.0 %	247	5.6 %
ASP (in thousands)[1]	$105		$102		$4	3.4 %
Towables:						
Travel trailer	1,372	58.7 %	575	74.8 %	797	138.6 %
Fifth wheel	966	41.3 %	194	25.2 %	772	397.9 %
Total towable deliveries	2,338	100.0 %	769	100.0 %	1,569	204.0 %
ASP (in thousands)[1]	$24		$21		$3	14.3 %

[1] Percentages and dollars may not add due to rounding differences.

Table of Contents

Net revenues consisted of the following:

	Year Ended		August 27, 2011		Increase	%
(In thousands)	August 25, 2012				(Decrease)	Change
Motorhomes (1)	$483,532	83.1 %	$443,232	89.3 %	$40,300	9.1 %
Towables (2)	56,784	9.8 %	16,712	3.4 %	40,072	239.8 %
Motorhome parts and services	12,661	2.2 %	13,105	2.6 %	(444)	(3.4)%
Other manufactured products	28,702	4.9 %	23,369	4.7 %	5,333	22.8 %
Total net revenues	$581,679	100.0 %	$496,418	100.0 %	$85,261	17.2 %

(1) Includes motorhome units, parts and service

(2) Includes towable units and parts.

The increase in motorhome net revenues of $40.3 million or 9.1% was attributed to both a 5.6% increase in unit deliveries and an increase in motorhome ASP of 3.4% when compared to Fiscal 2011. The increase in motorhome ASP was primarily a result of more higher-priced Class A diesel units sold in Fiscal 2012.

Towables revenues were $56.8 million in Fiscal 2012. SunnyBrook, which was acquired in the second quarter of Fiscal 2011, had revenues of $16.7 million in Fiscal 2011.

Cost of goods sold was $538.0 million, or 92.5% of net revenues for Fiscal 2012 compared to $456.7 million, or 92.0% of net revenues for Fiscal 2011 due to the following:

- Total variable costs (materials, direct labor, variable overhead, delivery expense and warranty), as a percent of net revenues, increased to 85.3% in Fiscal 2012 from 84.0% in Fiscal 2011 which was due to inflationary commodity pressures experienced in the first half of the fiscal year that were not passed on. Also impacting our variable costs were the following two significant items:
  In Fiscal 2011, our variable costs were positively impacted by a $3.5 million favorable inventory adjustment as a result of the annual physical inventory. This adjustment in the aggregate favorably impacted our material, labor, variable overhead and fixed overhead costs by 0.7% as a percentage of net revenues in Fiscal 2011.
  Our variable costs were favorably impacted by $613,000, or 0.1%, of net revenues for Fiscal 2012 due to a LIFO inventory gain as a result of deflation, as compared to LIFO inventory expense of $2.1 million, or 0.4%, of net revenues for Fiscal 2011.
- Fixed overhead (manufacturing support labor, depreciation and facility costs) and research and development-related costs decreased to 7.1% of net revenues in Fiscal 2012 compared to 8.0% for Fiscal 2011. With similar spending levels, the difference was due primarily to increased revenues in Fiscal 2012.
- All factors considered, gross profit decreased from 8.0% to 7.5% of net revenues.

Selling expenses increased $2.6 million, or 18.1%, in Fiscal 2012 compared to Fiscal 2011. The expense increase was primarily due to selling expenses associated with Towables and increases in advertising expenses. As a percent of net revenues, selling expenses were 2.9% in both Fiscal 2012 and Fiscal 2011.

General and administrative expenses increased $3.0 million, or 21.1%, in Fiscal 2012 compared to Fiscal 2011. This increase was due primarily to increases of $2.1 million in incentives and increases in Towable operating expenses, partially offset by a reduction of legal expenses. As a percent of net revenues, general and administrative expenses were 3.0% and 2.9% in Fiscal 2012 and Fiscal 2011, respectively.

During Fiscal 2011 we realized a gain of $644,000 on the sale of an idled assembly facility (CCMF) and recorded an impairment of $605,000 on our Hampton facility, both assets held for sale. In the fourth quarter of Fiscal 2012 we recorded an additional impairment of $50,000 on the Hampton facility. See Note 6.

Non-operating income decreased $77,000 or 11.7%, in Fiscal 2012. This difference is primarily due to lower investment income. We also received proceeds from COLI policies in both Fiscal 2012 and Fiscal 2011. See Note 13.

Table of Contents

The overall effective income tax rate for this year was a benefit of (345.0)% compared to an expense of 0.8% last year. The following table breaks down the two aforementioned tax rates:

	Year Ended			
	August 25, 2012		August 27, 2011	
(In thousands)	Amount	Effective Rate	Amount	Effective Rate
Tax expense on current operations	$2,914	28.8 %	$2,597	21.7 %
Valuation allowance decrease	(37,681)	(372.8)%	(2,013)	(16.8)%
Uncertain tax positions settlements and adjustments	(159)	(1.6)%	(490)	(4.1)%
Amended tax returns	61	0.6 %	—	— %
Total (benefit) provision for taxes	$(34,865)	(345.0)%	$94	0.8 %

Tax expense on current operations

The primary reason for the increase in the overall effective tax expense rate on current operations is lower income tax credits and an increase in state taxes for Fiscal 2012 compared to Fiscal 2011. Significant permanent deductions are income tax credits and tax-free income from COLI and student loan-related tax exempt securities. For further discussion of income taxes (which includes a reconciliation of the US statutory income tax rate to our effective tax rate), see Note 12.

Valuation allowance decrease

At the end of the fourth quarter of Fiscal 2012, we re-established almost all remaining deferred tax assets due to the fact that we are now in a three-year historical cumulative income position as opposed to a three-year historical loss position and that we have a positive future outlook. This resulted in a non-cash tax benefit of $37.7 million through the reduction of our valuation allowance. For further discussion of deferred tax assets (which includes a table of all types of deferred tax assets), see Note 12.

During the fourth quarter of Fiscal 2011, we re-established a portion of our deferred tax assets due to the taxable earnings achieved in Fiscal 2011 which increased the likelihood of realizing a portion of gross deferred tax assets in the future. This resulted in a tax benefit of $649,000 through the reduction of our valuation allowance. Also, the sale of CCMF resulted in a tax loss even though we incurred a gain for accounting purposes and we were able to utilize the associated deferred tax assets of $685,000 as a current tax deduction and reduce the related valuation allowance accordingly. We were also able to utilize NOLs and tax credit deferred tax assets established in the prior year of $479,000 due to taxable income earned in Fiscal 2011 and reduce the related valuation allowance accordingly.

Uncertain tax positions settlements and adjustments

During Fiscal 2012, benefits of $159,000 were recorded as a result of adjustments to uncertain tax positions. During Fiscal 2011, benefits of $490,000 were recorded as a result of adjustments to uncertain tax positions. For further discussion of income taxes, see Note 12.

Net income and diluted income per share were $45.0 million and $1.54 per share, respectively, for Fiscal 2012. In Fiscal 2011, the net income was $11.8 million and diluted income was $0.41 per share.

Analysis of Financial Condition, Liquidity and Resources

Cash and cash equivalents increased $1.6 million during Fiscal 2013 and totaled $64.3 million as of August 31, 2013. The significant liquidity events that occurred during Fiscal 2013 were:

- Generated net income of $32.0 million
- Increase in inventory of $24.3 million: The increase was primarily a result of increased work-in-process and raw material inventory due to increased production levels, and higher average cost per unit due to the mix of product ordered by our dealers.
- Stock repurchases of approximately $12.7 million
- Proceeds from the sale of ARS of $7.3 million, as we continued to liquidate this portfolio

In Fiscal 2012, we had in place a $20 million revolving credit facility with Wells Fargo Bank that was terminated in October 2012. On October 31, 2012 we entered into the Credit Agreement with GECC. The Credit Agreement provides for an initial $35.0 million revolving credit facility based on our eligible inventory and expires October 31, 2015 unless terminated earlier in accordance with its terms. There is no termination fee associated with the Credit Agreement. The Credit Agreement contains no financial covenant restrictions for borrowings where we have excess borrowing availability under the facility of greater than $5.0 million. The Credit Agreement requires us to comply with a fixed charge ratio if excess borrowing availability under the facility is less than $5.0 million or if we repurchase more than $25.0 million of company stock within the first twelve months of the date of the Credit Agreement. In addition, the Credit Agreement also includes a framework to expand the size of the facility up to $50.0 million, based on mutually agreeable terms at the time of the expansion. See Note 8 to the financial statements.

Table of Contents

We filed a Registration Statement on Form S-3, which was declared effective by the SEC on May 9, 2013. Subject to market conditions, we have the ability to offer and sell up to $35 million of our common stock in one or more offerings pursuant to the Registration Statement. The Registration Statement will be available for use for three years from its effective date. We currently have no plans to offer and sell the common stock registered under the Registration Statement; however, it does provide another potential source of liquidity in addition to the alternatives already in place.

Working capital at August 31, 2013 and August 25, 2012 was $153.5 million and $126.1 million, respectively, an increase of $27.4 million. We currently expect cash on hand, funds generated from operations and the availability under a credit facility to be sufficient to cover both short-term and long-term operating requirements. We anticipate capital expenditures in Fiscal 2014 of approximately $11.6 million, primarily for manufacturing equipment and facilities.

Operating Activities

Cash provided by operating activities was $10.2 million for the fiscal year ended August 31, 2013 compared to $115,000 for the fiscal year ended August 25, 2012, and cash used by operating activities of $10.1 million for the fiscal year ended August 27, 2011. The combination of net income of $32.0 million in Fiscal 2013 and changes in non-cash charges (e.g., depreciation, LIFO, stock-based compensation, deferred income taxes) provided $39.0 million of operating cash compared to $15.9 million in Fiscal 2012 and $16.6 million in Fiscal 2011. In Fiscal 2013, Fiscal 2012, and Fiscal 2011, changes in assets and liabilities (primarily inventory increases each year) used $28.8 million, $15.8 million, and $31.1 million, respectively, of operating cash.

Investing Activities

Cash provided by investing activities of $4.1 million in Fiscal 2013 was due primarily to proceeds of ARS investments of $7.3 million and was partially offset by capital spending of $4.4 million. In Fiscal 2012, cash used in investing activities of $118,000 was primarily due to capital spending of $2.2 million and was offset by proceeds of $1.7 million from COLI policies and ARS redemptions of $1.1 million. During Fiscal 2011, cash provided by investing activities of $4.2 million was primarily due to ARS redemptions of $7.2 million, partially offset by the acquisition of Towables for $4.7 million and capital spending of $2.1 million.

Financing Activities

Cash used in financing activities was $12.7 million and $6.6 million for the fiscal years ended August 31, 2013 and August 25, 2012, respectively, and was primarily for repurchases of our stock each year. Cash provided by financing activities for the fiscal year ended August 27, 2011 was $500,000.

Contractual Obligations and Commercial Commitments

Our principal contractual obligations and commercial commitments as of August 31, 2013 were as follows:

	Payments Due By Period				
(In thousands)	Total	Fiscal 2014	Fiscal 2015-2016	Fiscal 2017-2018	More than 5 Years
Postretirement health care obligations (1)	$36,244	$1,202	$2,974	$3,628	$28,440
Deferred compensation obligations (1)	22,471	2,691	4,987	4,429	10,364
Executive share option obligations (1)	6,959	860	2,115	2,796	1,188
Supplemental executive retirement plan benefit obligations (1)	2,876	291	618	531	1,436
Operating leases (2)	2,074	1,070	962	42	—
Contracted services	240	118	122	—	—
Unrecognized tax benefits (3)	3,988	—	—	—	—
Total contractual cash obligations	$74,852	$6,232	$11,778	$11,426	$41,428

	Expiration By Period				
(In thousands)	Total	Fiscal 2014	Fiscal 2015-2016	Fiscal 2017-2018	More than 5 Years
Contingent repurchase obligations (2)	$165,360	$60,806	$104,554	$—	$—

(1) See Note 10.
(2) See Note 11.
(3) We are not able to reasonably estimate in which future periods these amounts will ultimately be settled.

Critical Accounting Policies
Our financial statements are prepared in accordance with GAAP. In connection with the preparation of our financial statements, we are required to make assumptions and estimates about future events and apply judgments that affect the reported amounts of assets, liabilities, revenue, expenses and the related disclosures. We base our assumptions, estimates and judgments on historical experience, current trends and other factors that we believe to be relevant at the time our financial statements are prepared. On a regular basis, we review the accounting policies, assumptions, estimates and judgments to ensure that our

Table of Contents

financial statements are presented fairly and in accordance with GAAP. However, because future events and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates and such differences could be material.
Our significant accounting policies are discussed in Note 1. We believe that the following accounting estimates and policies are the most critical to aid in fully understanding and evaluating our reported financial results and they require our most difficult, subjective or complex judgments, resulting from the need to make estimates about the effect of matters that are inherently uncertain. We have reviewed these critical accounting estimates and related disclosures with the Audit Committee of our Board of Directors.

Revenue Recognition
Generally, revenues for recreation vehicles are recorded when all of the following conditions are met: an order for a product has been received from a dealer, written or verbal approval for payment has been received from the dealer's floorplan financing institution, and title has transfered to the dealer who placed the order. Most sales are financed under floorplan financing arrangements with banks or finance companies.

Revenues from the sales of our OEM and recreation vehicles related parts are recorded as the products are shipped from our location. The title of ownership transfers on these products as they leave our location due to the freight terms of F.O.B. - Shipper.

Sales Promotions and Incentives
We accrue for sales promotions and incentive expenses, which are recognized as a reduction to revenues, at the time of sale to the dealer or when the sales incentive is offered to the dealer or retail customer. Examples of sales promotions and incentive programs include dealer and consumer rebates, volume discounts, retail financing programs and dealer sales associate incentives. Sales promotion and incentive expenses are estimated based upon current program parameters, such as unit or retail volume, and historical rates. Actual results may differ from these estimates if market conditions dictate the need to enhance or reduce sales promotion and incentive programs or if the retail customer usage rate varies from historical trends. Historically, sales promotion and incentive expenses have been within our expectations and differences have not been material.

Repurchase Commitments
It is customary practice for manufacturers in the RV industry to enter into repurchase agreements with financing institutions that provide financing to their dealers, upon their request. Our repurchase agreements generally provide that, in the event of a default by a dealer in its obligation to these lenders, we will repurchase vehicles sold to the dealer that have not been resold to retail customers. The terms of these agreements, which can last up to 18 months, provide that our liability will be the lesser of remaining principal owed by the dealer or dealer invoice less periodic reductions based on the time since the date of the original invoice. Our liability cannot exceed 100% of the dealer invoice. In certain instances, we also repurchase inventory from our dealers due to state law or regulatory requirements that govern voluntary or involuntary relationship terminations.

Based on these repurchase agreements, we establish an associated loss reserve which is disclosed separately in the balance sheets. Repurchased sales are not recorded as a revenue transaction, but the net difference between the original repurchase price and the resale price are recorded against the loss reserve, which is a deduction from gross revenue. Our loss reserve for repurchase commitments contains uncertainties because the calculation requires management to make assumptions and apply judgment regarding a number of factors. There are two significant assumptions associated with establishing our loss reserve for repurchase commitments: (1) the percentage of dealer inventory that we will be required to repurchase as a result of defaults by the dealer, and (2) the loss that will be incurred, if any, when repurchased inventory is resold. These key assumptions are affected by a number of factors, such as macro-market conditions, current retail demand for our product, age of product in dealer inventory, physical condition of the product, location of the dealer, and the financing source. To the extent that dealers are increasing or decreasing their inventories, our overall exposure under repurchase agreements is likewise impacted. The percentage of dealer inventory we estimate we will repurchase (which has ranged in recent years from 4 to 11% on a weighted average basis) and the associated estimated loss (which has ranged in recent years from 7 to 16% on a weighted average basis) is based on historical information, current trends and an analysis of dealer inventory aging for all dealers with inventory subject to this obligation. In periods where there is increasing retail demand for our product at our dealerships, the lower end of our estimated range of assumptions will be more appropriate and in periods of decreasing retail demand, the opposite will be true.

While there can be no assurance that dealer and economic conditions will not adversely change, we currently do not believe there is a reasonable likelihood that there will be a material change in the future estimates or assumptions we use to calculate our loss reserve for repurchase commitments. A hypothetical change of a 10% increase or decrease in our significant repurchase commitment assumptions as of August 31, 2013 would have affected net income by approximately $250,000.

Warranty

We provide, with the purchase of any new motorhome, a comprehensive 12-month/15,000-mile warranty on Class A, B and C motorhomes and a 3-year/36,000-mile warranty on Class A and C sidewalls and floors. We provide a comprehensive 12-month warranty on all towable products. Estimated costs related to product warranty are accrued at the time of sale and are based upon past warranty claims and unit sales history and are adjusted as required to reflect actual costs incurred, as information becomes available. A significant increase in dealership labor rates, the cost of parts or the frequency of claims could have a material

Table of Contents

adverse impact on our operating results for the period or periods in which such claims or additional costs materialize. Further discussion of our warranty costs and associated accruals is included in Note 9.

While there can be no assurance that warranty expense will not adversely change, we currently do not believe there is a reasonable likelihood that there will be a material change in the future estimates or assumptions we use to calculate our warranty reserve. A hypothetical change of a 10% increase or decrease in our significant warranty commitment assumptions as of August 31, 2013 would have affected net income by approximately $550,000.

Unrecognized Tax Benefits
We only recognize tax benefits for filing positions that are considered more likely than not of being sustained under audit by the relevant taxing authority, without regard to the likelihood of such an audit occurring. We record a liability for uncertain tax positions when it is more likely than not that our filed tax positions will not be sustained. We record deferred tax assets related to reserves for filing positions in a particular jurisdiction that would result in tax deductions in another tax jurisdiction if we were unable to sustain our filing position in an audit. Our income tax returns are periodically audited by various taxing authorities. These audits include questions regarding our tax filing positions, including the timing and the amount of deductions and the allocation of income among various tax jurisdictions. At any one time, multiple years are subject to audit by the various taxing authorities. We continually assess our tax positions for all periods that are open to examination or have not been effectively settled based on the most current available information. We adjust our liability for unrecognized tax benefits and income tax provision in the period in which an uncertain tax position is effectively settled, the statute of limitations expires for the relevant taxing authority to examine the tax position or when more information becomes available.

Our liability for unrecognized tax benefits contains uncertainties because we are required to make assumptions and apply judgment to estimate the exposure associated with our various filing positions. Our effective tax rate is also affected by changes in tax laws, the level of our earnings or losses and the results of tax audits.

Although we believe that the judgments and estimates discussed herein are reasonable, actual results could differ, and we may be exposed to losses or realize gains that could be material. To the extent that we prevail in matters for which a liability has been established or are required to pay amounts in excess of our established liability, our effective income tax rate in a given financial statement period could be materially affected. An unfavorable tax settlement generally would require use of our cash and may result in an increase in our effective tax rate in the period of resolution. A favorable tax settlement may be recognized as a reduction in our effective tax rate in the period of resolution.

Income Taxes
We account for income taxes in accordance with ASC 740, Income Taxes. As part of the process of preparing our financial statements, we are required to estimate our income taxes in each of the jurisdictions in which we operate. Significant judgment is required in determining our provision for income taxes, our deferred tax assets and liabilities and any valuation allowance recorded against our deferred tax assets. Valuation allowances arise due to the uncertainty of realizing deferred tax assets. ASC 740 requires that companies assess whether valuation allowances should be established against their deferred tax assets based on the consideration of all available evidence, using a "more likely than not" standard. In making such assessments, significant weight is to be given to evidence that can be objectively verified. A company's current or previous losses are given more weight than its future outlook. We have evaluated the sustainability of our deferred tax assets on our balance sheet which includes the assessment of cumulative income or losses over recent prior periods. Based on ASC 740 guidelines, we determined a valuation allowance of $1.6 million was appropriate as of August 31, 2013. We will continue to assess the likelihood that our deferred tax assets will be realizable at each reporting period and our valuation allowance will be adjusted accordingly, which could materially impact our financial position and results of operations.

Postretirement Benefits, Obligations and Costs

We provide certain health care and other benefits for retired employees hired before April 1, 2001, who have fulfilled eligibility requirements at age 55 with 15 years of continuous service. Postretirement benefit liabilities are determined by actuaries using assumptions about the discount rate and health care cost-trend rates. Assumed health care cost trend rates do not have a significant effect on the amounts reported for retiree health care benefits due to the fact that we have established maximum amounts ("dollar caps") on the amount we will pay for postretirement health care benefits per retiree on an annual basis. However, a significant increase or decrease in interest rates could have a significant impact on our operating results. Further discussion of our postretirement benefit plan and related assumptions is included in Note 10 - Employee and Retiree Benefits.

Inventory Valuation

Our inventory loss reserve represents anticipated physical work-in-process inventory losses (e.g. scrap, production loss or over-usage) that have occurred since the last physical inventory date. Physical inventory counts of work-in-process are taken on an annual basis to ensure the inventory reported in our consolidated financial statements is properly stated. During the interim period between physical inventory counts, we reserve for anticipated physical inventory losses based upon materials consumed. Our inventory loss reserve contains uncertainties because the calculation requires management to make assumptions and to apply judgment regarding a number of factors, including historical results and current inventory loss trends.

Other

We have reserves for other loss exposures, such as litigation, product liability, workers' compensation, inventory and accounts

Table of Contents

receivable. Establishing loss reserves for these matters requires the use of estimates and judgment in regards to risk exposure and ultimate liability. We estimate losses under the programs using consistent and appropriate methods; however, changes in assumptions could materially affect our recorded liabilities for loss.

New Accounting Pronouncements

See Note 1 for a summary of new accounting pronouncements which summary is incorporated by reference herein.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We have market risk exposure to our ARS, which is described in further detail in Note 4. Also, the assets we maintain to fund deferred compensation have market risk, but we maintain a corresponding liability for these assets. The market risk is therefore borne by the participants in the deferred compensation program.

We could incur financial market risk in the form of interest rate risk. Risk can be quantified by measuring the financial impact of a near-term adverse increase in short-term interest rates. At August 31, 2013, we had a $35.0 million credit facility with GECC. The interest rates applicable to this agreement are based on LIBOR plus 3.0%. We currently have no borrowings under this credit facility.

Item 8. Financial Statements and Supplementary Data

Table of Contents

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

We, the management of Winnebago Industries, Inc. (the "Company") are responsible for establishing and maintaining effective internal control over financial reporting and for the assessment of the effectiveness of internal control over financial reporting. The Company's internal control over financial reporting is a process designed, as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

The Company's internal control over financial reporting is supported by written policies and procedures that:

1. pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the Company's assets;
2. provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures of the Company are being made only in accordance with authorizations of the Company's management and directors; and
3. provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

In addition, the Audit Committee of the Board of Directors, consisting solely of independent directors, meets periodically with Management, the internal auditors and the independent registered public accounting firm to review internal accounting controls, audit results and accounting principles and practices and annually selects the independent registered public accounting firm.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

In connection with the preparation of the Company's annual financial statements, management of the Company has undertaken an assessment of the effectiveness of the Company's internal control over financial reporting based on criteria established in Internal Control - Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management's assessment included an evaluation of the design of the Company's internal control over financial reporting and testing of the operational effectiveness of the Company's internal control over financial reporting.

Based on this assessment, management has concluded that the Company's internal control over financial reporting was effective as of August 31, 2013.

Deloitte & Touche LLP, the independent registered public accounting firm that audited the Company's financial statements included in this Annual Report on Form 10-K, has issued a report included herein, which expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ Randy J. Potts	/s/ Sarah N. Nielsen
Randy J. Potts	Sarah N. Nielsen
Chief Executive Officer, President and Chairman of the Board	Vice President, Chief Financial Officer
October 29, 2013	October 29, 2013

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Winnebago Industries, Inc.
Forest City, Iowa

We have audited the internal control over financial reporting of Winnebago Industries, Inc. (the "Company") as of August 31, 2013, based on criteria established in Internal Control - Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of August 31, 2013, based on the criteria established in Internal Control - Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended August 31, 2013 of the Company and our report dated October 29, 2013 expressed an unqualified opinion on those financial statements.

/s/ DELOITTE & TOUCHE LLP
Minneapolis, Minnesota
October 29, 2013

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Winnebago Industries, Inc.
Forest City, Iowa

We have audited the accompanying consolidated balance sheets of Winnebago Industries, Inc. (the "Company") as of August 31, 2013 and August 25, 2012, and the related consolidated statements of operations and comprehensive income, consolidated statements of stockholders' equity, and consolidated statements of cash flows for each of the three years in the period ended August 31, 2013. 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 the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company at August 31, 2013 and August 25, 2012, and the results of their operations and their cash flows for each of the three years in the period ended August 31, 2013, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of August 31, 2013, based on the criteria established in Internal Control-Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated October 29, 2013 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP
Minneapolis, Minnesota
October 29, 2013

Table of Contents

Winnebago Industries, Inc.
Consolidated Statements of Operations and Comprehensive Income

(In thousands, except per share data)	Year Ended August 31, 2013	August 25, 2012	August 27, 2011
Net revenues	$803,165	$581,679	$496,418
Cost of goods sold	718,534	537,999	456,664
Gross profit	84,631	43,680	39,754
Operating expenses:			
Selling	18,318	16,837	14,251
General and administrative	21,887	17,267	14,263
Assets held for sale impairment (gain)	28	50	(39)
Total operating expenses	40,233	34,154	28,475
Operating income	44,398	9,526	11,279
Non-operating income	696	581	658
Income before income taxes	45,094	10,107	11,937
Provision (benefit) for taxes	13,141	(34,865)	94
Net income	$31,953	$44,972	$11,843
Income per common share:			
Basic	$1.14	$1.54	$0.41
Diluted	$1.13	$1.54	$0.41
Weighted average common shares outstanding:			
Basic	28,075	29,145	29,121
Diluted	28,170	29,207	29,148
Net income	$31,953	$44,972	$11,843
Other comprehensive income (loss):			
Amortization of prior service credit (net of tax of $1,944, $1,791 and $1,578)	(3,226)	(2,801)	(2,621)
Amortization of net actuarial loss (net of tax of $361, $387 and $412)	1,264	644	685
Decrease (increase) in actuarial loss (net of tax of $2,177, $3,894 and $0)	3,612	(3,630)	245
Plan amendment (net of tax of $1,613, $1,729 and $0)	2,676	2,869	—
Unrealized appreciation (depreciation) of investments (net of tax of $125, $189 and $3)	209	(314)	(5)
Total other comprehensive income (loss)	4,535	(3,232)	(1,696)
Comprehensive income	$36,488	$41,740	$10,147

See notes to consolidated financial statements.

Table of Contents

Winnebago Industries, Inc.
Consolidated Balance Sheets

(In thousands, except per share data)	August 31, 2013	August 25, 2012
Assets		
Current assets:		
Cash and cash equivalents	$64,277	$62,683
Receivables, less allowance for doubtful accounts ($152 and $175, respectively)	29,145	22,726
Inventories	112,541	87,094
Prepaid expenses and other assets	8,277	4,509
Income taxes receivable	1,868	1,603
Deferred income taxes	7,742	8,453
Total current assets	223,850	187,068
Property, plant and equipment, net	20,266	19,978
Assets held for sale	—	550
Long-term investments	2,108	9,074
Investment in life insurance	25,051	23,127
Deferred income taxes	25,649	30,520
Goodwill	1,228	1,228
Amortizable intangible assets	—	641
Other assets	10,993	13,886
Total assets	$309,145	$286,072
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$28,142	$24,920
Income taxes payable	—	348
Accrued expenses:		
Accrued compensation	22,101	16,038
Product warranties	8,443	6,990
Self-insurance	4,531	4,137
Accrued loss on repurchases	1,287	627
Promotional	1,910	2,661
Other	3,940	5,297
Total current liabilities	70,354	61,018
Total long-term liabilities:		
Unrecognized tax benefits	3,988	5,228
Postretirement health care and deferred compensations benefits	64,074	75,135
Total long-term liabilities	68,062	80,363
Contingent liabilities and commitments		
Stockholders' equity:		
Capital stock common, par value $0.50; authorized 60,000 shares, issued 51,776 shares	25,888	25,888
Additional paid-in capital	29,334	28,496
Retained earnings	509,443	477,490
Accumulated other comprehensive income	849	(3,686)
Treasury stock, at cost (23,917 and 23,122 shares, respectively)	(394,785)	(383,497)
Total stockholders' equity	170,729	144,691
Total liabilities and stockholders' equity	$309,145	$286,072

See notes to consolidated financial statements.

Table of Contents

Winnebago Industries, Inc.
Consolidated Statements of Changes in Stockholders' Equity

(In thousands, except per share data)	Common Shares Number	Common Shares Amount	Additional Paid-In Capital (APIC)	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock Number	Treasury Stock Amount	Total Stockholders' Equity
Balance, August 28, 2010	51,776	$25,888	$29,464	$420,675	$1,242	(22,661)	$(379,742)	$97,527
Stock option exercises	—	—	(48)	—	—	9	151	103
Utilization of APIC pool due to stock award	—	—	(189)	—	—	—	—	(189)
Issuance of restricted stock	—	—	(42)			2	42	—
Issuance of stock to directors	—	—	(97)	—	—	17	286	189
Forfeitures	—	—	(83)	—	—	—	—	(83)
Stock-based compensation	—	—	1,126	—	—	—	—	1,126
Payments for the purchase of common stock	—	—	—	—	—	(8)	(90)	(90)
Prior service cost and actuarial loss, net of $1,166 tax	—	—	—	—	(1,691)	—	—	(1,691)
Unrealized depreciation of investments, net of $3 tax	—	—	—	—	(5)	—	—	(5)
Net income	—	—	—	11,843	—	—	—	11,843
Balance, August 27, 2011	51,776	$25,888	$30,131	$432,518	$(454)	(22,641)	$(379,353)	$108,730
Utilization of APIC pool due to stock award	—	—	(119)	—	—	—	—	(119)
Issuance of restricted stock	—	—	(2,011)	—	—	120	2,011	—
Issuance of stock to directors	—	—	(214)	—	—	27	449	235
Forfeitures	—	—	(95)	—	—	—	—	(95)
Stock-based compensation	—	—	804	—	—	—	—	804
Payments for the purchase of common stock	—	—	—	—	—	(628)	(6,604)	(6,604)
Prior service cost and actuarial loss, net of $5,298 tax	—	—	—	—	(5,787)	—	—	(5,787)
Plan amendment, net of $1,729 tax	—	—	—	—	2,869	—	—	2,869
Unrealized depreciation of investments, net of $189 tax	—	—	—	—	(314)	—	—	(314)
Net income	—	—	—	44,972	—	—	—	44,972
Balance, August 25, 2012	51,776	$25,888	$28,496	$477,490	$(3,686)	(23,122)	$(383,497)	$144,691
Stock option exercises	—	—	9	—	—	4	66	75
Creation/utilization of APIC pool due to stock award	—	—	86	—	—	—	—	86
Issuance of restricted stock	—	—	(729)	—	—	71	1,167	438
Issuance of stock to directors	—	—	9	—	—	12	197	206
Vesting of directors' stock units	—	—	158	—	—	—	—	158
Stock-based compensation	—	—	1,305	—	—	—	—	1,305
Payments for the purchase of common stock	—	—	—	—	—	(882)	(12,718)	(12,718)
	—	—	—	—	1,650	—	—	1,650

Prior service cost and actuarial loss, net of $594 tax								
Plan amendment, net of $1,613 tax	—	—	—	—	2,676	—	—	2,676
Unrealized appreciation of investments, net of $125 tax	—	—	—	—	209	—	—	209
Net income	—	—	—	31,953	—	—	—	31,953
Balance, August 31, 2013	51,776	$25,888	$29,334	$509,443	$849	(23,917)	$(394,785)	$170,729

See notes to consolidated financial statements.

31

Table of Contents

Winnebago Industries, Inc.
Consolidated Statements of Cash Flows

(In thousands)	Year Ended August 31, 2013	August 25, 2012	August 27, 2011
Operating activities:			
Net income	$31,953	$44,972	$11,843
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	4,764	4,872	5,492
LIFO (income) expense	(1,180)	(613)	2,075
Asset impairment	—	50	605
Stock-based compensation	3,009	1,918	1,315
Deferred income taxes including valuation allowance	1,790	(34,749)	517
Postretirement benefit income and deferred compensation expense	245	570	1,378
Provision for doubtful accounts	25	125	11
(Gain) loss on disposal of property	(95)	28	(994)
Gain on life insurance	(536)	(529)	(372)
Loss on sale of investments	45	—	—
Other	—	—	90
Increase in cash surrender value of life insurance policies	(1,030)	(732)	(969)
Change in assets and liabilities:			
Inventories	(24,267)	(17,316)	(23,792)
Receivables, prepaid and other assets	(8,908)	(2,085)	101
Income taxes and unrecognized tax benefits	(194)	7	(2,127)
Accounts payable and accrued expenses	8,939	7,627	(1,551)
Postretirement and deferred compensation benefits	(4,322)	(4,030)	(3,741)
Net cash provided by (used in) operating activities	10,238	115	(10,119)
Investing activities:			
Proceeds from the sale of investments	7,300	1,050	7,150
Proceeds from life insurance	1,004	1,652	659
Purchases of property and equipment	(4,422)	(2,213)	(2,109)
Proceeds from the sale of property	734	17	4,143
Cash paid for acquisition, net of cash acquired	—	—	(4,694)
Payments of COLI borrowings	(1,371)	—	—
Other	822	(624)	(914)
Net cash provided by (used in) investing activities	4,067	(118)	4,235
Financing activities:			
Payments for purchases of common stock	(12,718)	(6,604)	(89)
Proceeds from exercise of stock options	75	—	83
Other	(68)	(17)	506
Net cash (used in) provided by financing activities	(12,711)	(6,621)	500
Net increase (decrease) in cash and cash equivalents	1,594	(6,624)	(5,384)
Cash and cash equivalents at beginning of year	62,683	69,307	74,691
Cash and cash equivalents at end of year	$64,277	$62,683	$69,307

Supplement cash flow disclosure:			
Income taxes paid (refunded), net	$11,500	$(134)	$1,703

See notes to consolidated financial statements.

Table of Contents

Winnebago Industries, Inc.
Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies

Nature of Operations

Winnebago Industries, Inc., founded in 1958 and headquartered in Forest City, Iowa, is one of the leading United States manufacturers of recreation vehicles. We sell motorhomes through independent dealers, primarily throughout the United States and Canada, under the Winnebago, Itasca and Winnebago Touring Coach brand names. We also sell travel trailer and fifth wheel towable products primarily throughout the United States and Canada under the SunnyBrook and Winnebago brand names. Other products manufactured by us consist primarily of original equipment manufacturing parts, including extruded aluminum and other component products for other manufacturers and commercial vehicles.

Principles of Consolidation

The consolidated financial statements for Fiscal 2013 include the parent company and our wholly-owned subsidiary, Winnebago of Indiana, LLC. See Note 2. All material intercompany balances and transactions with our subsidiary have been eliminated.

Fiscal Period

We follow a 52-/53-week fiscal year, ending the last Saturday in August. Fiscal 2013 is a 53-week fiscal year; the first quarter ending December 1, 2012 was a 14-week quarter. Fiscal 2012 and Fiscal 2011 were 52-week periods.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the US 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 periods. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of highly liquid investments with an original maturity of three months or less. The carrying amount approximates fair value due to the short maturity of the investments.

Fair Value Disclosures of Financial Instruments

All financial instruments are carried at amounts believed to approximate fair value.

Derivative Instruments and Hedging Activities

All contracts that contain provisions meeting the definition of a derivative also meet the requirements of, and have been designated as, normal purchases or sales. Our policy is to not enter into contracts with terms that cannot be designated as normal purchases or sales.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is based on historical loss experience and any specific customer collection issues identified. Additional amounts are provided through charges to income as we believe necessary after evaluation of receivables and current economic conditions. Amounts which are considered to be uncollectible are written off and recoveries of amounts previously written off are credited to the allowance upon recovery.

Inventories

Substantially, all inventories are stated at the lower of cost or market, determined on the LIFO basis. Manufacturing cost includes materials, labor and manufacturing overhead. Unallocated overhead and abnormal costs are expensed as incurred.

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 as follows:

Asset Class	Asset Life
Buildings	10-30 years
Machinery and equipment	3-10 years
Transportation equipment	4-6 years

We review our long-lived depreciable assets for impairment annually or whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable from future cash flows. If the carrying value of a long-lived asset is impaired, an impairment charge is recorded for the amount by which the carrying value of the long-lived asset exceeds its fair value. We assess the potential impairment of long-lived assets in accordance with ASC 360 Property, Plant and Equipment. We assessed the fair value of certain properties which were idled and are listed for sale (see Note 6). We also reviewed all other long-lived depreciable assets for impairment, noting no impairment.

Table of Contents

Goodwill and Amortizable Intangible Assets

Goodwill represents costs in excess of the fair value of net tangible and identifiable net intangible assets acquired in a business combination. Amortizable intangible assets consisted of dealer network, trademarks and non-compete agreements and were amortized using the straight-line method up to seven to ten years. Goodwill assets are reviewed for impairment by applying a fair-value based test on an annual basis, or more frequently if circumstances indicate a potential impairment. Amortizable intangible assets are also subject to impairment test annually or whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable from future cash flows. See discussion of changes in our intangible asset amortization in Note 7.

Self-Insurance

Generally, we self-insure for a portion of product liability claims and workers' compensation. Under these plans, liabilities are recognized for claims incurred, including those incurred but not reported. We determined the liability for product liability and workers' compensation claims with the assistance of a third party administrator and actuary using various state statutes and historical claims experience. We have an SIR for product liability which varies annually based on market conditions and for at least the last five fiscal years was at $2.5 million per occurrence and $6.0 million in aggregate per policy year. In the event that the annual aggregate of the SIR is exhausted by payment of claims and defense expenses, an SIR of $1.0 million, excluding defense expenses, is applicable to each claim covered under this policy. We maintain excess liability insurance with outside insurance carriers to minimize our risks related to catastrophic claims in excess of our self-insured positions for product liability and personal injury matters. Any material change in the aforementioned factors could have an adverse impact on our operating results. Our product liability and workers' compensation accrual is included within accrued self-insurance on our balance sheet.

Income Taxes

We account for income taxes in accordance with ASC 740, Income Taxes. As part of the process of preparing our financial statements, we are required to estimate our income taxes in each of the jurisdictions in which we operate. This process involves estimating our current tax exposure together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These temporary differences result in deferred tax assets and liabilities, which are included within our balance sheet. We then assess the likelihood that our deferred tax assets will be realized based on future taxable income and, to the extent we believe that recovery is not likely, we establish a valuation allowance. To the extent we establish a valuation allowance or change this allowance in a period, we include an expense or a benefit within the tax provision in our Statements of Operations.

Legal

Our accounting policy regarding litigation expense is to accrue for probable exposure including estimated defense costs if we are able to estimate the financial impact.

Revenue Recognition

Generally, revenues for our recreation vehicles are recorded when the following conditions are met: an order for a product has been received from a dealer, written or verbal approval for payment has been received from the dealer's floorplan financing institution, and the title has transfered to the dealer who placed the order. Most sales are financed by our dealers under floorplan financing arrangements with banks or finance companies.

Revenues of our OEM components and recreation vehicle related parts are recorded as the products are shipped from our location. The title of ownership transfers on these products as they leave our location due to the freight terms of F.O.B. - Shipper.

Concentration of Risk

One of our dealer organizations accounted for 26.5%, 25.5%, and 18% of our consolidated net revenue in Fiscal 2013, 2012 and 2011, respectively. In Fiscal 2013 they sold our products in 68 of their dealership locations across 26 US states. A second dealer organization accounted for 12.3% of our net revenue for Fiscal 2013, as they sold products in 11 of their dealership locations across 3 US states. The loss of either or both of these dealer organizations could have a significant adverse effect on our business. In addition, deterioration in the liquidity or creditworthiness of either or both of these dealers could negatively impact our sales and could trigger repurchase obligations under our repurchase agreements.

Sales Promotions and Incentives

We accrue for sales promotions and incentive expenses, which are recognized as a reduction to revenues, at the time of sale to the dealer or when the sales incentive is offered to the dealer or retail customer. Examples of sales promotions and incentive programs include dealer and consumer rebates, volume discounts, retail financing programs and dealer sales associate incentives. Sales promotion and incentive expenses are estimated based upon then current program parameters, such as unit or retail volume and historical rates. Actual results may differ from these estimates if market conditions dictate the need to enhance or reduce sales promotion and incentive programs or if the retail customer usage rate varies from historical trends. Historically, sales promotion and incentive accruals have been within our expectations and differences have not been material.

Repurchase Commitments

It is customary practice for manufacturers in the recreation vehicle industry to enter into repurchase agreements with financing institutions that provide financing to their dealers. Our repurchase agreements generally provide that, in the event of a default by a dealer in its obligation to these lenders, we will repurchase vehicles sold to the dealer that have not been resold to retail customers. The terms of these agreements, which can last up to 18 months, provide that our liability will be the lesser of remaining principal

Table of Contents

owed by the dealer or dealer invoice less periodic reductions based on the time since the date of the original invoice. Our liability cannot exceed 100% of the dealer invoice. In certain instances, we also repurchase inventory from our dealers due to state law or regulatory requirements that govern voluntary or involuntary relationship terminations.

Based on these repurchase agreements, we establish an associated loss reserve which is disclosed separately as "Accrued loss of repurchases" in the consolidated balance sheets. Repurchased sales are not recorded as a revenue transaction, but the net difference between the original repurchase price and the resale price are recorded against the loss reserve, which is a deduction from gross revenue. Our loss reserve for repurchase commitments contains uncertainties because the calculation requires management to make assumptions and apply judgment regarding a number of factors. See Note 11.

Shipping Revenues and Expenses

Shipping revenues for products shipped are included within net sales, while shipping expenses are included within cost of goods sold.

Reporting Segment

We have two operating segments, motorhomes and Towables, which aggregate into one reportable segment, the recreation vehicle market. We design, develop, manufacture and market motorized and towable recreation products along with supporting products and services. The Chief Executive Officer has been identified as the Chief Operating Decision Maker as defined by ASC No. 280, Disclosures about Segments Reporting.

Research and Development

Research and development expenditures are included within cost of goods sold and are expensed as incurred. A portion of these expenditures qualify for state and federal tax benefits. Development activities generally relate to creating new products and improving or creating variations of existing products to meet new applications. During Fiscal 2013, 2012 and 2011, we spent approximately $3.8 million, $3.4 million and $3.2 million, respectively, on research and development activities.

Advertising

Advertising costs, which consist primarily of literature and trade shows, were $4.7 million, $4.3 million, and $3.4 million in Fiscal 2013, 2012 and 2011, respectively. Advertising costs are included in selling expense and are expensed as incurred with the exception of trade shows which are expensed in the period in which the show occurs.

Earnings Per Common Share

Basic income per common share is computed by dividing net income by the weighted average common shares outstanding during the period.

Diluted income per common share is computed by dividing net income by the weighted average common shares outstanding plus the incremental shares that would have been outstanding upon the assumed exercise of dilutive stock awards and options (see Note 16).

Reclassifications

Certain amounts reported in prior years in deferred tax assets have been reclassified to conform to the current year footnote presentation. The reclassifications had no impact on total deferred tax assets (see Note 12).

Subsequent Events

We evaluated events occurring between the end of our most recent fiscal year and the date the financial statements were issued. There were no material subsequent events, except those described in Note 4 and Note 14.

New Accounting Pronouncements

On June 16, 2011, the FASB issued ASU 2011-05, Presentation of Comprehensive Income, which revised the manner in which entities present comprehensive income in their financial statements. ASU 2011-05 became effective for fiscal years beginning after December 15, 2011 (our Fiscal 2013). We adopted this guidance in Fiscal 2013. This guidance resulted in no significant impact on our consolidated financial statements.

In September 2011, the FASB issued ASU 2011-08, Testing Goodwill for Impairment, which simplified the manner in which entities test goodwill for impairment. After assessment of certain qualitative factors, if it is determined to be more likely than not that the fair value of a reporting unit is less than its carrying amount, entities must perform a quantitative analysis of the goodwill impairment test. Otherwise, the quantitative test becomes optional. ASU 2011-08 is effective for fiscal years beginning after December 15, 2011 (our Fiscal 2013). The adoption of this guidance had no significant impact on our consolidated financial statements.

In February 2013, the FASB issued ASU 2013-02, Comprehensive Income, which improves the reporting of reclassification out of AOCI. An entity is required to present, either on the face of the net income statement or in the notes, the changes in accumulated balances for each component of AOCI, as well as significant amounts reclassified out of AOCI by the respective line items. ASU 2013-02 is effective for fiscal years beginning after December 15, 2012 (our Fiscal 2014). We adopted this guidance in Fiscal 2013. This guidance resulted in no significant impact on our consolidated financial statements.

Table of Contents

In July 2013, the FASB updated ASU 2013-11, Income Taxes (Topic 740), which requires entities to present unrecognized tax benefits as a liability and not combine it with deferred tax assets to the extent a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date. ASU 2011-13 will become effective for fiscal years beginning after December 15, 2013 (our Fiscal 2015). We are currently evaluating the impact on our consolidated financial statements.

Note 2: Acquisition

On December 29, 2010 we purchased, through Towables, substantially all of the assets of SunnyBrook, a manufacturer of travel trailer and fifth wheel RVs. The aggregate consideration paid was $4.7 million in cash, net of cash acquired, including the repayment of $3.3 million of SunnyBrook commercial and shareholder debt on the closing date. The assets acquired include inventory, equipment and other tangible and intangible property and are being used in connection with the operation of manufacturing towable recreation vehicles. Also on December 29, 2010, we entered into a five-year operating lease agreement for the SunnyBrook facilities. See Note 19. The operations of Towables are included in our consolidated operating results from the date of its acquisition. Towables has continued to manufacture products under the SunnyBrook brands. In addition, in the first quarter of Fiscal 2012, Towables began diversifying its product line by including Winnebago brand trailer and fifth wheel products. The primary reason for the acquisition was diversification outside of the motorized market while utilizing the Winnebago brand strength in the towable market allowing for the potential of revenue and earnings growth.

The following table summarizes the approximate fair value of the net assets acquired at the date of the closing:

(In thousands)	December 29, 2010	
Current assets	$5,773	
Property, plant and equipment	337	
Goodwill	1,228	
Dealer network	535	
Trademarks	196	
Non-compete agreement	40	
Current liabilities	(2,513	)
Total fair value of net assets acquired	5,596	
Less cash acquired	(902	)
Total cash paid for acquisition less cash acquired	$4,694	

At December 29, 2010, the amortizable intangible assets had a weighted average useful life of 9.8 years. The dealer network was valued based on the Discounted Cash Flow Method and had been amortized on a straight line basis over 10 years. The trademarks were valued based on the Relief from Royalty Method and had been amortized on a straight line basis over 10 years. The non-compete agreement had been amortized on a straight line basis over 7 years. See Note 7. Goodwill is not subject to amortization and is tax deductible. Pro forma financial information has not been presented due to its insignificance.

Note 3: Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The fair value hierarchy contains three levels as follows:

Level 1 - Unadjusted quoted prices that are available in active markets for the identical assets or liabilities at the measurement date.

Level 2 - Other observable inputs available at the measurement date, other than quoted prices included in Level 1, either directly or indirectly, including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets in nonactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3 - Unobservable inputs that cannot be corroborated by observable market data and reflect the use of significant management judgment. These values are generally determined using pricing models for which the assumptions utilize management's estimates of market participant assumptions.

Assets and Liabilities that are Measured at Fair Value on a Recurring Basis. We account for fair value measurements in accordance with ASC 820, Fair Value Measurements and Disclosures, which defines fair value, establishes a framework for measurement and expands disclosure about fair value measurement. The fair value hierarchy requires the use of observable market data when available. In instances in which the inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. Our assessment of the significance of a particular item to the fair value measurement in its entirety requires judgment, including the consideration of inputs specific to the asset or liability.

The following tables set forth by level within the fair value hierarchy our financial assets that were accounted for at fair value on a recurring basis at August 31, 2013 and August 25, 2012 according to the valuation techniques we used to determine their fair values:

(In thousands)	Fair Value at August 31, 2013	Fair Value Measurements Using Inputs Considered As Level 1	Level 2	Level 3
Long-term investments:				
Student loan ARS	$2,108	$—	$—	$2,108
Assets that fund deferred compensation:				
Domestic equity funds	7,127	7,127	—	—
International equity funds	742	742	—	—
Fixed income funds	287	287	—	—
Total assets at fair value	$10,264	$8,156	$—	$2,108

(In thousands)	Fair Value at August 25, 2012	Fair Value Measurements Using Inputs Considered As Level 1	Level 2	Level 3
Long-term investments:				
Student loan ARS	$9,074	$—	$—	$9,074
Assets that fund deferred compensation:				
Domestic equity funds	7,924	7,924	—	—
International equity funds	957	957	—	—
Fixed income funds	487	487	—	—
Total assets at fair value	$18,442	$9,368	$—	$9,074

The following table provides a reconciliation between the beginning and ending balances of items measured at fair value on a recurring basis in the table above that used significant unobservable inputs (Level 3):

(In thousands)	August 31, 2013	August 25, 2012
Balance at beginning of year	$9,074	$10,627
Net realized loss included in non-operating income	(45)	—
Net change included in other comprehensive income	379	(503)
Sales	(7,300)	(1,050)
Balance at the end of year	$2,108	$9,074

The following table presents quantitative information regarding unobservable inputs that were significant to the valuation of assets measured at fair value on a recurring basis at August 31, 2013 using Level 3 inputs:

(In thousands)	Fair Value	Valuation Technique	Unobservable Input	Range Low	High
Student loan ARS	$2,108	Discounted Cash Flow	Projected ARS Yield	1.89 %	1.89 %
			Discount for lack of marketability	2.94 %	4.25 %

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:
Long-term investments. Our long-term investments are comprised of our ARS as described in Note 4. Our ARS investments are classified as Level 3, as quoted prices were unavailable due to events described in Note 4. Due to limited market information, we utilized a DCF model to derive an estimate of fair value for the ARS at August 31, 2013. The assumptions used in preparing the DCF model included estimates with respect to the amount and timing of future interest and principal payments, forward projections of the interest rate benchmarks, the probability of full

repayment of the principal considering the credit quality and guarantees in place and the rate of return required by investors to own such securities given the current liquidity risk associated with ARS.
Assets that fund deferred compensation. Our assets that fund deferred compensation are marketable equity securities measured at fair value using quoted market prices and primarily consist of equity-based mutual funds. They are classified as Level 1 as they are traded in an active market for which closing stock prices are readily available. These securities fund the Executive Share

Table of Contents

Option Plan (see Note 10), a deferred compensation program. The Executive Plan assets related to those options that will expire within a year are included in prepaid expenses and other assets in the accompanying balance sheets. The remaining assets are included in other assets.

Assets and Liabilities that are measured at Fair Value on a Nonrecurring Basis. Our non-financial assets, which include goodwill, intangible assets and property and equipment, are not required to be measured at fair value on a recurring basis. However, if certain triggering events occur, or if an annual impairment test is required, we must evaluate the non-financial asset for impairment. If an impairment did occur, the asset is required to be recorded at the estimated fair value.

Note 4: Investments

We own investments in marketable securities that have been designated as "available for sale" in accordance with ASC 320, Investments - Debt and Equity Securities. Available for sale securities are carried at fair value with the unrealized gains and losses reported in "Accumulated Other Comprehensive Income," a component of stockholders' equity.

At August 31, 2013, we held $2.4 million (par value) of tax-exempt ARS, which are variable-rate debt securities and have a long-term maturity with the interest rate being reset through Dutch auctions that are typically held every 7, 28 or 35 days. Prior to February 2008, these securities traded at par and are callable at par at the option of the issuer. Interest is typically paid at the end of each auction period or semiannually. The ARS we hold is rated AAA by Standard & Poor's Ratings Services and Fitch Ratings, and are collateralized by student loans guaranteed by the US Government under the Federal Family Education Loan Program.

Since February 2008, most ARS auctions have failed and there is no assurance that future auctions for our ARS will succeed and, as a result, our ability to liquidate our investment and fully recover the par value in the near term may be limited or nonexistent. We have no reason to believe that the underlying issuer of our ARS is presently at risk of default. We have continued to receive interest payments on the ARS in accordance with their terms. We believe we will ultimately be able to liquidate our ARS related investment without significant loss primarily due to the collateral securing the ARS, but also due to the partial redemptions we have received over the last four fiscal years at par value. However, redemption could take until final maturity of the ARS (up to 25 years) to realize the par value of our investments. Due to the changes and uncertainty in the ARS market, we believe the recovery period for this investments is likely to be longer than 12 months and as a result, we have classified this investments as long-term as of August 31, 2013.

At August 31, 2013, there was insufficient observable ARS market information available to determine the fair value of our ARS investment. Therefore, we estimated fair value by incorporating assumptions that market participants would use in their estimates of fair value. Some of these assumptions included credit quality, final stated maturities, estimates on the probability of the issue being called prior to final maturity, impact due to extended periods of maximum auction rates and broker quotes from independent evaluators. Based on this analysis, we recorded an unrealized temporary impairment of $242,000 in accumulated other comprehensive income before tax considerations related to our long-term ARS investments of $2.4 million (par value) at August 31, 2013.

On October 16, 2013, our remaining ARS holding of $2.4 million was called at par for a full redemption.

Note 5: Inventories

Inventories consist of the following:

(In thousands)	August 31, 2013	August 25, 2012
Finished goods	$43,927	$30,054
Work-in-process	46,257	45,240
Raw materials	52,201	42,824
Total	142,385	118,118

LIFO reserve	(29,844)	(31,024)
Total inventories	$112,541	$87,094

The above value of inventories, before reduction for the LIFO reserve, approximates replacement cost at the respective dates. Of the $142.4 million inventory at August 31, 2013, $136.1 million is valued on a LIFO basis and the Towables inventory of $6.3 million is valued on a FIFO basis. Of the $118.1 million inventory at August 25, 2012, $110.1 million is valued on a LIFO basis and the Towables inventory of $8.0 million is valued on a FIFO basis.

Based on decreases in inflation partially offset by an increase in inventories during Fiscal 2013, we recorded a reduction to LIFO reserves of $1.2 million.

Table of Contents

Note 6: Property, Plant and Equipment and Assets Held for Sale

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

(In thousands)	August 31, 2013	August 25, 2012
Land	$757	$757
Buildings and building improvements	50,297	49,641
Machinery and equipment	91,224	90,775
Transportation	9,044	8,858
Total property, plant and equipment, gross	151,322	150,031
Less accumulated depreciation		