



***Fiscal 2003
Third Quarter Report***

DEAR FEDDERS STOCKHOLDERS:

During the third quarter of fiscal 2003, your company commenced operation of its joint venture with the largest air conditioning retailer in China, Suning Appliance Group. The new joint venture, located in Nanjing, China, manufactures split-type air conditioners for the global market and also gives Fedders the opportunity to penetrate the Chinese air conditioning market, now the largest in the world.

**THIRD QUARTER SALES INCREASE
13.8%**

In the third quarter of fiscal 2003, Fedders reported sales of \$194.2 million, a 13.8% increase from sales of \$170.7 million in the prior fiscal-year period. Sales were higher primarily due to strong pre-season demand for air conditioners within the HVACR segment, both in North America and internationally.

Gross profit margins for the fiscal 2003 third quarter were 23.2% compared to prior-year of 24%. Operating income for the quarter was \$27.2 million compared to \$24.4 million in the prior year quarter. Net income applicable to common stockholders for the quarter increased 15% to \$15.7 million or 53 cents per diluted share compared to net income of \$13.6 million or 43 cents per diluted share in the third quarter of fiscal 2002.

**RIGHTS OFFERING FOR PREFERRED
STOCK**

In the third quarter of fiscal 2003, Fedders' Board of Directors authorized the distribution of transferable rights to holders of the Company's Common Stock and Class B Stock, which will entitle the holder to subscribe for newly-issued shares of the Company's Series A Cumulative Preferred Stock at a discounted price. Stockholders will receive a right to purchase one share of Preferred Stock for every ten shares of Common Stock and Class B Stock they hold. The proceeds of the offering will be

used for possible future strategic acquisitions, to decrease the use of debt for working capital and for general corporate purposes.

LOOKING FORWARD

Your company continues to execute its strategy of developing new products and expanding into new global markets. As the company continues its globalization, we will seek additional strategic acquisitions and alliances as well as organic growth in both the HVACR and Engineered Products segments that will leverage our global manufacturing and sales infrastructure.



Sal Giordano, Jr.
Chairman of the Board and
Chief Executive Officer

Forward-looking statements are made within the "Safe-Harbor" clause of the Private Securities Litigation Reform Act of 1995. Such statements are based upon current expectations and assumptions. Actual results could differ materially from those currently anticipated as a result of known and unknown risks and uncertainties including, but not limited to, weather and economic, political, market and industry conditions. Such factors are described in Fedders' SEC filings, including its most recently filed annual report on Form 10-K. The Company disclaims any obligation to update any forward-looking statements to incorporate developments occurring after release of this report.

Consolidated Financial Statements

(Amounts in thousands, except per share data)(unaudited)

Statements of Operations

May 31	Three Months Ended		Nine Months Ended	
	2003	2002 (as restated, note 1)	2003	2002 (as restated, note 1)
Net sales (1)	\$ 194,174	\$ 170,688	\$ 304,833	\$ 281,866
Costs and expenses:				
Cost of sales	149,074	129,787	236,979	217,462
Selling, general and administrative expense	17,888	16,458	46,673	47,345
	166,962	146,245	283,652	264,807
Operating income	27,212	24,443	21,181	17,059
Partners' net interest in joint venture results	1,133	496	255	420
Interest expense, net	(5,021)	(5,032)	(14,300)	(14,414)
Other income	305	288	443	647
Income before income taxes	23,629	20,195	7,579	3,712
Provision for income taxes	7,679	6,564	2,463	1,207
Net income	\$ 15,950	\$ 13,631	\$ 5,116	\$ 2,505
Preferred stock dividend	(222)	---	(396)	---
Income applicable to common stockholders	\$ 15,728	\$ 13,631	\$ 4,720	\$ 2,505
Basic and diluted earnings per share	\$ 0.53	\$ 0.43	\$ 0.15	\$ 0.08
Dividends per share declared:				
New Common	\$ 0.0300	\$ 0.030	\$ 0.0900	\$ 0.030
Old Common and Class A	---	---	---	\$ 0.060
New Class B	\$ 0.0300	\$ 0.030	\$ 0.0900	\$ 0.030
Old Class B				\$ 0.054
Series A Cumulative Preferred Stock	\$ 0.5375	---	\$ 1.0750	---
Weighted average shares outstanding:				
Basic	29,752	31,932	30,987	31,176
Diluted	29,843	31,942	31,019	31,180

Balance Sheets

(Amounts in thousands)(unaudited)	May 31, 2003	May 31, 2002
Assets		
Cash and cash equivalents	\$ 39,460	\$ 15,713
Accounts receivable, net	88,604	82,440
Inventories, net	105,935	75,176
Deferred income taxes	5,580	8,830
Other current assets	25,029	9,824
Total current assets	264,608	191,983
Net property, plant and equipment	57,732	72,329
Deferred income taxes	2,867	6,510
Goodwill	90,536	92,665
Other assets	37,034	34,186
	\$452,777	\$ 397,673
Liabilities and Stockholders' Equity		
Short-term notes	\$ 22,743	\$ 8,591
Current portion of long-term debt	3,447	3,381
Accounts payable	97,952	61,236
Income tax payable	9,028	8,610
Accrued expenses	55,565	51,563
Total current liabilities	188,735	133,381
Long-term debt	161,013	164,582
Other long-term liabilities	18,820	22,632
Partners' net interest in joint venture	5,058	4,517
Stockholders' equity	79,151	72,561
	\$ 452,777	\$ 397,673

The information furnished reflects all adjustments which are, in the opinion of management, necessary to a fair presentation of the results of the period. Operating results for the quarter and nine months ended May 31, 2003 are not necessarily indicative of the results that may be expected for the fiscal year ending August 31, 2003.

Selected Financial Data of Fiscal 2003 Third Quarter and Nine Months

(Amounts in thousands, except per share data)(unaudited)

Three months ended:	May 31, 2003	May 31, 2002
		(as restated, note 1)
Net sales	\$ 194,174	\$ 170,688
Operating income	27,212	24,443
Net income	15,950	13,631
Income applicable to common stockholders	15,728	13,631
Income per share, basic and diluted	\$ 0.53	\$ 0.43
Weighted average shares outstanding:		
Basic	29,752	31,932
Diluted	29,843	31,942

Nine months ended:	May 31, 2003	May 31, 2002
		(as restated, note 1)
Net sales	\$ 304,833	\$ 281,866
Operating income	21,181	17,059
Net income	5,116	2,505
Income applicable to common stockholders	4,720	2,505
Income per share, basic and diluted	\$ 0.15	\$ 0.08
Weighted average shares outstanding:		
Basic	30,987	31,176
Diluted	31,019	31,180

Note to Consolidated Financial Statements

(1) Subsequent to the issuance of its consolidated financial statements for the year ended August 31, 2002, the company's management determined that amounts in its unaudited quarterly financial information included intercompany profit and certain manufacturing variances that should have been eliminated. As a result, the unaudited interim financial statements as of and for the three months and nine months ended May 31, 2002 have been restated from the amounts previously reported to eliminate approximately \$2.8 million of intercompany profit and certain manufacturing variances included in ending inventory and to reflect the impact on cost of sales and income taxes of this adjustment. The restatement has no effect on the company's previously reported full fiscal year results of the year ended August 31, 2002.