

SECURITIES AND EXCHANGE COMMISSION

FORM 10-K

Annual report pursuant to section 13 and 15(d)

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FILER

SKYLINE CORP

CIK: **90896** | IRS No.: **351038277** | State of Incorporation: **IN** | Fiscal Year End: **0531**
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SIC: **2451** Mobile homes

Mailing Address
*P O BOX 743
ELKHART IN 46515*

Business Address
*2520 BY-PASS RD
P O BOX 743
ELKHART IN 46515
2192946521*

FORM 10-K

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended May 31, 2001

Commission File No. 1-4714

SKYLINE CORPORATION
(Exact name of registrant as specified in its charter)

Indiana 35-1038277
(State of Incorporation) (IRS Employer Identification No.)

2520 Bypass Road, Elkhart, Indiana 46514
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: 219-294-6521

Securities registered pursuant to section 12(b) of the Act:

Title of Class	Shares Outstanding July 12, 2001	Name of each Exchange on which Registered
Common Stock	8,391,244	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

Title of Class

None

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

YES NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of 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.

The aggregate market value of the voting stock held by non-affiliates of the registrant (6,810,589 shares) based on the closing price on the New York Stock Exchange on July 12, 2001 was \$173,670,020.

DOCUMENTS INCORPORATED BY REFERENCE:

Title

Form 10-K

FORM 10-K
CROSS-REFERENCE INDEX

Certain information required to be included in this Form 10-K is also included in the registrant's Proxy Statement used in connection with its 2001 Annual Meeting of Shareholders to be held on September 24, 2001 ("2001 Proxy Statement"). The following cross-reference index shows the page locations in the 2001 Proxy Statement of that information which is incorporated by reference into this Form 10-K and the page location in this Form 10-K of that information not incorporated by reference. All other sections of the 2001 Proxy Statement are not required in this Form 10-K and should not be considered a part hereof.

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PART I

Item 1. Business

General Development of Business

Skyline Corporation was originally incorporated in Indiana in 1959, as successor to a business founded in 1951. Skyline Corporation and its consolidated subsidiaries (the "Corporation") design, produce and distribute manufactured housing (mobile homes and multi-sectional homes) and recreational vehicles (travel trailers, including park models and fifth wheels, and truck campers).

The Corporation, which is one of the largest producers of manufactured homes in the United States, produced 10,664 manufactured homes in fiscal year 2001.

The Corporation's manufactured homes are marketed under a number of trademarks. They are available in lengths ranging from 36' to 80' and in single wide widths from 12' to 18', double wide widths from 20' to 32', and triple wide widths from 36' to 42'.

The Corporation's recreational vehicles are sold under the "Nomad," "Layton," and "Aljo" trademarks for travel trailers and fifth wheels.

In fiscal year 2001 manufactured homes represented 76% of total sales, while recreational vehicles accounted for the remaining 24%. In the prior year, the sales dollars were 77% manufactured homes and 23% recreational vehicles. Additional financial data relating to these industry segments is included in Note 5, Industry Segment Information, in the Notes to Consolidated Financial Statements included in this document under Item 8.

Narrative Description of Business

Principal Markets

The principal markets for manufactured homes are the suburban and rural areas of the continental United States. The principal buyers continue to be young married couples and senior citizens, but the market tends to broaden when conventional housing becomes more difficult to purchase and finance.

The recreational vehicle market is made up of primarily vacationing middle-income families, retired couples traveling around the country and sportsmen pursuing four-season hobbies.

Method of Distribution

The Corporation's manufactured homes are distributed by approximately 600 dealers at 1,100 locations throughout the United States and recreational vehicles are distributed by approximately 310 dealers at 340 locations throughout the United States. These are generally not exclusive dealerships and it is believed that most dealers also sell products of other manufacturers.

The Corporation provides the retail purchaser of its products with a full one-year warranty against defects in materials and workmanship. All recreational vehicles manufactured after December 1, 1998 are covered by an improved two-year warranty. The warranties are backed by a corporate service department and an extensive field service system.

Method of Distribution, continued

The Corporation's products are sold to dealers either through floor plan financing with various financial institutions or on cash on delivery basis. Payments to the Corporation are made either directly by the dealer or by financial institutions, which have agreed to finance dealer purchases of the Corporation's products. In accordance with industry practice, certain financial institutions which finance dealer purchases require the Corporation to execute repurchase agreements which provide that in the event a dealer defaults on its repayment of the financing, the Corporation will repurchase its products from the financing institution in accordance with a declining repurchase price schedule established by the Corporation. Any loss under these agreements is the difference between the repurchase cost and the resale value of the units repurchased. Further, the risk of loss is spread over numerous dealers. There have been no material losses related to repurchases in past years.

Raw Materials and Supplies

The Corporation is basically an assembler of components purchased from outside sources. The major components used by the Corporation are lumber, plywood, shingles, vinyl and wood siding, steel, aluminum, insulation, home appliances, furnaces, plumbing fixtures, hardware, floor coverings and furniture. The suppliers are many and range in size from large national companies to very

small local companies. At the present time, the Corporation is obtaining sufficient materials to fulfill its needs.

Patents, Trademarks, Licenses, Franchises and Concessions

The Corporation does not rely upon any terminable or nonrenewable rights such as patents, licenses or franchises under the trademarks or patents of others, in the conduct of any segment of its business.

Seasonal Fluctuations

While the Corporation maintains production of manufactured homes and recreational vehicles throughout the year, seasonal fluctuations in sales do occur. Sales and production of manufactured homes are affected by winter weather conditions at the Corporation's northern plants. Recreational vehicle sales are generally higher in the spring and summer months than in the fall and winter months.

Inventory

The Corporation does not build significant inventories of either finished goods or raw materials at any time. In addition, there are no significant inventories sold on consignment.

Dependence Upon Individual Customers

The Corporation does not rely upon any single dealer for a significant percentage of its business in any industry segment.

Backlog

The Corporation does not consider as significant in its business the existence and extent of backlog at any given date. Because the Corporation's production is based on dealers' orders, which continuously fluctuate, and a relatively short manufacturing cycle, the existence of a backlog does not provide a reliable indication of the status of the Corporation's business.

Government Contracts

The Corporation has had no significant contracts during the past three years.

Competitive Conditions

The manufactured housing and recreational vehicle industries are highly competitive, with particular emphasis on price and features offered. The Corporation's competitors are numerous, ranging from multi-billion dollar corporations to relatively small and specialized manufacturers.

The Manufactured Housing Institute reported that the industry produced approximately 250,500 homes in calendar year 2000. In the same period, the Corporation produced 11,700 units for a 4.7% market share. In calendar year 1999, approximately 348,700 homes were manufactured by the industry. In that period, the Corporation produced 15,300 homes for a 4.4% market share.

The recreational vehicle industry produced 418,300 units in calendar year 2000 compared to 473,800 units in calendar year 1999. The following table shows the Corporation's competitive position in the recreational vehicle product lines it sells.

	Units Produced Calendar Year 2000		Units Produced Calendar Year 1999	
	Industry	Skyline	Industry	Skyline
Travel Trailers	114,500	6,764	117,500	7,414
Fifth Wheels	62,300	1,392	60,500	2,059
Park Models	8,200	403	7,800	504
Truck Campers	9,000	9	11,500	97

Both the manufactured housing and recreational vehicle segments of the Corporation's business are dependent upon the availability of financing to dealers and retail financing. Consequently, increases in interest rates and/or tightening of credit through governmental action or otherwise have adversely affected the Corporation's business in the past and may do so in the future.

Competitive Conditions, continued

The Corporation considers it impossible to predict the future occurrence, duration or severity of cost or availability problems in financing either manufactured homes or recreational vehicles. To the extent that they occur, such public concerns will affect sales of the Corporation's products.

Regulation

The manufacture, distribution and sale of manufactured homes and recreational vehicles are subject to government regulations in both the United States and Canada, at federal, state or provincial and local levels.

Environmental Quality

The Corporation believes that compliance with federal, state and local requirements respecting environmental quality will not require any material capital expenditures for plant or equipment modifications which would adversely affect earnings.

Other Regulations

The U.S. Department of Housing and Urban Development (HUD) has set national manufactured home construction and safety standards and implemented recall and other regulations since 1976. The National Mobile Home Construction and Safety Standards Act of 1974, as amended, under which such standards and regulations are promulgated, prohibits states from establishing or continuing in effect any manufactured home standard that is not identical to the federal standards as to any covered aspect of performance. Implementation of these standards and regulations involves inspection agency approval of manufactured home designs, plant and home inspection by states or other HUD-approved third parties, manufacturer certification that the standards are met, and possible recalls if they are not or if homes contain safety hazards.

Some components of manufactured homes may also be subject to Consumer Product Safety Commission standards and recall requirements. In addition, the Corporation has voluntarily subjected itself to third party inspection of all of its products nationwide in order to further assure the Corporation, its dealers, and customers of compliance with established standards.

The Corporation's travel trailers continue to be subject to safety standards

and recall and other regulations promulgated by the U.S. Department of Transportation under the National Traffic and Motor Vehicle Safety Act of 1966, as well as state laws and regulations.

The Corporation's operations are subject to the Federal Occupational Safety and Health Act, and are routinely inspected thereunder.

The transportation and placement (in the case of manufactured homes) of the Corporation's products are subject to state highway use regulations and local ordinances which control the size of units that may be transported, the roads to be used, speed limits, hours of travel, and allowable locations for manufactured homes and parks.

Other Regulations, continued

The Corporation is also subject to many state manufacturer licensing and bonding requirements, and to dealer day in court requirements in some states.

Manufactured homes and recreational vehicles may be subject to the Magnuson-Moss Warranty - Federal Trade Commission Improvement Act, which regulates warranties on consumer products. The Corporation believes that its existing warranties meet all requirements of the Act.

HUD has promulgated rules requiring producers of manufactured homes to utilize wood products certified by their suppliers to meet HUD's established limits on formaldehyde emissions, and to place in each home written notice to prospective purchasers of possible adverse reaction from airborne formaldehyde in the homes. These rules are designated as preemptive of state regulation.

Number of Employees

The Corporation employs approximately 3,000 people at the present time.

Item 2. Properties

The Corporation owns its corporate offices and design facility, which are located in Elkhart, Indiana.

The Corporation's 24 manufacturing plants, all of which are owned, are as follows:

Location	Products
California, San Jacinto	Manufactured Housing/Park Models
California, Hemet	Recreational Vehicles
California, Hemet	Recreational Vehicles
California, Woodland	Manufactured Housing
Florida, Ocala	Manufactured Housing
Florida, Ocala	Manufactured Housing
Florida, Ocala	Manufactured Housing/Park Models
Indiana, Bristol	Manufactured Housing
Indiana, Elkhart	Manufactured Housing
Indiana, Elkhart	Recreational Vehicles
Indiana, Goshen	Manufactured Housing
Kansas, Arkansas City	Manufactured Housing
Kansas, Halstead	Manufactured Housing
Louisiana, Bossier City	Manufactured Housing
North Carolina, Mocksville	Manufactured Housing
Ohio, Sugar Creek	Manufactured Housing

Oregon, McMinnville	Manufactured Housing
Oregon, McMinnville	Recreational Vehicles
Pennsylvania, Ephrata	Manufactured Housing
Pennsylvania, Leola	Manufactured Housing
Pennsylvania, Leola	Recreational Vehicles
Texas, Mansfield	Recreational Vehicles
Vermont, Fair Haven	Manufactured Housing
Wisconsin, Lancaster	Manufactured Housing

The above facilities range in size from approximately 50,000 square feet to approximately 160,000 square feet.

It is extremely difficult to determine the unit productive capacity of the Corporation because of the ever-changing product mix.

The Corporation believes that its plant facilities, machinery and equipment are well maintained and are in good operating condition.

Item 3. Legal Proceedings

Neither the Corporation nor any of its subsidiaries is a party to any pending legal proceeding which could have a material effect on operations.

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

No matters were submitted to a vote of security holders during the fourth quarter of the fiscal year ended May 31, 2001.

PART II

Item 5. Market for the Registrant's Common Stock and Related Stockholder Matters

Skyline Corporation (SKY) is traded on the New York Stock Exchange. A quarterly cash dividend of 18 cents (\$0.18) per share was paid in fiscal 2001 and 2000. At May 31, 2001, there were approximately 1,400 holders of record of Skyline Corporation common stock. A quarterly summary of the market price is listed for the fiscal years ended May 31, 2001 and 2000.

Quarter	2001		2000		
	High	Low	High	Low	
First	\$23.06	\$19.44	\$31.44		\$27.38
Second	\$22.44	\$19.81	\$28.25		\$22.38
Third	\$24.75	\$18.56	\$25.25		\$19.75
Fourth	\$26.70	\$21.15	\$22.88		\$17.81

Item 6. Selected Financial Data

Dollars in thousands except per share data

	2001	2000	1999	1998	1997
FOR THE YEAR					

Sales	\$463,824	\$579,551	\$653,169	\$613,686	\$604,676
Net earnings	\$11,170	\$15,028	\$25,561	\$19,946	\$20,831
Cash dividends paid	\$6,124	\$6,410	\$6,043	\$5,729	\$6,098
Capital expenditures	\$2,499	\$4,115	\$7,113	\$3,069	\$3,285
Depreciation	\$3,919	\$4,022	\$3,838	\$3,775	\$3,745
Weighted average common shares outstanding	8,468,321	8,858,628	9,136,116	9,511,023	10,070,383

AT YEAR END

Working capital	\$149,591	\$123,401	\$147,398	\$142,185	\$133,942
Current ratio	4.8:1	4.2:1	4.2:1	4.1:1	4.5:1
U. S. Treasury Notes	\$25,006	\$25,072	\$ -	\$ -	\$29,949
Property, plant and equipment, net	\$42,044	\$44,188	\$44,102	\$40,951	\$41,952
Total assets	\$235,678	\$235,666	\$240,982	\$233,004	\$217,867
Shareholders' equity	\$192,021	\$192,949	\$191,692	\$183,523	\$176,221
Treasury stock	\$65,744	\$59,770	\$52,409	\$41,060	\$34,145
PER SHARE					
Basic earnings	\$1.32	\$1.70	\$2.80	\$2.10	\$2.07
Cash dividends paid	\$.72	\$.72	\$.66	\$.60	\$.60
Shareholders' equity	\$22.88	\$22.22	\$21.30	\$19.46	\$18.23

Item7. Management's Discussion and Analysis of Financial Condition and Results of Operations (Unaudited)

Results of Operations - Fiscal 2001 Compared to Fiscal 2000

Sales in 2001 were \$463,824,000, a decrease of \$115,727,000 from \$579,551,000 in 2000. Manufactured housing sales totaled \$353,610,000 for 2001 compared to \$447,338,000 in 2000. Manufactured housing unit sales decreased to 10,664 from 13,731. Recreational vehicle sales declined from \$132,213,000 in 2000 to \$110,214,000 in 2001. Recreational vehicle unit sales also dropped from 9,780 in 2000 to 8,156 in 2001. The decrease in sales reflects persistently difficult market conditions in both the manufactured housing and recreational vehicle industries. These conditions continued as the Corporation began the 2002 fiscal year.

Cost of sales in 2001 was 87.0% of sales compared to 87.4% in 2000. Manufactured housing cost of sales in 2001 decreased to 86.5% of sales from 87.5% in 2000. Recreational vehicle cost of sales in 2001 increased to 88.7% of sales from 87.1% in 2000.

Selling and administrative expenses as a percentage of sales were 10.8% in 2001 compared to 9.4% in 2000. The increase is due to a larger proportion of fixed and semi-fixed costs resulting from lower sales volume.

Manufactured housing operating earnings as a percentage of sales were 3.8% in 2001 and 3.9% in 2000. Recreational vehicle operating earnings as a percentage of sales decreased to 0.7% of sales in 2001 from 4.0% of sales in 2000. Both decreases were largely due to either decreased sales volume or gross margins.

Interest income amounted to \$7,717,000 in 2001 compared to \$6,572,000 in 2000. Interest income is directly related to the amount available for investment and the prevailing yields of U.S. Government securities.

Results of Operations - Fiscal 2000 Compared to Fiscal 1999

Sales in 2000 were \$579,551,000, a decrease of \$73,618,000 from \$653,169,000 in 1999. Manufactured housing sales totaled \$447,338,000 for 2000 compared to \$525,806,000 in 1999. Manufactured housing unit sales decreased to 13,731 compared to 16,956. The decrease reflected sluggishness in the manufactured housing market due to industry-wide excess retail inventories, higher interest rates and the tightening of credit standards by lenders. Recreational vehicle sales increased to \$132,213,000 in 2000 compared to \$127,363,000 in 1999. Recreational vehicle unit sales decreased to 9,780 in 2000 compared to 9,846 in 1999. The unit sales increase in travel trailers was not enough to offset the decrease in demand for fifth wheels and truck campers. However, dollar sales increased due to higher average sales prices and product mix changes in the fifth wheel and travel trailer product lines.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (Unaudited), continued

Cost of sales in 2000 was 87.4% of sales compared to 85.8% in 1999. Manufactured housing cost of sales in 2000 increased to 87.5% of sales compared to 85.6% in 1999. Recreational vehicle cost of sales in 2000 increased to 87.1% of sales compared to 86.3% in 1999. The increases are primarily due to rising raw material costs and increased price competition on sales.

Selling and administrative expenses as a percentage of sales were 9.4% in 2000 compared to 8.7% in 1999. The increase is due to a larger proportion of fixed and semi-fixed costs resulting from lower sales volume.

Manufactured housing operating earnings as a percentage of sales were 3.9% in 2000 and 6.7% in 1999. Recreational vehicle operating earnings as a percentage of sales decreased to 4.0% of sales in 2000 from 5.2% of sales in 1999. Both decreases were largely due to decreased sales volumes and gross margins.

Interest income amounted to \$6,572,000 in 2000 compared to \$6,264,000 in 1999. Interest income is directly related to the amount available for investment and the prevailing yields of U.S. Government securities.

Liquidity and Capital Resources

At May 31, 2001 cash and short-term investments in U.S. Treasury Bills totaled \$116,415,000, an increase of \$7,477,000 from \$108,938,000 at May 31, 2000. Current assets exclusive of cash and investments in U.S. Treasury Bills totaled \$73,091,000 at the end of fiscal 2001, an increase of \$19,593,000 from fiscal 2000's total of \$53,498,000. The increase was primarily due to the current classification of investment in U. S. Treasury Notes (\$25,006,000), and a

decrease in accounts receivable (\$4,673,000) which reflects the reduction in sales volume. Current liabilities increased \$880,000 from \$39,035,000 at May 31, 2000 to \$39,915,000 at May 31, 2001.

Capital expenditures totaled \$2,499,000 in fiscal 2001 compared to \$4,115,000 in the prior year. Capital expenditures during the current fiscal year were made primarily to replace or refurbish machinery and equipment, improve manufacturing efficiencies, and increase manufacturing capacity. Cash was also used to purchase \$5,974,000 of the Corporation's stock in fiscal 2001, compared to \$7,361,000 in fiscal 2000. The cash provided by operating activities in fiscal 2002, along with current cash and short-term investments, is expected to be adequate to fund any capital expenditures and treasury stock purchases during the year. Historically, the Corporation's financing needs have been met through funds generated internally.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (Unaudited), continued

Other Matters

The provision for federal income taxes in each year approximates the statutory rate and for state income taxes reflects current state rates effective for the period based upon activities within the taxable entities.

The consolidated financial statements included in this report reflect transactions in the dollar values in which they were incurred and, therefore, do not attempt to measure the impact of inflation. However, the Corporation believes that inflation has not had a material effect on its operations during the past three years. On a long-term basis the Corporation has demonstrated an ability to adjust the selling prices of its products in reaction to changing costs due to inflation.

Forward Looking Information

Certain statements in this report are considered forward looking as indicated by the Private Securities Litigation Reform Act of 1995. These statements involve uncertainties that may cause actual results to materially differ from expectations as of the report date. These uncertainties include but are not limited to general economic conditions, interest rate levels, consumer confidence, market demographics, competitive pressures, and the success of implementing administrative strategies.

Item 8. Financial Statements and Supplementary Data

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders and Board of Directors of Skyline Corporation

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of earnings and retained earnings, and of cash flows present fairly, in all material respects, the financial position of Skyline Corporation and its subsidiaries at May 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended May 31, 2001, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of Skyline Corporation's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PRICEWATERHOUSECOOPERS LLP

Chicago, Illinois
June 15, 2001

Skyline Corporation and Subsidiary Companies

Consolidated Balance Sheets
May 31, 2001 and 2000
Dollars in thousands

ASSETS	2001	2000
Current Assets		
Cash	\$ 5,450	\$ 7,006
Treasury Bills, at cost plus accrued interest	110,965	101,932
Accounts receivable, trade, less allowance for doubtful accounts of \$40	30,757	35,430
Investments in U.S. Treasury Notes	25,006	-
Inventories	9,026	9,807
Deferred income tax benefits	7,975	7,911
Other current assets	327	350
Total Current Assets	189,506	162,436
Investments in U.S. Treasury Notes	-	25,072
Property, Plant and Equipment, at cost		

Land	6,637	6,662
Buildings and improvements	62,268	63,308
Machinery and equipment	26,633	25,770
	95,538	95,740
Less accumulated depreciation	53,494	51,552
Net Property, Plant and Equipment	42,044	44,188
Other Assets	4,128	3,970
	\$235,678	\$235,666

The accompanying notes are a part of the consolidated financial statements.

Skyline Corporation and Subsidiary Companies

Consolidated Balance Sheets

May 31, 2001 and 2000

Dollars in thousands except per share data

LIABILITIES AND SHAREHOLDERS' EQUITY

	2001	2000
Current Liabilities		
Accounts payable, trade	\$ 7,187	\$ 6,350
Accrued salaries and wages	8,245	8,144
Accrued profit sharing	2,380	2,518
Accrued marketing programs	7,386	8,435
Accrued warranty and related expenses	10,084	10,063
Other accrued liabilities	2,593	1,966
Income taxes	2,040	1,559
Total Current Liabilities	39,915	39,035
Other Deferred Liabilities	3,742	3,682
Commitments and Contingencies	-	-
Shareholders' Equity		
Common stock, \$.0277 par value, 15,000,000 shares authorized;		
Issued 11,217,144 shares	312	312
Additional paid-in capital	4,928	4,928
Retained earnings	252,525	247,479
Treasury stock, at cost, 2,825,900 shares in 2001 and 2,534,200 shares in 2000	(65,744)	(59,770)
Total Shareholders' Equity	192,021	192,949
	\$235,678	\$235,666

The accompanying notes are a part of the consolidated financial statements.

Skyline Corporation and Subsidiary Companies

Consolidated Statements of Earnings and Retained Earnings
For the Years Ended May 31, 2001, 2000, and 1999
Dollars in thousands except per share data

	2001	2000	1999
EARNING			
Sales	\$463,824	\$579,551	\$653,169
Cost of sales	403,622	506,651	560,254
Gross profit	60,202	72,900	92,915
Selling and administrative expenses	50,055	54,401	56,562
Operating earnings	10,147	18,499	36,353
Interest income	7,717	6,572	6,264
Gain (loss) on sale of property, plant and equipment	666	14	(16)
Earnings before income taxes	18,530	25,085	42,601
Provision for income taxes			
Federal	6,248	8,363	13,990
State	1,112	1,694	3,050
	7,360	10,057	17,040
Net earnings	\$ 11,170	\$ 15,028	\$ 25,561
Basic earnings per share	\$ 1.32	\$ 1.70	\$ 2.80
Weighted average common shares outstanding	8,468,321	8,858,628	9,136,116
RETAINED EARNINGS			
Balance at beginning of year	\$247,479	\$238,861	\$219,343
Add net earnings	11,170	15,028	25,561
Less cash dividends paid (\$.72 per share in 2001 and 2000, and \$.66 per share in 1999)	6,124	6,410	6,043
Balance at end of year	\$252,525	\$247,479	\$238,861

The accompanying notes are a part of the consolidated financial statements.

Skyline Corporation and Subsidiary Companies

Consolidated Statements of Cash Flows

For the Years Ended May 31, 2001, 2000, and 1999
Increase (Decrease) in Cash

Dollars in Thousands

	2001	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES			
Net earnings	\$ 11,170	\$ 15,028	\$ 25,561
Adjustment to reconcile net earnings to net cash provided by operating activities:			
Interest income earned on U. S. Treasury Bills and Notes	(7,717)	(6,572)	(6,264)
Depreciation	3,919	4,022	3,838
Amortization of discount or premium on U. S. Treasury Notes	66	61	-
(Gain) loss on sale of property, plant and equipment	(666)	(14)	16
Working capital items:			
Accounts receivable	4,673	6,357	1,111
Inventories	781	664	(1,316)
Other current assets	(41)	(503)	(112)
Accounts payable, trade	837	(2,146)	(4,376)
Accrued liabilities	(438)	(3,467)	3,628
Income taxes payable	481	(1,012)	111
Other assets	(158)	(148)	(251)
Other deferred liabilities	60	52	446
Total Adjustments	1,797	(2,706)	(3,169)
Net cash provided by operating activities	12,967	12,322	22,392

The accompanying notes are a part of the consolidated financial statements.

Skyline Corporation and Subsidiary Companies

Consolidated Statements of Cash Flows, continued
For the Years Ended May 31, 2001, 2000, and 1999
Increase (Decrease) in Cash

Dollars in Thousands

	2001	2000	1999
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale or maturity of U.S. Treasury Bills	\$397,702	\$446,701	\$511,761
Purchase of U. S. Treasury Notes	-	(25,133)	-

Purchase of U. S. Treasury Bills	(400,456)	(414,480)	(516,157)
Interest received from U. S. Treasury Notes	1,438	1,194	-
Proceeds from sale of property, plant and equipment	1,390	22	108
Purchase of property, plant and equipment	(2,499)	(4,115)	(7,113)
Net cash (used in) provided by investing activities	(2,425)	4,189	(11,401)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash dividends paid	(6,124)	(6,410)	(6,043)
Purchase of treasury stock	(5,974)	(7,361)	(11,349)
Net cash used in financing activities	(12,098)	(13,771)	(17,392)
Net (decrease) increase in cash	(1,556)	2,740	(6,401)
Cash at beginning of year	7,006	4,266	10,667
Cash at end of year	\$ 5,450	\$ 7,006	\$ 4,266

The accompanying notes are a part of the consolidated financial statements.

Skyline Corporation and Subsidiary Companies

Notes to Consolidated Financial Statements

NOTE 1 Nature of Operations and Accounting Policies

Nature of operations -- Skyline Corporation designs, manufactures and sells at wholesale both a broad line of single and multi-sectional manufactured homes and a large selection of non-motorized recreational vehicle models. Both product lines are sold through numerous independent dealers throughout the United States who often utilize floor plan financing arrangements with lending institutions.

The following is a summary of the accounting policies that have a significant effect on the consolidated financial statements.

Basis of presentation -- The consolidated financial statements include the accounts of Skyline Corporation and all of its subsidiaries (Corporation), each of which is wholly-owned. All significant intercompany transactions have been eliminated. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue recognition -- Substantially all of the Corporation's products are made to order. Revenue is recognized upon shipment.

In December 1999, the Securities Exchange Commission (SEC) issued Staff Accounting Bulletin (SAB) No. 101, "Revenue Recognition in Financial Statements." It states the SEC's position in applying generally accepted accounting principles to revenue recognition issues. The Corporation adopted SAB 101 in the fourth quarter of fiscal 2001 with no material impact on the consolidated financial statements.

Consolidated statements of cash flows -- For purposes of the statements of cash flows, investments in treasury bills are included as investing activities. The Corporation's cash flows from operating activities were reduced by income taxes paid of \$6.9 million, \$11.9 million and \$17.9 million in 2001, 2000 and 1999, respectively.

Inventory -- Inventories are stated at cost, which includes the cost of raw materials, labor and overhead, determined under the first-in, first-out method, which is not in excess of market. At May 31, 2001, total inventories consisted of raw materials, \$3,891,000, work in process, \$5,098,000, and finished goods, \$37,000. At May 31, 2000, raw materials inventory totaled \$4,772,000, work in process inventory totaled \$4,771,000, and finished goods totaled \$264,000.

Depreciation -- Depreciation is computed over the estimated useful lives of the assets using the straight-line method for financial statement reporting and accelerated methods for income tax purposes.

Investments -- The Corporation invests in United States Government securities. These securities are typically held until maturity or reasonable proximity to maturity and are therefore classified as held-to-maturity and carried at amortized cost.

Notes to Consolidated Financial Statements

NOTE 1 Nature of Operations and Accounting Policies, continued

The cost of the U. S. Treasury Bills, which approximates their fair market value, totaled \$110,965,000 and \$101,932,000 at May 31, 2001 and 2000, respectively. These securities mature within one year. The investment in U. S. Treasury Notes has a gross unamortized cost of \$25,006,000 and matures in less than one year at May 31, 2001. The fair market value of the U.S. Treasury Notes totaled \$25,031,000, resulting in a gross unrealized gain of \$25,000. The Corporation does not have any other financial instruments which have market values differing from recorded values.

Warranty -- The Corporation provides a warranty on its products. Estimated warranty costs are accrued at the time of sale.

Income taxes -- The difference between the Corporation's statutory federal income tax rate and the effective income tax rate is due primarily to state income taxes.

The Corporation's deferred tax assets consist primarily of temporary differences in the basis of certain liabilities for financial statement and tax return purposes and its deferred tax liabilities are due to the use of accelerated depreciation methods for tax purposes. The amounts of such deferred tax items are not significant individually or in the aggregate.

Recently issued accounting pronouncements -- During the third fiscal quarter of

2001, the Corporation adopted Financial Accounting Standards Board (FASB) Emerging Issues Task Force (EITF) 00-10, "Accounting for Shipping and Handling Fees and Costs." As required by this new EITF, freight billed to customers is considered sales revenue and the related freight costs as a cost of sales. Net freight costs had historically been classified as a selling expense. During this same period, the Corporation adopted the new EITF 00-22, "Accounting for Points and Certain Other Time or Volume-Based Sales Incentive Offers.". Volume based rebates are now required to be classified as a reduction in sales revenue. The Corporation previously classified these expenditures as a selling expense. Both accounting standards had no impact on net earnings or basic earnings per share.

On April 19, 2001, the FASB'S EITF reached a consensus on Issue Number 00-25, "Vendor Income Statement Characterization of Consideration Paid to a Reseller of the Vendor's Products." This issue addresses the income statement classification of consideration from a vendor to a reseller of the vendor's products. The Corporation plans to adopt Issue 00-25 by the end of fiscal 2002 and anticipates that it will not have a material impact on the consolidated financial statements.

The Corporation has determined that the effects on the financial statements from any other recently issued accounting standards will not be material.

Reclassification -- Certain prior year amounts have been reclassified to conform to the current year presentation.

Notes to Consolidated Financial Statements

NOTE 2 Contingencies

The Corporation was contingently liable at May 31, 2001 under agreements to purchase repossessed units on floor plan financing made by financial institutions to its customers. Losses, if any, would be the difference between repossession cost and the resale value of the units. There have been no material losses in past years under these agreements and none are anticipated in the future.

The Corporation is a party to various pending legal proceedings in the normal course of business. Management believes that any losses resulting from such proceedings would not have a material adverse effect on the Corporation's results of operations or financial position.

NOTE 3 Purchase of Treasury Stock

The Corporation's board of directors from time to time has authorized the repurchase of shares of the Corporation's common stock, in the open market or through negotiated transactions, at such times and at such prices as management may decide.

In fiscal 2001 the Corporation acquired 291,700 shares of its common stock for \$5,974,000. In fiscal 2000 it acquired 317,000 shares for \$7,361,000, and in fiscal 1999 it acquired 433,200 shares for \$11,349,000. The effect of the aggregate repurchases on basic earnings per share was \$.32 per share in 2001, \$.36 per share in 2000, and \$.52 per share in 1999. At May 31, 2001, the Corporation had authorization to repurchase an additional 391,300 shares of its common stock.

Skyline Corporation and Subsidiary Companies

Notes to Consolidated Financial Statements

NOTE 4 Employee Benefits

A) PROFIT SHARING AND 401(K) PLANS

The Corporation has two deferred profit sharing Plans which together cover substantially all of its employees. The Plans are defined contribution plans to which the Corporation has the right to modify, suspend or discontinue contributions. For the years ended May 31, 2001, 2000 and 1999, contributions to the Plans were \$2,484,000, \$2,554,000 and \$2,740,000, respectively.

The Corporation has an employee savings plan (the "401(k) Plan") that is intended to provide participating employees with an additional method of saving for retirement. The 401(k) Plan covers all employees who meet certain minimum participation requirements. The Corporation does not currently provide a matching contribution to the 401(k) Plan.

B) RETIREMENT AND DEATH BENEFIT PLANS

The Corporation has entered into arrangements with certain employees which provide for benefits to be paid to the employees' estates in the event of death during active employment or retirement benefits to be paid over 10 years beginning at the date of retirement. To fund all such arrangements, the Corporation purchased life insurance or annuity contracts on the covered employees. The present value of the principal cost of such arrangements is being accrued over the period from the date of such arrangements to full eligibility using a discount rate of 8.0% in 2001, 2000 and 1999. The amount charged to operations under these arrangements was \$252,000 in fiscal 2001 and 2000, and \$540,000 in 1999.

Skyline Corporation and Subsidiary Companies

Notes to Consolidated Financial Statements

NOTE 5 Industry Segment Information

Dollars in thousands

	2001	2000	1999
SALES			
Manufactured housing	\$353,610	\$447,338	\$525,806
Recreational vehicles	110,214	132,213	127,363
Total sales	\$463,824	\$579,551	\$653,169
EARNINGS BEFORE INCOME TAXES			
OPERATING EARNINGS			
Manufactured housing	\$ 13,412	\$ 17,499	\$ 35,202
Recreational vehicles	824	5,343	6,632
General corporate expenses	(4,089)	(4,343)	(5,481)
Total operating earnings	10,147	18,499	36,353
Interest income	7,717	6,572	6,264

Gain (loss) on sale of property, plant and equipment	666	14	(16)
Earnings before income taxes	\$ 18,530	\$ 25,085	\$ 42,601
IDENTIFIABLE ASSETS			
OPERATING ASSETS			
Manufactured housing	\$ 80,182	\$ 89,460	\$ 93,113
Recreational vehicles	19,525	19,202	19,093
Total operating assets	99,707	108,662	112,206
U. S. TREASURY BILLS	110,965	101,932	128,776
U. S. TREASURY NOTES	25,006	25,072	-
Total assets	\$235,678	\$235,666	\$240,982
DEPRECIATION			
Manufactured housing	\$ 3,344	\$ 3,454	\$ 3,325
Recreational vehicles	575	568	513
Total depreciation	\$ 3,919	\$ 4,022	\$ 3,838
CAPITAL EXPENDITURES			
Manufactured housing	\$ 2,213	\$ 3,508	\$ 6,122
Recreational vehicles	286	607	991
Total capital expenditures	\$ 2,499	\$ 4,115	\$ 7,113

Operating earnings represent earnings before interest income, gain (loss) on sale of property, plant and equipment and provision for income taxes with non-traceable operating expenses being allocated to industry segments based on percentages of sales.

Identifiable assets, depreciation and capital expenditures, by industry segment, are those items that are used in operations in each industry segment, with jointly used items being allocated based on a percentage of sales.

Financial Summary by Quarter Unaudited

Dollars in thousands except per share data

2001	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year
Sales	\$132,152	\$120,907	\$ 90,838	\$119,927	\$463,824
Gross profit	16,858	16,476	9,656	17,212	60,202
Net earnings	3,130	3,134	262	4,644	11,170
Basic earnings per share	.36	.37	.03	.55	1.32
2000	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year
Sales	\$163,791	\$157,426	\$117,320	\$141,014	\$579,551
Gross profit	20,962	20,397	13,270	18,271	72,900
Net earnings	4,895	4,750	1,010	4,373	15,028

Basic earnings per share	.54	.53	.12	.50	1.70
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Certain prior quarter and prior year amounts have been reclassified to conform with current year-end presentation.

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

None

PART III

Item 10. Executive Officers of the Registrant (Officers are elected annually)

Name	Age	Position
Arthur J. Decio	70	Chairman of the Board
Ronald F. Kloska	67	Vice Chairman and Chief Executive Officer
William H. Murschel	56	President - Chief Operations Officer
Terrence M. Decio	49	Senior Executive Vice President
Charles W. Chambliss	51	Vice President - Product Development and Engineering
Christopher R. Leader	42	Vice President - Operations
James R. Weigand	46	Vice President - Finance & Treasurer and Chief Financial Officer
Jon S. Pilarski	38	Controller

Arthur J. Decio, Chairman of the Board, served as the Corporation's Chairman and Chief Executive Officer since its incorporation in 1959 to 1998.

Ronald F. Kloska, Vice Chairman, Chief Executive Officer and Chief Administration Officer, joined the Corporation in 1963 as Treasurer. He was elected Vice President and Treasurer in 1964, Executive Vice President in 1967, President in 1974, Vice Chairman and Chief Administration Officer in 1991, Secretary in 1994, Deputy Chief Executive Officer in 1995, and Chief Executive Officer in 1998.

William H. Murschel, President - Chief Operations Officer, joined the Corporation in 1969. He was elected Vice President in 1986, and President and Chief Operations Officer in 1991.

Terrence M. Decio, Senior Executive Vice President, joined the Corporation in 1973. He was elected Vice President in 1985, Senior Vice President in 1991, and Senior Executive Vice President in 1993.

Charles W. Chambliss, Vice President - Product Development and Engineering, joined the Corporation in 1973 and was elected Vice President in 1996.

Christopher R. Leader, Vice President - Operations, joined the Corporation and was elected Vice President in 1997. He was previously Vice President -

Operations of Trek Bicycle Corporation from October 1994 to 1996. From 1993 to September 1994 he was employed at the Ford Motor Corporation as a Vehicle Evaluation Manager and Production Manager. Trek Bicycle Corporation and the Ford Motor Company are not affiliated with the Corporation.

James R. Weigand, Vice President - Finance & Treasurer and Chief Financial Officer, joined the Corporation in 1991 as Controller. He was elected an officer in 1994 and Vice President-Finance & Treasurer and Chief Financial Officer in 1997.

Jon S. Pilarski, Controller, joined the Corporation in 1994 as General Accounting Manager and was elected Controller in 1997.

Terrence M. Decio is the son of Arthur J. Decio. No other family relationship exists among any of the executive officers.

Item 13. Certain Relationships and Related Transactions

None.

PART IV

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

(a) (1) Financial Statements

Financial statements for the Corporation are listed in the index under Item 8 of this document.

(a) (2) Index to Exhibits

Exhibits (Numbered according to Item 601 of Regulation S-K, Exhibit Table)

(3) (i) Articles of Incorporation

(3) (ii) By-Laws

(21) Subsidiaries of the Registrant

(b) Reports on Form 8K

No reports on Form 8K were filed during the quarter ended May 31, 2001.

SIGNATURES

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

SKYLINE CORPORATION
Registrant

DATE: July 12, 2001 BY:
Ronald F. Kloska, Vice Chairman,
Chief Executive Officer and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

DATE: July 12, 2001 BY:
Arthur J. Decio, Chairman of the Board

DATE: July 12, 2001 BY:
William H. Murschel, President and
Chief Operations Officer and Director

DATE: July 12, 2001 BY:
Terrence M. Decio, Senior Executive
Vice President and Director

DATE: July 12, 2001 BY:
James R. Weigand, Vice
President - Finance & Treasurer and Chief
Financial Officer

DATE: July 12, 2001 BY:
Jon S. Pilarski, Controller

DATE: July 12, 2001 BY:
Jerry Hammes, Director

DATE: July 12, 2001 BY:
William H. Lawson, Director

DATE: July 12, 2001 BY:
David T. Link, Director

DATE: July 12, 2001 BY:
Andrew J. McKenna, Director

DATE: July 12, 2001 BY:
V. Dale Swikert, Director

EXHIBIT (3) (i)

Articles of Incorporation

No changes were made to the Articles of Incorporation during the fiscal year ended May 31, 2001. The Articles of Incorporation were filed with and are incorporated by reference from the Corporation's Form 10-K for the fiscal year ended May 31, 1996.

EXHIBIT (3) (ii)

By-Laws

No changes were made to the By-Laws during the fiscal year ended May 31, 2001.

The By-Laws were filed with and are incorporated by reference from the Corporation's Form 10-K for the fiscal year ended May 31, 1997.

EXHIBIT (21)

Subsidiaries of the Registrant

Parent (Registrant)	-Skyline Corporation (an Indiana Corporation)
Subsidiaries	-Skyline Homes, Inc. (a California Corporation)
	-Homette Corporation (an Indiana Corporation)
	-Layton Homes Corp. (an Indiana Corporation)

These wholly-owned subsidiaries are included in the consolidated financial statements.