

# **SKYLINE**

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**2004**

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**SUMMARY**

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**ANNUAL REPORT**

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**Manufactured Housing**

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**Recreational Vehicles**

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# CORPORATE

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## PROFILE

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Skyline Corporation is one of America's leading producers of manufactured housing and recreational vehicles (RVs). With its headquarters in Elkhart, Indiana, Skyline has 22 operating divisions in 11 states from coast to coast.

Despite the volatile and competitive nature of the industries in which it operates, Skyline has earned a profit every year since it was founded in 1951.

Most Skyline-built homes are multi-section models. In quality, appearance and amenities, these homes compare favorably with site-built housing that typically sells for a higher price. Skyline also factory-crafts affordable single-section models and it has the capability to produce modular housing.

In RVs, Skyline focuses on three towable product lines: conventional travel trailers, fifth wheel travel trailers and park models.

Since its founding, Skyline has built more than 860,000 homes and 450,000 RVs. Its sales over the years total in excess of \$14 billion.

Skyline homes and RVs are marketed nationwide through independent retailers and manufactured housing communities. Our products are supported by a straightforward, customer-oriented service program.

Skyline people hold themselves to high standards of ethical behavior. They take pride in offering products of outstanding value and in fostering mutually beneficial relationships with retailers, communities and suppliers. Skyline people are grateful for the continuing opportunity to help make dreams come true for thousands of American families.

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# Financial Highlights

For the Years Ended May 31, 2004 and 2003

(Dollars in thousands, except per share data)

	2004	2003
Sales	\$ 432,381	\$ 419,817
Earnings before income taxes	\$ 10,106	\$ 10,336
Net earnings	\$ 6,141	\$ 6,193
Cash dividends	\$ 6,042	\$ 6,041
Working capital	\$ 161,985	\$ 158,795
Shareholders' equity	\$ 198,484	\$ 198,385
Cash and U.S. Treasury Bills	\$ 150,449	\$ 154,457
Total assets	\$ 241,168	\$ 239,141
Current ratio	5.4:1	5.4:1
Number of operating plants	22	23
Number of employees	2,700	2,500
Per share		
Basic earnings	\$ .73	\$ .74
Cash dividends	\$ .72	\$ .72
Shareholders' equity	\$ 23.65	\$ 23.64

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## TO OUR SHAREHOLDERS

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During its 2004 fiscal year, Skyline Corporation extended its record of profitability while continuing to implement strategies designed to meet future opportunities.

Despite the persistence of negative market conditions in the manufactured housing segment of our business, fiscal 2004 was the fifty-third consecutive year in which Skyline achieved a profit.

Fiscal 2004 also was a year in which we reaffirmed our commitment to principled behavior in every aspect of our business, maintained our traditionally strong balance sheet with no long-term debt and robust positions in cash and cash equivalents, and continued to pay quarterly cash dividends as we have every year since 1960 when Skyline shares were first publicly traded.

### **Fiscal 2004 Results**

For fiscal 2004, net earnings were \$6,141,000 compared to \$6,193,000 for fiscal 2003. On a basic earnings per share basis, fiscal 2004 net earnings were \$0.73 compared to \$0.74 for fiscal 2003. It should be noted that fiscal 2004 was a year of unprecedented increases in the cost of lumber, lumber-related materials and steel.

Sales for the fiscal year which ended May 31, 2004 were \$432,381,000 compared to \$419,817,000 for the previous fiscal year. For our manufactured housing group, sales for fiscal 2004 were \$310,367,000. For fiscal 2003, the group's sales were \$293,448,000.

Fiscal 2004 sales by our recreational vehicle group (RV) were \$122,014,000. A year earlier, sales by the group were \$126,369,000.

During fiscal 2004, the manufactured housing segment of our business continued to be battered by an industry-wide recession. (See graph on page 13.) Restrictive retail financing, overall economic uncertainty and terrorism-related global tensions combined to produce what has been described as the worst industry slump in decades. In RVs, results reflect shifting consumer demand for both metal-sided trailers and higher priced towables with bonded fiberglass exteriors. Skyline is positioning itself to take advantage of the expanding towable RV market segment in which it competes.

### **Excellence and Ethics**

Faced with the challenges of fiscal 2004, the people of Skyline consistently demonstrated discipline and teamwork. They are individuals of integrity who understand that Skyline demands not only excellence but ethical conduct in every aspect of its business.

Skyline's insistence on straightforward dealing plays a key role in strengthening relationships with retailers and manufactured housing communities. They know they can count on Skyline. They understand that Skyline people can be trusted to provide the sound assistance that helps build enduring and mutually rewarding business partnerships.

We believe independent retailers and community operators are the key to the future of the industries in which we compete. They have on-the-scene knowledge of their local markets. They understand the thinking of their customers. They are in a position to make recommendations on the strategies and tactics they believe will increase success at the retail level.

### **Working with Retailers and Communities**

Our Dealer Council program gives retailers and community operators an opportunity to express their ideas and opinions and to hear Skyline representatives describe the Company's strategies and objectives. The focus always is on the retail customer. What can we do to improve our ability to satisfy customer expectations? How can we be better prepared to anticipate customer preferences?

One of the principal tools we use in our pursuit of Total Customer Satisfaction is our Commitment to Excellence program. The program utilizes a Customer Satisfaction Index (CSI) that measures the total buying experience through the eyes of customers. They are asked for their impressions on the quality of the Skyline product they purchased and the competence and helpfulness of the retailer or community operator. The CSI that results from this process serves as a benchmark. It helps us and those who market our products deter-

mine how much progress we have made and how much more needs to be done.

To improve the overall CSI, we utilize the Master Product Awareness program. It immerses retail sales people in detailed information about Skyline products and the Skyline tradition of excellence. As a result, they can provide informed answers to customers' questions. They can explain why Skyline products consistently lead the way in quality and value.

### **Homes and RVs**

In the manufactured housing segment of our business, the dominance of multi-section models continued. During fiscal 2004, they accounted for 80 percent of all our home shipments. These factory-built multi-section homes look and perform like site-built homes but they are notably less expensive. They often are sold as part of a land-home package and financed with a conventional mortgage. Skyline-built multi-section homes are attracting the attention of many non-traditional buyers, a trend that has the potential of expanding the niche occupied by the factory-built home in the total American housing market.

To capitalize on this trend, we acted in fiscal 2004 to expand our manufacturing capabilities beyond our traditional product lines. By year-end, twelve of our sixteen manufactured housing divisions were approved for the production of modular homes, a

product that can be tailored to meet local building codes, creating new opportunities for Skyline and its retailers.

In RVs, Skyline continued to focus on non-motorized models, producing and marketing conventional travel trailers, fifth wheel travel trailers designed to be towed by light trucks, and park models for recreational camping. These RVs, sold under the Nomad, Layton, Aljo and Weekender trade names, are designed to appeal to families who desire affordable recreational opportunities.

### **Customers come First**

In all of our business activities, we put customers first. We design our products to meet customers' requirements, tastes and lifestyles. We build every home and RV to meet high standards. Most of all, we insist on doing the right thing at all times and in all of our relationships.

Skyline people are building the foundation for a future of achievement and they will not be satisfied until Skyline realizes its full potential.

We are convinced that Skyline is emerging from today's battles with renewed confidence and strengthened capabilities. It is leaner, tougher and better prepared than ever before. It will honor its commitment to the Skyline way of doing business.

We are grateful for your support and we look forward to the opportunities tomorrow is certain to bring.



William H. Murschel  
President and  
Chief Operations Officer



Thomas G. Deranek  
Vice Chairman and  
Chief Executive Officer



James R. Weigand  
Vice President, Finance and  
Treasurer and  
Chief Financial Officer

## Consolidated Balance Sheets

May 31, 2004 and 2003

(Dollars in thousands)

<b>ASSETS</b>	<b>2004</b>	<b>2003</b>
<b>Current Assets</b>		
Cash	\$ 8,838	\$ 8,736
U.S. Treasury Bills, at cost plus accrued interest	141,611	145,721
Accounts receivable, trade, less allowance for doubtful accounts of \$150 in 2004 and 2003	26,090	22,292
Inventories	9,895	9,414
Deferred income tax benefits	8,851	8,552
Other current assets	3,642	256
Total Current Assets	198,927	194,971
<b>Property, Plant and Equipment, At Cost</b>		
Land	6,572	6,637
Buildings and improvements	63,241	64,806
Machinery and equipment	27,206	26,937
	97,019	98,380
Less accumulated depreciation	60,089	59,249
Net Property, Plant and Equipment	36,930	39,131
<b>Other Assets</b>	<b>5,311</b>	<b>5,039</b>
	<b>\$ 241,168</b>	<b>\$ 239,141</b>

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

<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>2004</b>	<b>2003</b>
<b>Current Liabilities</b>		
Accounts payable, trade	\$ 7,776	\$ 5,990
Accrued salaries and wages	6,222	6,290
Accrued profit sharing	2,454	2,327
Accrued marketing programs	5,368	5,397
Accrued warranty and related expenses	11,121	10,609
Other accrued liabilities	3,835	3,777
Income taxes payable	166	1,786
Total Current Liabilities	<b>36,942</b>	36,176
<b>Other Deferred Liabilities</b>	<b>5,742</b>	4,580
<b>Commitments and Contingencies – See Note 2</b>		
<b>Shareholders' Equity</b>		
Common stock, \$.0277 par value, 15,000,000 shares authorized; Issued 11,217,144 shares	<b>312</b>	312
Additional paid-in capital	<b>4,928</b>	4,928
Retained earnings	<b>258,988</b>	258,889
Treasury stock, at cost, 2,825,900 shares in 2004 and 2003	<b>(65,744)</b>	(65,744)
Total Shareholders' Equity	<b>198,484</b>	198,385
	<b>\$ 241,168</b>	\$ 239,141

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

# Consolidated Statements of Earnings and Retained Earnings

For the Years Ended May 31, 2004, 2003 and 2002

(Dollars in thousands, except per share data)

<b>EARNINGS</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
Sales	\$ 432,381	\$ 419,817	\$ 450,722
Cost of sales	377,807	366,633	387,050
Gross profit	54,574	53,184	63,672
Selling and administrative expenses	45,715	44,843	47,545
Operating earnings	8,859	8,341	16,127
Interest income	1,247	1,995	4,102
Earnings before income taxes	10,106	10,336	20,229
Provision for income taxes			
Federal	3,330	3,545	6,825
State	635	598	1,150
	3,965	4,143	7,975
Net earnings	\$ 6,141	\$ 6,193	\$ 12,254
Basic earnings per share	\$ .73	\$ .74	\$ 1.46
Weighted average common shares outstanding	8,391,244	8,391,244	8,391,244
<b>RETAINED EARNINGS</b>			
Balance at beginning of year	\$ 258,889	\$ 258,737	\$ 252,525
Add net earnings	6,141	6,193	12,254
Less cash dividends paid (\$.72 per share in 2004, 2003 and 2002)	6,042	6,041	6,042
Balance at end of year	\$ 258,988	\$ 258,889	\$ 258,737

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

## Consolidated Statements of Cash Flows

For the Years Ended May 31, 2004, 2003 and 2002

Increase (Decrease) in Cash

(Dollars in thousands)

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
Net earnings	\$ 6,141	\$ 6,193	\$ 12,254
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Interest income earned on U.S. Treasury Bills and Notes	(1,247)	(1,995)	(4,102)
Depreciation	3,450	3,785	3,884
Amortization of discount or premium on U.S. Treasury Notes	—	—	6
Working capital items:			
Accounts receivable	(3,798)	5,736	2,729
Inventories	(481)	218	(606)
Other current assets	(3,685)	(671)	165
Accounts payable, trade	1,786	131	(1,328)
Accrued liabilities	600	(1,048)	(1,240)
Income taxes payable	(1,620)	630	(884)
Other assets	(272)	(587)	(324)
Other deferred liabilities	1,162	524	314
Total Adjustments	(4,105)	6,723	(1,386)
Net cash provided by operating activities	2,036	12,916	10,868
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale or maturity of U.S. Treasury Bills	381,434	366,398	410,274
Purchase of U.S. Treasury Bills	(376,077)	(371,797)	(434,253)
Maturity of U.S. Treasury Notes	—	—	25,000
Interest received from U.S. Treasury Notes	—	—	719
Proceeds from sale of property, plant and equipment	679	84	13
Purchase of property, plant and equipment	(1,928)	(1,523)	(3,330)
Net cash provided by (used in) investing activities	4,108	(6,838)	(1,577)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cash dividends paid	(6,042)	(6,041)	(6,042)
Net cash used in financing activities	(6,042)	(6,041)	(6,042)
Net increase in cash	102	37	3,249
Cash at beginning of year	8,736	8,699	5,450
Cash at end of year	\$ 8,838	\$ 8,736	\$ 8,699

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

# 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-section manufactured homes and a large selection of towable 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 (the “Corporation”), each of which is wholly-owned. All 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 revenue 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.

Freight billed to customers is considered sales revenue, and the related freight costs are cost of sales. Volume based rebates paid to dealers are classified as a reduction in sales revenue.

Consolidated statements of cash flows – For purposes of the statements of cash flows, investments in U.S. Treasury Bills are included as investing activities. The Corporation’s cash flows from operating activities were reduced by income taxes paid of \$5,884,000, \$4,079,000 and \$8,870,000 in 2004, 2003 and 2002, respectively.

Inventory – Inventories are stated at cost, determined under the first-in, first-out method, which is not in excess of market. Physical inventory counts are taken at the end of each reporting quarter. Total inventories for the periods presented consisted of (dollars in thousands):

	May 31,	
	2004	2003
Raw Materials	\$4,158	\$4,132
Work In Process	5,650	5,282
Finished Goods	87	—
	\$9,895	\$9,414

Property, plant and equipment – Property, plant and equipment is stated at cost. 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. Estimated useful lives for significant classes of property, plant and equipment are as follows: Building and improvements 10 to 30 years; Machinery and equipment 5 to 15 years.

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.

The carrying value of U.S. Treasury Bills, which approximates their fair market value, totaled \$141,611,000 and \$145,721,000 at May 31, 2004 and 2003, respectively. These securities mature within one year. The Corporation does not have any other financial instruments which have market values differing from recorded values.

Warranty – The Corporation provides the retail purchaser of its manufactured homes with a fifteen-month warranty against defects in design, materials and workmanship. Recreational vehicles are covered by a two-year warranty. The warranties are backed by a corporate service department and an extensive field service system. Estimated warranty costs are accrued at the time of sale based upon current sales, historical

experience and management's judgment regarding anticipated rates of warranty claims. The adequacy of the recorded warranty liability is periodically assessed and the amount is adjusted as necessary. A reconciliation of accrued warranty and related expenses is as follows (dollars in thousands):

	Year Ended May 31,		
	2004	2003	2002
Balance at the beginning of the period	\$10,609	\$10,100	\$10,084
Accruals for warranties	11,478	11,425	12,853
Settlements made during the period	(10,966)	(10,916)	(12,837)
Balance at the end of the period	\$11,121	\$10,609	\$10,100

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 as follows (dollars in thousands):

	Year Ended May 31,		
	2004	2003	2002
Income taxes at statutory federal rate	\$ 3,437	\$ 3,518	\$ 7,080
State income taxes, net of federal tax effect	419	394	748
Other	109	231	147
Income tax expense	\$ 3,965	\$ 4,143	\$ 7,975
Effective tax rate	39.2%	40.1%	39.4%

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 – The Corporation has determined that the effects on the

financial statements from any recently issued accounting standards are not applicable.

## NOTE 2 Commitments and Contingencies

The Corporation was contingently liable at May 31, 2004, under repurchase agreements with certain financial institutions providing inventory financing for retailers of its products. Under these arrangements, which are customary in the manufactured housing and recreational vehicle industries, the Corporation agrees to repurchase homes and recreational vehicles in the event of default by the retailer at declining prices over the term of the agreement, generally 12 months. The maximum repurchase liability is the total amount that would be paid upon the default of the Corporation's independent dealers. The maximum potential repurchase liability, without reduction for the resale value of the repurchased units, was approximately \$100 million at May 31, 2004 and 2003. The risk of loss under these agreements is spread over many retailers and financial institutions. The loss, if any, under these agreements is the difference between the repurchase cost and the resale value of the units. The allowance for doubtful accounts includes a reserve for potential net losses on repurchased units. The amounts of obligations from repurchased units and incurred net losses for the periods presented are as follows (dollars in thousands):

	Year Ended May 31,		
	2004	2003	2002
Obligations from units repurchased	\$ 23	\$ 1,001	\$ 922
Net loss on repurchased units	–	50	179

The Corporation leases office and manufacturing equipment under operating lease agreements. Leases generally provide that the Corporation pays the cost of insurance, taxes and maintenance. Lease expense for fiscal year ended May 31, 2004 was approximately \$1,100,000, while lease expense for each of the fiscal years ended May 31, 2003 and 2002 was approximately \$1,200,000.

Future minimum lease commitments under operating leases are as follows (dollars in thousands):

Year Ending May 31,	Amount
2005	\$ 804
2006	436
2007	242
2008	148
2009	44
Thereafter	—
	\$ 1,674

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 2004, 2003 and 2002, the Corporation did not acquire any shares of its common stock.

The effect of the aggregate repurchases on basic earnings per share was \$.18 per share in 2004, \$.19 per share in 2003 and \$.37 per share in 2002. At May 31, 2004, the Corporation had authorization to repurchase an additional 391,300 shares of its common stock.

### NOTE 4 Employee Benefits

#### A) HEALTH INSURANCE

The Corporation offers health insurance to eligible employees and dependents. This benefit is administered by utilizing a combination of insurance companies and a third party administrator. These parties provide individual reinsurance coverage limiting the Corporation's liability for any catastrophic claims. Claims incurred but not reported are accrued based

on estimates that incorporate the Corporation's past experience and other considerations such as the nature of each claim and other relevant trend factors provided by the insurance companies and the third party administrator. Expenses associated with the health insurance benefit were \$3,860,000, \$3,737,000 and \$ 4,685,000 for fiscal years ended May 31, 2004, 2003 and 2002, respectively.

#### B) PROFIT SHARING AND 401(K) PLANS

The Corporation has two deferred profit sharing plans ("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. Assets of the Plans are invested in United States Government Securities. For the years ended May 31, 2004, 2003 and 2002, contributions to the Plans were \$2,447,000, \$2,356,000 and \$2,413,000, 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.

#### C) 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 6.5 percent in fiscal 2004, 6.0 percent in fiscal 2003 and 7.0 percent in fiscal 2002. The amount accrued for such arrangements totaled \$5,742,000 and \$4,580,000 at May 31, 2004 and 2003, respectively. The amount charged to operations under these arrangements was \$1,145,000 in fiscal year 2004, \$252,000 in fiscal 2003 and \$352,000 in fiscal year 2002.

## NOTE 5

### Industry Segment Information

(Dollars in thousands)

<b>SALES</b>	<b>2004</b>	2003	2002
Manufactured housing	<b>\$ 310,367</b>	\$ 293,448	\$ 339,260
Recreational vehicles	<b>122,014</b>	126,369	111,462
Total sales	<b>\$ 432,381</b>	\$ 419,817	\$ 450,722
<b>EARNINGS BEFORE INCOME TAXES</b>			
<b>OPERATING EARNINGS</b>			
Manufactured housing	<b>\$ 13,035</b>	\$ 11,116	\$ 19,107
Recreational vehicles	<b>150</b>	439	925
General corporate expenses	<b>(4,326)</b>	(3,214)	(3,905)
Total operating earnings	<b>8,859</b>	8,341	16,127
Interest income	<b>1,247</b>	1,995	4,102
Earnings before income taxes	<b>\$ 10,106</b>	\$ 10,336	\$ 20,229
<b>IDENTIFIABLE ASSETS</b>			
<b>OPERATING ASSETS</b>			
Manufactured housing	<b>\$ 75,079</b>	\$ 71,225	\$ 77,846
Recreational vehicles	<b>24,478</b>	22,195	22,579
Total operating assets	<b>99,557</b>	93,420	100,425
U.S. TREASURY BILLS	<b>141,611</b>	145,721	138,327
Total assets	<b>\$ 241,168</b>	\$ 239,141	\$ 238,752
<b>DEPRECIATION</b>			
Manufactured housing	<b>\$ 2,777</b>	\$ 3,103	\$ 3,268
Recreational vehicles	<b>673</b>	682	616
Total depreciation	<b>\$ 3,450</b>	\$ 3,785	\$ 3,884
<b>CAPITAL EXPENDITURES</b>			
Manufactured housing	<b>\$ 1,158</b>	\$ 1,230	\$ 2,085
Recreational vehicles	<b>770</b>	293	1,245
Total capital expenditures	<b>\$ 1,928</b>	\$ 1,523	\$ 3,330

Operating earnings represent earnings before interest income 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.

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# Report of Independent Registered Public Accounting Firm

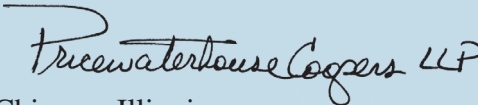
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To the Shareholders and Board of Directors of Skyline Corporation

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, 2004 and 2003, and the results of their operations and their cash flows for each of the three years in the period ended May 31, 2004 in conformity with accounting principles generally accepted in the United States of America.

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 of these statements 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, 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.



Chicago, Illinois  
June 17, 2004

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## Additional Financial Information

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### Form 10-K Report

Financial information not published in this Summary Annual Report is located in the Form 10-K report filed annually with the Securities Exchange Commission. The Form 10-K report can be accessed electronically through the Investors section of the Corporation's website at <http://www.skylinecorp.com>. A copy of the Form 10-K report will also be furnished without charge upon written request to:

James R. Weigand  
Chief Financial Officer  
Skyline Corporation  
Post Office Box 743  
Elkhart, Indiana 46515

In addition to the Form 10-K report, the Audit Committee Charter, the Nominating and Governance Committee Charter and the Code of Ethics are also available at the Corporation's website.

### Forward Looking Statements

Any statements in this Summary Annual Report relating to matters that are not historical facts are considered forward looking. These statements reflect the Corporation's expectations regarding future events, and involve uncertainties that may cause actual results to materially differ from expectations. Additional disclosures regarding forward looking statements are in the Form 10-K report.

## Financial Summary By Quarter

Unaudited

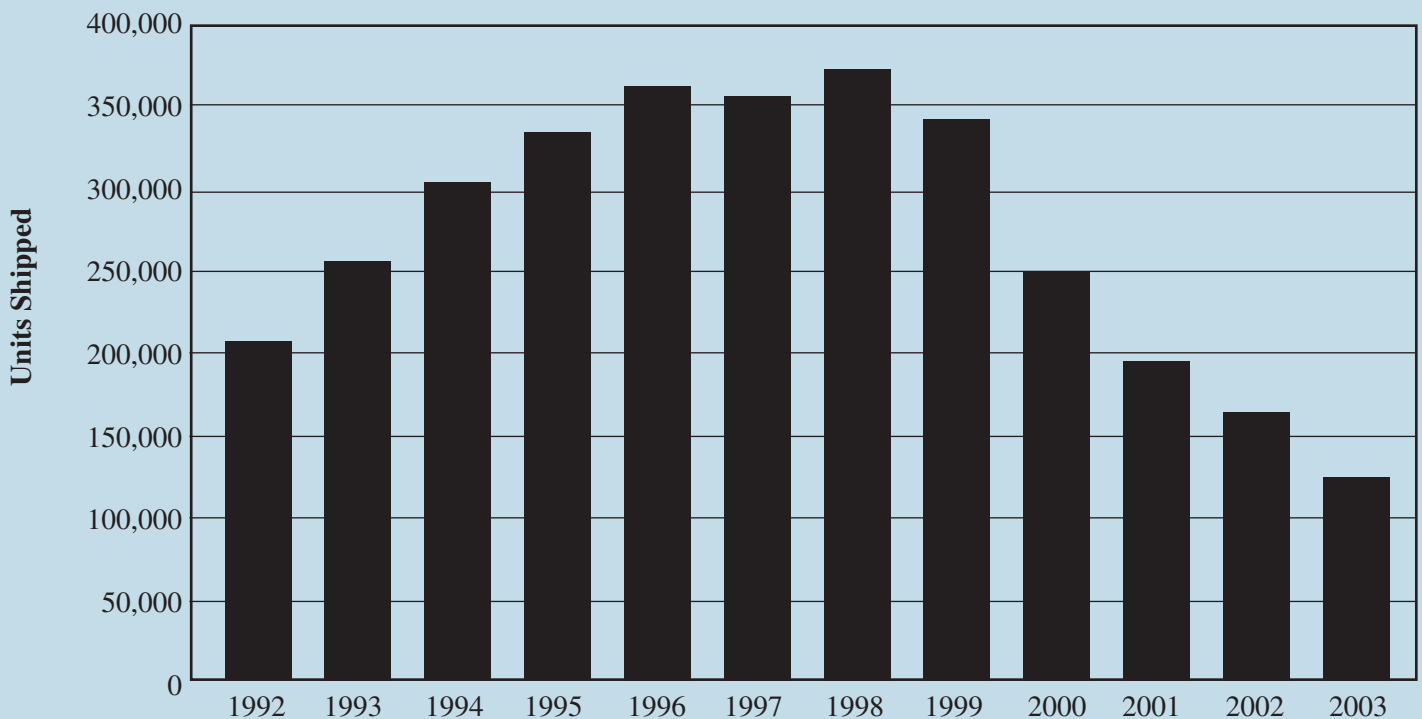
(Dollars in thousands, except per share data)

2004	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year
Sales	\$ 109,679	\$ 114,583	\$ 90,995	\$ 117,124	\$ 432,381
Gross profit	15,224	15,059	9,396	14,895	54,574
Net earnings (loss)	2,037	2,068	(718)	2,754	6,141
Basic earnings (loss) per share	.24	.25	(.09)	.33	.73

2003	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year
Sales	\$ 116,492	\$ 112,467	\$ 87,709	\$ 103,149	\$ 419,817
Gross profit	14,941	14,911	8,878	14,454	53,184
Net earnings (loss)	1,822	1,951	(827)	3,247	6,193
Basic earnings (loss) per share	.22	.23	(.10)	.39	.74

## Manufactured Housing Industry Shipments



1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
210,787	254,276	303,932	339,601	363,411	353,377	372,843	348,671	250,550	193,229	168,491	130,937

Source: Manufactured Housing Institute

## Selected Financial Data

(Dollars in thousands, except per share data)

	2004	2003	2002	2001	2000
<b>FOR THE YEAR</b>					
Sales	\$ 432,381	\$ 419,817	\$ 450,722	\$ 463,824	\$ 579,551
Net earnings	\$ 6,141	\$ 6,193	\$ 12,254	\$ 11,170	\$ 15,028
Cash dividends paid	\$ 6,042	\$ 6,041	\$ 6,042	\$ 6,124	\$ 6,410
Capital expenditures	\$ 1,928	\$ 1,523	\$ 3,330	\$ 2,499	\$ 4,115
Depreciation	\$ 3,450	\$ 3,785	\$ 3,884	\$ 3,919	\$ 4,022
Weighted average common shares outstanding	8,391,244	8,391,244	8,391,244	8,468,321	8,858,628
<b>AT YEAR END</b>					
Working capital	\$ 161,985	\$ 158,795	\$ 156,360	\$ 149,591	\$ 123,401
Current ratio	5.4:1	5.4:1	5.3:1	4.8:1	4.2:1
U.S. Treasury Notes	\$ —	\$ —	\$ —	\$ 25,006	\$ 25,072
Property, plant and equipment, net	\$ 36,930	\$ 39,131	\$ 41,477	\$ 42,044	\$ 44,188
Total assets	\$ 241,168	\$ 239,141	\$ 238,752	\$ 235,678	\$ 235,666
Shareholders' equity	\$ 198,484	\$ 198,385	\$ 198,233	\$ 192,021	\$ 192,949
Treasury Stock	\$ 65,744	\$ 65,744	\$ 65,744	\$ 65,744	\$ 59,770
<b>PER SHARE</b>					
Basic earnings	\$ .73	\$ .74	\$ 1.46	\$ 1.32	\$ 1.70
Cash dividends paid	\$ .72	\$ .72	\$ .72	\$ .72	\$ .72
Shareholders' equity	\$ 23.65	\$ 23.64	\$ 23.62	\$ 22.88	\$ 22.22

## Sales Comparison

(Dollars in thousands)

Product Line	Year Ended May 31,			
	2004		2003	
	Dollars	Units	Dollars	Units
Single-section Homes	\$ 37,199	1,530	\$ 42,748	1,857
Multi-section Homes	\$ 273,168	6,193	\$ 250,700	6,065
Travel Trailers	\$ 94,859	6,829	\$ 96,228	6,976
Fifth Wheels	\$ 27,155	1,546	\$ 30,141	1,744

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## Directors

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**▲ ARTHUR J. DECIO**

Chairman of the Board,  
serving in a non-executive  
officer capacity  
Skyline Corporation

**THOMAS G. DERANEK**

Vice Chairman and  
Chief Executive Officer  
Skyline Corporation

**▲◆■● JERRY HAMMES**

President  
Romy Hammes, Inc.  
South Bend, Indiana 46629  
and Chairman of Peoples  
Bank of Kankakee County  
Bourbonnais, Illinois 60914

**RONALD F. KLOSKA**

Chief Executive Officer (Ret.)  
Skyline Corporation

**▲◆■● WILLIAM H. LAWSON**

Chairman of the Board and  
Chief Executive Officer (Ret.)  
Franklin Electric Co., Inc.  
Sarasota, Florida 34236

**▲◆■● DAVID T. LINK**

Dean Emeritus  
Notre Dame Law School  
University of Notre Dame  
Notre Dame, Indiana 46556  
and President  
International Centre for  
Healing and the Law  
Kalamazoo, Michigan 49009

**▲◆■● ANDREW J. McKENNA**

Chairman of the Board  
Schwarz  
Morton Grove, Illinois 60053  
and Chairman of the Board  
McDonald's Corporation  
Oakbrook, Illinois 60523

- ▲ Executive Committee
- ◆ Audit Committee
- Nominating and  
Governance Committee
- Compensation Committee

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## Officers

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**\* THOMAS G. DERANEK**

Vice Chairman and  
Chief Executive Officer

**\* WILLIAM H. MURSCHEL**

President and  
Chief Operations Officer

**\* TERRENCE M. DECIO**

Executive Vice President

**\* JAMES R. WEIGAND**

Vice President, Finance  
and Treasurer and Chief  
Financial Officer

**CHRISTOPHER R. LEADER**

Vice President, Operations

**CHARLES W. CHAMBLISS**

Vice President, Product  
Development and Engineering

**JON S. PILARSKI**

Corporate Controller

**LINDA R. PHILIPPSEN**

Assistant Vice President

**SAMUEL S. THOMPSON**

Secretary

\*Office of the Chairman

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## Supplemental

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### Shareholder Information

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REGISTRAR AND  
TRANSFER AGENT  
Computershare Investor  
Services, L.L.C.  
Chicago, Illinois 60602

INDEPENDENT REGISTERED  
PUBLIC ACCOUNTANTS  
PricewaterhouseCoopers LLP  
Chicago, Illinois 60606

ATTORNEYS  
Barnes & Thornburg  
Elkhart, Indiana 46516

STOCK EXCHANGE LISTING  
New York Stock Exchange  
Symbol: SKY

CORPORATE OFFICES  
2520 By-Pass Road  
Post Office Box 743  
Elkhart, Indiana 46515  
www.skylinecorp.com

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## Market for the Registrant's

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### Common Stock and Related

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### Stockholder Matters

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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 2004 and 2003. At May 31, 2004, there were approximately 1,100 holders of record of Skyline Corporation common stock. A quarterly summary of the market price is listed for the fiscal years ended May 31, 2004 and 2003.

Quarter	2004		2003	
	High	Low	High	Low
First	<b>\$32.60</b>	<b>\$27.80</b>	\$34.40	\$27.20
Second	<b>\$34.60</b>	<b>\$31.30</b>	\$31.10	\$26.30
Third	<b>\$41.22</b>	<b>\$31.91</b>	\$30.10	\$24.60
Fourth	<b>\$45.39</b>	<b>\$34.94</b>	\$30.33	\$24.60

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# Manufacturing

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## Facilities

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