

SKYLINE

2007

ANNUAL REPORT

Manufactured Housing

Recreational Vehicles

CORPORATE

PROFILE

Skyline Corporation, one of America's leading producers of manufactured housing and recreational vehicles (RVs), is headquartered in Elkhart, Indiana. It has 21 operating divisions in 11 states from coast to coast.

While the industries in which Skyline operates are volatile and competitive, the Corporation has earned a profit every year since its founding 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.

In RVs, Skyline focuses on towable products: travel trailers, fifth wheel travel trailers and park models.

Since its founding, Skyline has built approximately 890,000 homes and 475,000 RVs. Sales over the years total approximately \$16 billion.

Skyline products are marketed nationwide through independent retailers and manufactured housing communities. A customer-oriented service program has earned consistent recognition for excellence.

Skyline people strive to achieve 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 to have the opportunity to help make dreams come true for thousands of American families.

CONTENTS

1	Financial Highlights
1	Manufactured Housing Industry Shipments
2	Shareholders' letter
4	Supplemental Shareholder Information
5	Directors
5	Officers



Financial Highlights

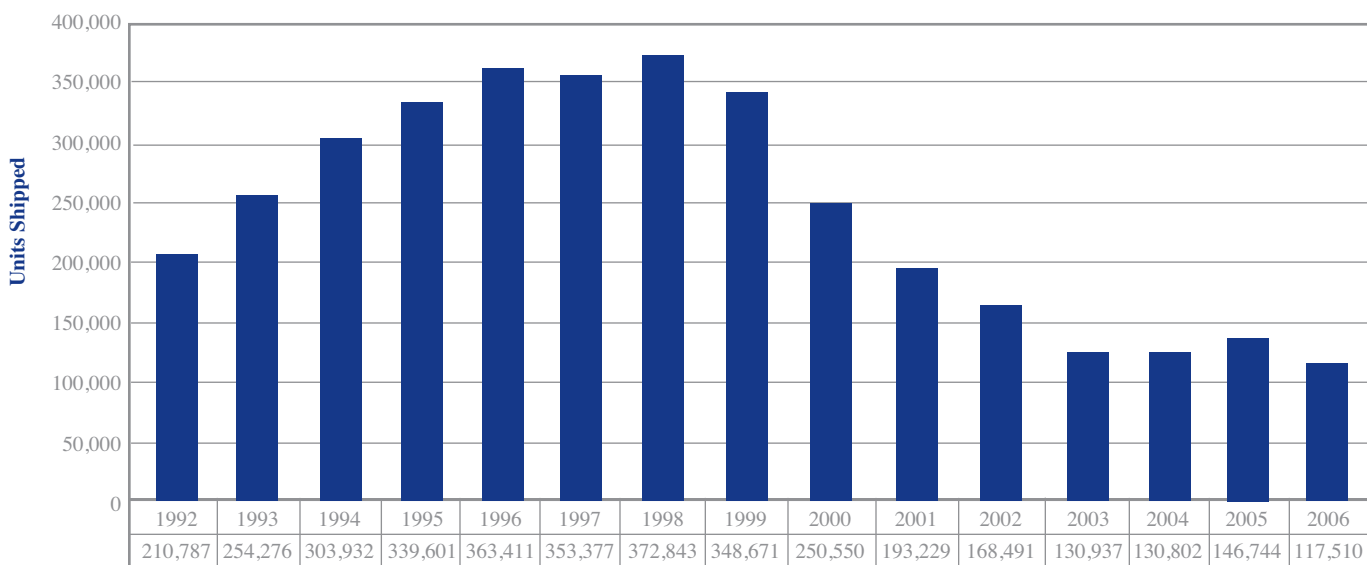
For the Years Ended May 31, 2007 and 2006

(Dollars in thousands, except per share data)

	2007	2006
Sales	\$ 365,473	\$ 508,543
Earnings before income taxes	\$ 3,399	\$ 23,315
Net earnings	\$ 2,593	\$ 14,292
* Cash dividends	\$ 22,824	\$ 6,041
Working capital	\$ 141,828	\$ 164,225
Shareholders' equity	\$ 177,815	\$ 197,754
Cash, U.S. Treasury Bills and Notes	\$ 124,240	\$ 152,771
Total assets	\$ 214,940	\$ 248,403
Current ratio	6.2:1	5.1:1
Number of operating plants	21	22
Number of employees	2,300	2,800
Per share		
Basic earnings	\$.31	\$ 1.70
* Cash dividends	\$ 2.72	\$.72
Shareholders' equity	\$ 21.19	\$ 23.57

* On June 15, 2006 the Corporation declared a special cash dividend of two dollars (\$2.00) per share. This one-time dividend was declared at the discretion of the Board of Directors, and is separate from and has no relationship to the regular quarterly dividends.

Manufactured Housing Industry Shipments



Source: Manufactured Housing Institute

2005 SHIPMENTS INCLUDE APPROXIMATELY 24,000 FEMA UNITS

122,744

TO OUR SHAREHOLDERS

Fiscal year 2007 marked the fifty-sixth consecutive year of Skyline profitability. During the year, Skyline continued to pay quarterly cash dividends as it has every year since 1960 when its shares were publicly traded for the first time. The Corporation also maintained its traditionally strong balance sheet with no long-term debt and strong positions in cash and cash equivalents.

Sales for Skyline Corporation's 2007 fiscal year were \$365,473,000 compared to \$508,543,000 for fiscal 2006. Net earnings for the 12 months ended May 31, 2007 were \$2,593,000 compared to \$14,292,000 for the previous fiscal year. On a basic earnings per share basis, fiscal 2007 net earnings were \$.31 compared to \$1.70 for fiscal 2006. Net earnings for fiscal 2006 included a gain of \$0.03 on the sale of vacant land.

Our housing group recorded fiscal 2007 sales of \$272,383,000. The group's sales for fiscal 2006 were \$376,405,000. For our recreational vehicle (RV) group, sales for fiscal 2007 were \$93,090,000 compared to \$132,138,000 for the previous fiscal year.

Responding with Distinction

Clearly, fiscal 2007 was a challenging year for Skyline and the industries in which it competes. Economic and market conditions were more difficult than in many years.

During fiscal 2007, Skyline people continued their efforts to learn the desires and requirements of customers and to answer with products providing superior features and outstanding value. Teamwork, always a central component of Skyline's corporate philosophy, was strengthened and so was the Skyline commitment to hands-on management.

With hands-on management, every detail is important. Marketing strategies are regularly reviewed. Design concepts are constantly evaluated. Manufacturing procedures are repeatedly updated to take advantage of proven technological advances. Skyline people are encouraged to improve every aspect of their job performance.

Succeeding in the Future

Hands-on management is the key to the success we expect to

achieve. By building a Corporation that is prepared to cope with change, we are assuring Skyline's ability to meet tough challenges and to seize future opportunities.

Experience tells us that many of these opportunities will be identified through our Dealer Councils which foster the development of two-way, grassroots communication with local markets. Our Dealer Councils put us in continuing touch with customer thinking, enabling us to monitor changing conditions and developing trends.

Our retailers are fully committed to Total Customer Satisfaction. They helped in the development of the Customer Satisfaction Index (CSI) which measures the progress made toward this goal. We are pleased to report that our CSI continues to improve.

Answering Customer Questions

One of the reasons for this progress has been our Master Product Awareness Program. This equips retailers and their sales personnel to deal with customer questions and concerns by providing accurate and authoritative information.

Our customers are increasingly knowledgeable about the housing choices available to them. They see today's manufactured home as a comfortable, practical and affordable alternative to a rented apartment or a site-built, single-family home.

Today's manufactured homes are often built in multiple sections and are indistinguishable from typical site-built single-family housing units. Our multi-section homes, available with a wide range of floor plans and features, have been increasingly utilized by retailers and land developers to create attractive and affordable manufactured housing communities. Usually, the homes in these communities are sold as land-home packages, often making them eligible for conventional mortgage financing.

In the RV segment of our business, we continue to concentrate on towable vehicles. We build and market conventional travel trailers, fifth wheel travel trailers designed to be towed by light trucks and park models for recreational camping. These RVs are sold under the Nomad, Layton and Aljo trade names.

Continuing a Commitment to Integrity

We believe the quality and value of our products reflect the Skyline commitment to absolute integrity. In the years ahead, we will continue to be straightforward in all of our business dealings. We will do our best to live up to the high standard of ethical behavior that has been a Skyline hallmark from the moment the Corporation was founded in 1951. Since then, Skyline has grown from a small welding garage in Elkhart, Indiana to a Corporation with a nationwide presence. It has gained recognition for the professionalism of its people and the leadership of its products. It has demonstrated the fiscal responsibility that benefits shareholders, employees, customers and American society.

These achievements are more than matters of history. They are the foundation for the years of progress that lie ahead.



Thomas G. Deranek
Vice Chairman and
Chief Executive Officer



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

Supplemental

Shareholder Information

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

INDEPENDENT REGISTERED
PUBLIC ACCOUNTING FIRM
Crowe Chizek and Company LLC
South Bend, Indiana 46624

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

Directors

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

◆■● **JOHN FIRTH**

President
Quality Dining, Inc.
Mishawaka, Indiana 46545

◆■● **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**

Sarasota, Florida 34236
Chairman of the Board and
Chief Executive Officer (Ret.)
Franklin Electric Co., Inc.
Bluffton, Indiana 46714

◆■● **DAVID T. LINK**

Dean Emeritus
Notre Dame Law School
University of Notre Dame
Notre Dame, Indiana 46556
and President and Chief
Executive Officer
International Centre for
Healing and the Law (Ret.)
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

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

Officers

THOMAS G. DERANEK

Vice Chairman and
Chief Executive Officer

TERRENCE M. DECIO

Vice President, Marketing and
Sales

JAMES R. WEIGAND

Vice President, Finance,
Treasurer, Chief Financial
Officer and Secretary

CHRISTOPHER R. LEADER

Vice President, Operations

BRUCE G. PAGE

Vice President, Operations

CHARLES W. CHAMBLISS

Vice President, Product
Development and Engineering

JON S. PILARSKI

Corporate Controller

LINDA R. PHILIPPSSEN

Assistant Vice President

