03/26/02 Preliminary

SECURITIES AND EXCHANGE COMMISSION
EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

Quarterly Report Under Section 13 or 15 (d)
of the Securities Exchange Act of 1934

For the Quarter Ended February 28, 2002
Commission File No. 1-4714

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

INDIANA	35-1038277
(State of Incorporation)	(IRS Employee Identification No.)

P. O. Box 743, 2520 By-Pass Road Elkhart, IN 46515
(Address of principal executive offices) (Zip)

294-6521	(574)
(Registrant's telephone number)	(Area Code)

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

Yes X No__

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

Title of Class	Shares Outstanding March 29, 2002
Common stock	8,391,244

SKYLINE CORPORATION

Form 10-Q Quarterly Report

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Skyline Corporation and Subsidiary Companies

Consolidated Balance Sheets
Dollars in thousands

	February 28, 2002 (Unaudited)	May 31, 2001
ASSETS		
Current Assets		
Cash	$ 6,088	$ 5,450
Treasury Bills, at cost plus accrued interest	146,314	110,965
Investment in U. S. Treasury Notes	-	25,006
Accounts receivable, trade, less allowance for doubtful accounts of $40	25,622	30,757
Inventories	9,519	9,026
Other current assets	8,226	8,302
Total Current Assets	195,769	189,506
Property, Plant and Equipment, At Cost		
Land	6,637	6,637
Buildings and improvements	64,204	62,268
Machinery and equipment	27,277	26,633
	98,118	95,538
Less accumulated depreciation	56,059	53,494
Net Property, Plant and Equipment	42,059	42,044
Other Assets	4,303	4,128
	$242,131	$235,678

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

Skyline Corporation and Subsidiary Companies

Consolidated Balance Sheets
Dollars in thousands except per share data

	February 28, 2002 (Unaudited)	May 31, 2001
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable, trade	$ 5,472	$ 7,187
Accrued salaries and wages	8,894	8,245
Accrued profit sharing	2,039	2,380
Accrued marketing programs	13,599	7,386
Accrued warranty and related expenses	10,539	10,084
Other accrued liabilities	1,830	2,593
Income taxes	203	2,040
Total Current Liabilities	42,576	39,915
Other Deferred Liabilities	3,886	3,742
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	256,173	252,525
Treasury stock, at cost 2,825,900 shares at February 28, 2002 and May 31, 2001	(65,744)	(65,744)
Total Shareholders' Equity	195,669	192,021
	$242,131	$235,678

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

Skyline Corporation and Subsidiary Companies

Consolidated Statements of Earnings and Retained Earnings
(Unaudited)
Dollars in thousands except per share data

	Three-Months Ended February 28,		Nine-Months Ended February 28,	
	2002	2001	2002	2001
Sales	$ 96,080	$ 90,838	$336,359	$343,897
Cost of sales	84,107	81,182	289,604	300,907
Gross profit	11,973	9,656	46,755	42,990
Selling and administrative expenses	11,343	11,916	36,750	38,831
Operating earnings	630	(2,260)	10,005	4,159
Interest income	831	2,020	3,501	5,975
Gain on sales of property, plant and equipment	-	666	-	666
Earnings before income taxes	1,461	426	13,506	10,800
Provision for income taxes:				
Federal	519	144	4,557	3,669
State	73	20	769	605
	592	164	5,326	4,274
Net earnings	$ 869	$ 262	$ 8,180	$ 6,526
Basic earnings per share	$ .10	$ .03	$ .97	$ .77
Cash dividends per share	$ .18	$ .18	$ .54	$ .54
Weighted average common shares outstanding	8,391,244	8,391,744	8,391,244	8,494,296
Retained earnings, beginning of period	$256,815	$250,640	$252,525	$247,479
Add net earnings	869	262	8,180	6,526
Less cash dividends paid	1,511	1,511	4,532	4,614
Retained earnings, end of period	$256,173	$249,391	$256,173	$249,391

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

Skyline Corporation and Subsidiary Companies

Consolidated Statements of Cash Flows
Increase (Decrease) in Cash
(Unaudited)
Dollars in thousands

	Nine-Months Ended February 28, 2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	$ 8,180	$ 6,526
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Interest income earned on U.S. Treasury Bills and Notes	(3,501)	(5,975)
Depreciation	2,855	2,936
Amortization of premium on U.S. Treasury Notes	6	50
Gain on sale of property, plant and equipment	-	(666)
Working Capital Items:		
Accounts receivable	5,135	7,278
Inventories	(493)	808
Other current assets	76	928
Accounts payable, trade	(1,715)	(476)
Accrued liabilities	6,213	3,241
Income taxes payable	(1,837)	(1,295)
Other assets	(175)	(168)
Other deferred liabilities	144	42
Total Adjustments	6,708	6,703
Net cash provided by operating activities	14,888	13,229

Skyline Corporation and Subsidiary Companies

Consolidated Statements of Cash Flows, continued
Increase (Decrease) in Cash
(Unaudited)
Dollars in thousands

	Nine-Months Ended February 28, 2002	2001
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale or maturity of U. S. Treasury Bills	$ 310,800	$ 283,416
Purchase of U.S. Treasury Bills	(343,367)	(287,823)
Maturity of U.S. Treasury Notes	25,000	-
Interest received from U. S. Treasury Notes	719	1,438
Proceeds from sale of property, plant and equipment	20	1,473
Purchase of property, plant and equipment	(2,890)	(1,822)
Net cash used in investing activities	(9,718)	(3,318)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash dividends paid	(4,532)	(4,614)
Purchase of treasury stock	-	(5,974)
Net cash used in financing activities	(4,532)	(10,588)
Net increase (decrease) in cash	638	(677)
Cash at beginning of year	5,450	7,006
Cash at end of quarter	$ 6,088	$ 6,329

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

Skyline Corporation and Subsidiary Companies

Notes to the Consolidated Financial Statements
For the nine-month period ended February 28, 2002

NOTE 1 Nature of Operations and Accounting Policies

The accompanying unaudited interim consolidated financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the consolidated financial position as of February 28, 2002, the consolidated results of operations for the three-month and nine-month periods ended February 28, 2002 and 2001, and the consolidated cash flows for the nine-month periods ended February 28, 2002 and 2001.

The unaudited interim consolidated financial statements included herein have been prepared pursuant to the rules and regulations for reporting on Form 10-Q. Accordingly, certain information and footnote disclosures normally accompanying the annual consolidated financial statements have been omitted. The interim consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Corporation's latest annual report on Form 10-K.

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. At February 28, 2002, total inventories consisted of raw materials, $4,306,000 work in process, $4,915,000, and finished goods, $298,000. At May 31, 2001, total inventories consisted of raw materials, $3,891,000, work in process, $5,098,000 and finished goods, $37,000.

The Corporation and its subsidiaries were contingently liable at February 28, 2002 under repurchase agreements with certain financial institutions. Losses, if any, are the difference between the repurchase cost and the resale value of the units. For the three-month and nine-month periods ended February 28, 2002, the Corporation repurchased units in the amounts of $35,000 and $922,000, and incurred net losses of $6,000 and $179,000, respectively. For the same periods in fiscal year 2001, the Corporation's repurchases amounted to $36,000 and $1,834,000, and the net losses were $2,000 and $135,000.

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.

On April 19, 2001, the Emerging Issues Task Force (EITF) of the Financial Accounting Standards Board (FASB) 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 product. The Corporation will adopt Issue 00-25 in the fourth quarter of fiscal 2002, and anticipates no material impact on the consolidated financial statements.

Skyline Corporation and Subsidiary Companies

Notes to the Consolidated Financial Statements
For the three-month and nine-month periods ended February 28, 2002

NOTE 2 Industry Segment Information
(Unaudited)
Dollars in thousands

	Three-Months Ended February 28		Nine-Months Ended February 28	
	2002	2001	2002	2001
SALES				
Manufactured Housing	$ 74,317	$ 66,894	$261,424	$267,474
Recreational Vehicles	21,763	23,944	74,935	76,423
Total sales	$ 96,080	$ 90,838	$336,359	$343,897
EARNINGS BEFORE INCOME TAXES				
OPERATING EARNINGS (LOSS)				
Manufactured housing	$ 2,359	$ (428)	$ 14,428	$ 8,048
Recreational vehicles	(833)	(900)	(951)	(719)
General corporate expense	(896)	(932)	(3,472)	(3,170)
Total operating earnings	630	(2,260)	10,005	4,159
Gain on sale of property, plant and equipment	-	666	-	666
Interest income	831	2,020	3,501	5,975
Earnings before income taxes	$ 1,461	$ 426	$ 13,506	$ 10,800

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.

Report of Independent Accountants

March 15, 2002

To The Board of Directors and Shareholders of Skyline Corporation

We have reviewed the accompanying consolidated balance sheet of Skyline Corporation and Subsidiary Companies as of February 28, 2002, and the related consolidated statements of earnings and retained earnings for each of the three-month and nine-month periods ended February 28, 2002 and 2001 and the consolidated statement of cash flows for the nine-month periods ended February 28, 2002 and 2001. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquires of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated interim financial information for it to be in conformity with accounting principles generally accepted in the United States of America.

We previously audited in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet as of May 31, 2001, and the related consolidated statements of earnings and retained earnings and of cash flows for the year then ended (not presented herein), and in our report dated June 15, 2001 we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of May 31, 2001, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

PRICEWATERHOUSECOOPERS LLP
Chicago, Illinois

Results of Operations for the Current Quarter Compared to the Same Quarter Last Year

Sales in the quarter ended February 28, 2002 were $96,080,000, an increase of $5,242,000 from $90,838,000 in the comparable quarter of the prior year. Fiscal 2002 sales through February 28 were $336,359,000, a decrease of $7,538,000 from prior year's sales of $343,897,000. Manufactured housing sales for the third quarter totaled $74,317,000 compared to $66,894,000 at February 28, 2001. Manufactured housing unit sales increased from 2,006 to 2,178. This segment's fiscal year sales were $261,424,000 versus $267,474,000, while unit sales declined from 8,089 to 7,637. Third quarter recreational vehicle sales decreased from $23,944,000 in fiscal 2001 to $21,763,000 in fiscal 2002. Recreational vehicle unit sales for the quarter declined from 1,756 to 1,525. Fiscal year sales through February 28 were $74,935,000 versus $76,423,000. Unit sales declined from 5,691 to 5,406.
Cost of sales in the third quarter of fiscal 2002 was 87.5 percent of sales compared to 89.4 percent in fiscal 2001. Cost of sales for the first nine months of fiscal 2002 was 86.1 percent versus 87.5 percent in the prior year. The decrease is primarily attributable to decreases in material costs, particularly lumber and lumber related products, and to multi-section homes being a greater percentage of total unit sales. In the third quarter of fiscal 2002, shipments of multi-section homes represented 42 percent of all shipments versus prior year's 40 percent. Multi-section home shipments for fiscal 2002 were 44 percent of all shipments while fiscal 2001 multi-section home shipments totaled 43 percent.

Quarterly selling and administrative expenses decreased from 13.1 percent in fiscal 2001 to 11.8 percent in fiscal 2002. Selling and administrative expenses for fiscal 2002 totaled 10.9 percent while fiscal 2001 totaled 11.3 percent. The decreases are attributable to the Corporation's effort to control costs.

Third quarter operating earnings as a percentage of sales for manufactured housing were 3.2 percent in fiscal 2002 versus a loss of .7 percent in the prior year. Year to date operating earnings were 5.5 percent in fiscal 2002 versus prior year's 3.0 percent. Recreational vehicle quarterly operating loss as a percentage of sales was 3.8 percent for fiscal year 2002 and fiscal year 2001. The recreational vehicle fiscal year operating loss through February 28 increased from .9 percent to 1.3 percent. Third quarter earnings for manufactured housing improved due to increased sales and cost control versus last year. Fiscal year to date earnings for this business segment improved due to cost control and improved gross margins. Earnings for recreational vehicles primarily declined as a result of continued difficult market conditions.

Interest income amounted to $831,000 for the third quarter compared to prior year's $2,020,000. Interest income is directly related to the amount available for investment and the prevailing yields of U.S. Government securities.

Results of Operations for the Current Quarter Compared to the Same Quarter Last Year (continued)

Liquidity and Capital Resources

At February 28, 2002, cash and short-term investments in U. S. Treasury Bills totaled $152,402,000, an increase of $35,987,000 from $116,415,000 at May 31, 2001. Current assets exclusive of cash and investments in U.S. Treasury Bills totaled $43,367,000 at February 28, 2002, a decrease of $29,724,000 from the May 31, 2001 balance of $73,091,000. The decrease was due to the maturity of investments in U. S. Treasury Notes ($25,006,000), and a seasonal decrease in accounts receivable ($5,135,000).

Current liabilities increased $2,661,000 from $39,915,000 at May 31, 2001 to $42,576,000 at February 28, 2002. Various factors contributed to the increase. Accrued marketing programs increased $6,213,000 due to the timing of payments for an ongoing marketing program. Income taxes decreased $1,837,000 due to the timing of federal income tax payments during the year. Trade accounts payable decreased $1,715,000 as a result of the seasonality of the Corporation's business.

Working capital at February 28, 2002 amounted to $153,193,000 compared to $149,591,000 at May 31, 2001. Capital expenditures totaled $2,890,000 during the first three quarters of fiscal 2002 compared to $1,822,000 in the previous year. Capital expenditures during the first nine months were made primarily to increase manufacturing capacity, replace or refurbish machinery and equipment, and improve manufacturing efficiencies.

The cash provided by operating activities, along with current cash and other 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.

On March 1, 2002, Conseco Finance Servicing Corporation, a national provider of floor plan funding for industry dealer inventories, announced that effective April 1, 2002 it will stop approving requests to fund purchases of additional inventory for industry dealers. For the nine-month period ended February 28, 2002, less than 10 percent of the Corporation's total sales were from manufactured housing dealers who exclusively rely on Conseco for floor plan financing. The remaining manufactured housing dealers purchase inventory with cash, or obtain financing from other wholesale lenders or local banks. The Corporation believes this will not have a material impact on the consolidated financial statements.

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.

PART II

Item 1. Legal Proceedings

Information with respect to this Item for the period covered by this Form 10-Q has been previously reported in Item 3, entitled "Legal Proceedings" of the Form 10-K for the fiscal year ended May 31, 2001 heretofore filed by the registrant with the Commission.

Item 6. Exhibits and Reports on Form 8-K

No reports on Form 8-K were filed during the third quarter of fiscal 2002. There were no exhibits filed as part of this report.

SIGNATURES

Pursuant to the requirements 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

DATE: March 29, 2002

James R. Weigand
V. P. Finance & Treasurer,
Chief Financial Officer

DATE: March 29, 2002

Jon S. Pilarski
Corporate Controller