



## Universal Forest Products Posts Record Earnings and EPS for 2002

January 27, 2003

GRAND RAPIDS, Mich., Jan. 27 /PRNewswire-FirstCall/ -- Universal Forest Products (Nasdaq: UFPI) today announced results for the fourth quarter and year ended December 28, 2002, closing out a year of solid performance and growth. For the year, diluted earnings per share totaled \$1.97, representing an 11.3% increase over pro forma results and a 20.9% increase over reported results for 2001. Diluted earnings per share for the quarter totaled \$0.25, a 4.2% increase over pro forma results and a 25.0% increase over reported results for the fourth quarter of 2001.

At the beginning of 2002, the Company adopted a new accounting standard, which discontinued the amortization of goodwill. Under the required new standard, pro forma diluted earnings per share for the fourth quarter and year ended December 29, 2001 would have been \$0.24 and \$1.77, respectively.

Net sales for the year were \$1.64 billion compared to sales of \$1.53 billion in 2001, a 7.2% increase. Net sales for the quarter were \$340.3 million, an increase of 3.4% over sales of \$329.3 million in the fourth quarter of 2001.

"2002 was a strong year for Universal Forest Products," said William G. Currie, UFPI's vice chairman and CEO. "We faced several challenges -- including a troubled economy, a depressed lumber market and difficult winter weather -- and still achieved the results we targeted. Whether it's for our shareholders or customers, UFPI is committed to achieving what we promise.

"I'm very proud of the 7,000 people who work for UFPI. From production through management -- everyone contributes to make Universal a strong, profitable company and a great place to work," continued Currie. "It is through their combined efforts that we continue to be recognized by publications like Forbes Magazine, joining many of our customers as a top-performing company."

Universal posted the following annual sales by market:

- \$761.7 million in D-I-Y/retail, up 3.2% from last year;
- \$326.7 million in site-built construction, an increase of 5.8% over last year;
- \$292.4 million in manufactured housing, a 4.3% increase compared to last year despite a 13% decline in industry production; and
- \$259.2 million in industrial/agricultural, a 27.6% increase over last year.

### OUTLOOK

The Company anticipates continued growth in its business in 2003. Key assumptions with respect to the Company's 2003 outlook include:

- Stable commodity lumber prices and interest rates;
- A D-I-Y/retail market that shows slow to moderate growth;
- A site-built construction market that softens slightly in the Company's major regions;
- A manufactured housing market that begins a minor recovery; and
- Strong industrial/agricultural market share growth.

With the factors expressed above in mind, the Company has targeted a 7% to 12% increase in sales and diluted EPS for 2003.

Universal Forest Products will conduct a conference call to discuss information included in this news release and related matters at 11:00 a.m. EST on Tuesday, January 28, 2003. The conference call will be hosted by William G. Currie and will be available for analysts and institutional investors domestically at 800-521-5461 or internationally at 303-804-1806. Use conference call ID #2874194. The conference call will be available simultaneously, and in its entirety, to all interested investors and news media through a web cast at [www.ufpi.com](http://www.ufpi.com), click on Investor Relations.

Universal Forest Products markets, manufactures, and engineers products for D-I-Y retail home centers, structural lumber products for the manufactured housing industry, engineered wood components for the site-built construction market and specialty wood packaging for various industries. For information about Universal Forest Products on the Internet, please visit the Company's web site at [www.ufpi.com](http://www.ufpi.com), or call 888-Buy-UFPI.

Included in this report are certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as

amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements are based on the beliefs of the Company's management as well as on assumptions made by and information currently available to the Company at the time such statements were made. Actual results could differ materially from those included in such forward-looking statements. Investors are cautioned that all forward-looking statements involve risks and uncertainty. Among the factors that could cause actual results to differ materially are the following: Adverse lumber market trends, competitive activity, negative economic trends, government regulations, and weather. These risk factors and additional information are included in the Company's reports on Form 10K and 10Q on file with the Securities and Exchange Commission.

### Financial Highlights to Follow

CONSOLIDATED STATEMENTS OF EARNINGS  
FOR THE YEAR ENDED  
DECEMBER 2002/2001

(In thousands, except per share data)	(Unaudited) □ Quarter Period			
	2002		2001	
NET SALES	\$340,340	100%	\$329,270	100%
COST OF GOODS SOLD	291,495	85.65	283,489	86.10
GROSS PROFIT	48,845	14.35	45,781	13.90
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	38,008	11.17	37,055	11.25
EARNINGS FROM OPERATIONS	10,837	3.18	8,726	2.65
INTEREST EXPENSE	2,878	0.85	2,357	0.72
INTEREST REVENUE	(101)	-0.03	(118)	-0.04
GAIN ON SALE OF ASSETS	-	0.00	-	0.00
EARNINGS BEFORE INCOME TAXES, MINORITY INTEREST AND EQUITY IN EARNINGS OF INVESTEE	2,777	0.82	2,239	0.68
INCOME TAXES	8,060	2.37	6,487	1.97
EARNINGS BEFORE MINORITY INTEREST AND EQUITY IN EARNINGS OF INVESTEE	2,932	0.86	2,058	0.63
MINORITY INTEREST	5,128	1.51	4,429	1.35
EQUITY IN EARNINGS OF INVESTEE	(571)	-0.17	(313)	-0.10
REPORTED NET EARNINGS	-	0.00	3	0.00
ADD: GOODWILL AMORTIZATION, net of tax	\$4,557	1.34	\$4,119	1.25
PRO FORMA NET EARNINGS	\$4,557	1.34	\$4,885	1.48
ADD: GOODWILL AMORTIZATION, net of tax	\$0.26		\$0.21	
PRO FORMA EARNINGS PER SHARE - BASIC	\$0.26		\$0.25	
ADD: GOODWILL AMORTIZATION, net of tax	\$0.25		\$0.20	
PRO FORMA EARNINGS PER SHARE - DILUTED	\$0.25		\$0.24	
ADD: GOODWILL AMORTIZATION, net of tax	\$0.25		\$0.24	
PRO FORMA EARNINGS PER SHARE - DILUTED	\$0.25		\$0.24	
WEIGHTED AVERAGE SHARES OUTSTANDING	17,749		19,788	
WEIGHTED AVERAGE SHARES				

OUTSTANDING WITH COMMON  
STOCK EQUIVALENTS

18,318                      20,428

(In thousands, except per share data)	Year			
	2002		2001	
NET SALES	\$1,639,899	100%	\$1,530,353	100%
COST OF GOODS SOLD	1,409,489	85.95	1,318,874	86.18
GROSS PROFIT	230,410	14.05	211,479	13.82
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	158,299	9.65	145,722	9.52
EARNINGS FROM OPERATIONS	72,111	4.40	65,757	4.30
INTEREST EXPENSE	11,375	0.69	12,043	0.79
INTEREST REVENUE	(297)	-0.02	(586)	-0.04
GAIN ON SALE OF ASSETS	(1,082)	-0.07	-	0.00
	9,996	0.61	11,457	0.75
EARNINGS BEFORE INCOME TAXES, MINORITY INTEREST AND EQUITY IN EARNINGS OF INVESTEE	62,115	3.79	54,300	3.55
INCOME TAXES	22,983	1.40	19,612	1.28
EARNINGS BEFORE MINORITY INTEREST AND EQUITY IN EARNINGS OF INVESTEE	39,132	2.39	34,688	2.27
MINORITY INTEREST	(2,495)	-0.15	(1,792)	-0.12
EQUITY IN EARNINGS OF INVESTEE	-	0.00	246	0.02
REPORTED NET EARNINGS	\$36,637	2.23	\$33,142	2.17
ADD: GOODWILL AMORTIZATION, net of tax			2,997	0.20
PRO FORMA NET EARNINGS	\$36,637	2.23	\$36,139	2.36
REPORTED EARNINGS PER SHARE - BASIC	\$2.04		\$1.68	
ADD: GOODWILL AMORTIZATION, net of tax			0.15	
PRO FORMA EARNINGS PER SHARE - BASIC	\$2.04		\$1.83	
REPORTED EARNINGS PER SHARE - DILUTED	\$1.97		\$1.63	
ADD: GOODWILL AMORTIZATION, net of tax			0.15	
PRO FORMA EARNINGS PER SHARE - DILUTED	\$1.97		\$1.77	
WEIGHTED AVERAGE SHARES OUTSTANDING	17,922		19,774	
WEIGHTED AVERAGE SHARES OUTSTANDING WITH COMMON STOCK EQUIVALENTS	18,619		20,377	

SUPPLEMENTAL SALES DATA

Market Classification	Quarter Period			
	2002	%	2001	%
Do-It-Yourself	\$133,416	39%	\$137,489	41%
Site-Built Construction	80,630	24%	74,988	23%
Manufactured Housing	64,895	19%	71,665	22%

Industrial and Other	61,399	18%	45,128	14%
Total	\$340,340	100%	\$329,270	100%

SUPPLEMENTAL SALES DATA

Market Classification	Year to Date			
	2002	%	2001	%
Do-It-Yourself	\$761,688	46%	\$738,218	49%
Site-Built Construction	326,651	20%	308,826	20%
Manufactured Housing	292,394	18%	280,208	18%
Industrial and Other	259,166	16%	203,101	13%
Total	\$1,639,899	100%	\$1,530,353	100%

CONSOLIDATED BALANCE SHEETS  
DECEMBER 2002/2001

(In thousands)

ASSETS	2002	2001	LIABILITIES AND SHAREHOLDERS' EQUITY	2002	2001
CURRENT ASSETS			CURRENT LIABILITIES		
Cash and cash equivalents	\$13,454	\$22,887	Notes payable	\$1,758	\$1,402
Restricted cash equivalents	1,383	-	Accounts payable and accrued liabilities	100,588	89,078
Accounts receivable	105,217	86,256	Current portion of long-term debt and leases	6,495	20,415
Inventories	166,006	120,769			
Other current capital assets	8,037	5,054			
TOTAL CURRENT ASSETS	294,097	234,966	TOTAL CURRENT LIABILITIES	108,841	110,895
OTHER ASSETS	6,738	11,585	LONG-TERM DEBT AND CAPITAL LEASES, less current portion		
INTANGIBLE ASSETS	130,815	122,996		235,319	154,370
			OTHER LIABILITIES	27,634	19,082
PROPERTY, PLANT AND EQUIPMENT, NET	203,144	181,662	TEMPORARY SHAREHOLDERS' EQUITY	-	36,000
			SHAREHOLDERS' EQUITY	263,000	230,862
TOTAL ASSETS	\$634,794	\$551,209	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$634,794	\$551,209

CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED  
DECEMBER 2002/2001

(In thousands)

2002

2001

CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	\$36,637	\$33,142
Adjustments to reconcile net earnings to net cash from operating activities:		
Depreciation	23,474	20,101
Amortization of intangibles	1,165	4,375
Deferred income taxes	3,102	4,587
Loss on sale or impairment of property, plant and equipment	702	1,445
Changes in:		
Accounts receivable	(16,489)	(11,753)
Inventories	(40,780)	10,051
Accounts payable	9,638	9,891
Accrued liabilities and other	(899)	6,217
NET CASH FROM OPERATING ACTIVITIES	16,550	78,056
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant, and equipment	(31,351)	(22,748)
Purchases of licensing agreements	(2,000)	-
Acquisitions, net of cash received	(17,540)	(49,534)
Proceeds from sale of property, plant and equipment	2,862	2,497
Other	(743)	1,291
NET CASH FROM INVESTING ACTIVITIES	(48,772)	(68,494)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net borrowings under revolving credit facilities and notes payable	14,286	23,129
Proceeds from issuance of long-term debt	58,700	2,500
Repayment of long-term debt	(8,481)	(10,697)
Proceeds from issuance of common stock	922	870
Distributions to minority shareholder	(1,345)	(1,650)
Dividends paid to shareholders	(1,605)	(1,683)
Repurchase of common stock	(39,688)	(1,536)
NET CASH FROM FINANCING ACTIVITIES	22,789	10,933
NET CHANGE IN CASH AND CASH EQUIVALENTS	(9,433)	20,495
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	22,887	2,392
CASH AND CASH EQUIVALENTS, END OF YEAR	\$13,454	\$22,887

**SOURCE Universal Forest Products**

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