



Universal Posts Strong Growth in the Second Quarter of 2004; Net Earnings Increase 15%

July 12, 2004

GRAND RAPIDS, Mich., July 12 /PRNewswire-FirstCall/ -- Universal Forest Products (Nasdaq: UFPI) today announced strong second quarter results with a 34.4% increase in net sales to \$742.6 million, up from \$552.5 million reported for the same period last year. Net sales for the first six months of 2004 were \$1.2 billion, a 33.1% increase over net sales of \$908.1 million for the same period of 2003.

Net earnings for the quarter were \$19.8 million, a 15.1% increase over net earnings of \$17.2 million for the same period in 2003. Net earnings for the year to date were \$25.3 million, a 16.9% increase over 2003 year-to-date net earnings of \$21.7 million.

By market, Universal posted second quarter net sales of:

- * \$344.6 million in D-I-Y/retail, up 14.0% over the same quarter last year;
- * \$170.3 million in site-built construction, an increase of 68.2% over last year;
- * \$124.3 million in industrial, up 56.2% over last year, and
- * \$103.4 million in manufactured housing, a 48.9% increase over last year.

"I'm continually proud of our performance and of the hard work of our people," said CEO William G. Currie. "We controlled what we could and delivered very strong results, especially in our site-built and industrial markets."

A few significant factors contributed to the company's performance. Total unit sales increased more than 11% for the quarter thanks to strong unit sales to the site-built, industrial and manufactured housing markets. A decline in units sold to the Do-It-Yourself retail market is attributed to record precipitation in many areas of the country -- notably the Midwest, Texas, and portions of the East -- that forced homeowners to delay home improvement projects. "This showcases the power of our balanced business model and geographic diversity, which allow us to thrive even when one of our markets faces a challenge," Currie explained.

The remaining 23% of the company's 34.4% increase in net sales is attributable to the lumber market, which was higher during the second quarter of 2004. Gross profit increased 17.9% for the quarter, exceeding the Company's unit sales increase due, in part, to the impact of the rising lumber market in April and May on products whose selling prices are tied to the lumber market. Other factors affecting the quarter's results included:

- * A fire in April that destroyed a truss plant in Thorndale, Ontario at the start of the building season. Although Universal maintained its service to customers by moving the work to other plants in the U.S., transportation costs and operating inefficiencies resulted in greater costs to the company. Management currently estimates that the insured value of the property destroyed will exceed its net book value.
- * The opening of several new plants this year. As anticipated, the plants were in a start-up phase and were not profitable during their first months of operation.
- * The company continues to bring its multi-family framing operations in the West up to Universal's management standards and profitability targets. "This is a new area of business for us and, as we stated previously, we've experienced some challenges. We believe the changes we've made eventually will lead us to improved profitability," Currie said.

OUTLOOK

The Company currently anticipates continued growth in its business in 2004 and reaffirms its targets for both unit sales and diluted earnings per share growth of 10% to 14% for the year.

Universal Forest Products will conduct a conference call to discuss information included in this news release and related matters at 11:00 a.m. EDT on Tuesday, July 13, 2004. The conference call will be hosted by William G. Currie and will be available for analysts and institutional investors domestically at (888) 792-1079 or internationally at (703) 871-3092. Use conference call ID #507398. The conference call will be available simultaneously, and in its entirety, to all interested investors and news media through a webcast at <http://www.ufpi.com>.

Universal Forest Products markets, manufactures, and engineers wood and wood-alternative 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. Among the company's newest and fastest-growing ventures are framing and installation services for the site-built and retail sectors. In conjunction with its customers, Universal uses

its engineering and manufacturing expertise, coupled with highly skilled employees, to design and construct buildings and decks. For information about Universal Forest Products on the Internet, please visit the Company's web site at <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.

HIGHLIGHTS TO FOLLOW

CONSOLIDATED STATEMENTS OF EARNINGS (UNAUDITED)
FOR THE SIX MONTHS ENDED
JUNE 2004/2003

(In thousands, except per share data)	Quarter Period			
	2004		2003	
NET SALES	\$742,568	100%	\$552,463	100%
COST OF GOODS SOLD	649,747	87.50	473,721	85.75
GROSS PROFIT	92,821	12.50	78,742	14.25
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	56,082	7.55	46,697	8.45
EARNINGS FROM OPERATIONS	36,739	4.95	32,045	5.80
OTHER EXPENSE (INCOME)				
Interest expense	3,869	0.52	3,958	0.72
Interest revenue	(102)	-0.01	(84)	-0.02
Gain on sale of real estate and interest in subsidiary	(575)	-0.08	-	0.00
	3,192	0.43	3,874	0.70
EARNINGS BEFORE INCOME TAXES AND MINORITY INTEREST	33,547	4.52	28,171	5.10
INCOME TAXES	12,645	1.70	10,458	1.89
EARNINGS BEFORE MINORITY INTEREST	20,902	2.81	17,713	3.21
MINORITY INTEREST	(1,146)	-0.15	(551)	-0.10
NET EARNINGS	\$19,756	2.66	\$17,162	3.11
EARNINGS PER SHARE - BASIC	\$1.09		\$0.97	
EARNINGS PER SHARE - DILUTED	\$1.06		\$0.94	
WEIGHTED AVERAGE SHARES OUTSTANDING	18,050		17,741	
WEIGHTED AVERAGE SHARES OUTSTANDING WITH COMMON				

STOCK EQUIVALENTS	18,702	18,193
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SUPPLEMENTAL SALES DATA

Market Classification	Quarter Period			
	2004	%	2003	%
Do-It-Yourself/Retail	\$344,582	46%	\$302,224	55%
Site-Built Construction	170,325	23%	101,242	18%
Manufactured Housing	103,403	14%	69,453	13%
Industrial and Other	124,258	17%	79,544	14%
Total	\$742,568	100%	\$552,463	100%

(In thousands, except per share data)	Year to Date			
	2004		2003	
NET SALES	\$1,208,233	100%	\$908,082	100%
COST OF GOODS SOLD	1,059,051	87.65	777,536	85.62
GROSS PROFIT	149,182	12.35	130,546	14.38
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	100,011	8.28	86,885	9.57
EARNINGS FROM OPERATIONS	49,171	4.07	43,661	4.81
OTHER EXPENSE (INCOME)				
Interest expense	7,411	0.61	7,745	0.85
Interest revenue	(185)	-0.02	(131)	-0.01
Gain on sale of real estate and interest in subsidiary	(944)	-0.08	-	0.00
	6,282	0.52	7,614	0.84
EARNINGS BEFORE INCOME TAXES AND MINORITY INTEREST	42,889	3.55	36,047	3.97
INCOME TAXES (1)	16,289	1.35	13,249	1.46
EARNINGS BEFORE MINORITY INTEREST	26,600	2.20	22,798	2.51
MINORITY INTEREST	(1,277)	-0.11	(1,136)	-0.13
NET EARNINGS	\$25,323	2.10	\$21,662	2.39
EARNINGS PER SHARE - BASIC	\$1.41		\$1.22	
EARNINGS PER SHARE - DILUTED	\$1.35		\$1.19	
WEIGHTED AVERAGE SHARES OUTSTANDING	17,994		17,735	
WEIGHTED AVERAGE SHARES OUTSTANDING WITH COMMON STOCK EQUIVALENTS	18,694		18,222	

SUPPLEMENTAL SALES DATA

Market Classification	Year to Date			
	2004	%	2003	%
Do-It-Yourself/Retail	\$523,491	43%	\$458,510	50%
Site-Built Construction	285,163	24%	178,237	20%
Manufactured Housing	180,370	15%	126,465	14%
Industrial and Other	219,209	18%	144,870	16%
Total	\$1,208,233	100%	\$908,082	100%

CONSOLIDATED BALANCE SHEETS (UNAUDITED)
JUNE 2004/2003

(In thousands)

ASSETS	2004	2003	LIABILITIES AND SHAREHOLDERS' EQUITY	2004	2003
CURRENT ASSETS			CURRENT LIABILITIES		
Cash and cash equivalents	\$25,080	\$20,574	Notes payable	\$-	\$1,679
Accounts receivable	246,850	200,033	Accounts payable and accrued liabilities	206,156	162,402
Inventories	227,455	166,742	Current portion of long-term debt and capital leases	498	6,271
Other current assets	11,809	5,424			
TOTAL CURRENT ASSETS	511,194	392,773	TOTAL CURRENT LIABILITIES	206,654	170,352
OTHER ASSETS	6,974	6,401			
INTANGIBLE ASSETS, NET	132,748	131,858	LONG-TERM DEBT AND CAPITAL LEASES, less current portion	287,387	255,975
PROPERTY, PLANT AND EQUIPMENT, NET	208,142	211,277	OTHER LIABILITIES	33,317	29,819
			SHAREHOLDERS' EQUITY	331,700	286,163
			TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$859,058	\$742,309
TOTAL ASSETS	\$859,058	\$742,309			

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
FOR THE SIX MONTHS ENDED
JUNE 2004/2003

	2004	2003
(In thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	\$25,323	\$21,662
Adjustments to reconcile net earnings		

to net cash from operating activities:		
Depreciation	13,408	12,202
Amortization of intangibles	940	1,033
Deferred income taxes	366	(1,438)
Minority interest	1,277	1,136
Loss on sale of interest in subsidiary	193	-
(Gain) Loss on sale or impairment of property, plant and equipment	(730)	640
Changes in:		
Accounts receivable	(112,052)	(94,237)
Inventories	(56,963)	(736)
Accounts payable	54,711	52,039
Accrued liabilities and other	20,714	10,974
NET CASH FROM OPERATING ACTIVITIES	(52,813)	3,275
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant, and equipment	(16,607)	(20,689)
Purchase of licensing agreements	-	(150)
Acquisitions, net of cash received	(10,075)	(187)
Sale of interest in subsidiary	4,679	-
Proceeds from sale of property, plant and equipment	3,287	1,147
Other	1,678	1,961
NET CASH FROM INVESTING ACTIVITIES	(17,038)	(17,918)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net (repayments) borrowings under revolving credit facilities and notes payable	83,062	26,437
Repayment of long-term debt	(6,117)	(6,167)
Proceeds from issuance of common stock	1,828	873
Distributions to minority shareholder	(125)	(633)
Dividends paid to shareholders	(897)	(798)
Repurchase of common stock	(129)	(2,029)
Other	(121)	-
NET CASH FROM FINANCING ACTIVITIES	77,501	17,683
NET CHANGE IN CASH AND CASH EQUIVALENTS	7,650	3,040
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	17,430	17,534
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$25,080	\$20,574

SOURCE Universal Forest Products, Inc.

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