



Universal Forest Products Reports Strong 4th Quarter and Annual Results for 2004

January 31, 2005

Net sales up 18% for the 4th quarter and 29% for the year

GRAND RAPIDS, Mich., Jan 31, 2005 /PRNewswire-FirstCall via COMTEX/ -- Universal Forest Products, Inc. (Nasdaq: UFPI) today announced results for the fourth quarter and year ended December 25, 2004 that exceeded its internal targets for sales and earnings growth.

Net sales for the quarter were \$535.8 million, an increase of 17.9% over net sales of \$454.5 million in the fourth quarter of 2003. Net sales for the year were \$2.45 billion compared to 2003 net sales of \$1.90 billion, a 29.2% increase. The company estimates that higher lumber and chemical prices contributed approximately 18% to annual net sales growth but only 6% to the growth in the fourth quarter.

Diluted earnings per share for the fourth quarter totaled \$0.46, a 35.3% increase over reported results for the same period of 2003. This includes a gain from an insurance settlement and related income taxes associated with a fire at its London, Ontario plant. For the year, diluted earnings per share totaled \$2.59, up 18.8% over reported results for 2003.

"We experienced strong unit sales growth, especially in our site-built and industrial market segments, where we're focusing many of our efforts," said William G. Currie, Universal's chief executive officer and vice chairman. "We're also seeing a continued rebound in the manufactured housing market, led by modular home construction, and we had a powerful increase in unit sales to those customers.

"Results like these are possible when you have a sound business model, a great management team, and skilled employees committed to best practices," he added. "We're seeing growth and strong results because we're working hard, making good decisions, and creating opportunity and enthusiasm for the future. It's a great way to begin celebrating our 50th year as a company."

Unit sales were down only in the company's Do-It-Yourself retail market. Currie attributed that primarily to higher lumber and chemical prices, which appear to be having an impact on demand.

Universal posted the following year-over-year sales results:

* For the year, D-I-Y retail sales increased 9.0% over 2003 to \$981.6 million. Fourth quarter sales to this market were down 1.3% from 2003;

* Site-built construction sales for 2004 of \$631.7 million, up 56.7% over annual sales for 2003; fourth quarter sales increased 34.3% over 2003;

* Industrial sales for the year totaled \$454.7 million, an increase of 45.1% over 2003. Fourth quarter 2004 sales were up 28.0% over the same period last year; and

* Manufactured housing sales for 2004 were \$385.3 million, up 36.6% for the year. Fourth quarter sales to this market were up 27.3% over 2003.

The Company achieved those results in spite of financial challenges relating to a disappointing framing venture in the West, which saw significant losses during the year.

"We're putting the problems of that venture behind us," Currie said. "We also are pleased that our plant in London, Ontario, which was destroyed by a fire last April, is back in operation. That fire had a significant negative impact on our results and on the operations of a number of other Universal plants that took on production to meet our customer needs."

OUTLOOK

The Company anticipates continued growth in its business in 2005. Key assumptions with respect to the Company's 2005 outlook include:

* Modest increases in interest rates are mitigated by favorable demographic trends and economic conditions resulting in a strong site-built construction market.

* The continued recovery of the manufactured housing market as many customers switch production to modular housing.

* A stable D-I-Y retail market.

- * Continued opportunities for market share gains in both the site-built construction and industrial business.
- * Improved results from our framing operations in the West.
- * The completion of strategic business acquisitions.
- * A stable lumber market.

With these factors in mind, the Company is targeting unit sales growth of 7% to 12% and net earnings growth of 10% to 15% in 2005 over results for 2004, adjusted to exclude the gain from the insurance settlement and related income taxes. In addition, these targets do not include the impact of adopting FASB statement 123R which requires the Company to expense the effect of unvested stock options previously granted and any future grants beginning the third quarter of 2005.

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, February 1, 2005. The conference call will be hosted by William G. Currie and will be available for analysts and institutional investors domestically at (866) 814-1921 or internationally at (703) 639-1364. Use conference call ID #634528. The conference call will be available simultaneously and in its entirety to all interested investors and news media through a web cast at <http://www.ufpi.com> (click on Investor Relations).

Celebrating its 50th anniversary, 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 services for the site-built sector. In conjunction with its customers, Universal uses its engineering and manufacturing expertise, coupled with highly skilled employees, to design and construct buildings and housing. 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.

CONSOLIDATED STATEMENTS OF EARNINGS (UNAUDITED)
FOR THE TWELVE MONTHS ENDED
DECEMBER 2004/2003

(In thousands, except per share data)	Quarter Period			
	2004		2003	
NET SALES	\$535,754	100%	\$454,470	100%
COST OF GOODS SOLD	472,475	88.19	399,593	87.93
GROSS PROFIT	63,279	11.81	54,877	12.07
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	46,981	8.77	42,591	9.37
GAIN ON INSURANCE SETTLEMENT (1)	(1,391)	-0.26	-	0.00
EARNINGS FROM OPERATIONS	17,689	3.30	12,286	2.70
OTHER EXPENSE (INCOME)				
Interest expense	3,591	0.67	3,242	0.71
Interest income	(60)	-0.01	(86)	-0.02
Net gain on sale of real estate and interest in subsidiary	(426)	-0.08	-	0.00
	3,105	0.58	3,156	0.69
EARNINGS BEFORE INCOME TAXES AND MINORITY INTEREST	14,584	2.72	9,130	2.01
INCOME TAXES (1)	5,912	1.10	3,361	0.74

EARNINGS BEFORE MINORITY INTEREST	8,672	1.62	5,769	1.27
MINORITY INTEREST	(18)	0.00	483	0.11
NET EARNINGS	\$8,654	1.62	\$6,252	1.38
EARNINGS PER SHARE - BASIC	\$0.48		\$0.35	
EARNINGS PER SHARE - DILUTED	\$0.46		\$0.34	
WEIGHTED AVERAGE SHARES OUTSTANDING	18,112		17,808	
WEIGHTED AVERAGE SHARES OUTSTANDING WITH COMMON STOCK EQUIVALENTS	18,964		18,647	

(In thousands, except per share data)	Year to Date			
	2004		2003	
NET SALES	\$2,453,281	100%	\$1,898,830	100%
COST OF GOODS SOLD	2,157,028	87.92	1,640,844	86.41
GROSS PROFIT	296,253	12.08	257,986	13.59
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	201,335	8.21	177,824	9.36
GAIN ON INSURANCE SETTLEMENT(1)	(1,391)	-0.06	-	0.00
EARNINGS FROM OPERATIONS	96,309	3.93	80,162	4.22
OTHER EXPENSE (INCOME)				
Interest expense	14,904	0.61	14,589	0.77
Interest income	(284)	-0.01	(219)	-0.01
Net gain on sale of real estate and interest in subsidiary	(1,370)	-0.06	-	0.00
	13,250	0.54	14,370	0.76
EARNINGS BEFORE INCOME TAXES AND MINORITY INTEREST	83,059	3.39	65,792	3.46
INCOME TAXES(1)	31,462	1.28	24,325	1.28
EARNINGS BEFORE MINORITY INTEREST	51,597	2.10	41,467	2.18
MINORITY INTEREST	(2,994)	-0.12	(1,348)	-0.07
NET EARNINGS	\$48,603	1.98	\$40,119	2.11
EARNINGS PER SHARE - BASIC	\$2.70		\$2.26	
EARNINGS PER SHARE - DILUTED	\$2.59		\$2.18	
WEIGHTED AVERAGE SHARES OUTSTANDING	18,032		17,761	
WEIGHTED AVERAGE SHARES				

OUTSTANDING WITH COMMON
STOCK EQUIVALENTS

18,771 18,379

SUPPLEMENTAL SALES DATA

Market Classification	Quarter Period			
	2004	%	2003	%
Do-It-Yourself/Retail	\$177,395	34%	\$179,685	39%
Site-Built Construction	151,871	28%	113,047	25%
Manufactured Housing	98,398	18%	77,318	17%
Industrial and Other	108,090	20%	84,420	19%
Total	\$535,754	100%	\$454,470	100%

SUPPLEMENTAL SALES DATA

Market Classification	Year to Date			
	2004	%	2003	%
Do-It-Yourself/Retail	\$981,576	39%	\$900,150	47%
Site-Built Construction	631,676	26%	403,201	21%
Manufactured Housing	385,326	16%	282,139	15%
Industrial and Other	454,703	19%	313,340	17%
Total	\$2,453,281	100%	\$1,898,830	100%

(1) "Income Taxes" includes approximately \$451,000 associated with the "Gain on Insurance Settlement".

CONSOLIDATED BALANCE SHEETS (UNAUDITED)
DECEMBER 2004/2003

(In thousands)

ASSETS	2004	2003	LIABILITIES AND SHAREHOLDERS' EQUITY	
			2004	2003
CURRENT ASSETS			CURRENT LIABILITIES	
Cash and cash equivalents	\$25,274	\$17,430	Notes payable	\$- \$1,726
Accounts receivable	151,811	137,660	Accounts payable and accrued liabilities	161,832 135,560
Inventories	212,921	169,561	Current portion of long-term debt and capital leases	22,033 6,411
Other current assets	16,477	9,446		
TOTAL CURRENT ASSETS	406,483	334,097	TOTAL CURRENT LIABILITIES	183,865 143,697
OTHER ASSETS	7,952	6,811	LONG-TERM DEBT AND CAPITAL LEASES, less current portion	185,109 205,049
INTANGIBLE ASSETS, NET	131,652	131,819	OTHER LIABILITIES	36,617 33,081
PROPERTY, PLANT AND EQUIPMENT, NET	216,273	214,204	SHAREHOLDERS' EQUITY	356,769 305,104
			TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$762,360 \$686,931
TOTAL ASSETS	\$762,360	\$686,931		

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

FOR THE TWELVE MONTHS ENDED
DECEMBER 2004/2003

(In thousands)	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	\$48,603	\$40,119
Adjustments to reconcile net earnings to net cash from operating activities:		
Depreciation	28,453	25,638
Amortization of intangibles	2,752	1,909
Deferred income taxes	790	1,746
Minority interest	2,994	1,348
Loss on sale of interest in subsidiary	193	
Gain on insurance settlement	(1,391)	
(Gain) Loss on sale or impairment of property, plant and equipment	(710)	1,050
Changes in:		
Accounts receivable	(16,107)	(32,074)
Inventories	(42,817)	(3,555)
Accounts payable	7,371	23,476
Accrued liabilities and other	20,103	10,718
NET CASH FROM OPERATING ACTIVITIES	50,234	70,375
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant, and equipment	(40,935)	(40,578)
Purchase of licensing agreement	-	(150)
Acquisitions, net of cash received	(10,075)	(787)
Sale of interest in subsidiary	4,679	-
Proceeds from sale of property, plant and equipment	5,226	6,221
Insurance proceeds	2,000	-
Other, net	1,636	3,882
NET CASH FROM INVESTING ACTIVITIES	(37,469)	(31,412)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net borrowings (repayments) under revolving credit facilities and notes payable	547	(29,657)
Repayment of long-term debt	(6,392)	(6,140)
Proceeds from issuance of common stock	2,861	1,281
Distributions to minority shareholder	(1,123)	(833)
Dividends paid to shareholders	(1,796)	(1,689)
Repurchase of common stock	(129)	(2,029)
Other, net	1,111	-
NET CASH FROM FINANCING ACTIVITIES	(4,921)	(39,067)
NET CHANGE IN CASH AND CASH EQUIVALENTS	7,844	(104)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	17,430	17,534
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$25,274	\$17,430

SOURCE Universal Forest Products, Inc.

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