

## **Universal Forest Products Reports Powerful 2005; Net Earnings Increase 87% for the 4th Quarter; Up 39% for the Year; Net Sales up 22% for the 4th Quarter and 10% for the Year; Company Reaches Five-Year Targets in Three Years**

February 6, 2006

GRAND RAPIDS, Mich.--(BUSINESS WIRE)--Feb. 6, 2006--Universal Forest Products, Inc. (Nasdaq:UFPI) today announced a powerful fourth quarter that contributed to strong 2005 results and pushed the company to reach its five-year internal targets two years early.

Fourth quarter net earnings were \$16.2 million, an 87.0% increase over reported results for the same period of 2004. Net earnings for the year were \$67.4 million, up 38.6% over reported results for 2004.

Net sales for the quarter were \$653.3 million, an increase of 21.9% over net sales of \$535.8 million for the fourth quarter of 2004. Net sales for the year were \$2.69 billion compared to 2004 net sales of \$2.45 billion, a 9.7% increase.

The company attributed the strong results to a combination of factors, including a continued strong housing market, demand for manufactured housing in the wake of the year's devastating hurricanes, and increased market share. In addition, the company realized operating cost efficiencies as a result of strong unit sales volume.

"We don't often experience a fourth quarter as powerful as we just had, but a number of things aligned to make that happen in 2005. It was an unusually strong end to an already strong year," said William G. Currie, Universal's chief executive officer and vice chairman. "Because of the healthy housing market and our gains in the industrial market, we increased our earnings. We also managed our costs through a focus on the basics - on doing what we do better - and on the Innovation Program established by Universal President Mike Glenn. All of that helped us deliver."

President and COO Mike Glenn also noted that the 2005 focus on under-performing plants paid off with many posting strong results for the year.

"We hit on all cylinders last year," Glenn added. "Our people delivered and served more and more customers, and our markets were strong. Our performance continues to prove the strength of our business model and of our management team. Our fourth-quarter market conditions in 2005 were unusually strong, and we don't expect the same for 2006. We certainly don't want a repeat of the natural disasters that contributed to the demand for manufactured housing last year."

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

- For the year, D-I-Y retail sales increased 1.3% over 2004 to \$1.0 billion. Fourth quarter sales to this market were up 11.2% from 2004;
- Site-built construction sales for 2005 of \$744.1 million, up 17.9% over annual sales for 2004. Fourth quarter sales increased 32.2% over 2004;
- Industrial sales for the year of \$514.4 million, an increase of 13.3% over 2004. Fourth quarter 2005 sales were up 20.7% over the same period last year; and
- Manufactured housing sales for 2005 of \$431.4 million, up 13.6% for the year. Fourth quarter sales to this market were up 27.1% over 2004.

Universal's internal five-year sales goal was to hit \$2.65 billion by 2007 (the goal, set in 2002 when sales were \$1.65 billion, was to add \$1 billion in sales in five years). The company also achieved its goal for improving its return on invested capital.

### OUTLOOK

The company anticipates continued growth in its business in 2006. Key assumptions with respect to the company's 2006 outlook include:

- Modest increases in interest rates are mitigated by favorable demographic trends and economic conditions resulting in a continued strong site-built construction market, although not as strong as 2005.
- The continued need for manufactured and modular housing as the South recovers from 2005's hurricanes and the growing trend among manufactured housing producers to switch to modular housing.
- A stable D-I-Y retail market with opportunities for growth with existing customers and increased opportunities for new

products, customers and market share through the Company's new Consumer Products Division, which was announced in October 2005.

- Continued opportunities for market share gains in both the site-built construction and industrial business.
- The completion of strategic business acquisitions.
- A stable lumber market.

With these factors in mind, the Company is targeting unit sales and net earnings growth of 10% to 15 % each in 2006.

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 7, 2006. The conference call will be hosted by CEO William G. Currie and will be available for analysts and institutional investors domestically at (866) 700-6067 or internationally at (617) 213-8834. Use conference passcode #80106148. 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).

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. The company also provides 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. The company has approximately 9,500 employees who work in more than 100 locations. 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.

## FINANCIAL HIGHLIGHTS TO FOLLOW

### CONSOLIDATED STATEMENTS OF EARNINGS (UNAUDITED) FOR THE TWELVE MONTHS ENDED DECEMBER 2005/2004

(In thousands, except per share data)	Quarter Period			
	2005		2004	
NET SALES	\$653,313	100%	\$535,754	100%
COST OF GOODS SOLD	561,590	85.96	472,475	88.19
GROSS PROFIT	91,723	14.04	63,279	11.81
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	62,418	9.55	46,981	8.77
GAIN ON INSURANCE SETTLEMENT	-	0.00	(1,391)	-0.26
EARNINGS FROM OPERATIONS	29,305	4.49	17,689	3.30
OTHER EXPENSE (INCOME)				
Interest expense	3,416	0.52	3,591	0.67
Interest income	(452)	-0.07	(60)	-0.01
Net (gain) loss on sale of real estate and interest in subsidiary	-	0.00	(426)	-0.08

	-----		-----	
	2,964	0.45	3,105	0.58
	-----		-----	
EARNINGS BEFORE INCOME TAXES AND MINORITY INTEREST	26,341	4.03	14,584	2.72
INCOME TAXES	9,045	1.38	5,912	1.10
	-----		-----	
EARNINGS BEFORE MINORITY INTEREST	17,296	2.65	8,672	1.62
MINORITY INTEREST	(1,113)	-0.17	(18)	0.00
	-----		-----	
NET EARNINGS	\$16,183	2.48	\$8,654	1.62
	=====		=====	
EARNINGS PER SHARE - BASIC	\$0.87		\$0.48	
EARNINGS PER SHARE - DILUTED	\$0.84		\$0.46	
WEIGHTED AVERAGE SHARES OUTSTANDING	18,510		18,112	
WEIGHTED AVERAGE SHARES OUTSTANDING WITH COMMON STOCK EQUIVALENTS	19,267		18,964	

Year to Date

(In thousands, except per share data)	----- □			
	2005		2004	
	-----		-----	
NET SALES	\$2,691,522	100%	\$2,453,281	100%
COST OF GOODS SOLD	2,332,266	86.65	2,157,028	87.92
	-----		-----	
GROSS PROFIT	359,256	13.35	296,253	12.08
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	235,651	8.76	201,335	8.21
GAIN ON INSURANCE SETTLEMENT	-	0.00	(1,391)	-0.06
	-----		-----	
EARNINGS FROM OPERATIONS	123,605	4.59	96,309	3.93
OTHER EXPENSE (INCOME)				
Interest expense	15,171	0.56	14,904	0.61
Interest income	(1,098)	-0.04	(284)	-0.01
Net (gain) loss on sale of real estate and interest in subsidiary	(1,240)	-0.05	(1,370)	-0.06
	-----		-----	
	12,833	0.48	13,250	0.54
	-----		-----	
EARNINGS BEFORE INCOME TAXES AND MINORITY INTEREST	110,772	4.12	83,059	3.39

INCOME TAXES	41,050	1.53	31,462	1.28
	-----		-----	
EARNINGS BEFORE MINORITY INTEREST	69,722	2.59	51,597	2.10
MINORITY INTEREST	(2,349)	-0.09	(2,994)	-0.12
	-----		-----	
NET EARNINGS	\$67,373	2.50	\$48,603	1.98
	=====		=====	
EARNINGS PER SHARE - BASIC	\$3.67		\$2.70	
EARNINGS PER SHARE - DILUTED	\$3.53		\$2.59	
WEIGHTED AVERAGE SHARES OUTSTANDING	18,374		18,032	
WEIGHTED AVERAGE SHARES OUTSTANDING WITH COMMON STOCK EQUIVALENTS	19,106		18,771	

SUPPLEMENTAL SALES DATA

Market Classification	Quarter Period			
	2005	%	2004	%
Do-It-Yourself/Retail	\$198,382	30%	\$178,367	34%
Site-Built Construction	199,987	31%	151,313	28%
Manufactured Housing	123,802	19%	97,382	18%
Industrial	131,142	20%	108,692	20%
Total	\$653,313	100%	\$535,754	100%

Market Classification	Year to Date			
	2005	%	2004	%
Do-It-Yourself/Retail	\$1,001,620	37%	\$988,463	40%
Site-Built Construction	744,113	28%	631,136	26%
Manufactured Housing	431,382	16%	379,572	15%
Industrial	514,407	19%	454,110	19%
Total	\$2,691,522	100%	\$2,453,281	100%

CONSOLIDATED BALANCE SHEETS (UNAUDITED)  
DECEMBER 2005/2004

(In thousands)

ASSETS	2005	2004
	-----	-----
CURRENT ASSETS		
Cash and cash equivalents	\$46,215	\$25,274
Accounts receivable	185,080	151,811
Inventories	253,769	212,921
Other current assets	17,114	16,477
TOTAL CURRENT ASSETS	502,178	406,483

OTHER ASSETS	7,887	7,952
INTANGIBLE ASSETS, NET	142,522	131,652
PROPERTY, PLANT AND EQUIPMENT, NET	224,333	216,273
TOTAL ASSETS	<u>\$876,920</u>	<u>\$762,360</u>

LIABILITIES AND SHARE-HOLDERS' EQUITY	2005	2004
	-----	-----
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$203,693	\$161,832
Current portion of long-term debt and capital leases	458	22,033
TOTAL CURRENT LIABILITIES	204,151	183,865
LONG-TERM DEBT AND CAPITAL LEASES, less current portion	209,039	185,109
OTHER LIABILITIES	31,878	36,617
SHAREHOLDERS' EQUITY	431,852	356,769
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$876,920</u>	<u>\$762,360</u>

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)  
FOR THE TWELVE MONTHS ENDED  
DECEMBER 2005/2004

(In thousands)	2005	2004
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	\$67,373	\$48,603
Adjustments to reconcile net earnings to net cash from operating activities:		
Depreciation	31,311	28,453
Amortization of intangibles	3,485	2,383
Notes receivable written off to expense	816	-
Deferred income taxes	(7,377)	790
Minority interest	2,349	2,994
Loss on sale of interest in subsidiary	-	193
Gain on insurance settlement	-	(1,391)
Gain on sale of property, plant and equipment	(553)	(710)
Changes in:		
Accounts receivable	(28,742)	(16,107)
Inventories	(36,501)	(42,817)
Accounts payable	16,998	7,371
Accrued liabilities and other	24,973	20,472
NET CASH FROM OPERATING ACTIVITIES	<u>74,132</u>	<u>50,234</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant, and equipment	(40,233)	(40,722)
Acquisitions, net of cash received	(20,747)	(10,075)
Sale of interest in subsidiary	-	4,679
Proceeds from sale of property, plant and equipment	2,712	5,226
Insurance proceeds	3,057	2,000
Other, net	(198)	1,636

NET CASH FROM INVESTING ACTIVITIES	(55,409)	(37,256)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net borrowings under revolving credit facilities	23,827	1,223
Repayment of long-term debt	(23,407)	(6,392)
Proceeds from issuance of common stock	4,487	2,860
Distributions to minority shareholders	(1,217)	(1,123)
Investment received from minority shareholder	500	-
Dividends paid to shareholders	(1,922)	(1,796)
Repurchase of common stock	-	(129)
Other, net	(50)	223
NET CASH FROM FINANCING ACTIVITIES	2,218	(5,134)
NET CHANGE IN CASH AND CASH EQUIVALENTS	20,941	7,844
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	25,274	17,430
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$46,215	\$25,274

CONTACT: Universal Forest Products, Inc.  
Lynn Afendoulis, 616-365-1502

SOURCE: Universal Forest Products, Inc.