

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
- --- EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2001

OR

- --- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

Commission File Number 0-22684

UNIVERSAL FOREST PRODUCTS, INC.
(Exact name of registrant as specified in its charter)

Michigan

38-1465835

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification Number)

2801 East Beltline NE, Grand Rapids, Michigan

49525

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code (616) 364-6161

NONE

(Former name or former address, if changed since last report.)

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
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Indicate the number of shares of each of the issuer's classes of common stock,
as of the latest practicable date:

Class

Outstanding as of August 1, 2001

Common stock, no par value

19,805,055

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UNIVERSAL FOREST PRODUCTS, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS
(Unaudited)

(in thousands, except share data)

	June 30, 2001	December 30, 2000
	-----	-----
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents.....	\$ 8,490	\$ 2,392
Restricted cash equivalents.....	723	1,364
Accounts receivable (net of allowance for doubtful accounts of \$2,018 and \$1,340).....	140,698	64,386
Inventories:		
Raw materials.....	50,343	41,885
Finished goods.....	97,726	81,306
	-----	-----
	148,069	123,191
Other current assets.....	8,210	9,026
	-----	-----
TOTAL CURRENT ASSETS.....	306,190	200,359
OTHER ASSETS.....	11,698	11,392
GOODWILL AND NON-COMPETE AGREEMENTS, NET.....	114,903	105,579
PROPERTY, PLANT AND EQUIPMENT:		
Property, plant and equipment.....	276,936	256,658
Accumulated depreciation and amortization.....	(97,355)	(88,668)
	-----	-----
PROPERTY, PLANT AND EQUIPMENT, NET.....	179,581	167,990
	-----	-----
TOTAL ASSETS.....	\$ 612,372	\$ 485,320
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Short-term debt.....	\$ 1,020	\$ 1,270
Accounts payable.....	73,673	35,589
Accrued liabilities:		
Compensation and benefits.....	25,852	29,423
Other	20,350	4,973
Current portion of long-term debt and capital lease obligations.....	21,360	8,783
	-----	-----
TOTAL CURRENT LIABILITIES.....	142,255	80,038
LONG-TERM DEBT AND CAPITAL LEASE		
OBLIGATIONS, less current portion.....	197,197	150,807
DEFERRED INCOME TAXES.....	9,128	9,092
OTHER LIABILITIES.....	9,734	9,614
	-----	-----
TOTAL LIABILITIES.....	358,314	249,551
SHAREHOLDERS' EQUITY:		
Preferred stock, no par value; shares authorized 1,000,000; issued and outstanding, none		
Common stock, no par value; shares authorized 40,000,000; issued and outstanding, 19,802,633 and 19,719,114.....	19,803	19,719
Additional paid-in capital.....	80,585	79,800
Retained earnings.....	153,902	136,645
Accumulated other comprehensive earnings.....	923	860
	-----	-----
	255,213	237,024
Officers' stock notes receivable.....	(1,155)	(1,255)
	-----	-----
TOTAL SHAREHOLDERS' EQUITY.....	254,058	235,769
	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY.....	\$ 612,372	\$ 485,320
	=====	=====

See notes to consolidated condensed financial statements.

UNIVERSAL FOREST PRODUCTS, INC.
CONSOLIDATED CONDENSED STATEMENTS OF EARNINGS
(Unaudited)

(in thousands, except per share data)

	Three Months Ended		Six Months Ended	
	June 30, 2001	June 24, 2000	June 30, 2001	June 24, 2000
NET SALES.....	\$ 486,348	\$ 431,578	\$ 770,986	\$ 735,650
COST OF GOODS SOLD.....	419,951	374,280	661,470	637,941
GROSS PROFIT.....	66,397	57,298	109,516	97,709
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES.....	38,869	32,045	71,142	59,363
EARNINGS FROM OPERATIONS.....	27,528	25,253	38,374	38,346
INTEREST, NET:				
Interest expense.....	3,539	3,607	6,738	6,775
Interest income.....	(245)	(160)	(317)	(246)
	3,294	3,447	6,421	6,529
EARNINGS BEFORE INCOME TAXES, MINORITY INTEREST AND EQUITY IN EARNINGS (LOSS) OF INVESTEE.....	24,234	21,806	31,953	31,817
INCOME TAXES.....	9,179	8,563	12,035	12,516
EARNINGS BEFORE MINORITY INTEREST AND EQUITY IN EARNINGS (LOSS) OF INVESTEE.....	15,055	13,243	19,918	19,301
MINORITY INTEREST.....	(794)	(307)	(861)	(330)
EQUITY IN EARNINGS (LOSS) OF INVESTEE.....	(23)	(19)	158	27
NET EARNINGS.....	\$ 14,238	\$ 12,917	\$ 19,215	\$ 18,998
	=====	=====	=====	=====
EARNINGS PER SHARE - BASIC.....	\$ 0.72	\$ 0.64	\$ 0.97	\$ 0.94
EARNINGS PER SHARE - DILUTED.....	\$ 0.70	\$ 0.63	\$ 0.95	\$ 0.93
WEIGHTED AVERAGE SHARES OUTSTANDING.....	19,792	20,144	19,753	20,140
WEIGHTED AVERAGE SHARES OUTSTANDING WITH COMMON STOCK EQUIVALENTS.....	20,388	20,501	20,315	20,513

See notes to consolidated condensed financial statements.

UNIVERSAL FOREST PRODUCTS, INC.
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)

(in thousands)

	Six Months Ended	
	June 30, 2001	June 24, 2000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	\$ 19,215	\$ 18,998
Adjustments to reconcile net earnings to net cash from operating activities:		
Depreciation.....	9,498	7,862
Amortization of non-compete agreements and goodwill.....	2,180	1,639
Loss on sale of property, plant and equipment.....	38	5
Changes in:		
Accounts receivable.....	(68,218)	(40,083)
Inventories.....	(21,951)	(9,577)
Accounts payable.....	36,701	23,647
Accrued liabilities and other.....	9,909	3,209
NET CASH FROM OPERATING ACTIVITIES.....	(12,628)	5,700
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment.....	(17,924)	(15,623)
Acquisitions, net of cash received.....	(21,559)	(32,386)
Proceeds from sale of property, plant and equipment.....	399	440
Other.....	512	(520)
NET CASH FROM INVESTING ACTIVITIES.....	(38,572)	(48,089)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net borrowings of notes payable and revolving credit facilities.....	67,600	48,774
Proceeds from issuance of long-term debt.....		1,937
Repayment of long-term debt, net.....	(9,038)	(7,181)
Proceeds from issuance of common stock.....	783	379
Dividends paid to shareholders.....	(792)	(808)
Repurchase of common stock.....	(1,255)	(2,070)
NET CASH FROM FINANCING ACTIVITIES.....	57,298	41,031
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	6,098	(1,358)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR.....	2,392	4,106
CASH AND CASH EQUIVALENTS, END OF PERIOD.....	\$ 8,490	\$ 2,748
	=====	=====
SUPPLEMENTAL SCHEDULE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest.....	\$ 6,554	\$ 6,117
Income taxes paid	2,434	3,359
NON-CASH FINANCING ACTIVITIES:		
Stock exchanged for note receivable.....		\$ 801

See notes to consolidated condensed financial statements.

UNIVERSAL FOREST PRODUCTS, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Unaudited)

A. BASIS OF PRESENTATION

The accompanying unaudited interim consolidated condensed financial statements (the "Financial Statements") of Universal Forest Products, Inc. and its wholly-owned and majority-owned subsidiaries and partnerships (together, the "Company"), have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, the Financial Statements do not include all of the information and footnotes normally included in the annual consolidated financial statements prepared in accordance with generally accepted accounting principles. All significant intercompany transactions and balances have been eliminated.

In the opinion of management, the Financial Statements contain all material adjustments necessary to present fairly the consolidated financial position, results of operations and cash flows, and changes in shareholders' equity of the Company for the interim periods presented. All such adjustments are of a normal recurring nature. These Financial Statements should be read in conjunction with the consolidated financial statements, and footnotes thereto, included in the Company's Annual Report to Shareholders on Form 10-K for the fiscal year ended December 30, 2000.

Certain reclassifications have been made to the Financial Statements for 2000 to conform to the classifications used in 2001.

B. COMPREHENSIVE INCOME

Comprehensive income consists of net income and foreign currency translation adjustments. Comprehensive income was approximately \$14.6 million and \$12.9 million for the quarters ending June 30, 2001 and June 24, 2000, respectively. During the six months ended June 30, 2001 and June 24, 2000, comprehensive income was approximately \$19.3 million and \$19.1 million, respectively.

C. EARNINGS PER COMMON SHARE

A reconciliation of the changes in the numerator and the denominator from the calculation of basic EPS to the calculation of diluted EPS follows (in thousands, except per share data):

UNIVERSAL FOREST PRODUCTS, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS - CONTINUED

	Three Months Ended 6/30/01			Three Months Ended 6/24/00		
	Income (Numerator)	Shares (Denominator)	Per Share Amount	Income (Numerator)	Shares (Denominator)	Per Share Amount
NET EARNINGS.....	\$ 14,238			\$ 12,917		
EPS - BASIC						
Income available to common stockholders.....	14,238	19,792	\$0.72 =====	12,917	20,144	\$0.64 =====
EFFECT OF DILUTIVE SECURITIES						
Options.....		596 -----			357 -----	
EPS - DILUTED						
Income available to common stockholders and assumed options exercised.....	\$ 14,238 =====	20,388 =====	\$0.70 =====	\$ 12,917 =====	20,501 =====	\$0.63 =====
	Six Months Ended 6/30/01			Six Months Ended 6/24/00		
	Income (Numerator)	Shares (Denominator)	Per Share Amount	Income (Numerator)	Shares (Denominator)	Per Share Amount
NET EARNINGS.....	\$ 19,215			\$ 18,998		
EPS - BASIC						
Income available to common stockholders.....	19,215	19,753	\$0.97 =====	18,998	20,140	\$0.94 =====
EFFECT OF DILUTIVE SECURITIES						
Options.....		562 -----			373 -----	
EPS - DILUTED						
Income available to common stockholders and assumed options exercised.....	\$ 19,215 =====	20,315 =====	\$0.95 =====	\$ 18,998 =====	20,513 =====	\$0.93 =====

Options to purchase 434,547 shares of common stock at exercise prices ranging from \$18.25 to \$36.01 were outstanding at June 30, 2001, but were not included in the computation of diluted EPS for the quarter and six months ended June 30, 2001 because the options' exercise prices were greater than the average market price of the common stock and, therefore, would be antidilutive.

D. GOODWILL AND OTHER INTANGIBLE ASSETS

In July 2001, the Financial Accounting Standards Board issued Statement of Financial Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). This statement changes the accounting and reporting for goodwill and other intangible assets. Upon adoption of this statement, goodwill will no longer be amortized, however tests for impairment will be

UNIVERSAL FOREST PRODUCTS, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS - CONTINUED

performed annually or when a triggering event occurs. This statement will apply to assets acquired after June 30, 2001, and existing goodwill and other intangible assets upon the adoption of SFAS 142, in fiscal 2002. Pre-tax amortization of goodwill for the six months ended June 30, 2001, was \$1.7 million. The Company is evaluating the effect of SFAS 142 on the consolidated financial statements.

E. BUSINESS COMBINATIONS

On February 28, 2001, a subsidiary of the Company acquired 50% of the assets of D&R Framing Contractors ("D&R") of Englewood, Colorado. The total purchase price to the Company was approximately \$7.6 million. The excess of the purchase price over the estimated fair value of the acquired assets, assumed liabilities and minority interest was \$7.0 million, and has been recorded as goodwill. D&R's results of operations are included in the Company's consolidated condensed financial statements since the date of acquisition.

On March 2, 2001, a subsidiary of the Company acquired the remaining 50% of ECJW Holdings, Inc. and its two subsidiaries, Thorndale Roof Systems, Inc. and Eddor Floor Systems, Inc. (collectively "TED"). The purchase price for the remaining stock of TED was approximately \$3.5 million. The excess of the purchase price over the previously recorded minority interest was \$2.3 million, and has been recorded as goodwill. TED's results of operations are included in the Company's consolidated condensed financial statements since the date of the initial acquisition.

On June 1, 2001, subsidiaries of the Company acquired certain assets of the Superior Truss Division of Banks Corporation ("Superior"). The assets include operations in Syracuse, Indiana and Minneota, Minnesota which serve the site-built construction market. The total purchase price for the assets was approximately \$11.0 million. The excess of the purchase price over the estimated fair value of the acquired assets was \$2.1 million and has been recorded as goodwill. Superior's results of operations are included in the Company's consolidated condensed financial statements since the date of acquisition.

UNIVERSAL FOREST PRODUCTS, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

RISK FACTORS

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. The forward-looking statements are based on the beliefs and assumptions of management of the Company together with information available to the Company when the statements were made. Future results could differ materially from those included in such forward-looking statements as a result of, among other things, the factors set forth below and certain economic and business factors which may be beyond the control of the Company. Investors are cautioned that all forward-looking statements involve risks and uncertainty.

Lumber Market Volatility:

The Company experiences significant fluctuations in the cost of commodity lumber products from primary producers. A variety of factors over which the Company has no control, including government regulations, environmental regulations, weather conditions, economic conditions and natural disasters, impact the cost of lumber products and the Company's selling prices. While the Company attempts to minimize its risk from severe price fluctuations, substantial, prolonged trends in lumber prices can affect the Company's financial results. The Company anticipates that these fluctuations will continue in the future. Management utilizes the Random Lengths composite price (see "Fluctuations in Lumber Prices"), which is a weighted average of nine key framing lumber prices chosen from major producing areas and species, as a broad measure of price movement in the commodity lumber market ("Lumber Market").

Competition:

The Company is subject to competitive selling and pricing pressures in its major markets. While the Company is generally aware of its existing competitors' capabilities, it is subject to entry in its markets by new competitors, which could negatively impact financial results.

Market Growth:

The Company's sales growth is dependent, in part, upon growth of the markets it serves. If the Company's markets do not achieve anticipated growth, or if the Company fails to maintain its market share, financial results could be impaired. The manufactured housing industry is currently hampered by market conditions, including an oversupply of product, increased repossessions and tightened credit policies, which have impacted the Company's ability to achieve short-term growth objectives. A continued downturn in this market could adversely affect the Company's operating results.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS - CONTINUED

Economic Trends:

Management believes the Company's ability to achieve growth in sales and margins to the site-built construction market is somewhat dependent on housing starts. If housing starts decline significantly, the Company's financial results could be impacted.

Business Combinations:

A key component of the Company's growth strategy is to complete business combinations. Business combinations involve inherent risks, including assimilation and successfully managing growth. While the Company conducts extensive due diligence and has taken steps to ensure successful assimilation, factors beyond the Company's control could influence the results of these acquisitions.

Consolidation:

The Company is witnessing consolidation by its customers. These consolidations will result in a larger portion of the Company's sales being made to some customers and may limit the customer base the Company is able to serve.

Government Regulations:

The Company is subject to a variety of government regulations which create a financial burden on the Company. If additional laws and regulations are enacted in the future which restrict the ability of the Company to manufacture or market its products, including its preservative-treated products, it could adversely affect the Company's sales and profits. If existing laws are interpreted differently, it could increase the financial cost to the Company.

The Company's wood preservation process involves the use of a chromated copper arsenate (CCA) solution that is applied to wood products under pressure. The Company understands, based on published industry reports, that CCA is a safe and effective product to prolong the use of many of the Company's wood products. The Company is aware of certain allegations that the existence of arsenic in such products presents a threat to public health. To date, the Company has no evidence supporting the validity of any of these allegations. Nevertheless, and presumably due to these allegations, the State of Florida has imposed a moratorium on the use of CCA treated wood in Florida state parks. The expansion of limits on the use of CCA treated lumber within Florida or by other states could have a negative impact on the Company's results of operations.

The United States government recently suspended the implementation of proposed changes in the arsenic drinking water standards adopted in the last days of the Clinton administration. If the proposed changes are adopted, which reduce the current standard for arsenic of 50 parts per billion,

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS - CONTINUED

the Company anticipates that other threshold levels, such as storm water and soil limitations, will be reduced. These requirements, if adopted, could have a significant adverse impact on the Company's cost of operations.

Weather Conditions:

The majority of the Company's products are used or installed in outdoor construction activities, therefore its short-term sales volume and profits can be negatively affected by adverse weather conditions. In addition, adverse weather conditions can negatively impact the Company's productivity and costs per unit.

Seasonality:

Some aspects of the Company's business are seasonal in nature and results of operations vary from quarter to quarter. The Company's treated lumber and outdoor specialty products, such as fencing, decking and lattice, experience the greatest seasonal effects. Sales of treated lumber, primarily consisting of Southern Yellow Pine ("SYP"), also experience the greatest Lumber Market risk. Treated lumber sales are generally at their highest levels between the months of April through August. This sales peak, combined with capacity constraints in the wood treatment process, requires the Company to build its inventory of treated lumber throughout the winter and spring. Since sales prices of treated lumber products may be indexed to the Lumber Market at the time they are shipped, the Company's profits can be negatively affected by prolonged declines in the Lumber Market during its primary selling season. To mitigate this risk, programs are maintained with certain vendors and customers that are intended to decrease the Company's exposure. These programs include those materials which are most susceptible to adverse changes in the Lumber Market. Vendor programs also allow the Company to carry a lower investment in inventories.

E-Business/E-Commerce:

While the Company has invested heavily in technology and established electronic business-to-business efficiencies with certain customers and vendors, the willingness of customers and vendors to modify existing distribution strategies poses a potential risk. The Company believes the nature of its products, together with its value-added services, ensures that it has a secure position in the supply chain.

When analyzing this report to assess the future performance of the Company, please recognize the potential impact of the various factors set forth above.

UNIVERSAL FOREST PRODUCTS, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS - CONTINUED

FLUCTUATIONS IN LUMBER PRICES

The following table presents the Random Lengths framing lumber composite price for the six months ended June 30, 2001 and June 24, 2000:

	Random Lengths Composite Average \$/MBF	
	2001	2000
	----	----
January.....	\$269	\$386
February.....	285	385
March.....	306	382
April.....	331	359
May.....	411	326
June.....	365	331
Second quarter average.....	\$369	\$339
Year-to-date average.....	\$328	\$362
Second quarter percentage increase from 2000.....	8.9%	
Year-to-date percentage decrease from 2000.....	(9.4%)	

In addition, a SYP composite price, prepared and used by the Company, is presented below. Sales of products produced using this species comprise up to 50% of the Company's sales volume.

	Average \$/MBF	
	2001	2000
	----	----
January.....	\$369	\$488
February.....	393	490
March.....	408	494
April	427	483
May.....	509	439
June.....	496	456
Second quarter average.....	\$477	\$459
Year-to-date average.....	\$434	\$475
Second quarter percentage increase from 2000.....	3.9%	
Year-to-date percentage decrease from 2000	(8.6%)	

UNIVERSAL FOREST PRODUCTS, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS - CONTINUED

The effects of the Lumber Market on the Company's results of operations are discussed below under the caption "Net Sales."

BUSINESS COMBINATIONS

On February 28, 2001, a subsidiary of the Company acquired 50% of the assets of D&R Framing Contractors ("D&R") of Englewood, Colorado for approximately \$7.6 million. D&R had net sales in fiscal 2000 totaling approximately \$44 million.

On March 2, 2001, a subsidiary of the Company acquired the remaining 50% of ECJW Holdings, Inc. and its two subsidiaries, Thorndale Roof Systems, Inc. and Edcor Floor Systems, Inc. (collectively "TED"). The purchase price for the remaining stock of TED was approximately \$3.5 million.

On June 1, 2001, subsidiaries of the Company acquired certain assets of the Superior Truss Division of Banks Corporation ("Superior"). The assets include operations in Syracuse, Indiana and Minneota, Minnesota which serve the site-built construction market. The total purchase price for the assets was approximately \$11.0 million. Superior had net sales in fiscal 2000 totaling approximately \$20 million.

RESULTS OF OPERATIONS

The following table presents, for the periods indicated, the components of the Company's Consolidated Condensed Statement of Earnings as a percentage of net sales.

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2001	June 24, 2000	June 30, 2001	June 24, 2000
Net sales.....	100.0%	100.0%	100.0%	100.0%
Cost of goods sold.....	86.3	86.7	85.8	86.7
Gross profit.....	13.7	13.3	14.2	13.3
Selling, general, and administrative expenses.....	8.0	7.4	9.2	8.1
Earnings from operations.....	5.7	5.9	5.0	5.2
Interest, net.....	0.7	0.8	0.8	0.9

UNIVERSAL FOREST PRODUCTS, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS - CONTINUED

Earnings before income taxes, minority interest and equity in earnings (loss) of investee.....	5.0	5.1	4.2	4.3
Income taxes.....	1.9	2.0	1.6	1.7
	-----	-----	-----	-----
Earnings before minority interest and equity in earnings (loss) of investee.....	3.1	3.1	2.6	2.6
Minority interest.....	(0.2)	(0.1)	(0.1)	(0.0)
Equity in earnings (loss) of investee.....	(0.0)	(0.0)	0.0	0.0
	-----	-----	-----	-----
Net earnings.....	2.9%	3.0%	2.5%	2.6%
	=====	=====	=====	=====

NET SALES

The Company engineers, manufactures, installs, treats and distributes lumber and other building products to the do-it-yourself ("DIY"), site-built construction, manufactured housing, wholesale lumber and industrial markets. The Company's strategic sales objectives include:

- - Diversifying the Company's end market sales mix by increasing its sales of specialty wood packaging to industrial users and engineered wood products to the site-built construction market. Engineered wood products include roof trusses, wall panels and floor systems.
- - Increasing sales of "value-added" products. Value-added product sales consist of fencing, decking, lattice and other specialty products sold to the DIY market; specialty wood packaging; and engineered wood products. A long-term goal of the Company is to achieve a ratio of value-added sales to total sales of at least 50%. Although the Company considers the treatment of dimensional lumber with certain chemical preservatives a value-added process, treated lumber is not presently included in the value-added sales totals.
- - Maximizing profitable top-line sales growth while increasing DIY market share.
- - Maintaining manufactured housing market share.

In order to measure its progress toward attaining these objectives, management analyzes the following financial data:

- - Sales by market classification.
- - The percentage change in sales attributable to changes in overall selling prices versus changes in the quantity of units shipped.

UNIVERSAL FOREST PRODUCTS, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS - CONTINUED

- - The ratio of value-added product sales to total sales.
This information is included in the tables and narrative that follow.

The following table presents, for the periods indicated, the Company's net sales (in thousands) and percentage of total net sales by market classification.

Market Classification	For the Three Months Ended				For the Six Months Ended			
	June 30, 2001	%	June 24, 2000	%	June 30, 2001	%	June 24, 2000	%
DIY.....	\$ 272,407	56.0%	\$230,899	53.5%	\$ 400,483	51.9%	\$ 365,612	49.7%
Site-Built Construction.....	81,963	16.9	62,987	14.6	143,817	18.7	111,890	15.2
Manufactured Housing.....	74,907	15.4	84,413	19.6	124,568	16.2	160,510	21.8
Industrial.....	34,086	7.0	32,450	7.5	62,515	8.1	59,577	8.1
Wholesale Lumber.....	22,985	4.7	20,829	4.8	39,603	5.1	38,061	5.2
Total.....	\$ 486,348	100.0%	\$431,578	100.0%	\$ 770,986	100.0%	\$ 735,650	100.0%
	=====	=====	=====	=====	=====	=====	=====	=====

Note: In the second quarter of 2001, the Company reviewed the classification of its customers and made certain reclassifications. Prior year information has been restated to reflect these reclassifications.

Net sales in the second quarter of 2001 increased 12.7% compared to the second quarter of 2000, resulting from an increase in units shipped. Overall selling prices were minimally impacted by the Lumber Market (see "Fluctuations in Lumber Prices"). The increase in units shipped was primarily driven by sales from newly acquired plants serving the site-built construction market, increased unit sales to the industrial market and additional business with the Company's largest DIY customer.

Net sales increased in the first six months of 2001 compared to the same period of 2000, primarily due to an increase in units shipped, partially offset by a decrease in overall selling prices. The increase in units shipped was due to the same factors stated above. Overall selling prices decreased due to the Lumber Market (see "Fluctuations in Lumber Prices").

The following table presents, for the periods indicated, the Company's percentage of value-added and commodity-based sales to total sales.

	Three Months Ended		Six Months Ended	
	June 30, 2001	June 24, 2000	June 30, 2001	June 24, 2000
Value-Added.....	45.4%	41.4%	47.2%	42.5%
Commodity-Based.....	54.6%	58.6%	52.8%	57.5%

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS - CONTINUED

Value-added sales increased 23.6% in the second quarter and 16.5% for the first six months of 2001, primarily due to increased sales of engineered roof trusses, I-joists and Open Joist 2000 products to the site-built construction market and fencing and decking to the DIY market. The increase in sales of these products was partially offset by a decline in truss sales to the manufactured housing market. In addition, commodity-based sales decreased due to a decline in units shipped to the manufactured housing market.

DIY/Retail:

Net sales to the DIY/retail market increased in the second quarter and first six months of 2001 compared to the same periods of 2000. These increases were due primarily to an increase in sales to the Company's largest customer as a result of new store openings, additional business the Company was able to capture and improved weather conditions.

Site-Built Construction:

Net sales to the site-built construction market increased in the second quarter and first six months of 2001 compared to the same periods of 2000. These increases were primarily due to increased unit sales as a result of newly acquired facilities. In addition, sales increased 6.5% and 6.1% from existing facilities in the second quarter and first six months of 2001, respectively.

Manufactured Housing:

Net sales to the manufactured housing market decreased in the second quarter and first six months of 2001 compared to the same periods of 2000, primarily due to a decline in units shipped. The industry continues to struggle with an oversupply of finished homes at the retail level, tight credit conditions and an increase in repossessions. On April 3, 2001, the Company increased its market share by acquiring certain assets of the Sunbelt Wood Components division of Kevco, Inc.

Industrial:

Net sales to the industrial market increased in the second quarter and first six months of 2001 compared to the same periods of 2000. These increases were primarily due to increased market share in several regions from redirecting sales efforts and manufacturing capacity at certain plants as a result of the downturn in the manufactured housing market.

COST OF GOODS SOLD AND GROSS PROFIT

Gross profit as a percentage of net sales increased in the second quarter of 2001 compared to the same period of 2000. This increase was primarily due to an increase in the ratio of value-added

UNIVERSAL FOREST PRODUCTS, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS - CONTINUED

product sales to the Company's total sales due to increased sales of engineered wood products to the site-built construction market and fencing and decking to the DIY market.

Gross profit as a percentage of net sales increased in the first six months of 2001 compared to the same period of 2000. In addition to the above factor, the increase was due to the lower overall level of the Lumber Market in the first six months of 2001 compared to 2000. The selling prices of several products are indexed to the Lumber Market along with a fixed dollar "adder" to cover conversion costs and profits. Therefore, in periods when the Lumber Market is down, the fixed adder will result in higher gross margins.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses increased in the second quarter and first six months of 2001 compared to the same periods of 2000. These increases were primarily due to expenses added through business acquisitions and other new operations, and an increase in selling and administrative headcount to support the growth of the business and to pursue strategic initiatives.

INTEREST, NET

Net interest costs remained relatively flat in the second quarter and first six months of 2001 compared to the same periods of 2000. Although the Company had a higher average debt balance as a result of business acquisitions in 2001, this was offset by a decrease in short-term borrowing rates on variable rate debt.

INCOME TAXES

The Company's effective tax rate was 37.9% in the second quarter of 2001 compared to 39.3% in the same period of 2000. The effective tax rate was 37.7% in the first six months of 2001 compared to 39.3% in the same period of 2000. Effective tax rates differ from statutory federal income tax rates, primarily due to provisions for state and local income taxes and permanent tax differences. The investment in D&R on February 28, 2001 resulted in an additional permanent tax difference.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows from operating activities decreased in the first six months of 2001 compared to the same period of 2000. This was primarily due to an increase in accounts receivable due to increased sales levels in June 2001 compared to June 2000, combined with a slightly longer receivables cycle in 2001.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS - CONTINUED

Due to the seasonality of its business and the effects of the Lumber Market, management believes the Company's cash cycle (days sales outstanding plus days supply of inventory less days payables outstanding) is the best indicator of its working capital management. The Company's cash cycle decreased to 44 days in the first six months of 2001 from 45 days in the first six months of 2000 primarily due to a reduction in the days supply of inventory, which was partially offset by a longer receivables cycle.

Capital expenditures totaled \$17.9 million in the first six months of 2001. Approximately \$9.2 million of this amount was spent to acquire four plants from Kevco, Inc. and two new site-built plants in Georgia and Florida. The Company expects to spend approximately \$17.0 million on capital expenditures for the balance of 2001, which includes outstanding purchase commitments on capital projects totaling approximately \$5.1 million on June 30, 2001. The Company intends to satisfy these commitments utilizing its revolving credit facilities.

The Company spent approximately \$21.6 million in the first six months of 2001 related to business acquisitions which are discussed earlier under the caption "Business Combinations." The Company funded the purchase price of these acquisitions using its revolving credit facilities.

Cash flows provided by financing activities increased in the first six months of 2001 compared to the same period of 2000, primarily due to borrowings to fund business acquisitions, seasonal working capital requirements and maturities of long-term debt. On June 30, 2001, the Company had \$72 million outstanding on its \$175 million primary revolving credit facility and \$18.7 million Canadian (\$12.7 million U.S.) outstanding on its \$20 million Canadian revolving credit facility. Financial covenants on the Company's revolving credit facilities and senior unsecured notes include a minimum net worth requirement, a minimum interest coverage test and a maximum leverage ratio. The Company was within its requirements at June 30, 2001.

ENVIRONMENTAL CONSIDERATIONS AND REGULATIONS

The Company is self-insured for environmental impairment liability and accrues for the estimated cost of monitoring or remediation activities. As of June 30, 2001, the Company owns or operates 21 wood preserving facilities throughout the United States that treat lumber products with a chemical preservative. In accordance with applicable federal, state and local environmental laws, ordinances and regulations, the Company may be potentially liable for costs and expenses related to the environmental condition of the Company's real property. The Company has established reserves for remediation activities at its North East, MD; Union City, GA; Stockertown, PA; Elizabeth City, NC; Auburndale, FL; and Schertz, TX facilities.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS - CONTINUED

The Company has accrued in other long-term liabilities amounts totaling \$2.3 million on June 30, 2001 and June 24, 2000, for the activities described above. Management believes that the potential future costs of known remediation efforts will not have a material adverse effect on its future financial position, results of operations or liquidity.

The Federal Environmental Protection Agency ("EPA") is currently performing its review of chromated copper arsenate ("CCA"), a wood preservative used by the Company to extend the useful life of the wood fiber. As part of this review process, the wood preservation industry and the EPA have agreed on a revised consumer information program to advise consumers of safe handling information for CCA treated wood. This new program will increase the Company's costs of marketing the product, but is not expected to materially impact sales of CCA treated wood.

In addition, an environmental group has petitioned the Consumer Products Safety Commission ("CPSC") to ban the use of CCA treated wood in playsets. The Company has been assured by its vendors and by scientific studies that CCA treated lumber poses no unreasonable risks and its continued use should be permitted.

Any action by EPA or the CPSC to limit the use of CCA treated lumber will likely have a material adverse impact on the Company's results of operation in the short term.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risks related to fluctuations in interest rates on its variable rate debt, which consists of revolving credit facilities and industrial development revenue bonds. The Company does not currently use interest rate swaps, futures contracts or options on futures, or other types of derivative financial instruments to mitigate this risk.

For fixed rate debt, changes in interest rates generally affect the fair market value, but not earnings or cash flows. Conversely, for variable rate debt, changes in interest rates generally do not influence fair market value, but do affect future earnings and cash flows. The Company does not have an obligation to prepay fixed rate debt prior to maturity, and as a result, interest rate risk and changes in fair market value should not have a significant impact on such debt until the Company would be required to refinance it.

UNIVERSAL FOREST PRODUCTS, INC.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

During the quarter, the Company received a request for indemnification from a major customer in two separate lawsuits which seek class action status. One case, titled Jerry Jacobs et. al. v. Osmose, Inc. et. al., is pending in the U.S. District Court for the Southern District of Florida. A second case, Albert Miller et. al. vs. Home Depot, USA Inc., et. al. is pending in the U.S. District Court for the Western District of Louisiana.

In both cases, the putative plaintiffs allege that CCA treated lumber is defective and also allege that the marketing of the product is either deceptive or not sufficiently informative as to the risks of the product. The plaintiffs seek removal of CCA treated lumber, together with financial remuneration.

The Company believes the claims are baseless and without merit. To the extent the Company is required to defend these actions, it intends to do so vigorously.

Item 2. Changes in Securities.

(a) None.

(b) None.

(c) Sales of equity securities in the second quarter not registered under the Securities Act.

	Date of Sale	Class of Stock	Number of Shares	Purchasers	Consideration Exchanged
	-----	-----	-----	-----	-----
Stock Gift Program	Various	Common	527	Eligible persons	None
Stock Option Exercises	Various	Common	152,500	Eligible officers	\$686,260

UNIVERSAL FOREST PRODUCTS, INC.

PART II. OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders.

The following matters were voted upon at the Company's Annual Meeting of Shareholders on April 18, 2001.

- (1) Election of the following Directors for three year terms expiring in 2004:

	For -----	Withheld -----
William G. Currie	16,193,041	85,943
Philip M. Novell	16,192,943	86,040

Other Directors whose terms of office continued after the meeting are as follows:

John C. Canepa
 John W. Garside
 Peter F. Secchia
 Carroll M. Shoffner
 Louis A. Smith

Item 6. Exhibits and Reports on Form 8-K.

- (a) None.
- (b) Reports on Form 8-K.

During the second quarter, the Company filed a report of Form 8-K dated June 14, 2001: Item 4. Changes in Registrant's Certifying Accountant.

UNIVERSAL FOREST PRODUCTS, INC.

SIGNATURE

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

UNIVERSAL FOREST PRODUCTS, INC.

Date: August 9, 2001
-----By: /s/ William G. Currie

William G. Currie

Its: Vice Chairman of the Board and
Chief Executive OfficerDate: August 9, 2001
-----By: /s/ Michael R. Cole

Michael R. Cole

Its: Chief Financial Officer