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ORG
P. SHACK

TIMBERLAND

1982 ANNUAL REPORT

SCOTT'S FOUNDRY LIBRARY

With guarded optimism it appears that the year 1982 marked the end of the deepest and most prolonged housing industry decline, as measured by housing starts, since 1946. High mortgage rates and the general economy in recession virtually eliminated the possibility of home ownership for the vast majority of first time buyers. Housing starts peaked in 1978, edged down in 1979 and dropped sharply through 1982. Some of our major regional markets were down 50% in 1982 from 1981 levels, and 1981 was severely depressed. But from available statistics and increased business activity in the first quarter of 1983, we believe the long awaited housing industry turnaround has arrived!

Despite the economic problems we dealt with, I can report that the Company is in solid financial condition and well positioned to participate in the expected, predicted and to some extent evident, recovery.

In 1982 our operating loss was \$730,000 or \$.80 per share compared to a profit of \$60,000 or \$.06 per share in 1981. Revenues declined 13% to \$28.1 million from \$32.4 million in 1981.

Our overall business strategy for 1982 was to continue with our existing operations, manage as prudently as possible, maintain a strong market presence, stay abreast of industry trends, increase our share of the available market, and position operating groups for the coming turnaround.

In all management matters during this period we have acted frugally—including areas such as salaries, expenses, inventory levels, credit policy, personnel, quality control, productivity and marketing intensity. Adversity is a great teacher and we believe we are a stronger company today than we were three years ago. This we believe will be most evident in a healthy business environment that we anticipate will be present over the next several years.

We have been reasonably successful in diverting our energies to the remodeling, retail, commercial and export markets. We are dedicated to continue our growth in these areas even

in light of the increased new housing construction activity domestically. Over time, we expect these markets will be our best insurance against future housing recessions.

While we have been making every effort to minimize the impact of the recession, we have also been looking for opportunities for growth. Our acquisition of WindowVisions, Inc. in January 1983 represents a positive step in our efforts to expand our operations into compatible business and markets, and position ourselves for future growth. WindowVisions is a manufacturer of wood frame windows, patio doors and solarium components for residential and light commercial new construction and the retrofit or replacement market.

Current housing industry trends indicate an expanding market for wood windows. Major trends include—(1) an increasing awareness of the cost saving features of wood windows, (2) a growing concern with quality and aesthetics that wood can satisfy, and (3) a narrowing of the price differential between wood and aluminum windows. In the replacement markets wood windows, with insulating glass, replace old single glazed units without altering the original building appearance, yet provide substantial energy cost savings. We are very optimistic about the earning capacity of this new division.

Over the past several months we have also been investigating the potential for acquiring Empire Pacific Industries of Portland, Oregon. Recently we announced that we had terminated our interest. Had all the elements of our original evaluation materialized, it could have been a very attractive acquisition for the Company. However, our final analysis indicated that the financial risks outweighed the potential gains.

We have in the past struggled through difficult economic times and capitalized on opportunities during favorable economic periods. After surviving the 1980-1982 period we are looking forward to a recovery that despite periodic ups and downs, will provide a more positive and profitable economic climate. We have the people, the facilities and the financial ability to get the job done. Timberland is on the move.



J. Allan MacDonald
President

WINDOWVISIONS

WindowVisions manufactures and sells a complete line of products using wood frames and insulated glass including windows, patio doors and specialty units such as skylights, solariums, skywalls and garden windows. Many optional features allow the products to meet the unique needs of new residential and light commercial construction as well as remodeling and retrofit markets. Products are sold direct to builders in certain key markets and through dealers and distributors throughout Alaska, Washington and Oregon.

Douglas Fir is used exclusively in the products for durability, strength and appearance. While a wide range of standard sizes are available, many custom sizes are also offered. All products are manufactured in Kirkland, Washington in a modern 36,000 square foot facility—the third expansion since the firm started in 1978. With several new products on the drawing boards and aggressive distribution expansion plans underway, WindowVisions is becoming a major producer and supplier of windows and related products to the building industry.

WESTERN CABINET

Western Cabinet is the leading manufacturer and distributor of interior prefinished wood systems for the single family and multi-family residential builder in the state of Washington. Their complete, modern, multi-product cabinet manufacturing facility is located within their main plant in Woodinville, Washington. Other functions include prehang and prefinishing of interior and exterior doors and the manufacture and prefinishing of a broad variety of interior wood moldings and other interior wood products.

In addition to serving the residential builder, Western Cabinet markets their kitchen cabinets and bathroom vanities through Washington dealers serving the do-it-yourself (D-I-Y) market and to distributors in Hawaii, Alaska, Oregon, Idaho and Montana serving both the residential builder and D-I-Y markets in those areas. A branch warehouse and sales office is located in Boise, Idaho.

In 1980 Western Cabinet moved into its new 140,000 square foot manufacturing facility in Woodinville, Washington, one of the most modern wood manufacturing and distribution facilities in the western United States.

Western Cabinet has been in business since 1953.

BRENNAN SUPPLY

Brennan Supply Company functions in two industries: commercial construction and residential home building. The primary business is serving the residential builder and his customers with lighting fixtures, door hardware, and a host of other builder hardware products, including exhaust fans, medicine cabinets, mirrors, security systems, vacuum cleaning systems, range hoods, special appliances, vanities and bathroom and cabinet hardware. Showrooms for the display of these products are located in Seattle and Redmond, and are an integral part of this business. Retail sales are also made at these showrooms for the do-it-yourself remodel market.

The other segment of Brennan's operation is the complex commercial and institutional hardware business where specialists select, coordinate, design and supply hardware, doors and door frames to meet rigid code requirements for new hotels, hospitals, prisons, office buildings, schools and multi-family condominiums and apartments. Sales for remodeling and replacement in older commercial buildings are an integral part of the business.

Facilities include a 12,000 square foot showroom and warehouse in Seattle, a 14,000 square foot showroom and warehouse in Redmond, and the commercial work is performed in a 10,000 square foot office and warehouse in Kirkland, Washington.

Brennan Supply has been in business in the Seattle area since 1948.

CAL-WOOD

Cal-Wood is a major manufacturer of flush wood doors with headquarters in Santa Rosa, California. In the commercial segment of the door business, Cal-Wood is the leading manufacturer in the western U.S. with nation wide distribution as well as a modest share of international markets. A broad range of wood species, including oak, cherry, walnut, birch, koa, lauan and mahogany are employed. Sizes range up to 4' x 10'. Fire protection ratings up to 1½ hours, sound proof and lead lined radiation protection doors are also produced. In addition, the company also offers sophisticated prefinishing as well as pre-machining for complex hardware applications.

In the residential market segment Cal-Wood produces interior doors for the new construction market and for the do-it-yourself retail market in a variety of unfinished and prefinished configurations.

Facilities include a modernly equipped 90,000 square foot manufacturing plant and a 10,000 square foot millwork facility. Cal-Wood has been in business since 1967.

MANAGEMENT'S DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

Reflecting the continued decline in housing starts, the Company's revenues were off 13.5% in 1982 from 1981 levels. Gross profit margins as a percent of sales, before application of overhead, increased from 15.2% in 1981 to 19.8% in 1982. This is a substantial increase and is a reflection of the Company's long-term commitment to increased productivity. Average interest cost for long-term borrowing continued to decline from 10.5% in 1981 to 10.2% in 1982. This is a result of paying-off short maturities that had been carrying higher rates of interest. Interest cost on short-term funds also declined dramatically in 1982 to 15.1% from 20.3% in 1981. This is a result of substantial declines in the prime interest rate during the year. These rate decreases appear to be continuing in 1983 and should be reflected in an even lower average in 1983, which will be reflected in improved earnings for the year.

It was difficult to maintain the low level of expenses achieved in 1981. Selling and administrative expenses increased both in terms of dollars and as a percent of sales. The Company found this necessary to maintain its market position and be properly postured to take advantage of an improved economic climate in 1983. The increase also reflects some increased investment in computer systems and recognition of a few sizable uncollectable accounts among customers of long standing who were not able to weather the storm in the 1982 housing decline.

As a result of the 1982 earnings loss, the Company will have a claim for refundable Federal income taxes paid in prior years. The amount refundable should be \$560,000. An additional amount may be recoverable from future years' profits.

The Company's revenues were off 3.5% in 1981, accompanied by a lower gross profit margin from 17.2% in 1980 to 15.2% in 1981. While the average interest cost for long-term debt declined to 10.5% in 1981 from 12.0% in 1980, the average cost of short-term funds increased to 20.3% in 1981 from 17.1% in 1980.

As a result of cost-cutting programs, selling and G&A expense decreased by 3.1% in 1981, but increased slightly as a percentage of sales to 15.7% from 15.6% in 1980. The increase reflected the Company's continued efforts to expand into new market areas and take advantage of new export opportunities.

Much needed equipment improvements by Cal-Wood Door accounted for the 11% increase in depreciation in 1981. The Company had a net operating loss for Federal income tax purposes, which resulted in substantial tax refunds. These refunds were substantially all at 48% plus the carry-back of certain credits which increased the overall effective rate on refundable Federal income taxes.

FINANCIAL POSITION

During 1982, working capital declined from \$3.4 to \$2.7 million and the ratio of current assets to current liabilities declined from 1.68 to 1 for 1981 to 1.40 to 1 at the end of 1982. The decline in working capital was the direct result of the operating loss for the year and the acquisition of necessary equipment for the manufacturing process.

Management does not feel that the decline of working capital affects the Company's ability to meet its short-term obligations. On the contrary, the Company is adequately positioned in its short-term liquidity. Its borrowing lines, which provide a substantial amount of that liquidity, are adequate for current foreseeable needs.

At the end of 1982 the Company's debt financing totalled \$7.9 million, up from \$6.9 million at the end of 1981. These debt levels were 1.33 times equity at the end of 1982, versus 1.03 times equity at the end of 1981.

While working capital declined in 1981, current ratio improved to 1.68:1 at the end of 1981 from 1.56:1 and 1.51:1 at the end of 1980 and 1979 respectively. The improvement came from the shrinking of assets and liabilities as a result of the discontinuance and/or sale of certain operations. Management did not feel that the decline of working capital affected the Company's ability to meet its short-term obligations. On the contrary, the Company is better positioned in its short-term liquidity. Its borrowing lines, which provide a substantial amount of that liquidity, are more than adequate.

At the end of 1981, the Company's debt financing totalled \$6.9 million, down from \$8.4 million at the end of 1980. These debt levels were 1.03 times equity at the end of 1981, versus 1.25 times equity at the end of 1980.

SELECTED FINANCIAL DATA

	Year ended December 31,				
	1982	1981	1980	1979	1978
	(Thousands except per share data)				
Net sales	<u>\$28,063</u>	<u>\$32,428</u>	<u>\$33,410</u>	<u>\$36,602</u>	<u>\$31,123</u>
Earnings (loss) from continuing operations	<u>\$ (730)</u>	<u>\$ (93)</u>	<u>\$ (183)</u>	<u>\$ 1,517</u>	<u>\$ 1,162</u>
Earnings (loss) from discontinued operations	<u>—</u>	<u>153</u>	<u>(727)</u>	<u>(273)</u>	<u>58</u>
Net earnings (loss)	<u>\$ (730)</u>	<u>\$ 60</u>	<u>\$ (910)</u>	<u>\$ 1,244</u>	<u>\$ 1,220</u>
Weighted average common and common equivalent shares outstanding	<u>914</u>	<u>961</u>	<u>965</u>	<u>957</u>	<u>947</u>
Net earnings (loss) per share:					
Continuing operations	<u>\$ (0.80)</u>	<u>\$ (0.10)</u>	<u>\$ (0.19)</u>	<u>\$ 1.58</u>	<u>\$ 1.23</u>
Discontinued operations	<u>—</u>	<u>0.16</u>	<u>(0.75)</u>	<u>(.28)</u>	<u>.06</u>
Net earnings (loss) per share	<u>\$ (0.80)</u>	<u>\$ 0.06</u>	<u>\$ (0.94)</u>	<u>\$ 1.30</u>	<u>\$ 1.29</u>
Dividends:					
Cash dividends per share	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.20</u>	<u>\$ 0.19</u>	<u>\$ 0.15</u>
Stock dividends	<u>—</u>	<u>—</u>	<u>—</u>	<u>20%</u>	<u>5%</u>
At year end:					
Total assets	<u>\$16,985</u>	<u>\$16,616</u>	<u>\$18,820</u>	<u>\$21,894</u>	<u>\$22,568</u>
Long-term debt	<u>\$ 3,603</u>	<u>\$ 3,955</u>	<u>\$ 4,460</u>	<u>\$ 4,233</u>	<u>\$ 1,662</u>
Working capital	<u>\$ 2,764</u>	<u>\$ 3,430</u>	<u>\$ 3,827</u>	<u>\$ 4,785</u>	<u>\$ 4,021</u>
Shareholders' equity	<u>\$ 5,954</u>	<u>\$ 6,748</u>	<u>\$ 6,793</u>	<u>\$ 7,804</u>	<u>\$ 6,696</u>

CONSOLIDATED BALANCE SHEETS

ASSETS	December 31,	
	1982	1981
Current assets:		
Accounts receivable, less allowance of \$584,000 and \$419,000 for doubt- ful accounts	\$ 4,520,000	\$ 3,521,000
Refundable Federal income taxes	560,000	353,000
Inventories	4,394,000	4,434,000
Prepaid expenses	134,000	187,000
Total current assets	9,608,000	8,495,000
Land, buildings and equipment:		
Land	452,000	590,000
Buildings	4,625,000	4,781,000
Equipment	5,471,000	5,271,000
	10,548,000	10,642,000
Less accumulated depreciation	(3,761,000)	(3,079,000)
	6,787,000	7,563,000
Other assets	590,000	558,000
	\$16,985,000	\$16,616,000

LIABILITIES AND SHAREHOLDERS' EQUITY

	December 31,	
	1982	1981
Current liabilities:		
Note payable to bank	\$ 3,910,000	\$ 2,759,000
Accounts payable	1,754,000	1,265,000
Accrued liabilities	935,000	835,000
Current portion of long-term debt	245,000	206,000
Total current liabilities	6,844,000	5,065,000
Long-term debt	3,603,000	3,955,000
Deferred taxes	584,000	848,000
Shareholders' equity:		
Common stock, par value \$.16 per share—		
Authorized, 2,500,000 shares		
Issued and outstanding, 911,300 and 969,400 shares	146,000	155,000
Additional paid-in capital	2,800,000	2,972,000
Retained earnings	3,008,000	3,738,000
Treasury stock, 37,800 shares, at cost	—	(117,000)
	5,954,000	6,748,000
	\$16,985,000	\$16,616,000

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year ended December 31,		
	1982	1981	1980
Net sales	\$28,063,000	\$32,428,000	\$33,600,000
Costs and expenses:			
Cost of sales	23,169,000	26,648,000	27,854,000
Selling and administrative expenses	5,414,000	5,076,000	5,238,000
Interest	918,000	1,187,000	1,042,000
	29,501,000	32,911,000	34,134,000
Loss from continuing operations before income tax benefit	(1,438,000)	(483,000)	(534,000)
Income tax benefit	(708,000)	(390,000)	(351,000)
Loss from continuing operations	(730,000)	(93,000)	(183,000)
Earnings (loss) from discontinued operations, net of tax of \$130,000 in 1981, and tax benefits of \$382,000 in 1980	—	153,000	(449,000)
Loss on disposition of discontinued operations, net of tax benefits of \$278,000	—	—	(278,000)
Net earnings (loss)	\$ (730,000)	\$ 60,000	\$ (910,000)
Weighted average common and common equivalent shares outstanding	914,000	961,000	965,000
Net earnings (loss) per share:			
Continuing operations	\$(0.80)	\$(0.10)	\$(0.19)
Discontinued operations	—	0.16	(0.75)
Net earnings (loss) per share	\$(0.80)	\$ 0.06	\$(0.94)

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	COMMON STOCK SHARES	COMMON STOCK AMOUNT	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	TREASURY STOCK
BALANCE at January 1, 1980	922,000	\$148,000	\$2,876,000	\$4,780,000	
Exercise of stock options	42,000	6,000	85,000		
Cash dividends				(192,000)	
Net loss				(910,000)	
BALANCE at December 31, 1980	964,000	154,000	2,961,000	3,678,000	
Exercise of stock options	5,400	1,000	11,000		
Acquisition of treasury stock					\$(117,000)
Net earnings				60,000	
BALANCE at December 31, 1981	969,400	155,000	2,972,000	3,738,000	(117,000)
Acquisition of treasury stock					(64,000)
Retirement of treasury stock	(58,100)	(9,000)	(172,000)		181,000
Net loss				(730,000)	
BALANCE at December 31, 1982	<u>911,300</u>	<u>\$146,000</u>	<u>\$2,800,000</u>	<u>\$3,008,000</u>	<u>\$ -0-</u>

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

	Year ended December 31,		
	1982	1981	1980
Source of funds:			
Operations—			
Loss from continuing operations	\$ (730,000)	\$ (93,000)	\$ (183,000)
Items not requiring the use of working capital:			
Depreciation and amortization	800,000	828,000	746,000
Deferred Federal income taxes	(148,000)	93,000	233,000
Funds provided by (used in) continuing operations	(78,000)	828,000	796,000
Earnings (loss) from discontinued operations	—	153,000	(727,000)
Depreciation not requiring working capital	—	—	63,000
Funds provided by (used in) discontinued operations	—	153,000	(664,000)
Total funds provided by (used in) operations	(78,000)	981,000	132,000
Proceeds from long-term debt	—	468,000	821,000
Disposition of equipment, net	368,000	312,000	64,000
Other	—	12,000	46,000
Exercise of stock options	—	12,000	91,000
	290,000	1,785,000	1,154,000
Application of funds:			
Acquisition of land, buildings and equipment	371,000	1,089,000	1,326,000
Reduction of long-term debt	352,000	973,000	594,000
Acquisition of treasury stock	64,000	117,000	—
Cash dividends paid	—	—	192,000
Other	169,000	—	—
	956,000	2,179,000	2,112,000
Decrease in working capital	\$ (666,000)	\$ (394,000)	\$ (958,000)
Changes in components of working capital:			
Cash	\$ —	\$ —	\$ (648,000)
Accounts receivable	999,000	(672,000)	(2,171,000)
Refundable Federal income taxes	207,000	(563,000)	916,000
Inventories	(40,000)	(966,000)	(1,279,000)
Account balances with brokers	—	—	(260,000)
Prepaid expenses	(53,000)	75,000	(39,000)
Note payable to bank	(1,151,000)	654,000	988,000
Accounts payable	(489,000)	459,000	1,023,000
Accrued liabilities	(100,000)	250,000	428,000
Current portion of long-term debt	(39,000)	369,000	(59,000)
Income taxes payable	—	—	143,000
Decrease in working capital	\$ (666,000)	\$ (394,000)	\$ (958,000)

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

THREE YEARS ENDED DECEMBER 31, 1982

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Principles of consolidation—

The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned. All significant intercompany balances and transactions have been eliminated in consolidation.

Land, buildings and equipment—

Land, buildings and equipment are recorded at cost. Depreciation of buildings and equipment is computed using the straight-line method over the estimated useful lives of the assets.

Reclassifications—

Certain reclassifications have been made in the 1981 and 1980 financial statements to conform with 1982 classifications.

NOTE B—INVENTORIES:

Inventories consist of the following—

	December 31,	
	1982	1981
Distribution merchandise	\$ 873,000	\$ 740,000
Manufacturing inventories:		
Finished goods	872,000	1,185,000
Work-in-process	585,000	486,000
Raw materials	2,064,000	2,023,000
	<u>\$4,394,000</u>	<u>\$4,434,000</u>

Inventories are valued at the lower of cost (average cost and first-in first-out basis) or market.

NOTE C—NOTE PAYABLE TO BANK:

The Company has a \$5,000,000 line of credit bearing interest at bank prime rate plus $\frac{1}{2}\%$ (12% as of December 31, 1982). Borrowings are collateralized by accounts receivable, inventories and equipment, and are subject to provisions of loan agreements and certain other restrictive covenants with which the Company has complied.

Under terms of the note, cash dividends are restricted to 20% of prior year's net earnings. As of December 31, no retained earnings were available for subsequent payment of dividends.

NOTE D—LONG-TERM DEBT:

Long-term debt consists of the following:

	December 31,	
	1982	1981
Mortgage notes bearing interest rates from 7% to 14% payable in monthly installments, including interest	\$1,785,000	\$2,083,000
Mortgage note, 10 $\frac{1}{4}\%$, 29 year amortization, callable at 15 years	2,063,000	2,078,000
	<u>3,848,000</u>	<u>4,161,000</u>
Less current portion	(245,000)	(206,000)
	<u>\$3,603,000</u>	<u>\$3,955,000</u>

Substantially all of the Company's land, buildings and equipment are pledged as collateral for the above debt.

Annual principal payments on long-term debt during each of the next five years are as follows:

1983	\$245,000
1984	285,000
1985	289,000
1986	241,000
1987	103,000

NOTE E—EMPLOYEE BENEFIT PLANS:

The Company and its subsidiaries have defined benefit pension plans covering substantially all employees. Pension expense was \$172,000 in 1982, \$125,000 in 1981, and \$127,000 in 1980. The Company makes annual contributions to the plans equal to the amounts accrued for pension expense, including amortization of past service cost over 30 years.

A comparison of accumulated plan benefits and plan net assets, determined as of the latest actuarial valuation dates, is presented below:

	January 1,	
	1982	1981
Actuarial present value of accumulated plan benefits:		
Vested	\$705,000	\$541,000
Nonvested	271,000	218,000
	<u>\$976,000</u>	<u>\$759,000</u>
Net assets available for plan benefits	<u>\$607,000</u>	<u>\$468,000</u>

The weighted average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 6.5% for both 1982 and 1981.

NOTE F—STOCK OPTIONS:

The Company had a qualified stock option plan which was cancelled in 1981.

At December 31, 1982, nonqualified stock options were outstanding to purchase an aggregate of 45,680 shares. The options were granted at various dates from 1976, are exercisable at prices ranging from \$2.292 per share to \$6.667 per share, and expire at various dates to 1992.

NOTE G—INCOME TAXES:

Income taxes consist of the following—

	Year ended December 31,		
	1982	1981	1980
Continuing operations			
Federal tax benefit at statutory rate	\$(661,000)	\$(232,000)	\$(256,000)
Increase (decrease) in tax resulting from:			
Tax credits	(28,000)	(160,000)	(101,000)
Other	(19,000)	2,000	6,000
Income tax benefit	(708,000)	(390,000)	(351,000)
Net reductions (additions) to deferred income taxes	148,000	(93,000)	(21,000)
Currently refundable	<u>\$(560,000)</u>	<u>\$(483,000)</u>	<u>\$(372,000)</u>
Discontinued operations			
Currently payable (refundable)	<u>—</u>	<u>\$ 130,000</u>	<u>\$(660,000)</u>

Changes in deferred income taxes result from timing differences in recognition of depreciation, gain on sale of land and carry forward of 1982 net operating loss for tax purposes.

Tax credits are accounted for as a reduction of income tax expense in the year they are utilized.

NOTE H—DISCONTINUED OPERATIONS:

The summarized results of discontinued operations are as follows—

	Year ended December 31,		
	in thousands		
	1982	1981	1980
Net sales	—	\$283	\$11,166
Costs and expenses	—	—	12,552
Income tax	—	130	660
Earnings (loss)	—	153	(727)

NOTE I—QUARTERLY FINANCIAL INFORMATION (Unaudited):

	1982			
	First	Second	Third	Fourth
	(Dollars in thousands except per share figures)			
Net sales	\$5,905	\$7,212	\$7,348	\$7,598
Gross margin	1,070	1,433	1,583	1,479
Net loss	\$ (312)	\$ (241)	\$ (29)	\$ (148)
Net loss per share	\$ (0.34)	\$ (0.26)	\$ (0.03)	\$ (0.16)

	1981			
	First	Second	Third	Fourth
	(Dollars in thousands except per share figures)			
Net sales	\$7,483	\$9,411	\$8,429	\$7,105
Gross margin	\$1,095	\$1,741	\$1,719	\$ 397
Earnings (loss) from continuing operations	\$ (256)	\$ 64	\$ 123	\$ (24)
Earnings from discontinued operations	—	—	141	12
Net earnings (loss)	\$ (256)	\$ 64	\$ 264	\$ (12)
Net earnings (loss) per share:				
Continuing operations	\$ (.26)	\$.06	\$.13	\$ (.02)
Discontinued operations	—	—	.14	.01
Net earnings (loss) per share	\$ (.26)	\$.06	\$.27	\$ (.01)

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Timberland Industries, Inc.

We have examined the consolidated balance sheets of Timberland Industries, Inc. and subsidiaries as of December 31, 1982 and 1981, and the related statements of operations, shareholders' equity and changes in financial position for the years then ended, and the schedules listed in the index under Item 13.(a)2. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of Timberland Industries, Inc. and subsidiaries as of December 31, 1982 and 1981, and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied consistently during the period and on a basis consistent with that of the preceding year, and the schedules referred to above present fairly the information therein set forth.



TOUCHE ROSS & CO.
Certified Public Accountants

Seattle, Washington
March 11, 1983

Board of Directors
Timberland Industries, Inc.

We have examined the consolidated statements of operations, shareholders' equity and changes in financial position of Timberland Industries, Inc. and subsidiaries for the year ended December 31, 1980, and the related schedules listed in the index under Item 13(a)2. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements of Timberland Industries, Inc. and subsidiaries referred to above present fairly the results of their operations and the changes in their financial position for the year ended December 31, 1980 in conformity with generally accepted accounting principles applied on a consistent basis and the schedules referred to above present fairly the information set forth therein.



MOSS ADAMS
Certified Public Accountants

Seattle, Washington
March 13, 1981

Annual Meeting

June 14, 1983—3:30 p.m.
Arcade Level Auditorium
Seattle-First National Bank Building
1001 4th Avenue
Seattle, Washington

Form 10-K

The Timberland Industries, Inc.
Form 10-K report filed with the
Securities and Exchange Commission
is available to shareholders at no cost
upon written request to:

Stanley Gillman
Treasurer
Timberland Industries, Inc.
P.O. Box 3546
Bellevue, Washington 98009

Registrar and Transfer Agent

Rainier National Bank
Corporate Trust and Agency
P.O. Box 24407
Seattle, Washington 98124

Legal Counsel

Foster, Pepper & Riviera
1111 Third Avenue
Seattle, Washington 98101

Jones, Grey & Bayley, P.S.
One Union Square
Seattle, Washington 98101

Company Operations

Timberland Industries, Inc.
Corporate Offices
P.O. Box 3546
Bellevue, Washington 98009
(206) 828-3565

Brennan Supply Company
2260 - 152nd N.E.
Redmond, Washington 98052
(206) 747-9300

WindowVision, Inc.
11801 N.E. 116th
Kirkland, Washington 98033
(206) 823-5400

Cal-Wood Door
P.O. Box 1656
Santa Rosa, California 95402
(707) 584-9663

Western Cabinet & Millwork
P.O. Box 137
Woodinville, Washington 98072
(206) 823-4141

Officers

J. Allan MacDonald,
President

Ian MacDonald,
Vice President

James A. MacDonald, Jr.,
Vice President

Milton D. Skutle,
Vice President

Stanley Gillman,
Secretary and Treasurer

Board of Directors

James F. Aylward,
President
Investors Mortgage Insurance Co.
(Mortgage insurance)

Daniel R. Baty
Executive Vice President
National Medical Enterprises, Inc.
(Healthcare)

Jack H. Canvin,
Vice President
Financial Analysis & Planning
Bank of America (Banking)

Robert J. DeArmond,
Chairman
Idaho Forest Industries
(Lumber manufacturer)

Donald S. Hansen,
Personal investments

Curtis P. Lindley,
Senior Vice President
Univar Corporation
(Industrial and agricultural
chemicals and products)

Ian MacDonald,
President, Cal-Wood Door
Vice President, Timberland Industries, Inc.

J. Allan MacDonald,
President
Timberland Industries, Inc.

Delos W. McNutt,
Personal Investments

Milton D. Skutle,
President, Western Cabinet & Millwork
Vice President, Timberland Industries, Inc.

