



## United Natural Foods Reports Results for the Second Quarter Ended January 31, 2003

March 4, 2003

### **Earns \$0.28 per Diluted Share**

DAYVILLE, Conn., Mar 4, 2003 /PRNewswire-FirstCall via COMTEX/ --United Natural Foods, Inc. (Nasdaq: UNFI) today reported net income of \$5.4 million, or \$0.28 per share on a diluted basis, excluding the effect of special items, for the second quarter of fiscal 2003, ended January 31, 2003. Net income for the second quarter of fiscal 2003, including the effect of special items, was \$5.5 million, or \$0.28 per share on a diluted basis.

Net sales, including acquisitions, for the second quarter of fiscal 2003 were \$338.4 million, an increase of 18.6% from the \$285.5 million recorded in the second quarter of fiscal 2002. This included growth in the mass market and independent distribution channels of approximately 30% and 28%, respectively. Sales in the supernatural distribution channel were unchanged compared to the same period last year due primarily to the previously announced transition of the Company's former second-largest customer to a new primary distributor. These results included a full quarter of net sales from the acquisition of Blooming Prairie and one month of net sales from Northeast Cooperatives acquired on December 31, 2002. Sales growth for the quarter, excluding the effect of acquisitions, was 2.3%. Sales growth excluding the effect of acquisitions and sales in each period to the Company's former second-largest customer was 17.4%.

Net income for the second quarter of fiscal 2003, excluding the effect of special items, increased 4.1% to \$5.4 million, or \$0.28 per diluted share, compared to \$5.2 million, or \$0.27 per diluted share, excluding special items, for the second quarter of fiscal 2002. The special items for the second quarter of fiscal 2003 consisted of non-cash income related to the change in fair value of interest rate swaps and related option agreements caused by favorable changes in yield curves. In addition, special items included labor costs related to the expansion of the Company's Chesterfield, New Hampshire distribution facility. Special items recorded during the second quarter of fiscal 2002 included non-cash income related to the change in fair value of interest rate swaps and related option agreements caused by favorable changes in yield curves. In addition, special items included restructuring, asset impairment and other costs related to the relocation of the Company's Atlanta, Georgia facility. Net income including special items increased 5.6% to \$5.5 million, or \$0.28 per diluted share, for the second quarter of 2003 compared to \$5.2 million, or \$0.27 per diluted share, in the same period last year.

The following table details the amounts and effect of these items:

Quarter Ended January 31, 2003 (in thousands, except per share data)	Pretax Income	Per diluted Net of Tax	Per diluted share
Income, excluding special items:	\$9,023	\$5,414	\$0.28
Less: special items (income)/ expense Interest rate swap agreements (change in value of financial instruments)	(226)	(136)	(0.01)
Costs related to the expansion of Chesterfield, New Hampshire (included in operating expenses)	69	42	0.00
Income, including special items:	\$9,180	\$5,508	\$0.28*

\*Total reflects rounding

Quarter Ended January 31, 2002 (in thousands, except per share data)	Pretax Income	Per diluted Net of Tax	Per diluted share
Income, excluding special items:	\$8,667	\$5,200	\$0.27
Less: special items (income)/ expense Interest rate swap agreement (change in value of financial instruments)	(1,358)	(815)	(0.04)

Costs related to relocating Atlanta, Georgia distribution center (included in operating expenses)	1,335	801	0.04	
Income, including special items:	\$8,690	\$5,214	\$0.27	

## Comments from Management

Steven Townsend, President and Chief Executive Officer of United Natural Foods, said, "Robust consumer demand for natural foods continues to drive the market and we believe that our continued success demonstrates that our operating strategies, designed to meet the long-term needs of customers while being their leading natural products resource, are working. Operationally, we continue to focus on the integration of our recent acquisitions, and have made significant progress on the expansion of our Chesterfield, New Hampshire distribution center to accommodate the Northeast Cooperatives business. Additionally, we are gaining efficiencies in our purchasing practices and operating expenses as we integrate Blooming Prairie into our Western region."

The Company believes that sales growth for the third quarter of fiscal 2003 will be in the 18% - 22% range. The Company expects sales growth in the mid-teens during the third quarter of fiscal 2003 for the business excluding the impact of its recent acquisitions and sales to the Company's former second-largest customer. The earnings per diluted share outlook for the quarter ending April 30, 2003 and the fiscal year ending July 31, 2003 is \$0.30 - \$0.32 and \$1.18 - \$1.20, respectively, consistent with previous guidance.

## Conference Call

Management will conduct a conference call and audio webcast at 11:00 a.m. ET on March 4, 2003 to review the Company's quarterly results, market trends and future outlook. The conference call dial-in number is 703-871-3862. The audio webcast will be available, on a listen only basis, via the Internet at [www.viavid.com](http://www.viavid.com) or at the Investor Relations section of the Company's website, [www.unfi.com](http://www.unfi.com). Please allow extra time to the webcast to visit the site and download any software required to listen to the Internet broadcast. The online archive of the webcast will be available for 30 days.

## About United Natural Foods

United Natural Foods, Inc. carries and distributes over 30,500 products to more than 11,000 customers nationwide. The Company serves a wide variety of retail formats including conventional supermarket chains, natural product superstores and independent retail operators.

For more information on United Natural Foods, Inc., visit the Company's web-site at [www.unfi.com](http://www.unfi.com).

"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995: Statements in this press release regarding United Natural's business which are not historical facts are "forward-looking statements" that involve risks and uncertainties. For a discussion of such risks and uncertainties, which could cause actual results to differ from those contained in the forward-looking statements, including but not limited to general business conditions, the impact of competition and our dependence on principal customers, see "Risk Factors" in the Company's quarterly report on Form 10-Q filed with the Commission on December 13, 2002, and its other filings under the Securities Exchange Act of 1934, as amended. Any forward-looking statements are made pursuant to the Private Securities Litigation Reform Act of 1995 and, as such, speak only as of the date made. United Natural is not undertaking to update any information in the foregoing reports until the effective date of its future reports required by applicable laws.

## UNITED NATURAL FOODS, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(In thousands, except per share data)	QUARTER ENDED		SIX MONTHS ENDED	
	JANUARY 31, 2003	JANUARY 31, 2002	JANUARY 31, 2003	JANUARY 31, 2002
Net sales	\$338,447	\$285,461	\$649,440	\$565,776
Cost of sales	272,360	228,949	522,518	454,263
Gross profit	66,087	56,512	126,922	111,513
Operating expenses	55,178	47,258	106,020	92,282
Restructuring and asset impairment charges	-	424	-	424
Amortization of intangibles	66	13	104	77
Total operating expenses	55,244	47,695	106,124	92,783
Operating income	10,843	8,817	20,798	18,730
Other expense (income):				
Interest expense	2,072	1,643	3,919	3,389
Change in value of financial instruments	(226)	(1,358)	1,479	2,429
Other, net	(183)	(158)	(420)	(114)
Total other expense	1,663	127	4,978	5,704

Income before income taxes	9,180	8,690	15,821	13,026
Income taxes	3,672	3,476	6,328	5,210
Net income	\$5,508	\$5,214	\$9,492	\$7,816
Per share data (basic):				
Net income	\$0.29	\$0.28	\$0.50	\$0.42
Weighted average basic shares of common stock	19,119	18,915	19,113	18,790
Per share data (diluted):				
Net income	\$0.28	\$0.27	\$0.49	\$0.41
Weighted average diluted shares of common stock	19,526	19,371	19,471	19,217

UNITED NATURAL FOODS, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
UNAUDITED

(In thousands)

	JANUARY 31,	JULY 31,
	2003	2002

ASSETS

Current assets:

Cash	\$11,827	\$11,184
Accounts receivable, net	84,785	84,303
Notes receivable, trade	448	513
Inventories	151,696	131,932
Prepaid expenses	7,790	4,493
Deferred income taxes	4,612	4,612
Refundable income taxes	303	58
Total current assets	261,461	237,095

Property & equipment, net

97,956	82,702
--------	--------

Other assets:

Notes receivable, trade, net	2,954	956
Goodwill	60,564	31,399
Intangibles, net	1,286	248
Other, net	2,184	2,057
Total assets	\$426,405	\$354,457

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Notes payable - line of credit	\$137,501	\$106,109
Current installments of long-term debt	1,595	1,658
Current installment of obligations under capital leases	923	1,037
Accounts payable	70,342	52,789
Accrued expenses	26,715	18,185
Financial instruments	7,099	5,620
Total current liabilities	244,175	185,398
Long-term debt, excluding current installments	10,481	7,677
Obligations under capital leases, excluding current installments	1,365	995
Total liabilities	256,021	194,070

Stockholders' equity:

Preferred stock, \$.01 par value, authorized  
5,000 shares; none issued and outstanding  
Common stock, \$.01 par value, authorized

50,000 shares; issued and outstanding		
19,135 at January 31, 2003; issued and		
outstanding 19,106 at July 31, 2002	191	191
Additional paid-in capital	80,135	79,711
Unallocated shares of ESOP	(2,013)	(2,094)
Retained earnings	92,071	82,579
Total stockholders' equity	170,384	160,387

Total liabilities and stockholders' equity \$426,405 \$354,457

UNITED NATURAL FOODS, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)

SIX MONTHS ENDED  
JANUARY 31,  
2003 2002

(In thousands)

CASH FLOWS FROM OPERATING ACTIVITIES:

Net income	\$9,492	\$7,816
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,051	3,783
Change in fair value of financial instruments	1,479	2,429
(Gain) Loss on disposals of property & equipment	(6)	296
Deferred income tax benefit	-	(605)
Provision for doubtful accounts	1,699	1,045
Changes in assets and liabilities, net of acquired companies:		
Accounts receivable	5,242	(10,280)
Inventory	2,934	(15,864)
Prepaid expenses	(1,328)	(307)
Refundable income taxes	(246)	(426)
Other assets	(1,603)	(1,348)
Notes receivable, trade	(1,467)	(182)
Accounts payable	2,658	14,083
Accrued expenses	1,331	5,842
Net cash provided by operating activities	25,236	6,282

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of acquired businesses, net of cash acquired	(43,724)	65
Proceeds from disposals of property and equipment	47	21
Capital expenditures	(11,221)	(20,437)
Net cash used in investing activities	(54,898)	(20,351)

CASH FLOWS FROM FINANCING ACTIVITIES:

Net borrowings under note payable	31,392	31,961
Repayments on long-term debt	(854)	(20,411)
Principal payments of capital lease obligations	(657)	(543)
Proceeds from exercise of stock options	424	1,448
Net cash provided by financing activities	30,305	12,455

NET INCREASE (DECREASE) IN CASH	643	(1,614)
Cash at beginning of period	11,184	6,393
Cash at end of period	\$11,827	\$4,779

Supplemental disclosures of cash flow information:

Cash paid during the period for:		
Interest	\$3,798	\$3,299
Income taxes, net of refunds	\$3,911	\$7,095

In the six months ended January 31, 2003 and 2002, the Company incurred \$0 and \$628, respectively, of capital lease obligations.

In the six months ended January 31, 2002 the fair value of common stock issued for the acquisition of subsidiary was \$4,250.

**SOURCE** United Natural Foods, Inc.

**CONTACT:** Rick Puckett, Chief Financial Officer of United Natural Foods, +1-860-779-2800; or General Information, Joseph Calabrese, +1-212-445-8434, or Analyst Information, Vanessa Schwartz, +1-212-445-8433, both of FRB Weber Shandwick