



## United Natural Foods Reports \$0.26 Diluted EPS, Excluding Special Items, and \$0.25 Diluted EPS, Including Special Items, on Record Revenues of \$601 Million for the Second Quarter of Fiscal 2006

February 28, 2006

### Increases Guidance for Fiscal 2006 Revenues and Earnings

DAYVILLE, Conn., Feb. 28 /PRNewswire-FirstCall/ -- United Natural Foods, Inc. (Nasdaq: UNFI) (the "Company") today reported net income of \$10.8 million, or \$0.26 per diluted share, excluding special items, for the second quarter of fiscal 2006, ended January 28, 2006. Net income for the second quarter of fiscal 2006, including the effect of special items, was \$10.6 million, or \$0.25 per diluted share.

The Company reported revenues for the second quarter of fiscal 2006 of \$601.1 million, an increase of \$96.4 million, or 19%, from the \$504.7 million recorded in the second quarter of fiscal 2005. Strong growth across all major sales channels of the wholesale segment contributed to the record sales.

In December 2004, the Financial Accounting Standards Board finalized FAS 123R, which requires all companies to expense share-based payments, including stock options, at fair value as of the beginning of the first annual reporting period that begins after June 15, 2005. As such, the Company began expensing stock options on August 1, 2005. The Company has adopted the modified prospective method allowed under FAS 123R. The charge to earnings during fiscal 2006 includes the impact of the vesting of stock options granted in prior years, because the expense is recognized over the vesting period of the options, which is typically four years. For the second quarter of fiscal 2006, share-based compensation negatively impacted earnings before taxes by \$0.9 million or 16 basis points.

For the second quarter of fiscal 2006, net income, excluding the effect of special items, increased 14.3% to \$10.8 million, or \$0.26 per diluted share, compared to \$9.4 million, or \$0.23 per diluted share, excluding special items, for the second quarter of fiscal 2005. Special items in the second quarter of fiscal 2006 consisted of incremental and redundant costs incurred during the transition from our former warehouses and outside storage facility in Auburn, California into our new larger facility in Rocklin, California. Net income for the second quarter of fiscal 2006, including the effect of special items, increased 15.3% to \$10.6 million, or \$0.25 per diluted share, compared to \$9.2 million, or \$0.22 per diluted share, for the second quarter of fiscal 2005.

The following table details the non-GAAP measures for the second quarter of fiscal 2006:

Quarter Ended January 28, 2006 (in thousands, except per share data)	Pretax Income	Per diluted Net of Tax	share
Income, excluding special items:	\$17,398	\$10,787	\$0.26
Special items - (Expense)			
Rocklin, CA facility relocation costs (included in operating expenses)	(251)	(156)	(0.00)
Income, including special items:	\$17,147	\$10,631	\$0.25*

\* Total reflects rounding

Certain labor costs associated with the closing of the Mounds View, Minnesota facility, which was completed in the second quarter of fiscal 2005, represented the special items for the second quarter of fiscal 2005.

The following table details the non-GAAP measures for the second quarter of fiscal 2005:

Quarter Ended January 31, 2005 (in thousands, except per share data)	Pretax Income	Per diluted Net of Tax	share
Income, excluding special items:	\$15,474	\$9,439	\$0.23
Special items - (Expense)			
Related to the closing of the Mounds View, Minnesota facility (included in operating expenses)	(353)	(215)	(0.01)
Income, including special items:	\$15,121	\$9,224	\$0.22

All non-GAAP numbers have been adjusted to exclude special items. A reconciliation of specific adjustments to GAAP results for the quarters ended

January 28, 2006 and January 31, 2005 is included in the financial tables shown above. A description of the Company's use of non-GAAP information is provided under "Non-GAAP Results" below.

#### Comments from Management

"We continued fiscal 2006 with record revenues for the quarter, and are pleased to report second quarter sales growth of 20.4% and comparable distribution sales growth of 18.7% based on comparable shipping days, excluding the two acquisitions made during fiscal 2005," said Michael Funk, Chief Executive Officer.

Mr. Funk added, "This quarter's strong performance demonstrates the effectiveness of our sales and operating strategies and our ability to capitalize on the continued strong consumer demand for natural and organic products. We remain focused on providing superior service to our entire customer base, and by supporting our customers and helping them grow their businesses, we continue to drive growth across all of our served channels of business. Looking ahead, our business metrics remain strong and our team of associates remains focused on achieving our long-term growth objectives. We also continue to focus on achieving increased efficiencies in our Greenwood, Indiana and Rocklin, California facilities that opened earlier this fiscal year, while maintaining the high service levels our customers have come to expect."

#### Raises Fiscal 2006 Earnings Guidance

The Company is raising its guidance for fiscal 2006, ending July 29, 2006, with projected revenues increasing to \$2.38 to \$2.42 billion, and projected earnings per share, excluding special items, increasing to a range of \$1.05 - \$1.10 per diluted share. Previously, the Company had announced revenue guidance from \$2.25 to \$2.35 billion and earnings per share guidance, excluding potential special items, from \$1.03 - \$1.08 per diluted share for the fiscal year. At this time, the Company is also narrowing the anticipated impact of share-based compensation expense to approximately \$5.5 million to \$6.8 million on a pre-tax basis, or \$0.08 to \$0.10 per diluted share after taxes. Previously, the Company had expected to incur approximately \$6.0 million to \$8.2 million of share-based compensation expense on a pre-tax basis, or \$0.08 to \$0.11 per diluted share after taxes, excluding potential special items.

Actual share-based compensation expenses recorded during the remainder of fiscal 2006 may fluctuate beyond the guidance provided based on various factors, such as additional equity awards granted to employees, changes in the Company's stock price, and actual results in comparison to the underlying assumptions used in estimating the fair value of share-based payments.

Historically, the Company has classified expenses related to distribution facility expansions and distribution facility relocations as special items. However, at this time the Company does not know the extent or significance of these items or whether the Company will in fact incur any additional special items in fiscal 2006. The Company's guidance is based on a number of assumptions, which are subject to change and many of which are outside the control of the Company. If any of these assumptions vary, the Company's guidance may change. There can be no assurance that the Company will achieve these results. A description of the Company's use of non-GAAP information is provided under "Non-GAAP Results" below.

#### Conference Call

Management will conduct a conference call and audio webcast at 11:00 a.m. EST on February 28, 2006 to review the Company's quarterly results, market trends and future outlook. The conference call dial-in number is (303) 262- 2075. An audio webcast of the conference call will be available to the public, on a listen-only basis, via the Internet at <http://www.earnings.com> or at the Investor Relations section of the Company's website at <http://www.unfi.com>. Please allow extra time prior to the call to visit the site and download the necessary software 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 more than 40,000 products to more than 20,000 customers nationwide. The Company serves a wide variety of retail formats including conventional supermarket chains, natural product superstores, independent retail operators and the food service channel. For more information on United Natural Foods, Inc., visit the Company's website at <http://www.unfi.com>.

"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995: Statements in this press release regarding the Company's business that 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 7, 2005, 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. The Company is not undertaking to update any information in the foregoing reports until the effective date of its future reports required by applicable laws. Any projections of future results of operations should not be construed in any manner as a guarantee that such results will in fact occur. These projections are subject to change and could differ materially from final reported results. The Company may from time to time update these publicly announced projections, but it is not obligated to do so.

Non-GAAP Results: To supplement its financial statements presented on U.S. generally accepted accounting principles ("GAAP") basis, the Company uses non-GAAP additional measures of operating results, net income and earnings per share adjusted to exclude special charges. The Company believes that the use of these additional measures is appropriate to enhance an overall understanding of its past financial performance and also its prospects for the future as these special charges are not expected to be part of the Company's ongoing business. The adjustments to the Company's GAAP results are made with the intent of providing both management and investors with a more complete understanding of the underlying operational results and trends and its marketplace performance. For example, these adjusted non-GAAP results are among the primary indicators management uses as a basis for its planning and forecasting of future periods. The presentation of this additional information is not meant to be considered in isolation or as a substitute for net earnings or diluted earnings per share prepared in accordance with GAAP. A comparison and reconciliation from non-GAAP to GAAP results is included in the tables within this release.

CONSOLIDATED STATEMENTS OF INCOME (Unaudited)  
(In thousands, except per share data)

	Three months ended		Six months ended	
	January 28, 2006	January 31, 2005	January 28, 2006	January 31, 2005
Net sales	\$601,082	\$504,710	\$1,176,722	\$982,252
Cost of sales	484,677	409,385	950,051	794,484
Gross profit	116,405	95,325	226,671	187,768
Operating expenses	96,057	78,577	191,570	153,173
Restructuring charge	-	-	-	170
Amortization of intangibles	142	172	286	314
Total operating expenses	96,199	78,749	191,856	153,657
Operating income	20,206	16,576	34,815	34,111
Other expense (income):				
Interest expense	3,195	1,577	5,562	3,010
Other, net	(136)	(122)	(264)	(223)
Total other expense	3,059	1,455	5,298	2,787
Income before income taxes	17,147	15,121	29,517	31,324
Income taxes	6,516	5,897	11,216	12,216
Net income	\$10,631	\$9,224	\$18,301	\$19,108
Per share data (basic):				
Net income	\$0.26	\$0.23	\$0.44	\$0.47
Weighted average basic shares of common stock	41,406	40,400	41,395	40,261
Per share data (diluted):				
Net income	\$0.25	\$0.22	\$0.43	\$0.46
Weighted average diluted shares of common stock	41,952	41,495	42,076	41,369

UNITED NATURAL FOODS, INC.  
CONSOLIDATED BALANCE SHEETS (Unaudited)  
(In thousands)

January 28, 2006      July 31, 2005

ASSETS

Current assets:

Cash and cash equivalents	\$26,608	\$12,615
Accounts receivable, net	163,080	136,472
Notes receivable, trade, net	972	877
Inventories	264,296	235,700

Deferred income taxes	7,419	7,419	
Prepaid expenses and other current assets	14,259		9,811
Total current assets	476,634	402,894	
Property & equipment, net	164,566	167,909	
Other assets:			
Goodwill	74,610	73,808	
Notes receivable, trade, net	2,296		1,802
Intangible assets, net	246	307	
Other	6,249	4,538	
Total assets	\$724,601	\$651,258	

#### LIABILITIES AND STOCKHOLDERS' EQUITY

##### Current liabilities:

Notes payable	\$161,002	\$123,574	
Accounts payable	125,736	119,177	
Accrued expenses and other current liabilities	39,858		34,915
Current portion of long-term debt	5,592	5,843	
Total current liabilities	332,188	283,509	
Long-term debt, excluding current portion	62,487	64,852	
Deferred income taxes	7,118	6,904	
Other long-term liabilities	1,829	474	
Total liabilities	403,622	355,739	

##### Commitments and contingencies

##### Stockholders' equity:

Preferred stock, \$0.01 par value, authorized 5,000 shares at January 28, 2006 and July 31, 2005, respectively; none issued and outstanding	-	-	
Common stock, \$0.01 par value, authorized 50,000 shares; 41,890 issued and 41,661 outstanding shares at January 28, 2006; 41,287 issued and outstanding shares at July 31, 2005	419	413	
Additional paid-in capital	133,167	120,354	
Unallocated shares of ESOP	(1,523)	(1,605)	
Accumulated other comprehensive income	350	-	
Retained earnings	194,658	176,357	
Treasury stock, at cost, 229 and 0 shares at January 28, 2006 and July 31, 2005, respectively	(6,092)	-	
Total stockholders' equity	320,979	295,519	

Total liabilities and stockholders' equity \$724,601 \$651,258

UNITED NATURAL FOODS, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)  
(In thousands)

Six months ended  
January 28, January 31,  
2006 2005

##### CASH FLOWS FROM OPERATING ACTIVITIES:

Net income	\$18,301	\$19,108	
Adjustments to reconcile net income to net cash (used in) provided by operating activities:			
Depreciation and amortization	7,988	6,438	
Gains on disposals of property & equipment	(30)	(12)	
Provision for doubtful accounts	1,600	998	
Share-based compensation	3,480	-	

Changes in assets and liabilities,  
net of acquired companies:

Accounts receivable	(28,333)	(31,408)
Inventory	(28,596)	(14,359)
Prepaid expenses and other assets	1,970	(4,010)
Notes receivable, trade	(589)	(353)
Accounts payable	6,518	5,756
Accrued expenses and other current liabilities	6,510	(181)
Tax effect of stock options	-	5,193
Net cash used in operating activities	(11,181)	(12,830)

CASH FLOWS FROM INVESTING ACTIVITIES:

Capital expenditures	(11,774)	(9,039)
Purchases of acquired businesses, net of cash acquired	(575)	(6,168)
Proceeds from disposals of property and equipment	43	114
Net cash used in investing activities	(12,306)	(15,093)

CASH FLOWS FROM FINANCING ACTIVITIES:

Net borrowings under note payable	37,428	17,101
Proceeds from exercise of stock options	7,713	6,061
Purchases of treasury stock	(6,092)	-
Repayments on long-term debt	(2,922)	(4,349)
Tax effect of stock options	1,626	-
Principal payments of capital lease obligations	(273)	(325)
Net cash provided by financing activities	37,480	18,488

NET INCREASE (DECREASE) IN CASH	13,993	(9,435)
Cash at beginning of period	12,615	13,633
Cash at end of period	\$26,608	\$4,198

Supplemental disclosures of cash flow information:

Cash paid during the period for:

Interest, net of amounts capitalized	\$5,167	\$3,067
Income taxes, net of refunds	\$8,749	\$6,062

SOURCE United Natural Foods, Inc.

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