



## United Natural Foods Reports \$0.29 diluted EPS, on Record Revenues of \$637 Million for the Third Quarter of Fiscal 2006

May 25, 2006

Increases Guidance for Fiscal 2006 Revenues

DAYVILLE, Conn., May 25 /PRNewswire-FirstCall/ -- United Natural Foods, Inc. (Nasdaq: UNFI) (the "Company") today reported net income of \$12.3 million, or \$0.29 per diluted share, for the third quarter of fiscal 2006, ended April 29, 2006. The Company reported revenues for the third quarter of fiscal 2006 of \$637.1 million, an increase of \$102.7 million, or 19.2%, from the \$534.3 million recorded in the third quarter of fiscal 2005. Strong growth across all major sales channels of the wholesale segment contributed to the record sales.

For the third quarter of fiscal 2006, net income increased 15.1% to \$12.3 million, or \$0.29 per diluted share, compared to \$10.7 million, or \$0.26 per diluted share, for the third quarter of fiscal 2005. Net income, excluding special items, for the third quarter of fiscal 2006 increased 14.4% to \$12.3 million, or \$0.29 per diluted share, compared to \$10.8 million, or \$0.26 per diluted share, for the third quarter of fiscal 2005. There were no special items in the third quarter of fiscal 2006. Special items in the third quarter of fiscal 2005 consisted of certain incremental labor costs associated with closing the Mounds View, Minnesota facility, which was completed in the third quarter of fiscal 2005, and opening the Greenwood, Indiana facility, which occurred in August 2005.

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 third quarter of fiscal 2006, share-based compensation negatively impacted earnings before taxes by \$1.2 million or 19 basis points.

"Fiscal 2006 continues to be a strong year and we are very proud of our financial performance in the third quarter," said Michael Funk, President and Chief Executive Officer. "We posted another quarter of growth across all three major sales channels and realized a 19% increase in revenues and a 15% increase in earnings. These results reflect the continued strong consumer demand for natural and organic products as well as the underlying strength of our sales channels across all regions in the country."

Mr. Funk added, "Looking ahead we remain focused on serving the needs of our customers and committed to our core strategies and approach to the market. Given the continuing strong underlying demand in our markets we remain well positioned to achieve record financial results in fiscal 2006 and to achieve our objectives for growth in fiscal 2007."

All non-GAAP numbers have been adjusted to exclude special items. A reconciliation of specific adjustments to GAAP results for the quarter ended April 30, 2005 is included in the financial table shown below. A description of the Company's use of non-GAAP information is provided under "Non-GAAP Results" below.

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

Quarter ended April 30, 2005			
(in thousands, except per share data)			
	Pretax Income	Net of Tax	Per diluted share
Income, excluding special items:	\$17,489	\$10,756	\$0.26
Special items - (Expense)			
Related to the closing of the Mounds View, Minnesota facility (included in operating expenses)	(103)	(63)	(0.00)
Related to the opening of the Greenwood, Indiana facility (included in operating expenses)	(11)	(7)	(0.00)
Income, including			

special items:           \$17,375      \$10,686      \$0.26

## Raises Fiscal 2006 Revenue Guidance and Revises Earnings Guidance

The Company is raising its projected revenues guidance to \$2.42 to \$2.45 billion for fiscal 2006, ending July 29, 2006. In addition, the Company is narrowing its guidance on earnings per share, excluding special items, to a range of \$1.08 - \$1.10 per diluted share. Previously, the Company had announced revenue guidance from \$2.38 to \$2.42 billion and earnings per share guidance, excluding potential special items, from \$1.05 - \$1.10 per diluted share for the fiscal year. At this time, the Company is further narrowing the anticipated impact of share-based compensation expense to approximately \$5.5 million to \$6.2 million on a pre-tax basis, or \$0.08 to \$0.09 per diluted share after taxes. Previously, the Company had expected to incur approximately \$5.5 million to \$6.8 million of share-based compensation expense on a pre-tax basis, or \$0.08 to \$0.10 per diluted share after taxes, excluding potential special items. Finally, the Company also lowered anticipated fiscal 2006 capital expenditures to a range of \$18 to \$23 million from prior guidance of \$30 to \$35 million due to revised timing of planned expenditures.

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. EDT on May 25, 2006 to review the Company's quarterly results, market trends and future outlook. The conference call dial-in number is (303) 262-2138. 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. United Natural Foods was ranked by Forbes in 2005 as one of the "Best Managed Companies in America," ranked by Fortune in 2006 as one of its "Most Admired Companies," and ranked by Business Ethics as one of its "100 Best Corporate Citizens for 2006." 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 March 9, 2006, 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.

UNITED NATURAL FOODS, INC.  
CONSOLIDATED STATEMENTS OF INCOME (Unaudited)  
(In thousands, except per share data)

	Three months ended		Nine months ended	
	April 29, 2006	April 30, 2005	April 29, 2006	April 30, 2005
Net sales	\$637,068	\$534,335	\$1,813,790	\$1,516,587

Cost of sales	516,904	432,387	1,466,955	1,226,872
Gross profit	120,164	101,948	346,835	289,715
Operating expenses	97,318	82,655	288,887	235,828
Restructuring charge	-	-	-	170
Amortization of intangibles	142	177	428	490
Total operating expenses	97,460	82,832	289,315	236,488
Operating income	22,704	19,116	57,520	53,227
Other expense (income):				
Interest expense	2,747	1,877	8,310	4,887
Other, net	(162)	(136)	(426)	(359)
Total other expense	2,585	1,741	7,884	4,528
Income before income taxes	20,119	17,375	49,636	48,699
Provision for income taxes	7,819	6,689	19,035	18,906
Net income	\$12,300	\$10,686	\$30,601	\$29,793
Per share data - basic:				
Net income	\$0.29	\$0.26	\$0.74	\$0.74
Weighted average basic shares of common stock	41,885	40,900	41,568	40,470
Per share data - diluted:				
Net income	\$0.29	\$0.26	\$0.73	\$0.72
Weighted average diluted shares of common stock	42,446	41,774	42,210	41,494

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

April 29,    July 31,  
2006        2005

ASSETS

Current assets:

Cash and cash equivalents		\$6,061	\$12,615
Accounts receivable, net		156,952	136,472
Notes receivable, trade, net		1,075	877
Inventories	260,496	235,700	
Deferred income taxes		7,419	7,419
Prepaid expenses and other current assets		15,218	9,811
Total current assets		447,221	402,894

Property & equipment, net                    163,167    167,909

Other assets:

Goodwill	76,962	73,808
Notes receivable, trade, net	2,367	1,802
Intangible assets, net	290	307

Other	7,119	4,538
Total assets	\$697,126	\$651,258

#### LIABILITIES AND STOCKHOLDERS' EQUITY

##### Current liabilities:

Accounts payable	\$124,981	119,177
Notes payable	117,001	\$123,574
Accrued expenses and other current liabilities	30,222	34,915
Current portion of long-term debt	5,475	5,843
Total current liabilities	277,679	283,509

Long-term debt, excluding current portion	61,127	64,852
Deferred income taxes	7,493	6,904
Other long-term liabilities	1,638	474
Total liabilities	347,937	355,739

##### Commitments and contingencies

##### Stockholders' equity:

Preferred stock, \$0.01 par value, authorized 5,000 shares at April 29, 2006 and July 31, 2005, respectively; none issued and outstanding	-	-
Common stock, \$0.01 par value, authorized 50,000 shares; 42,426 issued and 42,197 outstanding shares at April 29, 2006; 41,287 issued and outstanding shares at July 31, 2005	424	413
Additional paid-in capital	148,419	120,354
Unallocated shares of ESOP	(1,482)	(1,605)
Accumulated other comprehensive income	962	-
Retained earnings	206,958	176,357
Treasury stock, at cost, 229 and 0 shares at April 29, 2006 and July 31, 2005, respectively	(6,092)	-
Total stockholders' equity	349,189	295,519

Total liabilities and stockholders' equity	\$697,126	\$651,258
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UNITED NATURAL FOODS, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)  
(In thousands)

Nine months ended  
April 29, April 30,  
2006 2005

#### CASH FLOWS FROM OPERATING ACTIVITIES:

Net income	\$30,601	\$29,793
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	12,557	9,944
Gains on disposals of property & equipment	(25)	(26)
Provision for doubtful accounts	2,800	1,378
Share-based compensation	4,712	-
Changes in assets and liabilities, net of acquired companies:		
Accounts receivable	(23,215)	(29,151)

Inventory	(24,479)	(28,322)	
Prepaid expenses and other assets	1,067	(5,157)	
Notes receivable, trade	(763)	(400)	
Accounts payable	5,599	20,557	
Accrued expenses and other current liabilities	(3,258)	(4,131)	
Tax benefit of stock options	-	7,167	
Net cash provided by operating activities	5,596	1,652	

CASH FLOWS FROM INVESTING ACTIVITIES:

Capital expenditures	(14,804)	(41,197)	
Purchases of acquired businesses, net of cash acquired	(3,292)	(6,219)	
Proceeds from disposals of property and equipment	57	248	
Net cash used in investing activities	(18,039)	(47,168)	

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from exercise of stock options	17,879	8,403	
Net (repayments) borrowings under note payable	(6,573)	37,781	
Purchases of treasury stock	(6,092)	-	
Tax benefit of stock options	5,485	-	
Repayments on long-term debt	(4,401)	(5,591)	
Principal payments of capital lease obligations	(409)	(513)	
Net cash provided by financing activities	5,889	40,080	

NET DECREASE IN CASH	(6,554)	(5,436)	
Cash at beginning of period	12,615	13,633	
Cash at end of period	\$6,061	\$8,197	

Supplemental disclosures of cash flow information:

Interest paid, net of amounts capitalized	\$8,021	\$4,903	
Federal and state income taxes paid, net of refunds	\$14,993	\$14,107	

SOURCE United Natural Foods, Inc.

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