United Natural Foods Reports Results for Third Quarter Ended April 30, 2003

June 4, 2003

Earns $0.31 Per Diluted Share Excluding Special Items, $0.29 Per Diluted Share Including Special Items

DAYVILLE, Conn., Jun 4, 2003 /PRNewswire-FirstCall via COMTEX/ -- United Natural Foods, Inc. (Nasdaq: UNFI) today reported net income of $5.8 million, or $0.29 per share on a diluted basis, for the third quarter of fiscal 2003, ended April 30, 2003. Net income for the third quarter of fiscal 2003, excluding special items, was $6.2 million or $0.31 per share on a diluted basis.

Net sales for the third quarter of fiscal 2003 were $363.6 million, an increase of 21% from the $300.4 million recorded in the third quarter of fiscal 2002. This increase included growth in the mass market and independent distribution channels of approximately 21% and 38%, respectively. Sales in the supernatural distribution channel decreased by approximately 3% compared to the same period last year primarily due 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 the net sales resulting from the acquisitions of Blooming Prairie and Northeast Cooperatives. Sales for the third quarter of fiscal 2003, excluding the effect of acquisitions, were relatively flat compared to the same period last year.

Net income increased 9.4% to $5.8 million, or $0.29 per diluted share, for the third quarter of fiscal 2003 compared to $5.3 million, or $0.27 per diluted share, in the same period last year. Net income for the third quarter of fiscal 2003, excluding the effect of special items, increased 11.2% to $6.2 million, or $0.31 per diluted share, compared to $5.6 million, or $0.29 per diluted share, excluding special items, for the same period last year.

The special items for the third quarter of fiscal 2003 included non-cash expense related to the change in fair value of interest rate swaps and related option agreements caused by unfavorable changes in yield curves. In addition, special items included labor, moving and other costs related to the expansion of the Company's Chesterfield, New Hampshire distribution facility. Special items for the third quarter of fiscal 2002 consisted of moving and other costs related primarily to the start up of the Company's southern California distribution facility and non-cash income related to the change in fair value of interest rate swaps and related options agreements. The following table details the amounts and effect of these items:

Quarter Ended April 30, 2003 (in thousands, except per share data)	Pretax Income	Net of Tax	Per diluted share
Income, excluding special items:	$10,162	$6,199	$0.31
Less: special items expense			
Interest rate swap agreements (change in value of financial instruments)	360	220	0.01
Costs related to expanding Chesterfield, New Hampshire distribution center (included in operating expenses)	336	205	0.01
Income, including special items:	$9,466	$5,774	$0.29

Quarter Ended April 30, 2002 (in thousands, except per share data)	Pretax Income	Net of Tax	Per diluted share
Income, excluding special items:	$9,284	$5,570	$0.29
Less: special items (income) / expense			
Moving and other startup costs related to southern California distribution center (operating expenses)	720	431	0.02
Interest rate swap agreements			

(change in value of financial instruments)	(234)	(140)	(0.01)
Income, including special items:	$8,798	$5,279	0.27*

*Total reflects rounding

All non-GAAP numbers have been adjusted to exclude special charges. A reconciliation of specific adjustments to GAAP results for the third quarter of fiscal 2003 and the same period last year 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

Steven Townsend, President and Chief Executive Officer of United Natural Foods, said, "Our solid third quarter performance reflects continued strong consumer demand for natural foods as well as our commitment to effectively service customers at the highest levels. Operationally, we continue to focus on the integration of our recent acquisitions, and have seen the benefits with improved operating margins over the second quarter of this year. The improvements have come about through our ability to gain efficiencies in our purchasing practices and by leveraging operating expenses. Additionally, we have completed the expansion of our Chesterfield, New Hampshire distribution center and we are on track to consolidate Northeast Cooperatives' Brattleboro division into our Chesterfield facility this June."

The Company believes that sales growth for the fourth quarter of fiscal 2003 will be in the 15% - 19% range. The Company believes earnings per diluted share for the fiscal year ending July 31, 2003 will be $1.18 - $1.20, consistent with previous guidance.

Conference Call

Management will conduct a conference call and audio webcast at 11:00 a.m. ET on June 4, 2003 to review the Company's quarterly results, market trends and outlook. The conference call dial-in number is 703-871-3597. The audio webcast will be available, on a listen only basis, via the Internet at www.viavid.com or at the Investor Relations section of the Company's website, 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.

Financial Tables Follow

For more information on United Natural Foods, Inc., visit the Company's web-site at 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 March 17, 2003, 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.

Non-GAAP Results: To supplement its financial statements presented on a GAAP basis, the Company uses non-GAAP additional measures of operating results, net earnings 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 generally accepted accounting principles in the United States. A comparison and reconciliation from non-GAAP to GAAP results is included in the tables within this release.

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

	QUARTER ENDED APRIL 30,		NINE MONTHS ENDED APRIL 30,	
(In thousands, except per share data)	2003	2002	2003	2002
Net sales	$363,611	$300,362	$1,013,050	$866,139

Cost of sales	290,056	239,408	807,222	688,733
Gross profit	73,555	60,954	205,828	177,406
Operating expenses	61,930	50,175	173,301	147,395
Restructuring and asset impairment charges	---	---	---	424
Restructuring and merger expenses				
Amortization of intangibles	130	56	234	134
Total operating expenses	62,060	50,231	173,535	147,953
Operating income	11,495	10,723	32,293	29,453
Other expense (income):				
Interest expense	1,811	1,934	5,729	5,323
Change in value of financial instruments	360	(234)	1,839	2,195
Other, net	(142)	225	(562)	110
Total other expense	2,029	1,925	7,006	7,628
Income before income taxes	9,466	8,798	25,287	21,825
Income taxes	3,692	3,519	10,020	8,730
Net income	$5,774	$5,279	$15,267	$13,095
Per share data (basic):				
Net income	$0.30	$0.28	$0.80	$0.69
Weighted average basic shares of common stock	19,242	19,049	19,155	18,874
Per share data (diluted):				
Net income	$0.29	$0.27	$0.78	$0.68
Weighted average diluted shares of common stock	19,750	19,493	19,636	19,304

In consideration of guidance issued by the Financial Accounting Standards Board's Emerging Issues Task Force Issue No. 02-16, Accounting by a Customer (Including a Reseller) for Certain Consideration Received from a Vendor, vendor payments received for advertising arrangements formerly classified as reductions of operating expenses have been re-classified as a reduction of cost of sales for all the periods presented. These changes reduce cost of sales and also increase operating expenses by $3.1 million and $2.6 million in the third quarters of fiscal 2003 and 2002, respectively, and $8.4 million and $7.6 million in the first nine months of fiscal 2003 and 2002, respectively. This accounting change had no impact on reported operating income, net income or earnings per share for any of the periods presented.

UNITED NATURAL FOODS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

UNAUDITED

(In thousands)	APRIL 30, 2003	JULY 31, 2002
ASSETS		
Current assets:		
Cash	$4,956	$11,184
Accounts receivable, net	91,982	84,303
Notes receivable, trade	549	513
Inventories	161,205	131,932
Prepaid expenses	6,645	4,493
Deferred income taxes	4,612	4,612
Refundable income taxes	---	58
Total current assets	269,949	237,095
Property & equipment, net	99,233	82,702
Other assets:		
Notes receivable, trade, net	1,354	956
Goodwill	60,901	31,399
Intangibles, net	1,150	248
Other, net	2,678	2,057
Total assets	$435,265	$354,457
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable - line of credit	$96,842	$106,109
Current installments of long-term debt	3,830	1,658
Current installment of obligations under capital leases	742	1,037
Accounts payable	77,290	52,789
Accrued expenses	26,244	18,185
Financial instruments	7,459	5,620
Income taxes payable	2,651	---
Total current liabilities	215,058	185,398
Long-term debt, excluding current installments	38,772	7,677
Obligations under capital leases, excluding current installments	1,200	995
Total liabilities	255,030	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 19,454 at April 30, 2003; issued and outstanding 19,106 at July 31, 2002	194	191
Additional paid-in capital	84,167	79,711
Unallocated shares of ESOP	(1,972)	(2,094)
Retained earnings	97,846	82,579
Total stockholders' equity	180,235	160,387
Total liabilities and stockholders' equity	$435,265	$354,457

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

NINE MONTHS ENDED

	APRIL 30,	
	2003	2002
(In thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$15,267	$13,095
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,663	5,899
Change in fair value of financial instruments	1,839	2,195
(Gain) loss on disposals of property & equipment	(18)	295
Deferred income tax benefit	---	(921)
Provision for doubtful accounts	1,952	1,379
Changes in assets and liabilities, net of acquired companies:		
Accounts receivable	(2,279)	(9,197)
Inventory	(6,575)	(28,928)
Prepaid expenses	(183)	(172)
Refundable income taxes	58	366
Other assets	(2,029)	(1,679)
Notes receivable, trade	31	29
Accounts payable	9,606	11,537
Accrued expenses	806	7,033
Income taxes payable	2,651	1,727
Net cash provided by operating activities	28,789	2,658
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of acquired businesses, net of cash acquired	(43,964)	(19)
Proceeds from disposals of property and equipment	60	31
Capital expenditures	(14,975)	(23,633)
Net cash used in investing activities	(58,879)	(23,621)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net (repayments) borrowings under note payable	(9,267)	39,011
Repayments on long-term debt	(1,282)	(20,739)
Proceeds from long-term debt	30,954	1,234
Principal payments of capital lease obligations	(1,002)	(840)
Proceeds from exercise of stock options	4,459	2,402
Net cash provided by financing activities	23,862	21,068
NET (DECREASE) INCREASE IN CASH	(6,228)	105
Cash at beginning of period	11,184	6,393
Cash at end of period	$4,956	$6,498
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$5,591	$5,240
Income taxes, net of refunds	$4,598	$8,980

In the nine months ended April 30, 2003 and 2002, the Company incurred $0 and $628, respectively, of capital lease obligations.
In the nine months ended April 30, 2002 the fair value of common stock issued for the acquisition of subsidiary was $4,250.

SOURCE United Natural Foods, Inc.

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