



United Natural Foods Reports Results for Fourth Quarter and Year Ended July 31, 2003

September 2, 2003

- Quarterly net income of \$0.32 per diluted share, excluding special items, and \$0.25 per diluted share, including special items
- Annual net income of \$1.19 per diluted share, excluding special items, and \$1.02 per diluted share, including special items

DAYVILLE, Conn., Sept. 2 /PRNewswire-FirstCall/ -- United Natural Foods, Inc. (Nasdaq: UNFI) (the "Company") today reported net income of \$5.0 million, or \$0.25 per share on a diluted basis, for the fourth quarter of fiscal 2003, which ended July 31, 2003. Net income for the fourth quarter of fiscal 2003 was \$6.4 million or \$0.32 per share on a diluted basis, excluding special items, in line with the guidance previously provided by the Company.

Net sales for the fourth quarter of fiscal 2003 were \$366.8 million, an increase of 18.6% from the \$309.3 million recorded in the fourth quarter of fiscal 2002. Sales in the fourth quarter included a full quarter of sales for Blooming Prairie and Northeast Cooperatives, acquired by the Company in October 2002 and December 2002, respectively. This increase included growth in the independent and mass market channels of approximately 36.0% and 23.0%, respectively, compared to the same period last year. Sales in the supernatural distribution channel decreased approximately 6.0% 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. The supernatural distribution channel is comprised of small and large chains of natural foods supermarkets.

Net income for the fourth quarter of fiscal 2003 increased 20.4% to \$5.0 million, or \$0.25 per diluted share, compared to \$4.1 million, or \$0.21 per diluted share, for the same period last year. Net income for the fourth quarter of fiscal 2003, excluding the effect of special items, increased 15.6% to \$6.4 million, or \$0.32 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 fourth quarter of fiscal 2003 included a goodwill impairment charge, inventory write down, and restructuring and asset impairment charges at the Company's subsidiary, Hershey Import. In addition, the Company recorded non-cash income related to the change in fair value of interest rate swaps and related options agreements caused by favorable changes in yield curves. The special items also included moving and other costs related to the completion of the expansion of the Company's Chesterfield, New Hampshire distribution facility. The special items for the fourth quarter of fiscal 2002 included a non-cash charge related to the change in fair value of interest rate swaps and related options agreements as well as moving and other costs related to the relocation of the Company's subsidiary, Hershey Import.

The following tables detail the amounts and effect of these special items and the reconciliation of net income, excluding special items (Non-GAAP basis), to net income, including special items (GAAP basis):

Quarter Ended July 31, 2003			
(in thousands, except per share data)	Pretax Income	Net of Tax	Per diluted share
Net income, excluding special items:	\$10,549	\$6,435	\$0.32
Less: special items expense (income)			
Goodwill impairment charge	1,353	825	0.04
Interest rate swap agreements (change in value of financial instruments)	(1,355)	(827)	(0.04)
Inventory write down (cost of goods sold)	1,104	673	0.03
Restructuring and asset impairment charges	773	472	0.02
Moving and other costs (included in operating expenses)	554	339	0.02
Net income, including special items:	\$8,120	\$4,953	\$0.25

Quarter Ended July 31, 2002

(in thousands, except per share data)	Pretax Income	Net of Tax	Per diluted share
Net income, excluding special items:	\$9,277	\$5,566	\$0.29
Less: special items expense			
Interest rate swap agreements (change in value of financial instruments)	2,136	1,281	0.07
Moving and other costs (included in operating expenses)	284	171	0.01
Net income, including special items:	\$6,857	\$4,114	0.21

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

Year End Results

Net sales for the twelve months ended July 31, 2003 were \$1.4 billion, an increase of 17.4% over the \$1.2 billion recorded in the comparable prior year period. Sales for the twelve months ended July 31, 2003 included over 9 months of sales from Blooming Prairie, acquired by the Company on October 11, 2002, and 7 months of sales from Northeast Cooperatives, acquired by the Company on December 31, 2002. Net income for the twelve months ended July 31, 2003 increased \$3.0 million, or 17.5%, to \$20.2 million, or \$1.02 per diluted share, from \$17.2 million, or \$0.89 per diluted share, for the twelve months ended July 31, 2002. Net income, excluding special items, was \$23.4 million, or \$1.19 per diluted share, compared to \$21.2 million, or \$1.10 per diluted share, for the twelve months ended July 31, 2002. The special items for the twelve months ended July 31, 2003 included a goodwill impairment charge, inventory write down and restructuring and asset impairment charges related to the Company's subsidiary, Hershey Import, and, moving and other costs related to the expansion of the Company's Chesterfield, New Hampshire distribution facility. In addition, the special items included costs related to the loss of a major customer and a non-cash charge related to the change in fair value of interest rate swaps and related option agreements. The special items for the fiscal year ended July 31, 2002 included a non-cash charge related to the change in fair value of interest rate swaps and related options agreements caused by unfavorable changes in yield curves as well as moving, asset impairment and redundant rent expense related to moving the Company's Atlanta, Georgia distribution facility, incremental costs such as labor, utilities and rent related to the startup of the Company's southern California distribution facility, and labor, utilities, rent and severance related to relocating the Company's subsidiary, Hershey Import.

The following tables detail the amounts and effect of these special items and the reconciliation of net income, excluding special items (Non-GAAP basis), to net income, including special items (GAAP basis):

Year Ended July 31, 2003 (in thousands, except per share data)	Pretax Income	Net of Tax	Per diluted share
Net income, excluding special items:	\$38,655	\$23,395	\$1.19
Less: special items expense			
Goodwill impairment charge	1,353	819	0.04
Inventory write down (cost of goods sold)	1,104	668	0.03
Moving and other costs (included in operating expenses)	1,004	607	0.03
Restructuring and asset impairment charges	773	467	0.02
Costs related to loss of major customer (included in operating expenses)	530	321	0.02
Interest rate swap agreements (change in value of financial instruments)	484	293	0.02
Net income, including			

special items:	\$33,407	\$20,220	\$1.02*
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*Total reflects rounding

Year Ended July 31, 2002 (in thousands, except per share data)	Pretax Income	Net of Tax	Per diluted share
Net income, excluding special items:	\$35,409	\$21,245	\$1.10
Less: special items expense			
Interest rate swap agreements (change in value of financial instruments)	4,331	2,599	0.13
Moving and other costs (included in operating expenses)	1,972	1,183	0.06
Restructuring and asset impairment charges	424	254	0.01
Net income, including special items:	\$28,682	\$17,209	\$0.89

All non-GAAP numbers have been adjusted to exclude special charges. A reconciliation of specific adjustments to GAAP results for the year ended July 31, 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 the Company, said, "All divisions, except Hershey Import, contributed to our strong growth and record sales of \$1.4 billion for fiscal 2003. Our successful integration of two acquisitions and a distribution facility expansion are a tribute to the hard work of all of our associates at United Natural Foods." Mr. Townsend continued, "Our strong growth for the quarter and the year is a direct result of our continued commitment to providing the best customer service and support. In addition, we continue to see ongoing strong demand for natural and organic products in all sales channels and above average growth in the independent and mass market channels."

The Company reaffirms its guidance for fiscal 2004, ending July 31, 2004, with revenues in the \$1.55 to \$1.57 billion range and net income, excluding potential special items, in the range of \$1.42 - \$1.46 per diluted share. Historically, interest rate swaps, distribution facility expansions and asset impairment charges (including goodwill) have been classified as special items. However, at this time we do not know the extent or significance of these items or whether the Company will in fact incur any of these items in fiscal 2004. 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.

Conference Call

Management will conduct a conference call and audio webcast at 11:00 a.m. ET on September 2, 2003 to review the Company's quarterly results, market trends and outlook. The conference call dial-in number is 703-871-3630. The audio webcast will be available, on a listen only basis, via the Internet at www.viavid.net 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

The Company 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 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 June 14, 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. 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 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)

(In thousands, except per share data)	QUARTER ENDED			YEAR ENDED	
	JULY 31,		JULY 31,		
	2003	2002	2003	2002	
Net sales	\$366,843	\$309,255	\$1,379,893	\$1,175,393	
Cost of sales	292,482	245,506	1,099,704	934,238	
Gross profit	74,361	63,749	280,189	241,155	
Operating expenses	63,483	53,191	236,784	200,586	
Goodwill impairment charge	1,353	-	1,353	-	
Restructuring and asset impairment charges	773	-	773	424	
Amortization of intangibles	229	46	463	180	
Total operating expenses	65,838	53,237	239,373	201,190	
Operating income	8,523	10,512	40,816	39,965	
Other expense (income):					
Interest expense	2,065	1,910	7,795	7,233	
Change in value of financial instruments	(1,355)	2,136	484	4,331	
Other, net	(307)	(392)	(870)	(281)	
Total other expense	403	3,654	7,409	11,283	
Income before income taxes	8,120	6,858	33,407	28,682	
Income taxes	3,167	2,744	13,187	11,473	
Net income	\$4,953	\$4,114	\$20,220	\$17,209	
Per share data (basic):					
Net income	\$0.25	\$0.22	\$1.05	\$0.91	
Weighted average basic shares of common stock	19,475	19,106	19,235	18,933	

Per share data (diluted):

Net income	\$0.25	\$0.21	\$1.02	\$0.89
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Weighted average diluted shares of common stock	20,025	19,423	19,727	19,334
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UNITED NATURAL FOODS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

(In thousands)	JULY 31, 2003	JULY 31, 2002
ASSETS		
Current assets:		
Cash	\$3,645	\$11,184
Accounts receivable, net	90,111	84,303
Notes receivable, trade, net	585	513
Inventories	158,263	131,932
Prepaid expenses	5,706	4,493
Deferred income taxes	6,455	4,612
Refundable income taxes	704	58
Total current assets	265,469	237,095
Property & equipment, net	101,238	82,702
Other assets:		
Goodwill, net	57,400	31,399
Notes receivable, trade, net	1,261	956
Other intangibles, net	1,014	248
Deferred taxes	-	800
Other, net	3,717	1,257
Total assets	\$430,099	\$354,457
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable - line of credit	\$96,170	\$106,109
Current installments of long-term debt	4,459	1,658
Current installment of obligations under capital leases	903	1,037
Accounts payable	67,187	52,789
Accrued expenses	26,347	18,185
Financial instruments	6,104	5,620
Total current liabilities	201,170	185,398
Long-term debt, excluding current installments	38,507	7,677
Deferred income taxes	2,247	-
Obligations under capital leases, excluding current installments	612	995
Total liabilities	242,536	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 19,510 at July 31, 2003; issued and outstanding 19,106 at July 31, 2002	195	191
Additional paid-in capital	86,068	79,711

Unallocated shares of ESOP	(1,931)	(2,094)
Other comprehensive income	432	-
Retained earnings	102,799	82,579
Total stockholders' equity	187,563	160,387

Total liabilities and stockholders' equity	\$430,099	\$354,457
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UNITED NATURAL FOODS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

TWELVE MONTHS ENDED

JULY 31,

(In thousands)	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$20,220	\$17,209
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	10,330	8,206
Change in fair value of financial instruments	484	4,331
Goodwill impairment charge	1,353	-
Loss on disposals of property & equipment	154	307
Deferred income taxes	1,667	(1,099)
Provision for doubtful accounts	2,622	1,806
Changes in assets and liabilities, net of acquired companies:		
Accounts receivable	(1,083)	(3,867)
Inventory	(3,861)	(21,091)
Prepaid expenses	869	921
Refundable income taxes	(647)	308
Other assets	(2,552)	(928)
Notes receivable, trade	87	266
Accounts payable	(496)	(692)
Accrued expenses	1,775	5,346
Tax effect of exercise of stock options	950	415
Net cash provided by operating activities	31,872	11,438
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of acquired businesses, net of cash acquired	(43,723)	(16)
Proceeds from disposals of property and equipment	257	33
Capital expenditures	(20,025)	(27,789)
Net cash used in investing activities	(63,491)	(27,772)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net (repayments) borrowings under note payable	(9,939)	38,053
Repayments on long-term debt	(2,073)	(21,062)
Proceeds from long-term debt	32,110	2,967
Principal payments of capital lease obligations	(1,429)	(1,240)
Proceeds from exercise of stock options	5,411	2,407
Net cash provided by financing activities	24,080	21,125

NET (DECREASE) INCREASE IN CASH	(7,539)	4,791
Cash at beginning of period	11,184	6,393
Cash at end of period	\$3,645	\$11,184

Supplemental disclosures of
cash flow information:

Cash paid during the period for:

Interest	\$7,697	\$7,089
Income taxes, net of refunds	\$7,999	\$12,883

SOURCE United Natural Foods, Inc.

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/Web site: <http://www.unfi.com/>
(UNFI)

CO: United Natural Foods, Inc.

ST: Connecticut

IN: FOD REA

SU: ERN CCA ERP

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