United Natural Foods Announces 25% Increase in Net Sales and $0.24 in Diluted Earnings Per Share, a 42% Increase for the First Quarter of Fiscal 2005

November 30, 2004

Reports Record Sales of $478 Million in the First Quarter of Fiscal 2005 Raises Fiscal 2005 Earnings Guidance

DAYVILLE, Conn., Nov 30, 2004 /PRNewswire-FirstCall via COMTEX/ -- United Natural Foods, Inc. (Nasdaq: UNFI) today reported net income of $9.9 million for the first quarter of fiscal 2005, ended October 31, 2004, or $0.24 per share on a diluted basis. Net sales for the first quarter of fiscal 2005 were $477.5 million, an increase of $96.2 million, or 25.2%, from the $381.4 million recorded in the first quarter of fiscal 2004. Strong growth in all sales channels of United Distribution contributed to the record sales.

Net income for the first quarter of fiscal 2005, increased 50.0% to $9.9 million, or $0.24 per diluted share, compared to $6.6 million, or $0.16 per diluted share, excluding special items, for the quarter ended October 31, 2003. In the first quarter of fiscal 2004, special items consisted of a non- cash income item related to the change in fair value of certain interest rate swaps and the related option agreements. There were no special items for the quarter ended October 31, 2004. Net income for the first quarter of fiscal 2005, increased 45.8% to $9.9 million, or $0.24 per diluted share, compared to $6.8 million, or $0.17 per diluted share, including the effect of special items, for the quarter ended October 31, 2003.

Historically, expenses related to the change in fair value of interest rate swaps, distribution facility expansions and asset impairment charges (including goodwill) have been classified 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 of these or other special items in fiscal 2005. 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.

The following table details the amounts and effects of the special items for the first quarter of fiscal 2004:

Quarter Ended October 31, 2003 (in thousands, except per share data)	Pretax Income	Net of Tax	Per diluted share
Income, excluding special items:	$10,806	$6,591	$0.16
Special items - Income Interest rate swap and related agreements (included in change in fair value of financial instruments)	304	186	0.01
Income, including special items:	$11,110	$6,777	$0.17

All non-GAAP numbers have been adjusted to exclude special charges. A reconciliation of specific adjustments to GAAP results for the quarters ended October 31, 2003 is included in the financial table shown above. A description of the Company's use of non-GAAP information is provided under "Non-GAAP Results" below.

On December 29, 2003, the Company assigned and transferred all of its obligations of its two "ineffective" interest rate swaps to a third party at a cost of $5.4 million plus accrued interest. As a result of this novation, these "ineffective" swaps will no longer be included as a special item for future fiscal periods. These "ineffective" swaps were included as a special item through the second quarter of fiscal 2004.

The Company entered into interest rate swap agreements in October 1998, August 2001 and May 2003. The October 1998 and August 2001 agreements were "ineffective" hedges as a result of the options held by the counter parties that may extend the original term of the interest rate swap agreements. Applicable accounting treatment requires that the Company record the changes in fair value of the October 1998 and August 2001 agreements in its consolidated statement of income, rather than within "accumulated other comprehensive income" in its statement of stockholders' equity. The changes in fair value are dependent upon the forward-looking yield curves for each swap. The May 2003 agreement is an "effective" hedge and therefore does not require this treatment. The Company believes that its October 1998 and August 2001 agreements are special items that are excludable as non-recurring items. First, the Company only intends to enter into "effective" hedges going forward. This stated intention began with the May 2003 agreement. Second, the Company believes that the October 1998 and August 2001 agreements may distort and confuse investors if the change in fair value cannot be treated as a special item because their inclusion directly impacts its reported earnings per share. A change in fair value, whether positive or negative, can significantly increase or decrease its reported earnings per share. For example, the Company recorded a positive change in fair value for the second quarter of fiscal 2004 that increased its diluted earnings per share by $0.01, and in the first quarter of fiscal 2003, the company recorded a negative change in fair value that decreased its diluted earnings per share by $0.03. If the Company were prohibited from excluding this item as a special item, it would artificially inflate its reported earnings per share and thereby mislead investors as to its results of operations and our financial condition.

Comments from Management

"Continuing our momentum from fiscal 2004, we are pleased to start off fiscal 2005 with another strong quarter of financial results," said Steven Townsend, Chairman and Chief Executive Officer. "Reflecting the efforts of a well-focused team and the successful execution of our sales and operating strategies which have been designed to meet the growing demand for natural and organic products, we realized solid gains in sales, net income, and earnings per share which are indicators that our plans are on target. These gains came despite the negative impact of the hurricanes that we experienced in Florida, rising fuel prices and the impact of our decision to close our Mounds View, MN facility due to its small size."

Mr. Townsend added, "We remain focused on serving a broad customer base and are extremely pleased to report sales growth of 25% and comparable distribution sales growth of 12% excluding Wild Oats. In addition, we are pleased with our continued progress to improve operating margins. Our first quarter operating margin was 3.7%, up 26 basis points from the same period last year in spite of the impact of the hurricane, Mounds View closure and the rising fuel costs."

Raises Fiscal 2005 Earnings Guidance

The Company is raising its guidance for fiscal 2005, ending July 31, 2005, with projected revenues remaining in the $1.9 to $2.0 billion range, and projected earnings per share, excluding potential special items, increasing to a range of $0.95 - $1.00 per diluted share. Previously, the Company had announced earnings per share guidance, excluding potential special items, from $0.93 - $0.97 per diluted share.

Conference Call

Management will conduct a conference call and audio webcast at 11:00 a.m. ET on November 30, 2004 to review the Company's quarterly results, market trends and future outlook. The conference call dial-in number is 303-262- 2130. The audio webcast will be available, on a listen only basis, via the Internet at http://www.fulldisclosure.com or at the Investor Relations section of the Company's website, 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 35,000 products to more than 18,000 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.

Financial Tables Follow

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"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 annual report on Form 10-K filed with the Commission on October 14, 2004, 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 of America. A comparison and reconciliation from non-GAAP to GAAP results is included in the table within this release.

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

	Three months ended October 31,	
	2004	2003
Net sales	$477,542	$381,382
Cost of sales	385,099	305,209
Gross profit	92,443	76,173

Operating expenses	74,597	62,932
Restructuring charge	170	-
Amortization of intangibles	141	232
Total operating expenses	74,908	63,164
Operating income	17,535	13,009
Other expense (income):		
Interest expense	1,433	2,320
Change in fair value of financial instruments	-	(304)
Other, net	(101)	(117)
Total other expense	1,332	1,899
Income before income taxes	16,203	11,110
Income taxes	6,319	4,333
Net income	$9,884	$6,777
Per share data (basic):		
Net income	$0.25	$0.17
Weighted average basic shares of common stock	40,123	39,051
Per share data (diluted):		
Net income	$0.24	$0.17
Weighted average diluted shares of common stock	41,580	40,364

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

	October 31, 2004	July 31, 2004
ASSETS		
Current assets:		
Cash	$5,753	$13,633
Accounts receivable, net	132,939	106,178
Notes receivable, trade, net	761	772
Inventories	214,255	196,171
Prepaid expenses	8,507	7,007
Deferred income taxes	8,061	7,610
Total current assets	370,276	331,371
Property & equipment, net	114,745	114,140
Other assets:		
Goodwill	57,399	57,242
Notes receivable, trade, net	1,996	1,601
Intangible assets, net	140	154
Other	4,000	4,259
Total assets	$548,556	$508,767
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		

Accounts payable	$115,541	$80,875
Notes payable - line of credit	99,138	107,004
Accrued expenses and other current liabilities	28,677	29,501
Current portion of long-term debt	8,134	4,766
Income taxes payable	5,021	-
Total current liabilities	256,511	222,146
Long-term debt, excluding current portion	39,318	43,978
Deferred income taxes	7,978	7,730
Other long-term liabilities	89	137
Total liabilities	303,896	273,991
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.01 par value, authorized 5,000 shares at October 31, 2004 and July 31, 2004, respectively; none issued and outstanding	-	-
Common stock, $0.01 par value, authorized 50,000 shares; issued and outstanding 40,130 and 40,118 at October 31, 2004 and July 31, 2004, respectively	401	401
Additional paid-in capital	101,397	101,118
Unallocated shares of ESOP	(1,727)	(1,768)
Accumulated other comprehensive (loss) income	(80)	240
Retained earnings	144,669	134,785
Total stockholders' equity	244,660	234,776
Total liabilities and stockholders' equity	$548,556	$508,767

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

	Three months ended October 31,	
	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$9,884	$6,777
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,092	2,744
Change in fair value of financial instruments	-	(304)
Loss on disposals of property & equipment	9	2
Provision for doubtful accounts	466	570
Changes in assets and liabilities, net of acquired companies:		
Accounts receivable	(27,227)	(4,350)
Inventory	(18,084)	(17,499)
Prepaid expenses and other assets	(1,876)	951
Notes receivable, trade	(384)	(357)
Accounts payable	34,666	22,574
Accrued expenses and other current liabilities	(841)	(4,140)
Income taxes payable	5,021	3,230
Tax effect of stock options	74	97
Net cash provided by operating activities	4,800	10,295
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(3,590)	(2,329)
Proceeds from disposals of property and equipment	25	57
Net cash used in investing activities	(3,565)	(2,272)
CASH FLOWS FROM FINANCING ACTIVITIES:		

Net repayments under note payable	(7,866)	(583)
Repayments on long-term debt	(1,292)	(1,014)
Principal payments of capital lease obligations	(162)	(288)
Proceeds from exercise of stock options	205	366
Net cash used in financing activities	(9,115)	(1,519)
NET (DECREASE) INCREASE IN CASH	(7,880)	6,504
Cash at beginning of period	13,633	3,645
Cash at end of period	$5,753	$10,149
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$1,377	$2,220
Income taxes, net of refunds	$1,166	$388

SOURCE United Natural Foods, Inc.

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