

First Quarter 2004 Conference Call

**Operator:**

Good morning ladies and gentlemen, and welcome to the Nash Finch first quarter conference call. At this time, I would like to inform you that this conference call is being broadcast over the Internet, recorded for Rebroadcast and that all participants are in a "Listen Only" mode. At the request of the company, we will open the conference up for Questions & Answers after the presentation.

The Company has asked me to advise you that this call will include forward-looking statements which involve risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. Factors that could cause such differences are described in the Nash Finch press release and in the Company's filings with the SEC. The Company notes that certain financial information to be discussed, such as Consolidated EBITDA and ratios using Consolidated EBITDA, for example, are "non-GAAP" financial measures as the term is used in SEC Regulation G. A reconciliation of non-GAAP financial measures refers to is provided in the schedules to the Company's earnings release, which can be found on the

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“Investor Relations” portion of the Company’s website, under the caption “Press Releases.”

I will now turn the conference over to your CEO, Mr. Ron Marshall. Please go ahead Mr. Marshall.

**Ron Marshall:**

Thank you Sally and welcome to today's conference call. Joining me today are Bob Dimond, Executive Vice President and Chief Financial Officer, and Kathleen McDermott, Senior Vice President, Secretary and General Counsel. Our Corporate Controller Leanne Stewart, who is normally part of this call, is ill today and is unable to join us.

We assume that each of you has read this morning’s press release and gone through the numbers in detail. So I have asked Bob to begin today by simply summarizing our financial results. During the question and answer session we can address any area of particular interest to you. With that, I will ask Bob to report.

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**Bob Dimond:**

Thank you, Ron.

Total sales for the 12-week first quarter ended March 27, 2004 rose to \$879.5 million versus \$856.7 million in the first quarter of 2003. Net earnings were \$4.7 million, or 38 cents per diluted share, for the quarter, as compared to \$3.3 million, or 27 cents per diluted share, in the prior-year period. Earnings for the first quarter last year were adversely affected by \$2.3 million net of tax, or 20 cents per diluted share, paid to lenders as consideration for bond indenture and credit facility waivers.

Rather than taking time to repeat the details of the financial results for each of our three business segments, I will refer you to the news release.

I would like to note that, over the past year, we have strengthened our balance sheet through continued focus on inventory and accounts receivable management, debt reduction and improvement in Consolidated EBITDA, as defined in the supplemental data schedule with our press release. As a result,

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the Company's leverage has improved to 2.7 times Consolidated EBITDA in the current quarter as compared to 3.2 times Consolidated EBITDA in the first quarter of 2003.

Factoring in outstanding letters of credit, availability on our bank revolver was \$124 million in addition to the \$9 million of cash on hand at the end of the quarter. Finally, capital expenditures were \$3.0 million in the first quarter compared to \$3.7 million in the first quarter of 2003.

I will now turn the call back over to Ron .....

**Ron Marshall:**

Thank you Bob

Our food distribution segment continues the trend we saw last year, with sales increasing by 11% over the first quarter of 2003, driven primarily by new account captures. As we discussed last quarter, we continue to believe there is an exciting opportunity to increase sales by capturing new accounts and by assisting independent operators to purchase stores from major retailers who are rationalizing their store networks. I know I have said this before, but it bears

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repeating, that we believe we are extremely well positioned to capture this new business as a result of our industry-leading metrics and financial stability.

Our Military segment sales increased 2.8% compared to last year, primarily reflecting line extensions in our domestic commissary business. Segment operating profits rose 22% over the same period, as we have continued to realize the benefits we anticipated from completing our warehouse consolidation.

Retail results continue to reflect the challenges I described during our last call. To defend and improve the competitive position of our Retail segment, we have enhanced merchandising and pricing strategies, strengthened store level execution and upgraded perishable offerings and quality.

While these are all the right things to do, it may take some time, in our competitive environment, for these initiatives to have an impact. Our view remains, as we said during our last call, that 2004 will be a difficult year for the retail business. The good news, however, is that, while we have continued problems in the smallest of our three business units, we remain very optimistic about both our food distribution and our military units.

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Finally, our view of the remainder of 2004 is unchanged. We intend to:

1. Take advantage of new business opportunities in Food Distribution, strengthening our position as one of the most viable wholesaler choices.
2. Continue to reap the benefits from our military distribution center consolidation.
3. Protect and improve our position in existing retail markets.
4. Drive shareholder value through debt reduction and increased dividend yield.

As we advised in this morning's release, our overall results for this quarter were in line with our expectations. Accordingly, our view for the entire year has not changed since our fourth quarter call, and we continue to estimate that diluted earnings per share will range between \$2.46 and \$2.54 for the 52 week fiscal 2004 year.

We will now open up the phones for your questions.

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**Question & Answer Period**

(Conference call operator will moderate Q&A period)

**Ron Marshall:**

Thank you. Please call us if you have any other questions.

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