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MANAGEMENT DISCUSSION SECTION

Operator: Good day everyone and welcome to the Winn-Dixie Stores Second Quarter Earnings Call. Today's call is being recorded. We will begin with remarks by Winn-Dixie senior management and we'll conclude with a question-and-answer period. At this time, I would like to turn the call over to Ms. Sheila Reinken, Vice President of Finance and Treasurer for Winn-Dixie. Ms. Reinken, please go ahead.

Sheila Reinken, Vice President of Finance and Treasurer

Thank you. Good morning and thank you for joining us on our first Investor Call since Winn-Dixie's emergence from Chapter 11 in November 2006. I am Sheila Reinken, Vice President of Finance and Treasurer at Winn-Dixie, and with me today are Peter Lynch, Chairman, CEO, and President and Bennett Nussbaum, Senior Vice President and Chief Financial Officer.

Before Peter makes a few introductory remarks, I would like to let you know that today's call is being recorded and a transcript will be archived. A replay of the call will be available for seven days after today on our website, www.winndixie.com. The information presented and discussed today includes forward-looking statements, which are made under the Safe Harbor provision of the Private Securities Litigation Reform Act of 1995. Risks and uncertainties related to such statements are detailed in the quarterly report on Form 10-Q that was filed with the SEC earlier today.

Peter and Bennett will provide some prepared remarks. When they are finished, we'll have a question-and-answer session. Please limit yourself to one question so we can accommodate everyone. We expect the call to last approximately one hour.

Now, it is my pleasure to turn the call over to Peter Lynch.

Peter L. Lynch, President and Chief Executive Officer

Thanks Sheila and good morning everyone. As you probably know, this is our first Investor Call since February 2005, just prior to our filing for Chapter 11 bankruptcy protection. We've come a long, long way over the course of these two years, and I'm very proud of the team.

During our 21 months in Chapter 11, we exited non-core markets, closed approximately 400 stores, and created a new footprint that focuses on key DMAs in Florida, Louisiana, Georgia, Alabama, and Mississippi, where Winn-Dixie has a strong presence. We've reduced our costs by more than 100 million on an annualized basis. We improved customer service and we are investing about 70 million annually to put more labor back into our stores. We've realigned our retail organization to support a stronger focus on customer service and execution of our marketing and merchandising plans. We've reduced strength by over 100 basis points on an annualized basis. We've implemented a sustainable strategic sourcing program, resulting in savings of more than 20 million annually. We've consolidated our distribution centers from 10 to 6, and eliminated three office buildings in Jacksonville, consolidating substantially all of our corporate functions into one building. We've introduced new marketing and merchandising initiatives to drive sales. Most importantly, we've energized the 55,000 associates, whose dedication and commitment to getting better all the time is so critical to the continued success of our new company.

In the first half of fiscal 2007, we made considerable progress on a number of fronts. Our liquidity is approximately 500 million as of January 10, 2007, which is a significant improvement compared to the end of the previous quarter, and we had no borrowings under our revolving credit facility.

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Identical store sales or ID sales for the first half of fiscal '07 increased 1.8%. ID sales for the second quarter were down 0.5% in comparison to the same period in FY '06. But that's still pretty good when you consider the fact that we are matching up against the sizable sales spike that occurred last year in our operating areas affected by hurricanes Katrina and Wilma.

Last fall, we reopened two stores in New Orleans that have been closed since Katrina. We have been very pleased with the results in both of these stores. Construction on a third store that is closed currently in New Orleans is underway and that should be completed this fall. We've also completed five store remodels and have 35 more underway. Quite frankly, this remodel initiative started a little later than we had originally planned, but it's on track now moving at a good pace, and our plan going forward is to remodel about 75 stores annually.

Before Bennett guides you into the numbers, I'd like to review a few key metrics for you. We had an adjusted EBITDA gain of 1.4 million for the 16-week period and an adjusted EBITDA loss of 9.7 million for the 28-week period. We expect to report positive adjusted EBITDA for the full fiscal year. Our net sales and gross margin were slightly positive in the first half as compared to last year. In the second quarter, net sales were slightly negative and gross margin was slightly above the same period in the prior year.

As I mentioned, identical store sales for the year-to-date increased 1.8% for the first half of the year and declined by 0.5% in the second quarter. The key reason for this decline is that ID sales for the region significantly impacted by Hurricanes Katrina and Wilma were down 6.7% in the second quarter. Much of that was due to a decrease in private and Federal assistance to local residents combined with the openings of additional competitor stores and restaurants as compared to the same period in the prior year.

We increased our promotional spend in the second quarter to combat those challenges, and we came up just short of positive comps company-wide. In fact, the segment of our core business that was not impacted by Hurricanes Katrina and Wilma showed an increase in ID sales of 3.5% for the second quarter. We believe this sales trend compares quite favorably to many of our competitors in those same regions, some of whom based upon publicly reported numbers experienced much greater declines in ID store sales. We expect to report positive ID sales for the full 2007 fiscal year. We are now six weeks into the third quarter and I am encouraged by the trends we are seeing in sales and margin.

Now, I'd like to turn the call over to Bennett Nussbaum to review the numbers and accounting issues. Bennett?

Bennett L. Nussbaum, Senior Vice President and Chief Financial Officer

Thank you, Peter. Good morning everyone. I'm going to talk about three things this morning; emergence accounting, our operating results, and liquidity. As you all know, there are significant accounting changes that occur when you exit Chapter 11, which impact reported results due to the establishment of the company's new capital structure. Fresh-start reporting was required upon our emergence from Chapter 11 in accordance with SOP 90-7 because holders of existing voting shares immediately before confirmation of our reorganization plan receive less than 50% of the emerging entity, and the reorganization value of the company's assets was less than its post-petition liabilities and allowed claims. Our fresh-start reporting date is November 15. All results for periods prior to November 15 represent the predecessor reporting entity. Our emergence from reorganization resulted in a new reporting entity, the successor entity that had no retained earnings or accumulated deficit as of November 15, 2006. Accordingly, the company's consolidated financial statements for periods prior to November 16, 2006 are not comparable to consolidated financial statements presented on or after November 16, 2006.

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In connection with the plan of reorganization, the reorganization value of Winn-Dixie was determined to be $759 million. In accordance with fresh-start reporting, we allocated this enterprise value to our assets and liabilities in accordance with SFAS 141. Assets were reported at fair value generally as determined by independent appraisals and valuations. Liabilities were reported at present values using appropriate interest rates. Leases were valued based on the difference between contractual rents and current market rents at November 15, 2006.

The establishment of the successor company's capital structure and resulting discharge of pre-petition debt resulted in a gain of $188.2 million. Adjustments to reflect the revaluation of assets and liabilities and the write-off of the predecessor company's equity accounts resulted in a net gain of $144.8 million. Both of these gains were recorded as reorganization items in the predecessor company's statement of operations. In addition, the excess of fair value of net assets over reorganization value resulted in negative goodwill of approximately $400 million, which was allocated on a pro rata basis to reduce the company's non-current assets to $645 million as of November 15, 2006. Additional details about the fresh-start accounting treatment are provided in your 10-Q, and I will be happy to address any questions you have about them at a later time.

Okay. Let's take a look at a few key P&L items. As I discuss the P&L, I'll refer to the second quarter, which consists of four fiscal periods or 16 weeks, and the first half of the fiscal year which consists of seven fiscal periods or 28 weeks. As Peter mentioned ID store sales decreased by 0.5% in the second quarter and increased by 1.8% in the first half. The two key metrics that drive ID sales results are basket size and transaction count. The average basket size increased 1.3% and 3.0% in the second quarter and first half respectively. We attribute the increase in basket to improved customer service, merchandising initiatives including pricing and promotional programs, and better execution in the stores. Identical store transaction count declined in both periods versus last year. Transaction count was down 1.9% for the second quarter and 1.1% for the first half. Generally, we believe that the decline in transactions primarily resulted from increased competition from supermarket and other sellers of grocery items including super centers and convenience stores.

Our gross profit on sales increased $4.2 million for the second quarter and $18.8 million for the first half compared to the same periods last year. As a percentage of sales, gross margin was 25.7% for the second quarter versus 25.3% last year, and 26.0% for the first half versus 25.6% last year. This gross margin improvement of 40 basis points in both periods was due primarily to operational improvements by reduced inventory shrink offset by a 10 basis point reduction from the impact of Medicare D prescription drug program.

In the second quarter, we invested about 50 basis points in promotional programs to stimulate sales in the hurricane impacted regions that last year benefited from increased Federal and private assistance fundings. This investment was largely offset by increased gross margins achieved in certain categories, including more effective pricing and sell-through of seasonal merchandise.

Other operating and administrative expenses for the second period increased $15 million compared to the prior year and increased 20.5 million for the first half. These increases were primarily the result of $9.8 million of bankruptcy-related items and the remainder was primarily increased utility rates. As a percentage of sales, other operating and administrative expenses was 27.9% for the 16 weeks versus 27.0% last year, and 28.1% for the 28 weeks versus 27.7% last year. This 40-basis point increase in each period was largely driven by the bankruptcy, emergence costs, and utility rates I noted previously. Also, during our reorganization, we eliminated all of our closed store lease liabilities. Only about $600,000 of closed facility liabilities remain post emergence.

You all know that emergence tax accounting is very complex. There is a very detailed discussion about income taxes including an explanation of our net operating loss carry-forwards in the 10-Q. I will be happy to answer any questions you may have in a few minutes.

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Next, let's talk about liquidity. As of January 10, 2007, Winn-Dixie had about $500 million of liquidity, comprised of $367 million of borrowing availability under our credit agreement and $133 million of cash and cash equivalents. We anticipate that our liquidity will decline by about $80 million net over the remainder of the fiscal year as we accelerate our remodel program and complete payment of some remaining emergence costs. We have sufficient liquidity through a combination of borrowing availability under our credit facility, available cash, along with cash flows from operating activities to fund our business operations and planned capital programs.

Thank you. Let me hand it back to Peter, who will summarize our strategies and wrap up. Peter?

Peter L. Lynch, President and Chief Executive Officer

Thanks Bennett. I want you all to know that we are firmly committed to executing five key initiatives. One, rebuilding the trust in the Winn-Dixie brand. Two, investing capital in our existing stores. Three, merchandising and marketing our stores to meet the needs of the neighborhoods that they serve. Four, implementing associate training and career pathing initiatives to improve the level of customer service and consistency of execution in all of our stores. And five, a focus on profitable sales.

In a minute I'll be happy to go in a greater detail about these and other initiatives during the Q&A session, including our go-to-market strategy. However, before I wrap up, I want all of you to know that we greatly appreciate your interest and support. We recognize the importance of open and transparent communications with all of our investors. I know many of you are eager to meet with me or other members of the management team to hear more about the future plans and to walk a store with us. As you know, there are many demands in our time, but meeting with current and prospective inventors will be a top priority for us going forward.

In summary, as I've said at the beginning of the call, we've come a long way in the past two years and I am very proud of our associates and what they've been able to accomplish. We've set the right foundation and put the right plan and the right people in place. I believe the upside potential for our company is tremendous. Now we'll continue to keep our focus simple and execute on our initiatives like crazy.

Thanks again for your interest and for spending this time with us today. Operator, we are now ready for the Q&A session.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions]. And we will take our first question from Meredith Adler with Lehman Brothers.

<Q – Meredith Adler>: Good morning. I have a question about your relationship with vendors. Two parts to that question, the first is, are you getting normal trade terms with all of your vendors, or have all the vendors come back? This is actually a three-part question. And then, in terms of promotional support, how much did you lose during the bankruptcy, and have you gotten it back?

<A – Peter Lynch>: Well, good morning, Meredith. This is Peter.

<Q – Meredith Adler>: Hey, good morning.

<A – Peter Lynch>: Regarding the vendors, obviously, as we've got into the Chapter 11 process things were not normalized at the beginning. However, over a period of time they have become normalized. During bankruptcy, most of the major vendors were on normalized terms. However, there were some that were not. But today, we are back to normalized terms. We believe we are at the right type of brackets moving forward. And quite frankly, our average sales in our stores are up, so we've gained some momentum there with our vendors. So, in the beginning it was not, we are back up to speed today with majority of the vendors moving forward.

<Q – Meredith Adler>: Great. Thank you very much.

<A – Peter Lynch>: Okay.

Operator: Thank you. And we will go next to Karen Short, Friedman, Billings, Ramsey.

<Q – Karen Short>: Hi, everyone. Just a couple of questions, maybe – obviously, you said on your prepared remarks that you'd talk about your go-to-market strategy. So, maybe, if you could elaborate on that a little bit. And then I had a couple other questions about CapEx and SG&A.

<A – Peter Lynch>: Okay, Karen, go-to-market, I'm going to keep this one relatively simple. If you take a look at the four quadrants out there, you've got one way you can go would be the lower right hand. Wal-Mart plays in that quadrant very effectively, it's all about price. We are not going to go there. We are moving more to the upper left hand quadrant where, to use a good example would be where Publix exists in our marketplace, and it's all about service, it's about quality and about variety. We believe there is room there to exist, co-exist with Publix, that's where we are moving to and that's where our strategy is focused.

<Q – Karen Short>: Okay. And you would say that about every market that you operate in?

<A – Peter Lynch>: Yes, I would. Although not every market were directly impacted by Publix, but whoever is that convectional operator that's in that upper quadrant will be moving in that direction.

<Q – Karen Short>: Okay. And then just looking at CapEx a little bit, can you maybe talk a little bit what your strategy there is, is it – are you doing a cluster strategy in your remodels, is it defensive versus offensive? And then maybe, if you could talk a little bit about the average CapEx that you think you will need to put into a store, and what kind of sales lift you should be getting given that investment?

<A – Peter Lynch>: Okay. Karen, our strategy going forward obviously, we are in a little bit of a defensive mode, just because of the state of Winn-Dixie. So, an awful lot of our remodels have been put into place, depending upon when a competitor is going to remodel their store. So, a lot of it is defensive. Having said that, where we can, we try to cluster those openings. We just had

three openings in Columbus, couple of weeks ago. So again, we saw a competitor opening, and we clustered our stores to be the most effective impact we could possibly have in that environment. So, we are defensive in many of them. However, we will be offensive where we can. We believe in clustering, and we also take a hard look at the markets, and the return on investment that we can get on those remodels. So, there's a lot of factors going into that.

Regarding, I think, you were talking about the average CapEx, and I believe in our 10-Q we talked about 1.5 to 2 million. Obviously, we are still early on in this process. We are experimenting with some different things to see where the right blend is on the CapEx spend, and the sales return, and the ROI. So, it's going to take a little bit of time for us to know exactly where that proper spot is, and we are experimenting on it right now.

And, the style of these remodels changed dramatically from, I think, what people have seen Winn-Dixie in the past, and I am looking forward to being able to take some of you to visit some of our remodel stores, which you are going to find that it's very heavily orientated toward the perishable departments. We've opened up that side of the store. Quite frankly, the old stores are a little bit convoluted, and a little bit of a maze, it was difficult for the customer to get from the front door to the back of the store. I think, we've taken those obstacles out. We are making it a fun environment for the customers to shop. Again, very much orientated on the perishable side. Having said that, I think, we have made the center store very, very effective. I am looking forward to showing that one as well because our customers have told us what they are starting to see on the center store is a fun shopping experience. And I will tell you with the décor, it's a dramatic departure from the pinks and the turquoises which you used to see out in the stores to a more current environment with earth-tones, et cetera, et cetera as we move forward.

<Q – Karen Short>: And so how many remodels have you completed to-date?

<A – Peter Lynch>: Right now, we've completed five, and we expect to get somewhere around 18 to 22 completed for this year.

<Q – Karen Short>: And, when were the five completed?

<A – Peter Lynch>: They were completed just a couple of weeks ago.

<Q – Karen Short>: Okay. So, a little too soon to have any solid data on sales? Okay.

<A – Peter Lynch>: It's too early. And hopefully, when we have the quarterly announcement for Q3, we ought to have a little bit more traction on these, and it should make a lot more sense for you.

<Q – Karen Short>: Okay. And then, last question. Just on SG&A, I mean, obviously, you've been – you said, you have been putting – beefing up the labor at the store level to improve the customer service or customer experience. So, I guess the first question is, when do you lap the higher labor at the store level? And then the second question just on SG&A is, you are going to have higher labor cost offsetting opportunities to cut overhead. So, can you address whether or not you see other opportunities to reduce your overhead, or is it kind of about as well as it could go right now?

<A – Peter Lynch>: Okay. Well, we did a deep dive when we jumped into Chapter 11. And I think, we did a very, very effective job of looking at the organization, and determining where we needed to increase and where we needed to decrease, and we had a major reduction in overhead at that point in time.

As far as the labor, we've lapped that right now. And, I want you to know, Karen, when I talk about service we are going to put our money where our mouth is. This is not a company that's saying,

"Hey, we are going to do better service levels," we've got an effective labor scheduling program out there in the stores, and we are spending the labor that it's going to take to drive the sales, and take care of the customers. So, we are not talking out of two sides of our mouth. We made that commitment and I stand by that. Too often, too many companies take the labor out of the stores, and then you just can not execute on the merchandising and the marketing programs, and that's essential to the turnaround of our company. So, we made the commitment, I am feeling very good about it, I walk into our stores, and now we have got leadership in the front-end of the stores, people getting direction, and customer service from the surveys that we are doing out there with the consumers are telling us that we are getting better all the time. So, it was a right commitment at the right time and we are totally focused on driving that for the future.

<Q – Karen Short>: Do you think at…

<A – Peter Lynch>: As far as other cuts in the future, we look at the business on a quarterly basis. Actually, I look at the business every single week. If there are opportunities, I assure you, okay, we will assess those opportunities and take them. Do I see any major cuts in the near future? No, I do not, but we are always fine tuning the business as we move forward.

<Q – Karen Short>: And at the executive ranks, do you guys have any gaps that you need to fill right now say in merchandising or anything else?

<A – Peter Lynch>: Regarding the merchandising, marketing, operations, all the teams, we did a deep dive on that one when we first jumped into Chapter 11. We made a lot of changes. But, you know something, Karen? I think good managers are always looking at their business and their people. I haven't seen a coach of a football team that doesn't go back, and look at the starting lineup every single week. So as the manager, I will challenge them; as the Board will challenge me, and we will be constantly evaluating to make sure that we have got the right starters in place every single week as we go to market.

<Q – Karen Short>: Great. Thanks a lot.

<A – Peter Lynch>: Okay.

Operator: Thank you. We will go next to Chuck Cerankosky with FTN Midwest.

<Q – Charles Cerankosky>: Good morning, everyone. Good morning, Peter.

<A – Peter Lynch>: How are you doing, Chuck?

<Q – Charles Cerankosky>: Doing well. Going back to the one of your key strategies about merchandising the stores to the neighborhoods in which they operate, you indicated on a previous answer that you want to be more like Publix than Wal-Mart. How upscale or downscale will a Winn-Dixie store look if we were to randomly look at the 10 or 12 different neighborhoods right now, and where do you want it to get to?

<A – Peter Lynch>: I guess, Chuck, we've got to start by defining what upscale is. I mean, Publix is a very good operator. They do a very, very good job with quality and variety and service. I think, if you were talking upscale, upscale, you'll probably going to a Fresh Market or a Whole Foods. I don't think Publix is quite there, but they are very good at what they do. So, we are moving more towards the Publix, which is probably on a scale of a 1 to 10, a 7. But clearly looking to add variety, add quality, things that we were lacking in the past as we move forward. And when we talk about neighborhood, Chuck, this was a company that's in some very, very opportunist markets. We go down to Miami and Hialeah it's heavy Latino, and we need to make sure that our merchandising and marketing is targeted for that audience. You go to New Orleans, and it's a different merchandising and marketing opportunity, and we are targeting that. We got stores in resort areas,

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which is a different opportunity for us. We have got urban, we have got upscale. So, those are probably five key marketing areas, which we have initiatives launched today to make sure we are the appropriate neighborhood marketer in those markets.

<Q – Charles Cerankosky>: So, we would see a selection of general merchandise in resort area that's very different than an upscale suburban area versus a Latino area?

<A – Peter Lynch>: Chuck, you are right on. You might remember what we did at Acme Markets on the shore in the summer time with general merchandise out there to care of the consumers that are coming to the beach. We need to do the same thing in the markets we operate, where we've got people going to the beach. So, you are right on target.

<Q – Charles Cerankosky>: Thank you.

<A – Peter Lynch>: Thank you.

Operator: Thank you. And we will go next to Craig Peckham with Jefferies & Company.

<Q – Craig Peckham>: Hi. Good morning. I wonder if you could just clarify for me, of the 522 stores, how many of those have been upgraded within the last five years or so?

<A – Peter Lynch>: No, Craig. I don't have that on the top of my head. We did a lead market before I got here. I think, there was someplace around 75 stores. And quite frankly, it wasn't a total remodel, it's a partial, it was basically a case for case replacement, and really not strategic the way that we are moving with, new type of departments that are going to drive sales for the future. So, probably about 75. But again, I take that one off the top of my head because that happened before I got here.

<Q – Craig Peckham>: Okay. Thanks for that. And, I wonder if you could give us your thoughts on how changes in the Federal minimum wage may impact your business in your markets?

<A – Peter Lynch>: Our first glance, when we got the news on that, would have minimal impact on us early on. And, we think as we move into that later phases, again, it's minimal for us.

<Q – Craig Peckham>: Thanks. And, last question. Could you give us a sense if you know yet what the equity compensation structures are going to be for senior management thinking about options and restricted stock?

<A – Peter Lynch>: We are in the process of putting that altogether. We are doing that with the Board, and it would not be appropriate to discuss that at this time. The Board will have their opportunity to review the plan and vote on it. And, after that point in time, it will become public knowledge.

<Q – Craig Peckham>: Okay. Thanks.

Operator: Thank you. We will go next to Jim Lane with Tripoint.

<Q – Jim Lane>: Hi, good morning. Can you hear me okay?

<A – Peter Lynch>: You speak up again.

<Q – Jim Lane>: Can you hear me okay?

<A – Peter Lynch>: Yes. I can.

<Q – Jim Lane>: Okay. Thank you. I had a couple of questions. One, on the – in the press release, the company states that regarding the positive adjusted EBITDA in the second quarter and planning to build on that progress in the second half of the year, wondering if you could just elaborate on that. Is that a – should we take that as forward guidance that you would expect this to be a run rate to build off of or would you still expect – or should one expect some fluctuations in that level? I am wondering if that's a sequential statement or a year-over-year comment.

<A – Peter Lynch>: Well, Jim, I take things and make them pretty simple. The fact that we said that I am feeling good about where we are headed would be that we should be moving north of that number moving forward. That's my comment on that.

<Q – Jim Lane>: Okay. Thank you. And then, I just had a couple of balance sheet questions. The unfavorable leases stated on the balance sheet, could you just elaborate on what those are and, sort of, how that works out over time?

<A – Peter Lynch>: We will give it to, Bennett.

<A – Bennett Nussbaum>: Thank you. As part of fresh-start accounting, we had an outside firm value all our leases compared to market. There are also many favorable leases which we took as an asset that shows up in intangible assets.

With regard to the unfavorable leases, that includes both stores, warehouses and all our other facilities, and that would be the market rate to be determined by our outside advisors as compared to the lease rate that exists. When you add all that up, it comes to the number on the balance sheet. That will be amortized just as the favorable lease amount located in intangible assets will be amortized, and they will somewhat offset.

<Q – Jim Lane>: They would somewhat offset…?

<A – Bennett Nussbaum>: The favorable leases actually exceed the unfavorable leases. So we will have a net gain.

<Q – Jim Lane>: Got it. Thank you very much. That's helpful. And, just a last question, on the self insurance liabilities.

<A – Bennett Nussbaum>: Yes.

<Q – Jim Lane>: Is that primarily workers' compensation or is that – are we self insured for healthcare?

<A – Bennett Nussbaum>: No. Well, let's take it one at a time. It's primarily workers' comp; there is some general liability in there. For healthcare, we are self insured up to a limit, and then in all of this we have excess coverage. Excuse me. On healthcare, we have – I will take that back. We have an outside provider and we pay them monthly.

<Q – Jim Lane>: We pay an administrative fee or...

<A – Bennett Nussbaum>: Yes.

<Q – Jim Lane>: …we pay premiums?

<A – Bennett Nussbaum>: We pay an administrative fee plus the losses.

<Q – Jim Lane>: Okay. Thank you very much.

<A – Bennett Nussbaum>: Welcome.

<A – Peter Lynch>: Next question.

Operator: Thank you. Meredith Adler with Lehman Brothers.

<Q – Meredith Adler>: Sorry, just a follow-up question. I was wondering if you could comment at all about average weekly sale, which is another way of looking at it, for the stores that are still open, what happened to average weekly sales during the bankruptcy and where do we stand now? I don't know if you've looked at this at all.

<A – Peter Lynch>: Well, to be honest with you, I do look at it, Meredith. But, I am always looking at ID sales as a barometer. And, during the bankruptcy, our ID sales were positive and good, and average weekly sales were correspondingly moving the same way. We had this little bit of a dip during the second quarter with the challenge that we had out there. But, right now, as I acknowledged before, I am feeling real good about where our sales are moving to in the last period and the period we are in right now.

<Q – Meredith Adler>: So the average weekly sales for the same group of stores has been moving up over time?

<A – Peter Lynch>: Yes. Yes, it has been.

<Q – Meredith Adler>: Okay, great. Thank you very much.

<A – Peter Lynch>: Okay.

Operator: Thank you. And we will go next to Tony Christ, American Wealth Management.

<Q – Anthony Christ>: It's Christ. Thank you. I have a two part question, Mr. Lynch. Incidentally, I do the shopping in our family. The first part, there is a Shoppers Food Warehouse – I am up in Northern Virginia, Shoppers Food Warehouse, a Keymark store that was opened a few years back, a mile and a half from me. The small Safeway I used to shop at located across from the cemetery about 2.5 to 3 miles away from me. I still go to the Safeway, because number one, they have a really good meat department. They use Rancher's brand and I want you to comment on that. They also have exceptional service and they have the same employees. The Shoppers Food Warehouse, there's a slight price advantage to it. So, I go up there too sometime, most of the people are Hispanic or non-English speaking. They don't know where things are in the store. The store is four to five times bigger than the Safeway. I wanted you to just comment on my experience, assuming that it may be generalizable to things that we're doing, we're doing in Winn-Dixie and specifically with the meat department. I can also get anything I want cut at Safeway by ringing little bell, the same guy who has been there for years will come out. He'll cut New York strips for me on Sunday, anything I want and I feel like I'm – when I go in there, I feel like I'm in a much higher scale store than it actually is.

<A – Bennett Nussbaum>: Okay, Chris, I'm glad to hear you're doing the shopping. I am like you, I do all the shopping. I should; I am in the business, so I know what's going on. At least two days a week out in the stores I'm shopping, I probably hit our local store every other night as I go home. So, that's the way I keep the focus on. Your comment I think really plays into our going forward strategy with the brand. We are not going into the food warehouse arena, there's a customer for that. But as you acknowledged, the customer is looking for quality and service, and that's an arena we're going into. We think there is lots of room to operate. Quite frankly, Winn-Dixie was always noted as the meat people or the beef people, and we're going to continue to play upon that strategy, because we got very good marks for our meat reputation. We do have butchers out there, unlike some other competitors. They are there to cut the beef as we move forward. I'm not quite

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sure I know about the Ranch's branding you have, but that's probably their private Safeway brand that they're driving. But I think where you are going is, where we're headed, I think we're walking down parallel paths and you just solidified in my mind where we're headed to.

<Q – Anthony Christ>: With the labor, with the employee stability and employee knowledge of the stores and that type of stuff, I guess.

<A – Bennett Nussbaum>: Well, I think you heard me talk about it in one of our five key initiatives as we go forward is implementing associate training, so we are having initiatives to improve the level of customer service and consistency of execution in all stores. They can't do it if you don't train them. You can't do it if you don't have the right people and the right labor out there, that's one of our key initiatives to make sure that when we say we'll move into that upper quadrant we can deliver on that promise.

<Q – Anthony Christ>: Okay. Now I have a general part to that question. If it is correct and feel free to correct me, that a 3 to 7% EBITDA is a good goal in this business and it is certainly true presently by comparing Winn-Dixie on two other metrics. One, book to sales, and also sales to market cap, Winn-Dixie is very much trailing in price. In other words, they are generating a huge amount of dollars of revenue for every share of stock compared to, say, Safeway? And however, is it – what do you feel about that as a general objective, is 3 to 7% EBITDA a reasonable target or is that too high or – of sales?

<A – Peter Lynch>: Hey, Chris, this is Peter. We're just getting out of the gate now, so obviously our numbers compared to Safeway would be little bit upside down. And quite frankly, we're not giving guidance at this time on where our EBITDA is going to be, that's where I am on that. Okay?

Operator: Thank you. We will go next to Chuck Cerankosky, FTN Midwest.

<Q – Charles Cerankosky>: Just a quick follow-up. Would Winn-Dixie be looking at any store group acquisitions, like some of the Albertsons that might be for sale in your operating areas?

<A – Peter Lynch>: Chuck, we don't comment on those things. However, saying that, you know that there are a lot of things going on in this marketplace that we operate in, and I don't have a crystal ball for where the future is going. Although I think this market is ripe for some consolidation. There are couple of places in the country that haven't really experienced that yet, Northeast and Southeast, so who knows. But we will see what the future holds.

<Q – Charles Cerankosky>: Thank you, good luck.

<A – Peter Lynch>: Thank you.

Operator: Thank you. And we will go next to Robert Ryan of Banc of America.

<Q – Robert Ryan>: Hi, thanks for having the call. It looked like the insurance and income tax receivables were up a little bit sequentially. What's the expected timing and sort of, the likelihood on the recoverability of those accounts?

<A – Bennett Nussbaum>: Well, let's take them one at a time. With regard to the tax receivable, we've just received about $20 million of that related to our 2000 to 2002 audit. The balance of it we will be speaking with the IRS, that's for our 2003 to 2006 audit – 2005 audit. And if you can explain when the US government will release those monies, you're probably well ahead of where I am. Nevertheless, we have a very good tax department that is trying to expedite the receipt of that money. With regard to the insurance claims, we've been pretty successful for the last two years with hurricane recoveries. We have received progress payments, if you will, from the insurance companies. We have not yet finished submitting our claim, because we are still rebuilding stores in

New Orleans. I would expect that that money is probably somewhere around eight to 12 months away before we get the full balance.

<Q – Robert Ryan>: Okay. And then in terms of the cash uses at exit, I think your earlier Qs and Ks estimated a range of 120 to 140 million. And then there is this pro forma balance sheet which showed cash going down by, I don't know, 42 million or something like that. Do you have a fix now in terms of how much of your available cash was used in connection with emergence?

<A – Bennett Nussbaum>: Right. We used about 60 to 70 million when we exited, and we have about that much remaining, somewhere between 40 and 60, which will be paid over the next six to 24 months depending on how fast certain things are settled.

<Q – Robert Ryan>: And is that separate than the – from the hold back of shares, you've held back about 10% of your shares for disputed claims?

<A – Bennett Nussbaum>: Yeah. Those are two different items.

<Q – Robert Ryan>: Okay.

<A – Bennett Nussbaum>: The hold back in shares is for settlement of pre-petition claims.

<Q – Robert Ryan>: And without getting into a whole lot of granularity, what can you tell us about the likelihood and the timing of the release of any shares in that hold back account?

<A – Bennett Nussbaum>: I would hope we could complete it within 12 to 24 months. It depends on how quickly we can reach settlement with individual creditors or if some require us finally going to court with them at the end. But so far we've been very successful in reaching negotiated settlements.

<Q – Robert Ryan>: And a last question, what's sort of the complexion of the claims generally that are part of that hold back? Are these individual litigation claims? Are they vendor claims? What's the nature of the claims?

<A – Bennett Nussbaum>: It's right across the whole spectrum of the various claims we had at the time of the bankruptcy, so it's all of the above.

<Q – Robert Ryan>: Okay, great. Thank you very much.

<A – Peter Lynch>: Okay. I think we get time for two more questions, so...

Operator: Thank you. Our next question will come from [inaudible].

<Q>: Thank you. My questions have been answered.

<A – Peter Lynch>: Okay. Thanks Justin. One more?

Operator: Thank you. We will go next to Stuart Friou with Hunter Global.

<Q – Stuart Friou>: Yeah. Peter, you mentioned earlier that you are seeing 100 basis point improvement in shrink since you came – I guess since you got there or maybe since you came out of bankruptcy, I'm not sure what that comment referred to. Is that the biggest opportunity you see for gross margins going forward? Is that the biggest impediment to improving margins at this point?

<A – Peter Lynch>: Stuart, we've seen considerable improvement in the shrink number and I still think we've got more of an opportunity going forward. The last half of our plan, the other half is to

come. But there is other opportunities on margin improvement as we do a deeper dive into our pricing, into our promotional activity, I think there is more of an upside there as well. So, it's just not shrink, there is other areas surrounding the margin opportunity that we are delving into and I see some upside going forward.

<Q – Stuart Friou>: So, your comment earlier about 100 basis point improvement in shrink, what time period were you referring to there?

<A – Peter Lynch>: I was referring to past year.

<Q – Stuart Friou>: Okay. Are you half way back to where you think it should be?

<A – Peter Lynch>: We are more than half way back. We are pretty close to where the industry is. However, it is probably – I'll give you a range, 30 maybe basis points where there is an opportunity.

<Q – Stuart Friou>: Okay.

<A – Peter Lynch>: Okay?

<Q – Stuart Friou>: Thank you.

Peter L. Lynch, President and Chief Executive Officer

Okay. I think that concludes our Q&A. I want to thank all of you for joining us and I look forward to meeting with you and visiting our stores as we move forward. Again, thank you all for visiting with us this morning.

Operator: Thank you. And once again that will conclude today's conference. We thank you for your participation and you may disconnect at this time.

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