



## United Natural Foods Announces Net Sales of \$668.5 Million for the Second Quarter of Fiscal 2007

February 20, 2007

Announces New 237,000 Square Foot Distribution Facility  
to be Located in Ridgefield, WA

DAYVILLE, Conn., Feb. 20 /PRNewswire-FirstCall/ -- United Natural Foods, Inc. (Nasdaq: UNFI) (the "Company") today reported net sales for the second quarter of fiscal 2007, ended January 27, 2007, of \$668.5 million, an increase of approximately \$67.5 million, or 11.2%, from the \$601.1 million recorded in the second quarter of fiscal 2006.

Operating expenses during the second quarter of fiscal 2007 were negatively impacted by approximately \$2.2 million of losses related to the Company's two Auburn, California facilities. In January 2007, the Company incurred a loss of \$1.5 million associated with the sale of one of the facilities. In addition, the Company recorded an impairment loss in accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, of \$0.8 million on its second Auburn, California facility, as a result of the Company's decision to sell the property. Accordingly, the assets associated with the second facility have been reclassified on the balance sheet from property and equipment to other current assets as of January 27, 2007. During the second quarter of fiscal 2007, the Company also incurred \$0.4 million in fees related to the early termination of unused leased space at a facility in Minnesota, and recorded a related write-off of \$0.3 million in abandoned leasehold improvements.

In the second quarter of fiscal 2007, the Company recorded share-based compensation expense of \$1.0 million in accordance with Statement of Financial Accounting Standard ("SFAS") No. 123R, Share-Based Payment, compared to \$0.9 million of share-based compensation expense for the second quarter of fiscal 2006, ended January 28, 2006.

The Company reported net income of \$10.9 million, or \$0.25 per diluted share, for the second quarter of fiscal 2007. After adjusting for the impact of losses attributable to the two Auburn, California facilities and the early termination of the Minnesota facility and the related asset write-off described above, net income for the quarter would have been \$12.7 million or \$0.30 per diluted share. Net income for the second quarter of fiscal 2006, excluding special items, was \$10.8 million, or \$0.26 per diluted share. Net income for the second quarter of fiscal 2006, including special items, was \$10.6 million, or \$0.25 per diluted share.

The following table details the amounts and effect of special items and a reconciliation of net income and per share amounts, excluding special items (non-GAAP basis), to net income and per share amounts, including special items (GAAP basis), for the second quarter of fiscal 2006:

Quarter Ended January 28, 2006 (in thousands, except per share data)	Pretax Income	Per diluted Net of Tax	share
Income, excluding special items:	\$17,398	\$10,787	\$0.26
Special items - (Expense)			
Rocklin, CA facility relocation costs (included in operating expenses)	(251)	(156)	(0.00)
Income, including special items:	\$17,147	\$10,631	\$0.25*

\* Total reflects rounding.

All non-GAAP numbers have been adjusted to exclude special items. A reconciliation of specific adjustments to GAAP results for the quarter ended January 28, 2006 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.

"Fiscal 2007 continues to be a strong year and we are quite pleased with our operating performance and financial results during the second quarter," said Michael Funk, President and Chief Executive Officer. "Sales growth in our supermarket channel remained solid and we expect the super natural channel to realize increased sales growth with the number of new stores expected to open during 2007. I am also pleased to report that the transition during the quarter related to our expanded Whole Foods relationship in the Southern Pacific region of the United States has gone smoothly. We continue to develop operational efficiencies while servicing our customers at a high service level."

### New Facility in Ridgefield, Washington

The Company also announced today that it is expanding its operations in the Pacific Northwest of the United States with the construction of a new 237,000 square foot state-of-the-art distribution center in Ridgefield, Washington. The new facility will create approximately 100 jobs upon opening.

The distribution center is scheduled to commence operations in the late summer of 2007 and will serve as a regional distribution hub for customers in Portland, Oregon and other Northwest states. The Company currently has 16 distribution facilities throughout the United States, consisting of an

aggregate of 3.3 million square feet of space. The Company has the largest capacity of any distributor in the natural products industry.

Mr. Funk commented, "To accommodate anticipated industry growth and accelerating consumer demand for natural and organic products we are pleased to announce plans to open a new facility in the Pacific Northwest. Supporting our commitment to our customers, the Ridgefield distribution center will improve our distribution capabilities and provide customers with further product diversity and enhanced customer service. The new distribution center will also allow us the opportunity to create new sales opportunities in this region and will provide lower transportation costs to our customers."

Mr. Funk added, "We are grateful for the partnership and support we have received from the City of Ridgefield and look forward to building a long-lasting relationship with the community."

#### Conference Call

Management will conduct a conference call and audio webcast at 11:00 a.m. EST on February 20, 2007 to review the Company's quarterly results, market trends and future outlook. The conference call dial-in number is (303) 205- 0033. An audio webcast of the conference call will be available to the public, on a listen-only basis, via the Internet at [www.earnings.com](http://www.earnings.com) or at the Investor Relations section of the Company's website at [www.unfi.com](http://www.unfi.com). Please allow extra time prior to the call to visit the site and download the necessary software 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 more than 40,000 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. United Natural Foods, Inc. was ranked by Forbes in 2005 as one of the "Best Managed Companies in America," ranked by Fortune in 2006 as one of its "Most Admired Companies," and ranked by Business Ethics as one of its "100 Best Corporate Citizens for 2006." For more information on United Natural Foods, Inc., visit the Company's website at <http://www.unfi.com>.

#### Financial Tables Follow

For more information on United Natural Foods, Inc., visit the Company's website at <http://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 Securities and Exchange Commission on December 7, 2006, 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 U.S. generally accepted accounting principles ("GAAP") basis, the Company uses non- GAAP additional measures of operating results, net income 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 GAAP. A comparison and reconciliation from non-GAAP to GAAP results is included in the tables within this release.

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

	Three months ended		Six months ended	
	January	January	January	January
	27,	28,	27,	28,
	2007	2006	2007	2006
Net sales	\$668,545	\$601,082	\$1,314,978	\$1,176,722
Cost of sales	544,477	484,677	1,067,339	950,051
Gross profit	124,068	116,405	247,639	226,671
Operating expenses	101,739	96,057	202,018	191,570
Impairment on assets held for sale	756	-	756	-

Amortization of intangibles	138	142	289	286
Total operating expenses	102,633	96,199	203,063	191,856
Operating income	21,435	20,206	44,576	34,815

Other expense (income):

Interest expense	3,350	3,195	6,261	5,562
Interest income	(180)	(73)	(294)	(141)
Other, net	399	(63)	371	(123)

Total other expense	3,569	3,059	6,338	5,298
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Income before income taxes	17,866	17,147	38,238	29,517
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Provision for income taxes	6,968	6,516	14,913	11,216
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Net income	\$10,898	\$10,631	\$23,325	\$18,301
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Per share data (basic):

Net income	\$0.26	\$0.26	\$0.55	\$0.44
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Weighted average basic shares of

common stock	42,438	41,406	42,299	41,395
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Per share data (diluted):

Net income	\$0.25	\$0.25	\$0.55	\$0.43
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Weighted average diluted shares

of common stock	42,848	41,952	42,733	42,076
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UNITED NATURAL FOODS, INC.  
CONSOLIDATED BALANCE SHEETS (Unaudited)  
(In thousands)

January 27, July 29,  
2007 2006

ASSETS

Current assets:

Cash and cash equivalents	\$17,066	\$20,054
Accounts receivable, net	162,954	147,686
Notes receivable, trade, net	1,290	1,254
Inventories	288,989	257,259
Prepaid expenses and other current assets	18,546	12,596
Deferred income taxes	10,911	10,911
Total current assets	499,756	449,760

Property & equipment, net	161,476	163,247
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Other assets:

Goodwill	78,044	78,016
Notes receivable, trade, net	2,620	2,760
Intangible assets, net	187	251
Other	10,340	6,561

Total assets	\$752,423	\$700,595
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LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Notes payable	\$123,000	\$125,005
Accounts payable	116,272	102,146
Accrued expenses and other current liabilities	34,375	34,245
Current portion of long-term debt	5,552	5,433
Total current liabilities	279,199	266,829

Long-term debt, excluding current portion	66,666	59,716
Deferred income taxes	8,827	9,693
Other long-term liabilities	858	883
Total liabilities	355,550	337,121

Stockholders' equity:

Preferred stock, \$0.01 par value, authorized 5,000 shares at January 27, 2007 and July 29, 2006; none issued and outstanding	-	-
Common stock, \$0.01 par value, authorized 100,000 shares; 43,013 issued and 42,785 outstanding shares at January 27, 2007; 42,477 issued and 42,248 outstanding shares at July 29, 2006	430	425
Additional paid-in capital	161,212	149,840
Unallocated shares of Employee Stock Ownership Plan	(1,298)	(1,380)
Treasury stock	(6,092)	(6,092)
Accumulated other comprehensive (loss) income	(338)	1,047
Retained earnings	242,959	219,634
Total stockholders' equity	396,873	363,474

Total liabilities and stockholders' equity	\$752,423	\$700,595
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UNITED NATURAL FOODS, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)  
(In thousands)

Six months ended  
January 27, January 28,  
2007 2006

CASH FLOWS FROM OPERATING ACTIVITIES:

Net income	\$23,325	\$18,301
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	9,378	7,988
Loss (gain) on disposals of property & equipment	1,968	(30)
Impairment on assets held for sale	756	-
Provision for doubtful accounts	815	1,600
Share-based compensation	1,997	3,480
Changes in assets and liabilities, net of acquired companies:		
Accounts receivable	(16,083)	(28,333)
Inventory	(31,730)	(28,596)
Prepaid expenses and other assets	(10,675)	1,970
Notes receivable, trade	104	(589)
Accounts payable	11,843	20,571
Accrued expenses and other current liabilities	(1,213)	6,510
Net cash (used in) provided by operating activities	(9,515)	2,872

CASH FLOWS FROM INVESTING ACTIVITIES:

Capital expenditures	(14,542)	(11,774)
Proceeds from disposals of property and equipment	5,441	43
Other investing activities	(1,028)	(575)
Net cash used in investing activities	(10,129)	(12,306)

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from borrowings of long-term debt	10,000	-
Net (repayments) borrowings under note payable	(2,005)	37,428
Increase (decrease) in bank overdraft	2,283	(14,053)
Proceeds from exercise of stock options	6,663	7,713
Purchases of treasury stock	-	(6,092)
Repayments on long-term debt	(2,999)	(2,922)
Tax effect of stock options	2,718	1,626
Principal payments of capital lease obligations	(4)	(273)
Net cash provided by financing activities	16,656	23,427

NET (DECREASE) INCREASE IN CASH

AND CASH EQUIVALENTS	(2,988)	13,993
Cash and cash equivalents at beginning of period	20,054	12,615
Cash and cash equivalents at end of period	\$17,066	\$26,608

Supplemental disclosures of cash flow information:

Cash paid during the period for:

Interest, net of amounts capitalized	\$6,280	\$5,167
Federal and state income taxes, net of refunds	\$17,313	\$8,749

SOURCE United Natural Foods, Inc.

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Web site: <http://www.unfi.com>

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