



## **United Natural Foods Reports Record Revenues of \$732.5 Million for the Third Quarter of Fiscal 2007 on 15% Comparable Growth**

May 22, 2007

### Updates Guidance for Fiscal 2007

DAYVILLE, Conn., May 22 /PRNewswire-FirstCall/ -- United Natural Foods, Inc. (Nasdaq: UNFI) (the "Company") today reported net income of \$13.7 million, or \$0.32 per diluted share, for the third quarter of fiscal 2007, ended April 28, 2007. The Company reported revenues for the third quarter of fiscal 2007 of \$732.5 million, an increase of \$95.4 million, or 15.0%, from the \$637.1 million recorded in the third quarter of fiscal 2006. Both the supernatural and supermarket channels of the wholesale segment contributed to the record sales, with both channels showing comparable growth rates in excess of 20%.

For the third quarter of fiscal 2007, net income increased 11.4% to \$13.7 million, or \$0.32 per diluted share, compared to \$12.3 million, or \$0.29 per diluted share, for the third quarter of fiscal 2006.

Gross margin as a percent of sales for the third quarter of fiscal 2007 was 17.7%, which represents a 1.2% decline from the gross margin of 18.9% for the third quarter of fiscal 2006, ended April 29, 2006. The gross margin decline was driven by a combination of factors. First, the Company's level of forward buying in the Western Region during the third quarter of fiscal 2007 continued to run below historical levels, negatively impacting gross margin by approximately \$1.9 million. Second, the Company incurred an unusually high level of inventory adjustments within broadline distribution during the quarter of approximately \$1.9 million. Third, a number of new customer agreements were in place during the third quarter compared to the prior fiscal year. Additionally, unanticipated delays in the completion of its previously announced strategy to acquire emerging brands and launch new products have prevented the Company's United Natural Brands' division from contributing the planned level of sales and incremental gross margin expected.

For the quarter ended April 28, 2007, operating expenses were 14.3% of net sales, or \$104.8 million, an increase of \$7.4 million, or 7.5%, over operating expenses of \$97.5 million, or 15.3% of net sales, for the third quarter of fiscal 2006.

In the third 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 \$1.2 million of share-based compensation expense for the third quarter of fiscal 2006, which ended April 29, 2006.

"Our sales growth during the third quarter improved as we had expected, driven by solid growth of over 23% in our supermarket channel. Also, growth in the supernatural channel exceeded 20% for the quarter due to continued strong consumer demand for natural and organic products, aided by new store openings and our increased market share in the West," said Michael Funk, President and Chief Executive Officer.

Mr. Funk added, "We experienced some short-term erosion of gross margin during the quarter due to our forward buying of inventory remaining below historical levels and specific inventory write-offs in broadline distribution,

but we remain confident that the gross margin will improve over the next two quarters with these issues behind us."

### Updates Fiscal 2007 Earnings Guidance

The Company is updating its projected revenues guidance to \$2.75 billion to \$2.8 billion for fiscal year 2007, ending July 28, 2007, which represents a 13% to 15% increase over fiscal 2006. In addition, the Company is revising its GAAP guidance on earnings per share for fiscal 2007 to a range of \$1.20 to \$1.22 per diluted share. Previously, on February 20, 2007, the Company had announced GAAP earnings per share guidance of \$1.25 to \$1.30 per diluted share for fiscal 2007. Excluding the impact of \$2.2 million of losses related to the Company's two Auburn, California facilities and \$0.7 million in fees related to the early termination of unused leased space and the write-off of abandoned leasehold improvements at a facility in Minnesota, both reported in the second quarter of fiscal 2007, the Company is revising its earnings per share guidance for fiscal 2007 to a range of \$1.24 to \$1.26 per diluted share. Previously, the Company announced earnings per share guidance for fiscal 2007, excluding these items, of a range of \$1.27 to \$1.30 per diluted share. Finally, the Company also reiterated its anticipated fiscal 2007 capital expenditures guidance of \$40 to \$45 million.

The Company's guidance is based on a number of assumptions, which are subject to change and many of which are outside the Company's control. 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. EDT on May 22, 2007 to review the Company's quarterly results, market trends and future outlook. The conference call dial-in number is (303) 262-2075. 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 was ranked by Forbes in 2005 as one of the "Best Managed Companies in America," ranked by Fortune in 2007 and 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 [www.unfi.com](http://www.unfi.com).

Financial Tables Follow

"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 March 6, 2007, 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.

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

	Three months ended		Nine months ended	
	April 28,	April 29,	April 28,	April 29,
	2007	2006	2007	2006
Net sales	\$732,516	\$637,068	\$2,047,494	\$1,813,790
Cost of sales	602,573	516,904	1,669,912	1,466,955
Gross profit	129,943	120,164	377,582	346,835
Operating expenses	104,670	97,318	306,689	288,887
Impairment on assets held for sale	-	756	-	-
Amortization of intangibles	148	142	437	428
Total operating expenses	104,818	97,460	307,882	289,315
Operating income	25,125	22,704	69,700	57,520
Other expense (income):				
Interest expense	3,021	2,747	9,282	8,310
Interest income	(324)	(78)	(618)	(219)
Other, net	(39)	(84)	332	(207)
Total other expense	2,658	2,585	8,996	7,884
Income before income taxes	22,467	20,119	60,704	49,636
Provision for income taxes	8,762	7,819	23,675	19,035
Net income	\$13,705	\$12,300	\$37,029	\$30,601
Per share data - basic:				
Net income	\$0.32	\$0.29	\$0.87	\$0.74
Weighted average basic shares of common stock	42,595	41,885	42,396	41,568
Per share data - diluted:				
Net income	\$0.32	\$0.29	\$0.87	\$0.73
Weighted average diluted shares of common stock	42,884	42,446	42,784	42,210

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

	April 28, 2007	July 29, 2006
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$20,544	\$20,054
Accounts receivable, net	167,486	147,686
Notes receivable, trade, net	1,285	1,254
Inventories	302,468	257,259
Prepaid expenses and other current assets	13,822	12,596
Deferred income taxes	10,911	10,911
Total current assets	516,516	449,760
Property & equipment, net	163,365	163,247
Other assets:		
Goodwill	79,900	78,016
Notes receivable, trade, net	2,320	2,760
Intangible assets, net	5,957	251
Other	9,535	6,561
Total assets	\$777,593	\$700,595
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$134,221	102,146
Notes payable	114,001	\$125,005
Accrued expenses and other current liabilities	33,232	34,245
Current portion of long-term debt	6,269	5,433
Total current liabilities	287,723	266,829
Long-term debt, excluding current portion	67,510	59,716
Deferred income taxes	9,029	9,693
Other long-term liabilities	874	883
Total liabilities	365,136	337,121
Stockholders' equity:		
Preferred stock, \$0.01 par value, authorized 5,000 shares at April 28, 2007 and July 29, 2006; none issued and outstanding	-	-
Common stock, \$0.01 par value, authorized 100,000 shares; 43,042 issued and 42,813 outstanding shares at April 28, 2007; 42,477 issued and 42,248 outstanding shares at July 29, 2006	430	425
Additional paid-in capital	162,730	149,840
Unallocated shares of Employee Stock Ownership Plan	(1,257)	(1,380)
Treasury stock	(6,092)	(6,092)
Accumulated other comprehensive (loss) income	(17)	1,047
Retained earnings	256,663	219,634
Total stockholders' equity	412,457	363,474
Total liabilities and stockholders' equity	\$777,593	\$700,595

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

Nine months ended  
 April 28, April 29,  
 2007 2006

CASH FLOWS FROM OPERATING ACTIVITIES:

Net income	\$37,029	\$30,601
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	13,793	12,557
(Gain) loss on disposals of property & equipment	1,999	(25)
Impairment on assets held for sale	756	-
Provision for doubtful accounts	1,008	2,800
Share-based compensation	2,956	4,712
Changes in assets and liabilities, net of acquired companies:		
Accounts receivable	(20,808)	(23,215)
Inventory	(43,391)	(24,479)
Prepaid expenses and other assets	(5,688)	1,067
Notes receivable, trade	409	(763)
Accounts payable	25,829	12,996
Accrued expenses and other current liabilities	(1,393)	(3,258)
Net cash provided by operating activities	12,499	12,993

CASH FLOWS FROM INVESTING ACTIVITIES:

Capital expenditures	(20,684)	(14,804)
Purchases of acquired businesses, net of cash acquired	(6,470)	(3,292)
Proceeds from sale of property and equipment	5,448	57
Other investing activities	(1,042)	-
Net cash used in investing activities	(22,748)	(18,039)

CASH FLOWS FROM FINANCING ACTIVITIES:

Net repayments under note payable	(11,004)	(6,573)
Proceeds from borrowings of long-term debt	10,000	-
Proceeds from exercise of stock options	7,086	17,879
Increase (decrease) in bank overdraft	6,246	(7,397)
Repayments on long-term debt	(4,438)	(4,401)
Tax benefit from exercise of stock options	2,853	5,485
Principal payments of capital lease obligations	(4)	(409)
Purchases of treasury stock	-	(6,092)
Net cash provided by (used in) financing activities	10,739	(1,508)

NET INCREASE (DECREASE) IN CASH	490	(6,554)
Cash at beginning of period	20,054	12,615
Cash at end of period	\$20,544	\$6,061

Supplemental disclosures of cash flow information:

Interest paid, net of amounts capitalized	\$9,235	\$8,021
Federal and state income taxes paid, net of refunds	\$19,771	\$14,993

SOURCE United Natural Foods, Inc.

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