



## United Natural Foods Announces Fourth Quarter and Fiscal Year 2007 Results; Provides Fiscal 2008 Guidance

August 31, 2007

DAYVILLE, Conn., Aug 31, 2007 /PRNewswire-FirstCall via COMTEX News Network/ -- United Natural Foods, Inc. (Nasdaq: UNFI) (the "Company") today reported net income of \$13.1 million, or \$0.31 per diluted share, for the fourth quarter of fiscal 2007, ended July 28, 2007, an increase of 3.5% from net income of \$12.7 million, or \$0.30 per diluted share, reported for the fourth quarter of fiscal 2006, ended July 29, 2006. The Company reported net sales for the fourth quarter of fiscal 2007 of \$706.8 million, an increase of \$87.0 million, or 14.0%, from the \$619.8 million of net sales recorded in the fourth quarter of fiscal 2006.

Gross margin was 18.7% for the fourth quarter of fiscal 2007, which represents a 54 basis point decline from the gross margin of 19.2% for the fourth quarter of fiscal 2006. Gross margin in the fourth quarter of 2007 increased 94 basis points when compared with the 17.7% gross margin reported in the third quarter of fiscal 2007, ended April 28, 2007.

For the fourth quarter ended July 28, 2007, operating expenses were 15.3% of net sales, or \$108.2 million, an increase of \$11.5 million, or 11.9%, over operating expenses of \$96.7 million, or 15.6% of net sales, for the fourth quarter of fiscal 2006. In the fourth quarter of fiscal 2007, several items negatively impacted the Company's operating expenses and net income. Operating expenses in the fourth quarter of fiscal 2007 were negatively impacted by \$0.9 million in labor and other start-up expenses related to the Company's new distribution facilities in Sarasota, Florida and Ridgefield, Washington, which are expected to open in September and December 2007, respectively. Higher health insurance expenses of \$0.6 million and an increase in fuel costs of \$0.9 million also contributed to the increase in operating expenses as a percentage of net sales compared to the third quarter of fiscal 2007.

In the fourth 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 \$0.8 million of share-based compensation expense for the fourth quarter of fiscal 2006.

### Record Full Year Results

Net sales for fiscal 2007 were \$2.75 billion, an increase of 13.2%, or \$320.7 million, over the \$2.43 billion of net sales recorded in fiscal 2006. Gross margin was 18.5% for fiscal 2007, which represents a 64 basis point decline from the gross margin of 19.1% for fiscal 2006.

Net income for fiscal 2007 increased \$6.9 million, or 15.9%, to \$50.2 million, or \$1.17 per diluted share, from \$43.3 million, or \$1.02 per diluted share, for fiscal 2006.

Fiscal year 2007 operating expenses were 15.1% of net sales, or \$416.1 million, an increase of \$30.1 million, or 7.8%, over operating expenses of \$386.0 million, or 15.9% of net sales, for fiscal 2006.

Operating expenses during fiscal 2007 were negatively impacted by approximately \$2.2 million of losses related to the Company's two Auburn, California facilities, \$0.7 million in fees and abandoned leasehold improvements and \$0.9 million in labor and other start-up expenses related to the Company's new distribution facilities in Sarasota, Florida and Ridgefield, Washington.

Operating expenses in fiscal 2006 were negatively impacted by \$3.5 million in expenses related to an employment transition agreement entered into with a former executive and \$0.9 million in costs incurred during the transition from our former warehouses and outside storage facility in Auburn, California into our facility in Rocklin, California.

For the fiscal year ended July 28, 2007, share-based compensation expense was \$4.0 million, compared with \$5.5 million for the fiscal year ended July 29, 2006.

### Comments from Management

"Our sales growth in the 2007 fourth quarter remained strong and consistent with our forecast of 13% to 15% growth," said Michael Funk, President and Chief Executive Officer.

Mr. Funk added, "We're pleased to report that our gross margins rebounded nicely during the quarter, as we had discussed on the third quarter earnings conference call. I'm very impressed with the Company's ability to focus on the margin enhancing initiatives during the fourth quarter. However, during the fourth quarter, we incurred start-up operating costs associated with our new facilities in Florida and the Portland, Oregon area, which will continue into the first quarter of fiscal 2008. Nonetheless, the transportation savings and operational efficiencies generated from these investments should benefit us during the second half of fiscal 2008 and into the future."

"We look forward to executing on our fiscal 2008 plan which will deliver shareholders a 19 to 24% increase in earnings and top line growth between 11% and 14%," Mr. Funk concluded.

### Announces Fiscal 2008 Guidance

The Company also has provided its financial outlook for fiscal 2008, ending August 2, 2008.

For fiscal 2008, the Company expects revenues to increase by approximately 11% to 14% from fiscal 2007 to a range of \$3.05 billion to \$3.13 billion. Fiscal 2008 U.S. GAAP earnings per diluted share are expected to be in the range of \$1.40 to \$1.45 per share, an increase of 19% to 24% over fiscal 2007. After 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 lease space and the write-off of abandoned leasehold improvements at a facility in Minnesota, both reported in the second quarter of fiscal 2007, fiscal 2008 earnings per diluted share are expected to increase 16% to 20% over fiscal 2007 earnings per diluted share.

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.

Capital expenditures are expected to be in the range of \$50 million to \$55 million during fiscal 2008. Included in the Company's 2008 capital expenditures guidance are certain costs associated with the Sarasota, Florida and Ridgefield, Washington facilities. The Company expects to begin operating out of the Sarasota, Florida facility in the middle of the first quarter of fiscal 2008, and the Ridgefield, Washington facility should commence operations in the second fiscal quarter.

#### Conference Call

Management will conduct a conference call and audio webcast at 11:00 a.m. EDT on August 31, 2007 to review the Company's quarterly results, market trends and future outlook. The conference call dial-in number is (303) 275- 2170. 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 and 2007 as one of its "Most Admired Companies," and ranked by Business Ethics as one of its "100 Best Corporate Citizens for 2006."

"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 June 7, 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)

	Quarters ended		Years ended	
	July 28,	July 29,	July 28,	July 29,
	2007	2006	2007	2006
Net sales	\$706,786	\$619,804	\$2,754,280	\$2,433,594
Cost of sales	574,791	500,729	2,244,702	1,967,684
Gross profit	131,995	119,075	509,578	465,910
Operating expenses	108,210	96,667	415,337	385,982
Impairment on assets held for sale	-	-	756	-
Total operating expenses	108,210	96,667	416,093	385,982
Operating income	23,785	22,408	93,485	79,928
Other expense (income):				
Interest expense	2,807	2,900	12,089	11,210
Interest income	(357)	(78)	(975)	(297)
Other, net	(176)	(173)	156	(381)
Total other expense	2,274	2,649	11,270	10,532

Income before income taxes	21,511	19,759	82,215	69,396
Provision for income taxes	8,387	7,084	32,062	26,119
Net income	\$13,124	\$12,675	\$50,153	\$43,277
Basic per share data:				
Net income	\$0.31	\$0.30	\$1.18	\$1.04
Weighted average basic shares of common stock				
	42,602	42,103	42,445	41,682
Diluted per share data:				
Net income	\$0.31	\$0.30	\$1.17	\$1.02
Weighted average diluted shares of common stock				
	42,847	42,572	42,786	42,304

UNITED NATURAL FOODS, INC.  
CONSOLIDATED BALANCE SHEETS (Unaudited)  
(In thousands, except per share data)

	July 28, 2007	July 29, 2006		
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents		\$17,010	\$20,054	
Accounts receivable, net		160,329	151,642	
Notes receivable, trade, net		1,236	1,254	
Inventories	312,377	257,259		
Prepaid expenses and other current assets		8,199	5,728	
Assets held for sale	5,935	6,868		
Deferred income taxes		9,801	10,911	
Total current assets		514,887	453,716	
Property and equipment, net		185,083	163,247	
Other assets:				
Goodwill	79,903	78,016		
Notes receivable, trade, net		3,247	2,760	
Intangible assets, net		8,552	251	
Other	9,553	6,561		
Total assets		\$801,225	\$704,551	
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>				
Current liabilities:				
Accounts payable		\$134,576	\$102,146	
Notes payable		120,000	125,005	
Accrued expenses and other current liabilities	37,132	38,201		
Current portion of long-term debt		6,934	5,433	
Total current liabilities		298,642	270,785	
Long-term debt, excluding current portion		65,067	59,716	
Deferred income taxes		9,882	9,693	
Other long-term liabilities		839	883	
Total liabilities		374,430	341,077	
Stockholders' equity:				

Preferred stock, \$0.01 par value, authorized 5,000 shares at July 28, 2007 and July 29, 2006; none issued and outstanding	-	-
Common stock, \$0.01 par value, authorized 100,000 shares; 43,051 issued and 42,822 outstanding shares at July 28, 2007; 42,477 issued and 42,248 outstanding shares at July 29, 2006	431	425
Additional paid-in capital	163,473	149,840
Unallocated shares of Employee Stock Ownership Plan	(1,203)	(1,380)
Treasury stock	(6,092)	(6,092)
Accumulated other comprehensive income	399	1,047
Retained earnings	269,787	219,634
Total stockholders' equity	426,795	363,474
Total liabilities and stockholders' equity	\$801,225	\$704,551

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

	Years ended	
	July 28, 2007	July 29, 2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$50,153	\$43,277
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	18,376	17,099
Loss (gain) on disposals of property and equipment	1,997	(140)
Impairment on assets held for sale	756	-
Deferred income taxes	1,707	(1,355)
Provision for doubtful accounts	1,528	2,829
Share-based compensation	3,994	5,507
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable	(10,216)	(17,934)
Inventories	(52,975)	(21,242)
Prepaid expenses and other assets	(5,772)	4,348
Notes receivable, trade	(469)	(1,335)
Accounts payable	27,739	(8,936)
Accrued expenses and other current liabilities	(1,308)	3,070
Net cash provided by operating activities	35,510	25,188
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Capital expenditures	(46,804)	(19,290)
Purchases of acquired businesses, net of cash acquired	(9,303)	(3,286)
Proceeds from disposals of property and equipment	5,452	224
Other investing activities	(1,010)	-
Net cash used in investing activities	(51,665)	(22,352)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from issuance of long-term debt	10,000	-
Proceeds from exercise of stock options	7,127	18,679
Repayments on long-term debt	(6,216)	(5,854)
Net (repayments) borrowings under note payable	(5,005)	1,431
Increase (decrease) in bank overdraft	4,691	(8,300)
Tax benefit from exercises of stock options	2,518	5,312
Principal payments of capital lease obligations	(4)	(573)
Purchases of treasury stock	-	(6,092)

Net cash provided by financing activities	13,111	4,603
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NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(3,044)	7,439
Cash and cash equivalents at beginning of period	20,054	12,615
Cash and cash equivalents at end of period	\$17,010	\$20,054

Supplemental disclosures of cash flow information:

Cash paid during the period for:

Interest paid, net of amounts capitalized	\$11,877	\$10,352
Federal and state income taxes paid, net of refunds	\$28,607	\$21,485

SOURCE United Natural Foods, Inc.