Member Meeting

“Our mission is to enhance the success of our Members by delivering an unmatched offering of products and services at the lowest possible cost”
This presentation contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These statements relate to expectations concerning matters that (a) are not historical facts, (b) predict or forecast future events or results or financial targets, or (c) embody assumptions that may prove to have been inaccurate. These forward-looking statements involve risks, uncertainties and assumptions. When we use words such as “believe,” “expect,” “anticipate” or similar expressions, we are making forward-looking statements. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we cannot give readers any assurance that such expectations will prove correct. The actual results may differ materially from those anticipated in the forward-looking statements as a result of numerous factors, many of which are beyond our control. Important factors that could cause actual results to differ materially from our expectations include, but are not limited to, the factors discussed in the sections entitled Item “Risk Factors” and “Critical Accounting Policies and Estimates” within “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the fiscal year ended October 1, 2016 (the “Annual Report”). All forward-looking statements attributable to us are expressly qualified in their entirety by the factors that may cause actual results to differ materially from anticipated results. You are cautioned not to place undue reliance on these forward-looking statements, which reflect management’s opinion only as of the date of this presentation. We undertake no duty or obligation to revise or publicly release the results of any revision to these forward-looking statements. You should carefully review the risk factors described our Annual Report as well as in other documents we file or furnish from time to time with the SEC for an understanding of the negative variables that can affect our business and results of operations.
Agenda

• Review Of The Year
• Inside The Numbers
• Strategic Plan
• Other News
Review of the Year
Overview: We Achieved A Lot In FY 2016

- FY 2015 issues behind us
- We set an aggressive FY 2016 budget
- Everything we said we’d do, we did – and more
- Operating income and EBITDA up
- Budgeted for a profitable 2017
• Started the year with three major challenges:

  – The fall of Haggen
    • Receivable tied up in bankruptcy
    • We had geared up quickly and now had to gear down in a short time and normalize our operations

  – Declining dairy performance
    • Milk consumption down, reflected in reduced Member gallon purchases and the So. Cal. dairy operating below capacity

  – Late filings with the SEC
    • Unable to normalize shareholder relationships
• The budget we set for ourselves had ambitious targets
  – Reduce warehouse costs
  – Solve dairy issues
  – Substantially increase EBITDA through a host of initiatives

• We achieved everything we set out to do
Normalizing Shareholder Relationships And Debt Reduction

- Returned to regular financial reporting and SEC filings on June 1
- Repurchased 2014 and 2015 Class E shares
- Debt reduced $24 million over prior year
- Availability in excess of $127 million
## FY 2016 Financial Performance

<table>
<thead>
<tr>
<th></th>
<th>FY 2014</th>
<th>FY 2015</th>
<th>FY 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td>$3,753,560</td>
<td>$4,027,620</td>
<td>$3,761,464</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>$286,663</td>
<td>$283,285</td>
<td>$280,566</td>
</tr>
<tr>
<td></td>
<td>7.64%</td>
<td>7.03%</td>
<td>7.46%</td>
</tr>
<tr>
<td><strong>DS&amp;A</strong></td>
<td>$264,988</td>
<td>$281,469</td>
<td>$271,578</td>
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<tr>
<td></td>
<td>7.06%</td>
<td>6.99%</td>
<td>7.22%</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>$21,675</td>
<td>$1,816</td>
<td>$8,988</td>
</tr>
</tbody>
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Taking Out The Non-Operational ‘Noise’

<table>
<thead>
<tr>
<th></th>
<th>$ in millions</th>
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- Estimated Haggen impact
- Investigation costs
- Bonus normalization
- Retiree medical gains (non-cash)
- Supply contract normalization
- 53rd week
- Dairy asset impairments
- Dairy patronage

* A non-GAAP number

Removing the non-recurring “noise,” the quality of earnings goes up… turning a good story into a great story
Inside The Numbers
Overview

• “Project Optimize” improves operations in the warehouses

• List advances have steadily declined over the past five years, reducing the bottom line by nearly $14 million annually

• “Project Paydirt” generated a cumulative $10 million of P&L improvements in the last 3 years

• Other, creative FY 2016 profit contributions
Improving Operations: ‘Project Optimize’

• Initial focus on getting Haggen inventory out and getting facilities back in position to hit operating numbers

• Evolved to improving operations in all facilities

• Primary focus is inventory management
  - Item count
  - Quality/freshness of inventory
  - Reducing surplus inventory
Logistics Throughput Improving

Thruput Units / Hour

Haggen

2014 2015 2016

Project Optimize
Inventory Turns Improving

- 13 week turns

(All regions)

FY2014 FY2015 FY2016
Deflation

• **Deflation is impacting the industry**
  – According to the USDA, the price of beef, pork and chicken has dropped 18% compared to year-ago levels

• **Impacting Unified in a number of ways**
  – **Sales**
    • Impacts top line and gross profit
    • Managing cost structure accordingly, but hard to make up impact
  – **List advances**
    • Lowest level in 10 years
    • 2016 declined almost $14 million over FY 2011
‘Project Pay Dirt’ Paying Off In Customer Satisfaction

- Better performance showing up in a wide variety of metrics
  - Inventory losses improved 35%
  - Product shortage credits improved 35%
  - Call-in damage improved 20%
  - Customer spoils credits improved 29%
  - Store returns improved 40%
  - Damage, out of code and cycle count losses improved 38%
P&L Impact Of Total Inventory Loss Since Project Pay Dirt (G/F/D, GM, Market Centre)

- 2013: $8,792,000
- 2014: $7,565,000
- 2015: $5,934,000
- 2016: $3,332,000
Getting Creative

• GM/HBW consolidation from Commerce to Stockton
  – Nor. Cal. hub opens doors to new retail and wholesale customers

• Customer profitability
  – Disengaged from unprofitable non-member business

• Sale of unused IP addresses
  – Sale of 65,000+ IP addresses generated more than $450,000

• Making smart purchasing decisions through Strategic Sourcing
  – $2 million savings in FY 2016
  – Opportunity to share with Members at some point
Strategic Alliances

• Topco membership
  – Strengthens buying power and expands our brand portfolio

• Preferred supplier arrangement with Dean Foods
  – Long term agreement
  – Over 120 new national brand products

• Alliance with Northwest Grocers
  – Solidifies long-term supply relationship with NWG’s member retailers

• New store supplies program with GVH Distribution
  – Previous program with Bunzl ended early August
  – New program decreased Members’ cost 15-25%

• Sold bakery operations to Franz Bakery
  – Continued service to members
  – Eliminated large pension liability
What’s Next?

• Get to a profitable bottom line in FY 2017
  – Q4 of 2016 showed net profit
  – 2017 budgeted at a net profit

• Execute the Strategic Plan
The Strategic Plan

20BY20

We’re targeting $800 million of new sales.

$800 MILLION = 20% SALES GROWTH BY 2020
The Board and Senior Leadership Team developed a strategic plan to provide a path to ensure a strong, stable source of supply to the Membership.

The Plan addresses the goals to:
- Grow sales
- Become more efficient
- De-lever the Company
- Improve profits
Strategic Plan Highlights

• **Grow sales by improving penetration with existing Members**
  
  – Scan data is telling us where our Members have voids at retail and where the wholesale penetration can be improved
  
  – Opportunity at wholesale estimated between $2.5 to $3 billion

• **Become more efficient by modernizing our facilities**

  – Initial focus is in the PNW – we operate in both Seattle and Portland in sub-optimal buildings. Plan is to consolidate to one, new modern facility
    • Savings estimated between $10 to $15 million annually
  
  – Longer-term plans are to locate the Southern California operation on one campus
    • Savings in transportation and overhead
    • Need additional chilled and frozen space
    • Options include consolidating everything in Commerce or moving to a new campus
Strategic Plan Highlights

• **De-lever the Company by monetizing the owned real estate**
  
  – Our owned real estate is very valuable
  
  – We plan to use these assets to support the facility modernization and reduce the current debt

• **Improve profits by growing sales, modernizing facilities and other cost savings**
  
  – Successful execution of the Plan will make Unified a profitable Company with a modest amount of debt
Strategic Plan Highlights

• This year we are developing the initiatives to execute the Plan and carefully vetting that the Plan is viable before we sell the real estate and sign long-term leases.

• Continuing to assess that this is the best plan to assure the Membership has a strong, stable and effective source of supply for years to come.

• Meeting with Members to develop individual sales strategies. We’re learning that each Member:
  – Makes decisions differently
  – Has different priorities
  – Is supportive
  – Has identified ways to support the initiatives
Listening To Our Members

• A key part of our Strategic Plan is to improve customer service

• We’re developing our first-ever comprehensive customer satisfaction survey

• Electronic survey by email

• Topics will include:
  – Credit processing
  – In-stocks
  – Code dating
  – Business Center
  – Overall responsiveness
We Have Begun To Execute PNW Network Optimization As Outlined In Strategic Plan

• Continuing negotiations for Seattle lease extension

• Honed options to two sites

• Finalizing building design specifications
Sale of Non-Core Assets

• Our Strategic Plan draws upon our key strengths and core competencies; we have worked to divest all non-core businesses

✓ Sale of insurance subsidiaries  October 2015

✓ Closure of dairy / preferred supplier agreement with Dean Foods  July 2016


✓ Sale of dairy real estate  Est. Dec. 2017
Other News
New Additions To The Leadership Team In 2016

Dick Gonzales
Chief Human Resources Officer
- Extensive experience in grocery business
- Was Senior Vice President of HR for Safeway

Mark Harding
Senior Vice President of Operations
- Consulted with Unified through Haggen ramp-up process
- Spent most of his career with Smart & Final

Gerry Garcia
Vice President, Chief Audit Executive
- Served in similar position at the Dole Food Company
Promotions To The Leadership Team

**Steve Edwards**  
Vice President, Meat & Seafood Sales and Procurement

**Tod Marks**  
Vice President, Market Centre Sales
Other Shareholder Business

- Eligible Class E shares being repurchased in early 2017 amounting to $3 million

- Annual Meeting is Friday, February 24
  - Please sign and return proxy
38 New Member Stores in FY 2016

- **Southern California**
  - 23 new Member stores

- **Northern California**
  - 4 new Member stores

- **Seattle**
  - 4 new Member stores

- **Portland**
  - 7 new Member stores
Happy Anniversary Unified!

• 95 years old (1922 – 2017)

• We’ll celebrate our 95th anniversary at Expo and in other ways throughout the year

What were the other historic milestones of 1922?

- The British Empire grows to its largest extent, covering more than a quarter of the world
- Insulin treatment of diabetes is discovered, saving millions of lives
- The USSR is formed and Mussolini comes to power in Italy
- The greatest archaeological discovery of all time… the tomb of Tutankhamen
- The Eskimo Pie is invented
Fun Fact

For the first time, we produced the annual report completely in-house – saving thousands of dollars.
End of Presentation
Appendix
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<td>EBITDAP</td>
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<tr>
<td>Less:</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Patronage Dividends</td>
<td>9,395</td>
<td>7,234</td>
<td>6,500</td>
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<tr>
<td>Depreciation &amp; Amortization</td>
<td>26,725</td>
<td>29,574</td>
<td>28,394</td>
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<tr>
<td>Taxes expense (benefit)</td>
<td>1,508</td>
<td>(3,951)</td>
<td>234</td>
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<tr>
<td>Interest</td>
<td>11,197</td>
<td>9,978</td>
<td>10,177</td>
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<tr>
<td>Loss on debt extinguishment</td>
<td>-</td>
<td>3,200</td>
<td>-</td>
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<tr>
<td>Loss from Disc. Ops. Net</td>
<td>4,981</td>
<td>3,701</td>
<td>-</td>
</tr>
<tr>
<td>Gain (loss) on sale of Disc. Ops.</td>
<td>-</td>
<td>3,173</td>
<td>(281)</td>
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<tr>
<td>Net Loss</td>
<td>($5,406)</td>
<td>($21,519)</td>
<td>($7,642)</td>
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