OVERCOMING OBSTACLES

2020

ASSOCIATED WHOLESALE GROCERS
RETAILER FOCUSED
RETAILER OWNED

ASSOCIATED WHOLESALE GROCERS, INC.

ANNUAL REPORT

BOARD OF DIRECTORS

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Kansas City, KS

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Bixby, OK

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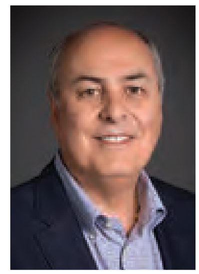

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Bolivar, MO

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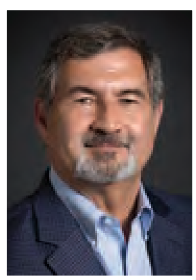

Jay Lawrence
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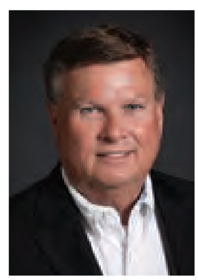

Alan McKeever
McKeever Enterprises, Inc.
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Mt. Washington, KY

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Nicholas Supermarkets, Inc.
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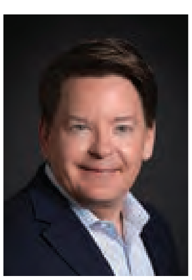

Pat Raybould
B & R Stores, Inc.
Lincoln, NE

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Reasor's, L.L.C.
Tahlequah, OK

Donny Rouse
Rouse's Enterprises, L.L.C.
Thibodaux, LA

Randy Stepherson
Stepherson, Incorporated
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RPCS, Inc.
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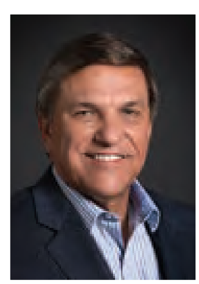


Dale Trahan
Dale L. Trahan
Enterprises, Inc.
Rayne, LA

James Zyrowski
Ben's Supercenter, Inc.
Brown City, MI

DEAR SHAREHOLDERS

March 23, 2021

Dear Shareholders,

Your Board of Directors and management are pleased to present the audited results for fiscal 2020. Consolidated company sales reached $10.6 billion, up 13.3% on a comparable basis. After retainage, total year-end patronage was $254.4 million, up $40.59 million, another record, or 2.79% of qualifying sales. Total distribution, including patronage, allowances, and interest back to members, was $615 million, an increase of 11.4%. Also, the trading value of AWG stock increased to $3,600 per share, an increase of $1,200 or 50%, thus allocating over $31.5 million in equity to existing shareholders. After this increase, the Board declared a 3-for-1 stock split, which provides two shares of "B" common stock for every "A" and "B" share currently held. The trading value is now $1,200 per share, reducing the investment required for new members to $18,000.

Net sales for the cooperative were $9.2 billion, up 8.24% from the prior year. Member equity increased to $538.1 million, an all-time high.

Beyond financial results, we can say that **OVERCOMING OBSTACLES** became the theme for AWG and our member-retailers in 2020. We all pivoted quickly to meet COVID-19 driven needs. Achieving the ideal was elusive as unprecedented consumer demand overwhelmed inventories, supply, personnel, and the time required to get the job done. By **OVERCOMING OBSTACLES**, we collectively achieved more than ever before, redefined our potential, and received appreciation for our role as America's critical infrastructure. We are incredibly proud of our member companies, teammates, and all those that helped us as we helped others.

While keeping our teammates safe and maintaining supply to our members were top priorities, we also made significant progress on our strategic initiatives of Value Proposition, Health, Technology, and AWG Brands. These focus areas included a record investment by AWG, an increase of $40 million over 2019 into promotional allowances and discounts on numerous center store and fresh products.

AWG member stores outperformed other grocers with comparable year-over-year retail sales (reported by Nielsen), increasing 16.6% for the full year, 540 basis points or 48% more than all other grocery channels. For weeks 11 through 52, growth accelerated to 21.5% for AWG members, 820 basis points or 62% more than other grocery channels. We also received record-setting scores in AWG's Member Satisfaction Survey, with significant improvements in all categories.

Our continuing mission is "to provide our member-retailers all the tools, products, and services they need to compete favorably in all markets served, all at the lowest possible cost." We will accomplish this by effectively executing our four core strategies: accelerate profitable member growth; attract, develop and retain top talent; strengthen core services and support; and leverage technology and organizational assets for sustainable member success. Be on the lookout for breaking news and updates throughout 2021 as we continue to make progress on these initiatives for you.

We are very thankful for our teammates' contributions, our Board's leadership, and our members' and our vendor partners' support. You have our commitment to continuous improvements and **OVERCOMING OBSTACLES** for you.

Sincerely,

Barry Queen
Chairman of the Board

David Smith
President & CEO

Member retail sales increased an incredible 21.5%

Weeks 11-52 of 2020 vs 2019

COVID-19

AWG's vision for 2020 turned out entirely different for our member-retailers due to the impact of COVID-19. Most retailers in our trade areas were budgeting for a flat to 2.5% increase in sales, but ended up with double-digit increases in many cases.

In early February, AWG assembled a COVID-19 task force to enable us to continue to ship groceries to our member-retailers and minimize the impact of the pandemic on our AWG and VMC teammates and their communities. The team was victorious as every AWG and VMC facility has remained open throughout the COVID-19 pandemic.

Division teams prepared for the massive spike in sales and allocations from the vendors, and worked closely with our member-retailers to establish maximum order quantities. All of this enabled employees to accomplish their work within a reasonable shift and return to dive in again the next day. AWG achieved record-setting numbers in the warehouses. Many of the warehouses had 100% increases in daily sales in the early days of the pandemic. Through ongoing communication, great collaboration with our member-retailers, and hard work in the facilities, AWG was able to support our stores and continued operating all of our ten distribution centers.

As vendors began allocations, the teams put processes in place to help our member-retailers "Get Right at the Shelf." Vendors were discontinuing items and the stores needed to adjust facings to give more holding power to the items in stock. Great work from the buying teams included:

- **Sharing information to the division's teams daily**
- **Working closely with vendors to understand supply issues and allocations**
- **Communicating updates on StoreFront**
- **Regular communication to the member-retailers to help improve shelf conditions**

The support teams also assisted member-retailers with providing a clean and safe shopping environment. Advertising, marketing, décor source group, store engineering, and the field teams quickly assembled and shared information to our member-retailers on Plexiglas shields, COVID-19 decals and signage, sanitation stations, and other items related to the pandemic.

As we continue into 2021 and beyond, it will be essential to build upon the lessons learned in 2020: the importance of strong communication, great collaboration, and relationships built on trust. AWG and VMC will continue to assist our member-retailers with product, price, promotion, people, and place to help compete in today's ever-changing environment.

100%

of AWG & VMC facilities remained open during COVID-19

SOLUTIONS PROVIDED

Online grocery sales will grow to an estimated 21.5% of the total U.S. grocery market by 2025.

OMNICHANNEL

E-commerce had a breakout year and became the primary way to shop for many customers. For 2020, online grocery's percentage of the $1.04 trillion grocery market is pegged at 10.2%, or about $106 billion, up from 3.4%. By 2025, online grocery's dollar share stands to climb to $250.26 billion of the estimated $1.16 trillion overall grocery market. AWG member-retailer stores recorded over 86% growth when utilizing AWG's online shopping platforms in 2020, with more increases expected in 2021.

The preference for digital also extended beyond e-commerce with shoppers becoming more comfortable with the new technology. Shoppers utilized loyalty platforms, digital coupons, store websites, email, and social media to find the best value as the economy struggled.

Nearly 500 AWG stores utilized either a full loyalty program or a digital coupons-only program by participating in our Shopper Engagement Platform (SEP). Supported by strong offers from AWG Brands and exclusive AWG coupons, consumers redeemed $358,000 in exclusive digital coupons – allowing member-retailers to more effectively compete against national and regional competitors.

Over 1,000 member-retailer stores utilized AWG's website providers, including Media Solutions Corporation, an AWG subsidiary. Additionally, nearly 80% of these member-retailers had an accompanying app, an essential element to engage shoppers who now spend even more of their online time on mobile devices.

Finally, direct communication with consumers was incredibly important, keeping them updated on the best ways to provide meals at home and keep their families fed and safe in these uncertain times. Over 500 member-retailers utilized AWG's email services, with hundreds also participating in social media and text message services. These services allow for member-retailers to have ongoing communication with their customers and kept them abreast of important supply information, sales, and ways to shop online during a time when many tried it for the first time.

The digital revolution certainly hit the grocery industry full force in 2020. We expect customers to continue to choose to shop online, making digital offerings no longer nice-to-haves, but must-haves in order to operate today's grocery store. Online grocery will swell to 21.5% of total U.S. grocery sales by 2025, more than doubling its current share of the overall grocery market, according to a new study by grocery e-commerce specialist Mercatus and research firm Incisiv. They note the five-year growth forecast marks a more than 60% increase over pre-pandemic dollar sales estimates for the online grocery space.

SEP
SHOPPER ENGAGEMENT PLATFORM

3.8 MILLION
Digital Coupons Clipped

375,000
Digital Coupons Redeemed

$358,000
Digital Coupon Redeemed Value

AWG member-retailers recorded over
86%
growth when utilizing AWG's online shopping platforms in 2020

SOLUTIONS **PROVIDED**

Hernando, Great Lakes & Nashville Expansions

MOVING UP

As part of our network distribution strategy, AWG is continually enhancing our supply chain to position your company for the future, providing all the goods and services you need at the lowest possible cost to compete favorably. This philosophy led to the investment of three significant initiatives across the country in 2020.

HERNANDO

In June, AWG announced the launch of our new all-in-one (AIO) distribution hub in Hernando, Mississippi. This state-of-the-art distribution facility will feature automation technology to optimize productivity and accuracy, while supporting long-term, sustainable growth and success for all AWG member-retailers. Construction has begun and the facility is scheduled to open in 2023. The AIO will allow AWG member-retailer stores to obtain a significantly expanded variety of products, eliminate costly third-party suppliers, add a supply-chain buffer, and help AWG attract, develop, and retain a high-performing workforce. This new facility will distribute expanded variety to all AWG facilities and directly supply member-retailer stores in the region. This investment in the future will strengthen AWG's overall operation, reduce the cost of goods for member-retailer stores, and improve the durability and resilience of our supply chain for both our member-retailers and vendor partners.

GREAT LAKES

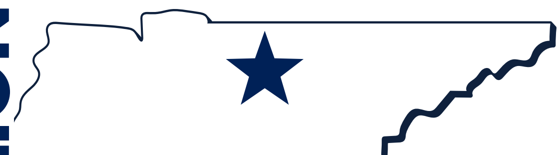
The Great Lakes Division in Kenosha, Wisconsin expanded its freezer warehouse by 50,000 square feet, resulting in the addition of 15 dock doors, 14% increase in freezer capacity, and improved employee facilities. These enhancements will increase efficiency resulting in annual savings of over $600,000, offer greater product variety, and allow future growth at the facility. Additionally, we added on-site fuel stations to capitalize on wholesale pricing, enabling AWG to pass these savings on to our member-retailers.

NASHVILLE

The Nashville Division in Goodlettsville, Tennessee expanded its freezer space by 40,000 square feet, leading to 1,300 additional pick slots. This accommodates more products and significantly increases storage capacity, eliminating the need for outside storage trailers and third-party storage facilities, saving $1 million in operating expenses annually.

$600,000
GREAT LAKES' ANNUAL SAVINGS

$1 MILLION



Savings in operating expenses due to Nashville expansion

2023
Hernando Opening

SOLUTIONS PROVIDED

AWG Brands has grown at twice the rate of national brands.

AWG BRANDS

In 2020, AWG Brands set a record of selling over $1.3 billion (wholesale) of products, further providing member-retailers a competitive advantage while helping to drive their profitability.

The 4,400 products across multiple brands – Always Save®, Best Choice®, IGA®, Best Choice® Superior Selections®, and Clearly by Best Choice® – reside in all major center store categories. In 2020, AWG Brands found tremendous success by introducing Always Save® to the bakery department with $1, $3, and $5 options for thaw-and-sell items as part of their value program and with the unveiling of Best Choice® shrimp offerings, further expanding the brand's reach into frozen seafood.

Overall, AWG introduced over 150 items across all brands, an amazing achievement given manufacturing and logistical headwinds during the pandemic. Most notably, the launch of Best Choice® Superior Selections® enhanced the customers' at-home meals and gave member-retailers a new way to attract customers with unique products as seasonal baking mixes, fry sauce, wildflower and orange blossom honey, simmer sauces, and seasonal sandwich cookies.

AWG Brands proved they could drive customer-spend for member-retailers with the renewed focus on bakery, frozen, and produce. These categories, in addition to meat and self-serve options, continue to play a critical role in highlighting the reputation of the store, garnering repeat business.

Promotional markdowns and modern signage kits extended savings for cost-conscious customers and boosted sales for member-retailers. A case-in-point: Always Save® two-pound bags of onions and apples brought sales growth of 150% and 200%, respectively, compared to 2019.

The use of digital coupons grew with a 15% increase over 2019. Online offerings have resulted in more cash flow for member-retailers, as customers have larger cart sizes when buying online, bolstered by their view of increased safety and convenience.

AWG's focus on the quality of its products strengthened as well, setting a new mark with a 96.6% pass rate on its control audits.

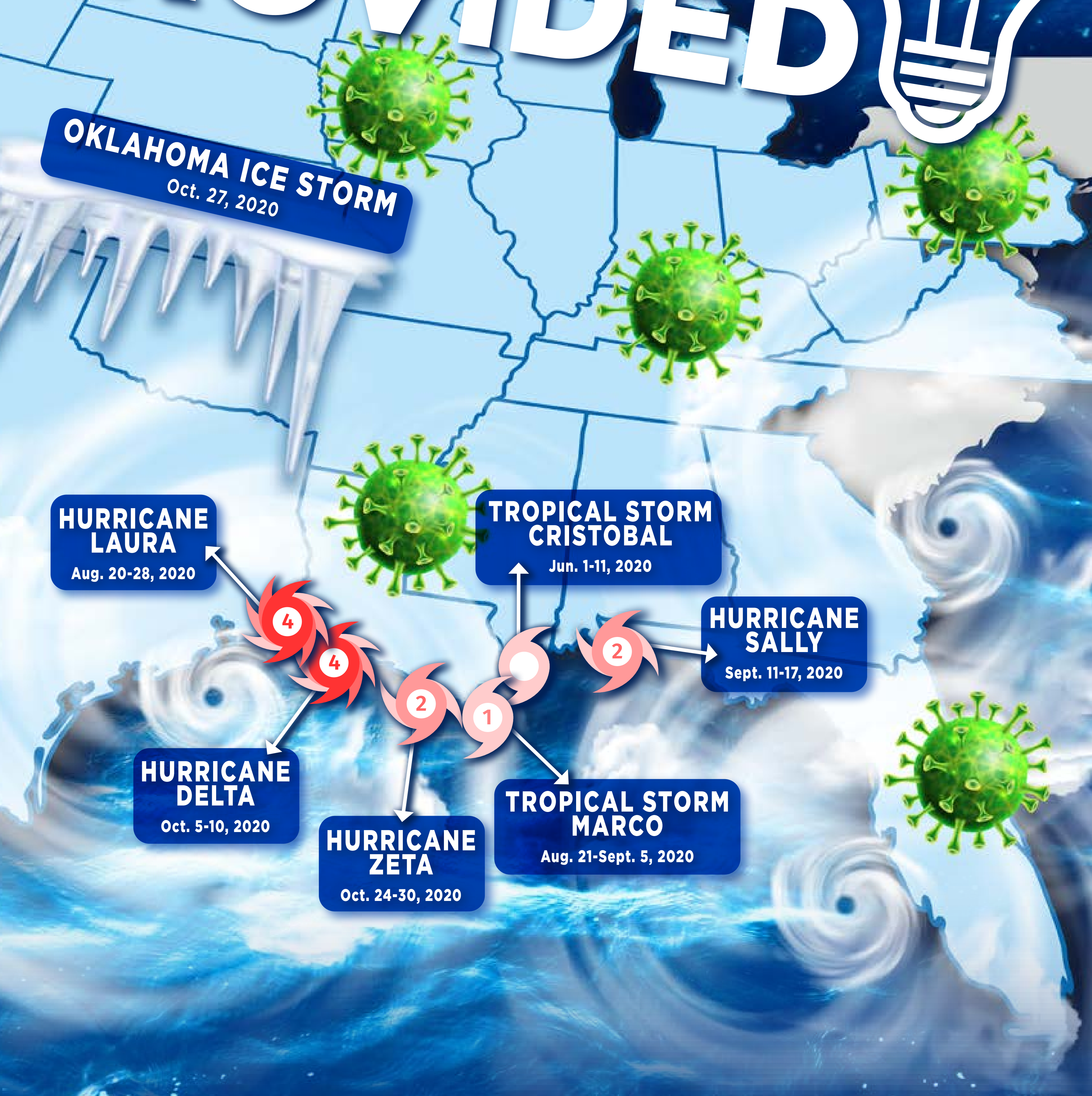
Finally, the brands' Save-A-Label program amassed $205,000 in donations to support the communities in which AWG member-retailers serve.

$2 BILLION
AWG Brands now Exceed $2 BILLION in Retail Sales

NEW 150
The number of new products introduced in 2020 across all AWG Brands.

SOLUTIONS PROVIDED

SOLUTIONS PROVIDED



BATTLING MOTHER NATURE

The Gulf Coast experienced a historic number of tropical storms making landfall in 2020, the most storms on record in 104 years. AWG division teams activated their comprehensive emergency plans to aid member-retailers during this continued crisis.

The Gulf Coast Division and VMC deployed their stock of over 160 storm-related items, with retailers activating their special, pre-set storm orders as conditions worsened. This process saved time and enabled retailers to return to serving their customers and assisting their communities.

Division operational continuity plans included arrangements with local hotels to reserve blocks of rooms to house employees temporarily displaced due to the emergency. Extra fuel, transportation equipment and staff were arranged to service high-demand during and after the event. AWG has also partnered with the Food Industry Association (FMI) and online service SABER to provide important information updates to the public during emergency events regarding the operational status of retailers' stores.

In addition, AWG's ordering system allowed member-retailers' orders to be fulfilled by another AWG division distribution center, helping relieve their home-division during the emergencies.

Just when the southeast was nearly finished with their historic hurricane season, a rare autumn ice storm blanketed Oklahoma on Oct. 27, 2020, causing chaos on the roadways and leaving more than 300,000 residents without power. A declared state of emergency as a result of the storm affected 47 of Oklahoma's 77 counties.

AWG's Oklahoma City Division lost power, along with most of the city. Fallen powerlines blocked driveways, neighborhood streets, and major roadways, making it difficult for anyone to travel.

Due to some quick, forward thinking on the part of AWG's corporate team working collaboratively with the Oklahoma City Division team, power generators were sent in the event the outage extended for more than a few hours. Just one day after the ice storm hit, backup generators were in place, and the distribution center was operating at full capacity. It remained operational on generator power for the next 10 days, making certain our member-retailers' stores, and our operations remained on schedule.

While so many unforeseen events occurred in 2020, one aspect remained: everyone pulled together, found solutions to address the challenges, and focused on what was best for our member-retailers and their customers.

AWG CARES

Grants provided by AWG Cares in 2020, assisted local charities as they provided:

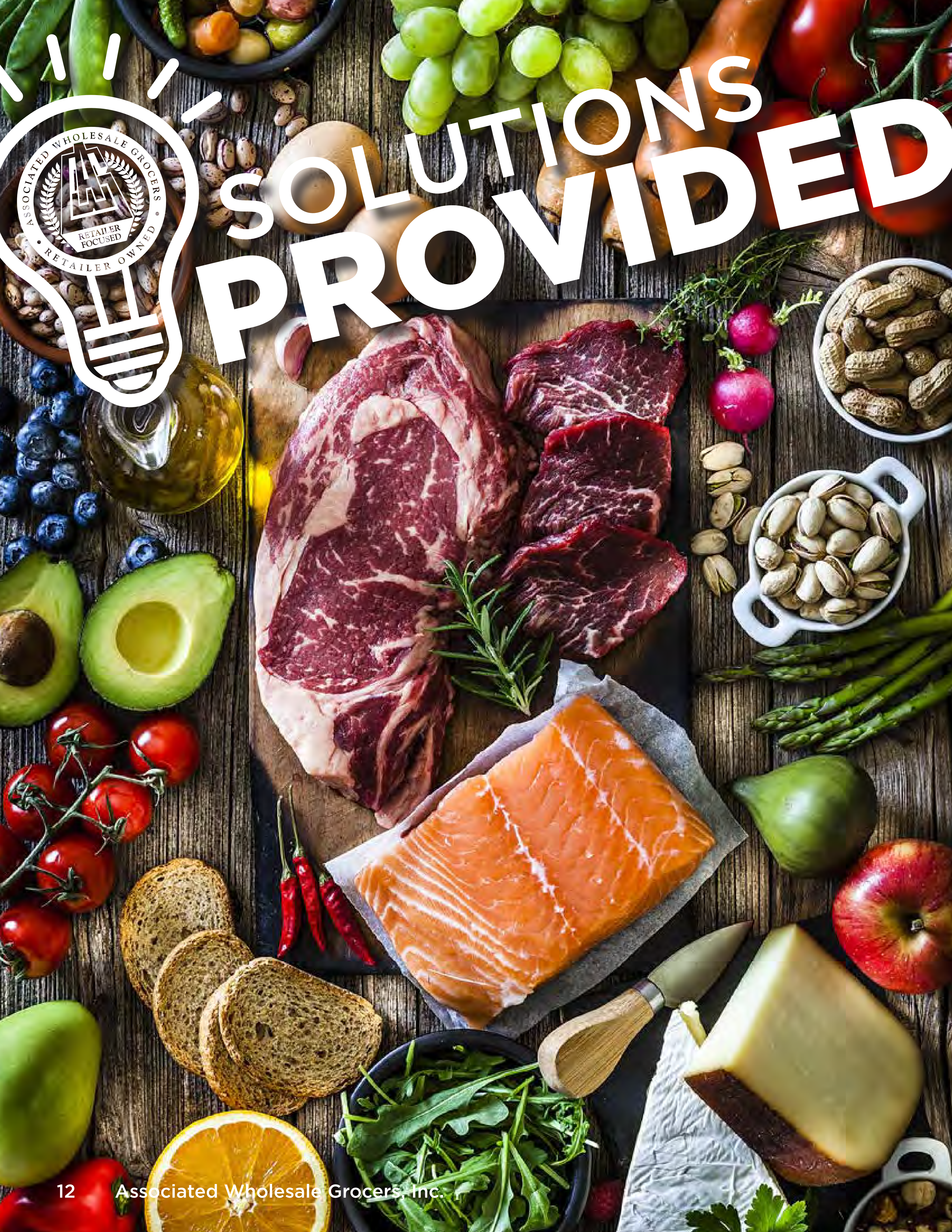
30,000 Nutritious meals through COVID-19 Disaster Relief Projects

991,000 Meals & snacks to those impacted by Hurricane Laura

377,900 Overnight shelters & hotel stays to those impacted by Hurricane Laura

5,000 Meals & snacks to those impacted by Hurricane Sally

SOLUTIONS PROVIDED



FRESH

"Fresh Excellence" was cited as the No. 2 factor in growing sales, only slightly behind "Lower Cost of Goods," according to our most recent member surveys. AWG continued to focus on its fresh departments this past year, delivering improved results in quality and cost for our membership.

MEAT & SEAFOOD DRIVES CENTER OF THE PLATE

The Nielsen report for processed meat shows AWG member-retailers gained share with a 23.4% increase in sales versus the rest of the market. Despite limited allocations, supply constraints, plant closures, and threats of labor shortages, the AWG meat team proactively reached out to other channels and distributors for fresh and frozen meat to counter the interruption to regular supply chains.

Seafood swam to incredible new heights in 2020, achieving sales growth of over 35% vs. 2019. All three categories – fresh, frozen, and shelf-stable – grew over 20%, led by frozen seafood including the launch of the Best Choice® shrimp program.

PRODUCE CONTINUES TO FLOURISH

Even during a pandemic, over 70% of customers report fresh produce is a primary reason for where they shop. We supported our member-retailers with expanded citrus varieties and berries and realized double-digit growth in proprietary grapes and club apples.

AWG also enhanced our healthy snacking lineup and utilized iTrade Fresh, a tracking technology that follows the product from shipping point to distribution center departure, ensuring correct supply levels for our member-retailers.

BAKERY IS BACK & DELI IS IN DEMAND

Bakery saw double-digit sales growth in the second half of the year, led by the bread category, with increases of over 20%. Pre-packaged products took over with donuts up 26% and Always Save® items selling more than 200,000 cases in 10 months.

Deli continued to deliver on convenient food options with the following increases:

- **41%: Pre-packed, grab-and-go lunch meats**
- **17%: Specialty cheese**
- **13%: Packaged traditional deli salads**
- **6%: Dips and spreads**

Prepared foods finished the year down 6% due to the closing of many self-service and full-service hot bars. AWG member-retailers still finished the year 3.6% better than national averages, led by packaged protein salads (+14%), refrigerated entrées (+23%), and grab-and-go snacks (+41%).

Going forward, it will be crucial for all member-retailers to highlight online ordering with pick-up and delivery options. Since the pandemic began, 83% of consumers have used a third-party delivery service and 54% favor using a grocery app to add foodservice to their online shopping list.

70% Consumers reporting fresh produce as a primary reason for where they shop

SEAFOOD ACHIEVED A WHOPPING 35% INCREASE IN 2020

23.4% Record increase in meat sales for AWG member-retailers

4.4% Above the market

55 member-retailers' companies obtained TRISP loans for technology and remodeling projects.

TRISP

In facing the prolonged pandemic, unemployment spike, economic recession, and changing consumer behaviors, many of our member-retailers were at a pivotal crossroads of their business at the start of 2020. The sudden spike in sales starting in March and continuing throughout the year saw a positive impact on current profitability and cash flow.

This turning point created a difficult choice for our member-retailers: which course would sustain momentum and maximize future success potential? Do they take the known path and attempt to maintain the status quo before the pandemic, or do they take the uncharted path that will better capitalize on consumers' new preferences?

The easy choice of staying with the status quo does not assure prior success will be maintained going forward. However, the path toward meeting the new needs of the customer, requires a willingness to adapt and change by making significant investments in their business.

To facilitate funding for member-retailers choosing this new path, AWG introduced the Technology & Remodel Investment Stimulus Program (TRISP), a unique, limited-time financing offering. Qualifying investments included retail equipment and technology purchases and upgrades, store remodels, and other costs directly related to these investments.

AWG's Finance Committee allocated up to $50 million of funds to be available for approved loans on a first-come, first-served basis.

As the intent was to allow member-retailers to move quickly to improve the customer experience, this short-term program provided fast-tracked loans to credit-worthy member-retailers in good standing, with the first year being interest-free. Member-retailers used the loans for technology and remodeling projects up to $500,000 per location and up to $2.5 million per member-retailer equity. Our member-retailers will expect to save millions of dollars in first-year interest costs and stimulate a high return on their investments.

Overall, 55 member-retailers chose to participate in the TRISP loan offer, with AWG disbursing approximately $15 million to help its member-retailers grow their business. AWG will continue to look for opportunities in the future to provide unique financing and growth options for its member-retailers.

$15 MILLION

The value of funds received by 55 AWG member-retailers to help grow their business.

SOLUTIONS PROVIDED

PRICE CUTTER®

Today's shoppers seek a combination of safety, value, speed, and convenience as they choose where to shop. Smaller format stores are serving this need with a simplified assortment of the right items at the right prices and are demonstrating strong sales comps compared to larger superstores and supercenters. To proactively meet this market need, in 2020, AWG introduced a licensed banner for a small format, curated assortment, value concept called Price Cutter®. This concept was designed for AWG member-retailers to capitalize on this trend within the markets they serve. AWG licensed five stores for the beta-test in 2020, and those member-retailers have been working with us to refine the concept and achieve the goal of creating a turn-key solution.

The ideal Price Cutter® stores are approximately 20,000 square feet, use warehouse shelving, and stock no more than 6,000 items. This curated assortment and focus on everyday low pricing helps keep labor and advertising costs low so customers can get "quality products at bargain prices." The use of dump bins, floor displays, and pallet drops of special buys further improve the price image.

Price Cutter's® streamlined advertising and marketing strategy reduces member-retailers' expenses while increasing their competitive advantage. Website and app platforms save costs by reducing print ads and allow real-time pricing flexibility to remain ahead of competitors. Weekly ads break on Friday, countering "like item" ad prices that regularly hit the market on Wednesday to seize the higher traffic on weekends. A long-term price lockdown approach is used in the center store and featured in the digital ads along with digital coupons.

The store décor and point-of-purchase materials modernize the facility, and other unique branding components reinforce the image of quality and value. Price Cutter® leverages a proprietary assortment of store brands and value-priced items from national brands, all competitively priced every day.

The enhanced store brand mix creates an opportunity to increase penny profit while saving the consumer 15% or more versus the national brand. Currently, Price Cutter® stores are achieving more than 60% store brand penetration. On a market basket comparison, Price Cutter® is up to 22% lower than the suggested retails in our competitive city pricing zone, further demonstrating the advantage of the program.

The Price Cutter® program will help meet our AWG member-retailers' and their customers' needs in 2021 and beyond, and is designed to be a new growth engine for market competitiveness and profitability.

22% LOWER THAN COMPETITORS' RETAIL PRICING

60% Store Brand Penetration

Saving the customer 15%+

EXCELLENCE AWARDS

LOU FOX AWARD
STEVE & LAURA EDWARDS *OWNERS - GES, INC. / EDWARDS FOOD GIANT*

Community involvement has been a very consistent practice for the Edwards family. Steve, and his late father, Oral, have always been committed to the communities in which they operate supermarkets.

Steve and his wife, Laura have been married for 29 years and in these years have invested much of their time trying to make life better for others. They are dedicated to family as they work to improve the lives of all Arkansans.

They have a shared history serving others on boards and committees at the local, regional, state, and national levels.

Together, they established an endowment to help underprivileged families of those seeking treatment at Baptist Memorial Hospital-Memphis as Steve served multiple terms on the Board of Trustees.

Steve served multiple terms on the Board of Directors of the Crossroads Coalition and the regional economic development partnership working to enhance development and job growth across eight counties in the Arkansas Delta. Steve served eight years as a Commissioner on the Arkansas Aeronautics Commission, and 12 years as a Commissioner for the Arkansas Department of Economic Development. Arkansas Gov. Asa Hutchison recently appointed Steve to the Arkansas State Police Commission.

Steve has a strong commitment to education and has personally invested a great deal of time and money in the Teach for America program in the Arkansas Delta. They have personally helped numerous area students pursue higher education, with Steve serving on the Foundation Board of Directors at Arkansas State University. The couple are members of First Baptist Church in Marianna, Arkansas where Steve is a member of the Executive Committee and Chairman of the House and Grounds, while Laura is Chairman of the Stewardship and Personnel Committees. There is no doubt that the Edwards have made a significant impact on their communities, company, and team members through strong leadership over the past 30 years.

Laura served as president and member of the Marianna-Lee County Chamber Board, Treasurer of the Arkansas Governor's Mansion Association, School Board Member and Booster Club Member for Lee Academy, once taking a mission trip to Ukraine to help underprivileged children.

Steve and Laura are truly servant leaders who put the needs of others ahead of their own.

AWG BRANDS
AWG OVERALL WINNER - OKLAHOMA
Delbert's Supermarket #4473 Comanche, OK

PRODUCE
AWG OVERALL WINNER #1 - NEBRASKA
B&R Super Saver #9652 Lincoln, NE
AWG OVERALL WINNER #2 - OKLAHOMA
Pruett's Foods #4337 McAlester, OK

BAKERY
AWG OVERALL WINNER - GREAT LAKES
Wiseway Super Food Center #8351 Crown Point, IN

MARKETING CAMPAIGN
AWG OVERALL WINNER - MEMPHIS
Mac's Fresh Markets (All Stores) AR, MS & LA

FOOD SERVICE
AWG OVERALL WINNER - KANSAS CITY
Cosentino's Price Chopper #117 Gardner, KS

FLORAL
AWG OVERALL WINNER - NASHVILLE
Food World #5792 Statesboro, GA

SEAFOOD
AWG OVERALL WINNER - OKLAHOMA
Crest Foods #4004 Edmond, OK

CENTER STORE
AWG OVERALL WINNER - GREAT LAKES
Strack & Van Til Market #1963 Crown Point, IN

MEAT
AWG OVERALL WINNER - GREAT LAKES
Tadych's #1481 Marquette, MI

MERCHANDISING EVENT
AWG OVERALL WINNER - GULF COAST
Rouses #6781 New Orleans, LA

OMNI-CHANNEL
AWG OVERALL WINNER - MEMPHIS
Hays Supermarkets (All Stores) AR & MO

VMC
AWG OVERALL WINNER - BEST OVERALL 50K+
Great Lakes, Tony's Fresh Market #1867 Burbank, IL

FOLLOW THIS LINK TO VIEW ALL 2020 AWARD WINNERS

STORE MANAGER OF THE YEAR
GINA STENNETT *PYRAMID FOODS*

Gina Stennett has an amazing story of growing up in the grocery business. She started with the Ramey's (now Pyramid Foods) group of stores in 1986, holding numerous positions throughout the stores, including working in a supervisory capacity over store operations, loss prevention, and IT. In 2005, she was named to the Board of Directors and in 2017 she became the store director at the Price Cutter® located on East Battlefield in Springfield, Missouri, the company's flagship store. Gina has a passion for outstanding store conditions and more importantly, for outstanding customer service. As Gina implemented her management style, sales exploded and during the past three years, the store has shown a 20% sales increase.

Gina and her team are proud of the numerous community and charity events supported by her store. The Price Cutter® Charity Championship golf tournament has helped raise more than $16 million dollars for local children's charities. Gina also partnered with the local food banks, Ozark Food Harvest and Crosslines, and has been instrumental in helping local schools.

Gina leads by example and lives by the saying: "The buck starts and stops with me." Gina has high expectations for herself and her team, and the results are outstanding!

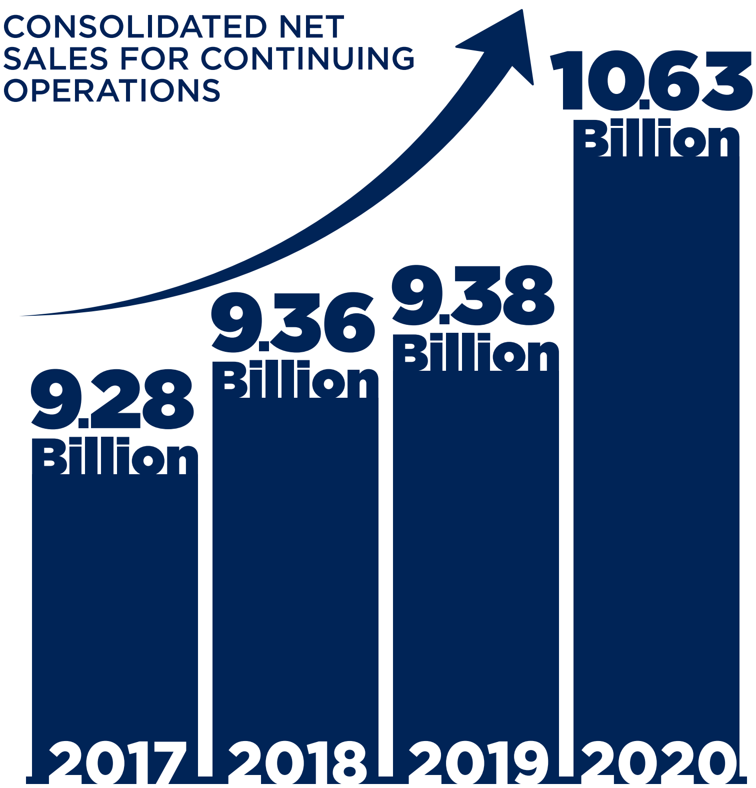
Gina has been serving the customers of Pyramid Foods for 40 years.

PATRONAGE DOLLARS

- 2020: $254.43 MILLION
- 2019: $213.84 MILLION
- 2018: $210.52 MILLION
- 2017: $203.44 MILLION

NET SALES

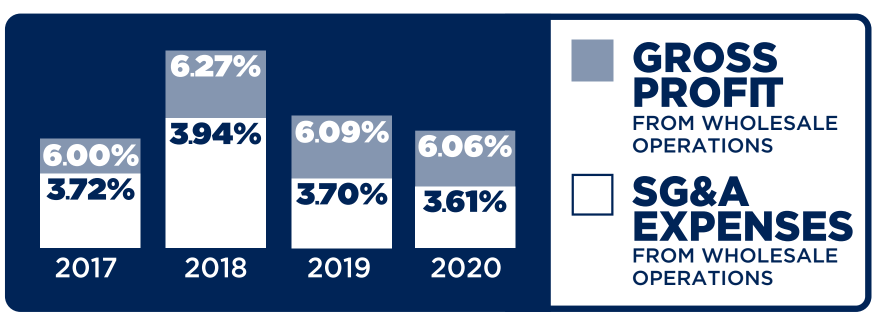
CONSOLIDATED NET SALES FOR CONTINUING OPERATIONS



2020 NEW BUSINESS

173 NEW MEMBER STORES

$479 MILLION ANNUALIZED PURCHASES



ASSOCIATED WHOLESALE GROCERS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 26, 2020 and December 28, 2019
(dollars in thousands)

ASSETS	2020	2019
Current Assets:		
Cash and cash equivalents	$ 173,867	$ 152,960
Receivables, net of allowance for doubtful accounts of $5,343 in 2020 and $5,373 in 2019	345,914	307,208
Notes receivable from members, current maturities, net of allowance for doubtful accounts of $0 in 2020 and $0 in 2019	25,174	10,394
Inventories	580,956	541,174
Prepaid and other current assets	46,509	33,923
Total current assets	1,172,420	1,045,659
Notes receivable from members, maturing after one year, net of allowance for doubtful accounts of $2,716 in 2020 and $2,774 in 2019	94,389	37,290
Property and equipment, net (note 6)	507,898	449,639
Intangible assets, including goodwill, net of accumulated amortization of $0 in 2020 and $23,958 in 2019 (note 3)	200	10,460
Deferred income taxes (note 10)	21,021	38,094
Prepaid and other assets	40,648	43,485
Total assets	$ 1,836,576	$ 1,624,627

LIABILITIES AND EQUITY	2020	2019
Current Liabilities:		
Accounts payable	$ 742,979	$ 605,887
Cash portion of current year patronage	157,580	123,355
Member deposits	42,057	30,406
Accrued expenses and other current liabilities	108,390	119,099
Total current liabilities	1,051,006	878,747
Long-term debt maturing after one year (note 7)	178,341	151,959
Deferred income and other liabilities	76,821	76,095
Total liabilities	1,306,168	1,106,801
Commitments and contingent liabilities (note 12)		
Equity:		
Common stock, $100 par value:		
Class A, voting; 35,000 shares authorized; 16,710 and 16,470 shares issued at 2020 and 2019	1,671	1,647
Class B, nonvoting; 150,000 shares authorized; 9,654 and 10,261 shares issued at 2020 and 2019	965	1,026
Additional paid-in capital (note 9)	28,645	27,434
Retained earnings	555,396	497,676
Accumulated other comprehensive loss (notes 9 and 11)	(56,269)	(45,531)
Total members' equity	530,408	482,252
Noncontrolling interest	—	35,574
Total equity	530,408	517,826
Total liabilities and equity	$ 1,836,576	$ 1,624,627

See accompanying notes to these consolidated financial statements.

ASSOCIATED WHOLESALE GROCERS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
Fiscal years ended December 26, 2020, December 28, 2019, and December 29, 2018
(dollars in thousands)

	2020	2019	2018
Net sales	$ 10,634,379	$ 9,666,303	$ 9,614,686
Cost of goods sold	9,976,626	8,914,677	8,852,674
Gross profit	657,753	751,626	762,012
General and administrative expenses	358,735	532,349	547,205
Operating income	299,018	219,277	214,807
Other income (expenses):			
Interest income (note 1)	6,083	3,168	3,824
Interest expense (note 7)	(3,187)	(5,833)	(6,769)
Other, net	1,275	1,635	1,744
Income before income taxes	303,189	218,247	213,606
Income taxes (note 10)	18,795	2,866	761
Net income	284,394	215,381	212,845
Other comprehensive loss			
Change in funded status of pension plan, net of taxes (note 9)	(10,738)	(10,490)	(13,011)
Comprehensive income	$ 273,656	$ 204,891	$ 199,834
Amounts attributable to noncontrolling interest			
Comprehensive income	$ 273,656	$ 204,891	$ 199,834
Comprehensive income attributable to noncontrolling interest	—	(3,525)	(5,843)
Comprehensive income attributable to AWG, Inc. and subsidiaries	$ 273,656	$ 201,366	$ 193,991
Net income	$ 284,394	$ 215,381	$ 212,845
Net income attributable to noncontrolling interest	—	(3,525)	(5,843)
Net income attributable to AWG, Inc. and subsidiaries	$ 284,394	$ 211,856	$ 207,002

See accompanying notes to these consolidated financial statements.

ASSOCIATED WHOLESALE GROCERS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
Fiscal years ended December 26, 2020 and December 28, 2019
(dollars in thousands)

Allocated	2020	2019
Balances at beginning of year	$ 388,404	$ 379,066
Patronage certificates (note 8):		
Issued	95,907	82,085
Redeemed	(74,910)	(72,789)
Reclassed	—	(178)
Class B certificates:		
Issued	—	328
Redeemed	—	(108)
Balances at end of year	$ 409,401	$ 388,404
Unallocated		
Balances at beginning of year	$ 109,272	$ 105,529
Net income	284,394	215,381
Net income attributable to noncontrolling interest (note 9)	—	(3,525)
Patronage certificates	(95,907)	(82,086)
Reclassed prior year patronage certificates	—	178
Class B certificates	—	(328)
Deconsolidation of VIE	7,789	—
Less cash portion of current year patronage	(157,580)	(123,355)
Redemption and retirement of common stock	(1,973)	(2,522)
Balances at end of year	$ 145,995	$ 109,272
Total retained earnings	$ 555,396	$ 497,676

See accompanying notes to these consolidated financial statements.

ASSOCIATED WHOLESALE GROCERS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Fiscal years ended December 26, 2020, December 28, 2019, and December 29, 2018
(dollars in thousands)

	2020	2019	2018
Cash flows from operating activities:			
Net income	$ 284,394	$ 215,381	$ 212,845
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	43,270	50,302	48,839
Impairment of assets and liabilities	4,312	—	—
Gain on deconsolidation of VIE	(35,575)	—	—
Deferred income taxes	17,073	(6,913)	(15,440)
Gain on disposition of property and equipment	(328)	(20)	(147)
Changes in assets and liabilities, net of effects of acquisitions:			
Receivables	(43,927)	6,494	(16,462)
Inventories	(93,053)	49,967	(69,749)
Prepaid and other assets	(11,016)	1,596	35,340
Accounts payable, accrued expenses and other liabilities	153,295	27,966	(38,949)
Net cash provided by operating activities	318,445	344,773	156,277
Cash flows from investing activities:			
Additions to intangibles	—	—	(200)
Loans to members	(21,205)	(28,688)	(31,803)
Repayment of loans by members	37,350	34,570	40,172
Purchase of property and equipment	(166,244)	(69,399)	(54,468)
Proceeds from sale of property and equipment	24,352	13,038	10,592
Acquisition of assets, net of cash acquired (note 4)	(3,357)	(12,425)	—
Net cash used in investing activities	(129,104)	(62,904)	(35,707)
Cash flows from financing activities:			
Year-end patronage distributions	(127,760)	(121,348)	(117,179)
Redemption of prior year's patronage refund certificates	(74,910)	(72,800)	(68,345)
Issuance of common stock	3,387	2,451	2,003
Redemption and retirement of common stock	(4,206)	(5,866)	(4,804)
Cash adjustment for deconsolidation of VIE	(2,746)	—	—
Net advances under credit facilities	26,150	(77,550)	58,900
Net (repayments) proceeds of member deposits	11,651	(7,897)	(3,173)
Net cash used in financing activities	(168,434)	(283,010)	(132,598)
Net (decrease) increase in cash and cash equivalents	20,907	(1,141)	(12,028)
Cash and cash equivalents at beginning of year	152,960	154,101	166,129
Cash and cash equivalents at end of year	$ 173,867	$ 152,960	$ 154,101
Supplemental noncash disclosures of financing activities:			
Patronage payables	$ 157,580	$ 123,355	$ 121,348
Supplemental cash flow statement information:			
Cash paid for interest, net of amount capitalized	$ 3,928	$ 6,397	$ 6,080
Cash paid for income taxes	$ 5,637	$ 8,474	$ 1,360

See accompanying notes to these consolidated financial statements.

(1) Summary of Significant Accounting Policies

General

Associated Wholesale Grocers, Inc. predominately operates on a cooperative basis (see Patronage) procuring grocery merchandise for distribution to its retailer/shareholders ("Members") throughout the mid-western, southwestern, and southeastern United States. Non-Cooperative businesses include nonfood distribution centers and retail supermarkets that operate under the banners of Cash Saver and Price Chopper. The cooperative represents approximately 90% of total net sales. "AWG" and "Company" refer to Associated Wholesale Grocers, Inc. and its subsidiaries.

Principles of Consolidation and Use of Estimates

The consolidated financial statements include the accounts of AWG, its subsidiaries and variable interest entities where the Company had been, prior to 2020, considered the primary beneficiary. Intercompany transactions have been eliminated. The financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America. In preparing financial statements, management makes informed judgments and estimates that affect the reported amounts of assets and liabilities as of the date of the statements and affects the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates. The Company's fiscal year consists of 52 or 53 weeks, ending on the last Saturday in December. Fiscal 2020, 2019 and 2018 were each 52 week fiscal years. All references to years in these notes to consolidated financial statements represent fiscal years unless otherwise noted.

Variable Interest Entity

In accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification Topic 810, "Consolidations" ("ASC 810"), the Company consolidates any variable interest entity ("VIE") in which the Company has a controlling financial interest and, therefore, is the VIE's primary beneficiary, ASC 810 states that a controlling financial interest in an entity is present when an enterprise has the power to direct the activities of a VIE that most significantly affect the VIE's economic performance and the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. The Company has determined that HAC, Inc. Employee Stock Ownership Plan and Trust ("ESOP") is a VIE pursuant to certain financing provided by the Company in the sales of its retail grocery operation. For the fiscal years ended December 28, 2019 and December 29, 2018, the Company concluded it was the primary beneficiary of HAC, Inc. ("HAC") and has included HAC, Inc. ("HAC") in the Company's consolidated financial statements for the fiscal years ended December 28, 2019, and December 29, 2018. Effective December 29, 2019, the Company concluded it was no longer deemed to be the primary beneficiary of HAC as it no longer met the power criterion. Prior to December 29, 2019, the Company determined that it met the power criteria with regard to HAC by virtue of the financing relationship between AWG and HAC, which HAC did not have the practical ability to refinance the financing provided by the Company with a third party on commercially viable terms. However, as a result of HAC's improved financial condition during 2020, HAC was able to demonstrate the capacity to obtain third party financing at market terms, demonstrating that HAC was no longer reliant on the Company for future financing. Therefore, the Company deconsolidated HAC as of December 29, 2019, and the consolidated financial statements for the fiscal year ended December 26, 2020 no longer reflect the consolidation of HAC. The Company recorded a gain on deconsolidation of $35.6 million which is recorded in general and administrative expenses for the fiscal year ended December 26, 2020. In addition, the Company recorded a deferred tax expense related to the deconsolidation of $16.5 million which is recorded in income taxes for the fiscal year ended December 26, 2020.

Business and Credit Concentrations

The majority of the Company's sales are to Members located in Missouri, Oklahoma, Louisiana, Arkansas, Illinois, Kansas, Tennessee, Mississippi, Nebraska, Indiana, Kentucky, and Alabama. No single customer accounted for more than 10% of sales in any year presented. Inventory and equipment financing is available to qualified retailers for acquisitions/expansion, improvements and opening inventory purchases. Loans to Members are generally collateralized by the Member's inventory, property and equipment, and the Members' AWG equity. The Company's lending rate is generally one percent over the prime rate with borrowing terms up to 7 years. For the fiscal years 2020, 2019, and 2018, the Company earned interest income on loans of $5.2 million, $2.6 million, and $3.2 million, respectively. Interest is recorded when earned.

Accounts receivable primarily consist of trade receivables from Members and are stated at the amount the Company expects to collect, net of allowance. Trade receivables are generally secured by patronage certificates (see note 5).

The Company establishes an allowance for doubtful accounts based on collectability, which reflects management's best estimate of probable losses determined principally on the basis of historical experience, financial analysis of the retail customer and loan guarantors, and evaluation of the loan collateral.

(dollars in thousands unless otherwise indicated)

(1) Summary of Significant Accounting Policies (continued)

Changes in accounts receivable allowance for doubtful accounts are as follows:

	2020	2019
Beginning balance	$ 5,373	$ 4,012
Provision for doubtful accounts	1,445	1,444
Deconsolidation of VIE	(271)	—
Write-offs / Recoveries	(1,204)	(83)
Ending balance	$ 5,343	$ 5,373

Changes in notes receivable allowance for doubtful accounts are as follows:

	2020	2019
Beginning balance	$ 2,774	$ 3,225
Provision for doubtful accounts	(58)	(202)
Write-offs / Recoveries	—	(249)
Ending balance	$ 2,716	$ 2,774

Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Proceeds due from credit and debit card transactions with settlement terms of less than five days are also included. The Company maintains cash balances at major financial institutions. At times such cash balances may be in excess of the Federal Deposit Insurance Corporation coverage limit. Management believes the financial institutions are financially sound and risk of loss is minimal. The Company does not fund its disbursement accounts for checks it has written until the checks are presented to the bank for payment. The amount of outstanding checks is recorded in accounts payable. The change in outstanding checks is included in the change in accounts payable, accrued expenses, and other liabilities on the consolidated statements of cash flows.

Inventories

Merchandise is valued at the lower of cost or market. Cost for 82% and 74% of inventories in 2020 and 2019, respectively, is determined using the last-in, first-out (LIFO) method. Cost for perishables, general merchandise, health care and retail store inventories is determined using the first-in, first-out (FIFO) method. Had all products been valued at FIFO, inventories would have increased by $137.4 million at December 26, 2020 and $133.1 million at December 28, 2019.

Property and Equipment

Property and equipment are stated at cost. Expenditures for improvements, which significantly increase property lives, are capitalized. Interest costs incurred during the construction of facilities are included in the cost of such properties. Depreciation and amortization are calculated using the straight-line method over the assets estimated useful lives, which range from 15 to 50 years for buildings, 3 to 10 years for equipment, and 3 to 5 years for vehicles. Leasehold improvements are amortized over the shorter of the respective lease terms or life of the asset.

Patronage

Income from cooperative operations, less a nominal amount authorized by the Board of Directors to be retained, is returned to the Members in the form of year-end patronage. At each year end, a percentage of net income to be distributed is paid in cash with the remainder paid in the form of patronage certificates (see notes 5 and 8). Such amounts are apportioned to the Members based on qualifying warehouse purchases. Patronage source income derived from an extraordinary event of significant magnitude may be distributed to Members separately based on the quantity of the business done proportionately with a Member, which may span multiple years or a combination of years, as provided in the bylaws, as needed.

Sales and Cost of Goods Sold

The Company recognizes revenues when the performance obligation is satisfied, which is the point at which control of the promised goods or services are transferred to its customers, in an amount that reflects the consideration the Company expects to be entitled to receive in exchange for those goods or services. Control transfers to customers at a point-in-time when goods have been delivered, as that is generally when legal title, physical possession and risks and rewards of goods/services transfers to the customer. The timing of satisfaction of the performance obligation is not subject to significant judgment. Amounts billed and due from customers are short term in nature and are classified as receivables since payments are unconditional and only the passage of time is required before payments are due. Additionally, the Company does not grant payment financing terms greater than one year. Customer credits and returns are included as a reduction of revenue traditionally within 10 days of the initial transfer of goods. Promotional allowances related to selling products to customers are recorded as a reduction in sales. Any volume rebates paid in

(1) Summary of Significant Accounting Policies (continued)

advance of purchases is reported as a prepaid asset. Fees and upfront monies received from vendors are recorded as a reduction of the cost of goods sold in the period in which they are earned, based on contractual commitments to achieve certain milestones in purchases or prorated over the duration of the agreement. Sales tax collected from customers is not included in revenue.

Shipping and Handling Costs

Shipping and handling costs incurred to deliver products to our customers are included as a component of general and administrative expenses in the consolidated statements of operations and comprehensive income. Shipping and handling costs for the fiscal years 2020, 2019, and 2018 were $217.0 million, $204.4 million, and $206.4 million, respectively.

Advertising Expense

Advertising costs are expensed as incurred and are included as a component of general and administrative expenses in the consolidated statements of operations and comprehensive income. Advertising expenses for the fiscal years 2020, 2019, and 2018 were $0.8 million, $4.6 million, and $4.8 million, respectively.

Self-Insurance

In states which have approved the Company as a qualified self-insurer, the Company covers the worker's compensation claims utilizing a combination of self-insurance and excess worker's compensation insurance ($0.8 million retention), subject to the policy limitations, if any. The Company uses actuarial estimates to record the liability for future periods. If the number of claims or the costs associated with the claims were to increase significantly over the estimates, additional charges to earnings could be necessary to cover required payments.

Income Taxes

AWG files a consolidated federal income tax return. Deferred income taxes are accounted for under the asset and liability method. Patronage distributions from cooperative operations are deductible for income tax purposes. Deferred income taxes result primarily from differences in financial reporting basis for net receivables, depreciation, insurance, and deferred compensation. The Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. The Company recognizes interest and penalties related to unrecognized tax benefits in income tax expense. During 2020, 2019, and 2018, the Company did not recognize any significant interest or penalties.

Recently Issued Authoritative Accounting Standards

In February 2016, the FASB issued Accounting Standards Update ("ASU") 2016-02, Leases *(Topic 842)*, which provides new comprehensive lease accounting guidance that supersedes the existing leases requirements set forth in Topic 840. Since that time, the FASB has issued subsequent amendments to Topic 842 to provide more clarity to the guidance, as well as, extend the required adoption period for non-public companies. The objective of Topic 842, as amended, is to provide more useful information to users of the financial statements about the amount and timing of cash flows arising from a lease by now (1) requiring lessees to recognize a right-of-use asset and lease liability on the balance sheet for almost all lease contracts with terms longer than 12 months and (2) expanding the disclosure requirements of lease arrangements. The Company continues to assess the full impacts of adoption and currently believes the new standard will have a material impact on the Company's consolidated balance sheets but does not expect a material impact to the Company's statements of operations and cash flows. The Company plans to adopt Topic 842, as amended, in Fiscal 2022, as the guidance is now effective for fiscal years beginning after December 15, 2021.

(2) Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Assets and liabilities recorded at fair value are categorized using defined hierarchical levels directly related to the amount of subjectivity associated with the inputs to fair value measurements as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities;

Level 2 - Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable;

Level 3 - Unobservable inputs in which little or no market activity exists, requiring an entity to develop its own assumptions about the assumptions that market participants would use in valuation.

For certain of the Company's financial instruments, including cash and cash equivalents, accounts and short-term notes receivables and accounts payable, the fair values approximate book values due to their short-term maturities.

Since there is no market for long term notes receivables, it is impractical to assess whether the carrying amounts, which are reported on the consolidated balance sheets for these items, approximate fair value.

Property and equipment and intangible assets are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. Recoverability of assets held and used is assessed based on the undiscounted future cash flows. Assets to be disposed of are presented at the lower of cost or fair value less costs of disposal. During the fiscal years ended December 26, 2020, December 28, 2019, and December 29, 2018, the Company recorded (in millions) $4.3, $0.1, and $0.0, respectively, for impairment charges on real/personal property and ongoing lease liabilities, which were measured at fair value using Level 3 inputs. The impairment charges are a component of the general and administrative expenses in the consolidated statements of operations.

The carrying amounts of the Company's long-term debt reported on the consolidated balance sheets approximate fair value since their interest rates are periodically adjusted to reflect market conditions.

(3) Intangible Assets

In 2019, the Company had intangible assets subject to amortization that included wholesale volume agreements and non-compete agreements of $20.7 million, which were being amortized over 15 years and had accumulated amortization of $20.6 million. The Company's VIE recorded goodwill of $13.4 million for 2019 which was being amortized over a useful life of 10 years and accumulated amortization of $3.4 million. Amortization expense for intangible assets was $0.8 million in 2019 and $1.4 million in 2018. With the deconsolidation of the VIE, the Company no longer has amortizable intangible assets.

(4) Acquisitions, Divestitures and Certain Transactions with Members

In October 2019, HAC, Inc. purchased equipment and inventory for 5 supermarkets located in Oklahoma from RPCS, Inc. Four stores were operating under the banner of Food Pyramid, two in Ponca City, one in Stillwater and one in Bartlesville, Oklahoma with the fifth operating as Ponca City Discount Foods. The aggregate cash purchase price for all five stores was $12.4 million.

In May 2020, Midwest Real Estate Holdings, LLC, a wholly owned subsidiary of the Company, purchased real estate located in Missouri, Arkansas and Tennessee from Town & Country Grocers of Fredericktown, Missouri, Inc. The aggregate cash purchase price for the real estate was $3.4 million. Simultaneously, $2.5 million of that real estate was sold to another AWG member.

(5) Patronage Refunds and Deposits

Patronage Refund Certificates are issued to Members as part of annual distributions of net income from cooperative operations.

Member deposits represent interest-bearing accounts that may be required to collateralize weekly purchases of products. Interest expense incurred on member deposits and member savings in 2020, 2019, and 2018 were $0.5, $0.9, and $1.0 million respectively. Since there is no market for Patronage Refund Certificates and Member Deposits, it is impractical to assess whether the carrying amounts, which are reported on the consolidated balance sheets for these items, approximate fair value.

(6) Property and Equipment

Property and equipment are summarized as follows:

		2020		2019
Land	$	64,954	$	58,481
Buildings and leasehold improvements		434,384		461,702
Equipment		342,116		405,144
Construction in progress and other		95,226		10,666
	$	936,680	$	935,993
Less accumulated depreciation		(428,782)		(486,354)
Property and equipment, net	$	507,898	$	449,639

Depreciation expense incurred in 2020, 2019, and 2018 was (in millions) $43.1, $50.1, and $47.1, respectively. In 2020, 2019, and 2018, the Company capitalized an aggregate total of (in millions) $0.7, $0.0, and $0.0, respectively, of capitalized construction period interest.

(7) Long-term Debt

In May 2015, the Company entered into a five-year revolving Credit Agreement with a maturity date of May 20, 2020, which provided a $302.9 million revolving credit facility and a $72.1 million tax-exempt bond facility. Total borrowings and outstanding letters of credit, including a $72.1 million tax-exempt bond loan were $249.4 million on December 29, 2018. Variable interest rates are based on the London Interbank Borrowing Rate and ranged from 1.60% to 3.14% during 2018 (which included a base rate mark-up charged by the lenders). Daily borrowings during 2018 averaged $88.3 million and overall annual borrowings and repayments were approximately $7.1 billion. The Company had an additional $125.6 million available for borrowing under this agreement.

In December 2019, the Company entered into two five-year Credit Agreements, which provided a $300 million revolving credit facility with an incremental increase on October 15, 2020 to $350 million and a $72.1 million tax-exempt bond facility. Total borrowings and outstanding letters of credit, including a $72.1 million tax-exempt bond loan, were $198.5 million and $172.9 million, at December 26, 2020 and December 28, 2019, respectively. Variable interest rates are based on the London Interbank Borrowing Rate and ranged from 0.72% to 2.56% during 2020 and 1.98% to 3.15% during 2019. Daily borrowings averaged $106.5 million and $137.1 million in 2020 and 2019, respectively, and overall annual borrowings and repayments were approximately $2.4 billion and $6.1 billion in 2020 and 2019, respectively. The Company had an additional $223.5 million and $199.1 million available for borrowing under the revolving credit facility agreement at December 26, 2020 and December 28, 2019, respectively.

The Company's revolving credit facility agreement contains certain financial covenants related to cash flow leverage and minimum tangible net worth. The Company is in compliance with all covenants as of December 26, 2020.

(8) Allocated Earnings

At December 26, 2020 and December 28, 2019, $95.9 and $82.1 million of the current year non-maturing patronage has been allocated within retained earnings. The pertinent provision of these patronage certificates are as follows: (a) the certificates are not transferrable; (b) AWG has the right to offset, but the certificate holder does not; (c) no interest is accrued on outstanding certificates; (d) the certificates have no stated maturity date, and (e) the certificates are subordinate to the claims of all creditors of AWG.

In July 2005, the Board of Directors created another form of patronage certificate ("Class B Certificates") for Members who are delinquent with their obligations owed to the Company. The Class B Certificates are non-interest bearing and have no maturity date. These certificates are only redeemed upon the dissolution of the Company and the redemption of all other patronage certificates. The Board of Directors may in its sole and absolute discretion cause a Class B Certificate to be converted into a Patronage Refund Certificate if a member was deemed as delinquent ceases to be deemed as a delinquent Member. The Class B Certificates are included in retained earnings and amounted to $4.2 million and $4.2 million as of December 26, 2020 and December 28, 2019, respectively.

(9) Equity

All Members of the cooperative are required to hold 15 shares of Class A Common Stock. The bylaws of AWG contain restrictions concerning the transfer of common stock, which serves as collateral to secure Members' indebtedness. Each Member holding Class A Common Stock is entitled to one vote in shareholder matters. All issuances and redemptions since March 26, 2020 have been made at $2,400 per share. Issuances and redemptions between March 27, 2019 and March 25, 2020 were made at $2,300 per share. Issuances redemptions between March 28, 2018 and March 26, 2019 were made at $2,200 per share.

(dollars in thousands unless otherwise indicated)

(9) Equity (continued)

The following table describes the number of authorized and outstanding shares of AWG Class A and Class B stock at December 26, 2020 and December 28, 2019:

		OUTSTANDING AT	
CLASS	AUTHORIZED	2020	2019
Class A Stock, $100 par value	35,000	16,710	16,470
Class B Stock, $100 par value	150,000	9,654	10,261

The changes in common stock for the fiscal years ended December 26, 2020 and December 28, 2019 were as follows:

	Class A	Class B	Total Common Stock	Members
Balances at December 29, 2018				
Shares	17,055	11,199	28,254	1,139
Dollar Value	$ 1,705	$ 1,120	$ 2,825	
Issued				
Shares	1,095	—	1,095	73
Dollar Value	$ 110	$ —	$ 110	
Redeemed				
Shares	(1,680)	(938)	(2,618)	(112)
Dollar Value	$ (168)	$ (94)	$ (262)	
Balances at December 28, 2019				
Shares	16,470	10,261	26,731	1,100
Dollar Value	$ 1,647	$ 1,026	$ 2,673	
Issued				
Shares	1,350	25	1,375	95
Dollar Value	$ 135	$ 2	$ 137	
Redeemed				
Shares	(1,110)	(632)	(1,742)	(80)
Dollar Value	$ (111)	$ (63)	$ (174)	
Balances at December 26, 2020				
Shares	16,710	9,654	26,364	1,115
Dollar Value	$ 1,671	$ 965	$ 2,636	

Accumulated Other Comprehensive Loss

Changes in accumulated other comprehensive loss attributable to the Company for the fiscal years ended December 26, 2020 and December 28, 2019 were as follows:

	2020	2019
Balances, beginning of year	$ (45,531)	$ (35,041)
Change in funded status of pension plan, net of $ 3,728 in tax in 2020 and $ 4,489 in tax in 2019	(10,738)	(10,490)
Balances, end of year	$ (56,269)	$ (45,531)

(dollars in thousands unless otherwise indicated)

(9) Equity (continued)

Additional Paid in Capital

Changes in additional paid in capital attributable to the Company for the fiscal years ended December 26, 2020 and December 28, 2019 were as follows:

	2020	2019
Balances, beginning of year	$ 27,434	$ 28,075
Stock purchase or redemption surplus value paid in/(out)	1,211	(641)
Balances, end of year	$ 28,645	$ 27,434

Noncontrolling Interest

Changes in noncontrolling interest for the years ended December 26, 2020 and December 28, 2019 were as follows:

	2020	2019
Balances, beginning of year	$ 35,574	$ 32,049
Income attributable to noncontrolling interest	—	3,525
Deconsolidation of VIE	(35,574)	—
Balances, end of year	$ —	$ 35,574

(10) Income Taxes

The significant components of income tax expense are summarized as follows:

	2020	2019	2018
Federal:			
Current	$ (2,383)	$ 3,862	$ 9,610
Deferred	16,657	(2,131)	(8,294)
Total Federal	$ 14,274	$ 1,731	$ 1,316
State:			
Current	$ 377	$ 1,430	$ 2,173
Deferred	4,144	(295)	(2,728)
Total State	4,521	1,135	(555)
Total income tax	$ 18,795	$ 2,866	$ 761

The effects of temporary differences and other items that give rise to deferred income tax assets and liabilities are presented below:

Deferred income tax assets:	2020	2019
Gain on sale of subsidiary	$ —	$ 16,474
Pension	14,149	10,986
Insurance	4,838	4,470
Compensation	4,554	4,316
Accounts receivable	1,983	1,935
Inventory	2,579	2,208
State credit carryover	4,680	4,505
Other	2,152	2,149
Deferred income tax assets	34,935	47,043
Valuation allowance	(3,596)	(3,693)
Total deferred income tax assets	$ 31,339	$ 43,350
Deferred income tax liabilities:		
Fixed assets	$ 8,206	$ 4,639
Prepaid expenses	2,112	617
Total deferred income tax liabilities	$ 10,318	$ 5,256
Net deferred income tax assets	$ 21,021	$ 38,094

(dollars in thousands unless otherwise indicated)

(10) Income Taxes (continued)

The Company or one of its subsidiaries files income tax returns in the U.S. Federal jurisdiction, and various states and municipalities. The IRS examination covering tax years 2013-2015 was completed in 2018 with no significant adverse outcome.

As of December 26, 2020 and December 28, 2019, respectively, a High Performance Incentive Program ("HPIP") valuation allowance of $3.6 million and $3.7 million was required to reduce deferred income tax assets to a level, which more likely than not, will be realized as future benefits.

(11) Employee Benefit Plans

Substantially all employees of the Company are covered by various contributory and non-contributory pension or profit sharing plans. Union employees participate in multi-employer retirement plans under collective bargaining agreements, unless the collective bargaining agreement provides for participation in plans sponsored by the Company. The Company sponsors a defined benefit pension plan, both qualified and non-qualified ("the DB Plan") and several defined contribution pension plans. The DB Plan covers 906 and 949 participants for the fiscal years ended December 26, 2020 and December 28, 2019, respectively, which is comprised mainly of non-union warehouse, clerical and managerial employees. Beginning November 1, 2012, the Company's DB Plan was closed to new employees and replaced with an enhanced contribution to the existing defined contribution plan. At present, the Company continues to accrue service costs for eligible participants of the DB Plan. The Company does not provide health care, life insurance, or disability plans to former or inactive employees after retirement under post-employment benefit plans.

The benefit obligation (which is the projected benefit obligation "PBO"), fair value of plan assets, and funded status of the Company's DB Plan is as follows:

Change in benefit obligation (PBO)	2020	2019
Benefit obligation at beginning of year	$ 200,713	$ 161,527
Service cost	10,561	10,099
Interest cost	6,712	7,578
Benefits paid	(23,993)	(16,701)
Actuarial loss	33,693	38,210
Benefit obligation at end of year	$ 227,686	$ 200,713
Change in plan assets		
Fair value of plan assets at beginning of year	$ 160,105	$ 137,921
Actual return on plan assets	13,733	22,991
Employer contributions	25,011	15,894
Benefits paid	(23,993)	(16,701)
Fair value of plan assets at end of year	$ 174,856	$ 160,105
Funded status, end of year	$ (52,830)	$ (40,608)

Benefit calculations for the Company's sponsored DB Plan for primarily non-union eligible participants are generally based on years of service and the participant's highest compensation during five consecutive years during the last ten years of employment. The Company's accumulated benefit obligation for the DB Plan was $198,448 and $173,706 at December 26, 2020 and December 28, 2019, respectively.

(dollars in thousands unless otherwise indicated)

(11) Employee Benefit Plans (continued)

The amounts recognized for the DB Plan in the Company's accumulated other comprehensive loss consisted of the following:

	2020	2019
Total recognized in AOCL, before tax	$ (76,341)	$ (61,876)
Total recognized in AOCL, net of tax	$ (56,269)	$ (45,531)

Fiscal Year	DB Plan Benefits
2021	$ 26,323
2022	23,945
2023	27,747
2024	28,708
2025	24,851
Years 2026-2030	94,218

Net periodic benefit expense for the DB Plan is reflected in the SG&A expense section of the Income Statement and consisted of the following:

	2020	2019	2018
Service cost – benefits earned during the period	$ 10,561	$ 10,099	$ 10,215
Interest cost on projected benefit obligations	6,712	7,578	6,391
Expected return on plan assets	(10,871)	(8,962)	(10,138)
Amortization of prior service cost	—	—	—
Amortization of net actuarial loss	9,122	8,195	4,697
Settlement loss	7,244	1,006	7,822
Net periodic benefit expense	$ 22,768	$ 17,916	$ 18,987

The estimated prior service cost and net actuarial loss that will be amortized from accumulated other comprehensive loss into net periodic benefit cost for the DB Plan over the next fiscal year are $0 and $11,140, respectively. The majority of the unfunded non-qualified portion of the DB Plan has been expensed.

Weighted average assumptions used for the DB Plan are as follows:

	2020	2019	2018
Weighted average assumptions used to determine benefit obligations:			
Discount rate	2.55%	3.45%	4.45%
Rate of compensation increase	2.57%	2.57%	2.58%
Weighted average assumptions used to determine net periodic benefit cost:			
Discount rate	3.45%	4.45%	3.80%
Rate of compensation increase	2.50%, 3.00%	2.50%, 3.00%	2.56%
Expected return on plan assets	6.75%	6.75%	6.75%

(dollars in thousands unless otherwise indicated)

(11) Employee Benefit Plans (continued)

The fair value of the Company's DB Plan assets at the end of the 2020 calendar year, by asset category, are as follows:

Asset Category	2020 Total	Level 1	Level 2	Level 3
Equity Securities	$ 117,600	$ 117,600	$ —	$ —
Fixed Income				
U.S. Government Securities	14,702	8,684	6,018	—
Mutual Funds	—	—	—	—
Corporate or Agency Securities	40,100	—	40,100	—
Limited Partnerships	2,454	—	—	2,454
Totals	$ 174,856	$ 126,284	$ 46,118	$ 2,454

The fair value of the Company's DB Plan assets at the end of the 2019 calendar year, by asset category, are as follows:

Asset Category	2019 Total	Level 1	Level 2	Level 3
Equity Securities	$ 118,864	$ 118,864	$ —	$ —
Fixed Income				
U.S. Government Securities	27,988	27,988	—	—
Mutual Funds	5,127	5,127	—	—
Corporate or Agency Securities	5,053	—	5,053	—
Limited Partnerships	3,073	—	—	3,073
Totals	$ 160,105	$ 151,979	$ 5,053	$ 3,073

The following is a description of the valuation methodologies used for assets measured at fair value at December 26, 2020 and December 28, 2019:

Equity Securities, Money Market Funds, and Mutual Funds are valued at the closing price reported on the active market on which the individual securities are traded.

U.S. Government Securities traded on a highly liquid secondary market are stated at the last reported sales price on the day of valuation. To the extent these securities are actively traded and valuation adjustments are not applied, they are classified within Level 1.

Corporate or Agency Securities are determined through evaluated bid prices based on recent trading activity and other relevant information, including market interest rate curves and reference credit spreads, and estimated prepayment rates, where applicable, are used for valuation purposes provided by third-party pricing services where quoted market values are not available.

Limited Partnerships that are hedge funds are valued based on estimates for the fair value of investment funds held by the partnership that have calculated net asset value per share as a practical expedient in accordance with the specialized accounting guidance for investment companies. Another limited partnership is valued based on the contributions paid into the fund through year end, which approximates fair value. The majority of Limited Partnerships held as investments are subject to redemption restrictions of a quarterly frequency with 95 day notice periods and a minimum investment period of one year.

The following table presents purchases and other adjustments of financial assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the fiscal year ended December 26, 2020 and December 28, 2019 is as follows:

	2020	2019
Transfers	$ —	$ —
Purchases & Issues	$ 1,579	$ 166

(11) Employee Benefit Plans (continued)

The Company's investment policy reflects the nature of the DB Plan's funding obligations. The assets are invested to provide the opportunity for both income and growth of principal. This objective is pursued as a goal designed to provide required benefits for participants without undue risk. It is expected that this objective can be achieved through a well-diversified asset portfolio. Investment managers are directed to maintain equity portfolios at a risk level approximately equivalent to that of the specific benchmark established for the portfolio. The expected rate of return on DB Plan assets was determined based on expectations of future returns for the DB Plan's investments based on the target asset allocation of the DB Plan's investments.

The Company expects to contribute approximately $26.3 million to the DB Plan during 2021. The Company also makes contributions to its defined contribution plans. The total expense for these plans amounted to (in millions) $14.8, $11.3, and $9.6 in 2020, 2019, and 2018, respectively.

The 2005 Non-Qualified Deferred Compensation Plan is available for officers of the Company to elect, by the required deadlines in the preceding year, to have a designated portion of their wages set aside for their own personal tax planning purposes, in a trust held by Bank of America. At the time of election, the date for future distribution of wages to the participant is established, according to allowable parameters within the plan documents. The asset is reported as a noncurrent asset with the offsetting liability as a noncurrent liability on the consolidated balance sheet and were $10.9 million and $10.3 million for December 26, 2020 and December 28, 2019, respectively.

The fair value of the Company's Deferred Compensation plan assets at the end of 2020 and 2019 calendar year, by asset category are as follows:

Asset Category	2020 Total	Level 1	Level 2	Level 3
Money Market Funds	$ 2,902	$ 2,902	$ —	$ —
Corporate Bonds	538	—	538	—
Common Stocks	3,709	3,709	—	—
Mutual Funds	3,755	3,755	—	—
Totals	$ 10,904	$ 10,366	$ 538	$ —

Asset Category	2019 Total	Level 1	Level 2	Level 3
Money Market Funds	$ 4,113	$ 4,113	$ —	$ —
Corporate Bonds	382	—	382	—
Common Stocks	2,918	2,918	—	—
Mutual Funds	2,877	2,877	—	—
Totals	$ 10,290	$ 9,908	$ 382	$ —

(12) Commitments and Contingent Liabilities

The Company is obligated as lessee under various noncancelable long-term supermarket property leases with minimum annual rentals of approximately $34.3. These leases have an average remaining life of 5 years. It is expected in the ordinary course of business that these leases will be renewed or replaced. The Company has subleased the majority of its supermarket properties to Members (except for properties operated by the Company's subsidiaries) for substantially the same lease terms and rental amounts. Rental expense related to these properties were (in millions) $31.9, $31.9, and $32.8 in 2020, 2019, and 2018, respectively. Rental income received was (in millions) $32.2, $33.1, and $33.9 in 2020, 2019 and 2018, respectively. Future minimum lease payments expected to be incurred over the next five fiscal years and thereafter is estimated as follows (in millions): 2021 - $29.8; 2022 - $27.7; 2023 - $25.1; 2024 - $22.2, 2025 - $18.3; and $78.0 thereafter. Offsetting rental income expected to be received over the next five fiscal year and thereafter is estimated as follows (in millions): 2021 - $31.2; 2022 - $28.9; 2023 - $26.2; 2024 - $23.2, 2025 - $19.2; and $81.8 thereafter. Rents charged to general and administrative expenses for operating leases, other than supermarket properties, were (in millions) $3.2, $2.0, and $2.6 in 2020, 2019, and 2018, respectively. Operating lease rent expense expected to be incurred over the next five fiscal years is estimated as follows (in millions): 2021 - $2.0; 2022 - $2.0; 2023 - $2.1; 2024 - $2.1, 2025 - $2.2.

(12) Commitments and Contingent Liabilities (continued)

The Company is a guarantor of loans issued to members in the amount of $17.5 and $22.9 million for December 26, 2020 and December 28, 2019, respectively.

In December 2015, the Company entered into a limited guaranty with Bank of America on behalf of HAC, Inc. Amended in 2017, this limited guaranty allows HAC, Inc. to issue standby letters of credit in amounts up to $15.0 million without requiring HAC to maintain a cash collateral account with Bank of America. The Company is able to revoke the limited guaranty at any time in respect to future transactions. The Company will, however, be at risk for existing indebtedness at the time of revocation.

In April 2018 and March 2019 the Company entered into limited guaranties with Great Southern Bank on behalf of one of its Members. These guaranties of payment were limited to $5 million and $0.9 million, respectively, of outstanding debt of the Member with Great Southern Bank. Amended in June 2020, these guaranties were combined into one guaranty limited to $1.25 million of outstanding debt of the Member with Great Southern Bank.

In October 2019, the Company entered into a limited guaranty with UMB Bank, N.A. on behalf of one of its Members. This guaranty of payment was limited to $1.9 million of outstanding debt of the Member with UMB Bank, N.A. This guarantee ended in September 2020.

In September 2020, the Company entered into a limited guaranty with Central Bank of the Ozarks on behalf of one of its Members. This guaranty of payment was limited to $1.22 million of outstanding debt of the Member with Central Bank of the Ozarks.

The Company has entered into surety bond agreements with government entities which bind the Company to repay the government entity if the Company is unable to successfully perform on its contractual obligations to the government entity. As of December 26, 2020 and December 28, 2019, the Company had $8.9 million and $6.5 million, respectively, of outstanding surety bonds.

The Company is involved in various claims and litigation arising in the normal course of business. In the opinion of management, the ultimate resolution of these actions will not have a material adverse effect on the Company's consolidated financial statements.

(13) Multi-employer Plans

The Company contributes to a single multi-employer defined benefit pension plan under the terms of the collective-bargaining agreements that cover its union-represented employees. The risks of participating in a multi-employer plan are different from single-employer plans in the following aspects:

a. Assets contributed to the multi-employer plan by one employer are used to provide benefits to employees of other participating employers.

b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan are borne by the remaining participating employers.

c. If the Company chooses to stop participating in its multi-employer plan, then it is required to pay that plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Company's participation in this plan for the fiscal year ended December 26, 2020 is outlined in the table below. The "EIN and Pension Plan Number" column provides the Employee Identification Number ("EIN") and the three-digit plan number. Unless otherwise noted, the most recent Pension Protection Act ("PPA") zone status available in 2020 and 2019 is for the plan's fiscal year end at December 28, 2019 and December 29, 2018, respectively. The zone status is based on information that the Company received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are more than 65, but less than 80 percent funded and plans in the green zone are at least 80 percent funded. Based on its projection insolvency, the plan has been deemed to be in "critical and declining" status for 2019 and 2018. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan ("FIP") or rehabilitation plan ("RP") is either pending or has been implemented. The last column lists the expiration date of the collective-bargaining agreements to which the plan is subject. Finally, there have been no significant changes that affect the comparability of 2020, 2019 and 2018 contributions.

(dollars in thousands unless otherwise indicated)

(13) Multi-employer Plans (continued)

Pension Fund	EIN and Pension Plan Number	Pension Protection Act Zone Status		FIP/RP Status Implemented	Company Contributions			Surcharge Imposed	Expiration Date Of Collective-Bargaining Agreements
		2019	2018		2020	2019	2018		
Central States, Southeast and Southwest Areas Pension Fund	36-6044243 Plan 001	Red	Red	Yes	$15,135	$14,537	$14,563	No	April 1, 2028

The Company was not listed in the plan's Form 5500 as providing more than 5% of the total contributions for the plan years ending in 2019 and 2018. At the date the Company's consolidated financial statements were issued, the plan's Form 5500 was not available for the plan year ending in 2020.

(14) Derivative Contracts

With the commencement of the All-In-One Distribution Hub Project, which is the automated warehouse under construction in Mississippi, the Company has become exposed to certain financial and market risks. The Company has currency exchange rate risk exposure related to transactions related to purchases of services and equipment denominated in foreign currency, (Euro). The Company's financial risk management activities may at times involve the use of derivative financial instruments to hedge the impact of market price risk exposures.

The Company has entered into short term foreign currency forward derivative contracts with JP Morgan Chase as part of a program designed to mitigate the currency exchange rate risk exposure on transactions with a foreign vendor. As of December 26, 2020, the Company had no open foreign currency derivative contracts.

Under this program, the Company may enter into similar derivative contracts from time to time. Although contracts pursuant to this program will serve as an economic hedge of the cash flow of our currency exchange risk exposure, they are not formally designated as hedge contracts or qualify for hedge accounting treatment. Accordingly, any change in the fair value of these derivative instruments during a period will be included in the determination of earnings for that period. The change in fair value is recorded in SG&A.

(15) Antitrust Settlement

In 2018, the Company filed a lawsuit against a group of suppliers of commodity goods and related affiliates for antitrust and unlawful price fixing activities. The Company entered into a confidential settlement agreement with several defendants pursuant to which the Company received proceeds in 2020 that the Company believes qualify for distribution as a patronage dividend. Because the proceeds relate to multiple years, the Board believes that the patronage dividend should be allocated among the impacted members. The Company will be distributing this patronage dividend separately from the current year distribution.

(16) Subsequent Events

Subsequent events have been evaluated through March 2, 2021, which is the date the financial statements were available to be issued. Other than events noted below, there were no other material events requiring recognition or disclosure.

On February 9, 2021, the Board of Directors of the Company declared a 3-for-1 stock dividend effective March 23, 2021 for shareholders of record. Every shareholder of A and B stock will receive additional shares in the form of B stock.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Associate Wholesale Grocers, Inc.

We have audited the accompanying consolidated financial statements of Associated Wholesale Grocers, Inc. (a Kansas corporation) and subsidiaries, which comprise the consolidated balance sheets and consolidated statements of retained earnings as of December 26, 2020 and December 28, 2019, and the related consolidated statements of operations and comprehensive income and cash flows for each of the three years in the period ended December 26, 2020, and the related notes to the consolidated financial statements.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Associated Wholesale Grocers, Inc. and subsidiaries as of December 26, 2020 and December 28, 2019, and the results of their operations and their cash flows for each of the three years in the period ended December 26, 2020, in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Kansas City, Missouri
March 2, 2021

2021 AWG OFFICERS

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Sr. Vice President,
Merchandising

Stephanie Becker
Sr. Vice President,
General Counsel & Chief
Legal Officer

Randy Berry
Sr. Vice President,
Chief Information Officer

Stacy Bowen
Vice President,
Sales, Support
& Solutions

Emile Breaux
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Operations & Real Estate

David Carl
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Finance & Treasurer

Jim DeStefano
Vice President,
Corporate Distribution

Bob Durand
Vice President,
Division Manager
Nebraska

Jim Fitterer
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Center Store
Category Management

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David Gates
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Bo Hawkins
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Gary Koch
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Danny Lane
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Southern

Jennifer Leetz
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Member Services
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John Likens
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Sales, VMC

Paula Nepote
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Greg Oldright
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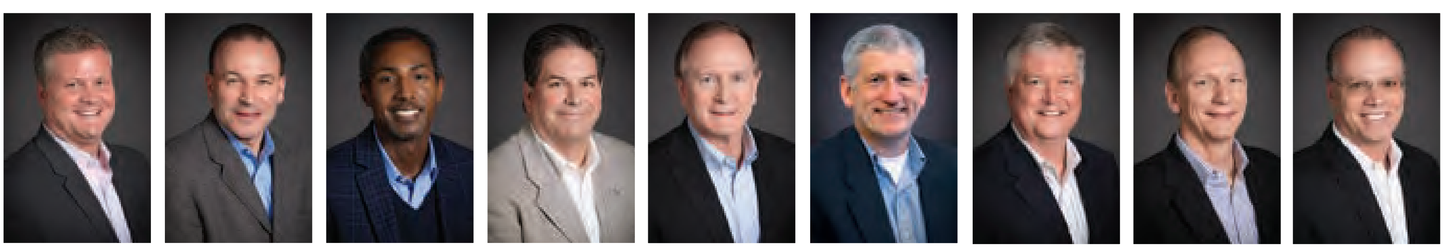
Vice President,
Real Estate



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Chief Sales & Support
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Patrick Reeves
Sr. Vice President,
Chief Human Resources
Officer

Brian Rehagen
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ASSOCIATED WHOLESALE GROCERS
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ASSOCIATED WHOLESALE GROCERS, INC.
2020 ANNUAL REPORT

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