

THE KROGER CO.
CONSOLIDATED STATEMENT OF INCOME
WITH ONE-TIME ITEMS
(in millions of dollars, except per share amounts)

	FOURTH QUARTER		YEAR TO DATE	
	2000	1999	2000	1999
SALES	\$ 12,692.1	\$ 11,240.5	\$ 49,000.4	\$ 45,351.6
COSTS AND EXPENSES:				
MERCHANDISE COSTS, INCLUDING ADVERTISING, WAREHOUSING, AND TRANSPORTATION	9,207.9	8,167.5	35,806.1	33,315.5
OPERATING, GENERAL AND ADMINISTRATIVE	2,292.6	2,046.5	9,138.4	8,327.0
RENT	155.5	151.8	658.7	641.4
DEPRECIATION	211.2	209.3	907.3	847.5
AMORTIZATION OF GOODWILL	23.0	22.7	101.3	97.9
INTEREST EXPENSE INCL. CAPITAL LEASES	167.2	152.2	674.8	636.8
IMPAIRMENT CHARGES	-	-	190.9	-
MERGER RELATED COSTS	2.0	79.5	14.6	383.4
TOTAL	12,059.4	10,829.5	47,492.1	44,249.5
INCOME BEFORE TAX EXPENSE AND EXTRAORDINARY ITEMS	632.7	411.0	1,508.3	1,102.1
TAX EXPENSE	264.8	178.9	628.2	478.9
INCOME BEFORE EXTRAORDINARY ITEMS	367.9	232.1	880.1	623.2
EXTRAORDINARY ITEMS (a)	-	-	(3.2)	(9.8)
NET INCOME	<u>\$ 367.9</u>	<u>\$ 232.1</u>	<u>\$ 876.9</u>	<u>\$ 613.4</u>
INCOME PER BASIC COMMON SHARE:				
FROM OPERATIONS	\$ 0.45	\$ 0.28	\$ 1.07	\$ 0.75
EXTRAORDINARY ITEMS	0.00	0.00	0.00	(0.01)
NET INCOME PER COMMON SHARE	<u>\$ 0.45</u>	<u>\$ 0.28</u>	<u>\$ 1.07</u>	<u>\$ 0.74</u>
SHARES USED IN BASIC CALCULATION	816.2	832.1	823.2	829.4
INCOME PER DILUTED COMMON SHARE:				
FROM OPERATIONS	\$ 0.44	\$ 0.27	\$ 1.04	\$ 0.73
EXTRAORDINARY ITEMS	0.00	0.00	0.00	(0.01)
NET INCOME PER DILUTED COMMON SHARE	<u>\$ 0.44</u>	<u>\$ 0.27</u>	<u>\$ 1.04</u>	<u>\$ 0.72</u>
SHARES USED IN DILUTED CALCULATION	841.7	854.5	846.1	858.2
ONE-TIME EXPENSES IN MERCHANDISE COSTS (b)	\$ 9.7	\$ 21.4	\$ 36.8	\$ 57.7
ONE-TIME EXPENSES IN OG&A (b)	13.8	4.0	108.0	27.3
IMPAIRMENT CHARGES (c)	-	-	190.9	-
MERGER RELATED COSTS	2.0	79.5	14.6	383.4
TOTAL ONE-TIME ITEMS, MERGER COSTS, AND IMPAIRMENT CHARGES	<u>\$ 25.5</u>	<u>\$ 104.9</u>	<u>\$ 350.3</u>	<u>\$ 468.4</u>

(a) The Extraordinary Items are from the early retirement of debt.

(b) The one-time items in both 1999 and 2000 are costs related to mergers. The merchandise charges primarily relate to inventory revaluations. The operating, general and administrative charges primarily relate to store conversions or closures.

(c) Relates primarily to the write-down of certain impaired assets in accordance with Statements of Financial Accounting Standards No. 121.