

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

| | <u>FIRST QUARTER</u> | |
|--|----------------------|-----------------|
| | <u>2001</u> | <u>2000</u> |
| SALES | \$ 15,102.3 | \$ 14,329.4 |
| COSTS AND EXPENSES: | | |
| MERCHANDISE COSTS, INCLUDING ADVERTISING, WAREHOUSING, AND TRANSPORTATION | 11,035.2 | 10,500.3 |
| OPERATING, GENERAL AND ADMINISTRATIVE | 2,835.1 | 2,749.0 |
| RENT | 207.0 | 201.0 |
| DEPRECIATION | 288.1 | 275.6 |
| AMORTIZATION OF GOODWILL | 31.3 | 30.9 |
| INTEREST EXPENSE INCL. CAPITAL LEASES | 205.6 | 206.1 |
| IMPAIRMENT CHARGES | - | 190.9 |
| MERGER RELATED COSTS | <u>2.3</u> | <u>8.8</u> |
| TOTAL | 14,604.6 | 14,162.6 |
| INCOME BEFORE TAX EXPENSE | 497.7 | 166.8 |
| TAX EXPENSE | <u>194.3</u> | <u>66.7</u> |
| NET INCOME | <u>\$ 303.4</u> | <u>\$ 100.1</u> |
| INCOME PER BASIC COMMON SHARE: | | |
| NET INCOME PER COMMON SHARE | <u>\$ 0.37</u> | <u>\$ 0.12</u> |
| SHARES USED IN BASIC CALCULATION | 811.7 | 830.5 |
| INCOME PER DILUTED COMMON SHARE: | | |
| NET INCOME PER DILUTED COMMON SHARE | <u>\$ 0.36</u> | <u>\$ 0.12</u> |
| SHARES USED IN DILUTED CALCULATION | 833.4 | 850.4 |
| ONE-TIME EXPENSES IN MERCHANDISE COSTS (a) | \$ 2.8 | \$ 15.0 |
| ONE-TIME EXPENSES IN OG&A (a) | 11.1 | 65.7 |
| IMPAIRMENT CHARGES (b) | - | 190.9 |
| MERGER RELATED COSTS | <u>2.3</u> | <u>8.8</u> |
| TOTAL ONE-TIME ITEMS, MERGER COSTS, AND IMPAIRMENT CHARGES | <u>\$ 16.2</u> | <u>\$ 280.4</u> |

(a) The one-time items in both 2000 and 2001 are costs related to the merger. The merchandise charges primarily relate to inventory revaluations. The operating, general and administrative charges primarily relate to store conversions or closures.

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