

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

	SECOND QUARTER		YEAR TO DATE	
	2001	2000	2001	2000
SALES	\$ 11,484.9	\$ 11,017.0	\$ 26,587.2	\$ 25,346.3
COSTS AND EXPENSES:				
MERCHANDISE COSTS, INCLUDING ADVERTISING, WAREHOUSING, AND TRANSPORTATION	8,330.7	8,051.3	19,366.0	18,551.6
OPERATING, GENERAL AND ADMINISTRATIVE	2,176.8	2,059.3	5,011.8	4,808.3
RENT	158.2	155.0	365.2	355.9
DEPRECIATION	220.5	210.9	508.6	486.5
AMORTIZATION OF GOODWILL	26.0	22.9	57.4	53.8
INTEREST EXPENSE INCL. CAPITAL LEASES	151.6	155.4	357.2	361.5
IMPAIRMENT CHARGES	-	-	-	190.9
MERGER RELATED COSTS	1.6	2.0	3.9	10.8
TOTAL	11,065.4	10,656.8	25,670.1	24,819.3
INCOME BEFORE TAX EXPENSE AND EXTRAORDINARY ITEMS	419.5	360.2	917.1	527.0
TAX EXPENSE	163.8	150.6	358.1	217.3
INCOME BEFORE EXTRAORDINARY ITEMS	255.7	209.6	559.0	309.7
EXTRAORDINARY ITEMS (a)	-	(1.6)	-	(1.6)
NET INCOME	<u>\$ 255.7</u>	<u>\$ 208.0</u>	<u>\$ 559.0</u>	<u>\$ 308.1</u>
INCOME PER BASIC COMMON SHARE:				
FROM OPERATIONS	\$ 0.32	\$ 0.25	\$ 0.69	\$ 0.37
EXTRAORDINARY ITEMS	0.00	0.00	0.00	0.00
NET INCOME PER COMMON SHARE	<u>\$ 0.32</u>	<u>\$ 0.25</u>	<u>\$ 0.69</u>	<u>\$ 0.37</u>
SHARES USED IN BASIC CALCULATION	805.3	823.7	808.9	827.6
INCOME PER DILUTED COMMON SHARE:				
FROM OPERATIONS	\$ 0.31	\$ 0.25	\$ 0.67	\$ 0.36
EXTRAORDINARY ITEMS (a)	0.00	0.00	0.00	0.00
NET INCOME PER DILUTED COMMON SHARE	<u>\$ 0.31</u>	<u>\$ 0.25</u>	<u>\$ 0.67</u>	<u>\$ 0.36</u>
SHARES USED IN DILUTED CALCULATION	826.6	846.6	830.5	848.8
ONE-TIME EXPENSES IN MERCHANDISE COSTS (b)	\$ 2.4	\$ 3.8	\$ 5.2	\$ 18.8
ONE-TIME EXPENSES IN OG&A (b)	7.2	4.0	18.4	69.8
IMPAIRMENT CHARGES (c)	-	-	-	190.9
MERGER RELATED COSTS	1.6	2.0	3.9	10.8
TOTAL ONE-TIME ITEMS, MERGER COSTS, AND IMPAIRMENT CHARGES	<u>\$ 11.2</u>	<u>\$ 9.8</u>	<u>\$ 27.5</u>	<u>\$ 290.3</u>

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

(b) The one-time items in both 2000 and 2001 are costs related to the Fred Meyer merger. The merchandise charges primarily relate to inventory revaluations. The operating, general and administrative charges primarily relate to system conversions, 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.