

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

	THIRD QUARTER		YEAR TO DATE	
	2001	2000	2001	2000
SALES	\$ 11,382.2	\$ 10,961.9	\$ 37,969.4	\$ 36,308.3
COSTS AND EXPENSES:				
MERCHANDISE COSTS, INCLUDING ADVERTISING, WAREHOUSING, AND TRANSPORTATION	8,265.3	7,999.4	27,629.5	26,574.5
OPERATING, GENERAL AND ADMINISTRATIVE	2,253.4	2,079.3	7,278.8	6,879.5
RENT	145.4	152.6	498.9	493.3
DEPRECIATION	227.2	209.5	735.8	696.0
AMORTIZATION OF GOODWILL	26.9	24.5	84.2	78.3
INTEREST EXPENSE INCL. CAPITAL LEASES	149.4	146.1	506.5	507.6
IMPAIRMENT CHARGES	90.5	-	90.5	190.9
MERGER RELATED COSTS	1.3	1.8	5.2	12.6
TOTAL	11,159.4	10,613.2	36,829.4	35,432.7
INCOME BEFORE TAX EXPENSE AND EXTRAORDINARY ITEMS	222.8	348.7	1,140.0	875.6
TAX EXPENSE	89.7	146.2	448.0	363.4
INCOME BEFORE EXTRAORDINARY ITEMS	133.1	202.5	692.0	512.2
EXTRAORDINARY ITEMS (a)	-	(1.6)	-	(3.2)
NET INCOME	<u>\$ 133.1</u>	<u>\$ 200.9</u>	<u>\$ 692.0</u>	<u>\$ 509.0</u>
INCOME PER BASIC COMMON SHARE:				
FROM OPERATIONS	\$ 0.17	\$ 0.25	\$ 0.86	\$ 0.62
EXTRAORDINARY ITEMS	0.00	0.00	0.00	0.00
NET INCOME PER COMMON SHARE	<u>\$ 0.17</u>	<u>\$ 0.25</u>	<u>\$ 0.86</u>	<u>\$ 0.62</u>
SHARES USED IN BASIC CALCULATION	801.0	820.7	806.6	825.5
INCOME PER DILUTED COMMON SHARE:				
FROM OPERATIONS	\$ 0.16	\$ 0.24	\$ 0.84	\$ 0.60
EXTRAORDINARY ITEMS (a)	0.00	0.00	0.00	0.00
NET INCOME PER DILUTED COMMON SHARE	<u>\$ 0.16</u>	<u>\$ 0.24</u>	<u>\$ 0.84</u>	<u>\$ 0.60</u>
SHARES USED IN DILUTED CALCULATION	820.8	844.5	827.6	847.5
ONE-TIME EXPENSES IN MERCHANDISE COSTS - RELATED TO THE MERGER (b)	\$ 2.2	\$ 8.3	\$ 7.5	\$ 27.1
ONE-TIME EXPENSES IN OG&A - RELATED TO THE MERGER (b)	6.4	24.4	24.7	94.2
ONE-TIME EXPENSES IN OG&A - STORE CLOSINGS (b)	19.6	-	19.6	-
ONE-TIME EXPENSES IN OG&A - UTILITY CONTRACTS (b)	81.0	-	81.0	-
IMPAIRMENT CHARGES (c)	90.5	-	90.5	190.9
MERGER RELATED COSTS	1.3	1.8	5.2	12.6
TOTAL ONE-TIME ITEMS, MERGER COSTS, AND IMPAIRMENT CHARGES	<u>\$ 201.0</u>	<u>\$ 34.5</u>	<u>\$ 228.5</u>	<u>\$ 324.8</u>

Note: Certain prior year amounts have been reclassified to conform to current year presentation.

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

(b) One-time items related to the Fred Meyer merger totaled \$32.2 million and \$121.3 million in 2001 and 2000, respectively. The merchandise charges related to the merger primarily relate to inventory revaluations. The operating, general and administrative charges related to the merger primarily relate to system conversions, store conversions or closures. One-time operating, general, and administrative charges incurred in 2001 related to store closing reserves and losses on utility contracts, total \$19.6 million and \$81 million, respectively.

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