

THE KROGER CO.
CONSOLIDATED QUARTERLY STATEMENTS OF EARNINGS
WITHOUT AND WITH ONE-TIME ITEMS
(in millions, except per share amounts)

	THIRD QUARTER 2002			THIRD QUARTER 2001		
	WITHOUT	(f)	WITH	WITHOUT	(f)	WITH
SALES	\$ 11,696.1	\$ -	\$ 11,696.1	\$ 11,382.2	\$ -	\$ 11,382.2
COSTS AND EXPENSES:						
MERCHANDISE COSTS, INCLUDING ADVERTISING, WAREHOUSING, AND TRANSPORTATION (a)	8,485.2	-	8,485.2	8,263.1	2.2	8,265.3
OPERATING, GENERAL AND ADMINISTRATIVE (a)	2,252.8	13.0	2,265.8	2,146.4	107.0	2,253.4
RENT	154.3	-	154.3	145.4	-	145.4
DEPRECIATION	249.2	-	249.2	227.2	-	227.2
AMORTIZATION OF GOODWILL	-	-	-	26.9	-	26.9
INTEREST EXPENSE INCL. CAPITAL LEASES	134.2	-	134.2	149.3	-	149.3
IMPAIRMENT CHARGES (b)	-	-	-	-	90.5	90.5
MERGER-RELATED COSTS (c)	-	-	-	-	1.3	1.3
TOTAL	11,275.7	13.0	11,288.7	10,958.3	201.0	11,159.3
EARNINGS BEFORE TAX EXPENSE	420.4	(13.0)	407.4	423.9	(201.0)	222.9
TAX EXPENSE (d)	157.4	(4.6)	152.8	165.3	(75.5)	89.8
NET EARNINGS	<u>\$ 263.0</u>	<u>\$ (8.4)</u>	<u>\$ 254.6</u>	<u>\$ 258.6</u>	<u>\$ (125.5)</u>	<u>\$ 133.1</u>
NET EARNINGS PER BASIC COMMON SHARE:	<u>\$ 0.34</u>		<u>\$ 0.33</u>	<u>\$ 0.32</u>		<u>\$ 0.17</u>
SHARES USED IN BASIC CALCULATION	769.7		769.7	801.0		801.0
NET EARNINGS PER DILUTED COMMON SHARE:	<u>\$ 0.34</u>		<u>\$ 0.33</u>	<u>\$ 0.32</u>		<u>\$ 0.16</u>
SHARES USED IN DILUTED CALCULATION	778.9		778.9	820.8		820.8
EBITDA (e)	\$ 803.8		\$ 803.8	\$ 834.3		\$ 834.3
LIFO CHARGE (CREDIT)	-		-	7.0		7.0
GROSS PROFIT % (EXCLUDING LIFO CHARGE/CREDIT)	27.45%		27.45%	27.46%		27.45%
MERCHANDISE COSTS, INCLUDING ADVERTISING, WAREHOUSING AND TRANSPORTATION	72.55%		72.55%	72.60%		72.62%
OPERATING, GENERAL AND ADMINISTRATIVE	19.26%		19.37%	18.86%		19.80%
EFFECTIVE TAX RATE	37.45%		37.50%	39.00%		40.28%

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

- (a) For the third quarter 2002, one-time items included \$10.5 million of costs related to a merger and \$2.5 million of expenses related to the mark-to-market of excess utility contracts. For the third quarter 2001, one-time items included \$8.6 million of costs related to a merger, \$19.6 million of expenses related to store closing reserves and \$81 million related to the mark-to-market of excess utility contracts. These amounts are pre-tax.

	THIRD QUARTER 2002	THIRD QUARTER 2001
ONE-TIME EXPENSES IN MERCHANDISE COSTS - RELATED TO THE MERGER	\$ -	\$ 2.2
ONE-TIME EXPENSES IN OG&A - RELATED TO THE MERGER	10.5	6.4
ONE-TIME EXPENSES IN OG&A - STORE CLOSINGS	-	19.6
ONE-TIME EXPENSES IN OG&A - UTILITY CONTRACTS	2.5	81.0
TOTAL ONE-TIME ITEMS EXPENSES INCLUDED IN MERCHANDISE COSTS AND OG&A	<u>\$ 13.0</u>	<u>\$ 109.2</u>

- (b) The impairment charge related primarily to the write-down of certain impaired assets in accordance with Statement of Financial Accounting Standards No. 121.
- (c) Merger-related costs resulted from issuing and revaluing restricted stock related to merger synergies.
- (d) Tax expense is affected by the non-deductibility of certain one-time items.
- (e) EBITDA, as defined in Kroger's credit agreements, represents earnings before interest, taxes, depreciation, amortization, LIFO, extraordinary items and one-time items.
- (f) Includes one-time items, impairment charges and merger-related costs.