

Table 1.
THE KROGER CO.
CONSOLIDATED QUARTERLY STATEMENTS OF EARNINGS
WITHOUT AND WITH ONE-TIME ITEMS
(in millions, except per share amounts)

	FOURTH QUARTER 2002			FOURTH QUARTER 2001		
	WITHOUT	(a)	WITH	WITHOUT	(a)	WITH
SALES	\$ 12,469.6	\$ -	\$ 12,469.6	\$ 12,128.6	\$ -	\$ 12,128.6
COSTS AND EXPENSES:						
MERCHANDISE COSTS, INCLUDING ADVERTISING, WAREHOUSING, AND TRANSPORTATION (a)	9,055.8	1.9	9,057.7	8,764.1	4.5	8,768.6
OPERATING, GENERAL AND ADMINISTRATIVE (a)	2,257.6	(9.5)	2,248.1	2,189.4	14.7	2,204.1
RENT	147.6	-	147.6	151.5	-	151.5
DEPRECIATION	267.0	-	267.0	236.7	-	236.7
AMORTIZATION OF GOODWILL	-	-	-	18.9	-	18.9
INTEREST EXPENSE INCL. CAPITAL LEASES	139.6	-	139.6	141.4	-	141.4
RESTRUCTURING CHARGES AND RELATED ITEMS (a)	-	-	-	-	37.5	37.5
MERGER-RELATED COSTS (a)	-	-	-	-	(0.8)	(0.8)
TOTAL	11,867.6	(7.6)	11,860.0	11,502.0	55.9	11,557.9
EARNINGS FROM OPERATIONS BEFORE TAX EXPENSE	602.0	7.6	609.6	626.6	(55.9)	570.7
TAX EXPENSE (b)	225.5	3.1	228.6	244.4	(24.2)	220.2
EARNINGS FROM OPERATIONS	376.5	4.5	381.0	382.2	(31.7)	350.5
EXTRAORDINARY ITEMS (c)	-	-	-	(0.1)	-	(0.1)
NET EARNINGS	\$ 376.5	\$ 4.5	\$ 381.0	\$ 382.1	\$ (31.7)	\$ 350.4
EARNINGS PER BASIC COMMON SHARE:						
FROM OPERATIONS	\$ 0.49		\$ 0.50	\$ 0.48		\$ 0.44
EXTRAORDINARY ITEMS (c)	0.00		0.00	0.00		0.00
NET EARNINGS PER BASIC COMMON SHARE:	\$ 0.49		\$ 0.50	\$ 0.48		\$ 0.44
SHARES USED IN BASIC CALCULATION	761.3		761.3	797.5		797.5
EARNINGS PER DILUTED COMMON SHARE:						
FROM OPERATIONS	\$ 0.49		\$ 0.50	\$ 0.47		\$ 0.43
EXTRAORDINARY ITEMS (c)	0.00		0.00	0.00		0.00
NET EARNINGS PER DILUTED COMMON SHARE:	\$ 0.49		\$ 0.50	\$ 0.47		\$ 0.43
SHARES USED IN DILUTED CALCULATION	769.6		769.6	814.7		814.7
LIFO CHARGE (CREDIT)	(34.3)	(27.6)	(61.9)	(3.7)	-	(3.7)
GROSS PROFIT % (EXCLUDING LIFO CHARGE/CREDIT)	27.10%		26.87%	27.71%		27.67%
MERCHANDISE COSTS, INCLUDING ADVERTISING, WAREHOUSING AND TRANSPORTATION	72.62%		72.64%	72.26%		72.30%
OPERATING, GENERAL AND ADMINISTRATIVE	18.10%		18.03%	18.05%		18.17%
EFFECTIVE TAX RATE	37.45%		37.50%	39.00%		38.58%

Note: Certain prior year amounts have been reclassified to conform to current year presentation. Fourth quarter 2001 amounts include the amortization of goodwill. For a comparison of 2002 to 2001 without the amortization of goodwill, refer to Table 2.

(a) The pre-tax items excluded from the "without" presentation, but included in the "with" presentation, are summarized below.

	FOURTH QUARTER 2002	FOURTH QUARTER 2001
ONE-TIME EXPENSES IN MERCHANDISE COSTS - RELATED TO MERGERS	\$ 1.9	\$ 4.5
ONE-TIME EXPENSES IN MERCHANDISE COSTS - EITF 02-16	27.6	-
ONE-TIME (CREDIT) IN MERCHANDISE COSTS - LIFO EFFECT OF EITF 02-16	(27.6)	-
ONE-TIME EXPENSES IN OG&A - RELATED TO MERGERS	5.7	12.5
ONE-TIME EXPENSES (CREDIT) IN OG&A - UTILITY CONTRACTS	(15.2)	2.2
RESTRUCTURING CHARGES AND RELATED ITEMS	-	37.5
MERGER-RELATED COSTS	-	(0.8)
TOTAL PRE-TAX ONE-TIME EXPENSES (CREDIT)	\$ (7.6)	\$ 55.9

The "restructuring charges" primarily included expenses related to the implementation of Kroger's Strategic Growth Plan. "Merger-related" charges and credits resulted from issuing and revaluing restricted stock related to merger synergies. Other costs listed as "related to mergers" primarily included severance and system conversion costs.

(b) Tax expense is affected by the non-deductibility of certain one-time items.

(c) The extraordinary items resulted from the early retirement of debt. These amounts are net of tax.