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Form 10-Q.

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PART I. FINANCIAL INFORMATION

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

In April 2002, we announced the pending acquisition of Core-Mark International, Inc. and the completed acquisition of Head Distributing Company for an aggregate of approximately \$430 million, which includes the payment of cash and the assumption of debt of these two companies.

Core-Mark, a leading piece-pick distributor to convenience stores and other retail customers in western United States and Canada, had 2001 sales of \$3.4 billion. It serves nearly 30,000 locations from its network of 19 distribution centers. This acquisition is expected to close in June 2002.

Head, a Georgia-based distributor, operates two piece-pick distribution centers and serves 3,000 retail locations in six southeastern states. Head's fiscal 2001 sales were approximately \$350 million. This acquisition closed April 23, 2002.

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We have entered into an agreement with Albertson's to acquire its distribution center in Tulsa, Oklahoma and supply its stores in Oklahoma and Nebraska. This arrangement is expected to close in June 2002.

We anticipate issuing a combination of debt securities and common stock in public offerings in order to fund these acquisitions.

We recorded net income for the first quarter of 2002 of \$25 million and EBITDAL of \$137 million. Excluding \$27 million generated in the first quarter of 2001 by our divested conventional retail stores, EBITDAL increased 24.5% to \$137 million from \$110 million. EBITDAL is earnings before extraordinary items, interest expense, income taxes, depreciation and amortization, equity investment results and LIFO provision. We present EBITDAL to help us describe our ability to generate cash flows that can be used to service our debt; however, conditions may require conservation of funds for other uses. EBITDAL is a non-GAAP liquidity measure commonly used in our industry and should not be considered as an alternative measure of our net income or cash flows from operations as computed in accordance with GAAP. Amounts presented may not be comparable to similar measures disclosed by other companies.

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The following table sets forth the calculation of EBITDAL (in millions):

| | APRIL 20, 2002 | APRIL 21, 2001 |
|---------------------------|-------------------|-------------------|
| | ----- | ----- |
| Income before | | |
| extraordinary charge | \$ 25 | \$ 15 |
| Add back: | | |
| Taxes on income | 17 | 12 |
| Depreciation/amortization | 46 | 51 |
| Interest expense | 50 | 58 |
| LIFO adjustments | (1) | 1 |
| | ----- | ----- |
| EBITDAL | \$ 137 | \$ 137 (1) |
| | ===== | ===== |

(1) Includes \$27 million generated in the first quarter of 2001 by our divested conventional retail stores.

In our opinion, EBITDAL is the best starting point when evaluating our ability to service debt.

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RESULTS OF OPERATIONS

Set forth in the following table is information regarding our net sales and certain components of earnings expressed as a percent of sales which are referred to in the accompanying discussion:

| FOR THE 16 WEEKS ENDED | APRIL 20, 2002 | APRIL 21, 2001 |
|---------------------------------|-------------------|-------------------|
| | ----- | ----- |
| Net sales | 100.00% | 100.00% |
| Gross margin | 7.25 | 8.85 |
| Less: | | |
| Selling and administrative | 5.44 | 7.67 |
| Interest expense | 1.08 | 1.39 |
| Interest income and other | (0.15) | (0.22) |
| Impairment/restructuring credit | -- | (0.65) |
| | ----- | ----- |
| Total expenses | 6.37 | 8.19 |
| | ----- | ----- |

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| | | |
|---|-------|--------|
| Income before taxes and extraordinary charge | 0.88 | 0.66 |
| Taxes on income | 0.35 | 0.29 |
| | ----- | ----- |
| Income before extraordinary charge | 0.53 | 0.37 |
| Extraordinary charge from early retirement of debt, net of taxes | -- | (0.08) |
| | ----- | ----- |
| Net income | 0.53% | 0.29% |
| | ===== | ===== |

Included in amounts reported under generally accepted accounting principles (GAAP) for 2001 are charges (credits) related to our strategic plan and certain other unusual items that affect the year-to-year comparisons of operating results. 2002 amounts are reported in accordance with GAAP. The comparisons below are shown on a GAAP vs. GAAP basis.

NET SALES.

Net sales for the first quarter (16 weeks) of 2002 increased by \$549 million, or 13.3%, to \$4.7 billion from the same period in 2001.

Net sales for the distribution segment increased by 22.0% for the first quarter of 2002. The net growth in 2002 was mainly a result of increased activity with Kmart, our largest customer. Kmart accounted for 23% and 10% of our total net sales during the first quarter of 2002 and 2001, respectively. Additionally, growth in distribution sales from a wide variety of new-channel and conventional customers attributed to the increased first quarter sales. New-channel customers, including convenience stores, supercenters, limited assortment stores, drug stores, and self-distributing chains, are an important part of our strategic growth plan and collectively represent approximately one-half of our distribution customer sales base.

Retail segment sales for the first quarter of 2002 decreased 20.7%. The decrease in sales was anticipated due to the disposition of 97 non-strategic conventional retail stores in the first two quarters of 2001 in order to increase focus on our price impact retail stores. First quarter sales in our continuing price impact retail operations increased 24.7% over 2001. Comparable store sales for the continuing operations were flat for the quarter.

GROSS MARGIN.

Gross margin for the first quarter of 2002 decreased as a percentage of net sales to 7.25% from 8.85% for the same period in 2001. The decrease in gross margin rate was an expected result of the change in sales mix. The sales of the distribution segment represent a larger portion of total company sales than the retail segment and the distribution segment has lower margins as a percentage of sales versus the retail segment.

For the distribution segment, gross margin as a percentage of gross distribution sales declined by 42 basis points for the first quarter of 2002, compared to the

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same period in 2001. This reflects the increase in Kmart business, which is lower margin, offset by the benefits of centralizing procurement. For the retail segment, gross margin as a percentage of net retail sales decreased for the first quarter of 2002 by 96 basis points, compared to the same period in 2001. As expected, the decreasing margin reflects our transition out of non-strategic conventional retail and into price impact retail which has lower shelf prices and gross margins but also lower operating costs.

SELLING AND ADMINISTRATIVE EXPENSES.

Selling and administrative expenses for the first quarter of 2002 decreased as a percentage of net sales to 5.44% for 2002 from 7.67% in 2001. The sales of the distribution segment represent a larger portion of total company sales than the retail segment, and the distribution segment has lower operating expenses as a percentage of sales than the retail segment.

For the distribution segment, selling and administrative expenses as a percentage of gross sales improved for the first quarter of 2002 by 53 basis points, compared to the same period in 2001, due to leveraging the effect of sales growth and company-wide cost savings initiatives. For the retail segment, selling and administrative expenses as a percentage of retail sales also improved for the first quarter of 2002 by 100 basis points, compared to the same period in 2001, due to our shift in focus from conventional retail to price impact retail, a format that has lower operating expense levels than conventional retail.

OPERATING EARNINGS.

For distribution and retail segments, we measure operating earnings as sales less cost of sales less selling and administrative expenses. The change in operating earnings is a combination of the explanations included in net sales, gross margin and selling and administrative expenses described above.

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Operating earnings as a percentage of net sales for the first quarter of 2002 were 1.81%, up from 1.18% for the same period in 2001. Operating earnings for the distribution segment as a percentage of net sales increased to 3.44% from 3.32% in 2001. Retail segment operating earnings as a percentage of net sales increased to 2.30% from 1.93% in 2001.

INTEREST EXPENSE.

Interest expense for the first quarter of 2002 decreased approximately \$7 million to \$50 million compared to the same period in 2001. This was a result of lower average interest rates in the first quarter of 2002. The first quarters of 2002 and 2001 included \$0.5 million and \$3 million, respectively, related to the early retirement of debt.

INTEREST INCOME AND OTHER.

Interest income of approximately \$7 million for the first quarter of 2002 was \$2 million lower than the same period of 2001. The reductions were primarily due to lower interest rates. Interest income in the first quarter of 2002 and 2001 included \$0.1 million and \$1 million, respectively, related to the early retirement of debt.

IMPAIRMENT/RESTRUCTURING CHARGE.

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The strategic plan was fully implemented by the end of 2001 and thus there was no charge in the first quarter of 2002. See Note 8 in the notes to the consolidated condensed financial statements and the Strategic plan charge and unusual items note below for further discussion regarding the strategic plan.

TAXES ON INCOME.

The effective tax rates for the 16 weeks of 2002 and 2001 were 40.3% and 43.2% (before extraordinary charge), respectively. These rates take into account operations activity as well as various permanent and timing differences.

EXTRAORDINARY CHARGE.

We reflected an extraordinary after-tax charge of \$3 million (\$6 million pre-tax) in the first quarter of 2001 due to the early retirement of debt.

RECENT DEVELOPMENTS.

In the second quarter of 2002, we announced an expected charge of approximately \$25 million after-tax related to the closure of a full-line distribution center in Oklahoma City and a general merchandise distribution center in Dallas due to the Albertson's agreement, along with certain merger and integration costs associated with the acquisitions of Core-Mark and Head. Approximately one-half of the charge is expected to be non-cash related costs.

PRIOR YEAR STRATEGIC PLAN CHARGES AND UNUSUAL ITEMS.

The following table shows which income statement captions were affected by our strategic plan charges and unusual items and reconcile our reported GAAP amounts to adjusted amounts as discussed in our 10-Q for the first quarter of 2001. The adjusted amounts are not presentations

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made in accordance with GAAP and are not a better indicator of our operating performance.

(IN THOUSANDS)

| QUARTER 1, 2001 | GAAP | ADJUSTMENTS | | ADJUSTED |
|---------------------------------|--------------|----------------|-------------------|--------------|
| | | STRATEGIC PLAN | UNUSUAL ITEMS (1) | |
| Net sales | \$ 4,137,359 | \$ 1,661 | \$ -- | \$ 4,139,020 |
| Costs and expenses: | | | | |
| Cost of sales | 3,771,115 | (17,856) | -- | 3,753,259 |
| Selling and administrative | 317,313 | (6,028) | (2,028) | 309,257 |
| Interest expense | 57,502 | -- | (2,833) | 54,669 |
| Interest income and other | (8,921) | -- | 1,102 | (7,819) |
| Impairment/restructuring credit | (26,859) | 26,859 | -- | -- |

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| | | | | |
|--------------------------|-----------|------------|----------|------|
| Total costs and expenses | 4,110,150 | 2,975 | (3,759) | 4,10 |
| Income before taxes | \$ 27,209 | \$ (1,314) | \$ 3,759 | \$ 2 |

(1) Includes net additional interest expense of \$1.7 million due to early retirement of debt (\$2.8 million in interest expense and \$1.1 million in interest income and other) and \$2.0 million in charges from litigation settlements (in selling and administrative).

CERTAIN ACCOUNTING MATTERS.

The FASB issued SFAS No. 143 - Accounting for Asset Retirement Obligations. We are studying the impact that SFAS 143 has on our financial statements and planning to implement it in fiscal year 2003, as required. The FASB issued SFAS No. 144 - Accounting for the Impairment or Disposal of Long-Lived Assets. We implemented SFAS 144 as of the beginning of fiscal year 2002, as required. It had no significant impact on our financial statements. In April 2002, the FASB issued SFAS No. 145 - Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections. We anticipate additional refinancing transactions in 2002 that will result in extraordinary charges. In 2003 these amounts will be reclassified to selling and administrative expense in accordance with SFAS 145. In December 2001, the AICPA's Accounting Standards Executive Committee issued Statement of Position (SOP) 01-6, Accounting by Certain Entities (Including Entities With Trade Receivables) That Lend to or Finance the Activities of Others. We implemented SOP 01-6 as of the beginning of fiscal year 2002, as required. This SOP provides guidance on the accounting for and disclosure of amounts due to us from customers included in our accounts and notes receivable. We do not expect the adoption of these new standards to have a significant effect on our results of operations or financial position.

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CRITICAL ACCOUNTING POLICIES AND ESTIMATES.

The preparation of our consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts. The estimates and assumptions are evaluated on an on-going basis and are based on historical experience and on various other factors that are believed to be reasonable. Estimates and assumptions include, but are not limited to, customer receivables, inventories, assets held for sale, fixed asset lives, intangible assets, income taxes, self-insurance reserves, retirement benefits, and contingencies and litigation. There have been no significant changes to these estimates and assumptions since the issuance of our 2001 10-K.

LIQUIDITY AND CAPITAL RESOURCES

For the first quarter ended April 20, 2002, our principal source of liquidity was borrowings under our credit facility. Our principal source of capital, excluding shareholders' equity, was the issuance of long-term debt in the capital markets.

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NET CASH USED IN OPERATING ACTIVITIES.

Net cash used in operating activities was \$43 million for the first quarter ended April 20, 2002 compared to a \$116 million use of cash for the same period in 2001. The primary use of cash was for working capital.

NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES.

Total investment-related activity resulted in a \$49 million use of cash for the first quarter ended April 20, 2002 compared to a \$84 million source of cash in the same period of 2001. Cash expended for the purchase of property and equipment totaled \$61 million in the first quarter of 2002 compared to \$48 million in the same period of 2001. We intend to spend a total of approximately \$200 million on capital programs in 2002, with \$150 million for distribution and \$50 million for retail. There were no cash proceeds from the sale of businesses compared to \$111 million in the same period of 2001. The cash expenditures were partially offset by proceeds from asset sales.

NET CASH PROVIDED BY FINANCING ACTIVITIES.

Net cash generated by financing activities was \$342 million for the first quarter of 2002 compared to \$29 million for the same period last year.

On April 15, 2002, we sold \$260 million of new 9 7/8% senior notes due 2012. The net proceeds were placed into a trust to be used to redeem all of the 10 1/2% senior subordinated notes due 2004, including an amount to cover accrued interest and the redemption premium. The total placed in trust was approximately \$263 million. The redemption of the 2004 notes will take place in the second quarter of this year. At the end of the first quarter of 2002, outstanding borrowings under the credit facility totaled \$109 million of term loans, \$310 million of revolver loans, and \$53 million of letters of credit.

Our principal sources of liquidity and capital are expected to be cash flows from operating activities, our ability to borrow under our credit facility and the issuance of new debt and

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equity securities. In addition, lease financing may be employed for our distribution facilities, new retail stores and certain equipment. We believe these sources will be adequate to meet working capital needs, capital expenditures and other capital needs in the normal course of business for the next 12 months. As part of our growth strategy, we will need to raise additional funds through public or private debt or equity financings in order to complete pending acquisitions, acquire additional retail stores or third party businesses or to expand our services more rapidly.

CONTINGENCIES

In accordance with applicable accounting standards, we record a charge reflecting contingent liabilities when we determine that a material loss is "probable" and either "quantifiable" or "reasonably estimable." Additionally, we disclose material loss contingencies when the likelihood of a material loss is deemed to be greater than "remote" but less than "probable."

In the ordinary course of our business, various legal actions, governmental proceedings and other claims are pending or threatened or may be instituted or

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asserted in the future against us and our subsidiaries. Litigation is subject to many uncertainties, the outcome of individual litigated matters is unpredictable, and it is reasonably possible that some of the matters could be decided unfavorably to us or the subsidiary involved. Although the amount of such liability cannot be ascertained, we believe that any resulting liability should not materially affect the consolidated financial position or results of operations for us and our subsidiaries. See Note 6 in the notes to the consolidated financial statements for further discussion.

FORWARD-LOOKING INFORMATION

This report includes forward-looking statements regarding future events and the future financial performance of Fleming. These forward-looking statements and our business are subject to a number of factors that could cause actual results to differ materially from those stated in this report, including without limitation: the ability to obtain financing or obtain it on acceptable terms; unanticipated problems with product procurement; adverse effects of the changing industry and increased competition; sales declines and loss of customers; exposure to litigation and other contingent losses; failure to consummate the Albertson's or Core-Mark transactions; the ability of Kmart to continue as a going concern, to operate pursuant to the terms of its debtor-in-possession financing, or to complete its reorganization according to its plan; the inability to integrate acquired companies and to achieve operating improvements at those companies; increases in labor costs and disruptions in labor relations with union bargaining units representing our associates; and negative effects of our substantial indebtedness and the limitations imposed by restrictive covenants contained in our debt instruments. These and other risk factors are described in our Securities and Exchange Commission reports, including but not limited to the 10-K Report for the 2001 fiscal year. We undertake no obligation to update forward-looking statements to reflect developments or information obtained after the date hereof.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FLEMING COMPANIES, INC.

October 11, 2002

/s/ MARK D. SHAPIRO

Mark D. Shapiro
Senior Vice President
Finance and Operations Control
(Duly Authorized Officer of Registrant
and Chief Accounting Officer)

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CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Mark S. Hansen, Chairman and Chief Executive Officer of Fleming Companies, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Fleming Companies, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report; and
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report.

Date: October 10, 2002

/s/ MARK S. HANSEN

Mark S. Hansen
Chairman and Chief Executive Officer

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CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Neal J. Rider, Executive Vice President and Chief Financial Officer of Fleming Companies, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Fleming Companies, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report; and
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report.

Date: October 10, 2002

/s/ NEAL J. RIDER

Neal J. Rider

Executive Vice President and
Chief Financial Officer