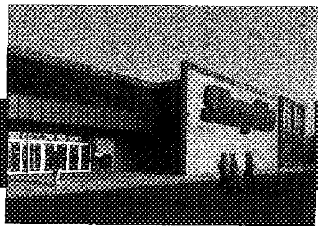


1993 Annual Report

Fiscal Year Ended February 27, 1993

"We're going all out to assure that our customers have a quality experience with ShopKo. From the facility and merchandising to products, systems and the people, we are designing, building, buying and training for quality."

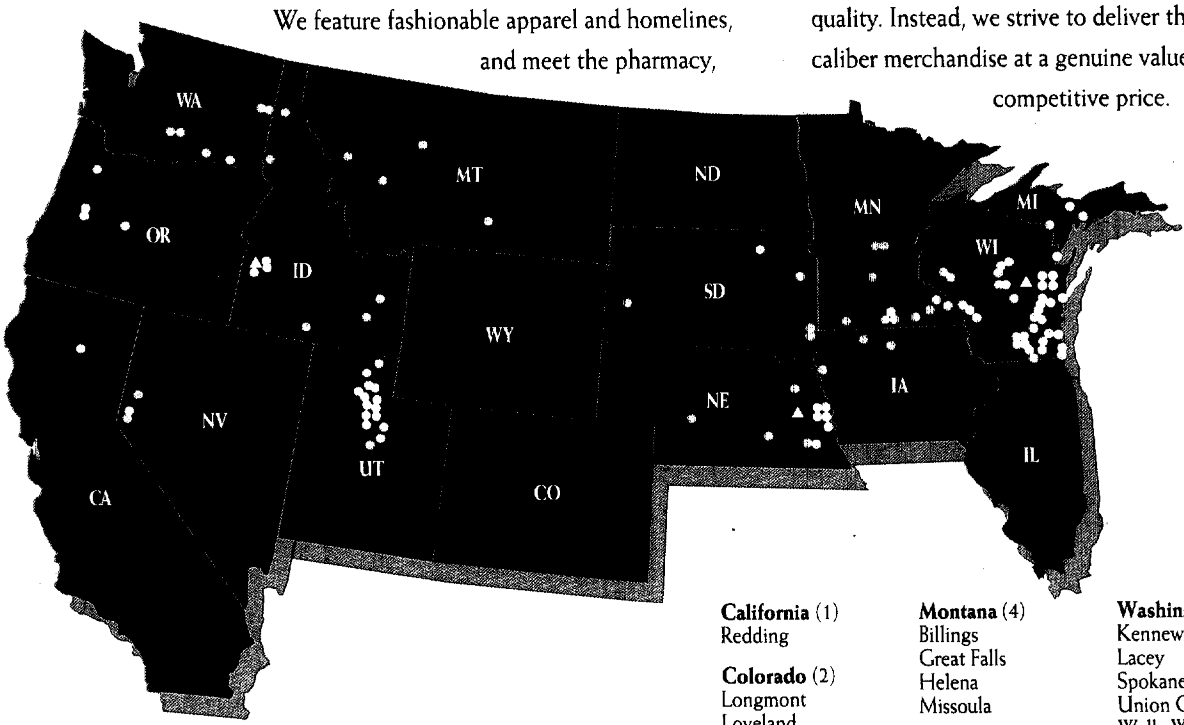
ShopKo® STORES INC.

ShopKo: "Your hometown department store."

ShopKo is an upscale discount department store serving small and mid-sized markets in the upper midwest and northwest United States. With 111 stores in 13 states, we are the primary retailer for quality-sensitive customers in many of our communities.

We feature fashionable apparel and homelines, and meet the pharmacy, optical, seasonal and everyday basic needs and expectations of our customers.

What sets us apart among discounters is our commitment to excellence in quality-driven categories. We are not distracted by achieving the lowest possible price at the expense of quality. Instead, we strive to deliver the highest caliber merchandise at a genuine value, and competitive price.



○ ShopKo Stores
■ General Office
△ Distribution Centers
★ Fiscal 1994 New ShopKo Store Locations
◆ Fiscal 1994 Relocated ShopKo Stores

STORE LOCATIONS

California (1)
Redding

Colorado (2)
Longmont
Loveland

Idaho (8)
Boise (2)
Chubbuck
Coeur D'Alene
Idaho Falls
Lewiston
Nampa
Twin Falls

Illinois (1)
Dixon

Iowa (3)
Mason City
Sioux City
Spencer

Michigan (3)
Escanaba
Kingsford
Marquette

Minnesota (13)
Albert Lea
Austin
Duluth
Fairmont
Hutchinson
Mankato
Marshall
Rochester (2)
St. Cloud (2)
Winona
Worthington

Montana (4)
Billings
Great Falls
Helena
Missoula

Nebraska (10)
Bellevue
Grand Island
Lincoln (2)
Norfolk
North Platte
Omaha (4)

Nevada (3)
Reno (2)
Sparks

Oregon (4)
Bend
Eugene (2)
Salem

South Dakota (6)
Aberdeen
Mitchell
Rapid City
Sioux Falls (2)
Watertown

Utah (15)
Brigham City
Layton
Logan
Murray
Ogden
Orem
Provo
Riverdale
Salt Lake City (2)
Sandy City
Spanish Fork
West Bountiful
West Jordan
West Valley City

Washington (7)
Kennewick
Lacey
Spokane (2)
Union Gap
Walla Walla
Yakima

Wisconsin (37)
Appleton
Ashwaubenon
Beaver Dam
Beloit
Chippewa Falls
De Pere
Eau Claire
Fond du Lac
Fort Atkinson
Grafton
Green Bay (2)
Janesville
Kenosha
Kimberly
La Crosse (2)
Madison (3)
Manitowoc
Marinette
Marshfield
Menasha
Monona
Neenah
Onalaska
Oshkosh
Racine
Rothschild
Sheboygan
Stevens Point (2)
Watertown
Wausau
West Bend
Wisconsin Rapids

FINANCIAL HIGHLIGHTS

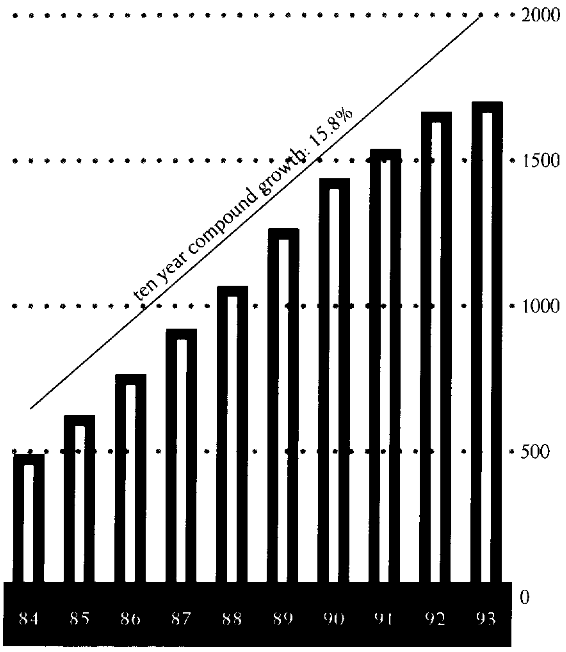
ShopKo Stores, Inc. and Subsidiaries

(In thousands, except per share data)	Fiscal years ended February 27, 1993 (52 weeks)	February 29, 1992 (53 weeks)	% Increase
Net Sales	$1,682,854	$ 1,648,427	2.1%
Net Earnings	50,059	49,589	0.9%
Supplemental Net Earnings Per Common Share	1.56	1.55	0.6%
Dividends	0.44	* 0.11	
Shareholders' Equity	$ 355,480	$ 319,501	
Stores Open at Year End	111	109	

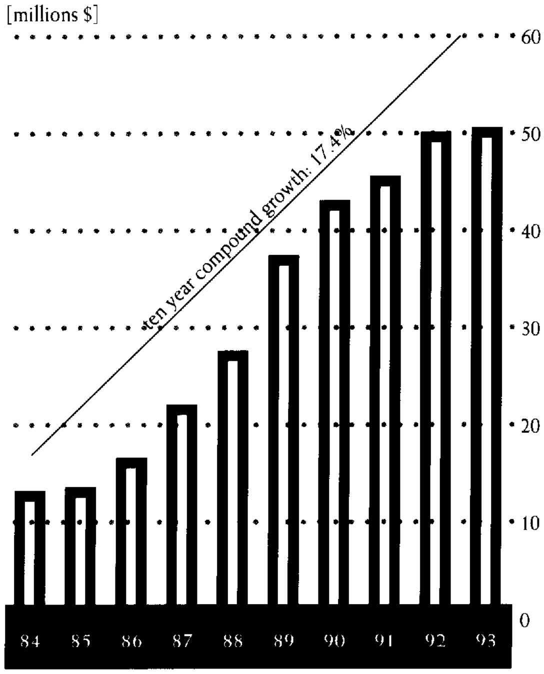
*First quarterly dividend was declared in the fourth quarter of fiscal 1992.

FISCAL 1993 MARKS OUR TWELFTH CONSECUTIVE YEAR OF RECORD SALES AND EARNINGS

NET SALES
[millions $]



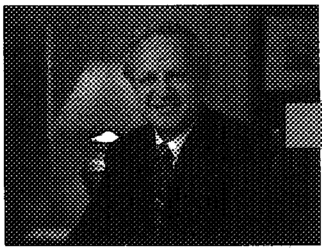
NET EARNINGS
[millions $]



Note: Fiscal years 1984 thru 1986 are unaudited. Fiscal years 1987 and 1992 are 53 week years.

In fiscal 1993 we experienced our twelfth consecutive year of record sales and earnings. Yet we have struggled over how to express our feelings about our performance.

Consider these achievements. Fiscal 1993 (year ending February 27, 1993) marked our thirty-first year of operation, with sales of $1.68 billion reflecting a 2.1 percent increase over the previous year. The sales increase and comparable store sales increase were 3.6 percent and 1.5 percent respectively when fiscal 1992 is restated on a 52 week basis. Net earnings on these sales were $50.1 million, representing a .09 percent increase; for shareholders, this translates into $1.56 per share, compared to $1.55 per share in fiscal 1992. We achieved this in a year with both a soft economy and lackluster spending – and in a highly competitive marketplace where we compete directly with industry giants who have a major and growing presence in our markets.



Dale P. Kramer
President and Chief Executive Officer

To take another perspective, ShopKo ended the year as the ninth largest discount retailer in the United States. But when you compare us to the others in terms of operating profits, we suddenly move up to fourth place overall; and when you consider operating profit as a percent of sales, your company ranks second in the nation.

Considering all this, our performance last year was quite acceptable. However, we must tell you that "acceptable" is not good enough for ShopKo; our goal is to excel in all we do. Thus we look back at a "good" year with mixed feelings; we would far prefer to report a "great" year.

The future promises that opportunity.

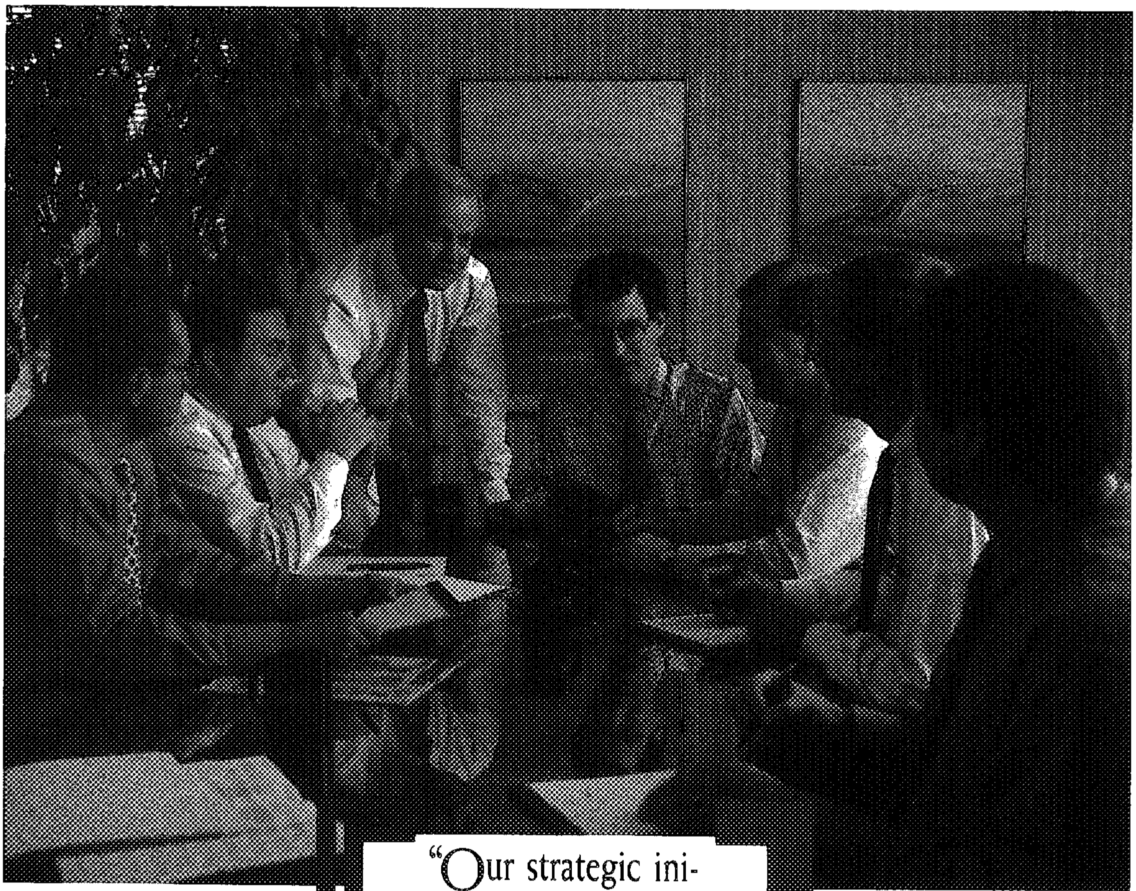
ShopKo has adopted an ambitious set of objectives, and a robust new approach to business planning in order to achieve them. Last year we embarked on a number of strategic initiatives to reshape your company for continued growth and long-term profitability. We are re-engineering ShopKo's approach to everything from merchandising and logistics to maximizing the contributions of our more than 18,000 talented and spirited associates. This involves a dynamic planning process, with constant refinements to address changes in technology, competition and consumer demands.

You can expect to see a much more aggressive expansion program. Last year we added two new stores and one relocated store, bringing our total to 111 in 13 states. This year we have scheduled the construction of six new stores, two relocated stores, plus the remodeling of another 16. This expansion will add two new states, Colorado and Illinois; since they are contiguous to our operations, we can take advantage of the efficiency offered by our existing distribution capabilities. Our new stores will be targeted at small to mid-sized communities. We have a significant track record of success in these markets as we serve as their hometown department store, often in the absence of regional malls.

TO OUR SHAREHOLDERS

You can also expect to see rapid roll out of our VISION 2000 merchandising concept, launched just over a year ago. The concept combines a new, upscale image with increased emphasis on serving the fashion needs of smaller communities. We now have four new VISION 2000 stores, and have remodeled nine others to the standards developed for this concept. This years planned new store construction and remodeling will bring to 36 the number of stores utilizing the VISION 2000 concept. That is fully 30% of the entire chain.

Throughout the VISION 2000 implementation we have and will continue to refine our approach, making constant improvements to distinguish ShopKo clearly from our national and regional competitors. The initial results indicate that the VISION 2000 stores are performing well, particularly in the softline area. We are firmly committed to supporting this fashion directive and while the VISION 2000 implementation is an ongoing process, all of our new stores planned for this year will clearly benefit from this successful approach.



"Our strategic initiatives are focused on investing in the people, facilities and systems that will strengthen our competitive edge and provide for vigorous future **growth.**"

We are enhancing the quality of our merchandise and providing improved systems and logistics programs to assure the timely and efficient availability of those goods our customers desire.

Finally, you can expect to see further competitive differentiation through our determination to achieve an exceptional level of customer satisfaction. The creativity and motivation of our associates will play a key role in realizing this goal.

Your company enters the new year with one of the strongest balance sheets in the industry, a clear focus on the fashion and quality demands of the marketplace, and the upscale facilities to meet those demands. With an energetic plan for growth and profitability, and an outstanding and talented team, we are firmly positioned to excel.

Dale P. Kramer

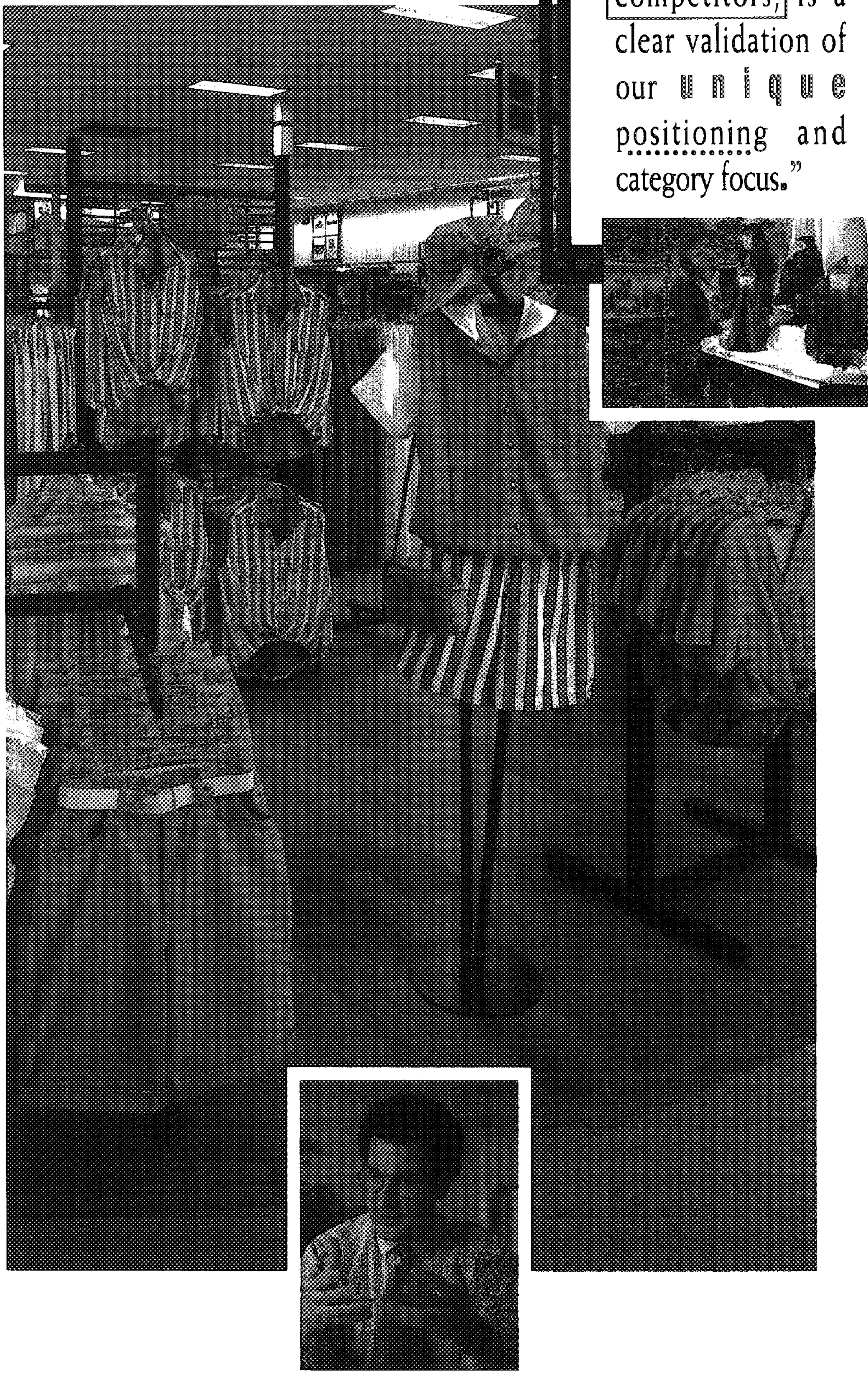
Dale P. Kramer
President and Chief Executive Officer

Mark R. Kennedy

Mark R. Kennedy
Executive Vice President

Mark Kennedy

"Our continued strong performance against all 3 national competitors, is a clear validation of our u n i q u e positioning and category focus."



Named Executive Vice President in 1993, Mark was previously in senior management with the Federated Department Store organization.

RE-DEFINING THE CONCEPT OF PLANNING

At ShopKo, planning is no longer a separate event: it is part of our everyday activity. Maintaining a strategic perspective throughout our day-to-day operations, we continuously monitor and adjust to changing customer needs, and incorporate new technological and process efficiencies. Active, ongoing planning keeps us nimble, turning our size into a considerable advantage over our larger, less agile competitors.

The overall goal of our planning is to provide customers with a unique shopping experience. To achieve this objective, we emphasize our historical strengths, use benchmarks for maximum efficiency in our execution, and prepare for growth.

Our distinct positioning provides many benefits. For example, conventional wisdom has always insisted on matching the competition's store, size for size. According to our research and testing, however, conventional wisdom may be wrong: bigger is not always better. By focusing on categories in which we excel, we learned that a store of 74,000 square feet can produce attractive returns in small markets with larger competitors' stores. With our unique blend of quality selections in fashion and home products and our historical strength in health and seasonal categories, consumers find us an attractive alternative to traditional mass merchants. Our ability to spread store costs over a broader range of categories allows us to profitably enter smaller markets than traditional department and specialty stores, enabling us to become the hometown department store. With three prototype sizes, we can tailor each store to the market potential for our quality-focused offering.

Focused planning has also fortified our existing areas of strength, such as health care services. We were one of the first discount retailers to offer in-store pharmacies and optical centers. Today we provide them in virtually all our facilities. To further strengthen our position, we are investing significantly in new pharmacy and optical software systems, improving our customer service levels and our ability to pursue third-party contracts.

Using benchmarks, we constantly improve our efficiency in selecting products and delivering them from the vendor to the customer. As a result, we have decreased our S,G & A expenses from 23.4 percent to 21.8 percent during the last five years, while increasing investment in customer service areas. We expect even further improvements in this area.

Our immediate plans call for aggressive new growth. In the past several years, we have been investing heavily in our infrastructure, preparing a foundation for long-term success. Thus our store expansion has been relatively modest. However, in the next fiscal year our preparations will begin to bear fruit as we refocus on adding new stores and remodeling existing ones. The flexibility offered by our three prototypes opens many opportunities for expansion within our existing region.

Our planning also includes making optimal use of our financial vitality. Our current debt to capital ratio of 37.9 percent is one of the strongest in the industry, and provides a solid base upon which to build. We expect to initiate a commercial paper program later this year, making us the first regional discount department store chain to have access to this important funding source.

Finally, we are paying close attention to one of our most important strategic resources: people. As we identify changing needs, we aggressively recruit exceptional talent to augment and support the efforts of our seasoned associates. This ongoing development of a strong and focused management team is another significant assurance of our continued success.

Skip Chustz

"You can't deliver **quality** and **fashion** if you are constantly focused on the lowest price. We differentiate our stores and merchandise by offering quality at a real value."

Vice President and General Merchandise Manager–Apparel. Skip is one of the most recent additions to the senior management team after developing a keen sense of fashion during his 17 previous years with the Maison Blanche Department Store group.

DELIVERING QUALITY AS WELL AS PRICE

The VISION 2000 concept introduced in November 1991 had two goals. One was to enhance our image, using upscale merchandising techniques to set ShopKo apart from our competitors. The other goal was to increase our emphasis on five key areas: fashion, home, health, seasonal and everyday basics. The approach has succeeded in both dimensions, convincing us to implement it in our entire base of stores.

Merchandising, though, is only part of the VISION 2000 strategy. Our research demonstrates unmistakably that ShopKo customers want and expect quality from us. And we intend to deliver.

We have always employed strong quality standards. But this year we shall rise to a new level as we bring in house the capabilities needed to test and analyze the quality of our fashion offerings. This quality assurance initative will allow us to deliver a better and more consistent product offering, with greater control and efficiency. We will continue to use third-party quality testing to assure uniform performance by all ShopKo products.

Consistent product standards are important to consumers; however, they are only part of our definition of quality. We believe that quality should be part of the entire shopping experience – and that ultimately it is people *and* products that create a quality experience.

We are keenly aware that our associates play a critical role in satisfying customers and in fostering the creative energies that drive our organization successfully forward. The ShopKo associates are in fact our most valuable assets.

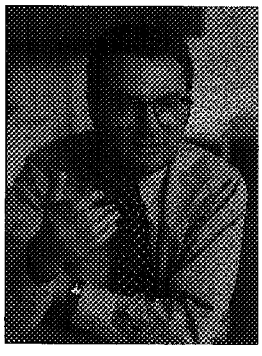
Thus we are training and empowering our associates to use their sensitivity and initiative in ensuring customer satisfaction. This empowerment is an important part of our plan to create strong customer loyalty through the delivery of unprecedented quality of service. On the basis of numerous studies, we are focusing on those areas customers have said are important.

This is no mere lip service to the concept of customer satisfaction, but an organization-wide commitment. We have retained the Gallup Organization to measure and quantify our performance in achieving customer satisfaction in all our stores.

This measurement will be ongoing, to establish benchmarks for performance and to tell us when we need to make changes. Even more important in creating a quality shopping experience for customers, this testing will be used directly as a basis for rewards in our associate incentive plans.

Dave Liebergen

"We are committed to delivering quality in product, facility and people. We're going to measure, respond and reward based directly on customer feedback."



Vice President Human Resources, Dave has pioneered the concept of associate empowerment at ShopKo for over 20 years and will be leading the new in-house quality team.

BRINGING FASHION TO HOMETOWN AMERICA

The VISION 2000 experience has confirmed that our customers want high quality and better fashion. In this vital area nobody knows and understands the fashion preferences of our small and medium sized markets better than ShopKo.

Our unique size also gives us a significant advantage over our huge national competitors in that we have the ability to respond more quickly to subtle trend changes.

Our fashion merchandise, which includes many well respected national brand name goods, is enhanced by our strong private label program.

In addition to providing our customers with timely styles and high quality at substantial retail savings, our private labels clearly differentiate our apparel offerings from those of our competition.

We are also continuously exploring new sources of supply to effectively meet the growing demands of our customers for a fresh stream of fashion offerings.

To respond energetically to changing market patterns, we are reorganizing our merchandising department to include a separate division aimed directly at children's fashions. In other lines we are prepared to target a new, more mature age group with an updated, traditional style assortment.

In summary, our strategy is to provide an upscale alternative to discounters whose appeal rests entirely on pricing. Our approach to fashion emphasizes timely responsiveness to customer tastes, with a focus on quality and value.

DESIGNING NEW PATHWAYS

We are building a stronger future by taking major logistics initiatives today.

By improving efficiencies in the distribution and replenishment process, we not only improve the level of service to our customers, we also significantly reduce operating costs. A key to such efficiency is to centralize the purchasing, warehousing, distribution and replenishment systems for our stores.

In the past year we completed a $34 million expansion of our three distribution centers in Wisconsin, Nebraska and Idaho. This program, completed on time and at a full $2 million under budget, gives us a 142 percent increase in our distribution square footage. The result: we can increase the amount of merchandise we buy directly from manufacturers, reduce costs and improve service.

The quantity of merchandise flowing through the distribution centers grew from 45 percent in 1990 to 58 percent in 1992. By the end of the next fiscal year, we expect this figure to reach 70 percent.

We have initiated a major investment to expand our central replenishment capabilities through computer software development and staffing. We forecast that by year end we will be centralized in most home fashions and all basic apparel categories. The payback on this investment is virtually immediate.

In the past year we centrally replenished over $430 million in merchandise, with sales of this merchandise increasing nine percent over the previous year. To speed the flow from purchase to time of sale, we now have more than 500 vendors, representing over 40 percent of our sales, receiving orders via Electronic Data Interchange, and have begun point of sale information sharing with our vendors and receiving vendor generated purchase order acknowledgements.

These enhanced replenishment capabilities strengthen our long-term relationships with our most valued vendors and allow them to manufacture more efficiently, lowering both their costs and ours.

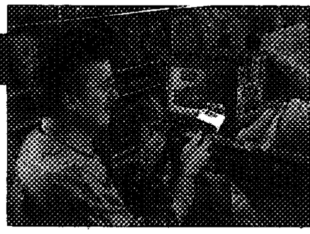
CREATING THE FUTURE

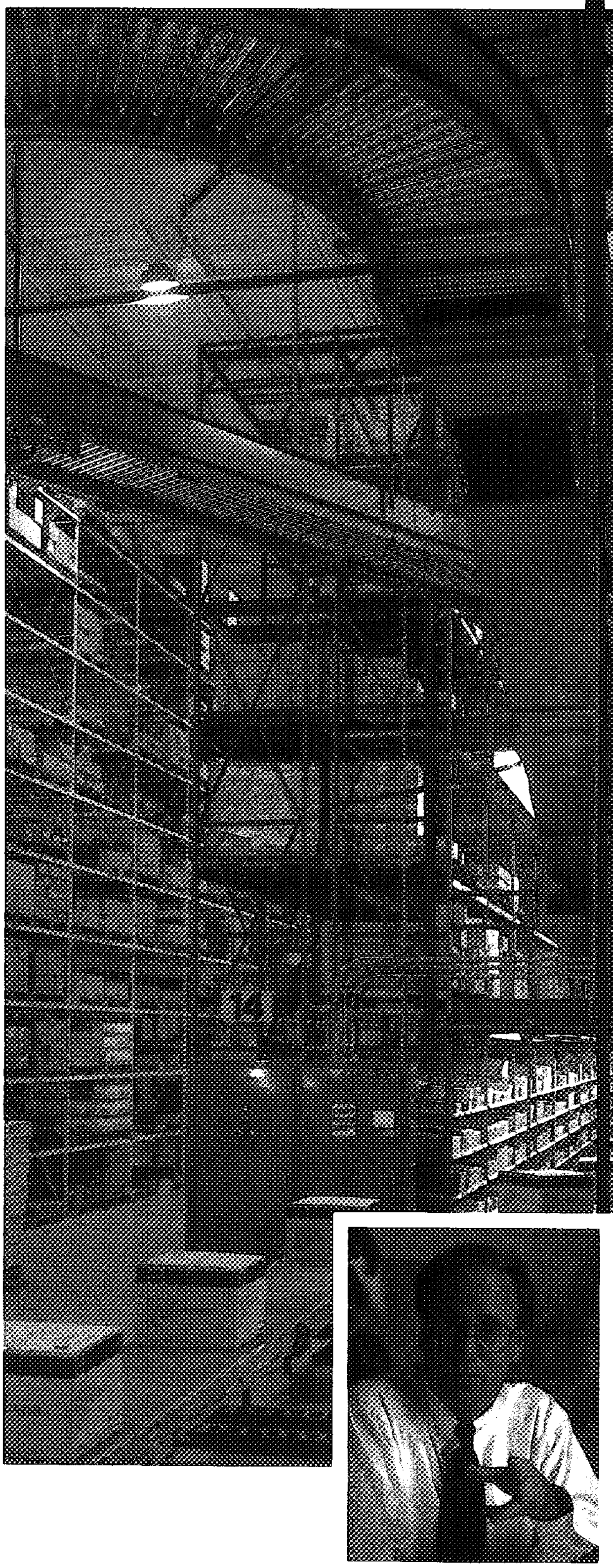
ShopKo is poised to grow – in size, in sales, and in the esteem of our customers. We are taking strong initiatives on many fronts to achieve this goal. Aggressive new store expansion. Dramatic upscale merchandising. Significant improvements in product quality. Close attention to fashion trends, with the flexibility to exploit opportunities quickly. Increased efficiency, using the latest technology to achieve further cost savings. Commitment of our entire associate team to customer satisfaction. And to guide all our efforts, a new level of strategic consciousness.

With all these strategies and resources in place, we can expect a great deal from the future.

Steve Harig

"Our new distribution **facilities** and systems are providing us outstanding productivity improvements and delivering rapid **merchandise** replenishment to our stores."





Steve, Vice President of Inventory and Replenishment, has been with ShopKo four years and brings to his responsibilities significant expertise acquired during his tenure with Wal-Mart in Bentonville, Arkansas.

Management's Discussion and Analysis includes periods when the Company operated as a wholly owned subsidiary of SUPERVALU Inc. It should be read in conjunction with the Company's consolidated financial statements and notes.

RESULTS OF OPERATIONS

The following table sets forth items from the Company's Consolidated Statements of Earnings as a percentage of net sales:

	Fiscal years ended		
	Feb. 27, 1993 (52 Wks.)	Feb. 29, 1992 (53 Wks.)	Feb. 23, 1991 (52 Wks.)
Revenues:			
Net sales	**100.0%**	100.0%	100.0%
Licensed department rentals and other income	**.7**	.7	.8
Costs and expenses:			
Cost of sales	**73.0**	72.7	72.7
Selling, general and administrative expenses	**21.8**	22.0	21.9
Interest expense	**1.1**	1.1	1.4
Earnings before income taxes	**4.8**	4.9	4.8
Provision for income taxes	**1.8**	1.9	1.8
Net earnings	**3.0%**	3.0%	3.0%

Fiscal 1993 Compared to Fiscal 1992

Net sales for fiscal 1993 (52 weeks) increased $34.4 million or 2.1%, over fiscal 1992 (53 weeks). On a 52 week basis, the sales increase was 3.6%. Increases in net sales reflect new store openings, sales growth at existing stores and inflation. The Company opened 3 new stores in fiscal 1993 (including one relocated store).

Comparable store sales increased 1.5% for fiscal 1993 compared to 1.7% (on a 52 week basis) in fiscal 1992. Management attributes the lower increase in comparable store sales in fiscal 1993 primarily to increased competition from national competitors as well as lower inflation. Comparable store sales increases for a fiscal year are based upon those stores which were open for the entire preceding fiscal year including any relocated stores.

Gross margin as a percentage of sales was 27.0% and 27.3% for fiscal 1993 and 1992, respectively. Pre-tax LIFO expense was $1.8 million for fiscal 1993 as compared to $5.3 million for fiscal 1992. Gross margins, before LIFO expense, were 27.1% in fiscal 1993 as compared to 27.6% in fiscal 1992.

Selling, general and administrative expenses decreased 0.2% of net sales to 21.8% compared with 22.0% in fiscal 1992. The decrease is due to overall expense control.

Interest expense in fiscal 1993 remained at 1.1% of net sales.

The effective tax rate for fiscal 1993 decreased to 38.5% as compared to 39.0%. The decrease is attributable to a reduction in state income taxes.

Fiscal 1992 Compared to Fiscal 1991

Net sales for fiscal 1992 (53 weeks) increased $127.9 million or 8.4% (6.8% on a 52 week basis), over fiscal 1991 (52 weeks). The Company opened 7 new stores in fiscal 1992 (including 2 relocated stores).

Comparable store sales increased 1.7% (on a 52 week basis) for fiscal 1992 compared to 1.4% for fiscal 1991. The primary factors affecting comparable store sales in fiscal 1992 were higher consumer spending resulting from the end of the Gulf War, offset by increased competition from national competitors.

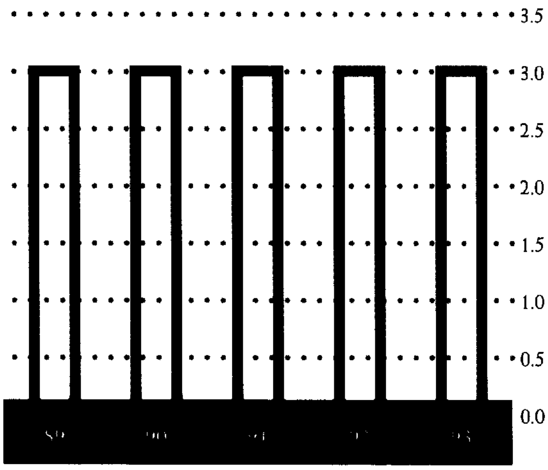
Gross margin as a percentage of sales remained constant at 27.3% in fiscal 1992 and 1991. Pre-tax LIFO expense was $5.3 million in fiscal 1992 as compared to $6.8 million in fiscal 1991. Before LIFO expense, gross margins were 27.6% and 27.8% for fiscal 1992 and 1991, respectively.

Selling, general and administrative expenses increased 0.1% of net sales to 22.0% in fiscal 1992 compared with 21.9% in fiscal 1991. The increase is due primarily to higher payroll costs as a result of the federal minimum wage increase.

Interest expense in fiscal 1992 decreased from the prior year by 0.3% of net sales due to reduced borrowings and lower interest rates.

The effective tax rate for fiscal 1992 increased to 39.0% as compared to 38.7% for fiscal 1991.

EARNINGS AS A PERCENTAGE OF SALES
[percentage]



LIQUIDITY AND CAPITAL RESOURCES

The Company relies primarily on cash generated from its operations, with the remaining needs being met from short-term and long-term borrowings. Cash provided from net earnings before depreciation and amortization was $93.3 million, $90.0 million and $84.2 million in fiscal 1993, 1992 and 1991, respectively. The Company's principle uses of cash are for the purchase of property and equipment and increases in working capital.

Working capital increased to $81.8 million at the end of fiscal 1993 from $78.8 million at the end of fiscal 1992 and $69.5 million at the end of fiscal 1991.

On March 12, 1992, the Company issued $100 million 8.50% senior unsecured notes due March 15, 2002 and $100 million 9.25% senior unsecured notes due March 15, 2022 in the public bond market. The net proceeds of $197.1 million, after underwriting and issuance cost, were used to repay the outstanding borrowings under the Company's credit agreement with SUPERVALU Inc. of $181.2 million with the remainder being used for working capital and other general corporate purposes.

On June 23, 1992 the Company entered into a $107.5 million revolving credit agreement with a consortium of banks. This revolving line of credit is unsecured and will expire in three years. The interest rate is based on various money market rates selected by the Company at the time of borrowing. As of February 27, 1993 the Company had outstanding $15.0 million under this agreement.

Capital Expenditures

The Company spent $91.1 million on capital expenditures in fiscal 1993, compared to $53.4 million in fiscal 1992 and $59.1 million in fiscal 1991. The increase in capital expenditures in fiscal 1993 resulted principally from the Company's distribution center expansion project, the increase in store remodels and new store expansion. The following table sets forth the components of the Company's actual capital expenditures for fiscal 1993, 1992 and 1991 (in millions):

	Fiscal Year		
	1993	1992	1991
New stores	$32.9	$ 25.4	$43.5
Remodeling and refixturing	24.7	8.0	3.7
Distribution centers	21.9	12.8	.3
Management information and point-of sale equipment and systems	10.5	6.6	8.4
Other	1.1	.6	3.2
Total	$91.1	$ 53.4	$59.1

A portion of capital expenditures (such as land, site preparation and building construction) are made for new stores in one or more fiscal years prior to their opening. The fiscal year in which such expenditures occur varies depending on the timing of the store opening.

The Company opened 3 new stores (including 1 relocated store) and remodeled 9 other stores in fiscal 1993. Present plans are to open 8 new stores (including 2 relocated stores) and remodel 16 other stores in fiscal 1994. The Company's plans with respect to store openings may be reviewed and revised from time to time in light of changing conditions. The Company anticipates its total capital expenditures for new stores, remodels and management information systems to be approximately $155.0 million in fiscal 1994.

In comparison to periods of slower expansion, accelerated expansion increases certain of the Company's expenses, particularly pre-opening costs, depreciation and interest expense. The relative increase in these expenses as a percentage of sales is also impacted by the delay between the incurrence of the expenses and the realization of expected sales growth due to such expenditures.

The Company anticipates that additional external financing will be required in fiscal 1994 to fund its working capital needs and capital expenditures. The Company believes that such external financing is available.

Recent Pronouncements

The Financial Accounting Standards Board has issued Statement of Financial Accounting Standards ("SFAS") No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" and SFAS No. 109 "Accounting for Income Taxes." Both Statements must be adopted no later than fiscal 1994.

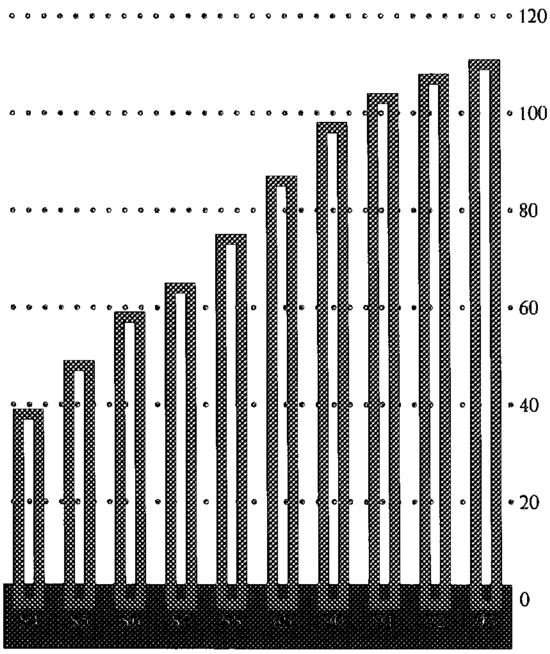
In regards to SFAS No. 106, the Company estimates that the total accumulated postretirement benefit obligation will be between $1.0 and $1.5 million. Assuming the Company elects a twenty year amortization of the postretirement benefit obligation, the annual expense is estimated to be between $.2 and $.5 million.

The Company is in the process of evaluating the impact of SFAS No. 109 on its financial position. Management believes the impact will not be material.

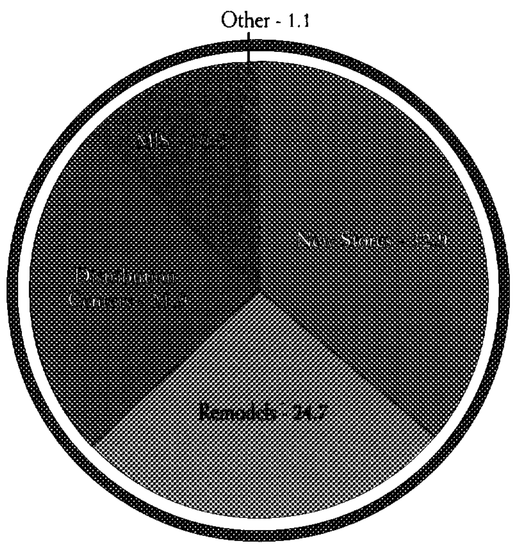
Inflation

Inflation has not had a significant effect on the results of operations of the Company or its internal and external sources of liquidity.

STORES OPEN AT FISCAL YEAR END
[number of stores]



FISCAL 1993 CAPITAL EXPENDITURES
[millions $]



SIX YEAR FINANCIAL SUMMARY

ShopKo Stores, Inc. and Subsidiaries

	Fiscal years ended					
	Feb. 27, 1993 (52 Weeks)	Feb. 29, 1992 (53 Weeks)	Feb. 23, 1991 (52 Weeks)	Feb. 24 1990 (52 Weeks)	Feb. 25, 1989 (52 Weeks)	Feb. 27, 1988 (52 Weeks)
SUMMARY OF OPERATIONS (Millions)						
Net sales	$ 1,683	$ 1,648	$ 1,521	$ 1,420	$ 1,248	$ 1,051
Licensed department rentals and other income	11	11	12	11	10	9
Gross margin	454	450	415	394	358	296
Selling, general and administrative expenses	366	363	333	315	291	244
Interest expense	18	17	21	20	16	13
Earnings before income taxes	81	81	73	70	61	48
Net earnings	50	50	45	43(1)	37	27
PER SHARE DATA (Dollars)						
Supplemental net earnings per common share (2)	$ 1.56	$ 1.55	$ 1.41	$ 1.33	$ 1.15	$ 0.85
Cash dividends declared per common share (3)	0.44	0.11				
FINANCIAL DATA (Millions)						
Working capital	$ 82	$ 79	$ 70	$ 59	$ 57	$ 37
Property and equipment–net	493	445	432	412	369	313
Total assets	792	706	692	648	576	485
Total debt (4)	225	193	215	237	231	193
Shareholders' equity	355	320	273	228	186	149
Capital expenditures	91	53	59	80	91	88
Depreciation and amortization	43	40	39	35	31	25
FINANCIAL RATIOS						
Current ratio	1.4	1.4	1.4	1.3	1.4	1.3
Return on beginning assets	7.1%	7.2%	7.0%	7.4%	7.6%	6.9%
Return on beginning shareholders' equity	15.7%	18.1%	19.7%	22.9%	24.8%	22.3%
Total debt as % of total capitalization (5)	37.9%	36.7%	42.8%	50.0%	53.9%	54.9%
OTHER YEAR END DATA						
Stores open at year end	111	109	104	98	87	75
Average store size–square feet	89,500	87,400	87,200	87,000	85,900	84,700

(1) Includes the effect of a change in the method of accounting for LIFO inventories which increased net earnings by $3.0 million.
(2) The number of common shares used in the supplemental computation is the total number of shares of the Company's Common Stock outstanding upon completion of the initial public offering.
(3) First quarterly dividend was declared in the fourth quarter of fiscal 1992.
(4) Total debt includes short-term debt, current portion of long-term obligations, long-term obligations and payable to related party.
(5) Total capitalization includes shareholders' equity, total debt and non-current deferred income taxes.

CONSOLIDATED STATEMENTS OF EARNINGS

ShopKo Stores, Inc. and Subsidiaries

(In thousands, except per share data)	February 27, 1993 (52 Weeks)	February 29, 1992 (53 Weeks)	February 23, 1991 (52 Weeks)
	Fiscal years ended		
REVENUES:			
Net sales	$ 1,682,854	$ 1,648,427	$ 1,520,545
Licensed department rentals and other income	11,462	11,627	12,283
	1,694,316	1,660,054	1,532,828
COSTS AND EXPENSES:			
Cost of sales	1,228,431	1,198,726	1,105,119
Selling, general and administrative expenses	366,158	362,870	332,833
Interest expense	18,274	17,212	21,337
	1,612,863	1,578,808	1,459,289
Earnings before income taxes	81,453	81,246	73,539
Provision for income taxes	31,394	31,657	28,459
Net earnings	$ 50,059	$ 49,589	$ 45,080
Net earnings per common share	$ 1.56	$ 2.35	
Weighted average number of common shares outstanding	32,000	21,120	
Supplemental net earnings per common share	$ 1.56	$ 1.55	$ 1.41
Supplemental number of common shares outstanding	32,000	32,000	32,000

See notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

ShopKo Stores, Inc. and Subsidiaries

(In thousands)	February 27, 1993	February 29, 1992
ASSETS		
Current Assets:		
Cash	$ 2,792	$ 2,081
Receivables, less allowance for losses of $1,578 and $2,378, respectively	21,070	17,287
Merchandise inventories	263,333	233,211
Other current assets	9,133	7,773
Total current assets	296,328	260,352
Other assets and deferred charges	2,329	
Property and equipment – net	493,068	445,223
Total assets	$ 791,725	$ 705,575

LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable – trade	$ 125,783	$ 116,525
Accrued compensation and related taxes	21,830	16,100
Accrued other liabilities	37,683	34,369
Accrued income and other taxes	13,409	13,804
Short-term debt	15,025	
Current portion of long-term obligations	822	786
Total current liabilities	214,552	181,584
Payable to related party		181,167
Long-term obligations	208,922	10,631
Deferred income taxes	12,771	12,692
Shareholders' equity:		
Preferred stock; none outstanding		
Common stock; Shares outstanding, 32,000	320	320
Additional paid-in capital	242,793	242,793
Retained earnings	112,367	76,388
Total shareholders' equity	355,480	319,501
Total liabilities and shareholders' equity	$ 791,725	$ 705,575

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

ShopKo Stores, Inc. and Subsidiaries

(In thousands)	Fiscal years ended February 27, 1993 (52 Weeks)	February 29, 1992 (53 Weeks)	February 23, 1991 (52 Weeks)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net earnings	$ 50,059	$ 49,589	$ 45,080
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	43,275	40,372	39,134
Provision for losses on receivables	143	139	215
Gain on the sale of property and equipment	(240)	(120)	(783)
Deferred income taxes	(68)	(3,899)	829
Change in assets and liabilities:			
Receivables	(3,926)	(430)	(2,461)
Merchandise inventories	(30,122)	2,016	(19,600)
Other current assets	(1,213)	(1,031)	(1,894)
Other assets	(558)		
Accounts payable	9,258	(13,859)	13,530
Accrued liabilities	8,649	3,675	5,581
Net cash provided by operating activities	75,257	76,452	79,631
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for property and equipment	(91,060)	(53,391)	(59,100)
Proceeds from the sale of property and equipment	408	1,327	1,341
Net cash (used in) investing activities	(90,652)	(52,064)	(57,759)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Payments to related party	(181,167)	(22,867)	(19,417)
Net proceeds from long-term debt	197,112		
Proceeds from short-term debt	15,025		
Net proceeds from sale of common stock		240,830	
Dividends paid	(14,080)	(240,830)	
Reduction in capital lease obligations	(784)	(1,446)	(2,263)
Net cash provided by (used in) financing activities	16,106	(24,313)	(21,680)
Net increase in cash	711	75	192
Cash at beginning of year	2,081	2,006	1,814
CASH AT END OF YEAR	$ 2,792	$ 2,081	$ 2,006
Supplemental cash flow information:			
Noncash investing and financial activities:			
Capital lease obligations incurred	$ —	$ 1,871	$ 333
Cash paid during the period for:			
Interest	$ 15,642	$ 18,339	$ 22,331
Income taxes	$ 31,879	$ 42,430	$ 27,237

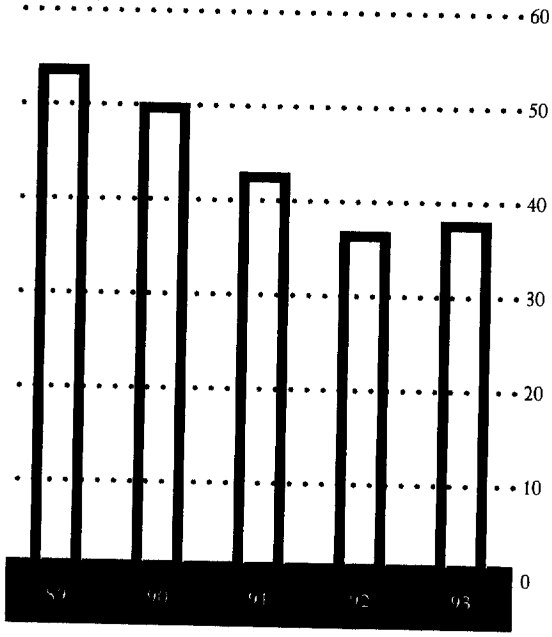
See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

ShopKo Stores, Inc. and Subsidiaries

(In thousands, except per share data)	Common Stock		Additional Paid-in Capital	Retained Earnings
	Shares	Amount		
Balances at February 24, 1990	14,750	$ 1	$ 2,282	$226,069
Net earnings				45,080
Balances at February 23, 1991	14,750	1	2,282	271,149
Net earnings				49,589
Stock split effected in the form of stock dividend		147	(147)	
Cash dividend paid to parent prior to initial public offering				(240,830)
Cash dividends declared on common stock – $.11 per share				(3,520)
Sale of common stock	17,250	172	240,658	
Balances at February 29, 1992	32,000	320	242,793	76,388
Net earnings				50,059
Cash dividends declared on common stock – $.44 per share				(14,080)
	32,000	$320	$242,793	$112,367

TOTAL DEBT AS A PERCENT OF
TOTAL CAPITALIZATION
[percentage]



See notes to consolidated financial statements.

ShopKo Stores, Inc. and Subsidiaries

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Basis of Presentation:
The consolidated financial statements include the accounts of ShopKo Stores, Inc. and its wholly owned subsidiaries ("ShopKo" or the "Company"). All significant intercompany accounts and transactions have been eliminated. The Company, which is a Minnesota corporation and prior to completion of the offering of Common Stock in October 1991 was a wholly owned subsidiary of Supermarket Operators of America, Inc. ("SOA") which, in turn, is wholly owned by SUPERVALU Inc. ("SUPERVALU"), was incorporated in 1961. On October 16, 1991, the Company sold 17,250,000 common shares or 54% of equity ownership in an initial public offering.

For the periods presented, certain general, administrative and other expenses reflected in the consolidated financial statements include allocations of certain corporate expenses from SUPERVALU. Such allocations are based on personnel, space, estimates of time spent to provide services or other appropriate bases. For fiscal year 1993, these allocations included general and administrative allocations for treasury, financial reporting, benefits administration and other miscellaneous services. For all prior years presented, these allocations also included charges for general management, tax, financial audit, insurance, legal, communications and public affairs. See Note G.

Management believes the foregoing allocations were made on a reasonable basis. Although these allocations do not necessarily equal the costs which would have been or may be incurred by the Company on a stand-alone basis, management believes that any variance in costs would not be material.

Merchandise Inventories:
Merchandise inventories are stated at the lower of cost or market. Cost, which includes certain distribution and transportation costs, is determined through use of the last-in, first-out (LIFO) method for substantially all inventories. If the first-in, first-out (FIFO) method had been used to determine cost of inventories, the Company's inventories would have been higher by approximately $35.3 million at February 27, 1993, $33.5 million at February 29, 1992, and $28.2 million at February 23, 1991.

Other Current Assets:
Other current assets at February 27, 1993 and February 29, 1992 include $3.7 and $3.9 million, respectively, which was funded to a Voluntary Employees' Beneficiary Association (VEBA) trust for estimated eligible benefits under the Company's health care plans. These benefits are to be paid in fiscal years 1994 and 1993, respectively.

Property and Equipment:
Property and equipment are carried at cost. The cost of buildings and equipment is depreciated over the estimated useful lives of the assets. Buildings and certain equipment (principally computer and retail store equipment) are depreciated using the straight-line method. Remaining properties are depreciated on an accelerated basis. Useful lives generally assigned are: buildings–25 to 40 years; retail store equipment–8 years; warehouse, transportation and other equipment–3 to 10 years. Costs of leasehold improvements are amortized over the period of the lease or the estimated useful life of the asset, whichever is shorter, using the straight-line method. Property under capital leases are amortized over the related lease term using the straight-line method. Interest on property under construction of $1.1, $1.1 and $1.0 million was capitalized in fiscal years 1993, 1992, and 1991, respectively.

The components of property and equipment are (in thousands):

	Feb. 27, 1993	Feb. 29, 1992
Property and equipment at cost:		
Land	$ 102,394	$ 89,196
Buildings	352,426	309,382
Property under construction	8,664	18,648
Leasehold improvements	40,914	40,903
Equipment	221,454	191,907
Property under capital leases	14,216	14,975
	740,068	665,011
Less accumulated depreciation and amortization:		
Property and equipment	239,344	212,242
Property under capital leases	7,656	7,546
Net property and equipment	$ 493,068	$ 445,223

Accounts Payable:
Accounts payable include $5.4 and $4.5 million at February 27, 1993 and February 29, 1992, respectively, of issued checks which had not cleared the Company's bank accounts, reduced by deposits in transit and cash on deposit in the Company's depository banks.

Pre-opening Costs:
Pre-opening costs of retail stores are charged against earnings in the year of the store openings.

Income Taxes:
The amounts reflected in the provision for income taxes are based on applicable federal statutory rates, adjusted for permanent differences between financial and taxable income, in accordance with the Statement of Financial Accounting Standards ("SFAS") No. 96, "Accounting for Income Taxes." In fiscal 1992, the Company's results were included in SUPERVALU's consolidated U.S. federal income tax return for the period through completion of the Company's initial public offering on October 16, 1991. All income tax payments were made by SUPERVALU on behalf of its subsidiaries, a portion of which were allocated to the Company as a charge through the payable to related party account. In effect, the income tax provision was computed on a separate return basis. Subsequent to the initial public offering the Company has been filing separate income tax returns.

The Financial Accounting Standard Board has recently issued SFAS No. 109, "Accounting for Income Taxes," which supersedes SFAS No. 96. SFAS No. 109 must be adopted no later than fiscal 1994. The Company is in the process of evaluating the impact of the pronouncement on its financial position. Management believes the impact will not be material.

Net Earnings Per Share:
Net earnings per share are computed by dividing net earnings by the weighted average number of common shares outstanding. Outstanding stock options do not have a significant dilutive effect on earnings per share.

Supplemental Net Earnings Per Share:
Supplemental net earnings per share are computed by dividing net earnings by 32,000,000 common shares which represent the actual number of shares outstanding after completion of the offering of common stock.

B. SHORT-TERM DEBT

On June 23, 1992, the Company entered into a $107.5 million revolving credit agreement with a consortium of banks. This revolving line of credit is unsecured and will expire in three years. The interest rate is based on various money market rates selected by the Company at the time of borrowing. The Company pays an annual facility and commitment fee of 0.25 percent. As of February 27, 1993, the Company had outstanding $15.0 million under this agreement.

C. LONG-TERM OBLIGATIONS AND LEASES

(In thousands)	Feb. 27, 1993	Feb. 29, 1992
Senior Unsecured Notes, 8.50% due March 15, 2002, less unamortized discount of $332	$ 99,668	$ —
Senior Unsecured Notes, 9.25% due March 15, 2022, less unamortized discount of $556	99,444	—
Industrial Revenue Bond, 6.40% due May 1, 2008	1,000	1,000
Capital lease obligations	9,632	10,417
	209,744	11,417
Less current portion	822	786
Long-term obligations	$ 208,922	$ 10,631

On March 12, 1992, the Company issued $100 million 8.50% senior unsecured notes due March 15, 2002 and $100 million 9.25% senior unsecured notes due March 15, 2022 in the public bond market. The notes provide for semi-annual interest payments payable on June 15 and December 15 of each year. There is no sinking fund requirement and the notes are not redeemable prior to maturity.

The notes contain certain covenants which, among other things, restrict the ability of the Company to consolidate, merge or convey, transfer or lease its properties and assets substantially as an entirety, to create liens or to enter into sale and leaseback transactions.

The net proceeds of $197.1 million, after underwriting and issuance costs, were used to repay the outstanding borrowings under the Company's credit agreement with SUPERVALU of $181.2 million with the remainder being used for working capital and other general corporate purposes. The underwriting and issuance costs are being amortized over the terms of the related notes, using the straight-line method. At February 27, 1993, $1.8 million remained to be amortized over future periods. Amortized expense for these costs for fiscal 1993 was $.1 million.

The Company leases certain general merchandise stores under capital leases. Many of these leases include renewal options, and occasionally include options to purchase.

Amortization of property under capital leases was $.9, $1.4 and $1.8 million in fiscal years 1993, 1992, and 1991, respectively. Minimum future obligations under capital leases in effect at February 27, 1993 are as follows (in thousands):

Year	Lease Obligations
1994	$ 1,814
1995	1,793
1996	1,573
1997	1,544
1998	1,450
Later	8,721
Total minimum future obligations	16,895
Less interest	7,263
Present value of minimum future obligations	$ 9,632

The present values of minimum future obligations shown above are calculated based on interest rates ranging from 7.4% to 13.4%, with a weighted average of 10.7%, determined to be applicable at the inception of the leases.

Interest expense on the outstanding obligations under capital leases was $1.1, $1.1 and $1.2 million in 1993, 1992, and 1991, respectively.

Contingent rent expense, based primarily on sales performance, for capital and operating leases was $.6, $.7 and $.9 million in 1993, 1992, and 1991, respectively.

In addition to its capital leases, the Company is obligated under operating leases, primarily for land and buildings. Minimum future obligations under operating leases in effect at February 27, 1993 are as follows (in thousands):

Year	Lease Obligations
1994	$ 2,811
1995	2,767
1996	2,775
1997	2,779
1998	2,689
Later	50,544
Total minimum obligations	$64,365

Total minimum rental expense, net of sublease income, related to all operating leases with terms greater than one year was $2.6, $3.1, and $2.9 million in 1993, 1992, and 1991, respectively.

Certain operating leases require payments to be made on an escalating basis. The accompanying consolidated statement of earnings reflect rent expense on a straight-line basis over the term of the leases. An obligation of $.4 million, representing pro rata future payments, is reflected in the accompanying consolidated balance sheet at February 27, 1993.

D. INCOME TAXES

The provision for federal and state income taxes included the following (in thousands):

	1993	1992	1991
Current			
Federal	**$26,269**	$29,497	$22,346
State	**5,343**	6,207	5,366
General business and other tax credits	**(150)**	(148)	(82)
Deferred	**(68)**	(3,899)	829
Total provision	**$31,394**	$31,657	$28,459

The effective tax rate varies from the statutory federal income tax rate for the following reasons:

	1993	1992	1991
Statutory income tax rate	**34.0%**	34.0%	34.0%
State income taxes, net of federal tax benefits	**4.4**	4.5	4.8
Other	**.1**	0.5	(0.1)
Effective income tax rate	**38.5%**	39.0%	38.7%

Provision is made for deferred income taxes and future income tax benefits applicable to temporary differences between financial and tax reporting. The sources of these differences and the effects of each were as follows (in thousands):

	1993	1992	1991
Excess tax over book depreciation	**$ 254**	$ (540)	$1,073
LIFO inventory valuation	**(75)**	(539)	(478)
Bad debt and return reserves	**291**	(1,001)	(17)
Other	**(538)**	(1,819)	251
	$ (68)	$ (3,899)	$ 829

Other temporary differences between financial and tax reporting include amortization and interest relating to capital leases and certain provisions for expenses which are not deducted for tax purposes until paid.

E. PREFERRED AND COMMON STOCK

The Company has 20,000,000 shares of $0.01 preferred stock authorized but unissued.

There are 75,000,000 shares of $0.01 par value common stock authorized with 32,000,000 issued and outstanding at February 27, 1993 and February 29, 1992, respectively. The board of directors approved a 5,900-for-1 common stock split in the form of a stock dividend for shareholders of record on October 15, 1991. Applicable share and per share data have been adjusted for the stock split.

The Company's Stock Option Plan allows the granting of stock options to various officers, directors and other employees of the Company at prices not less than 100 percent of fair market value, determined by the closing price on the date of grant. The Company has reserved 2,400,000 shares for issuance under the plan. These options vest at the rate of 40% on the second anniversary of the grant date and 20% annually thereafter for officers and employees, and at the rate of 60% on the second anniversary of the date of grant and 20% annually thereafter for non-employee directors. Changes in the options were as follows (in thousands):

	Shares	Price Range
Granted	1,557	$ 15.00
Canceled and forfeited	(18)	15.00
Outstanding, February 29, 1992	1,539	15.00
Granted	56	16.25
Canceled and forfeited	(90)	15.00
Outstanding, February 27, 1993	1,505	15.00-16.25
Exercisable at February 27, 1993	0	

F. EMPLOYEE BENEFITS

Substantially all employees of the Company are covered by a non-contributory defined contribution profit sharing plan. Contributions are determined at the discretion of the board of directors, and were $4.4, $8.3, and $7.0 million for fiscal years 1993, 1992, and 1991, respectively.

In February 1993, the board of directors approved an amendment to the profit sharing plan. Beginning in fiscal 1994, the plan will provide for two types of company contributions; an amount determined annually by the board of directors and an employer matching contribution, in shares of Company stock, equal to one-half of the first 6 percent of compensation contributed by participating employees.

The Company also has a change of control severance agreement with certain key officers. Under this agreement, the officers are entitled to a lump-sum cash payment equal to a multiple of one, two, or three times their annual salary plus a multiple of one, two, or three times their average annual bonus for the three fiscal years immediately preceding the date of termination.

In addition, the Company provides certain health care and limited life insurance benefits for retired employees. The Company pays a portion of the premium for these benefits for employees who retire prior to age 65. Once employees reach age 65, they pay the entire health care premium and are no longer eligible for life insurance. Employees may become eligible for these benefits if they have 10 years of service and retire (while working for the Company) at age 55 or later. The cost of retiree health care and life insurance benefits is recognized as expense as claims are paid. Such costs were not significant for fiscal years 1993, 1992 and 1991.

The Financial Accounting Standards Board has issued SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." SFAS No. 106 must be adopted no later than fiscal year 1994. The Company estimates that the total accumulated postretirement benefit obligation will be between $1.0 and $1.5 million. Assuming the Company elects a twenty year amortization of the postretirement benefit obligation, the annual expense is estimated to be between $.2 and $.5 million.

G. RELATED PARTY TRANSACTIONS

General, administrative and other services were provided and expenses were allocated to the Company from SUPERVALU. In such cases, allocations were made using procedures deemed appropriate to the nature of the services involved. The Company also provided services and allocated general, administrative and other expenses to two wholly owned subsidiaries of SUPERVALU. These allocations are for general management, tax, financial reporting, real estate management, accounting, purchasing, and other miscellaneous services.

Selling, general and administrative expenses include the following allocations:

	1993	1992	1991
From SUPERVALU to ShopKo	**$1,584**	$3,259	$ 3,327
From ShopKo to wholly owned subsidiaries of SUPERVALU	**$2,507**	$2,036	$ 2,243

The service agreements between SUPERVALU and ShopKo currently expire in early fiscal 1994.

Purchases of inventory from SUPERVALU were $15.4, $27.5, and $29.9 million for the fiscal years 1993, 1992, and 1991, respectively.

SUPERVALU provided the capital resources, through October 16, 1991, required to obtain certain assets reflected in the Company's consolidated financial statements. The corporate charge for the period through completion of the initial public offering for capital financing provided by SUPERVALU is reported as interest expense. This corporate charge approximated SUPERVALU's market rate of interest. The portion of the capital provided by SUPERVALU is reflected as a long-term payable to related party in the accompanying financial statements.

In connection with the initial public offering, the Company and SUPERVALU replaced the informal financing arrangement described above with a credit agreement. Under this agreement SUPERVALU made advances to the Company on a revolving basis. This credit agreement was terminated effective June 30, 1992.

Also, as a result of the initial public offering, the Company and SUPERVALU entered into certain other agreements of which the following are still in effect:

A food products supply agreement under which the Company has agreed to purchase from SUPERVALU, through October 16, 1998, all of the Company's requirements for certain products sold in any food store owned or operated by the Company and located within the geographic areas serviced by SUPERVALU.

A registration rights agreement under which SOA (and certain affiliates of SUPERVALU) has the right to require the Company to file up to three registration statements under the Securities Act.

H. FAIR VALUES OF FINANCIAL INSTRUMENTS

The following disclosure of the estimated fair value of financial instruments is made in accordance with the requirements of SFAS No. 107, "Disclosures about Fair Value of Financial Instruments". The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments.

Cash, accounts receivable and accounts payable: The carrying amounts of these items are a reasonable estimate of their fair value.

Short-term debt and long-term obligations: The carrying amounts of the Company's borrowings under its short-term revolving credit agreements approximate their fair value. The fair values of the Company's long-term obligations are estimated using discounted cash flow analysis based on interest rates that are currently available to the Company for issuance of debt with similar terms and remaining maturities.

The carrying amounts and fair values of the Company's financial instruments at February 27, 1993 are as follows (amounts in thousands):

	Carrying Amount	Fair Value
Short-term debt	$ 15,025	$ 15,025
Long-term obligations:		
Senior Unsecured Notes, due March 15, 2002	99,668	105,757
Senior Unsecured Notes, due March 15, 2022	99,444	107,341
Industrial Revenue Bond, due May 1, 2005	1,000	1,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

I. UNAUDITED QUARTERLY FINANCIAL INFORMATION

Unaudited quarterly financial information is as follows:

	Fiscal Year (52 Weeks) Ended February 27, 1993				
(In thousands, except per share data)	First (16 wks)	Second (12 wks)	Third (12 wks)	Fourth (12 wks)	Year (52 wks)
Net sales	$468,358	$354,187	$431,527	$428,782	$1,682,854
Gross margins	128,184	90,080	119,618	116,541	454,423
Net earnings	10,928	4,399	17,280	17,452	50,059
Net earnings per common share	0.34	0.14	0.54	0.55	1.56
Weighted average shares	32,000	32,000	32,000	32,000	32,000
Dividends declared per common share	0.11	0.11	0.11	0.11	0.44
Price range per common share*	16¾-14⅛	15¼-13	16¾-14⅜	16⅛-14⅛	16¾-13

	Fiscal Year (53 Weeks) Ended February 29, 1992				
(In thousands, except per share data)	First (16 wks)	Second (12 wks)	Third (12 wks)	Fourth (13 wks)	Year (53 wks)
Net sales	$455,806	$340,132	$397,383	$455,106	$1,648,427
Gross margins	126,393	86,937	110,656	125,715	449,701
Net earnings	10,394	3,723	14,334	21,138	49,589
Net earnings per common share				0.66	2.35
Weighted average shares				32,000	21,120
Supplemental net earnings per common share	0.32	0.12	0.45	0.66	1.55
Supplemental number of common shares	32,000	32,000	32,000	32,000	32,000
Dividends declared per common share				0.11	0.11
Price range per common share*			15⅛-11¾	17¼-12	17¼-11¾

*Price range per common share reflects the highest and lowest stock market prices on the New York Stock Exchange during the quarter.

INDEPENDENT AUDITORS' REPORT

Board of Directors and Shareholders
ShopKo Stores, Inc. and Subsidiaries
Green Bay, Wisconsin

We have audited the consolidated balance sheets of ShopKo Stores, Inc. and Subsidiaries as of February 27, 1993 and February 29, 1992 and the related consolidated statements of earnings, shareholders' equity and cash flows for each of the three years (52 weeks, 53 weeks and 52 weeks) in the period ended February 27, 1993. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of ShopKo Stores, Inc. and Subsidiaries as of February 27, 1993 and February 29, 1992, and the results of their operations and their cash flows for each of the three years (52 weeks, 53 weeks and 52 weeks) in the period ended February 27, 1993 in conformity with generally accepted accounting principles.

Deloitte & Touche
Deloitte & Touche

DELOITTE & TOUCHE
Milwaukee, Wisconsin
April 2, 1993

BOARD OF DIRECTORS

Pictured from left to right:
Jack W. Eugster, Michael W. Wright, Jeffrey C. Girard, Bruce G. Allbright, Dale P. Kramer, William J. Tyrrell

Michael W. Wright
Chairman of the Board
Chairman, President and Chief Executive Officer of SUPERVALU

Bruce G. Allbright
Former President of Dayton Hudson Corporation and former Chairman and Chief Executive Officer of Target Stores

Jack W. Eugster
Chairman, President and Chief Executive Officer of The Musicland Group, Inc.

Jeffrey C. Girard
Executive Vice President and Chief Financial Officer of SUPERVALU

Dale P. Kramer
President and Chief Executive Officer of ShopKo

William J. Tyrrell
Vice Chairman of the Board
Former President of ShopKo

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Michael J. Bettiga
Vice President, Pharmacy

Kathleen S. Betts
Director of Trend Merchandising

Roger J. Chustz
Vice President/
GMM Apparel

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Vice President,
Finance and Distribution

Richard W. Cooper
Vice President,
Distribution and Transportation

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Vice President/Director,
Store Operations

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Vice President,
Property Development

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Vice President,
Inventory and Replenishment

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Merchandising

John W. Hermsen
Vice President, Store Operations

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Vice President,
Planning and Research

Mark R. Kennedy
Executive Vice President

Dale P. Kramer
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Richard S. Lamberg
Vice President/
Divisional Merchandise Manager

D. Michael Lampman
Vice President, Optical

Richard T. Laucks
Vice President, Loss Prevention

David A. Liebergen
Vice President,
Human Resources/Secretary

Alan Marek
Vice President/
Divisional Merchandise Manager

Dennis L. Nonnemacher
Divisional Merchandise Manager

Thomas J. O'Shea
Vice President/
Divisional Merchandise Manager

John M. Pascucci
Vice President,
Management Information Systems

Randy L. Roiko
Vice President,
Financial Planning and Analysis

Dennis R. Ruebel
Divisional Merchandise Manager

Steven M. Ryman
Divisional Merchandise Manager

Walter B. Sandlin
Divisional Merchandise Manager

SHAREHOLDERS' INFORMATION

ShopKo Stores, Inc. common shares are listed on the New York Stock Exchange under the symbol "SKO" and in the newspapers as "ShopKo." As of April 19, 1993, ShopKo's common shares were held by 1,670 record owners.

Transfer Agent and Registrar
For help with questions regarding lost, stolen or destroyed stock certificates, non-receipt of dividend checks, consolidation of accounts, transferring of shares and name and address changes call Norwest Banks at 1-800-468-9716.

1993 Annual Meeting
The annual meeting of shareholders will be held June 16, 1993 at 10 a.m. at the Regency Conference Center, 333 Main Street, Green Bay, Wisconsin.

Investor Relations
A copy of the company's 1993 Form 10-K annual report to the Securities and Exchange Commission will be furnished without charge to any shareholder upon written request.

Quarterly reports are furnished to shareholders of record by the company's stock transfer agent. Any shareholder whose stock is not registered in the shareholder's name will be furnished quarterly reports without charge upon written request.

All written requests should be directed to:

Investor Relations Department
ShopKo Stores, Inc.
P.O. Box 19060
Green Bay, WI 54307-9060

ShopKo Stores Inc.

700 Pilgrim Way
P.O. Box 19060
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414-497-2211

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