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GREAT ATLANTIC & PACIFIC TEA CO INC
Form 10-Q
January 09, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

Mark One

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For Quarter Ended November 29, 2003

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 1-4141

THE GREAT ATLANTIC & PACIFIC TEA COMPANY, INC.

(Exact name of registrant as specified in charter)

Maryland

(State or other jurisdiction of
incorporation or organization)

13-1890974

(I.R.S. Employer
Identification No.)

2 Paragon Drive
Montvale, New Jersey 07645

(Address of principal executive offices)

(201) 573-9700

Registrant's telephone number, including area code

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES NO

As of December 1, 2003 the Registrant had a total of 38,517,218 shares of common stock - \$1 par value outstanding.

PART I - FINANCIAL INFORMATION

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ITEM 1 - Financial Statements

The Great Atlantic & Pacific Tea Company, Inc.
 Consolidated Statements of Operations
 (Dollars in thousands, except share and per share amounts)
 (Unaudited)

	12 Weeks Ended		
	Nov. 29, 2003	Nov. 30, 2002	Nov. 29, 2001
Sales	\$ 2,465,295	\$ 2,310,775	\$ 8,100,000
Cost of merchandise sold	(1,809,234)	(1,666,823)	(5,900,000)
Gross margin	656,061	643,952	2,100,000
Store operating, general and administrative expense	(740,493)	(655,232)	(2,300,000)
(Loss) income from operations	(84,432)	(11,280)	(100,000)
Interest expense	(18,383)	(19,816)	(20,000)
Interest income	1,384	1,231	1,000
Loss from continuing operations before income taxes	(101,431)	(29,865)	(100,000)
Benefit from (provision for) income taxes	28,773	(1,999)	(2,000)
Loss from continuing operations	(72,658)	(31,864)	(100,000)
Discontinued operations (Note 2):			
Income (loss) from operations of discontinued businesses, net of tax	286	2,132	(2,000)
Gain on disposal of discontinued operations, net of tax	47,270	-	-
Income from discontinued operations	47,556	2,132	(2,000)
Net loss	\$ (25,102)	\$ (29,732)	\$ (100,000)
Net (loss) income per share - basic and diluted:			
Continuing operations	\$ (1.89)	\$ (0.83)	\$ (1.00)
Discontinued operations	1.23	0.06	(0.00)
Net loss per share - basic and diluted	\$ (0.65)	\$ (0.77)	\$ (1.00)
Weighted average number of common shares outstanding	38,517,218	38,515,806	38,500,000
Common stock equivalents	446,307	6,337	4,000

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Weighted average number of common and common equivalent shares outstanding	38,963,525	38,522,143	38,9
	=====	=====	=====

See Notes to Quarterly Report

The Great Atlantic & Pacific Tea Company, Inc.
Consolidated Statements of Stockholders' Equity and Comprehensive Income
(Dollars in thousands, except share and per share amounts)
(Unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit
	Shares	Amount		
40 Week Period Ended November 29, 2003				
Balance at beginning of period	38,515,806	\$ 38,516	\$ 459,411	\$ 61,387
Net loss				(88,512)
Other comprehensive income				
Stock options exercised	1,412	1	11	
Balance at end of period	38,517,218	\$ 38,517	\$ 459,422	\$ (27,125)
	=====	=====	=====	=====

	Common Stock		Additional Paid-in Capital	Retained Earnings
	Shares	Amount		
40 Week Period Ended November 30, 2002				
Balance at beginning of period	38,367,628	\$ 38,368	\$ 456,753	\$ 254,896
Net loss				(172,541)
Other comprehensive income				
Stock options exercised	148,178	148	2,658	
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Balance at end of period	38,515,806	\$ 38,516	\$ 459,411	\$ 82,355
	=====	=====	=====	=====

Comprehensive Income

	12 Weeks Ended		
	Nov. 29, 2003	Nov. 30, 2002	Nov. 29,
	-----	-----	-----
Net loss	\$ (25,102)	\$ (29,732)	\$ (
Foreign currency translation adjustment	19,020	(2,101)	
Reclassification adjustment for gains included in net loss, net of tax	-	-	
Net unrealized (loss) gain on derivatives, net of tax	(418)	2,408	
Other comprehensive income	18,602	307	
Total comprehensive loss	\$ (6,500)	\$ (29,425)	\$ (
	=====	=====	=====

See Notes to Quarterly Report

The Great Atlantic & Pacific Tea Company, Inc.
Consolidated Balance Sheets
(Dollars in thousands except share amounts)

November 29,
2003

(Unaudited)

ASSETS

Current assets:

Cash and cash equivalents	\$ 215,607
Accounts receivable, net of allowance for doubtful accounts of \$12,020 and \$9,799 at November 29, 2003 and February 22, 2003, respectively	177,830
Inventories	733,524
Prepaid expenses and other current assets	8,520

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Total current assets	1,135,481

Non-current assets:	
Property:	
Property owned	1,432,181
Property leased under capital leases	69,155

Property - net	1,501,336
Other assets	141,665

Total assets	\$ 2,778,482
=====	
LIABILITIES & STOCKHOLDERS' EQUITY	
Current liabilities:	
Current portion of long-term debt	\$ 24,639
Current portion of obligations under capital leases	15,947
Accounts payable	551,190
Book overdrafts	125,294
Accrued salaries, wages and benefits	172,511
Accrued taxes	76,414
Other accruals	211,186

Total current liabilities	1,177,181

Non-current liabilities:	
Long-term debt	666,526
Long-term obligations under capital leases	78,573
Other non-current liabilities	400,217

Total liabilities	2,322,497

Commitments and contingencies	
Stockholders' equity:	
Preferred stock--no par value; authorized - 3,000,000 shares; issued - none	-
Common stock--\$1 par value; authorized - 80,000,000 shares; issued and outstanding - 38,517,218 and 38,515,806 shares at November 29, 2003 and February 22, 2003, respectively	38,517
Additional paid-in capital	459,422
Accumulated other comprehensive loss	(14,829)
(Accumulated deficit) retained earnings	(27,125)

Total stockholders' equity	455,985

Total liabilities and stockholders' equity	\$ 2,778,482
=====	

See Notes to Quarterly Report

The Great Atlantic & Pacific Tea Company, Inc.
Consolidated Statements of Cash Flows
(Dollars in thousands)

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(Unaudited)

	40

	Nov. 29, 2003

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net loss	\$ (88,512)
Income from discontinued operations	(61,583)

Loss from continuing operations	(150,095)

Adjustments to reconcile net loss from continuing operations to net cash provided by operating activities:	
Farmer Jack long lived asset / goodwill impairment charge	60,082
Reversal of restructuring charge	(5,354)
Depreciation and amortization	210,626
Realized gain on sale of securities	-
Deferred income tax (benefit) provision	(36,866)
Gain on disposal of owned property	(138)
Other changes in assets and liabilities:	
Decrease in receivables	15,448
Increase in inventories	(37,294)
(Increase) decrease in prepaid expenses and other current assets	(17,524)
Decrease in other assets	10,692
Increase (decrease) in accounts payable	8,567
Increase (decrease) in accrued salaries, wages and benefits	5,661
Decrease in other accruals	(14,114)
Decrease in other non-current liabilities	(56,369)
Other operating activities, net	(6,170)

Net cash (used in) provided by operating activities	(12,848)

CASH FLOWS FROM INVESTING ACTIVITIES:	
Expenditures for property	(109,124)
Proceeds from disposal of property	252,068

Net cash provided by (used in) investing activities	142,944

CASH FLOWS FROM FINANCING ACTIVITIES:	
Changes in short-term debt	-
Proceeds under revolving lines of credit	-
Payments on revolving lines of credit	(135,000)
Proceeds from long-term borrowings	16
Payments on long-term borrowings	(1,095)
Principal payments on capital leases	(10,406)
Increase in book overdrafts	22,230
Deferred financing fees	(539)
Proceeds from exercises of stock options	12

Net cash (used in) provided by financing activities	(124,782)

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Effect of exchange rate changes on cash and cash equivalents	11,279
Net increase in cash and cash equivalents	16,593
Cash and cash equivalents at beginning of period	199,014
Cash and cash equivalents at end of period	\$ 215,607

See Notes to Quarterly Report

The Great Atlantic & Pacific Tea Company, Inc. Notes to Consolidated Financial Statements

1. Basis of Presentation

The accompanying consolidated financial statements of The Great Atlantic & Pacific Tea Company, Inc. ("We," "Our," "Us" or "Our Company") for the 12 and 40 weeks ended November 29, 2003 and November 30, 2002 are unaudited and, in the opinion of management, contain all adjustments that are of a normal and recurring nature necessary to present fairly the financial position and results of operations for such periods. The consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes contained in our Fiscal 2002 Annual Report on Form 10-K. Interim results are not necessarily indicative of results for a full year.

The consolidated financial statements include the accounts of our Company and all majority-owned subsidiaries. Significant intercompany accounts and transactions have been eliminated. Certain reclassifications have been made to prior year amounts to conform to current year presentation.

2. Discontinued Operations

In February 2003, we announced the sale of a portion of our non-core assets, including nine of our stores in northern New England and seven stores in Madison, Wisconsin. In March 2003, we entered into an agreement to sell an additional eight stores in northern New England.

Upon the decision to sell these stores, we applied the provisions of Statement of Financial Accounting Standards ("SFAS") No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144") to these properties held for sale. SFAS 144 requires properties held for sale to be classified as a current asset and valued on an asset-by-asset basis at the lower of carrying amount or fair value less costs to sell. In applying those provisions, we considered the binding sale agreements related to these properties as an estimate of the assets' fair value. As a result of the adoption of SFAS 144, \$22.1 million in net property, plant and equipment was reclassified as held for sale as of February 22, 2003, and included in "Prepaid expenses and other current assets" on our Consolidated Balance Sheets. These assets were no longer depreciated after this date.

As of April 2003, all of the asset sales described above were completed, generating proceeds of \$137.6 million and resulting in a gain of \$81.4 million (\$47.2 million after tax). This gain was included in "Gain on disposal of

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discontinued operations, net of tax" on our Consolidated Statements of Operations for the 40 weeks ended November 29, 2003.

Also, during the first quarter of fiscal 2003, we adopted a formal plan to exit the Milwaukee, Wisconsin market, where our remaining 23 Kohl's stores were located, as well as our Eight O'Clock Coffee business, through the sale and/or disposal of these assets.

Upon the decision to exit the remaining Kohl's stores and coffee business, we estimated the assets' fair market value using a probability weighted average approach based upon expected proceeds and recorded impairment losses on the property, plant and equipment of \$15.2 million, which is included in "Income (loss) from operations of discontinued businesses, net of tax" on our Consolidated Statements of Operations for the 40 weeks ended November 29, 2003.

During the second quarter of fiscal 2003, we closed the remaining Kohl's stores that had not been sold and recorded exit costs of \$25.1 million relating to future rent vacancy, \$7.2 million in severance charges and \$0.7 million in inventory markdowns. In addition, based upon further information relating to the disposal of these properties held for sale, we recorded additional impairment losses of \$3.7 million during the second quarter of fiscal 2003 to reduce the carrying value of certain of these assets. Such amounts are included in "Income (loss) from operations of discontinued businesses, net of tax" in our Consolidated Statements of Operations for the 40 weeks ended November 29, 2003.

We participate in various multi-employer union pension plans, which are administered jointly by management and union representatives and which sponsor most full-time and certain part-time union employees who are not covered by our other pension plans. The decision to close our Kohl's stores and terminate our participation in these plans triggered our Company's liability for our unfunded vested benefits or other expenses under these jointly administered union/management plans. As a result, we recorded expense for these plans of approximately \$5.5 million for the 40 weeks ended November 29, 2003. In addition, we recorded \$1.0 million in expense relating to withdrawal from Kohl's health and welfare plan during the 40 weeks ended November 29, 2003. Such amounts are included in "Income (loss) from operations of discontinued businesses, net of tax" in our Consolidated Statements of Operations for the 40 weeks ended November 29, 2003.

During the third quarter of fiscal 2003, we completed the sale of our Eight O'Clock Coffee business, generating gross proceeds of \$107.5 million and a gain of \$75.1 million (\$43.6 million after tax). The sale of the coffee business also included a contingent note for up to \$20.0 million, the value and payment of which is based upon certain elements of the future performance of the Eight O'Clock Coffee business and therefore is not included in the gain.

Further, during the third quarter of fiscal 2003, we sold several of the previously closed Kohl's stores generating proceeds of \$10.4 million and a gain of \$6.4 million (\$3.7 million after tax). This gain as well as the gain from the sale of our Eight O'Clock Coffee business are included in "Gain on disposal of discontinued operations, net of tax" on our Consolidated Statements of Operations for the 12 and 40 weeks ended November 29, 2003.

For the remaining Kohl's stores we have been unable to sell, we recorded an additional \$1.9 million relating to future rent vacancy based upon revised information relating to these locations. This amount is included in "Income (loss) from operations of discontinued businesses, net of tax" in our Consolidated Statements of Operations for the 12 and 40 weeks ended November 29, 2003. At November 29, 2003, \$6.3 million of the northern New England and Kohl's exit reserves were included in "Other accruals" and \$22.0 million were included in "Other non-current liabilities" on our Consolidated Balance Sheets.

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We have accounted for all of these separate business components as discontinued operations in accordance with SFAS 144. Amounts in the financial statements and related notes for all periods shown have been reclassified to reflect the discontinued operations. Summarized below are the operating results for the discontinued New England and Kohl's supermarkets and Eight O'Clock Coffee business, which are included in our Consolidated Statements of Operations, under the caption "Income (loss) from operations of discontinued businesses, net of tax".

	12 Weeks Ended		Nov. 29,
	Nov. 29, 2003	Nov. 30, 2002	
Sales	\$ 21,192	\$ 155,700	\$ 2
Operating expenses	(20,700)	(152,023)	(2)
	492	3,677	(
Income (loss) from operations			
(Provision for) benefit from income taxes	(206)	(1,545)	
	286	2,132	\$ (
Income (loss) from operations of discontinued businesses	\$ 286	\$ 2,132	\$ (
	-	3,115	\$
Depreciation and amortization	\$ -	\$ 3,115	\$

3. Valuation of Long Lived Assets and Goodwill

In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). As disclosed previously, goodwill will no longer be amortized but will be subject to impairment tests on an annual basis and whenever events or circumstances occur indicating that the goodwill may be impaired. SFAS 142 was effective for our Company on February 24, 2002. We completed our initial impairment review during the second quarter of fiscal 2002 and concluded a transitional impairment charge from the adoption of the standard was not required.

In accordance with the standard, we selected our fiscal fourth quarter to conduct our annual impairment test for goodwill. However, through the third quarter of fiscal 2003, we experienced operating losses for the past two years for one of our Farmer Jack asset groups, which we believe is a triggering event under SFAS 144 for potential impairment of the asset group's long lived assets. In addition, the triggering event under SFAS 144 also triggered testing Farmer Jack's goodwill for potential impairment under SFAS 142.

To assess Farmer Jack's goodwill for impairment under SFAS 142, we performed an assessment of the carrying value of the reporting unit to determine if the fair value of the reporting unit was below its carrying value. The fair value of the Farmer Jack reporting unit was determined through internal analysis and a

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valuation performed by an independent third party appraiser, primarily using the discounted cash flow approach based on forward looking information regarding revenues and costs of Farmer Jack. This valuation was based on a number of estimates and assumptions, including the projected future operating results of Farmer Jack, discount rate, and long term growth rate. As a result of this review, we determined that the fair value of Farmer Jack was below its carrying value and that the carrying value of the reporting unit goodwill exceeded its implied fair value (defined as the fair value of the reporting unit less the fair value of all assets and liabilities other than goodwill). Further, based upon the analysis, we concluded that Farmer Jack's goodwill was entirely impaired and we recorded an impairment charge of \$27.0 million as a component of operating income in "Store operating, general and administrative expense" in our Consolidated Statements of Operations for the 12 and 40 weeks ended November 29, 2003.

In accordance with SFAS 144, we review the carrying value of our long-lived assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount of assets may not be recoverable. Such review is based upon groups of assets and the undiscounted estimated future cash flows from such assets to determine if the carrying value of these assets is recoverable from their respective cash flows. If such review indicates an impairment exists, we measure such impairment on a discounted basis.

In connection with the goodwill impairment test, we reviewed the carrying value of all of Farmer Jack's long-lived assets for potential impairment under SFAS 144. We estimated Farmer Jack's future cash flows from its long-lived assets based on internal analysis and valuations performed by an independent third party appraiser. For those asset groups for which the carrying value was not recoverable from their future cash flows, we determined the fair value of the related assets based on the same analysis, primarily using the discounted cash flow approach. As a result of this review, we recorded an impairment charge for Farmer Jack's long-lived assets of \$33.1 million, which is recorded as a component of operating income in "Store operating, general and administrative expense" in our Consolidated Statements of Operations for the 12 and 40 weeks ended November 29, 2003.

On a quarterly basis, we also review assets in stores planned for closure or conversion for impairment upon determination that such assets will not be used for their intended useful life. During the 12 and 40 weeks ended November 29, 2003, we recorded additional impairment losses on property, plant and equipment of nil and \$19.4 million, respectively, compared to \$3.9 million and \$14.0 million recorded during the 12 and 40 weeks ended November 30, 2002, respectively. Of these amounts, \$0.5 million of the year to date fiscal 2003 amount presented and all of the fiscal 2002 amounts related to U.S. Retail stores that were or will be closed in the normal course of business and are included in "Store operating, general and administrative expense" in our Consolidated Statements of Operations. The remaining impairment losses we recorded of nil and \$18.9 million during the 12 and 40 weeks ended November 29, 2003, respectively, related to stores closed as a result of our exit of the Kohl's business and are included in our Consolidated Statements of Operations under the caption "Income (loss) from operations of discontinued businesses, net of tax" (see Note 2 of our Consolidated Financial Statements).

Based upon current trends, there may be additional future impairments on long-lived assets, including the potential for impairment of assets that are held and used. In addition, during the fourth quarter of fiscal 2003, the Board of Directors approved a plan to close, sell or convert several of our Farmer Jack stores, which will result in future additional impairments to be recorded during the fourth quarter of fiscal 2003 as these assets are now held for closure, sale or conversion. Refer to Note 12 - Subsequent Events regarding our approved plan for Farmer Jack.

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4. Income Taxes

The income tax provision recorded for the 40 weeks ended November 29, 2003 and November 30, 2002 reflects our estimated expected annual tax rates applied to our respective domestic and foreign financial results.

SFAS No. 109 "Accounting for Income Taxes" ("SFAS 109") requires that a valuation allowance be created and offset against a net deferred tax asset if, based on existing facts and circumstances, it is more likely than not that some portion or all of the deferred tax asset will not be realized. Based upon our continued assessment of the realization of our U.S. net deferred tax asset and our historic cumulative losses, and in particular, the significant increase in U.S. operating losses during the second quarter of fiscal 2002, we concluded that it was appropriate to establish a full valuation allowance for our U.S. net deferred tax asset in the amount of approximately \$133.7 million during the 28 weeks ended September 7, 2002. During the remainder of fiscal 2002, the valuation allowance was increased by an additional \$32.9 million. For the 12 and 40 weeks ended November 29, 2003, the valuation allowance was increased by \$13.5 million and \$49.3 million, respectively. To the extent that our U.S. operations generate taxable income in future periods, we will reverse the income tax valuation allowance. In future periods, U.S. earnings or losses will not be tax effected until such time as the certainty of future tax benefits can be reasonably assured.

Further, in accordance with SFAS 109, income from discontinued operations can be tax effected under certain circumstances. As a result, we taxed the income from discontinued operations at our effective tax rate despite the fact that we have a full valuation allowance as described above. The tax provision for discontinued operations of \$34.4 million and \$44.6 million for the 12 and 40 weeks ended November 29, 2003, respectively, was completely offset by a tax benefit from continuing operations.

We had a net current deferred tax asset which is included in "Prepaid expenses and other current assets" on our Consolidated Balance Sheets totaling \$0.9 million and a net non-current deferred tax liability which is included in "Other non-current liabilities" on our Consolidated Balance Sheets totaling \$13.5 million at November 29, 2003 relating to our Canadian operations.

5. Wholesale Franchise Business

As of November 29, 2003, the Company served 63 franchised stores. These franchisees are required to purchase inventory exclusively from our Company, which acts as a wholesaler to the franchisees. We had sales to these franchised stores of \$187 million and \$165 million for the third quarters of fiscal 2003 and 2002, respectively, and \$615 million and \$547 million for the first 40 weeks of fiscal 2003 and 2002, respectively. In addition, we sublease the stores and lease the equipment in the stores to the franchisees. We also provide merchandising, advertising, accounting and other consultative services to the franchisees for which we receive a fee, which primarily represents the reimbursement of costs incurred to provide such services.

We hold as assets inventory notes collateralized by the inventory in the stores and equipment lease receivables collateralized by the equipment in the stores. The current portion of the inventory notes and equipment leases, net of an allowance for doubtful accounts, amounts to approximately \$0.4 million and \$3.6 million, are included in "Accounts receivable" on our Consolidated Balance Sheets at November 29, 2003 and February 22, 2003, respectively. The long-term portion of the inventory notes and equipment leases amounting to approximately \$42.2 million and \$41.1 million are included in "Other assets" on our Consolidated Balance Sheets at November 29, 2003 and February 22, 2003,

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respectively.

The repayment of the inventory notes and equipment leases are dependent upon positive operating results of the stores. To the extent that the franchisees incur operating losses, we establish an allowance for doubtful accounts. We continually assess the sufficiency of the allowance on a store by store basis based upon the operating results and the related collateral underlying the amounts due from the franchisees. In the event of default by a franchisee, we reserve the option to reacquire the inventory and equipment at the store and operate the franchise as a corporate owned store.

Refer to Note 6 - Impact of New Accounting Pronouncements regarding our Company's analysis of our franchisees to determine if they are variable interest entities in accordance with FASB Interpretation No. 46, Consolidation of Variable Interest Entities, an interpretation of ARB No. 51 ("FIN 46") and the revised version of FIN 46 ("FIN 46-R").

Refer to Note 11 - Commitments and Contingencies regarding our pending class action lawsuit relating to our Canadian franchise business.

6. Impact of New Accounting Pronouncements

In April 2002, the FASB issued SFAS 145, "Rescission of FASB Statements 4, 44 and 64, Amendment of FASB Statement 13, and Technical Corrections". SFAS 145 rescinds the provisions of SFAS 4 that requires companies to classify certain gains and losses from debt extinguishments as extraordinary items, eliminates the provisions of SFAS 44 regarding transition to the Motor Carrier Act of 1980 and amends the provisions of SFAS 13 to require that certain lease modifications be treated as sale leaseback transactions. The provisions of SFAS 145 related to classification of debt extinguishment are effective for fiscal years beginning after May 15, 2002. In current and future periods, we have and will classify debt extinguishment costs within income from operations and reclassify previously reported debt extinguishments as such. The provisions of SFAS 145 related to lease modifications are effective for transactions occurring after May 15, 2002. The provisions of SFAS 145 related to lease modifications did not have a material impact on our financial position or results of operations.

In January 2003 and December 2003, the FASB issued FIN 46 and FIN 46-R, respectively. FIN 46 and FIN 46-R address the consolidation of entities whose equity holders have either (a) not provided sufficient equity at risk to allow the entity to finance its own activities or (b) do not possess certain characteristics of a controlling financial interest. FIN 46 and FIN 46-R require the consolidation of these entities, known as variable interest entities ("VIE's"), by the primary beneficiary of the entity. The primary beneficiary is the entity, if any, that is subject to a majority of the risk of loss from the VIE's activities, entitled to receive a majority of the VIE's residual returns, or both. FIN 46 and FIN 46-R apply immediately to variable interests in VIE's created or obtained after January 31, 2003. For variable interests in a VIE created before February 1, 2003, FIN 46 and FIN 46-R apply to VIE's no later than the end of the first reporting period ending after March 15, 2004 (the quarter ending June 19, 2004 for our Company). The Interpretations require certain disclosures in financial statements issued after January 31, 2003, if it is reasonably possible that our Company will consolidate or disclose information about variable interest entities when the Interpretation becomes effective.

As discussed further in Note 5, our Company served 63 franchised stores as of November 29, 2003. These franchisees are required to purchase inventory exclusively from our Company, which acts as a wholesaler to the franchisees. Our exposure to loss as a result of our involvement with these franchisees includes our operating income generated from our wholesale segment as detailed in Note 9 "Operating Segments" and our equipment leases and inventory notes, which totaled

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\$42.6 million at November 29, 2003. We are currently in the process of analyzing the franchisee relationships in accordance with FIN 46 and FIN 46-R to determine if any or all are VIE's. We believe it is reasonably possible that these franchisees are VIE's, that we are the primary beneficiary, and thus, would be required to consolidate these VIE's, as it is currently structured, upon FIN 46 and FIN 46-R becoming effective for our Company.

In April 2003, the FASB issued SFAS 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" ("SFAS 149"). SFAS 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS 133. The new guidance amends SFAS 133 for decisions made: (a) as part of the Derivatives Implementation Group process that effectively required amendments to SFAS 133, (b) in connection with other Board projects dealing with financial instruments, and (c) regarding implementation issues raised in relation to the application of the definition of a derivative, particularly regarding the meaning of an "underlying" and the characteristics of a derivative that contains financing components. The amendments set forth in SFAS 149 improve financial reporting by requiring that contracts with comparable characteristics be accounted for similarly. SFAS 149 is generally effective for contracts entered into or modified after June 30, 2003 (with a few exceptions) and for hedging relationships designated after June 30, 2003. The guidance is to be applied prospectively. The provisions of SFAS 149 did not have a material impact on our financial position or results of operations.

In May 2003, the FASB issued SFAS 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" ("SFAS 150"). SFAS 150 establishes standards for classification and measurement in the balance sheets for certain financial instruments which possess characteristics of both a liability and equity. Generally, it requires classification of such financial instruments as a liability. SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003. For financial instruments in existence prior to May 31, 2003, SFAS 150 is effective for fiscal periods beginning after June 15, 2003 (i.e., our third quarter of fiscal 2003). The adoption of SFAS 150 did not have a material impact on our financial statements.

7. Asset Disposition Initiative

In fiscal 1998 and 1999, we announced a plan to close two warehouse facilities and a coffee plant in the U.S., a bakery plant in Canada and 166 stores including the exit of the Richmond, Virginia and Atlanta, Georgia markets. In addition, during the third quarter of fiscal 2001, we announced that certain underperforming operations, including 39 stores (30 in the United States and 9 in Canada) and 3 warehouses would be closed and/or sold, and certain administrative streamlining would take place.

As of November 29, 2003, we had closed all of the above stores and facilities. The following table summarizes the activity related to the charges recorded for the aforementioned initiatives since the beginning of fiscal 2002:

	Occupancy	Severance and Benefits	Fixed Assets	
Balance at February 23, 2002	\$ 143,700	\$ 22,137	\$ -	\$

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Addition (1)	7,249	3,544	-	
Utilization (2)	(34,003)	(19,830)	776	
Adjustments (3)	(13,825)	889	(776)	
	-----	-----	-----	-----
Balance at				
February 22, 2003	\$ 103,121	\$ 6,740	\$ -	\$ -
Addition (1)	4,307	-	-	
Utilization (2)	(22,323)	(3,404)	-	
Adjustments (3)	(5,777)	1,499	-	
	-----	-----	-----	-----
Balance at				
November 29, 2003	\$ 79,328	\$ 4,835	\$ -	\$ -
	=====	=====	=====	=====

- (1) The additions to occupancy represent the present value of accrued interest related to lease obligations. The addition to severance during fiscal 2002 related to retention and productivity incentives that were accrued as earned.
- (2) Occupancy utilization represents vacancy related payments for closed locations. Severance utilization represents payments made to terminated employees during the period.
- (3) At each balance sheet date, we assess the adequacy of the balance to determine if any adjustments are required as a result of changes in circumstances and/or estimates. During fiscal 2003, we recorded net adjustments of \$4.3 million primarily related to reversals of previously accrued vacancy related costs due to favorable results of terminating and subleasing certain locations. During fiscal 2002, we recorded net adjustments of \$13.7 million primarily related to reversals of previously accrued vacancy related costs due to the following:
 - o Favorable results of assigning leases at certain locations of \$7.2 million;
 - o The decision to continue to operate one of the stores previously identified for closure due to changes in the competitive environment in the market in which that store is located of \$3.3 million; and
 - o The decision to proceed with development at a site that we had chosen to abandon at the time of the original charge due to changes in the competitive environment in the market in which that site is located of \$3.3 million.

As of November 29, 2003, we had paid approximately \$55 million of the total original severance and benefits charge recorded, which resulted from the termination of approximately 4,500 employees. The remaining severance liability primarily relates to future obligations for early withdrawal from multi-employer union pension plans, and individual severance payments which will be paid by the end of fiscal 2005.

At November 29, 2003, approximately \$13.5 million of the liability was included in "Other accruals" and the remaining amount was included in "Other non-current liabilities" on our Consolidated Balance Sheets.

Included in our Consolidated Statements of Operations for the 12 and 40 weeks ended November 29, 2003 and November 30, 2002 are the sales and operating results of the aforementioned stores while they were open during the periods

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presented. The results of these operations are as follows:

	12 Weeks Ended		40 Weeks Ended	
	Nov. 29, 2003	Nov. 30, 2002	Nov. 29, 2003	Nov. 30, 2002
Sales	\$ -	\$ 2,491	\$ 316	\$ 2,491
Operating loss	\$ -	\$ 70	\$ (72)	\$ (72)

Based upon current available information, we evaluated the liability balance as of November 29, 2003 of \$84 million and have concluded that it is adequate. We will continue to monitor the status of the vacant properties and adjustments to the reserve balance may be recorded in the future, if necessary.

8. Stock Based Compensation

We apply the intrinsic value-based method of accounting prescribed by Accounting Principles Board Opinion No. 25 "Accounting for Stock Issued to Employees" ("APB 25") with pro forma disclosure of compensation expense, net income or loss and earnings per share as if the fair value based method prescribed by SFAS 123, "Accounting for Stock-Based Compensation" ("SFAS 123") and SFAS 148, "Accounting for Stock-Based Compensation - Transition and Disclosure" ("SFAS 148") had been applied.

Had compensation cost for our stock options been determined based on the fair value at the grant dates for awards under those plans consistent with the fair value methods prescribed by SFAS 123 and SFAS 148, our net loss and net loss per share would have been increased to the pro forma amounts indicated below:

	12 Weeks Ended		
	Nov. 29, 2003	Nov. 30, 2002	Nov. 29, 2003
Net loss, as reported:	\$ (25,102)	\$ (29,732)	\$ (88,000)
Deduct/(Add): Stock-based employee compensation income included in reported net income, net of related tax effects	-	-	-

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Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(1,373)	(2,016)	(4,
	-----	-----	-----
Pro forma net loss	\$ (26,475)	\$ (31,748)	\$ (93,
	=====	=====	=====
Net loss per share - basic and diluted:			
As reported	\$ (0.65)	\$ (0.77)	\$ (2
Pro forma	\$ (0.69)	\$ (0.82)	\$ (2

The pro forma effect on net loss and net loss per share may not be representative of the pro forma effect in future years because it includes compensation cost on a straight-line basis over the vesting periods of the grants.

The fair value of the option grants was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	12 Weeks Ended		
	Nov. 29, 2003	Nov. 30, 2002	Nov. 29, 2003
	-----	-----	-----
Expected life	7 years	7 years	7 years
Volatility	52%	47%	50%
Risk-free interest rate range	3.68%-4.00%	3.33%-3.88%	2.71%-4.

9. Operating Segments

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Our chief operating decision maker is our Chairman of the Board, President and Chief Executive Officer.

We currently operate in three reportable segments: United States Retail, Canada Retail and Canada Wholesale. The retail segments are comprised of retail supermarkets in the United States and Canada, while the wholesale segment is comprised of our Canadian operation that serves as the exclusive wholesaler to our franchised stores and serves as wholesaler to certain third party retailers.

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The accounting policies for the segments are the same as those described in the summary of significant accounting policies included in our Fiscal 2002 Annual Report. We measure segment performance based upon income (loss) from operations.

Interim information on segments is as follows:

(Dollars in thousands)	12 Weeks Ended		
	November 29, 2003	November 30, 2002	November 2 2003
Sales			
U.S. Retail	\$ 1,709,820	\$ 1,689,534	\$ 5,703
Canada Retail	568,236	455,971	1,794
Canada Wholesale	187,239	165,270	615
Total Company	\$ 2,465,295	\$ 2,310,775	\$ 8,112
Depreciation and amortization			
U.S. Retail	\$ 51,078	\$ 49,297	\$ 170
Canada Retail	12,305	8,719	38
Canada Wholesale	-	-	-
Total Company	\$ 63,383	\$ 58,016	\$ 209
(Loss) income from operations			
U.S. Retail	\$ (96,124)	\$ (20,668)	\$ (165)
Canada Retail	5,755	3,054	27
Canada Wholesale	5,937	6,334	20
Total Company	\$ (84,432)	\$ (11,280)	\$ (117)
(Loss) income from continuing operations before income taxes			
U.S. Retail	\$ (112,890)	\$ (38,692)	\$ (220)
Canada Retail	5,457	2,385	25
Canada Wholesale	6,002	6,442	21
Total Company	\$ (101,431)	\$ (29,865)	\$ (173)
Capital expenditures			
U.S. Retail	\$ 17,987	\$ 33,802	\$ 64
Canada Retail	15,273	14,457	44
Canada Wholesale	-	-	-
Total Company	\$ 33,260	\$ 48,259	\$ 109

November 2
2003

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Total assets	
U.S. Retail	\$ 1,947
Canada Retail	744
Canada Wholesale	86

Total Company	\$ 2,778
	=====

10. North American Power Outage

In August 2003, a major power outage affected our Northeast, Michigan and Canadian operations. We maintain insurance coverage which provides for reimbursement for product loss as well as incremental costs incurred as a result of this blackout. Therefore, our fiscal 2003 results were not materially affected by the power outage.

11. Commitments and Contingencies

In May 1999, four present and former employees of The Food Emporium filed suit against our Company in federal court in New York for unpaid wages and overtime. In April 2000, the judge certified the case as a class action status for this case covering approximately 82 stores in 9 counties in the New York metropolitan area. Approximately 840 current and former full and part-time employees of The Food Emporium and A&P opted into the class. In April 2003, the Company filed a Motion to Decertify the Collective Action under the Fair Labor Standards Act.

In April 2002, three Canadian Food Basics franchisees commenced a breach of contract action in a Canadian court against The Great Atlantic & Pacific Company of Canada, Limited ("A&P Canada") as representative plaintiffs for a purported class of approximately 70 current and former Canadian Food Basics franchisees. The lawsuit seeks unspecified damages in connection with A&P Canada's alleged failure to distribute to the franchisees the full amount of vendor allowances and/or rebates to which the franchisees claim they are entitled under the operative franchise agreements. A&P Canada disputes the plaintiff-franchisees' claim and has filed a counterclaim seeking to recover subsidies made by it to the plaintiffs. The lawsuit was certified as a class action in December 2002. The majority of the potential class members have opted out of this class proceeding. A&P Canada has obtained leave to appeal the class certification order. The appeal hearing took place on June 26, 2003 and June 27, 2003. The appeal court has not yet rendered its decision.

On June 5, 2002, a purported securities class action Complaint was filed in the United States District Court for the District of New Jersey against our Company and certain of our officers and directors in an action captioned Brody v. The Great Atlantic & Pacific Tea Co., Inc., No. 02 CV 2674 (FSH). The Brody lawsuit and four subsequently-filed related lawsuits were consolidated into a single lawsuit captioned In re The Great Atlantic & Pacific Tea Company, Inc. Securities Litigation, No. 02 CV 2674 (FSH) (the "Class Action Lawsuit"). On December 2, 2002, plaintiffs filed their Consolidated Amended Class Action Complaint (the "Complaint"), which alleged claims under Sections 10(b) (and Rule 10b-5 promulgated thereunder) and 20(a) of the Securities Exchange Act of 1934 arising out of our Company's July 5, 2002 filing of restated financial statements for fiscal 1999, fiscal 2000 and the first three quarters of fiscal 2001. The Complaint in the Class Action Lawsuit sought unspecified money damages, costs and expenses. On January 17, 2003, defendants filed a motion seeking to dismiss the Complaint. That motion was fully briefed on March 28,

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2003. By Opinion & Order entered on September 18, 2003, the District Court dismissed plaintiffs' Complaint without prejudice. On October 13, 2003, after having declined to file a Second Amended Complaint, plaintiffs filed a Notice of Appeal advising that they are appealing to the United States Court of Appeals for the Third Circuit from the District Court's September 18, 2003 Opinion & Order. Plaintiffs filed their opening appellate brief on January 5, 2004. It is currently anticipated that the appeal will be fully briefed by February 18, 2004.

We are subject to various other legal proceedings and claims, either asserted or unasserted, which arise in the ordinary course of business. We are also subject to certain environmental claims. While the outcome of these claims cannot be predicted with certainty, Management does not believe that the outcome of any of these legal matters will have a material adverse effect on our consolidated results of operations, financial position or cash flows.

12. Subsequent Events

In December 2003, our Board of Directors approved a plan to close, sell or convert several of our Farmer Jack stores located in the Detroit, Michigan and Toledo, Ohio markets. The total charge related to this restructuring is not presently expected to exceed \$75 million and is expected to be recorded during the fourth quarter of fiscal 2003 and the first quarter of fiscal 2004. Although we tested all of our Farmer Jack stores for impairment under SFAS 144 during the third quarter of fiscal 2003, there may be additional future impairments for the stores currently held for closure, sale or conversion.

ITEM 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations

INTRODUCTION

This Management's Discussion and Analysis describes matters considered by Management to be significant to understanding the financial position, results of operations and liquidity of our Company, including a discussion of the results of operations as well as liquidity and capital resources. These items are presented as follows:

- o Basis of Presentation -- a discussion of our Company's fiscal interim reporting periods.
- o Results of Continuing Operations and Liquidity and Capital Resources -- a discussion of the following:
 - Results for the 12 weeks ended November 29, 2003 compared to the 12 weeks ended November 30, 2002;
 - Results for the 40 weeks ended November 29, 2003 compared to the 40 weeks ended November 30, 2002;
 - The Company's Asset Disposition Initiative; and
 - Current and expected future liquidity.
- o Critical Accounting Estimates -- a discussion of significant estimates made by Management.

BASIS OF PRESENTATION

The accompanying consolidated financial statements of The Great Atlantic & Pacific Tea Company, Inc. ("We," "Our," "Us" or "Our Company") for the 12 and 40 weeks ended November 29, 2003 and November 30, 2002 are unaudited and, in the opinion of management, contain all adjustments that are of a normal and recurring nature necessary to present fairly the financial position and results

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of operations for such periods. The consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes contained in our Fiscal 2002 Annual Report on Form 10-K. Interim results are not necessarily indicative of results for a full year.

The consolidated financial statements include the accounts of our Company and all majority-owned subsidiaries.

RESULTS OF CONTINUING OPERATIONS AND LIQUIDITY AND CAPITAL RESOURCES

Our consolidated financial information presents the income related to our operations of discontinued businesses separate from the results of our continuing operations. The discussion and analysis that follows focus on continuing operations.

12 WEEKS ENDED NOVEMBER 29, 2003 COMPARED TO THE 12 WEEKS ENDED NOVEMBER 30, 2002

OVERALL

Sales for the third quarter of fiscal 2003 were \$2.5 billion, compared with \$2.3 billion in the third quarter of fiscal 2002; comparable store sales, which includes stores that have been in operation for two full fiscal years and replacement stores, increased 1.2%. Net loss per share - basic and diluted for the third quarter of fiscal 2003 was \$0.65 compared to \$0.77 for the third quarter of fiscal 2002.

SALES

Sales for the third quarter of fiscal 2003 of \$2,465 million increased \$154 million or 6.7% from sales of \$2,311 million for the third quarter of fiscal 2002. The higher sales were due to an increase in retail sales of \$132 million and an increase in wholesale sales of \$22 million. The increase in retail sales was attributable to the opening of 26 new stores since the beginning of the third quarter of fiscal 2002, of which 14 were opened in fiscal 2003, increasing sales by \$32 million, the favorable effect of the Canadian exchange rate, which increased sales by \$89 million, and the increase in comparable store sales for the third quarter of fiscal 2003 of 1.2% (up 1.1% in the U.S. and up 1.7% in Canada) when compared to the third quarter of fiscal 2002. These increases were partially offset by the closure of 56 stores since the beginning of the third quarter of fiscal 2002, of which 45 were sold or closed in fiscal 2003, which decreased sales by \$19 million. The increase in wholesale sales was attributable to the favorable effect of the Canadian exchange rate of \$29 million partially offset by lower sales volume of \$7 million.

Sales in the U.S. for the third quarter of fiscal 2003 increased by \$20 million or 1.2% compared to the third quarter of fiscal 2002. Sales in Canada for the third quarter of fiscal 2003 increased by \$134 million or 21.6% from the third quarter of fiscal 2002.

Average weekly sales per supermarket were approximately \$306,100 for the third quarter of fiscal 2003 versus \$290,500 for the corresponding period of the prior year, an increase of 5.4%. This increase was primarily due to the increase in the Canadian exchange rate and higher comparable store sales.

GROSS MARGIN

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Gross margin as a percentage of sales decreased 126 basis points to 26.61% for the third quarter of fiscal 2003 from 27.87% for the third quarter of fiscal 2002. This 126 basis point decrease was caused primarily by continued competitive pressures to drive sales volume and protect market share in the current market. The gross margin dollar increase of \$12 million resulted from the increases in sales volume and the favorable Canadian exchange rate partially offset by a decrease in the gross margin rate. The U.S. operations gross margin decrease of \$15 million resulted from decreases of \$21 million due to the lower gross margin rate partially offset by \$6 million due to higher sales volume. The Canadian operations gross margin increase of \$27 million resulted from increases of \$3 million due to higher sales volume and \$25 million from fluctuations in the Canadian exchange rate partially offset by a decrease of \$1 million due to a lower gross margin rate.

Included in gross margin for the third quarter of fiscal 2002 were costs related to our asset disposition initiative of \$0.3 million, which were incurred to mark down inventory in stores announced for closure. There were no such costs recorded in the third quarter of fiscal year 2003.

STORE OPERATING, GENERAL AND ADMINISTRATIVE EXPENSE

Store operating, general and administrative expense ("SG&A") was \$740 million for the third quarter of fiscal 2003 compared to \$655 million for the third quarter of fiscal 2002. As a percentage of sales, SG&A was 30.04% for the third quarter of fiscal 2003 compared to 28.36% for the third quarter of fiscal 2002. Included in SG&A for the third quarter of fiscal 2003 was \$60.1 million relating to our Farmer Jack goodwill and long-lived assets impairments as described in Note 3 of our Consolidated Financial Statements. Excluding this charge, SG&A as a percentage of sales for the third quarter of fiscal 2003 would have decreased.

The major items impacting this decrease in SG&A as a percentage of sales include:

- o Higher mix of sales in Canada which has a lower SG&A rate due to the increase in the Canadian exchange rate;
- o Lower store occupancy expense;
- o Lower closed store expenses for stores closed during the normal course of business; and
- o Lower costs related to our business process initiative.

These decreases were partially offset by increased labor costs as a percentage of sales in the U.S.

Included in SG&A for the third quarter of fiscal 2003 were net gains of \$0.1 million primarily relating to our asset disposition initiative partially offset by New England integration costs. In addition, included in SG&A for the third quarter of fiscal 2002 were net gains of \$11.4 million relating to our asset disposition initiative as described in Note 2 of our Consolidated Financial Statements included in our Fiscal 2002 Annual Report to Stockholders.

Also included in SG&A for fiscal 2002 were \$13.9 million relating to our business process initiative. Such costs primarily included professional consulting fees and salaries, including related benefits, of employees working full-time on the initiative.

We also review individual assets in stores planned for closure or conversion for impairment upon determination that such assets will not be used for their intended useful life. During the third quarter of fiscal 2003 and 2002, we recorded impairment losses on property, plant and equipment of nil and \$3.9 million, respectively, related to U.S. Retail stores that were or will be closed

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in the normal course of business. This amount was included in SG&A in our Consolidated Statements of Operations. Based upon current trends, there may be additional future impairments on long lived assets, including the potential for impairment of assets that are held and used.

INTEREST EXPENSE

Interest expense of \$18 million for the third quarter of fiscal 2003 decreased from the prior year amount of \$20 million due primarily to lower interest expense resulting from our open market repurchase of \$51 million of our 7.75% Senior Notes due April 15, 2007 and \$45 million of our 9.125% Senior Notes due December 15, 2011, during fiscal 2002.

INCOME TAXES

The benefit from income taxes from continuing operations for the third quarter of fiscal 2003 was \$29 million (a \$33 million benefit from our U.S. operations and a \$4 million provision for our Canadian operations) compared to \$2 million provision for income taxes for the third quarter of fiscal 2002 (a \$1.5 million benefit from our U.S. operations and a \$3.5 million provision for our Canadian operations). \$34 million of our U.S. tax benefit from continuing operations was offset by a tax provision provided on discontinued operations in accordance with Statement of Financial Accounting Standards 109, "Accounting for Income Taxes".

INCOME FROM OPERATIONS OF DISCONTINUED BUSINESSES, NET OF TAX

Beginning in the fourth quarter of fiscal 2002 and in the early part of the first quarter of fiscal 2003, we decided to sell our operations located in Northern New England and Wisconsin, as well as our Eight O'Clock Coffee business. These asset sales are now complete.

Income from operations of discontinued businesses, net of tax for the third quarter of fiscal 2003 was \$0.3 million as compared to \$2.1 million for the third quarter of fiscal 2002. During the 12 weeks ended November 29, 2003, we recorded the following items related to discontinued operations:

- o future rent vacancy charges of \$1.9 million; and
- o inventory markdowns of \$0.5 million.

The remaining amounts for each period represent the operating results of the stores in these locations as well as results from our Eight O'Clock Coffee business during the third quarter of fiscal 2003.

40 WEEKS ENDED NOVEMBER 29, 2003 COMPARED TO THE 40 WEEKS ENDED NOVEMBER 30, 2002

OVERALL

Sales for the 40 weeks ended November 29, 2003 were \$8.1 billion, compared with \$7.7 billion in the 40 weeks ended November 30, 2002; comparable store sales, which includes stores that have been in operation for two full fiscal years and replacement stores, increased 0.7%. Net loss per share - basic and diluted for the 40 weeks ended November 29, 2003 was \$2.30 compared to \$4.48 for the 40 weeks ended November 30, 2002.

SALES

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Sales for the 40 weeks ended November 29, 2003 of \$8,113 million increased \$381 million or 4.9% from sales of \$7,732 million for the 40 weeks ended November 30, 2002. The higher sales were due to an increase in retail sales of \$312 million and an increase in wholesale sales of \$69 million. The increase in retail sales was attributable to the opening of 45 new stores since the beginning of fiscal 2002, of which 14 were opened in fiscal 2003, increasing sales by \$131 million, the favorable effect of the Canadian exchange rate, which increased sales by \$210 million, and the increase in comparable store sales for the 40 weeks ended November 29, 2003 of 0.7% (up 0.3% in the U.S. and up 1.8% in Canada) when compared to the 40 weeks ended November 30, 2002. This increase was partially offset by the closure of 87 stores since the beginning of fiscal 2002, of which 45 were sold or closed in fiscal 2003, which decreased sales by \$75 million. The increase in wholesale sales was attributable to the favorable effect of the Canadian exchange rate of \$72 million partially offset by lower sales volume of \$3 million.

Sales in the U.S. for the 40 weeks ended November 29, 2003 decreased by \$1 million or 0.02% compared to the 40 weeks ended November 30, 2002. Sales in Canada for the 40 weeks ended November 29, 2003 increased by \$382 million or 18.9% from the 40 weeks ended November 30, 2002.

Average weekly sales per supermarket were approximately \$302,400 for the 40 weeks ended November 29, 2003 versus \$292,300 for the corresponding period of the prior year, an increase of 3.5%. This increase was primarily due to the increase in the Canadian exchange rate and higher comparable store sales.

GROSS MARGIN

Gross margin as a percentage of sales decreased 121 basis points to 27.05% for the 40 weeks ended November 29, 2003 from 28.26% for the 40 weeks ended November 30, 2002. This 121 basis point decrease was caused primarily by continued competitive pressures to drive sales volume and protect market share in the current market. The gross margin dollar increase of \$9 million resulted from the increases in sales volume and the favorable Canadian exchange rate partially offset by a decrease in the gross margin rate. The U.S. operations gross margin decrease of \$50 million resulted from decreases of \$0.5 million due to lower sales volume and \$49.5 million due to a lower gross margin rate. The Canadian operations gross margin increase of \$59 million resulted from increases of \$22 million due to higher sales volume and \$58 million from fluctuations in the Canadian exchange rate partially offset by a decrease of \$21 million due to a lower gross margin rate.

Included in gross margin for the 40 weeks ended November 29, 2002 were costs related to our asset disposition initiative of \$1.2 million, which were incurred to mark down inventory in stores announced for closure. There were no such costs recorded in the 40 weeks ended November 29, 2003.

STORE OPERATING, GENERAL AND ADMINISTRATIVE EXPENSE

Store operating, general and administrative expense ("SG&A") was \$2,312 million for the 40 weeks ended November 29, 2003 compared to \$2,179 million for the 40 weeks ended November 30, 2002. As a percentage of sales, SG&A was 28.50% for the 40 weeks ended November 29, 2003 compared to 28.18% for the 40 weeks ended November 30, 2002.

Included in SG&A for the 40 weeks ended November 29, 2003 was \$60.1 million relating to our Farmer Jack goodwill and long-lived asset impairments as described in Note 3 of our Consolidated Financial Statements. Excluding this charge, SG&A as a percentage of sales for the 40 weeks ended November 29, 2003

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would have decreased.

The major items impacting this decrease in SG&A as a percentage of sales include:

- o Higher mix of sales in Canada which has a lower SG&A rate due to the increase in the Canadian exchange rate;
- o Lower costs related to our business process initiative; and
- o Lower severance and employee buy-out costs in the U.S.

These decreases were partially offset by increased labor costs as a percentage of sales in the U.S.

Included in SG&A for the 40 weeks ended November 29, 2003 were net gains of \$5.3 million primarily relating to our asset disposition initiative partially offset by New England integration costs. In addition, included in SG&A for the 40 weeks ended November 30, 2002 were net costs of \$4.1 million relating to our asset disposition initiative as described in Note 2 of our Consolidated Financial Statements included in our Fiscal 2002 Annual Report to Stockholders, a loss of \$0.7 million relating to the early extinguishment of \$38 million of our 7.75% Notes due April 15, 2007 as described in Note 6 of our Consolidated Financial Statements included in our Fiscal 2002 Annual Report to Stockholders, and a gain of \$1.7 million related to the sale of securities received as part of the demutualization of The Prudential Insurance Company as described in Note 15 of our Consolidated Financial Statements included in our Fiscal 2002 Annual Report to Stockholders.

Also included in SG&A for the 40 weeks ended November 30, 2002 were \$49.0 million relating to our business process initiative. Such costs primarily included professional consulting fees and salaries, including related benefits, of employees working full-time on the initiative.

We also review individual assets in stores planned for closure or conversion for impairment upon determination that such assets will not be used for their intended useful life. During the 40 weeks ended November 29, 2003 and November 30, 2002, we recorded impairment losses on property, plant and equipment of \$0.5 million and \$14.0 million, respectively, related to U.S. Retail stores that were or will be closed in the normal course of business. This amount was included in SG&A in our Consolidated Statements of Operations. Based upon current trends, there may be additional future impairments on long lived assets, including the potential for impairment of assets that are held and used.

INTEREST EXPENSE

Interest expense of \$61 million for the 40 weeks ended November 29, 2003 decreased from the prior year amount of \$66 million due primarily to lower interest expense resulting from our open market repurchase of \$51 million of our 7.75% Senior Notes due April 15, 2007 and \$45 million of our 9.125% Senior Notes due December 15, 2011, during fiscal 2002.

INCOME TAXES

The benefit from income taxes from continuing operations for the 40 weeks ended November 29, 2003 was \$24 million (a \$41 million benefit from our U.S. operations and a \$17 million provision for our Canadian operations) compared to \$125 million provision for income taxes for the 40 weeks ended November 30, 2002 (a \$105 million provision for our U.S. operations and a \$20 million provision for our Canadian operations). Our U.S. tax benefit from continuing operations was offset by a tax provision provided on discontinued operations in accordance with Statement of Financial Accounting Standards 109, "Accounting for Income

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Taxes".

(LOSS) INCOME FROM OPERATIONS OF DISCONTINUED BUSINESSES, NET OF TAX

Beginning in the fourth quarter of fiscal year 2002 and in the early part of the first quarter of fiscal 2003, we decided to sell our operations located in Northern New England and Wisconsin, as well as our Eight O'Clock Coffee business. These asset sales are now complete.

Loss from operations of discontinued businesses, net of tax for the 40 weeks ended November 29, 2003 was \$33 million as compared to income from operations of discontinued businesses, net of tax of \$5.8 million for the 40 weeks ended November 30, 2002. During the 40 weeks ended November 29, 2003, we recorded the following items related to these discontinued businesses:

- o impairment losses on the property, plant and equipment relating to these operations of \$18.9 million;
- o pension expense relating to early withdrawal from various multi-employer union pension plans we participate in of \$6.5 million;
- o future rent vacancy charges of \$26.9 million;
- o severance charges of \$7.2 million; and
- o inventory markdowns of \$1.2 million.

The remaining amounts for each period represent the operating results of the stores in these locations as well as results from our Eight O'Clock Coffee business.

ASSET DISPOSITION INITIATIVE

In fiscal 1998 and 1999, we announced a plan to close two warehouse facilities and a coffee plant in the U.S., a bakery plant in Canada and 166 stores including the exit of the Richmond, Virginia and Atlanta, Georgia markets. In addition, during the third quarter of fiscal 2001, we announced that certain underperforming operations, including 39 stores (30 in the United States and 9 in Canada) and 3 warehouses would be closed and/or sold, and certain administrative streamlining would take place.

As of November 29, 2003, we had closed all of the above stores and facilities. The following table summarizes the activity related to the charges recorded for the aforementioned initiatives since the beginning of fiscal 2002:

	Occupancy	Severance and Benefits	Fixed Assets	
Balance at				
February 23, 2002	\$ 143,700	\$ 22,137	\$ -	\$ -
Addition (1)	7,249	3,544	-	-
Utilization (2)	(34,003)	(19,830)	776	-
Adjustments (3)	(13,825)	889	(776)	-
Balance at				
February 22, 2003	\$ 103,121	\$ 6,740	\$ -	\$ -
Addition (1)	4,307	-	-	-
Utilization (2)	(22,323)	(3,404)	-	-

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Adjustments (3)	(5,777)	1,499	-	
	-----	-----	-----	-----
Balance at				
November 29, 2003	\$ 79,328	\$ 4,835	\$ -	\$ -
	=====	=====	=====	=====

- (1) The additions to occupancy represent the present value of accrued interest related to lease obligations. The addition to severance during fiscal 2002 related to retention and productivity incentives that were accrued as earned.
- (2) Occupancy utilization represents vacancy related payments for closed locations. Severance utilization represents payments made to terminated employees during the period.
- (3) At each balance sheet date, we assess the adequacy of the balance to determine if any adjustments are required as a result of changes in circumstances and/or estimates. During fiscal 2003, we recorded net adjustments of \$4.3 million primarily related to reversals of previously accrued vacancy related costs due to favorable results of terminating and subleasing certain locations. During fiscal 2002, we recorded net adjustments of \$13.7 million primarily related to reversals of previously accrued vacancy related costs due to the following:
 - o Favorable results of assigning leases at certain locations of \$7.2 million;
 - o The decision to continue to operate one of the stores previously identified for closure due to changes in the competitive environment in the market in which that store is located of \$3.3 million; and
 - o The decision to proceed with development at a site that we had chosen to abandon at the time of the original charge due to changes in the competitive environment in the market in which that site is located of \$3.3 million.

As of November 29, 2003, we had paid approximately \$55 million of the total original severance and benefits charge recorded, which resulted from the termination of approximately 4,500 employees. The remaining severance liability primarily relates to future obligations for early withdrawal from multi-employer union pension plans, and individual severance payments which will be paid by the end of fiscal 2005.

At November 29, 2003, approximately \$13.5 million of the liability was included in "Other accruals" and the remaining amount was included in "Other non-current liabilities" on our Consolidated Balance Sheets.

Included in our Consolidated Statements of Operations for the 12 and 40 weeks ended November 29, 2003 and November 30, 2002 are the sales and operating results of the aforementioned stores while they were open during the periods presented. The results of these operations are as follows:

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	12 Weeks Ended		40 Weeks Ended	
	Nov. 29, 2003	Nov. 30, 2002	Nov. 29, 2003	No
Sales	\$ -	\$ 2,491	\$ 316	\$
Operating loss	\$ -	\$ 70	\$ (72)	\$

Based upon current available information, we evaluated the liability balance as of November 29, 2003 of \$84 million and have concluded that it is adequate. We will continue to monitor the status of the vacant properties and adjustments to the reserve balance may be recorded in the future, if necessary.

LIQUIDITY AND CAPITAL RESOURCES

We had negative working capital of \$42 million at November 29, 2003 compared to positive working capital of \$9 million at February 22, 2003. We had cash and cash equivalents aggregating \$216 million at November 29, 2003 compared to \$199 million at the end of fiscal 2002. The decrease in working capital was attributable primarily to the following:

- o A decrease in accounts receivable due to timing of receipts;
- o A decrease in prepaid expenses and other current assets mainly due to the sale of assets held for sale;
- o An increase in accounts payable (inclusive of book overdrafts); and
- o An increase in other accruals.

Partially offset by the following:

- o An increase in cash and cash equivalents as detailed in the Consolidated Statements of Cash Flows;
- o An increase in inventories primarily relating to seasonality.

At November 29, 2003, we had a \$425 million secured revolving credit agreement (as amended, the "Secured Credit Agreement") with a syndicate of lenders enabling us to borrow funds on a revolving basis sufficient to refinance short-term borrowings and provide working capital as needed. On December 4, 2003, subsequent to the close of our third quarter of fiscal 2003, we amended and restated our Secured Credit Agreement (the "Amended and Restated Credit Agreement") and decreased our borrowing base to \$400 million. This amended facility provides us with greater operating flexibility and provides for increased capital spending. Under the Amended and Restated Credit Agreement, there are no financial covenants as long as availability under the agreement exceeds \$50 million.

The Amended and Restated Credit Agreement is comprised of a U.S. credit agreement amounting to \$330 million and a Canadian credit agreement amounting to \$70 million (C\$90.9 million at November 29, 2003) and is secured by inventory, certain accounts receivable and certain pharmacy scripts. Borrowings under the Amended and Restated Credit Agreement bear interest based on LIBOR and Prime

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interest rate pricing. This agreement expires in December 2007.

As of November 29, 2003, there were no borrowings under these credit agreements. As of November 29, 2003, after reducing availability for outstanding letters of credit and borrowing base requirements, we had \$244 million available under the Amended and Restated Credit Agreement.

During the 40 weeks ended November 30, 2002, we repurchased in the open market \$38 million of our 7.75% Notes due April 15, 2007. The cost of this open market repurchase resulted in a pretax loss due to the early extinguishment of debt of \$0.7 million. In accordance with SFAS No. 145, "Rescission of FASB Statements 4, 44 and 64, Amendment of FASB 13, and Technical Corrections", this loss has been reclassified within income from operations for the 40 weeks ended November 30, 2002. Under the Amended and Restated Credit Agreement, we are no longer prohibited from making bond repurchases.

We currently have active Registration Statements dated January 23, 1998 and June 23, 1999, allowing us to offer up to \$75 million of debt and/or equity securities as of November 29, 2003 at terms contingent upon market conditions at the time of sale.

During the 40 weeks ended November 29, 2003, our capital expenditures and debt repayments were funded through internally generated funds combined with proceeds from disposals of properties. Capital expenditures totaled \$109 million during the 40 weeks ended November 29, 2003, which included 14 new supermarkets and enlarging or remodeling 2 supermarkets.

For the remainder of fiscal 2003, we have planned capital expenditures of approximately \$40 million. These expenditures relate primarily to opening approximately 5 new supermarkets and enlarging or remodeling 5 - 10 supermarkets. We currently expect to close approximately 2 - 5 stores during the remainder of fiscal 2003. In addition, in December 2003, the Board of Directors approved a plan to close, sell or convert several of our Farmer Jack stores located in the Detroit, Michigan and Toledo, Ohio markets.

We do not expect to pay dividends during fiscal 2003.

We are the guarantor of a \$2.2 million loan, related to a shopping center, which will expire in 2011.

Our existing senior debt rating was B3 with negative implications with Moody's Investors Service ("Moody's") and B with negative implications with Standard & Poor's Ratings Group ("S&P") as of November 29, 2003. Future rating changes could affect the availability and cost of financing to the Company.

We believe that our present level of invested cash and cash generated from operations will be sufficient for our capital expenditure programs and mandatory scheduled debt repayments for the next twelve months. However, certain external factors such as unfavorable economic conditions, competition, labor relations and fuel and utility costs could have a significant impact on cash generation. We are exploring several actions to mitigate the potential risk; however, there can be no assurance that such actions will be successful.

CRITICAL ACCOUNTING ESTIMATES

Critical accounting estimates are those accounting estimates that we believe are important to the portrayal of our financial condition and results of operations and require our most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

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The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Self-Insurance Reserves

Our Consolidated Balance Sheets include liabilities with respect to self-insured workers' compensation and general liability claims. We estimate the required liability of such claims on a discounted basis, utilizing an actuarial method, which is based upon various assumptions, which include, but are not limited to, our historical loss experience, projected loss development factors, actual payroll and other data. The required liability is also subject to adjustment in the future based upon the changes in claims experience, including changes in the number of incidents (frequency) and changes in the ultimate cost per incident (severity).

Long-Lived Assets

We review the carrying values of our long-lived assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount of assets may not be recoverable. Such review is based upon groups of assets and the undiscounted estimated future cash flows from such assets to determine if the carrying value of such assets are recoverable from their respective cash flows. If such review indicates an impairment exists, we measure such impairment on a discounted basis using a probability weighted average approach and a risk adjusted rate.

During the 12 and 40 weeks ended November 29, 2003, we recorded total impairment losses on property, plant and equipment of \$33.1 million and \$52.5 million, respectively. Refer to Note 3 - Valuation of Long Lived Assets and Goodwill in the Notes to Consolidated Financial Statements for further discussion relating to impairment charges recorded during the current fiscal year.

Based upon current trends, there may be additional future impairments on long lived assets, including the potential for impairment of assets that are held and used.

Excess of Cost over Net Assets Acquired

In accordance with SFAS 142 "Goodwill and Other Intangible Assets," the excess of cost over fair value of net assets acquired is no longer required to be amortized, but tested for impairment at least annually by reassessing the appropriateness of the goodwill balance based on forecasts of cash flows from operating results on a discounted basis in comparison to the carrying value of such operations. If the results of such comparison indicate that an impairment may exist, we determine the implied fair market value of the goodwill using a purchase price allocation approach and compare this value to the balance sheet value. If such comparison indicates that an impairment exists, we will recognize a charge to operations at that time based upon the difference between the implied fair market value of the goodwill and the balance sheet value. During the 12 and 40 weeks ended November 29, 2003, we determined that goodwill relating to the Farmer Jack reporting unit was entirely impaired; thus, we recorded an impairment charge of \$27.0 million as a component of operating income in "Store operating, general and administrative expense" in our Consolidated Statements of Operations. Refer to Note 3 - Valuation of Long Lived Assets and Goodwill in the Notes to Consolidated Financial Statements for further discussion relating to the impairment charges recorded.

Closed Store Reserves

For stores closed that are under long-term leases, we record a discounted liability using a risk free rate for the future minimum lease payments and related costs, such as utilities and taxes, from the date of closure to the end of the remaining lease term, net of estimated probable recoveries from projected sublease rentals. If estimated cost recoveries exceed our liability for future minimum lease payments, the excess is recognized as income over the term of the sublease. We estimate future net cash flows based on our experience in and our knowledge of the market in which the closed store is located. However, these estimates project net cash flow several years into the future and are affected by variable factors such as inflation, real estate markets and economic conditions. While these factors have been relatively stable in recent years, variation in these factors could cause changes to our estimates. As of November 29, 2003, we had liabilities for future minimum lease payments of \$126 million, which related to 78 dark stores and 37 subleased or assigned stores. Of this amount, \$23 million relates to stores closed in the normal course of business, \$79 million relates to stores closed as part of the asset disposition initiative (see Note 7 of our Consolidated Financial Statements) and \$24 million relates to stores closed as part of our exit of the northern New England and Kohl's businesses (see Note 2 of our Consolidated Financial Statements).

Employee Benefit Plans

The determination of our obligation and expense for pension and other post-retirement benefits is dependent, in part, on our selection of certain assumptions used by our actuaries in calculating these amounts. These assumptions are disclosed in Note 10 of our Fiscal 2002 Annual Report on Form 10-K and include, among other things, the discount rate, the expected long-term rate of return on plan assets and the rates of increase in compensation and health care costs. In accordance with U.S. GAAP, actual results that differ from our Company's assumptions are accumulated and amortized over future periods and, therefore, affect our recognized expense and recorded obligation in such future periods. While we believe that our assumptions are appropriate, significant differences in our actual experience or significant changes in our assumptions may materially affect our pension and other post-retirement obligations and our future expense.

Inventories

Store inventories are valued principally at the lower of cost or market with cost determined under the retail method on a first-in, first-out basis. Warehouse and other inventories are valued primarily at the lower of cost or market with cost determined on a first-in, first-out basis. Inventories of certain acquired companies are valued using the last-in, first-out method, which was their practice prior to acquisition. We evaluate inventory shrinkage throughout the year based on actual physical counts in our stores and distribution centers and record reserves based on the results of these counts to provide for estimated shrinkage between the store's last inventory and the balance sheet date.

ITEM 3 - Quantitative and Qualitative Disclosures About Market Risk

MARKET RISK

Market risk represents the risk of loss from adverse market changes that may impact our consolidated financial position, results of operations or cash flows. Among other possible market risks, we are exposed to such risk in the areas of interest rates and foreign currency exchange rates.

From time to time, we may enter hedging agreements in order to manage risks

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incurred in the normal course of business including forward exchange contracts to manage our exposure to fluctuations in foreign exchange rates.

Interest Rates

Our exposure to market risk for changes in interest rates relates primarily to our debt obligations. We do not have cash flow exposure due to rate changes on our \$681 million in notes as of November 29, 2003 because they are at fixed interest rates. However, we do have cash flow exposure on our committed bank lines of credit due to our variable floating rate pricing. Accordingly, during the 12 and 40 weeks ended November 29, 2003, a presumed 1% change in the variable floating rate would have impacted interest expense by \$20 thousand and \$60 thousand, respectively.

During fiscal 2002, we had three interest rate swaps with commercial banks with an aggregate notional amount of \$150 million maturing on April 15, 2007, designated as fair value hedging instruments, to effectively convert a portion of our 7.75% Notes due April 15, 2007 from fixed rate debt to floating rate debt. In January 2003, these hedging instruments were terminated, resulting in a gain of \$10.2 million. This gain has been deferred and is being amortized as an offset to interest expense over the life of the underlying debt instrument. Such amount is classified as "Long term debt" in our Consolidated Balance Sheets.

Foreign Exchange Risk

We are exposed to foreign exchange risk to the extent of adverse fluctuations in the Canadian dollar. During the 12 and 40 weeks ended November 29, 2003, a change in the Canadian currency of 10% would have resulted in a fluctuation in net income of \$0.7 million and \$2.9 million, respectively. We do not believe that a change in the Canadian currency of 10% will have a material effect on our financial position or cash flows.

ITEM 4 - Controls and Procedures

Our Company maintains a system of internal controls and procedures designed to provide reasonable assurance as to the reliability of our Company's published consolidated financial statements and other disclosures included in this report. Within the 90-day period prior to the date of this report, the Company's Chairman of the Board, President and Chief Executive Officer, and Senior Vice President, Chief Financial Officer evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rule 13a-14 of the Securities Exchange Act of 1934. Based upon that evaluation, the Company's Chairman of the Board, President and Chief Executive Officer, and Senior Vice President, Chief Financial Officer concluded that our Company's disclosure controls and procedures are effective to ensure that our Company is able to collect, process and disclose the information we are required to disclose in the report we file with the Securities and Exchange Commission within the required time periods.

Since the date of the most recent evaluation of our Company's internal controls over financial reporting by our Chairman of the Board, President and Chief Executive Office, and Senior Vice President, Chief Financial Officer, there have been no significant changes in such controls or in other factors that could have significantly affected those controls, including any corrective actions with regard to significant deficiencies and material weaknesses.

CAUTIONARY NOTE

This presentation may contain forward-looking statements about the future performance of our Company, and is based on our assumptions and beliefs in light

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of information currently available. We assume no obligation to update this information. These forward-looking statements are subject to uncertainties and other factors that could cause actual results to differ materially from such statements including but not limited to: competitive practices and pricing in the food industry generally and particularly in our principal markets; our relationships with our employees; the terms of future collective bargaining agreements; the costs and other effects of lawsuits and administrative proceedings; the nature and extent of continued consolidation in the food industry; changes in the financial markets which may affect our cost of capital or the ability to access capital; supply or quality control problems with our vendors; and changes in economic conditions, which may affect the buying patterns of our customers.

PART II. OTHER INFORMATION

ITEM 1 - Legal Proceedings

In May 1999, four present and former employees of The Food Emporium filed suit against our Company in federal court in New York for unpaid wages and overtime. In April 2000, the judge certified the case as a class action status for this case covering approximately 82 stores in 9 counties in the New York metropolitan area. Approximately 840 current and former full and part-time employees of The Food Emporium and A&P opted into the class. In April 2003, the Company filed a Motion to Decertify the Collective Action under the Fair Labor Standards Act.

In April 2002, three Canadian Food Basics franchisees commenced a breach of contract action in a Canadian court against The Great Atlantic & Pacific Company of Canada, Limited ("A&P Canada") as representative plaintiffs for a purported class of approximately 70 current and former Canadian Food Basics franchisees. The lawsuit seeks unspecified damages in connection with A&P Canada's alleged failure to distribute to the franchisees the full amount of vendor allowances and/or rebates to which the franchisees claim they are entitled under the operative franchise agreements. A&P Canada disputes the plaintiff-franchisees' claim and has filed a counterclaim seeking to recover subsidies made by it to the plaintiffs. The lawsuit was certified as a class action in December 2002. The majority of the potential class members have opted out of this class proceeding. A&P Canada has obtained leave to appeal the class certification order. The appeal hearing took place on June 26, 2003 and June 27, 2003. The appeal court has not yet rendered its decision.

On June 5, 2002, a purported securities class action Complaint was filed in the United States District Court for the District of New Jersey against our Company and certain of our officers and directors in an action captioned Brody v. The Great Atlantic & Pacific Tea Co., Inc., No. 02 CV 2674 (FSH). The Brody lawsuit and four subsequently-filed related lawsuits were consolidated into a single lawsuit captioned In re The Great Atlantic & Pacific Tea Company, Inc. Securities Litigation, No. 02 CV 2674 (FSH) (the "Class Action Lawsuit"). On December 2, 2002, plaintiffs filed their Consolidated Amended Class Action Complaint (the "Complaint"), which alleged claims under Sections 10(b) (and Rule 10b-5 promulgated thereunder) and 20(a) of the Securities Exchange Act of 1934 arising out of our Company's July 5, 2002 filing of restated financial statements for fiscal 1999, fiscal 2000 and the first three quarters of fiscal 2001. The Complaint in the Class Action Lawsuit sought unspecified money damages, costs and expenses. On January 17, 2003, defendants filed a motion

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seeking to dismiss the Complaint. That motion was fully briefed on March 28, 2003. By Opinion & Order entered on September 18, 2003, the District Court dismissed plaintiffs' Complaint without prejudice. On October 13, 2003, after having declined to file a Second Amended Complaint, plaintiffs filed a Notice of Appeal advising that they are appealing to the United States Court of Appeals for the Third Circuit from the District Court's September 18, 2003 Opinion & Order. Plaintiffs filed their opening appellate brief on January 5, 2004. It is currently anticipated that the appeal will be fully briefed by February 18, 2004.

ITEM 2 - Changes in Securities

None

ITEM 3 - Defaults Upon Senior Securities

None

ITEM 4 - Submission of Matters to a Vote of Security Holders

None

ITEM 5 - Other Information

None

ITEM 6 - Exhibits and Reports on Form 8-K

(a) Exhibits required by Item 601 of Regulation S-K

EXHIBIT NO. -----	DESCRIPTION -----
3.1	Articles of Incorporation of The Great Atlantic & Pacific Tea Company, Inc., as amended through July 1987 (incorporated herein by reference to Exhibit 3(a) to Form 10-K filed on May 27, 1988)
3.2	By-Laws of The Great Atlantic & Pacific Tea Company, Inc., as amended through July 2, 2002 (incorporated herein by reference to Exhibit 3.2 to Form 10-K filed on July 5, 2002)
4.1	Indenture, dated as of January 1, 1991 between the Company and JPMorgan Chase Bank (formerly The Chase Manhattan Bank as successor by merger to Manufacturers Hanover Trust Company), as trustee (the "Indenture") (incorporated herein by reference to Exhibit 4.1 to Form 8-K)
4.2	First Supplemental Indenture, dated as of December 4, 2001, to the Indenture, dated as of January 1, 1991 between our Company and JPMorgan Chase Bank, relating to the 7.70% Senior Notes due 2004 (incorporated herein by reference to Exhibit 4.1 to Form 8-K filed on December 4,

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- 2001)
- 4.3 Second Supplemental Indenture, dated as of December 20, 2001, to the Indenture between our Company and JPMorgan Chase Bank, relating to the 9 1/8% Senior Notes due 2011 (incorporated herein by reference to Exhibit 4.1 to Form 8-K filed on December 20, 2001)
- 4.4 Successor Bond Trustee (incorporated herein by reference to Exhibit 4.4 to Form 10-K filed on May 9, 2003)
- 10.1 Employment Agreement, made and entered into as of the 11th day of November, 2002, by and between our Company and Eric Claus, and Offer Letter dated the 22nd day of October, 2002 (incorporated herein by reference to Exhibit 10.1 to Form 10-Q filed on January 10, 2003)
- 10.2 Employment Agreement, made and entered into as of the 1st day of November, 2000, by and between the Company and William P. Costantini (incorporated herein by reference to Exhibit 10 to Form 10-Q filed on January 16, 2001) ("Costantini Agreement")
- 10.3 Amendment to Costantini Agreement dated April 30, 2002 (incorporated herein by reference to Exhibit 10.7 to Form 10-K filed on July 5, 2002)
- 10.4 Employment Agreement, made and entered into as of the 24th day of February, 2002, by and between our Company and Mitchell P. Goldstein (incorporated herein by reference to Exhibit 10.8 to Form 10-K filed on July 5, 2002)
- 10.5 Employment Agreement, made and entered into as of the 2nd day of October, 2002, by and between our Company and Peter Jueptner (incorporated herein by reference to Exhibit 10.26 to Form 10-Q filed on October 22, 2002)
- 10.6 Offer Letter dated the 18th day of September 2002, by and between our Company and Peter Jueptner (incorporated herein by reference to Exhibit 10.10 to Form 10-Q filed on January 10, 2003)
- 10.7 Employment Agreement, made and entered into as of the 14th day of May, 2001, by and between our Company and John E. Metzger, as amended February 14, 2002 (incorporated herein by reference to Exhibit 10.13 to Form 10-K filed on July 5, 2002)
- 10.8 Employment Agreement, made and entered into as of the 28th day of October, 2002, by and between our Company and Brian Piwek, and Offer Letter dated

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- the 23rd day of October, 2002 (incorporated herein by reference to Exhibit 10.14 to Form 10-Q filed on January 10, 2003)
- 10.9 Employment Agreement, made and entered into as of the 16th day of June, 2003, by and between our Company and Brenda Galgano (incorporated herein by reference to Exhibit 10.9 to Form 10-Q filed on October 17, 2003)
- 10.10 Supplemental Executive Retirement Plan effective as of September 30, 1991 (incorporated herein by reference to Exhibit 10.B to Form 10-K filed on May 28, 1993)
- 10.11 Supplemental Executive Retirement Plan effective as of September 1, 1997 (incorporated herein by reference to Exhibit 10.B to Form 10-K filed on May 27, 1998)
- 10.12 Supplemental Retirement and Benefit Restoration Plan effective as of January 1, 2001 (incorporated herein by reference to Exhibit 10(j) to Form 10-K filed on May 23, 2001)
- 10.13 1994 Stock Option Plan (incorporated herein by reference to Exhibit 10(e) to Form 10-K filed on May 24, 1995)
- 10.14 1994 Stock Option Plan for Non-Employee Directors (incorporated herein by reference to Exhibit 10(f) to Form 10-K filed on May 24, 1995)
- 10.15 Directors' Deferred Payment Plan adopted May 1, 1996 (incorporated herein by reference to Exhibit 10(h) to Form 10-K filed on May 16, 1997)
- 10.16 1998 Long Term Incentive and Share Award Plan (incorporated herein by reference to Exhibit 10(k) to Form 10-K filed on May 19, 1999)
- 10.17 Credit Agreement dated as of February 23, 2001, among our Company, The Great Atlantic & Pacific Company of Canada, Limited and the other Borrowers party hereto and the Lenders party hereto, The Chase Manhattan Bank, as U.S. Administrative Agent, and The Chase Manhattan Bank of Canada, as Canadian Administrative Agent ("Credit Agreement") (incorporated herein by reference to Exhibit 10 to Form 10-K filed on May 23, 2001)
- 10.18 Amendment No. 1 and Waiver, dated as of November 16, 2001 to Credit Agreement (incorporated herein by reference to Exhibit 10.23 to Form 10-K filed on July 5, 2002)
- 10.19 Amendment No. 2 dated as of March 21, 2002 to Credit Agreement (incorporated herein by reference to Exhibit 10.24 to Form 10-K filed on July 5, 2002)

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- 10.20 Amendment No. 3 dated as of April 23, 2002 to Credit Agreement (incorporated herein by reference to Exhibit 10.25 to Form 10-K filed on July 5, 2002)
- 10.21 Waiver dated as of June 14, 2002 to Credit Agreement (incorporated herein by reference to Exhibit 10.26 to Form 10-K filed on July 5, 2002)
- 10.22 Amendment No. 4 dated as of October 10, 2002 to Credit Agreement (incorporated herein by reference to Exhibit 10.27 to Form 10-Q filed on October 22, 2002)
- 10.23 Amendment No. 5 dated as of February 21, 2003 to Credit Agreement (incorporated herein by reference to Exhibit 10.1 to Form 8-K filed on March 7, 2003)
- 10.24 Amendment No. 6 dated as of March 25, 2003 to Credit Agreement (incorporated herein by reference to Exhibit 10.28 to Form 10-K filed on May 9, 2003)
- 10.25 Amended and Restated Credit Agreement dated as of February 23, 2001 and amended and restated as of December 4, 2003, among our Company, The Great Atlantic & Pacific Company of Canada, Limited and the other Borrowers party hereto, as Borrowers, and the Lenders party hereto, and JPMorgan Chase Bank, as U.S. Administrative Agent and U.S. Collateral Agent, and JPMorgan Chase Bank, Toronto Branch, as Canadian Administrative Agent and Canadian Collateral Agent, as filed herein
- 23.1 Consent of Independent Accountants from PricewaterhouseCoopers LLP (incorporated herein by reference to Exhibit 23.1 to Form 10-K filed on May 9, 2003)
- 23.2 Independent Auditors' Consent from Deloitte & Touche LLP (incorporated herein by reference to Exhibit 23.2 to Form 10-K filed on May 9, 2003)

(b) Reports on Form 8-K

On October 17, 2003, our Company filed a Form 8-K pursuant to which it furnished the SEC with a copy of the October 17, 2003 press release, which announced the Company's financial results for the quarter ended September 6, 2003.

On October 23, 2003, our Company filed a Form 8-K pursuant to which it furnished the SEC with a copy of the October 20, 2003 press release, which announced that the Company had reached an agreement to sell its Eight O'Clock coffee division to Gryphon Investors.

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SIGNATURES

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.

THE GREAT ATLANTIC & PACIFIC TEA COMPANY, INC.

Dated: January 9, 2004

By: /s/ Brenda M. Galgano

Brenda M. Galgano, Vice President, Corporate
Controller (Chief Accounting Officer)

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
Section 302 Certification

I, Christian W.E. Haub, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Great Atlantic & Pacific Tea Company, 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;
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;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusion about the effectiveness of the disclosure controls and procedures, as of the

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end of the period covered by this quarterly report based on such evaluation; and

- c) disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
- a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Christian W. E. Haub

Date: January 9, 2004

Christian W. E. Haub
Chairman of the Board,
President and
Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER Section 302 Certification

I, Mitchell P. Goldstein, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Great Atlantic & Pacific Tea Company, 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;
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;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:

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- a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusion about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
 - c) disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
- a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Mitchell P. Goldstein

Date: January 9, 2004

Mitchell P. Goldstein
Senior Vice President,
Chief Financial Officer

Exhibit 32

Certification Accompanying Periodic Report
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(18 U.S.C. ss. 1350)

The undersigned, Christian W. E. Haub, Chairman of the Board, President and Chief Executive Officer of The Great Atlantic & Pacific Tea Company, Inc. ("Company"), and Mitchell P. Goldstein, Senior Vice President and Chief Financial Officer of the Company, each hereby certifies that (1) the Quarterly Report of the Company on Form 10-Q for the period ended November 29, 2003 fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and (2) the information contained in the Report fairly presents, in all

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material respects, the financial condition and the results of operations of the Company.

Dated: January 9, 2004

/s/ Christian W. E. Haub

Christian W. E. Haub
Chairman of the Board,
President and
Chief Executive Officer

Dated: January 9, 2004

/s/ Mitchell P. Goldstein

Mitchell P. Goldstein
Senior Vice President,
Chief Financial Officer