Ralston Purina Third Quarter Pro Forma Earnings Per Share Increase 10 Percent

PRNewswire ST. LOUIS

Ralston Purina Company today announced third quarter earnings from continuing operations before unusual items of \$64,300,000 compared to pro forma earnings from continuing operations before unusual items of \$63,200,000 in the prior year. Earnings per share from continuing operations before unusual items were \$.22 on a basic and diluted basis, compared to pro forma earnings per share from continuing operations before unusual items of \$.20 a year ago. Pro forma comparisons are necessary because Ralston spun-off its Battery Products business on April 1, 2000. In the quarter, higher segment profitability was largely offset by lower equity earnings from the Company's investment in Interstate Bakeries Corporation (IBC). Third quarter sales were \$668,300,000 compared to \$650,100,000 in the prior year third quarter.

For the current nine months, sales and pro forma earnings from continuing operations before unusual items were \$2,087,400,000 and \$233,200,000, respectively, compared to sales and pro forma earnings from continuing operations before unusual items of \$2,006,800,000 and \$213,900,000 in the prior year. The 9 percent earnings improvement for the nine months resulted primarily from higher segment profitability, partially offset by lower IBC equity earnings. Pro forma earnings per share from continuing operations before unusual items were \$.81 and \$.80 on a basic and diluted basis, respectively, compared to \$.69 and \$.68 a year ago.

Segment Results

Sales for North American Pet Foods were flat in the quarter and increased 2 percent in the nine months. In the quarter, slightly lower volumes, primarily driven by the continued rationalization of lower-margin SKUs, were offset by favorable product mix. The sales increase in the nine months was attributable to increased branded pet food volume and a favorable product mix, partially offset by the discontinuance of lower-margin SKUs in the period. Ralston's super premium pet food business continued to post sales and volume increases in the quarter and nine months.

Profitability for this segment increased 7 percent in the quarter on lower ingredient costs. In the nine months, profitability increased 9 percent on the sales increase and lower ingredient costs, partially offset by increased advertising and promotion expense.

International Pet Foods' sales increased 11 percent in the quarter and 7 percent in the nine months. These increases are the result of volume increases in all regions, partially offset by unfavorable foreign exchange and an unfavorable product mix in certain South American markets.

Profitability for this segment increased 36 percent in the quarter and 17 percent in the nine months. These increases resulted from the sales increases and a one-time adjustment related to foreign value added taxes in the prior year quarter, partially offset by increased advertising and promotion expenses and expenses associated with expansion into the Asian market.

Sales for Golden Products increased 16 percent in the quarter and 18 percent in the nine months due to significant volume increases in scooping litter, as well as increased conventional litter volumes, and new

product introductions in the quarter. During the quarter, the Company introduced secondnature™ brand dog litter and Tidy Cats Crystals™, a synthetic cat litter.

Profitability for Golden Products decreased 4 percent in the quarter as increased sales were more than offset by increased advertising and promotion expenses, primarily related to new products. In the nine months, profitability increased 14 percent due to the sales increase, partially offset by increased advertising and promotion expenses.

Net Earnings

Net earnings for the third quarter of \$61,100,000, or \$.21 per basic and diluted share, include an unrealized after-tax gain of \$2.5 million, or \$.01 per basic and diluted share, representing a market value adjustment of the Company's stock appreciation income linked securities (SAILS). Also included in net earnings is a net loss from discontinued operations of \$5.7 million, or \$.02 per basic and diluted share.

Prior year third quarter net earnings of \$57,200,000, or \$.18 per basic and diluted share, include several unusual items which increased net earnings by \$2.9 million. Unusual items in the prior year quarter include: an unrealized after-tax loss of \$8.7 million representing a SAILS market value adjustment; an after-tax gain on the sale of DuPont stock of \$8.4 million; and an after-tax restructuring reserve reversal of \$3.2 million. Net earnings also include a net loss from discontinued operations of \$4.2 million.

Net earnings for the current year nine months of \$446,900,000, or \$1.55 and \$1.53 per basic and diluted share, respectively, include several unusual items which increased net earnings by \$127.5 million, or \$.44 per basic and diluted share, as follows: an unrealized after-tax gain of \$89.3 million, or \$.31 per basic and diluted share, representing a SAILS market value adjustment; an after-tax gain of \$7.1 million, or \$.02 per basic and diluted share, on the sale of DuPont stock; and capital loss tax benefits totaling \$31.1 million, or \$.11 per basic and diluted share. Net earnings also include net earnings from discontinued operations of \$93.9 million, or \$.33 and \$.32 per basic and diluted share, respectively.

Net earnings for the prior year nine months of \$341,200,000, or \$1.10 and \$1.08 per basic and diluted share, respectively, include several unusual items which increased earnings by \$96.2 million. In addition to the gain on the sale of DuPont stock and restructuring reserve reversal noted above for the prior year quarter, unusual items in the prior year nine months include an unrealized after-tax gain of \$84.6 million representing a SAILS market value adjustment. Also included in net earnings are net earnings from discontinued operations of \$43.6 million.

Statements in this press release that are not historical are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The Company cautions readers not to place undue reliance on any forward-looking statements, which speak only as of the date made. The Company advises readers to review the various risks and uncertainties which may be detailed from time to time in the Company's publicly-filed documents, including its Annual Report on Form 10-K for the period ended September 30, 1999.

SOURCE: Ralston Purina Company

Contact: Michael Grabel, Investor Relations of Ralston Purina Company,

314-982-2161