



Good morning and welcome to Kroger's annual shareholders' meeting.

Thank you for joining us today.

### **APPOINT INSPECTOR OF ELECTION**

As our first order of business, I appoint Lee Cassiere, Vice President of Internal Audit, as Inspector of Election. Lee, do you have a report?

*(Lee reports)*

### **REPORT QUORUM**

Thank you. I declare that a quorum exists and that this meeting is lawfully convened and ready to transact business.

### **INTRODUCTION OF DIRECTORS**

It is now my privilege to introduce our Board of Directors.

Please stand, and remain standing, as I call your name. After the introductions, I will invite our audience to recognize your important contributions to Kroger.

**Nora A. Aufreiter**, Director Emeritus of McKinsey & Company.

**Robert Beyer**, Chairman of Chaparal Investments and Kroger's lead director.

**Anne Gates**, Former president of MGA Entertainment, Inc.

\***Susan Kropf**, Former President and COO of Avon Products, Inc.

**Jorge Montoya**, Former President of Procter & Gamble's Global Snacks and Beverages division and Former President of P&G – Latin America.

**Clyde Moore**, Former Chairman and CEO of First Service Networks.

**James Runde**, Special Advisor and Former Vice Chairman of Morgan Stanley.

**Ron Sargent**, Former Chairman and CEO of Staples, Inc.

**Bobby Shackouls**, Former Chairman, President, and CEO of Burlington Resources.

**Mark Sutton**, Chairman and CEO of International Paper.

We are fortunate to have a highly-engaged Board of Directors, each of whom brings valuable experience and expertise to Kroger. Please join me in thanking our Board for their outstanding service and contributions.

### **RECOGNIZE CORPORATE OFFICERS**

Now I will introduce Kroger's corporate officers. I invite each of you to please stand, and remain standing, as I call your name. After the introductions, I will invite the audience to recognize your dedicated service:

**Mary Ellen Adcock**, Group Vice President of Retail Operations.

**Jessica Adelman**, Group Vice President of Corporate Affairs.

**Stuart Aitken**, Group Vice President and CEO of 84.51°.

**Robert Clark**, Senior Vice President of Merchandising.

**Yael Cosset**, Group Vice President and Chief Digital Officer.

**Mike Donnelly**, Executive Vice President of Merchandising and Chief Operating Officer.

**Chris Hjelm**, Executive Vice President and Chief Information Officer.

**Calvin Kaufman**, Senior Vice President. Calvin provides direction and guidance to 8 retail divisions.

**Timothy Massa**, Group Vice President of Human Resources & Labor Relations.

**Steve McKinney**, Senior Vice President. Steve provides direction and guidance to 7 retail divisions. This is his first annual meeting as a corporate officer, having served as president of the Fry's division for the past several years.

**Mike Schlotman**, Executive Vice President and Chief Financial Officer. Mike also provides guidance to our Fred Meyer Jewelry division.

**Erin Sharp**, Group Vice President of Kroger Manufacturing.

**Alex Tosolini**, Senior Vice President of New Business Development.

**Mark Tuffin**, Senior Vice President. Mark provides direction and guidance to 7 retail divisions.

**Christine Wheatley**, Group Vice President, Secretary and General Counsel.

**Gary Millerchip**, CEO of Kroger Personal Finance and Corporate Strategy Integration Lead, who also advises Lucky's and our Ruler division.

I would also like to ask the following individuals to stand and be recognized:

**Carin Fike**, Vice President and Treasurer

**Todd Foley**, Vice President and Corporate Controller

**Tim Brown**, President of Kroger's Cincinnati/Dayton division

Kroger is fortunate to have such a strong group of leaders across our company. Our entire senior leadership team brings unmatched depth and experience to achieve our goals. Please join me in recognizing the entire team for their leadership on behalf of our Customers and Associates.

I'd like to also acknowledge several past leaders who are with us here today.

**[Dave Dillon, Paul Heldman, Kevin Dougherty, Dennis Hackett,  
Mike Stoll, Ed Waldvogel...]**

## HONOR RECENT RETIREES

There are several long-serving leaders ... who have had an impact on the company. I'd like to take a moment to say "thank you" to several of these leaders who have retired in the past year or have announced retirements.

**Dennis Hackett**, Vice President of Internal Audit – 29 Years

**Scott Henderson**, Vice President of Pension Investment – 36  
Years

**Jayne Homco**, President of the Michigan division – 42 years

**Beth Van Oflen**, Vice President of Corporate Finance – 35 Years

**Katie Wolfram**, President of the Central division – 38 years

I'd also like to recognize a senior officer who has retired since last year's meeting:

**Fred Morganthall**, Executive Vice President of Retail Operations  
– 31 years

We are a better company because of their leadership. Let's give them a round of applause.

## **INTRODUCTION OF AUDITORS**

I will now introduce **Dave Sharpe** of PricewaterhouseCoopers, the independent auditors for Kroger. Dave, please stand. Dave, along with **Mike Schlotman** and **Christine Wheatley**, will assist us in answering questions about the 2017 Annual Report.

## **PRESENTATION OF ANNUAL REPORT**

Here is a copy of Kroger's 2017 Annual Report. If you would like to ask a question about the Annual Report, please stand and make your way to the end of your aisle so that we can bring a microphone to you. At this time, please limit questions to matters contained in the Annual Report. Later in the meeting, we will address the shareholder proposals and invite general questions and comments. Under Kroger's usual rules of conduct, each speaker will be limited to three minutes per question.

If there are no (other) questions concerning the Annual Report, I direct that it be filed with the minutes of this meeting.

## **ELECTION OF DIRECTORS**

Our next item of business is the election of directors. All directors are to be elected to serve until the annual meeting in 2019, or until their successors have been elected and qualified. Do I hear a motion?

**Rebekah Manis:** I nominate the slate of candidates for director set forth in the proxy materials to serve until the annual meeting in 2019.

**Rodney McMullen:** Is there a second?

**Dawn Gilmore:** I second the nomination.

**Rodney McMullen:** Are there shareholders present who wish to have ballots to vote at this meeting?

While we wait for the report on the results of the vote, I'd like to share a few words about our vision and how our *Restock Kroger* plan positions

Kroger to create value for our customers and shareholders ... both today and into the future.

## **Forward-Looking Statement**

Please note that today's presentation will include forward-looking statements, as described on the slide.

## **Our Vision: Serving America through Food Inspiration and Uplift**

At Kroger, our vision is to serve America through food inspiration and uplift.

When people ask me about our vision, I have been telling them to pay attention to *every word*.

**Start with “serving”** ... To serve means to put others first. Everything we do at Kroger starts and ends with service to our customers, our communities and each other.

**Serving America** ... we are very proud to be America's grocer. Today we operate stores in 35 states plus Washington, D.C. ... and we are working to expand our anything, anytime, anywhere model to serve all of America.

**Through food inspiration** ... 135 years in the grocery business have taught us a lot about people, and about food. We are meal experts and we want to share our passion by offering personalized food inspiration.

**And uplift** ... each time a customer shops with us, regardless of how they shop, we aim to make good on our Promise: everyone friendly and caring, everything fresh, uplift every way, and improve every day.

### **Heritage of Innovation**

Our vision is rooted in Kroger's heritage of innovation.

Let's look at a few of the ways we've transformed the grocery industry through the years...

### **Creating the Future of Retail**

We see where our customers are going and we will always be there for them. The best way to remain relevant is to create the future.

We are actively doing that through *Restock Kroger* – our three-year plan to redefine how America eats – and we will do this in a few ways:

- By bringing together the best of digital and physical shopping to create a seamless experience for customers;
- By using data and insights to offer personalized food inspiration, making it easier than ever before to be your family's hero at

mealtime;

- By partnering with innovators to redefine the shopping experience and therefore create customer value;
- By enhancing the associate experience in ways that strengthen our culture;
- And by living our Purpose: To Feed the Human Spirit – especially through Zero Hunger | Zero Waste, our ambitious commitment to end hunger in the places we call home and eliminate waste across the company by 2025.

*Restock Kroger* is built on the foundation of operational excellence and everyday productivity improvements that have long-defined Kroger.

All of this will create long-term shareholder value.

Today more than ever, I am optimistic and confident about Kroger's future ... because we are creating the future of retail.

### **Redefine the Grocery CX**

We are focused on creating a seamless shopping experience to offer our customers anything, anytime, and anywhere.

Here's what's so exciting about this opportunity: Customers who engage with us digitally also spend more in our stores.

That's worth repeating. *Customers who digitally engage with Kroger spend MORE in our brick and mortar locations.*

We firmly believe the future will include BOTH online and physical stores ... and Kroger is positioned to win.

### **Welcome Home Chef**

Just last week, for example, we announced that our merger closed with Home Chef.

Joining forces will significantly accelerate the availability of meal kits for our customers. Kroger will revolutionize how families shop for, prep, and cook their meals.

I'd like to personally welcome the Home Chef team to the Kroger Family of Companies.

### **Anything, Anytime, Anywhere ... with Ocado**

In May, we announced an innovative and exciting new partnership with U.K.-based Ocado, the world's largest online supermarket.

Our exclusive alliance brings the incredible technology of the Ocado Smart Platform to the U.S.

What does all this mean for America?

Fresher food, and faster delivery, to more customers.

Ocado's process creates efficiencies that make online ordering, product picking and home delivery faster and easier than ever – which means even more convenience and lower prices for customers.

Ocado's unmatched technology will help Kroger enter new markets to serve even more customers.

### **Say Hello to Nuro!**

Kroger is always willing to disrupt ourselves to remain America's grocer.

When you walked in, did you see the Nuro robot?

This fully autonomous, on-road vehicle uses robotics and machine learning to transport goods — safely, quickly, and affordably. Yeah; it's pretty cool!

Nuro is the start-up venture founded by two former Google executives. One is here today: Dave Ferguson. Dave, would you please stand and be recognized?

This morning Kroger and Nuro announced an exciting and innovative new partnership. This fall, we will pilot America's very first application and deployment of Nuro's hardware and software.

We look forward to announcing the first market where our Nuro test robot will deliver groceries.

## **Kroger's Digital HQ**

We continue to execute our strategy and innovate in our core business with our in-house digital and technology talent.

Just last week, we were named one of the best places to work in IT by Computerworld. *Congrats to Chris, Tim and our IT team.*

Yesterday, we announced that Kroger is establishing a new, Digital HQ in downtown Cincinnati. There are many cities we could have chosen, but our love for Cincinnati since 1883 was a driving force behind the decision.

In a few weeks, we'll begin moving 500 associates to the Atrium II building.

I'd like to thank Mayor Cranley and the City of Cincinnati for supporting our project.

We expect to grow the digital team to over 1,000 people by 2020.

We believe this will help position the region as a destination for digital and tech talent.

## **Develop Talent**

The heart of our company is the nearly half a million associates who serve our customers every day.

We truly have the *best* associates.

That is why we're investing more than ever before in the associate experience.

It all starts with the half-billion-dollar investment in wages for many store associates announced as part of Restock Kroger.

We've increased the company's 401(k) contribution match to help associates retire with more money in their pockets ... plus expanded associate discounts to keep more money in their pockets today.

## **Feed Your Future**

But I'm most excited about our new offer of up to \$3,500 in annual tuition assistance to any associate who wants to use education to better their future. Whether they are interested in a GED ... or PHD ... or a professional certification, associates can take advantage of up to \$21,000 in total assistance after six months of employment, either as a full time or part time associate.

As someone who got his start stocking shelves on the night shift at Kroger in 1978, I can attest to education's life-changing power. I

worked my way through college, then accepted a full-time job with Kroger. I've been here ever since.

Kroger has always been a place where people can 'come for a job and stay for a career.' In fact, 70% of our store directors started out in entry level jobs.

We believe making education benefits available to more associates ... and at more generous levels than ever before ... is the best way to support future career and personal growth.

And, as part of *Restock Kroger*, we fully expect these investments to have an ROI that will create shareholder value.

### ***Our Brands***

Kroger's amazing associates are also the foodies behind *Our Brands*.

*Our Brands* achieved its highest-ever unit share in 2017, reaching \$20.9 billion in total sales, and the number continues to climb in 2018.

Just last week we announced *Our Brands* most successful quarter...ever!

The data is clear: Customers love *Our Brands*. Better than the national brands, and better than the other private label offerings. We are especially focused on our top brands: Kroger, Private Selection, and Simple Truth.

## Live Our Purpose

Being a socially-conscious company is in our DNA. From Barney Kroger donating day-old bread to feed hungry neighbors ... until today, we have been living our Purpose: To Feed the Human Spirit.

Stakeholders will decide which businesses to support based on shared values and clarity of purpose.

Last year, Kroger donated more than 325 million meals to feed hungry families through our partnership with local *Feeding America* food banks. (*That's enough to feed every person in Iceland for a year, and still have some left over!*)

Yet there is a fundamental absurdity in the U.S. food system – 40% of the food produced here goes to waste, while 1 in 8 Americans struggle with hunger. In fact, 1 in 6 children go hungry every day. That just doesn't make sense.

We feel we must do something about this ... and we believe we can do something to address this absurdity – perhaps better than anyone.

**Our plan is called Zero Hunger | Zero Waste** and our aim is to end hunger in the communities we call home and eliminate waste across the company by 2025.

We can't do it alone so we are inviting everyone to join us on our 'moonshot' mission. This will transform Kroger communities.

You can learn more about our Zero Hunger | Zero Waste activities, plus our broader sustainability commitments, on [TheKrogerCo.com](http://TheKrogerCo.com).

### **Create Shareholder Value**

We expect *Restock Kroger* to generate \$6.5 billion of free cash flow – before dividends – and \$400 million in incremental FIFO operating profit over the next three years.

We are aggressively managing operating costs while implementing new programs to reduce our cost of goods sold. A big focus is on store productivity and waste.

Since 2011, Kroger has delivered a cumulative total shareholder return of 179% – above the S&P 500 company average of 141% ... and exceed our peer group average.

As part of that, we returned more than \$2.1 billion to shareholders in 2017 through share buybacks and dividends combined.

### *Dividend Increase*

We have also delivered annual increases in our dividend since it was reinstated in 2006, at just 13¢ total for the *year*.

Today, I am pleased to announce that our Board of Directors has approved a dividend increase to 14¢ per *quarter* – or from 50¢ to 56¢ per year – Kroger's 12<sup>th</sup> consecutive year of dividend increases.

\* \* \*

## **Restock Kroger ... and Beyond**

*Restock Kroger* is off to a great start. Our leadership team and associates are aligned behind the effort, which is further reinforced by our annual incentive plan. Customers are letting us know they see, feel and appreciate our efforts to redefine the grocery customer experience. And they continue to reward us with growing loyalty. This is the cycle that creates value for you, our shareholders.

We are confident we will grow identical supermarket sales and market share in 2018. And we will Create Shareholder Value by generating incremental operating margin dollars and free cash flow over the next three years.

At Kroger, we have a heritage and tradition of *delivering* both FOR the customer...and *delivering* TO the customer. Our history shows that we can go from this ... to THIS.

THIS is innovation based on knowing where your customers are headed. The only real difference is...today...we are using a whole different level of horsepower.

As I look beyond Restock Kroger – well after 2020 – I see a very clear picture of Kroger's future.

A future where America will have seamless access to anything, anytime and anywhere from Kroger.

Using data, we'll provide convenient and personalized food inspiration to help customers be a hero to their families at mealtime, every time.

Our expansive network of innovative partnerships will create new customer value. Alternative revenue streams will expand and enhance our strong core business and increase profitability.

Our assets, generosity, and passion for Zero Hunger and Zero Waste will make the world a better place.

Kroger will play a vital role in people's lives because of a simple truth:

When families break bread together, people lead better lives.

Whether three years from now, ten years from now, or beyond –

Kroger will be there, feeding families, feeding the future, and feeding the human spirit.

That concludes our annual business review.

Now we will return to our formal agenda.

## REPORT OF VOTE ON ELECTION OF DIRECTORS

### (ITEM NO. 1)

**Rodney McMullen:** The first item is the report on the election of directors.

Lee, your report please?

*(Lee reports)*

**Rodney McMullen:** Thank you. I therefore declare that all directors have been elected to serve until the annual meeting in 2019.

## ADVISORY VOTE ON EXECUTIVE COMPENSATION

### (ITEM NO. 2)

**Rodney:** The next item is an advisory vote to approve the compensation of Kroger's named executive officers.

Do I hear a motion?

**Anne Maness:** I move that shareholders approve the compensation of our executive officers.

**Rodney:** Do I hear a second?

**Jesse Turner:** I second the motion.

**Rodney:** Is there a report on the proposal?

***(Lee reports)***

**Rodney:** I therefore declare the advisory resolution is **approved.**

**VOTE TO APPROVE AMENDMENT TO REGULATIONS TO PERMIT  
PROXY ACCESS  
(ITEM NO. 3)**

**Rodney:** The next item is a vote to approve an amendment to regulations to permit proxy access.

Do I hear a motion?

**Teri Rose:** I move that shareholders adopt the amendment.

**Rodney:** Do I hear a second?

**Dawn Gilmore:** I second the motion.

**Rodney:** Is there a report on the proposal?

*(Lee reports)*

**Rodney:** I therefore declare the amendment is **approved**.

**VOTE TO APPROVE AMENDMENT TO REGULATIONS TO PERMIT**

**BOARD AMMENDMENTS IN ACCORDANCE WITH OHIO LAW**

**(ITEM NO. 4)**

**Rodney:** The next item is a vote to approve an amendment to regulations to permit board amendments in accordance with Ohio law.

Do I hear a motion?

**Anne Maness:** I move that shareholders approve the amendment.

**Rodney:** Do I hear a second?

**Denise Osterhues:** I second the motion.

**Rodney:** Is there a report on the proposal?

*(Lee reports)*

**Rodney:** I therefore declare the amendment has been defeated.

**RATIFICATION OF APPOINTMENT OF KROGER'S INDEPENDENT  
AUDITOR**

**Rodney:** The next item is to ratify the appointment of Kroger's independent auditor, PricewaterhouseCoopers LLP.

Do I hear a motion?

**Teri Rose:** I move that shareholders ratify the appointment.

**Rodney:** Do I hear a second?

**Jesse Turner:** I second the motion.

**Rodney:** Is there a report on the proposal?

*(Lee reports)*

**Rodney:** I therefore declare that the selection of PricewaterhouseCoopers has been **ratified**.

## **SHAREHOLDER PROPOSAL**

### **(ITEM NO. 6)**

**Rodney:** There are three shareholder proposals. Is there a representative here to present the proposal for item number 6, regarding the publication of a report assessing the environmental impact of using unrecyclable packaging for *Our Brand* products?

Is there a second? *[If no one seconds, then you should do so from the podium.]*

**Lee,** your report, please. ***(Lee reports)***

**Rodney:** I therefore declare this proposal has been **defeated**.

## **SHAREHOLDER PROPOSAL**

### **(ITEM NO. 7)**

**Rodney:** Is there a representative here to present the proposal for item number 7, regarding the publication of a report assessing the benefits of increasing renewable energy sourcing?

Is there a second? *[If no one seconds, then you should do so from the podium.]*

**Lee**, your report, please.

*(Lee reports)*

**Rodney:** I therefore declare this proposal has been **defeated**.

## **SHAREHOLDER PROPOSAL**

### **(ITEM NO. 8)**

**Rodney:** Is there a representative here to present the proposal for item number 8, regarding the adoption of a policy to require the Chair of the Board to be an independent member of the Board?

Is there a second?

**Rodney:** **Lee**, your report, please. *(Lee reports)*

**Rodney:** I therefore declare this proposal has been **defeated**.

## **GENERAL AUDIENCE QUESTIONS**

This concludes the formal portion of today's agenda. Now I will invite your questions.

Each speaker will have three minutes to ask a question. At the end of the three minutes, you'll hear a sound and we will ask you to conclude your comments. There will be a limit of two speakers per subject and we ask that you address only topics that have not already been discussed during this meeting to allow for a variety of voices to be heard. We may refer appropriate questions to some of our officers in the audience.

Please raise your hand and we will bring a microphone to the end of your aisle.

In the interest of time, we have allotted 20 minutes for this portion of the meeting.

First question?

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## **ADJOURNMENT**

I want to thank all of you who joined us today, either in person or online. I would also like to recognize everyone who helped organize today's meeting. Thank you.

As you exit, please don't forget to take a packet of coupons for products we know you will enjoy in our stores plus be sure to grab a Home Chef coupon and try out a meal kit or two!

As has become our tradition, we are also offering ice cream for you to enjoy on this warm day, brought fresh from our Springdale Dairy. The team from Springdale is here – let's thank them for being with us.

Like many others, we are excited about our Restock Kroger plan to redefine the grocery customer experience, partner for customer value, develop talent, and live our purpose.

We have the human connection, physical assets and expertise – plus a transformational digital platform – to deliver value for our Customers and our Shareholders.

We look forward to sharing our success with all of you. Thank you again for joining us today.

Ladies and gentlemen, the meeting is adjourned.

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