



Kroger Announces Agreement with UFCW to Merge Four Pension Plans into New Fund

Investor Conference Call at 11 a.m. (ET) Today

CINCINNATI, Dec. 15, 2011 /PRNewswire/ -- The Kroger Co. (NYSE: KR) today announced that four of the UFCW/multi-employer pension funds to which the company contributes will merge into a new fund effective January 1, 2012. This new arrangement is expected to reduce Kroger's annual pension contribution expense and will secure the pension benefits of more than 65,000 Kroger associates.

"Given the challenging environment that exists for pension plans today, we are pleased to have reached an agreement that provides a meaningful future benefit for Kroger associates who participate in these plans," said Mike Schlotman, Kroger's chief financial officer. "The unique characteristics of these plans, coupled with our strong financial position and today's low interest rate environment, give us the ability to contribute to the new fund in a manner that we expect to produce significant future savings."

Pending market conditions, favorable discussions with the rating agencies and the approval of three remaining UFCW locals, Kroger expects to contribute approximately \$650 million to the new fund in January 2012. As a result, the company would incur a charge to earnings for the fourth quarter of 2011 of approximately \$0.73 per share. On an after-tax basis, approximately \$413 million would be needed to make this contribution. The exact effect on net earnings per diluted share will depend on the actual amount contributed.

The new pension arrangement will result in a reduced fiscal year 2012 pension expense, and increase fiscal year 2012 net earnings by \$0.04 to \$0.06 per diluted share. This increase was not contemplated in the guidance for fiscal year 2012 earnings per share growth of 8% to 10% that Kroger provided on December 1. Absent this agreement, contributions and the related expense would have continued to grow in 2012 and beyond.

The consolidation of the four pension plans into one will provide greater stability of future benefits for Kroger associates, reduce administration costs and enhance the prospects for future returns. The plans cover more than 65,000 Kroger associates from 14 UFCW local unions. Kroger associates represent 92 percent of the total active participants in the four funds, which was a key factor that facilitated this arrangement. At the same time, this initiative enables Kroger to cost-effectively fund its contributions by taking advantage of the current low interest-rate environment. The agreement also establishes a pension benefit formula through 2021, which concludes collective bargaining with these 14 UFCW local unions on this subject for the next 10 years.

Kroger Chief Financial Officer Mike Schlotman will discuss this new pension arrangement during a conference call with investors today at 11:00 a.m. (ET). The call will be broadcast live



online at http://www.thekrogerco.com/finance/financialinfo_investorconferencecalls.htm. An on-demand replay of the webcast investor conference call will be available from approximately 3 p.m. (ET) Thursday, December 15 through Tuesday, January 2, 2012. For more information about this pension arrangement, please refer to the 10-Q disclosure filed today with the SEC.

Kroger, the nation's largest traditional grocery retailer, employs more than 338,000 associates who serve customers in 2,439 supermarkets and multi-department stores in 31 states under two dozen local banner names including Kroger, City Market, Dillons, Jay C, Food 4 Less, Fred Meyer, Fry's, King Soopers, QFC, Ralphs and Smith's. The company also operates 796 convenience stores, 363 fine jewelry stores, 1,067 supermarket fuel centers and 40 food processing plants in the U.S. Kroger was recognized by Forbes as the most generous company in the U.S. The company focuses its charitable efforts on supporting hunger relief, breast cancer awareness, the military and their families, and more than 30,000 schools and grassroots organizations in the communities it serves. Kroger contributes food and funds equal to 125 million meals a year through its partnership with more than 80 Feeding America food banks. For more information about Kroger, please visit www.kroger.com.

This press release contains certain forward-looking statements about the future performance of the company. These statements are based on management's assumptions and beliefs in light of the information currently available to it. These statements are indicated by words such as "will," "expect," "expected," "expects," and "would." The extent to which the consolidation of the pension plans will provide stability of benefits, reduce administration costs, and enhance prospects for future returns, will be affected primarily by the conditions to the effectiveness of the consolidation of the plans being satisfied, as well as the ability of the plan fiduciaries to achieve expected returns on the plan assets and to reduce costs through the synergies associated with larger size, through consolidation, and the ability to reduce the number of investment professionals required to provide service to the plan. The amount that we contribute to the fund, and the timing thereof, will be affected by our ability to generate amounts through free cash flow or other sources of funds, including borrowings. The effect that our contribution to the plan will have on our fourth quarter earnings will depend on the amount and timing of our contribution, as well as the number of shares that we have outstanding at the time of the contribution. Our expectation that our annual pension contribution expense will be lowered and pension benefits to covered associates will be more secure, as well as the increase in fiscal year 2012 net earnings, and that the contribution will produce significant future savings, could prove inaccurate if our actuarial assumptions are incorrect, if we are unable to make the anticipated funding to the plan as expected in January 2012, if the investment performance of the assets in the plan do not meet our expectations whether because of changes in the financial markets or otherwise, or if we do not achieve the synergies that we anticipate through the consolidation of the plans. Our belief that contributions and related expense would continue to grow in 2012 and beyond absent this agreement is primarily based on actuarial assumption and anticipated investment performance of assets in the plans. Although we have received assurances from the UFCW International union that all prerequisites to the effectiveness of our agreement that must be taken by the local unions will occur prior to December 21, 2011, these conditions are outside of our control



and could fail to be satisfied. These forward-looking statements are subject to uncertainties and other factors that could cause actual results to differ materially. We assume no obligation to update the information contained herein. Please refer to Kroger's reports and filings with the Securities and Exchange Commission for a further discussion of these risks and uncertainties.

SOURCE The Kroger Co.

Kroger, Media: Keith Dailey, +1-513-762-1304, or Investors: Cindy Holmes, +1-513-762-4969