INVESTOR AND ANALYST CONFERENCE CALL TO DISCUSS PENSION PLAN CONSOLIDATION

Cindy Holmes, Director of Investor Relations:

Good morning and thank you for joining us. Before we begin, I want to remind you that today's discussion will include forward-looking statements. We want to caution you that such statements are predictions, and actual events or results can differ materially. A detailed discussion of the many factors that we believe may have a material effect on our business on an ongoing basis is contained in our SEC filings, but Kroger assumes no obligation to update that information.

Both our press release announcing our new pension arrangement and our prepared remarks from this conference call will be available on our website at www.thekrogerco.com.

After Mike's remarks, we look forward to taking your questions. In order to accommodate your questions in the limited time we have, we ask that you please limit yourself to one question. Thank you.

I will now turn the call over to Mike Schlotman, Chief Financial Officer of Kroger.

Comments by Mike Schlotman:

Good morning and thank you for joining us today.

As you may have seen in our press release earlier today, we are pleased to announce that we have reached an agreement with the UFCW, and the trustees of four existing multi-employer pension plans have approved a consolidation of those plans into one, new "UFCW Consolidated Pension Plan" effective January 1, 2012. This plan will cover more than 65,000 Kroger associates.

Eleven of the 14 UFCW Local Unions have approved the transaction, and we expect the remaining locals to approve by December 21st. In addition, all affected participants and government agencies are being informed as required by law.

Let me briefly highlight a few key benefits we expect to achieve with this agreement, and the initial funding that we expect to make during January 2012:

- First, the company and the union were able to agree on a reasonable pension benefit for the next 10 years.
- Second, Kroger's contribution expense will be significantly reduced for years to come.

- Third, Kroger will directly manage the assets that were previously managed jointly by union and Kroger trustees.
- And fourth, this agreement achieves a return in excess of our 11.3% hurdle rate.

The new pension arrangement will result in a reduced fiscal 2012 pension expense, and increase net earnings for the full year 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 rate of 8% to 10%, plus a dividend of 1.5% to 2%, that we provided on December 1. Absent this agreement, contributions and the related expense would have continued to grow in 2012 and beyond.

In an environment where pension funds are faced with funding challenges, we are delighted to have reached an agreement that protects the future retirement benefits of Kroger associates. This will establish funding certainty that benefits both participants and the company.

Individually, the four funds manage assets ranging from $90 million to $1.8 billion. As of January 1st, assets in the new fund will total approximately $2.5 billion. Kroger will be responsible for the investment and custody of all assets of the new plan. While these funds cannot be comingled with the assets of the existing Kroger Defined Benefit Plan, the two funds together will total approximately $5 billion, as of January 1, 2012, and will allow Kroger and the plan participants to achieve certain benefits of scale by lowering administrative costs and investment fees, and potentially generating higher returns across the plans.

Kroger contributes to various multi-employer pension plans. What makes these four pension funds unique is that Kroger is the highest contributor to each of them, with Kroger associates representing 92 percent of active participants. Other employers will continue to contribute to the fund as well. These four funds collectively represent approximately 30 percent of the current underfunding of all the multi-employer plans to which Kroger contributes. These factors create a unique opportunity to engage in this transaction for the benefit of our associates and shareholders.

Kroger agreed to fund the unfunded obligation by March of 2018. Given the low interest rate environment, we believe it is prudent to fund a significant portion of this obligation now. Pending market conditions, favorable discussions with the rating agencies, and the approval of three remaining UFCW locals, Kroger expects to contribute approximately $650 million on a pre-tax basis – or approximately

$413 million on an after-tax basis – to the new fund in January 2012. If we make this contribution, this will bring the total assets in the fund to more than $3 billion.

This will result in a one-time, pre-tax charge of approximately $650 million, or approximately $0.73 per diluted share, to fourth quarter fiscal 2011 earnings. This expense was not included in the latest fiscal 2011 guidance of $1.95 to $2.00 per diluted share that we provided on December 1st. The exact effect on net earnings per diluted share will depend on the actual amount contributed.

Earlier I highlighted the key benefits of this arrangement. It is important to note that Kroger has taken a direct responsibility for this funding. Previously it was an indirect responsibility. Additionally, we are taking on the market risk for asset performance.

We are in discussions with the rating agencies regarding the agreement and the impact the contribution will have on our financial position. We currently anticipate this will not have an effect on our existing ratings or ratings outlook.

This transaction has important benefits for our associates in these plans as well as for our company and shareholders. We are pleased to have identified the unique factors that make this transaction a possibility and are proud to have worked closely with the UFCW over the last 18 months to structure an agreement that benefits all related parties.

With that, I will open the call up to your questions.

This prepared script 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," "expects," "expect," "believe," "anticipate," "achieves," 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 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. Our expectations regarding the continuation of funding of the plan by other employers may fail to be realized if those employers do not reach agreements with the UFCW and applicable local unions, or if those employers fail to satisfy their obligations. 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 with contribution expense being significantly reduced for years to come, 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, or 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. Our belief that this agreement will achieve a return in excess of our 11.3% hurdle rate is based primarily on actuarial assumptions and could fail if those assumptions prove inaccurate. 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. Our belief that the accelerated funding will not negatively affect our credit ratings is based on discussions that we have had with the rating agencies, but we can provide no assurances that the rating agencies will maintain their current outlook. Aggressive competition, economic conditions, interest rates, goodwill impairment, the success of programs designed to increase our identical supermarket sales without fuel, the impact of increasing fuel costs on consumer spending, and labor disputes, particularly as the company seeks to manage increases in health care and pension costs, could materially affect our earnings per share growth. Earnings per share growth also will be affected by the number of shares outstanding and volatility in the company's fuel margins. Earnings also may be affected by adverse weather conditions, particularly to the extent that hurricanes, tornadoes, floods, and other conditions disrupt our operations or those of our suppliers; create shortages in the availability or increases in the cost of products that we sell in our stores or materials and ingredients we use in our manufacturing facilities; or raise the cost of supplying energy to our various operations, including the cost of transportation. Our results also will be affected by rising commodity costs, the inconsistency of the economic recovery, consumer confidence, changes in government-funded benefit programs, and changes in inflation or deflation in product and operating costs. 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.