JEFFERIES GLOBAL CONSUMER CONFERENCE

NANTUCKET

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***Comments by Mike Schlotman*:**

Good morning and thank you for joining us. I am Mike Schlotman, Senior Vice President and Chief Financial Officer of The Kroger Co. With me today is Cindy Holmes, Director of Investor Relations.

Before we begin, I want to remind everyone that the discussion today will include forward-looking statements. I 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.

First Quarter 2012 Review

This morning I plan to provide a quick review of our first quarter earnings we reported last week, update you on our progress in a few key areas, and then leave time at the end for questions.

We are very pleased with Kroger's excellent first quarter results. We achieved strong overall sales and solid operating performance. Our core business is growing, and we are rewarding shareholders through earnings growth, increasing dividends over time, and share buybacks.

Identical supermarket sales were 4.2%, excluding fuel, which is the 34^{th} consecutive quarter of positive identical supermarket sales. Every department and every division had positive identical sales. Net earnings per diluted share increased to \$0.78 from \$0.70 per diluted share last year. FIFO gross margin was 20.7% of sales, and excluding retail fuel operations, it decreased 53 basis points. OG&A costs were 15.36% of sales. Excluding retail fuel operations, OG&A declined 27 basis points; including rent and depreciation this was a 40 basis point reduction.

FIFO operating margin dollars grew, both with and without fuel. While the rolling four quarters FIFO operating margin decreased 11 basis points, it remains our expectation that this will expand slightly for the fiscal year. Finally, while our tonnage was essentially flat, it did improve from the fourth quarter.

<u>Strategy progression</u>

Now turning to updates on our strategy. Several years ago, we took a hard look at who we really compete against, and that helped us realize we're competing against more than just traditional grocery retailers. We also realized, through research and our identical supermarket sales trends, that we were not connecting with our customers as well as we needed. Our customers were telling us that we were not meeting their needs, which were changing….but we were not changing with them. These realities led us to develop our Customer 1st Strategy and the 4 keys to it: people, products, shopping experience, and price. We have worked hard to save money in areas not important to our customers, and to reinvest in places that were impactful to them. This is the essence of the Kroger difference – solving needs for our customers, sometimes in big ways, and sometimes in very targeted, personal ways.

Customers now tell us they notice the difference, which we believe is why we have had 34 consecutive quarters of positive identical sales. Identical sales are the most visible indicator available of a retailer's relevancy to its customers – and that is why we pay so much attention to that trend. We have and will continue to separate ourselves from our traditional competitors.

Differentiation

One example of how we are differentiating ourselves is the joint venture we formed to create dunnhumbyUSA, a consumer insights company. Years of experience with dunnhumby have made us exponentially better at personalization and individual rewards. By deepening our focus on our customers we have redefined our business model, and it is much more sustainable than ever. We leverage this relationship to strengthen our understanding of shopper behavior over time. We continue to increase the number of loyal households shopping with us. We are building relevant and personal connections with each customer and that requires fresh new ways of thinking about our markets and our competition. That customers tell us we have significantly improved in each of the four keys of the Customer 1st strategy, lets us know that we are not the same company we were even seven years ago. We are a different organization.

Closing

In closing, I would like to reiterate that we are very pleased with our first quarter performance. The strong first quarter positions Kroger for an even better 2012 than originally expected. As a result, we have increased our earnings guidance for the fiscal year to $2.33 to $2.40 per diluted share. The original guidance was $2.28 to $2.38 per diluted share. Due to the impact of a large number of prescription drugs coming off patent this year, we continue to expect identical sales to trend down throughout the remainder of the fiscal year, and for that reason we left our identical supermarket sales guidance, excluding fuel, at 3% to 3.5%.

Finally, we expect the second quarter earnings per share growth rate to be in line with our long term growth rate of 6% to 8%, and the third and fourth quarters will be higher than that. The fourth quarter will also benefit from the 53rd week.

I will now be happy to take your questions.

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Forward-Looking Statements

The remarks contain 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. Such statements are indicated by words or phrases such as "expect," "objective," "will," and "plans." These forward-looking statements are subject to uncertainties and other factors that could cause actual results to differ materially. Our ability to achieve identical supermarket sales and earnings growth and earnings per share goals, the timing that those earnings occur within the year may be affected by: labor disputes, particularly as the Company seeks to manage health care and pension costs; industry consolidation; pricing and promotional activities of existing and new competitors, including nontraditional competitors, and the aggressiveness of that competition; our response to these actions; unexpected changes in product costs; the state of the economy, including interest rates and the inflationary and deflationary trends in certain commodities; the extent to which our customers exercise caution in their purchasing behavior in response to economic conditions; the number of shares outstanding; the success of our future growth plans; goodwill impairment; changes in government-funded benefit programs; volatility in our fuel margins; the effect of prescription drugs going off patent has on our sales and earnings; and our ability to generate sales at desirable margins, as well as the success of our programs designed to increase our identical sales without fuel. In addition, any delays in opening new stores, or changes in the economic climate could cause us to fall short of our sales and earnings targets. Our ability to increase identical supermarket sales, as well as our views regarding the trend of those sales, also could be adversely affected by increased competition and sales shifts to other stores that we operate, as well as increases in sales of our corporate brand products, and the effect that increased numbers of generic pharmaceuticals, which generally carry lower retail prices than brands, have on our sales. Earnings and sales 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; and the benefits that we receive from the consolidation of the UFCW pension plans. Our results also will be affected by rising commodity costs, the inconsistent pace of the economic recovery, changes in government-funded benefit programs, consumer confidence, and changes in inflation or deflation in product and operating costs, and the effect of the consolidation of the UFCW pension plans. Our views regarding improvement of the external environment could be affected by general economic conditions, weather, the extent of geopolitical unrest, and other factors beyond our control. Please refer to Kroger's reports and filings with the Securities and Exchange Commission for a further discussion of these risks and uncertainties.