BY THE NUMBERS

Did you know that The Kroger Co. is the largest full-service grocery retailer in the United States? How many distribution centers do we operate? Did you know we run food processing plants? What’s our total store count? Check out these 2014 facts and figures!
ABOUT THE KROGER® FACT BOOK

This Fact Book provides certain financial and operating information about The Kroger Co. and its consolidated subsidiaries. It is intended to provide general information about Kroger and therefore does not include the Company’s consolidated financial statements and notes. On January 22, 2003, the SEC issued release No. 33-8176 that set forth new requirements relating to the disclosure of non-GAAP financial measures, as defined in the release. The release allows for presentation of certain non-GAAP financial measures provided that the measures are reconciled to the most directly comparable GAAP financial measure. Any non-GAAP financial measure discussed in this Fact Book complies with this requirement. More detailed financial information can be found in Kroger’s filings with the SEC.

This Fact Book includes forward-looking statements, which are subject to risks and uncertainties. Actual results may differ materially from those expressed or implied in the forward-looking statements. Information regarding factors that could cause actual results to differ materially from those in the forward-looking statements is contained in Kroger’s filings with the SEC.

Kroger believes that the information contained in this Fact Book is correct in all material respects as of April 2015 or such earlier date as indicated. However, such information is subject to change. Unless otherwise noted, reference to “years” is to Kroger’s fiscal years.
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April 2015

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SHAREHOLDER INFORMATION

CORPORATE OFFICE
1014 Vine Street
Cincinnati, OH  45202
(513) 762-4000
www.thekrogerco.com or
ir.kroger.com

Shareholder Services
(513) 762-4808

Investor Relations & Financial Materials Requests
(513) 762-4366
e-mail: kroger.ir@kroger.com

STOCK TRANSFER AGENT & REGISTRAR
Wells Fargo Shareowner Services
P.O. Box 64874
St. Paul, MN  55164-0874
(800) 468-9716 [toll free]
e-mail: stocktransfer@wellsfargo.com
www.shareowneronline.com

2015 FISCAL CALENDAR
<table>
<thead>
<tr>
<th>Quarter</th>
<th>Date Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Quarter</td>
<td>February 1 - May 23</td>
</tr>
<tr>
<td>Second Quarter</td>
<td>May 24 - August 15</td>
</tr>
<tr>
<td>Third Quarter</td>
<td>August 16 - November 7</td>
</tr>
<tr>
<td>Fourth Quarter</td>
<td>November 8 - January 30, 2016</td>
</tr>
</tbody>
</table>

Number of Employees ~400,000
Shareholders of Record as of March 27, 2015 29,502
Common Diluted Shares Outstanding (FY 2014) 496,669,311*
Common Diluted Shares Outstanding (FY 2013) 519,785,486*
Exchanges NYSE
Ticker KR

*Represents a weighted average outstanding amount during the fiscal year.

HIGH, LOW & CLOSING STOCK PRICE BY QUARTER

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Fiscal 2014</th>
<th></th>
<th>Fiscal 2013</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>High</td>
<td>Low</td>
<td>Close</td>
<td>High</td>
</tr>
<tr>
<td>1st</td>
<td>$47.90</td>
<td>$35.13</td>
<td>$46.85</td>
<td>$35.44</td>
</tr>
<tr>
<td>2nd</td>
<td>$51.49</td>
<td>$46.50</td>
<td>$50.17</td>
<td>$39.98</td>
</tr>
<tr>
<td>3rd</td>
<td>$58.15</td>
<td>$49.98</td>
<td>$57.80</td>
<td>$43.85</td>
</tr>
<tr>
<td>4th</td>
<td>$70.06</td>
<td>$57.27</td>
<td>$69.05</td>
<td>$42.73</td>
</tr>
</tbody>
</table>

*Represents a weighted average outstanding amount during the fiscal year.
## FINANCIAL HIGHLIGHTS

### CALENDAR YEAR END DECEMBER 31, 2014

<table>
<thead>
<tr>
<th>(in millions, except per share data, as reported)</th>
<th>2014</th>
<th>2013</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Closing market price per share</td>
<td>$64.21</td>
<td>$39.53</td>
<td>62.4%</td>
</tr>
</tbody>
</table>

### FISCAL YEAR END January 31, 2015

<table>
<thead>
<tr>
<th>2014</th>
<th>2013</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Closing market price per share</td>
<td>$69.05</td>
<td>$36.10</td>
</tr>
</tbody>
</table>

### FISCAL YEAR

<table>
<thead>
<tr>
<th>2014 (1)</th>
<th>2013 (2)</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total sales</td>
<td>$108,465</td>
<td>$98,375</td>
</tr>
<tr>
<td>Operating profit (GAAP)</td>
<td>$3,137</td>
<td>$2,725</td>
</tr>
<tr>
<td>Operating profit (excluding one-time)</td>
<td>$3,223</td>
<td>$2,741</td>
</tr>
<tr>
<td>Net earnings attributable to The Kroger Co. per diluted common share (GAAP)</td>
<td>$3.44</td>
<td>$2.90</td>
</tr>
<tr>
<td>Net earnings attributable to The Kroger Co. per diluted common share (excluding one-time)</td>
<td>$3.52</td>
<td>$2.85</td>
</tr>
<tr>
<td>Average number of common shares used in diluted calculation</td>
<td>497</td>
<td>520</td>
</tr>
<tr>
<td>Dividends declared per common share</td>
<td>$0.70</td>
<td>$0.63</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>$4,185</td>
<td>$3,380</td>
</tr>
<tr>
<td>Total debt, including obligations under capital leases</td>
<td>$11,657</td>
<td>$11,310</td>
</tr>
<tr>
<td>Total capital investments, excluding acquisitions</td>
<td>$2,831</td>
<td>$2,330</td>
</tr>
</tbody>
</table>

**Note:** Percent change calculations are based on the rounded numbers as presented.

(1) 2014 GAAP results included expenses for pension plan agreements and certain tax benefits.

(2) 2013 GAAP results included merger costs and certain tax benefits.
Kroger® focuses on making a difference for our communities, Customers and Associates by engaging in the communities we serve, minimizing our impact on the environment and creating positive economic value for all.

**Fighting hunger is Kroger’s #1 corporate social responsibility.** In 2014, the Kroger family of stores donated over **50 million pounds** of food.

Our investments in the communities we serve directly reflect those areas Customers tell us are important to them.

- **$6 million** donated to support breast cancer programs
- The USO’s largest cumulative donor, contributing **$11.9 million**
- **$46 million** donated to over 30,000 schools and local organizations
ENIRONMENT IMPACT

Kroger® continues to focus on reducing our environmental impact by:

- 35% Energy Reduction in Stores
- 27 of 37 manufacturing plants are zero waste
- Organics Recycling in 1000+
- 40 Liquefied Natural Gas Trucks in Fred Meyer division
- Sourcing palm oil from certified sources by the end of 2015
- Improved fleet productivity by 37% since 2010

Kroger is honored to have received these acknowledgements:

- EPA Food Recovery Challenge Leader
- Dow Jones Sustainability Indices Member
- Certification Nation 2014 Energy Star Certification for Buildings

The Kroger Co.
CORPORATE OVERVIEW

OPERATIONS

Headquartered in Cincinnati, Ohio, The Kroger Co. is one of the largest retailers in the United States based on annual sales, holding the #24 ranking on the Fortune 100 list published in June 2014. Kroger® was founded in 1883 and incorporated in 1902.

At the end of fiscal 2014, Kroger operated (either directly or through its subsidiaries) 2,625 supermarkets, 1,330 of which had fuel centers. Approximately 48% of these supermarkets were operated on Company-owned facilities, including some Company-owned buildings on leased land. See Section II of this Fact Book for more information about our supermarket operations, and Section III for more information about our supermarket fuel centers.

In addition to supermarkets, Kroger operates (by franchisees or through its subsidiaries) 782 convenience stores and 326 fine jewelry stores. Subsidiaries operated 704 of the convenience stores, while 78 were operated by franchisees through franchise agreements. Approximately 54% of the convenience stores operated by subsidiaries were operated in Company-owned facilities. Additional information about our convenience stores and jewelry stores is contained in Section II of this Fact Book.

The Company also manufactures and processes some of the food for sale in its supermarkets. As of February 1, 2015, the Company operated 37 manufacturing plants. See Section III of this Fact Book for more information about our manufacturing operations and corporate brand products.

All of the Company’s operations are domestic.

<table>
<thead>
<tr>
<th>The Kroger Co.</th>
<th># of Stores</th>
<th>% of Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supermarkets</td>
<td>2,625</td>
<td>93.0%</td>
</tr>
<tr>
<td>Convenience Stores</td>
<td>782</td>
<td>5.0%</td>
</tr>
<tr>
<td>Jewelry Stores (A)</td>
<td>326</td>
<td>0.5%</td>
</tr>
<tr>
<td>Other (B)</td>
<td>n/a</td>
<td>1.5%</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>100%</td>
</tr>
</tbody>
</table>

(A) Includes 194 locations operated inside our supermarkets and 132 in shopping malls.

(B) Primarily represents sales by Kroger’s manufacturing plants to outside Customers.
ASSOCIATES

The Company employs almost 400,000 full-time and part-time associates. A majority of the Company’s store employees are covered by collective bargaining agreements negotiated with local unions affiliated with one of several different international unions. There are just under 300 such agreements, usually with terms of three to five years.
Kroger’s vision for the future is to operate several formats within the same market, making it convenient for a Customer to shop one of our stores in-person or online for delivery or pick-up, whether for dinner tonight or for all their shopping needs for the week. We will continue to reward our loyal Customers for doing this.

It is evident that our Customer base is becoming increasingly diverse - not only in terms of ethnicity, but also in terms of household mix and purchasing patterns, as well as shopping behaviors. Kroger’s wide variety of store formats is among our key strengths that set us apart from competitors, allowing us to leverage our existing distribution network and manufacturing facilities.

Our primary formats will include combination stores, multi-departments stores, price impact warehouse stores, Ruler Foods® stores, Fresh Fare® stores, Marketplace stores, and, where applicable, convenience stores.

At year-end 2014, Kroger® operated 2,625 supermarkets classified under the four primary formats listed in the table below.

<table>
<thead>
<tr>
<th>Store Formats</th>
<th># of Stores</th>
<th>% of Store Base</th>
</tr>
</thead>
<tbody>
<tr>
<td>Combination Stores</td>
<td>2,269</td>
<td>86%</td>
</tr>
<tr>
<td>Multi-Department Stores</td>
<td>127</td>
<td>5%</td>
</tr>
<tr>
<td>Marketplace Stores</td>
<td>98</td>
<td>4%</td>
</tr>
<tr>
<td>Price Impact Stores</td>
<td>131</td>
<td>5%</td>
</tr>
<tr>
<td>Total Supermarkets</td>
<td>2,625</td>
<td>100%</td>
</tr>
</tbody>
</table>
The Kroger Co.  Page 10

COMBINATION STORES

The combination store (combo) is Kroger’s primary format. The combo strategy is to offer Customers the advantages of one-stop shopping in convenient locations for a wide selection of consumables. Combo stores feature a complete supermarket and pharmacy plus expanded perishable, health care, and general merchandise departments, as well as natural and organic selections and pet centers. Many also include a supermarket fuel center. Combination stores that were opened during the last four years average 76,000 square feet and required an average investment of $17-19 million, including real estate. Individual locations may vary widely from the average, depending upon the geography of the store. Our combo stores have proven successful in competing against all formats, including supercenters and specialty food retailers.

In a few select markets, we have also introduced our Fresh Fare® stores. These stores are similar to our combo stores but operate in more upscale trade areas. The perishable department presentation, an elegant décor package, expanded wine selection, enhanced services, and overall product variety separate a Fresh Fare store from a traditional combination store. At the end of 2014, we characterized 74 of our combo stores as Fresh Fare locations.
MULTI-DEPARTMENT STORES

Our multi-department stores operate under the Fred Meyer® banner with 132 locations in Alaska, Idaho, Oregon and Washington. Averaging over 161,000 square feet, this format is far larger than a Kroger® combo store. Most Fred Meyer locations also house a Fred Meyer Jewelers® (the nations’ 3rd largest jeweler), and 100 have a Fred Meyer Fuel Center. The average investment to build a multi-department store is over $29 million, including real estate.

A Fred Meyer store is unlike any other. It’s not a big box store, hypermarket, supercenter, warehouse store or department store. Instead, Fred Meyer is a collection of specialty stores woven together seamlessly under one roof.

The Food Department matches up well with Northwest Customers, who skew higher for healthier lifestyles and finer tastes than most of the country. That’s why since 1971, Fred Meyer has been a leader in bringing natural foods mainstream, with every store devoting an average of 3,000 square feet to natural products. It’s also why most Fred Meyer stores have experienced wine stewards, and why Murray’s Cheese Bar® is so successful here.

This comprehensive, well-targeted food store is complemented by:

- A complete Apparel & Shoe Store for the family
- A Home Store loaded with fashion and function for every room

While competitors might claim to be similar, further differentiation comes from a strong lineup of top brands like Adidas®, Apple®, Ashley®, Beats®, Bose®, Calphalon®, Carhartt®, Columbia Sportswear®, Converse®, DC®, Dockers®, KitchenAid®, Krups®, Levi’s®, Nike®, Quiksilver®, Roxy®, Samsung®, Skechers®, Sony®, Spyder®, Under Armour®, Vans® and Vizio®.

Fred Meyer is the original - and still the best - One-Stop Shopping Store. The service, selection, quality and prices offered by combining so many specialty businesses under one roof and one ownership is a sustainable competitive advantage far greater than the sum of its parts. Our Customers perceive our strategic approach as a value to them because it improves their lives. They find more selection - plus save more time and money - in one stop at Fred Meyer than any other store.
Marketplace stores offer full-service grocery, pharmacy and health & beauty care departments as well as an expanded fresh food offering and general merchandise areas that include apparel, home goods and toys.

Typically ranging in size from 100,000 to 130,000 square feet, this format is smaller than the multi-department format, and requires an average investment of $20-22 million, including real estate.

Fred Meyer’s general merchandise expertise has been a key factor in the success of our marketplace store format. The continued rollout of our marketplace strategy would not be possible without the general merchandise expertise of our great team at Fred Meyer® that knows which categories and products to procure, and how to sell those products.

At the end of 2014, we operated 98 Marketplace stores, and we expect this format to be one of our primary growth formats of the future. Customers tell us that the LOVE their marketplace stores!
Our price impact warehouse stores operate under the Food 4 Less® and Foods Co® banners. They average over 57,000 square feet in size and require an average investment of $15 million. They offer a “no frills, low cost” warehouse format and feature everyday low prices for a wide selection of grocery, health and beauty care items. The quality of offerings in meat, seafood, poultry, dairy, baked goods, and fresh produce items provide a competitive advantage against club store and supercenter operators. Most locations contain a fresh bakery and service deli. Some feature Mexican-style “carnicería” service meat departments. This exciting format allows us to deepen our Customer reach as a price merchant in several trade areas.

We operate 131 price impact stores under the Food 4 Less banner in southern California, Illinois, and Indiana, and the Foods Co banner in central and northern California.

Ruler Foods stores are operated by the Jay C® division, and currently operate in Indiana, Illinois, Kentucky, Ohio and Missouri. The average store size is 18,000 square feet and requires an average investment of $2.5 million. These stores operate as a hard discounter offering basic grocery items and featuring everyday low prices. The stores contain a high concentration of corporate brand products in a low cost structure environment.
GEOGRAPHY & MARKETS

At the end of fiscal 2014, The Kroger Co. (either directly or through its subsidiaries) operated 2,625 supermarkets in 34 states and the District of Columbia under two dozen banners. These banners include Kroger® and others listed below. Kroger has grown through organic growth and acquisition and believes strongly in maintaining local banners where appropriate.

<table>
<thead>
<tr>
<th>State</th>
<th>Banners</th>
<th>Y/E 2014</th>
<th>Y/E 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>California</td>
<td>Food 4 Less, Foods Co, Ralphs</td>
<td>335</td>
<td>345</td>
</tr>
<tr>
<td>Ohio</td>
<td>Kroger, Kroger Marketplace, Ruler Foods</td>
<td>212</td>
<td>213</td>
</tr>
<tr>
<td>Texas</td>
<td>Kroger, Kroger Marketplace</td>
<td>203</td>
<td>202</td>
</tr>
<tr>
<td>Georgia</td>
<td>Kroger, Kroger Marketplace, Harris Teeter</td>
<td>173</td>
<td>171</td>
</tr>
<tr>
<td>North Carolina</td>
<td>Kroger, Harris Teeter</td>
<td>157</td>
<td>158</td>
</tr>
<tr>
<td>Indiana</td>
<td>Jay C, Kroger, Kroger Marketplace, Owen’s, Pay Less</td>
<td>149</td>
<td>148</td>
</tr>
<tr>
<td></td>
<td>Super Markets, Scott’s, Ruler Foods</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Colorado</td>
<td>City Market, King Soopers, King Soopers Marketplace</td>
<td>142</td>
<td>139</td>
</tr>
<tr>
<td>Michigan</td>
<td>Kroger, Kroger Marketplace</td>
<td>126</td>
<td>129</td>
</tr>
<tr>
<td>Tennessee</td>
<td>Kroger, Kroger Marketplace, Harris Teeter</td>
<td>125</td>
<td>127</td>
</tr>
<tr>
<td>Arizona</td>
<td>Fry’s Food &amp; Drug, Fry’s Marketplace, Smith’s</td>
<td>123</td>
<td>123</td>
</tr>
<tr>
<td>Washington</td>
<td>Fred Meyer, QFC</td>
<td>119</td>
<td>120</td>
</tr>
<tr>
<td>Kentucky</td>
<td>Kroger, Kroger Marketplace</td>
<td>113</td>
<td>110</td>
</tr>
<tr>
<td>Virginia</td>
<td>Kroger, Kroger Marketplace, Harris Teeter</td>
<td>104</td>
<td>102</td>
</tr>
<tr>
<td>Kansas</td>
<td>Dillons Food Stores, Dillons Marketplace</td>
<td>64</td>
<td>66</td>
</tr>
<tr>
<td>Illinois</td>
<td>Food 4 Less, Kroger, Ruler Foods</td>
<td>60</td>
<td>59</td>
</tr>
<tr>
<td>Oregon</td>
<td>Fred Meyer, QFC</td>
<td>56</td>
<td>56</td>
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<tr>
<td>Utah</td>
<td>City Market, Smith’s, Smith’s Marketplace</td>
<td>51</td>
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<td>West Virginia</td>
<td>Kroger</td>
<td>42</td>
<td>44</td>
</tr>
<tr>
<td>Nevada</td>
<td>Smith’s</td>
<td>45</td>
<td>53</td>
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<tr>
<td>Arkansas</td>
<td>Kroger, Kroger Marketplace</td>
<td>33</td>
<td>34</td>
</tr>
<tr>
<td>Mississippi</td>
<td>Kroger</td>
<td>33</td>
<td>34</td>
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<tr>
<td>South Carolina</td>
<td>Kroger, Harris Teeter</td>
<td>33</td>
<td>30</td>
</tr>
<tr>
<td>New Mexico</td>
<td>City Market, Price Rite, Smith’s, Smith’s Marketplace</td>
<td>26</td>
<td>26</td>
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<tr>
<td>Idaho</td>
<td>Fred Meyer, Smith’s</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>Maryland</td>
<td>Harris Teeter</td>
<td>12</td>
<td>10</td>
</tr>
<tr>
<td>Missouri</td>
<td>Gerbes Super Markets, Kroger, Ruler Foods</td>
<td>12</td>
<td>15</td>
</tr>
<tr>
<td>Alaska</td>
<td>Fred Meyer</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>Nebraska</td>
<td>Baker’s</td>
<td>11</td>
<td>11</td>
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<td>Alabama</td>
<td>Kroger</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>Wyoming</td>
<td>City Market, King Soopers, Smith’s</td>
<td>9</td>
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</tr>
<tr>
<td>Louisiana</td>
<td>Kroger</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Montana</td>
<td>Smith’s</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Washington, D.C.</td>
<td>Harris Teeter</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Delaware</td>
<td>Harris Teeter</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Florida</td>
<td>Harris Teeter</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>2,625</strong></td>
<td><strong>2,640</strong></td>
</tr>
</tbody>
</table>
Operating Divisions

Kroger’s operating structure is a balance between our corporate office in Cincinnati, Ohio, and our 20 supermarket operating divisions. This balance keeps merchandising decisions closest to the Customer while achieving synergies in backstage operations in order to maximize operating efficiencies and minimize operating costs.

In areas that directly affect the Customer, Kroger’s decentralized structure places substantial authority for merchandising and operating decisions in our supermarket divisions. Divisional managers are able to respond quickly to changes in competition and Customer preferences within each local market.

For backstage processes that offer economies of scale or are invisible to the Customer (such as procurement, accounting, treasury operations, etc.), Kroger® leverages its size and centralizes those functions to create value for Customers and better returns for shareholders.

Kroger’s 20 supermarket operating divisions are:

<table>
<thead>
<tr>
<th>Division</th>
<th>Headquarters</th>
<th># Stores</th>
</tr>
</thead>
<tbody>
<tr>
<td>Harris Teeter</td>
<td>Charlotte, NC</td>
<td>233</td>
</tr>
<tr>
<td>Ralphs</td>
<td>Los Angeles, CA</td>
<td>218</td>
</tr>
<tr>
<td>Kroger Southwest</td>
<td>Houston, TX</td>
<td>211</td>
</tr>
<tr>
<td>Kroger Atlanta</td>
<td>Atlanta, GA</td>
<td>186</td>
</tr>
<tr>
<td>King Soopers/City Market</td>
<td>Denver, CO</td>
<td>146</td>
</tr>
<tr>
<td>Smith’s</td>
<td>Salt Lake City, UT</td>
<td>139</td>
</tr>
<tr>
<td>Kroger Central</td>
<td>Indianapolis, IN</td>
<td>136</td>
</tr>
<tr>
<td>Fred Meyer Stores</td>
<td>Portland, OR</td>
<td>132</td>
</tr>
<tr>
<td>Food 4 Less</td>
<td>Los Angeles, CA</td>
<td>131</td>
</tr>
<tr>
<td>Kroger Michigan</td>
<td>Novi, MI</td>
<td>124</td>
</tr>
<tr>
<td>Kroger Columbus</td>
<td>Columbus, OH</td>
<td>122</td>
</tr>
<tr>
<td>Kroger Mid-Atlantic</td>
<td>Roanoke, VA</td>
<td>120</td>
</tr>
<tr>
<td>Fry’s Food &amp; Drug</td>
<td>Phoenix, AZ</td>
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**TOTAL** 2,625

**MAJOR MARKETS**

At year-end 2014 Kroger® operated stores in 49 major markets. A major market is one in which Kroger operates nine or more stores. Kroger holds the #1 or #2 market share position in 42 of those major markets.

Thirty-nine of Kroger’s 49 major markets are located among the nation’s top 100 Metropolitan Statistical Areas (MSAs) ranked by population.
### Major Markets (9 or More Stores)

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### Secondary Markets (3 - 8 Stores)

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**TOTAL** 264 42
Kroger® Operating Divisions (Year-End 2014)

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### Kroger® Operating Divisions (Year-End 2014)

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<td><strong>TOTAL</strong></td>
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The Kroger Co.  Page 19
MERGER & ACQUISITION STRATEGY

As the supermarket industry continues to consolidate, Kroger® reviews potential merger/acquisition candidates and carefully analyzes their potential to enhance shareholder value.

Kroger’s merger/acquisition strategy focuses primarily on existing markets. Such “in-market” mergers/acquisitions have lower risk and generally produce a higher incremental return because they require little investment in overhead, advertising, and distribution. Kroger tries to ensure that in all mergers, both parties bring synergies to the value of the transaction. Two of Kroger’s mergers in fiscal 2014 were e-commerce-related: YOU Technology, LLC and Vitacost.com, Inc. (Vitacost.com)

<table>
<thead>
<tr>
<th>Mergers/Acquisitions</th>
<th>Date</th>
<th># Stores (A)</th>
<th>Location</th>
<th>Banner Change</th>
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<td>1</td>
<td>Louisville KY</td>
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<tr>
<td>Scott’s Food &amp; Pharmacy</td>
<td>April 2007</td>
<td>18</td>
<td>Fort Wayne IN</td>
<td>Underway Yes</td>
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<td>Farmer Jack</td>
<td>June 2007</td>
<td>20</td>
<td>Detroit MI</td>
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<tr>
<td>Individual stores</td>
<td>2007</td>
<td>2</td>
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<td>AWG</td>
<td>January 2010</td>
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<td>Topeka &amp; Wichita, KS</td>
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<td>Brookshires Albertsons</td>
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<td>Jaskson, MS</td>
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<td>June 2010</td>
<td>1</td>
<td>Ft. Worth, TX</td>
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<td>Individual store Schnuck’s</td>
<td>April 2011</td>
<td>1</td>
<td>Bloomfield, IN</td>
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<td>Schnuck’s (c-stores)</td>
<td>September 2011</td>
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<td>Memphis, TN</td>
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<td>Vitacost.com</td>
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<td>e-comm</td>
<td>Boca Raton, FL</td>
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(A) Represents stores acquired. Kroger may not operate all.
CONVENIENCE STORES

Overview
Kroger® operates five convenience store divisions ("C-Stores") using the following banners: Kwik Shop®, Loaf ‘N Jug®, Quik Stop™, Tom Thumb™, and Turkey Hill® Minit Markets. At year-end 2014, Kroger’s 782 convenience stores spanned 19 states; 723 of these locations sell fuel. Subsidiaries operated 704 of the convenience stores and 78 were operated through franchise agreements.

In 2014, the convenience stores accounted for 5% of Kroger’s total sales. C-Stores partner (bridge) with Kroger supermarkets to enhance the ability of Customers to earn and redeem fuel rewards. Several of the C-Store banners are in major bridged markets including Columbus, Ohio; Wichita, Kansas; Colorado Springs, Colorado; and Memphis, Tennessee. Nearly all of the convenience stores offer the Company’s successful loyalty card program. The C-Stores also offer their Customers a variety of Kroger corporate brand products.

Innovation/Growth
Kroger’s convenience stores are continually refining store formats and product selection. The convenience stores continue to introduce new and innovative programs, such as fresh products and pizza.

During 2014, two convenience stores were opened, two were relocated, six were closed; 115 stores received interior remodels and 22 received gasoline remodels. Typically located on a parcel of one to two acres, the new stores range from 4,512 square feet to 7,665 square feet in size and generally have a large gasoline offering with six to eight gasoline dispensers, covered by a large, well-lit canopy.
STORE PROFILE

The average size of a C-Store at year-end was 2,924 square feet and the average weekly merchandise Customer count was approximately 6,265. The typical convenience store stocks approximately 2,800 items, with about 75% of non-gasoline sales being in five categories: packaged beverages, beer, snacks, candy and tobacco products. The food service section of our business accounted for approximately 12% of non-gasoline sales for the 2014 FY. Gasoline sales represented approximately 75% of Kroger’s total C-Store sales in 2014.

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<td>Kwik Shop IA, KS, NE</td>
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<td>Loaf ‘N Jug CO, MT, ND, NE, NM, OK, SD, WY</td>
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<td>Quik Stop CA, NV</td>
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<tr>
<td>Tom Thumb AL, FL, MS, TN</td>
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<td>Turkey Hill Minit Markets IN, OH, PA</td>
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<tr>
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FINE JEWELRY STORES

Celebrating life’s special occasions is an important part of the jewelry shopping experience. The emotion associated with these occasions builds emotional relationships and strengthens the loyalty Customers feel toward Fred Meyer Jewelers®. This is an integral part of Kroger’s Customer 1st strategy.

Vision
The vision of Fred Meyer Jewelers is to help turn life’s occasions into celebrations with a timeless gift of fine jewelry.

Mission
Our mission is to make fine jewelry as relevant, exciting and accessible to as many people as possible every day.

Value Proposition
Our value proposition is based on the simple idea that Fred Meyer Jewelers can freshen your look and offers a refreshing shopping experience.

Fred Meyer Jewelers sells and services fine jewelry. Stores have:

- Private label and branded merchandise
- Assortments in bridal, diamond fashion, colored gemstones, gold and timepieces
- Private label credit card
- Lifetime jewelry care plans
- Diamond trade-in and replacement guarantees
- Free jewelry cleaning and inspection
- Expert jewelry and watch repair services
- Kroger® fuel points with all purchases
Fred Meyer Jewelers® operates 326 fine jewelry stores in 30 states under the Fred Meyer and Littman Jewelers® banners and is one of America’s largest fine jewelers. There are 194 stores located inside our supermarkets and 132 stores located in shopping malls. In addition to store locations, Fred Meyer Jewelers serves Customers through two online/mobile branded Ecommerce websites: [www.fredmeyerjewelers.com](http://www.fredmeyerjewelers.com) and [www.littmanjewelers.com](http://www.littmanjewelers.com). During 2014, the jewelry stores produced 0.5% of Kroger’s total sales.

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CORPORATE BRANDS

REALIZING SUCCESS ACROSS OUR CORPORATE BRANDS PORTFOLIO

Corporate Brands continues to be a strong competitive advantage for Kroger®. We executed our vision more vividly in 2014 than ever.

"Build lifetime, loyal Customers with our differentiated, preferred brands to become the primary reason Customers drive past our competitors to shop at Kroger.”

Our entire portfolio is designed to be Customer 1st for all our Customers by meeting their everyday needs, delivering solutions that make them feel successful, and surprising them with some new experiences.

OUR FAMILY OF BRANDS ARE LOYALTY MARKERS

Brands such as Kroger, Private Selection®, Simple Truth®, Simple Truth Organic®, P$$T...®, Check This Out...and Heritage Farm™, Comforts for Baby®, Big K®, and Pet Pride® are our ultimate loyalty drivers – they are only available in our stores! Additionally, we manufacture 40% of our Corporate Brands products - contributing stronger margins and enabling greater speed-to-market advantage.

Corporate Brands closed out the year with strong share numbers: 25.5% sales dollars and 27.1% units sold (excluding pharmacy and fuel).

We achieved a lot this year. From new pet products to delivering more fresh products to our Customers’ fingertips, we’re proud of the portfolio we have built and are excited to see our Customers find what they need across the store, and so much more.
UNLEASHING OUR KROGER® PERSONALITY

Our $13.6 billion brand got to show off its personality this year. Packed inside this brand were products that were national brand quality, tasty and just waiting to jump into our Customer’s carts.

We brought product credibility to each category. The initial round of redesigns showed great success: transforming Customer perceptions of our namesake brand; increasing trial of products in critical categories such as meat, yogurt, bagged snacks, coffee and milk; and driving sales and unit growths to new levels.

In unaided research, our Customers told us:

1. The products made them feel “successful,” elevating the brand from “what I could afford to buy” to “what I want to buy.”

2. The redesign creates a sense of pride for our Customers. “Kroger is proud of their products, so I feel proud of what I bought.”

And they were right. There is so much pride in our brand; we just couldn’t contain it any longer.
ON TREND WITH OUR NEW PET BRANDS

Our introduction of a three-tiered, Corporate Brands pet program had tails wagging. As Customers shift to premium and ultra-premium pet offerings, we have expanded our pet portfolio to include Luvsome™ and ABOUND™, our premium and ultra-premium brands, respectively. They have joined Pet Pride® to offer flavorful bites and treats that fit each of our furrier families’ needs.

Luvsome knows our pets put their trust in us. They rely on us for love, attention, shelter, and food. That’s why we take our products seriously. We promise a tasty, perfectly balanced, nutritious high-quality pet food at a fair price.

ABOUND was founded on the belief that pet foods and treats could be better, not just by a little, but by leaps and bounds. Our ultra-premium pet food and treat line uses only natural, high quality ingredients that meet our rigorous quality standards. NO wheat, corn or soy fillers, NO animal by-product meal and NO artificial colors, flavors or preservatives.

Additionally, Luvsome and ABOUND brands believe every cat and dog deserves a loving, forever home. That’s why they’ve partnered with Best Friends Animal Society - to help Save Them All®.
OUR FOCUS ON FRESH
As a result of our focus to bring more fresh offerings to our Customers, we developed and introduced PeakFection™ and Fresh Foods Market.

We believe that fresh is always in season. That’s why we developed a brand that uses state-of-the-art technology to capture and suspend flavors at their peak of perfection – without preservatives or additives. We even package it to spotlight how “fresh” the product is. With PeakFection our Customers can decide when the time is ripe for fresh-prepared foods that stay fresh longer!

We launched Fresh Foods Market in our Deli and Prepared Foods in a big way this year. Fresh Foods Market speaks to the freshness of the foods we prepare that our Customers crave. From grab & go to heat & eat, every item is freshly made, never frozen.

ALWAYS OUT TO IMPRESS
Our Private Selection® brand continued to tempt customers with new and delicious culinary offerings throughout the store, successfully trading Customers up in categories. We accomplished this by introducing over 100 new items and by repeating the successful store-wide Private Selection branded event that drove sales, margin and more loyal Private Selection households.
A $1 BILLION BRAND AND GROWING
In less than two years from the launch of this brand, Simple Truth® and Simple Truth Organic® became a Billion Dollar Brand in December 2014. Together, Simple Truth and Simple Truth Organic are now the largest natural food brand in the US. With a strong, rapidly growing base, the brand added another 111 new items to our shelves in 2014. We celebrated the success of our brand across the enterprise, engaging the Associates and Customers who helped hit this milestone. Simple Truth and Simple Truth Organic continue to be key growth brands for our Corporate Brands portfolio, making them ripe for further expansion in 2015.

MANUFACTURING
GETTING TO KNOW: Kroger® Manufacturing
Kroger Manufacturing is made up of 37 facilities. Our manufacturing plants produce breads, dairy products, meat and thousands of other grocery items. By manufacturing our own products, we lower our costs and pass the savings on to our Customers. We invest in processing improvements and process automation and we constantly monitor our costs versus that of third parties to assure we are delivering high quality products at a competitive price. We also look for new products to bring in house to lower costs to our customers.

“Approximately 40% of the Corporate Brand units sold in our stores are produced in our 37 manufacturing plants.”
DAIRY
Kroger’s 17 dairies produce all varieties of fluid milk, orange juice, cultured products such as yogurt and cottage cheese, ice cream, novelty treats and non-carbonated beverages. In all of our markets, our Banner Brand milk is the “national brand” for most Customers. The Harris Teeter® Dairy located in High Point, NC, was added to the overall Manufacturing network in January 2014. Kroger® also operates two cheese plants, which produce a variety of natural and processed cheeses for our supermarkets.

MEAT
Kroger’s two meat plants produce a variety of packaged meats, retail meats, sausages, and home meal replacements.

BAKERY
Six Kroger bakeries supply bread, cakes, donuts, cookies, bagels, muffins, crackers, snacks, and rolls to Kroger retail stores and outside Customers. Two frozen dough plants in Bowling Green, KY, and Salt Lake City, UT, supply frozen cakes and dough to our retail stores. KB Specialty Foods, a deli plant, manufactures a wide variety of deli salads, puddings, desserts, glazes, icings, etc.

We opened a new, state of the art facility in Denver in May of 2014 that employs processing technology that allows us to deliver fresher, longer lasting milk to our Customers. The facility produces milk and other fluid products, including small bottle extended shelf life dairy items for national distribution. In addition to being our first aseptic fluid line, this is the first dairy in the United States to operate a fully automated milk case distribution room.
GROCERY
Grocery products, beverages, and water are produced in Kroger’s five grocery and two beverage plants. Corporate brand grocery items include pet foods, sugar-based products like drink mixes, hot cereal, coffee, spices, salad dressings and peanut butter. Beverages include Kroger’s Big K® soft drink line.

“Quality is a priority—our in-house quality assurance group monitors the quality of our Corporate Brand products.”
DAIRY
Centennial Farms Dairy, GA
Compton Creamery, CA
Crossroad Farms Dairy, IN
Heritage Farms Dairy, TN
Hunter Farms Dairy, NC
Jackson Dairy, KS
Layton Dairy, UT
Michigan Dairy, MI
Mountain View Foods, CO
Pace Dairy, MN
Pace Dairy of Indiana, IN
Riverside Creamery, CA
Swan Island Dairy, OR
Tamarack Farms Dairy, OH
Tolleson Dairy, AZ
Turkey Hill Dairy, PA
Vandervoort Dairy, TX
Westover Dairy, VA
Winchester Farms Dairy, KY

GROCERY
America’s Beverage, TX
Delight Products, TN
Kenlake Foods, KY
Pontiac Foods, SC
Springdale Ice Cream & Beverage, OH
State Avenue, OH
Tara Foods, GA

BAKERY
Anderson Bakery, SC
Clackamas Bakery, OR
Columbus Bakery, OH
Country Oven Bakery, KY
Indianapolis Bakery, IN
KB Specialty Foods, IN
King Soopers Bakery, CO
La Habra Bakery, CA
Layton Dough, UT

MEAT
King Soopers Meat, CO
Vernon Meat, CA
# Corporate Brand Categories Produced at Our Manufacturing Facilities

## DAIRY
- Ice Cream
- Ice Cream Cakes
- Milk
- Yogurt
- Cottage Cheese
- Processed Cheese
- Natural Cheese
- Sour Cream
- Frozen Novelties
- Orange Juice
- Fruit Juices/Drinks
- Citrus Punch
- Bottled Water

## BAKERY
- Breads
- Buns
- Rolls
- English Muffins
- Bagels
- Donuts
- Cookies
- Crackers
- Cheese Curls
- Tortilla Chips
- Popcorn
- Flour Tortillas

## DELI
- Bread & Rolls
- Spreads/Dips
- Icings/Glazes
- Danish
- Salads
- Dessert Salads
- Seafood Salads
- Mashed Potatoes
- Mac & Cheese
- Cakes
- Pies
- Cupcakes
- Cookies
- Bagels
- Muffins

## BEVERAGE
- Soft Drinks (A)
- Purified Water
- Juices
- Vitamin Water
- Sparkling Water

## MEAT
- Packaged Meats
- Retail Meats
- Sausages

## PET FOOD
- Dry Dog Food
- Dry Cat Food

## GROCERY
- Peanut Butter
- Salad Dressing
- Red Sauces
- Steak Sauces
- Worcestershire Sauce
- Soy Sauce
- Lemon Juice
- Vinegars
- Coffee
- Powdered Drinks
- Salted Nuts
- Baking Nuts
- Hot Cereal
- Jelly and Preserves
- Salsa
- Syrups
- Broth
- Spices
- Extracts
- Food Coloring
- Convenience Pouches
- Trail Mix

(A) Carbonated and Non-Carbonated
Kroger® is the fifth-largest pharmacy operator in the United States in number of locations, operating retail pharmacies in 2,111 of our food stores. During fiscal 2014, Kroger pharmacists filled almost 175 million prescriptions at a retail value of approximately $9.0 billion.
Aside from dispensing safe, accurate, and appropriate medications, Kroger® Pharmacy is committed to providing a holistic, personalized, quality health experience to our patients. Our everyday services include: vaccinations, Medication Therapy Management (MTM), and a variety of health screenings. In addition, many of our pharmacies offer more intensive education and management programs such as diabetes and heart healthy coaching, diabetes self-management education (DSME), fitness, nutrition and weight management, and smoking cessation. These programs have been proven to reduce emergency room visits, hospitalizations, and total health care costs. Kroger Pharmacy received industry recognition this year for its execution of MTM and innovations that improve the medication use process. The Pinnacle Award was presented to Kroger by the American Pharmacists Association Foundation in September.

Kroger’s focus on quality and a service based orientation is not limited to its retail network alone. Axium Healthcare Pharmacy (Axium), acquired late in 2012, is a full-service specialty pharmacy that provides drug therapies and patient support services to treat chronic, genetic, and other complex conditions such as Hepatitis C, Multiple Sclerosis, Cancer, Rheumatoid Arthritis, and more. Axium’s team of pharmacists and nurses ensure patients and payers are getting the most value from these complex biologic medications. By leveraging the power of Axium, the retail pharmacy network, The Little Clinic®, and its PBM subsidiary (Kroger Prescription Plans), Kroger is well-positioned to be the total healthcare destination.

Aside from the traditional face-to-face and telephonic means of interacting with our customers, Kroger has recognized the need to better engage its customers digitally. Customers now are able to easily manage their prescriptions for themselves, and their family, via our banner sites and the mobile app. “My Prescriptions” provides a secure account creation process for Customers to view current and historical prescription records, order refills, and enroll in additional pharmacy services. Customers can update their personal information, make changes to their contact preferences, and see when prescriptions are ready for pickup or are overdue. They can even print their medical expense statement to assist in their tax return preparation. While this is a great start, Kroger has many more features and enhancements planned in 2015 to further improve the pharmacy online and mobile experience.
Convenience at Its Finest...Retail Clinics In-Store

The retail clinic industry is growing rapidly and Kroger® was on the forefront of this healthcare delivery model when they purchased The Little Clinic in 2010. Currently The Little Clinic operates in nine states under the Kroger, King Soopers, Fry’s and JayC banners. The Little Clinic is uniquely positioned to make routine care more convenient, accessible and affordable. Plus, The Little Clinic is one of only two retail clinic organizations nationally that is accredited by The Joint Commission on Healthcare Quality for delivering high quality and safe health care to patients.

Convenience is the number one reason why Customers choose to utilize The Little Clinic. We make our Customers’ lives easier by offering high quality health care on their schedule inside the store where they already shop.

Staffed by board-certified nurse practitioners and physician assistants seven days a week, The Little Clinic providers treat common family illnesses and minor injuries, offers vaccinations, physicals, biometric screenings, preventive care, travel health services and can even help someone quit tobacco.

The Little Clinic has formed clinical affiliations with health systems in several markets, including Columbus (The Ohio State University), Cincinnati (University of Cincinnati), and Denver (University of Colorado). These clinical affiliations are improving access to all levels of care and also strengthening care coordination for the patient. In certain markets, The Little Clinic and the health system work together in treating a patient with chronic conditions such as hypertension and diabetes where the patient will be managed and monitored at the clinic with specialty services occurring at the physician office.

In 2014, The Little Clinic opened 38 new clinics bringing the total number of clinics to 148 and patient visits grew over 35% versus the prior year. During 2015, The Little Clinic plans to further expand in existing markets and add one new market in Kansas to bring the total number of clinics to 200 in ten states by the end of 2015.
Our clinic growth is possible because of the stellar service experience our clinicians provide with every patient encounter. Patient satisfaction is high and the business model is resonating with Customers who seek better access to high quality, convenient, and affordable health care.
As the consumer base for healthy foods broadens, Customers continue to look at Kroger® for those natural and organic products they want at great prices.

In 2014, natural and organic food grew double digits for the 5th consecutive year. With the addition of Vitacost.com and Harris Teeter®, Kroger is now one of the largest purveyors of natural and organic foods in the US. In 2015, Kroger plans to continue its strong focus and commitment to the natural and organic business and act as a leader in penetration and growth within the segment.
STORES
Kroger’s family of stores is expanding natural and organic assortment to meet Customer demand through varying department formats based on a particular store’s size and Customer segmentation. We continue to serve our Customers through both integrated and store within a store formats.

PRICING
Kroger® continually evaluates and makes investments in pricing of natural and organic items. Our pricing strategy has helped fuel growth in this area of the business and allowed Kroger to become a pricing leader among neighborhood grocery stores. Kroger continues to evaluate distribution, logistics, assortment and vendor partnerships to support lower prices for our Customers.
PRODUCT OFFERINGS
Natural and organic offerings can be found in all formats across the enterprise. Kroger® carries over 15,000 natural and organic food items to help Customers find easy, honest, affordable quality natural and organic items. Kroger is focusing on expanding accessibility and variety through partnership with manufacturers on new, innovative, and exclusive brands and items.

DISTRIBUTION
As natural and organic food growth continues at Kroger, our logistics and distribution strategy will continue to be implemented and modified, as needed, to best serve our loyal Customers and stores. Currently, natural and organic foods distribution is handled through third-party direct distributors, Peyton distribution centers and Kroger’s internal warehousing system.

SIMPLE TRUTH® and SIMPLE TRUTH ORGANIC®
2014 was an outstanding year for growing the Simple Truth and Simple Truth Organic brand of products. Launched in 2013, Simple Truth and Simple Truth Organic exceeded $1 billion in annual sales in 2014, making the brand one of the fastest to ever reach that benchmark. Simple Truth and Simple Truth Organic has proven to be a key piece of Customer loyalty throughout all customer segments.

Simple Truth offers over 600 items in over 50 categories under our exclusive Simple Truth and Simple Truth Organic brands across the entire store. A wide variety of products can be found throughout the store, including milk, eggs, meats, produce, trail mix, cereals, sodas, yogurt, chips and grains. Simple Truth and Simple Truth Organic products are made from the finest quality ingredients that are “Free From 101+” artificial preservatives & ingredients that Customers have told us they do not want in their food. Consumers may visit www.simpletruth.com for a list of the 101+ artificial preservatives & ingredients that are not found in the “Free From 101+” products. Simple Truth Organic products contain at least 95% organic ingredients and are USDA certified. We continue to add new items to this exclusive product line to make organics accessible and affordable for everyone.
Kroger Personal Finance (KPF) offers the company a unique competitive advantage. Your neighborhood choice for personally rewarding money solutions, KPF earns the loyalty of Customers by respecting the individual and their unique goals and offering them every day money management solutions that empower and reward them.

**REWARDS Visa®**
The REWARDS Visa® Card and reloadable Visa Prepaid Debit Card reward customers with **FREE GROCERIES** for every purchase they make. When they shop inside the Kroger® Family of Stores, Customers earn double points and triple points on corporate brand products. Customers also enjoy a **5 cent discount per gallon** at our fuel centers with their card.

**GIFT CARDS**
KPF’s wide selection of gift cards allows Customers to buy cards for their favorite restaurant, clothing retailer or online media store in one convenient location. Customers earn **2X fuel points** on most gift card purchases every day and **4X fuel points** during promotional periods. Customers also can pick up Kroger Family of Stores gift cards and variable load MasterCard®, Visa and American Express® gift cards.
NO CONTRACT WIRELESS

KPF® offers a wide variety of no contract wireless handsets and airtime from the nation’s largest providers. Customers can choose the phone and payment that fits their needs and are rewarded with 2X fuel points for their purchase. One of these unique providers is i-wireless, a joint venture private label wireless service. In addition to giving Customers a multitude of plans and incremental fuel points, i-wireless customers earn FREE WIRELESS every time they shop in the Kroger® Family of Stores. For every 100 points earned, i-wireless rewards them with $1 to use toward a future plan renewal.

MONEY SERVICES

Money Services destinations, located in most of our stores, provide a variety of money management options including check cashing, money orders, money transfer, walk-in bill payment, prepaid debit cards and prepaid wireless products. Competitive prices and knowledgeable associates provide an experience that keeps Customers returning to our stores for their money management needs.
RETAIL FUEL OPERATIONS

Kroger® believes that gasoline is a natural addition to our “one-stop” shopping strategy because it offers our Customers tremendous convenience and value. Fuel centers also allow Kroger to build on our decades of experience in selling gasoline at our convenience stores. Despite low margins, fuel centers can deliver a high return on investment because of their extraordinary inventory turns and positive effect on overall store sales.

The typical supermarket fuel center consists of three to nine multi-product dispensers covered by a well-lit canopy, and an 8’ x 12’ kiosk from which cigarettes, soft drinks, snacks, candy and miscellaneous automotive-related products are sold.

At year-end 2014, Kroger’s retail fuel operations included 1,330 supermarket fuel centers in 31 states and 723 convenience stores that sell fuel. (We operate 782 convenience stores in total. See the “Convenience Stores” section on Page 21 of this Fact Book.)

FINANCIAL IMPACT

SALES
Fuel sales affect certain financial indicators. They comprise a portion of the Company’s total food store sales results.

(1) 2012 results have been adjusted to remove the extra week
Fuel sales also affect identical supermarket sales:

<table>
<thead>
<tr>
<th>Identical Supermarket Sales</th>
<th>FY 2013</th>
<th>FY 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Including Supermarket Fuel Centers</td>
<td>3.3%</td>
<td>4.2%</td>
</tr>
<tr>
<td>Excluding Supermarket Fuel Centers</td>
<td>3.6%</td>
<td>5.2%</td>
</tr>
<tr>
<td>Difference (basis points)</td>
<td>&lt;30 bp</td>
<td>&lt;100 bp</td>
</tr>
</tbody>
</table>

**FIFO GROSS MARGIN (Note A)**

Our FIFO gross margin rates, as a percentage of sales, were 21.30% in 2014, 20.62% in 2013 and 20.65% in 2012. Our retail fuel operations lower our FIFO gross margin rate due to the very low FIFO gross margin on retail fuel sales as compared to non-fuel sales. Excluding the effect of retail fuel operations, our FIFO gross margin rate decreased 3 basis points in 2014 vs. 2013 and 14 basis points in 2013 vs. 2012. FIFO gross margin in 2014, compared to 2013, decreased primarily from continued investments in lower prices for our Customers, offset partially by the effect of our merger with Harris Teeter® and a reduction of warehouse and transportation costs as a percentage of sales.

<table>
<thead>
<tr>
<th>&lt;Increase/Decrease&gt; in FIFO Gross Margin Rate</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Including Retail Fuel Operations</td>
<td>&lt;51 bp</td>
<td>&lt;2 bp</td>
<td>67 bp</td>
</tr>
<tr>
<td>Excluding Retail Fuel Operations</td>
<td>&lt;40 bp</td>
<td>&lt;14 bp</td>
<td>&lt;3 bp</td>
</tr>
</tbody>
</table>

**Note A:** FIFO gross margin is an important measure used by management to evaluate merchandising and operational effectiveness. We calculate First-In, First-Out (“FIFO”) gross margin as sales minus merchandise costs, including advertising, warehousing and transportation, but excluding the Last-In, First-Out (“LIFO”) charge. Merchandise costs exclude depreciation and rent expense.
OPERATING, GENERAL AND ADMINISTRATIVE EXPENSES (NOTE B)

Growth in retail fuel sales lowers Kroger’s operating, general, and administrative (“OG&A”) rate due to the very low OG&A rate on retail fuel sales as compared to non-fuel sales. Excluding adjustment items (Note C), OG&A expenses, as a percentage of sales excluding fuel, decreased 19 basis points in 2014, compared to 2013. The 2014 decrease, compared to 2013, resulted primarily from increased supermarket identical sales growth, productivity improvements and effective cost controls at the store level.

<table>
<thead>
<tr>
<th>Increase / &lt;Decrease&gt; in OG&amp;A Rate</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Including Retail Fuel Operations</td>
<td>&lt;163 bp&gt;</td>
<td>8 bp</td>
<td>37 bp</td>
</tr>
<tr>
<td>Excluding Retail Fuel Operations (Note C)</td>
<td>&lt;36 bp&gt;</td>
<td>&lt;17 bp&gt;</td>
<td>&lt;19 bp&gt;</td>
</tr>
</tbody>
</table>

**Note B:** Operating, general, and administrative expenses consist primarily of employee-related costs such as wages, health care benefit costs and retirement plan costs, utilities, and credit card fees. Rent expense, depreciation and amortization expense, and interest expense are not included in OG&A.

**Note C:** Also excludes the following: UFCW pension plan consolidation charges in 2011, and UFCW consolidated pension plan liability and credit card settlement adjustments in 2012. Additionally, 2012 excludes the extra week. 2013 excludes merger costs. 2014 excludes adjustments for pension plan agreements as well as contributions to the UFCW Consolidated Pension Plan and our charitable foundation.

Kroger’s retail fuel business can increase the volatility of our quarterly financial results because it is common for us to experience quarter-to-quarter gross margin fluctuations in the fuel business. This is a function of our significant fuel volumes and the volatility of wholesale fuel prices. During a period of rising wholesale fuel costs, our gross margins typically contract. During a period of declining wholesale fuel costs, our gross margins typically expand. This is why we believe it is important to consider a longer view when analyzing fuel margins to account for these fluctuations.

<table>
<thead>
<tr>
<th>Fuel Margins (Cents Per Gallon)</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>YR</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2014</td>
<td>13.1¢</td>
<td>18.3¢</td>
<td>23.2¢</td>
<td>23.4¢</td>
<td>19.0¢</td>
</tr>
<tr>
<td>FY 2013</td>
<td>11.6¢</td>
<td>17.0¢</td>
<td>17.1¢</td>
<td>11.3¢</td>
<td>14.1¢</td>
</tr>
<tr>
<td>Difference</td>
<td>1.5¢</td>
<td>1.3¢</td>
<td>6.1¢</td>
<td>12.1¢</td>
<td>4.9¢</td>
</tr>
</tbody>
</table>

Note that Kroger’s fuel margins exclude credit card fees. We include credit card fees in OG&A expense.
LOYALTY DATA & CUSTOMER INSIGHT

Kroger’s growth plan is focused on improving our connection with all Customers and innovating to create unique competitive positioning, for today and into the future. Through shopper data, surveys and research, we strive to understand our Customers and the societal, economic and technology trends that impact them. These insights help us deliver solutions that create the best shopping experience, which in turn earns our Customer’s loyalty by helping them save time, money and deliver value.

The formation of dunnhumby USA, Inc. in 2003, a joint-venture with Tesco-owned dunnhumby, was the first step to unlocking insight and creating value for our Customers.

More than a decade of experience leveraging data and Customer science is a unique competitive advantage for Kroger®. Through the use of data and science, we understand the shopping behavior of our Customers - their needs, their wants and their communication preferences. The teams work together not only to design personalized offerings for individual needs but also give us the tools to target our promotional dollars and pricing investments toward our most loyal Customers.

We are committed to maintaining our leading edge in the use and analysis of Customer insights. We are constantly searching for new ways to bring new perspectives and ideas to our business for the benefit of our Customers.

Kroger and dunnhumby’s partnership has delivered results by putting the customer at the center of decisions:
- The number of loyal households have increased and their loyalty to Kroger has grown
- Customer rates have increased >3 times since dunnhumby and Kroger started working together
- Innovative science improving personalization across customer touch points
- Our work spans price, promotion, assortment, space, formats, store location, rewards and communicating with customers
Kroger® uses digital channels as a means to better engage directly with Customers as they plan and shop online. As our Customers spend more of their time online and increasingly adopt mobile technologies, our investments into digital and omnichannel experiences provide our Customers with easy, instant access to content and tools. Capabilities available include:

- Responsive-designed websites for each of our Banners, designed to provide Customers with an optimal experience for any screen size, provides a single place to find information about their local store, view the weekly ad and online promotions, load digital coupons to the shopper card, create shopping lists, find recipe ideas, manage and refill prescriptions, set up an online account and view points and rewards balances.

- Mobile applications for iPhone® and Android® devices optimized for mobile phones and tablets are available for each of the banners. The mobile apps have been downloaded millions of times and provide instant access to many of the features available on the banner websites.

- Personalized experiences across mobile apps, websites and email present digital offers, promotions and weekly sales based on Customers’ shopping habits and preferences. Digital versions of the shopper card are available in the mobile app and can be added to Passbook to provide Customers with a convenient way to present their card at checkout.

- Express Lane is available at over 160 Harris Teeter® stores, providing Customers with online ordering and the convenience of picking up orders at their local store. Customers can shop online and schedule pick-up in as little as 4 hours after submitting an order.
The digital coupon center offers Customers a single place to view, load and manage hundreds of digital coupon offers available for manufacturer and store brand items. Kroger® began offering coupons that can be loaded to card in late 2009. Kroger customers have embraced the convenience and ease of digital offers loaded directly to the shopper card, downloading hundreds of millions of offers annually. Digital coupons are offered through capabilities developed by YOU Technology, LLC, a subsidiary of The Kroger Family, acquired in February, 2014.

- Facebook and Twitter accounts for each of our banners, offering Customers who are active in social channels a way to share with Kroger and learn about news, events and promotions.

- Use of digital media channels to deliver ads and messages to Kroger shoppers who are online in support of the weekly ad, online events and promotions, and to increase the awareness and engagement in digital.

- E-mail subscriptions to deliver weekly ads and coupons, online specials and promotions, newsletters and other targeted Customer communications.

- Online pharmacy tools where customers can access and manage their profile and profiles for family members and pets, view prescriptions on file at their local pharmacy and available refills, order refills and request new prescriptions, enroll in auto refill, and print annual pharmacy spending summaries.

- Online catalog, pricing and ordering for jewelry at www.fredmeyerjewelers.com and www.littmanjewelers.com. Customers can choose from an assortment of styles available both online and in-store and from an expanded assortment of exclusive online-only items.

Our digital strategy is driven by Customer feedback and is focused on reaching Customers who are spending more time online, delivering relevant content and offers and enabling Customers to plan and shop in more convenient ways.
Kroger® expanded its digital capabilities by merging with Vitacost.com in August 2014. Vitacost.com is a leading online retailer of healthy living products with items including vitamins, minerals, herbs and supplements (VMHS), as well as a broad assortment of shelf-stable natural and organic foods, including specialty items (organic, non-GMO, gluten-free, vegan, etc.). Additional products available include natural beauty and personal care products, sports nutrition, diet essentials, natural home products including “green cleaning supplies”, and products for pets, babies and children. Vitacost.com sells these products directly to consumers through its website, www.vitacost.com with fast and easy shopping also available for smartphone and tablet users. With an inventory of more than 45,000 items from over 2,500 leading health and wellness brands, Vitacost.com strives to offer its Customers the broadest selection of healthy living products, while providing a superior Customer experience (combination of service, shipping speed and shopping experience).

Sales of natural and organic foods are Vitacost.com’s fastest growing segment accounting for 16% of sales in 2014. With more than 12,000 healthy food SKUs sold on its site, Vitacost.com has become a leading online destination for hard-to-find items in a full assortment of flavors & sizes to suit Customer’s specific needs. In addition, Vitacost also sells a proprietary line of products across all categories, with the mix heavily weighted toward VMHS.

Vitacost.com is headquartered in Boca Raton, FL with fulfillment centers located in Las Vegas, NV, and Lexington, NC. The company ships direct-to-home to Customers in all 50 states and over 160 countries world-wide.
Vitacost.com® has received numerous awards and recognition. A member of Internet Retailer’s Top 500 and Mobile 500, Vitacost.com received the Silver Stevie Award for Innovation in Customer Service in 2014. Previously, the company was named to the Online Trust Alliance (OTA) Honor Roll in both 2012 and 2013, for offering Customers the best security and privacy policies. In addition, Vitacost ranked #2 in Customer satisfaction in the ForeSee Experience Index (FXI) 2013 U.S. Retail Edition, which measured Customer satisfaction with the top 100 e-retailers during the 2013 holiday shopping season. The company has also been designated a Google Trusted Store for offering excellent Customer service and reliable shipping.
KROGER® TECHNOLOGY CUSTOMER | QUALITY | INNOVATION

Kroger Technology strives to be the most valued technology organization in retail. Technology has created a competitive advantage in several parts of our business and innovation investments are accelerating. Each day technology systems and infrastructure play a critical role in supporting our associates and Customers in delivering Kroger’s Customer 1st strategy by:

1. Supporting day-to-day operations including regulatory/compliance requirements related to health care and credit card processing.
2. Implementing projects that support new business growth and provide significant benefit to our Customers, associates and shareholders.
3. Delivering innovative solutions that create competitive advantage.

Secure and reliable systems are essential to delivering a positive Customer 1st experience and play a key role in Kroger’s 45 consecutive quarters of positive identical supermarket sales.

Our project portfolio strategy helps insure we are working on the right projects. Recent investments in new, innovative technologies include:

- Our Digital Customer program has been significantly upgraded over the past two years. Recent features on our mobile app and website include:
  - Relevant and personalized weekly ads, coupons and promotions.
  - “On-Line Shopping” is being tested in select Kroger banner locations (buy on-line and pick up in store).
  - Enhanced product and recipe search engine.
  - Shopping lists that can be automatically built based on your past purchases and will show aisle location for your items.
  - Pharmacy re-fills and patient history for mobile and website.

(Please refer to www.kroger.com).

- Leveraging our data analytic capabilities to deliver personalized solutions to our Customers.
- Industry leading automated warehouse management systems.
- Data Center upgrades for improved disaster recovery and business continuity.
- “Project Mercury” improves collaboration with our suppliers by automatically synchronizing product information. We are also synchronizing supply chain data with our suppliers to reduce out-of-stocks.
Automated temperature monitoring and energy solutions in our stores ensure fresh, safe products for our Customers and energy efficient operations.

Expanded Customer Service Call Centers to enhance Kroger’s commitment to Customer 1st.

New Human Resources systems to grow talent and improve associate communications.

Improvements to the Customer experience during the checkout process. QueVision®, our Faster Checkout Initiative, ranked 3rd in the InformationWeek Elite100.

Product Life-Cycle Management for our private label manufacturing.

Advantage Checkout® is the system that fully automates item scanning at checkout. Scan, Bag, Go® provides shoppers a hand-held scanner so they can scan their items while they shop.

New merchandising systems to efficiently allocate product to our stores.

Labor Scheduling solution that helps match the needs of stores and associates.

Improved pharmacy systems and processes for our Customers and associates to better manage their health.

From a Systems Integration standpoint, we are combining expertise from mergers with Harris Teeter®, Vitacost.com®, You Technology, The Little Clinic® and Axium. All of these mergers have introduced new technology platforms that we are leveraging to support and expand our Customer 1st strategy.

Harris Teeter has provided valuable insights for developing our “buy on-line, pick up in store” initiatives. In Q3, 2014 we offered this service in our first Kroger® banner location where Customers can pick up items they ordered on-line. We also continue to expand the Harris Teeter Express Lane program.

The Little Clinic, Vitacost.com and Axium along with our in-store pharmacy systems are solidifying our go to market strategy for Customer health and wellness.

Vitacost.com provides a ship to home capability for natural and health conscious Customers.

You Technology is helping to increase Customer personalization by providing relevant digital coupons to our Customers.
As technology continues to mature at its rapid pace, we need talented associates who can deliver systems quickly and exceed our Customer expectations. We have developed an extensive internship program with local high schools and universities to provide us with a solid pipeline of talent. Each year, we hire many of these interns to full-time positions within Kroger® Technology. All Kroger Technology leaders attend a formal Leadership Academy to enhance their technology and leadership capabilities.

Our technology investments are producing returns above Kroger’s goal of 11.3%, after-tax, for capital projects. In addition, all of these efforts are tied to the Four Keys and the Customer 1st Strategy.

SUPPLY CHAIN
At Kroger, our logistics network moves several million products every single day to support our 2,625 supermarkets. To achieve this feat, the network includes 36 distribution centers, or DCs, across the U.S. Supply Chain plays an important role in our Customer 1st Strategy by providing and investing in infrastructure to:

- move product as efficiently as possible
- lower costs
- provide and improve product freshness, quality, and safety.

Over the past several years, Kroger has made significant investments in leading edge distribution technology - including warehouse, transportation, and advanced automation systems. Our DCs contain state-of-the-art product handling systems, refrigeration, temperature and lighting controls. These technologies have allowed us to significantly reduce our energy use in the DCs, saving costs and investing back into our Customers and reducing Kroger’s carbon footprint in our communities.
CONTINUOUS IMPROVEMENT & SUSTAINABILITY

Kroger employs lean process engineering to continuously improve the efficiency of the supply chain. The process examines each step - from suppliers to the stores - optimizing freshness, streamlining processes, driving out waste and reducing costs to enable continued investment in our Customer 1st Strategy.

Kroger’s supply chain is creating a leading analytics capability to deliver Customer and end-to-end supply chain insights. These insights will generate and sustain value for supply chain strategy.

Some of Kroger’s distribution centers and store delivery fleets have been outsourced to third-party logistics providers, giving our company access to evolving approaches in distribution and more flexibility to implement them.

Ongoing optimization analysis reduces the capital needed to maintain and modernize the network, reduces working capital and lowers product acquisition costs since larger quantity purchases are possible.

THREE-TIER DISTRIBUTION NETWORK

Kroger® services its multiple store formats through a nationwide three-tier distribution system. The first tier consists of local dry grocery, perishables and freezer facilities that service stores - generally within a 200-mile radius - with quick turn and perishable products. These distribution centers also often serve as our company’s cross-dock centers for palletized merchandise that is going directly to a retail store.

The second tier consists of regional centers that service retail stores - within a roughly 350-mile radius - for slower turn pharmaceuticals, health and beauty care items and dry grocery merchandise. These regional centers allow Kroger to purchase in larger quantities at the lowest possible price bracket. The product is piece-picked, sleeve-picked or case-picked depending on value and movement, and shipped directly to stores multiple times each week.

The third tier ships seasonal, promotional and other general merchandise products from suppliers around the world to stores in an even larger geography than the regional centers.
This tiered network system is constantly monitored for overall health, supported with new technology for improved operations and more cost-effective store delivery, and upgraded to support Kroger’s growing sales and store base. The largest of these upgrades in the next 24 months will occur in Atlanta. Kroger is actively constructing a new Logistics campus in Atlanta to support southeast operations for the next 25+ years.

**TRANSPORTATION MANAGEMENT**

Our store delivery fleet of 2,770 tractors and 10,500 trailers, along with contracted transportation service providers, service our stores with over 7,200 deliveries daily. In 2014, that translated to traveling almost 329 million miles to our stores. Kroger® owns approximately 80% of the 10,500 trailers and 55% of the 2,770 tractors used for store deliveries.

Kroger leverages its investments in network-based transportation management systems to improve utilization of its store delivery fleet. Additionally in 2014, our tractors continue to be equipped with the latest on-board computer technology providing real-time visibility of store deliveries in route which allows our drivers to be more effective and make the appropriate adjustments when necessary to continuously improve our precise, on-time delivery performance for our stores. Fleet capacity management across all markets and business units is being integrated into these tools to maximize coordination, utilization, and to directly manage more of all transportation flowing inbound in our supply chain. Increasing use of data analytics will drive further cost reductions in our transportation network. Some of our other efforts in the fleet equipment area include: improving the aerodynamic design of tractors and trailers for better fuel economy; utilizing the latest clean engine technology; use of automatic tire inflation system; expanding the usage of multi-temperature trucks to transport frozen, refrigerated or dry goods in one trailer; and standardizing top speeds and idling operating protocols.

Improving the operational efficiency of our transportation spend not only lowers Kroger’s costs, it also helps reduce Kroger’s impact on the environment. Please see our most recent Sustainability Report (www.sustainability.kroger.com) for additional information about our efforts such as natural gas trucks and other achievements in this important area.
CUSTOMER 1ST STRATEGY

Our relentless focus on our Customer is what makes Kroger® stand apart from others in our industry. Our Customer 1st Strategy has been the center of most of what we do for over a decade, and we attribute a large part of our success to growing the connection with the Customer and remaining relevant to them.

Listening to what our Customers tell us is so important. We invest in four key areas of our business, so that our Customers say:

- Our people are great!
- I get the products I want, plus a little.
- The shopping experience makes me want to return.
- Our prices are good.

These investments can take several forms - including improved Customer service, expanded product offerings with superior quality, friendly and helpful associates, and lower prices. We fund these investments through operating cost reductions and productivity improvements across all areas of our business.

The Customer 1st Strategy is reflected in our long-term business model. It affects every decision we make and it has enabled us to create sustainable shareholder value in a highly competitive industry. Our objective is to increase annual earnings per share through the combination of strong, sustainable identical sales growth and slightly improved operating margins, both excluding our retail fuel operations. Investments in the 4 keys of our Customer 1st Strategy help us drive strong and sustainable identical sales and market share growth.

A cornerstone of our business strategy is balance. We seek to consistently deliver solid financial results in the near-term while making meaningful investments for our future. Our Customer 1st Strategy has proven that it can benefit Customers, associates, and investors in a variety of economic and competitive conditions.
MARKET SHARE

For the tenth year in a row, Kroger® has captured more share of the massive food market. Our consistent market share gains drive top and bottom line growth and generate lasting shareholder value.

We report market share annually, and look at it the way Customers would look at it - where they spend their money. In 2013 we began using Nielsen POS+, a Kroger term for Nielsen data that includes all point of sale data from several competitors and includes all departments inside our stores, except for pharmacy. The data is generated by retailers who report their sales to Nielsen. This includes all major food, drug, mass and dollar competitors as well as most club competitors. It does not include C-Stores.

Nielsen POS+ captures roughly 85% of the items we sell, including UPC-coded items, PLU and random weight perishable items, making it a good and consistent source.

According to Nielsen POS+ data, Kroger’s overall market share of the products we sell in the markets where we operate grew approximately 60 basis points during fiscal 2014. This data also indicates that our share increased in 18 of the 20 markets outlined by the Nielsen report, and was down slightly in 2 markets.

Walmart is one of our top two competitors in 15 of the 20 markets outlined in the Nielsen report. Kroger share increased in all of those markets.

We plan to continue to grow our business by maintaining Kroger’s strong market share and continuing to build on additional opportunities for sales growth.
**IDENTICAL SUPERMARKET SALES**

Identical supermarket sales are a key measure of health in the retail food industry. Kroger® defines a supermarket as “identical” when it has been open without expansion or relocation for five full quarters. Other companies in our industry may calculate identical sales differently than Kroger does, limiting the comparability of this measure.

Kroger has achieved positive identical supermarket sales, excluding fuel, for 45 straight quarters. The chart below depicts identical supermarket sales trends excluding supermarket fuel sales, for the last six years.

**IDENTICAL SALES EXCLUDING FUEL**

- Note that fuel discounts received at our fuel centers (earned based on in-store purchases) reduce the identical sales for our supermarkets.

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The Kroger Co.
FINANCIAL STRATEGY

Kroger’s financial strength has long been a competitive advantage and is even more so in the current economic environment. The Company utilizes its financial strength to increase shareholder value, earn a return on assets in excess of our cost of capital and act on opportunities as they arise using this competitive advantage.

FINANCIAL GOALS & STRATEGY

1. Achieve increasing identical supermarket sales without fuel, while delivering a slightly expanding non-fuel FIFO operating margin and consistent net earnings per diluted share growth between 8% and 11%.

2. Financial strategy and use of cash flow:
   a. Maintain a consistent, solid investment grade rating. To achieve this, our objective is to maintain a net total debt to adjusted EBITDA ratio between 2.0 and 2.2.

   At year-end 2013, this ratio was 2.43-above the range due to the merger with Harris Teeter® at that time, we committed to getting back to a 2.0 - 2.2 net total debt to adjusted EBITDA ratio by mid-to-late fiscal 2015. We achieved our objective earlier than anticipated due to strong fiscal 2014 operating results. As of the close of fourth quarter 2014, our net total debt to adjusted EBITA ratio decreased to 2.15, compared to 2.43 in the prior year.

   b. Return value to shareholders via:
      i. Target long-term EPS growth averaging 8% to 11% per year.
      ii. Pay a dividend on a quarterly basis, with expectations of growing the dividend over time.
      iii. Maintain a steady share repurchase program, contributing to annual EPS growth.

   c. Increase capital investments each year in support of the company’s strategy to expand its presence in targeted existing markets, establish a major presence in one or two new markets and continue to invest in other high-return capital projects. This plan is designed to support the Company’s goal of continual market share growth.

3. Generate a return on invested capital (ROIC) that increases over time.
CAPITAL INVESTMENTS
Total capital investments for 2014 were $2.8 billion, excluding acquisitions. Approximately 50% of Kroger’s 2014 capital dollars were used to build, acquire, expand, or complete major remodels of food stores. The balance was allocated among fuel projects, minor remodels and the Company’s other operating and administrative segments, including convenience stores, jewelry stores, and manufacturing facilities, as well as technology, logistics/distribution, and other miscellaneous projects. In the pie chart and bar chart below, “Other” includes capital investments for the purchase of leased facilities totaling $162 million compared to $108 million in 2013.

We allocate capital to projects that we expect to earn a rate of return in excess of our internal hurdle rate of 11.3% after-tax. These projects include new stores, major remodels and expansions of existing stores, as well as logistics, technology and manufacturing investments.
We primarily target existing markets for new stores. In our experience, such “in-market” growth generally produces higher returns, with a lower level of risk, by leveraging fixed expenses such as warehousing, transportation, advertising, and other overhead expenses across an expanding store base. In the fall of 2012, we announced plans to establish a presence in one or two new markets over the next few years, and work is in progress today to narrow down the candidates for the first new market.

Capital investments reflect our strategy of growth through expansion and acquisition, as well as our emphasis on self-development and ownership of real estate, and logistics and technology improvements. Since 1995, Kroger® has been aggressively purchasing the real estate associated with our storing program. At year-end, approximately 45% of the Company’s 2,625 supermarkets were owned by Kroger. Kroger prefers to own stores rather than lease them, as it typically results in a lower rent charge.

We believe that long-term shareholder value is determined, in part, by the return on invested capital and therefore we use a disciplined approach to evaluate every capital investment:

- Capital investments are assessed versus our after-tax hurdle rate with consideration given to the risk of the specific investment.

- The projected incremental sales and EBITDA from each capital investment are added to divisional and corporate bonus bases in order to motivate the entire organization to achieve returns above our hurdle rate.
▪ A quarterly re-analysis of each major project is conducted to ensure we understand the actual return from these projects.

▪ A new goal of a steadily improving ROIC was established in late 2012. Beginning in 2013, this became a component of the long-term incentive plan for company executives. The ROIC at the end of fiscal 2014 was 13.74% versus 13.43% at fiscal-year-end 2013.

▪ Kroger® continues to aggressively close underperforming stores. In fiscal 2014, we closed 60 stores - 48 of these were operational closures. The term “operational closure” describes a store location that has been closed without opening another store in the same vicinity to replace it.

The chart on the following page provides Kroger’s real estate activity by quarter for fiscal 2012, 2013, and 2014.
## REAL ESTATE ACTIVITY BY QUARTER

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<td>Total Store Projects</td>
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**DEBT OBLIGATIONS**
Kroger® has a $2.75 billion credit facility (with the ability to increase it by $750 million) maturing in June 2019, unless earlier terminated by Kroger.

As of fiscal year-end, the Company had $1.275 billion of outstanding commercial paper and no borrowings under its credit agreement. The outstanding letters of credit that reduce funds available under Kroger’s credit agreement totaled $10 million as of January 31, 2015.

The table on the following page details Kroger’s debt obligations as of fiscal year-end 2014.

**DEBT RATING**
Kroger’s debt rating remains important to us as we execute our Customer 1st Strategy. Management believes maintaining a solid investment grade rating provides the best cost of capital and the flexibility to execute our growth strategy in a competitive and consolidating industry.
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<th>PRINCIPAL ($ millions)</th>
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<td>Floating Rate Senior Notes</td>
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<tr>
<td>7.70% Senior Notes</td>
<td>06/01/29</td>
<td>281</td>
</tr>
<tr>
<td>8.00% Senior Notes</td>
<td>09/15/29</td>
<td>250</td>
</tr>
<tr>
<td>7.50% Senior Notes</td>
<td>04/01/31</td>
<td>440</td>
</tr>
<tr>
<td>6.90% Senior Notes</td>
<td>04/15/38</td>
<td>373</td>
</tr>
<tr>
<td>5.40% Senior Notes</td>
<td>07/15/40</td>
<td>298</td>
</tr>
<tr>
<td>5.00% Senior Notes</td>
<td>04/15/42</td>
<td>349</td>
</tr>
<tr>
<td>5.15% Senior Notes</td>
<td>08/01/43</td>
<td>399</td>
</tr>
<tr>
<td><strong>Subtotal Senior Notes &amp; Debentures</strong></td>
<td></td>
<td><strong>$9,284</strong></td>
</tr>
<tr>
<td>Mortgages</td>
<td>Through 2034</td>
<td>$73</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td></td>
<td><strong>$1,728</strong></td>
</tr>
<tr>
<td><strong>Total Debt</strong></td>
<td></td>
<td><strong>$11,085</strong></td>
</tr>
<tr>
<td>Capital Leases</td>
<td></td>
<td><strong>$572</strong></td>
</tr>
<tr>
<td><strong>Total Debt Including Capital Leases (A)</strong></td>
<td></td>
<td><strong>$11,657</strong></td>
</tr>
</tbody>
</table>

(A)  Before FAS No. 133 Adjustment.
SHARE REPURCHASE

Board Repurchase Authorizations
We maintain share repurchase programs that comply with Securities Exchange Act Rule 10b5-1 to allow for the orderly repurchase of our common shares, from time to time, even though we may be aware of material non-public information, as long as purchases are made in accordance with the plan. The timing of repurchases varies according to market conditions.

We made open market purchases totaling $1,129 million, $338 million, and $1,165 million under Board-authorized repurchase programs during fiscal 2014, 2013 and 2012, respectively.

At the end of fiscal 2014, all $500 million remained under the share repurchase program authorized by our Board in June 2014.

Stock Option Program
In addition to the Board-authorized repurchase programs, in December 1999, Kroger® initiated a program to repurchase common shares to reduce dilution resulting from our employee stock option plans. This program is solely funded by proceeds from stock option exercises, and the related tax benefit. We repurchased approximately $155 million, $271 million and $96 million under the stock option program during 2014, 2013, and 2012, respectively.

Our total share repurchases under the stock option program and Board repurchase authorizations are summarized in the following table (in millions):

<table>
<thead>
<tr>
<th></th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stock Option Program</td>
<td>$96</td>
<td>$271</td>
<td>$155</td>
</tr>
<tr>
<td>Board Repurchase Authorization</td>
<td>$1,165</td>
<td>$338</td>
<td>$1,129</td>
</tr>
<tr>
<td>TOTAL COST</td>
<td>$1,261</td>
<td>$609</td>
<td>$1,283</td>
</tr>
</tbody>
</table>
Total shares repurchased for the past three years under the stock option program and Board repurchase authorizations and the average cost per share are summarized below:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th># Shares</th>
<th>Cost</th>
<th>Avg Cost Per Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>55 million</td>
<td>$1,261 million</td>
<td>$23</td>
</tr>
<tr>
<td>2013</td>
<td>16 million</td>
<td>$609 million</td>
<td>$38</td>
</tr>
<tr>
<td>2014</td>
<td>28 million</td>
<td>$1,283 million</td>
<td>$45</td>
</tr>
<tr>
<td>TOTAL</td>
<td>99 million</td>
<td>$3,153 million</td>
<td>$32</td>
</tr>
</tbody>
</table>

Since January 2000, and through the end of fiscal 2014, Kroger® has invested approximately $11.1 billion to repurchase 463 million shares at an average cost of $24.03 per share.

DIVIDENDS

Kroger’s quarterly dividend program was initiated by our Board in March 2006. During 2014, the Company paid three quarterly dividends of $0.165 and one quarterly dividend of $0.185. Kroger paid a total of $338 million, $319 million, and $267 million in cash dividends during 2014, 2013, and 2012, respectively.

Kroger’s Board reviews the dividend annually, with an objective of increasing the amount of the dividend over time. Any changes in the dividend amount are made after consideration of the needs of the business, the interests of shareholders, cash flow trends, and other factors.
PERFORMANCE GRAPH

Set forth below is a line graph comparing the five-year cumulative total shareholder return on Kroger’s common shares, based on the market price of the common shares and assuming reinvestment of dividends, with the cumulative total return of companies in the Standard & Poor’s 500 Stock Index, and a peer group composed of food and drug companies.

<table>
<thead>
<tr>
<th></th>
<th>BASE PERIOD</th>
<th>INDEXED RETURNS</th>
<th>Years Ending:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2009</td>
<td>2010</td>
<td>2011</td>
</tr>
<tr>
<td>THE KROGER CO.</td>
<td>100</td>
<td>101.12</td>
<td>117.57</td>
</tr>
<tr>
<td>S&amp;P 500 INDEX</td>
<td>100</td>
<td>122.19</td>
<td>128.70</td>
</tr>
<tr>
<td>PEER GROUP**</td>
<td>100</td>
<td>108.56</td>
<td>114.10</td>
</tr>
</tbody>
</table>

Note: The Company’s fiscal year ends on the Saturday closest to January 31.

* Total assumes $100 invested on January 30, 2010 in The Kroger Co., S&P 500 Index, and the Peer Group, with reinvestment of dividends.

** The Peer Group consists of Costco Wholesale Corp., CVS Caremark Corp, Etsb Delhaize Freres Et Cie Le Lion (Groupe Delhaize), Great Atlantic & Pacific Tea Company, Inc. (included through March 13, 2012 when it became private after emerging from bankruptcy), Koninklijke Ahold NV, Safeway, Inc. (included through January 29, 2015 when it was acquired by AB Acquisition LLC), Supervalu Inc., Target Corp., Tesco plc, Wal-Mart Stores Inc., Walgreens Boots Alliance Inc. (formerly Walgreen Co.), Whole Foods Market Inc. and Winn-Dixie Stores, Inc. (included through March 9, 2012 when it became a wholly-owned subsidiary of Bi-Lo Holdings).

Data supplied by Standard & Poor’s.
## FINANCIAL AND OPERATING STATISTICS

*(in millions, except per share amounts)*

<table>
<thead>
<tr>
<th></th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4 (C)</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(16 weeks)</td>
<td>(12 weeks)</td>
<td>(12 weeks)</td>
<td>(12 weeks)</td>
<td>(52 weeks)</td>
</tr>
<tr>
<td><strong>Sales (B)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>$29,997</td>
<td>$22,686</td>
<td>$22,470</td>
<td>$23,222</td>
<td>$98,375</td>
</tr>
<tr>
<td>2012</td>
<td>$29,026</td>
<td>$21,697</td>
<td>$21,776</td>
<td>$24,120</td>
<td>$96,619</td>
</tr>
<tr>
<td>2012 Adj.</td>
<td>$29,026</td>
<td>$21,697</td>
<td>$21,776</td>
<td>$22,162</td>
<td>$94,661</td>
</tr>
<tr>
<td><strong>Merchandise Costs (A) (B)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>$26,065</td>
<td>$20,136</td>
<td>$19,764</td>
<td>$19,548</td>
<td>$85,512</td>
</tr>
<tr>
<td>2013</td>
<td>$23,817</td>
<td>$18,059</td>
<td>$17,866</td>
<td>$18,397</td>
<td>$78,138</td>
</tr>
<tr>
<td>2012</td>
<td>$23,056</td>
<td>$17,249</td>
<td>$17,353</td>
<td>$19,068</td>
<td>$76,726</td>
</tr>
<tr>
<td>2012 Adj.</td>
<td>$23,056</td>
<td>$17,249</td>
<td>$17,353</td>
<td>$17,494</td>
<td>$75,152</td>
</tr>
<tr>
<td><strong>Operating, General &amp; Administrative (B)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>$5,167</td>
<td>$3,920</td>
<td>$3,955</td>
<td>$4,118</td>
<td>$17,161</td>
</tr>
<tr>
<td>2014 Adj.</td>
<td>$5,081</td>
<td>$3,920</td>
<td>$3,955</td>
<td>$4,118</td>
<td>$17,074</td>
</tr>
<tr>
<td>2013</td>
<td>$4,593</td>
<td>$3,507</td>
<td>$3,537</td>
<td>$3,559</td>
<td>$15,196</td>
</tr>
<tr>
<td>2013 Adj.</td>
<td>$4,593</td>
<td>$3,507</td>
<td>$3,537</td>
<td>$3,546</td>
<td>$15,180</td>
</tr>
<tr>
<td>2012</td>
<td>$4,464</td>
<td>$3,391</td>
<td>$3,306</td>
<td>$3,689</td>
<td>$14,850</td>
</tr>
<tr>
<td>2012 Adj.</td>
<td>$4,464</td>
<td>$3,391</td>
<td>$3,421</td>
<td>$3,416</td>
<td>$14,691</td>
</tr>
<tr>
<td><strong>Rent (B)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>$217</td>
<td>$165</td>
<td>$162</td>
<td>$163</td>
<td>$707</td>
</tr>
<tr>
<td>2013</td>
<td>$189</td>
<td>$139</td>
<td>$138</td>
<td>$147</td>
<td>$613</td>
</tr>
<tr>
<td>2012</td>
<td>$191</td>
<td>$140</td>
<td>$141</td>
<td>$157</td>
<td>$628</td>
</tr>
<tr>
<td>2012 Adj.</td>
<td>$191</td>
<td>$140</td>
<td>$141</td>
<td>$145</td>
<td>$616</td>
</tr>
<tr>
<td><strong>Depreciation &amp; Amortization</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>$581</td>
<td>$444</td>
<td>$456</td>
<td>$467</td>
<td>$1,948</td>
</tr>
<tr>
<td>2013</td>
<td>$519</td>
<td>$387</td>
<td>$395</td>
<td>$402</td>
<td>$1,703</td>
</tr>
<tr>
<td>2012</td>
<td>$501</td>
<td>$383</td>
<td>$382</td>
<td>$386</td>
<td>$1,652</td>
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<tr>
<td><strong>Operating Profit / (Loss) (B)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>$931</td>
<td>$644</td>
<td>$650</td>
<td>$911</td>
<td>$3,137</td>
</tr>
<tr>
<td>2014 Adj.</td>
<td>$1,018</td>
<td>$644</td>
<td>$650</td>
<td>$911</td>
<td>$3,223</td>
</tr>
<tr>
<td>2013</td>
<td>$879</td>
<td>$595</td>
<td>$534</td>
<td>$718</td>
<td>$2,725</td>
</tr>
<tr>
<td>2013 Adj.</td>
<td>$879</td>
<td>$595</td>
<td>$536</td>
<td>$730</td>
<td>$2,741</td>
</tr>
<tr>
<td>2012</td>
<td>$814</td>
<td>$535</td>
<td>$595</td>
<td>$820</td>
<td>$2,763</td>
</tr>
<tr>
<td>2012 Adj.</td>
<td>$814</td>
<td>$535</td>
<td>$480</td>
<td>$721</td>
<td>$2,549</td>
</tr>
<tr>
<td>Year</td>
<td>Q1 (16 weeks)</td>
<td>Q2 (12 weeks)</td>
<td>Q3 (12 weeks)</td>
<td>Q4 (C) (12 weeks)</td>
<td>Year (52 weeks)</td>
</tr>
<tr>
<td>------</td>
<td>--------------</td>
<td>---------------</td>
<td>---------------</td>
<td>------------------</td>
<td>----------------</td>
</tr>
<tr>
<td>Interest Expense</td>
<td>$147</td>
<td>$129</td>
<td>$141</td>
<td>$141</td>
<td>$487</td>
</tr>
<tr>
<td></td>
<td>$112</td>
<td>$99</td>
<td>$106</td>
<td>$106</td>
<td>$443</td>
</tr>
<tr>
<td></td>
<td>$114</td>
<td>$108</td>
<td>$103</td>
<td>$112</td>
<td>$432</td>
</tr>
<tr>
<td></td>
<td>$114</td>
<td>$107</td>
<td>$104</td>
<td></td>
<td>$462</td>
</tr>
</tbody>
</table>

| Earnings / (Loss) Before Income Tax Expense (B) | | | | |
| 2014 | $784 | $532 | $537 | $797 | $2,649 |
| 2014 Adj. | $871 | $532 | $537 | $797 | $2,736 |
| 2013 | $749 | $496 | $426 | $611 | $2,282 |
| 2013 Adj. | $749 | $496 | $429 | $629 | $2,309 |
| 2012 | $673 | $429 | $492 | $708 | $2,301 |
| 2012 Adj. | $673 | $429 | $377 | $616 | $2,095 |

| Income Tax Expense (B) | | | | |
| 2014 | $274 | $182 | $172 | $274 | $902 |
| 2014 Adj. | $305 | $182 | $189 | $274 | $949 |
| 2013 | $266 | $176 | $125 | $184 | $751 |
| 2013 Adj. | $266 | $176 | $151 | $218 | $801 |
| 2012 | $232 | $148 | $175 | $239 | $794 |
| 2012 Adj. | $232 | $148 | $134 | $206 | $720 |

| Net Earnings / (Loss) Including Noncontrolling Interests (B) | | | | |
| 2014 | $509 | $350 | $364 | $524 | $1,748 |
| 2014 Adj. | $565 | $350 | $348 | $524 | $1,787 |
| 2013 | $483 | $321 | $301 | $427 | $1,531 |
| 2013 Adj. | $483 | $321 | $278 | $411 | $1,508 |
| 2012 | $441 | $281 | $317 | $469 | $1,508 |
| 2012 Adj. | $441 | $281 | $243 | $410 | $1,375 |

| Net Earnings / (Loss) Attributable to Noncontrolling Interests | | | | |
| 2014 | $8 | $3 | $3 | $5 | $19 |
| 2013 | $3 | $3 | $2 | $5 | $13 |
| 2012 | $2 | $2 | $1 | $7 | $11 |

<p>| Net Earnings / (Loss) Attributable to The Kroger Co. (B) | | | | |
| 2014 | $501 | $347 | $362 | $519 | $1,728 |
| 2014 Adj. | $558 | $347 | $345 | $519 | $1,767 |
| 2013 | $481 | $317 | $299 | $422 | $1,519 |
| 2013 Adj. | $481 | $317 | $277 | $406 | $1,496 |
| 2012 | $439 | $279 | $316 | $462 | $1,496 |
| 2012 Adj. | $439 | $279 | $242 | $403 | $1,364 |</p>
<table>
<thead>
<tr>
<th>Year</th>
<th>Q1 (16 weeks)</th>
<th>Q2 (12 weeks)</th>
<th>Q3 (12 weeks)</th>
<th>Q4 (C) (12 weeks)</th>
<th>Year (52 weeks)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>$0.98</td>
<td>$0.70</td>
<td>$0.73</td>
<td>$1.04</td>
<td>$3.44</td>
</tr>
<tr>
<td>2014 Adj.</td>
<td>$1.09</td>
<td>$0.70</td>
<td>$0.69</td>
<td>$1.04</td>
<td>$3.52</td>
</tr>
<tr>
<td>2013</td>
<td>$0.92</td>
<td>$0.60</td>
<td>$0.57</td>
<td>$0.81</td>
<td>$2.90</td>
</tr>
<tr>
<td>2013 Adj.</td>
<td>$0.92</td>
<td>$0.60</td>
<td>$0.53</td>
<td>$0.78</td>
<td>$2.85</td>
</tr>
<tr>
<td>2012</td>
<td>$0.78</td>
<td>$0.51</td>
<td>$0.60</td>
<td>$0.88</td>
<td>$2.77</td>
</tr>
<tr>
<td>2012 Adj.</td>
<td>$0.78</td>
<td>$0.51</td>
<td>$0.46</td>
<td>$0.77</td>
<td>$2.52</td>
</tr>
</tbody>
</table>

**Average Number of Common Shares Used in Diluted Calculation**

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>507</td>
<td>491</td>
<td>492</td>
</tr>
<tr>
<td>2013</td>
<td>520</td>
<td>521</td>
<td>522</td>
</tr>
<tr>
<td>2012</td>
<td>559</td>
<td>541</td>
<td>522</td>
</tr>
</tbody>
</table>

(A) Includes advertising, warehousing, and transportation.

(B) 2014 Adj. represents amounts excluding the impact of pension plan agreements in Q1 2014 and certain tax benefits in Q3 2014. 2013 Adj. represents amounts excluding the impact of merger costs and certain tax benefits in Q3 & Q4 2013. 2012 Adj. represents amounts excluding impact of 1-time credit card settlement and pension true-up in Q3 2012 as well as the additional week in Q4 2012.

(C) Quarter 4 in 2012 includes 53 weeks.

Note: Certain amounts may not sum accurately due to rounding.