Forward-looking Statement

This presentation includes forward-looking statements which are subject to risks and uncertainties. Actual results might differ materially from those projected in the forward-looking statements. Additional information concerning factors that could cause actual results to materially differ from those in the forward-looking statements is contained in our Securities and Exchange Commission filings.
Reaffirm Fiscal 2017 Guidance

• **Identical supermarket sales growth of 0.5 to 1.0%,** excluding fuel, for the remainder of fiscal 2017.

• **Fiscal 2017 net earnings of $1.74 to $1.79** per diluted share, including an estimated $.09 for the 53rd week.

• **Fiscal 2017 adjusted net earnings of $2.00 to $2.05** per diluted share, including the 53rd week and excluding charges related to the withdrawal liability for certain multi-employer pension funds and a voluntary retirement offering (the “2017 adjustment items”).

• **Full-year FIFO operating margin to decline approximately 30-40 basis points compared to 2016 results,** excluding fuel, the 2017 adjustment items and the 2016 restructuring of certain multi-employer pension obligations.

Note: The net earnings per diluted share and adjusted net earnings per diluted share guidance include the effects from the three 2017 named hurricanes, but exclude one-time expenses expected to be recognized upon settlement of a Company-sponsored pension plan later this year. ID sales guidance includes the effect of the 2017 named hurricanes.
2018 Commentary

• We are early in the planning process
• We are striving for EPS to be flat to slight growth from 52-week 2017 adjusted results
• We are not seeing anything that would cause us to be below $1.80
• We expect the full year ID sales to be stronger than 2017
• We expect capital expenditures of approximately $3 billion
Restock Kroger

October 11, 2017
Agenda

I. Introduction

II. Taking Stock

III. Restock Kroger Plan

IV. Investment Thesis
Introduction
Taking Stock
Taking Stock

Great Strengths

• America’s grocer in a growing and fragmented market
• Food is more exciting than ever
• We have and continue to gain share in key categories
• Enormous and loyal customer base
• Promising multi-channel platforms
• Known across industry as world-class operator
Strong Foundation

- We are **450,000 associates** who connect with more than **9,000,000 customers** every day
- We are the **largest collector of food purchase** data in the country
- We deliver **3,101,279,881 personalized recommendations a year**
- We have **2,793 supermarkets** across the country
- We offer **1,017,596 unique products**
- We serve **60,174,225 households** every year
Taking Stock

Hard truth: what got us here, won’t get us there

Outside Forces:

• Disruption is here
• Traditional competitors are fighting hard
• Hard discounters are expanding in the market

Internal Reflection:

• 5% ID sales masked weakened cost controls
• Despite continuing market share growth, others gained share in 2015 and 2016
• Need to move faster on digital
Restock Kroger Plan
Restock Kroger Plan

Serving America through food inspiration and uplift

- Redefine Grocery CX
- Partner for Customer Value
- Develop Talent
- Live Our Purpose

Create Shareholder Value
Restock Kroger Plan

Serving America through food inspiration and uplift

Redefine Grocery CX
- Data & Personalization
- Digital
- Space Optimization
- Our Brands
- Smart pricing

Partner for Customer Value
- Infrastructure & technology upgrades
- COGS
- Alternative revenue streams

Develop Talent
- Retention
- Leadership readiness & future talent development
- Improving our culture to become a high performing company

Live Our Purpose
- Zero Hunger | Zero Waste

Create Shareholder Value
- Free cash flow
- Operating margins
Redefine Grocery Customer Experience
Market and Customer Trends
Identical Stores Sales Rebound

Quarterly Identical Store Sales
Without fuel

<table>
<thead>
<tr>
<th>Quarter</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
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<tbody>
<tr>
<td>Q1</td>
<td>5.0%</td>
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<tr>
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<td>3.0%</td>
<td>1.0%</td>
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<tr>
<td>Q1</td>
<td>5.0%</td>
<td>6.0%</td>
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<tr>
<td>Q2</td>
<td>4.0%</td>
<td>5.0%</td>
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<tr>
<td>Q3</td>
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<td>4.0%</td>
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<tr>
<td>Q4</td>
<td>2.0%</td>
<td>3.0%</td>
<td>1.0%</td>
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</tbody>
</table>

Identical Stores Sales Rebound
Momentum Builds With Market Share Gains

Year on Year Market Share Dollars
IRI POS+, Kroger Marketing Areas

Size of Non Food Channel is Over $150BN
Not including Rx, Fuel, and most of GM...

Size of Remaining Food Channel is Over $120BN
Not including Rx, Fuel, and most of GM...

Source: IRI
More Opportunity in Food Away From Home

Edible Market Share in the U.S.

Remaining Retail: ~48%

Restaurants/foodservice: ~46%

Kroger: ~6%

Internal sources
IDs Driven By Strong Customer Growth…

- All Households: +1.8% YoY in Q2
- Loyal Households: +3.6% YoY in Q2
- Spend per item up: +1.1% YoY in Q2

Product mix: +1.5% YoY
Active Retail: -0.6% YoY
Strong Growth Areas In Store

Produce
- High ID sales growth
- High market share growth

Natural & Organics
- Double-digit ID sales growth
- High market share growth

Curbside Pickup
- High double-digit ID Sales growth

Fresh Prepared
- High ID sales growth
- High market share growth
Our Differentiators – Data & Science
Shopping Is Complicated
Personal Is Only “P” That Matters

**Product:** Brand – Product – Solution

**Price:** Competitive – Segmented – Personalized

**Place:** Location – Channel - Anywhere

**Promotion:** Push – Reactive – Responsive
Data And Science Drive The Model

Data
- Feedback
- Digital
- RoM
- Data DNA

Science
- Target
- Forecast
- Optimize
- Real Time

Personalization
- Relevant
- Moment
- Right Offer
- Channel

Data And Science Drive The Model
Seeing Customers In Data

Behaviors
- Retail data
- Payment data
- Tracking and Clickstream data
- Mobile data
- Location data
- Life-stage, household size, contact details, etc.

Influences
- Media data
- Social data
- Response data
- Network and sentiment
- Consumer attribute data

Motivations
- Product attributes, reviews, context, derived needs
- My Needs / Preferences
- How I Decide
- Who I Know / Influence
- What I See / Hear
- What I Buy
- How I Shop
- Where I Am
- Who I Am
- What I Like

Return Shareholder Value
How I
Shop
Where I Am
What I Buy
What I See / Hear
Who I Know / Influence
How I Decide
What I Like
My Needs / Preferences
Consumer attribute data
Retail data
Payment data
Tracking and Clickstream data
Mobile data
Location data
Life-stage, household size, contact details, etc.

Behaviors
- Retail data
- Payment data
- Tracking and Clickstream data
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Motivations
- Product attributes, reviews, context, derived needs
- My Needs / Preferences
- How I Decide
- Who I Know / Influence
- What I See / Hear
- What I Buy
- How I Shop
- Where I Am
- Who I Am
- What I Like
We Use Science & A Different Lens

We focus on being relevant to customers through their behaviors and needs.
Customers Have Core Needs to Address That Go Beyond the Functional. Customers are also Looking for Emotional Connection

“I WANT TO...

...SAVE TIME”

...SAVE MONEY”

...BE CONNECTED”

...FEEL CARED FOR”

...BE INSPIRED”
To Create Different Experiences

PREVIOUS EXPERIENCE
Customer has purchased 0 of top 8 search results

CURRENT EXPERIENCE
Customer has purchased 3 of the top 8 search results

33% Increase in ‘add to cart’ among top search results once search capability was personalized
To Create Different Experiences

We curate customized content for each customer, to be relevant and to inspire. This includes targeted recipes and targeted offers.
To Create Different Experiences

Prices Are Good

- **Kroger**
- **Retailer A**
- **Retailer B**

<table>
<thead>
<tr>
<th>Year</th>
<th>Kroger</th>
<th>Retailer A</th>
<th>Retailer B</th>
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<tbody>
<tr>
<td>2009</td>
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<td>2014</td>
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<td>2015</td>
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<td></td>
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<tr>
<td>2016</td>
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<td></td>
</tr>
<tr>
<td>2017</td>
<td></td>
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</tr>
</tbody>
</table>
• Seeing Customers In Data

• Science Activates in a Customer 1st Way

• To Drive Loyalty
REACHING OUR CUSTOMERS
FOOD EXPERIENCE AS YOU WANT IT

Product Experience

Fresh & Sustainable
- 35 min.

Easy For You!
- 25 min.

Prep+Pared Meal Kit
- 20 min.

Ready to Eat
- 1 min.

Inspiration & Discovery

Product Content

Recipe & Video Content

Complementary Products

Sourcing Stories

User-Generated Content
Honey Garlic Butter Salmon in Foil – less than 20 minutes! Thank you Kroger!

cuten littles Finished a sweaty yoga practice and picking up groceries for the week @krogerzoo. Love taking these little ones with me and they love picking out new foods to try!
Hydrate for Summer with some of your favorite Kroger brands!

Recent Purchases

View All
Recent Purchases

1. Kroger Half & Half (1 qt) - $2.49
   - Pickup or Delivery as soon as Today at 3pm
   - Coupon Loaded: Save $0.50
   - Add to Cart

2. Kellogg's Eggo Chocolate Chip Pancake Bites (6 ct/1.7 oz) - $2.89
   - Pickup or Delivery as soon as Today at 3pm
   - Add to Cart

3. Bush's Best Vegetarian Baked Beans (28 oz) - $2.19
   - Pickup or Delivery as soon as Today at 3pm
   - Add to Cart

4. Driscoll's Blueberries (1 pt) - $2.50
   - Pickup or Delivery as soon as Today at 3pm
   - Add to Cart

5. Simple Truth Cage Free Grade A Brown Large Eggs (18 ct) - $3.99
   - Pickup or Delivery as soon as Today at 3pm
   - Add to Cart

Suggested Recipes

1. Glazed Baked Ham with Honey Relish
2. Slow Cooker Baked Apples
3. Authentic Thai Pumpkin Curry
4. Maple-Bourbon Apple Butter
5. Overnight Vanilla Chia Seed Pudding
Suggested Recipes

- **Glazed Baked Ham with Honey Relish**
  - 4.5 stars | 65 min.
  - 11 ingredients

- **Slow Cooker Baked Apples**
  - 4.5 stars | 3 hrs. 5 min.
  - 9 ingredients

- **Authentic Thai Pumpkin Curry**
  - 4.5 stars | 25 min.
  - 10 ingredients

- **Maple-Bourbon Apple Butter**
  - 4.5 stars | 4 hrs.
  - 9 ingredients

- **Overnight Vanilla Chia Seed Pudding**
  - 4.5 stars | 25 min.
  - 10 ingredients

- **View Recipe**
- **View Recipe**
- **View Recipe**
- **View Recipe**
- **View Recipe**
Space Optimization
Our Space Optimization Approach

Leverage customer science for space planning decisions
- Internal and external data
- Optimization science – constrained and unconstrained models
- Convenience, instant gratification, inspiration & solutions

Expanding the scope of the changes in store
- Number of categories touched
- Include operational cost efficiencies

Test & Learn in 2017 for roll out in 2018
- Organizing stores to meet the needs of our local customers
- Scaling successful pilots

Number of stores touched
- Past: 5-10%
- 2018 & Beyond: 20-30%
Infuse Science – Macro Space Optimization

Analytic, data-driven space planning solution that provides store-level and category-level shelf size recommendations for planogram categories.

Considers market factors/competition, category financial results, shopper behavior and voice of customer.

Highlights both the greatest return and the highest opportunity by store.
What We’ve Learned

• Every store is unique

• Integration and expansion of Natural Foods into center store

• Expansion in high-growth categories
  Beverage, Snacking, Pet, etc.

• Implement fresh food elements

• Disruption at shelf, optimize assortment and improve in-stocks

• Adopt and execute operation cost efficiencies
  Scan-Bag-Go and increased self-checkout options, pallet merchandising
At Shelf Disruption – Micro Space

Selective Categories - Pasta Example

Current State

Future State
Efficiency & Effectiveness

Pallet Drops

Front End
Space Optimization – A Significant Impact On 2018
Our Brands
Selling More of our brands to serve both our customers and our bottom line

- Knowing our customers better
- 38 Food Production Plants
- Trend Hunters & Culinarians

50
Our Brands would be ranked #140 on Fortune 500 list

Billions

$14
$15
$16
$17
$18
$19
$20
$21

$15 B

2011

$20.5 B

2017

37% Growth

$15 B

$20.5 B
Our Brands are the largest brands sold in our stores

Source: Kroger internal data
Brand Equity Study

- 51 brands across Kroger trading area
- 11,678 evaluations completed

**Brand Affinity Score:** (Love or Hate)

- Hate
- 0
- 1
- 2
- 2.3
- 2.73
- Love

Top 9 Brands

2.3 or higher = ★

**Net Promoter Score:** (likelihood to recommend)

- Worst scoring brand: -55
- Average Score: -22
- Best scoring brand: +16

Top 9 Brands
Top 9 Scoring Brands

5 of the 9 top scoring brands are private label brands—4 are Our Brands

<table>
<thead>
<tr>
<th>BRAND</th>
<th>Brand Affinity</th>
<th>Net Promoter</th>
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</thead>
<tbody>
<tr>
<td>Retailer D</td>
<td>2.7</td>
<td>16</td>
</tr>
<tr>
<td>Kroger Brand</td>
<td><strong>2.6</strong></td>
<td><strong>5</strong></td>
</tr>
<tr>
<td>Simple Truth</td>
<td><strong>2.5</strong></td>
<td><strong>1</strong></td>
</tr>
<tr>
<td>Brand F</td>
<td>2.4</td>
<td>-1</td>
</tr>
<tr>
<td>Brand D</td>
<td>2.5</td>
<td>-3</td>
</tr>
<tr>
<td>Brand K</td>
<td>2.6</td>
<td>-5</td>
</tr>
<tr>
<td>Luvsome</td>
<td><strong>2.3</strong></td>
<td>-6</td>
</tr>
<tr>
<td>Private Selection</td>
<td><strong>2.4</strong></td>
<td>-8</td>
</tr>
<tr>
<td>Brand G</td>
<td>2.4</td>
<td>-10</td>
</tr>
</tbody>
</table>

Brand Affinity:
- 4 of the 9 “top-tier” affinity brands are Our Brands (scoring 2.3 or higher)

Net Promoter Score:
- 2 of the 3 positive scores are Our Brands
Kroger Brand Scores:

Brand Affinity score above other retailer and national brands
Only brand in this competitive set to earn a positive net promoter score

<table>
<thead>
<tr>
<th></th>
<th>Retailer B</th>
<th>Retailer C</th>
<th>Brand D</th>
<th>Brand K</th>
</tr>
</thead>
<tbody>
<tr>
<td>BRAND AFFINITY</td>
<td>2.6</td>
<td>1.8</td>
<td>1.5</td>
<td>2.5</td>
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<tr>
<td>NET PROMOTOR</td>
<td>+5</td>
<td>-24</td>
<td>-33</td>
<td>-3</td>
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</tbody>
</table>

IRI Brand Awareness & Equity Study, Jan 2017
Simple Truth Scores:

Brand Affinity score above other retailer and national brands
Only brand in this competitive set to earn a positive net promoter score

<table>
<thead>
<tr>
<th></th>
<th>Retailer D</th>
<th>Retailer B</th>
<th>Brand H</th>
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</thead>
<tbody>
<tr>
<td>BRAND AFFINITY</td>
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<td>1.7</td>
<td>1.5</td>
<td>1.7</td>
</tr>
<tr>
<td>NET PROMOTOR</td>
<td>+1</td>
<td>-30</td>
<td>-17</td>
<td>-32</td>
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</tbody>
</table>

IRI Brand Awareness & Equity Study, Jan 2017
Aggressively Grow Big 3 Brands

Most Loved Brand in Our Stores

Holds highest awareness and preference, and is significantly recommended to friends & family

The Brand “Most Worth the Price”

Delivers best value and perceived as most worth the price, while also being the most profitable

Most Loved Natural & Organic Brand

Exceeds customer expectations & needs, and is highly recommended to friends & family
truth is, we’ve always been affordable

simple truth exclusively at Kroger
Smart Pricing
We Will Not Lose Customers Because of Price

We have invested nearly

$4 Billion

in price since 2001
It’s more than just price
Loyal Customer 24-Item Basket

Fuel Rewards
Best Customer Coupons
Digital Coupons

Retailer A
$44.01

Retailer B
$41.33

Retailer C
$52.81

Retailer D
$51.72
Live Our Purpose
What we know

134 YEARS
in the grocery business has taught us a few things about people, and about food

MEALS MATTER
Families that share meals together have children who do better in all aspects of their lives

ABSURDITY
More than 40% of the food produced in the U.S. goes to waste, and yet 1 in 8 Americans struggles with hunger
Zero Hunger | Zero Waste aims to end hunger in the places we call home and eliminate waste in our company by 2025.
• Establish $10 million innovation fund

• Accelerate donations to give 3 billion meals by 2025

• Donate not just more food, more balanced meals
• Zero Waste company by 2020, plus Zero Food Waste by 2025
• Advocate for public policy solutions
• Join forces with new and long-standing partners
• Transform Kroger communities and improve health for millions by 2025
Accelerating progress

Kroger already doing great work in these areas:
- Hunger relief since our inception
- Announced 2020 Zero Waste goal in 2016

Now is the time to accelerate our commitment
- Bold vision that engages stakeholders
- Set aspirational goals that require the community to get there
- Tell our story and keep it fresh to drive interest, pride and participation
Partner For Customer Value
Technology Investments

Significantly increasing our technology investment in our **Strategic Priorities**

And investing in **foundational enablers** to deliver new capabilities with speed

- **Digital**
- **Merchandising**
- **Stores**
- **Health & Wellness**
- **Payments**

200% Increase Over 2017

- **Data**
- **Store WiFi**
- **Legacy Modernization**

50% Increase Over 2017
Store Operations

Automated Production Planning

- Simplification & Execution
- Meat, Deli, Bakery & Produce

Service Execution

ClickList
Front-end Transformation

- Front-End Transformation Project
  - Re-design store front-end to maximize Self-CheckOut (SCO)
  - Scan, Bag, Pay & Go (SBPG) + SCO with a goal to increase materially beyond today’s performance
  - Pilot expansion to 20 stores in 2017, 400 stores in 2018

- Mobile POS for ClickList
  - Future uses including line busting, parking lot sales, gift cards, etc.

- EMV Quick Chip & Point of Sale (POS) Enhancements
  - Up to 6+ second reduction in transaction time
Asset Protection

- Deploy solution utilizing video analytics in our front-ends to identify non-scans, sweet hearting and theft in SCO and staffed lanes
- Deploy video analytics and IoT solutions for securing backrooms
Technology Innovation

Robotics & Artificial Intelligence will complement our Sensor Network (IoT), Video Analytics & Machine Learning

Zigbee Router

EDGE

Temperature Sensor

Video Management System
Develop Talent
People Focus Areas to Enable Restock Kroger

- Experience
- Talent
- Leadership
Experience - Six Generations

We know the grocery industry and have the expertise to pivot and drive change

- **450,000** total associates
- **72,218** leaders throughout the organization
- **888,281** combined years of service of our leaders
- **~12.3** average years of service among our leaders

Six Generations include: Greatest, Silent, Baby Boomers, Gen X, Millennials, and Gen Z
Come for a Job, Stay for a Career

LOVE PEOPLE, LOVE FOOD!

• Training & Development
• Promotions & Advancement
• External Talent to Support Strategic Choices
• Engaged, High Performing Teams
• Health & Wellness Programs – Healthiest 100 Workplaces in America
• 2017 Corporate Equality Index Score of 95%
Investing in Our Store Hourly Associates

- Rebalancing pay & benefits
- Wage progressions
- Certifications & performance incentives
- Talent development investment of $500M over next 3 years
- Currently store associate average hourly rate over $14.00
- Over $20.00 in total wages & benefits per hour
- Two-week advance scheduling, career opportunities & training
Create Shareholder Value
We Use 84.51° Science to Balance Inflation

Year-on-Year Cost Inflation vs. Controllable Retail Inflation
Based on card data, ID stores

Our cost inflation
Retail inflation we control
### Restock Kroger Plan

<table>
<thead>
<tr>
<th>2018-2020</th>
<th>Incremental Operating Margin Growth</th>
<th>Incremental Operating Margin Investment</th>
<th>Shareholder Value</th>
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<tbody>
<tr>
<td><strong>Redefine Customer Experience</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Digital</td>
<td>$2,300M</td>
<td>$3,100M</td>
<td></td>
</tr>
<tr>
<td>• Store Optimization</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>• Smart Pricing</td>
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<td></td>
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<tr>
<td>• Our Brands</td>
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<tr>
<td><strong>Partner for Customer Value</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>• Infrastructure &amp; Technology Upgrades</td>
<td>$1,775M</td>
<td>$400M</td>
<td></td>
</tr>
<tr>
<td>• COGS</td>
<td></td>
<td></td>
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<tr>
<td>• Alternative Revenue Streams</td>
<td></td>
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<tr>
<td><strong>Develop Talent</strong></td>
<td>$375M</td>
<td>$500M</td>
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<tr>
<td><strong>Live Our Purpose</strong></td>
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<td></td>
<td>$50M</td>
</tr>
</tbody>
</table>

**Total** | **$4,450M** | **$4,050M** | **= $400M**
## Capital to Support Growth

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</thead>
<tbody>
<tr>
<td>Capital to Support Restock Plan</td>
<td>$1,070M</td>
<td>$3,045M</td>
<td>$1,700M</td>
</tr>
<tr>
<td>Store Remodels</td>
<td>$4,068M</td>
<td>$3,675M</td>
<td>$3,800M</td>
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<tr>
<td>Storing</td>
<td>$3,562M</td>
<td>$1,150M</td>
<td>$5,000M</td>
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<tr>
<td>Major Project Counts</td>
<td>212</td>
<td>65-75</td>
<td>Nearly 300</td>
</tr>
<tr>
<td>Infrastructure Maintenance</td>
<td>$1,515M</td>
<td>$1,130M</td>
<td>$1,200M</td>
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</table>

*Assumes upper end of 2017 capital expenditures guidance of $3.0 to $3.3 billion

Major projects are defined as a new, relocated or expanded stores.
## Free Cash Flow

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Operating Cash Flow</td>
<td>$12.6B</td>
<td>$15.5B</td>
</tr>
<tr>
<td>Capital Investments</td>
<td>($10.2B)</td>
<td>($9.0B)</td>
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<tr>
<td><strong>Free Cash Flow</strong></td>
<td>$2.5B</td>
<td>$6.5B</td>
</tr>
<tr>
<td>Dividends Paid</td>
<td>($1.3B)</td>
<td>($1.5B)</td>
</tr>
<tr>
<td>Cash Flow After Dividends</td>
<td>$1.2B</td>
<td>$5.0B</td>
</tr>
</tbody>
</table>

*Slide was updated from October 2017 Investor Day to reflect the tax reform savings.*
Investment Thesis & Next Steps
Investment Thesis

- **America’s grocer** in a growing, yet still highly fragmented market
- More **data** than any competitor, which leads to deep customer knowledge and **unparalleled personalization** in order to **redefine the food and grocery customer experience**
- Convenient **locations & platforms** within 1-2 miles of our customer base and an increasing digital offering to seamlessly serve customers
- **Scale to win** with more than 60 million households shopping with us annually
- Named **America’s most beloved grocery store** several times
- **Leadership** team that combines deep experience with creative new talent
- Track record of **improving lives** of associates, customers and communities in which we operate
- Consistent history of **returning capital to shareholders** through an increasing dividend and share buyback program
Enjoy Our Brands
Investment Thesis

- **America’s grocer** in a growing, yet still highly fragmented market
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Thank you!
Forward Looking Statements

This presentation contains certain statements that constitute “forward-looking statements” about the future performance of The Kroger Co. These statements are based on management’s assumptions and beliefs in light of the information currently available to it. Such statements are indicated by words such as “believe,” “guidance,” “expect,” “estimate,” “anticipate,” “will,” “would,” “could,” “consider,” “committed,” and “continue.” Various uncertainties and other factors could cause actual results to differ materially from those contained in the forward-looking statements. These include the specific risk factors identified in “Risk Factors” and “Outlook” in our annual report on Form 10-K for our last fiscal year and any subsequent filings, as well as the following:

- The extent to which our sources of liquidity are sufficient to meet our requirements may be affected by the state of the financial markets and the effect that such condition has on our ability to issue commercial paper at acceptable rates. Our ability to borrow under our committed lines of credit, including our bank credit facilities, could be impaired if one or more of our lenders under those lines is unwilling or unable to honor its contractual obligation to lend to us, or in the event that natural disasters or weather conditions interfere with the ability of our lenders to lend to us. Our ability to refinance maturing debt may be affected by the state of the financial markets.

- Our ability to achieve sales, earnings and cash flow goals may be affected by: labor negotiations or disputes; changes in the types and numbers of businesses that compete with us; pricing and promotional activities of existing and new competitors, including non-traditional competitors, and the aggressiveness of that competition; our response to these actions; the state of the economy, including interest rates, the inflationary and deflationary trends in certain commodities, and the unemployment rate; the effect that fuel costs have on consumer spending; volatility of fuel margins; changes in government-funded benefit programs; manufacturing commodity costs; diesel fuel costs related to our logistics operations; trends in consumer spending; the extent to which our customers exercise caution in their purchasing in response to economic conditions; the inconsistent pace of the economic recovery; changes in inflation or deflation in product and operating costs; stock repurchases; our ability to retain pharmacy sales from third party payors; consolidation in the healthcare industry, including pharmacy benefit managers; our ability to negotiate modifications to multi-employer pension plans; natural disasters or adverse weather conditions; the potential costs and risks associated with potential cyber-attacks or data security breaches; the success of our future growth plans; and the successful integration of Harris Teeter and Roundy’s. Our ability to achieve sales and earnings goals may also be affected by our ability to manage the factors identified above. Our ability to execute our financial strategy may be affected by our ability to generate cash flow.

- During the first three quarters of each fiscal year, our LIFO charge and the recognition of LIFO expense is affected primarily by estimated year-end changes in product costs. Our fiscal year LIFO charge is affected primarily by changes in product costs at year-end.

- If actual results differ significantly from anticipated future results for certain reporting units including variable interest entities, an impairment loss for any excess of the carrying value of the reporting units’ goodwill over the implied fair value would have to be recognized.

- Our effective tax rate may differ from the expected rate due to changes in laws, the status of pending items with various taxing authorities, and the deductibility of certain expenses.

- Changes in our product mix may negatively affect certain financial indicators. For example, we continue to add supermarket fuel centers to our store base. Since fuel generates lower profit margins than our supermarket sales, we expect to see our FIFO gross margins decline as fuel sales increase.