2015

Kroger Fact Book







Supermarkets and Multi-Department Stores 323
Fine Jewelry

Stores

 $\sqrt{2.3}$ billion

Kilowatts of electricity saved

1,387 Supermarket Fuel Centers



Almost
181
million
Prescriptions
filled



2015 Total Sales



5%

Same-store sales growth (without fuel)



38

Food Production Plants 270 million

Meals donated through more than 100 Feeding America Food Bank partners

Nearly

431,000

Associates Ćompany-wide



We cover

States and the District of Columbia

39
Distribution Centers

ABOUT THE KROGER® FACT BOOK

This Fact Book provides certain financial and operating information about The Kroger Co. (Kroger) 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 2016 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. All share and per share amounts are reflective of the two-for-one stock split of Kroger common shares in July 2015.



TABLE OF CONTENTS

I.	Preface & Overview	Page 1
•	About the Kroger® Fact Book	
-	Shareholder Information	
-	Financial Highlights	
•	Sustainability	
•	Corporate Overview	
II.		Page 9
-	Supermarkets	
	→ Store Formats	
	→ Geography & Markets	
	→ Merger & Acquisition Strategy	
-	Convenience Stores	
•	Jewelry Stores	
III.	Sales Drivers	Page 26
-	Corporate Brands	
	→ Kroger Manufacturing	
-	Pharmacy	
	→ The Little Clinic®	
-	Natural & Organic Foods	
•	Kroger Retail Fuel Operations	
-	Personal Finance	
-	Loyalty Data & Customer Insight	
•	Digital & Omnichannel	
•	Vitacost.com [®]	
IV.	• •	Page 52
-	Technology	
•	Supply Chain	
٧.	Financial Information	Page 58
-	Customer 1 st Strategy	
-	Market Share	
-	Identical Supermarket Sales	
•	Financial Strategy	
	→ Financial Goals & Strategy	
	→ Capital Investments	
	→ Debt Obligations	
	→ Share Repurchase	
	→ Dividends	
•	Performance Graph	
•	Financial & Operating Statistics	

SHAREHOLDER INFORMATION

CORPORATE OFFICE	
1014 Vine Street	(513) 762-4000
Cincinnati, OH 45202	www.thekrogerco.com or
	ir.kroger.com
Shareholder Services	(513) 762-4808
Silateriolder Services	(313) 702-4608
Investor Relations & Financial Materials	(513) 762-4366
Requests	e-mail: kroger.ir@kroger.com

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

2016 FISCAL CALENDAR	
First Quarter	January 31 - May 21
Second Quarter	May 22 - August 13
Third Quarter	August 14 - November 5
Fourth Quarter	November 6 - January 28, 2017

Number of Employees	~431,000
Shareholders of Record as of March 23, 2016	28,959
Common Diluted Shares Outstanding (FY 2015)	980,100,087*
Common Diluted Shares Outstanding (FY 2014)	993,338,622*
Exchange	NYSE
Ticker	KR

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

HIGH, LOW & CLOSING STOCK PRICE BY QUARTER							
	Fiscal 2015				Fiscal 2014		
Quarter	High	Low	Close	High	Low	Close	
1 st	\$38.87	\$34.05	\$36.89	\$23.95	\$17.57	\$23.43	
2 nd	\$38.65	\$37.09	\$38.13	\$25.75	\$23.25	\$25.09	
3 rd	\$38.73	\$27.32	\$37.36	\$29.08	\$24.99	\$28.90	
4 th	\$42.75	\$36.00	\$38.70	\$35.03	\$28.64	\$34.53	

FINANCIAL HIGHLIGHTS

(in millions, except per share data, as reported)

CALENDAR YEAR END DECEMBER 31, 2015	2015	2014	Change
Closing market price per share	\$41.71	\$32.11	29.9%

FISCAL YEAR END	2015	2014	Change
Closing market price per share	\$38.81	\$34.53	12.4%

FISCAL YEAR	2015	2014 (1)	Change
Total sales	\$109,830	\$108,465	1.26%
Operating profit (GAAP)	\$3,576	\$3,137	13.99%
Operating profit (excluding one-time)	\$3,576	\$3,223	10.95%
Net earnings attributable to The Kroger Co. per diluted common share (GAAP)	\$2.06	\$1.72	19.77%
Net earnings attributable to The Kroger Co. per diluted common share (excluding one-time)	\$2.06	\$1.76	17.05%
Average number of common shares used in diluted calculation	980	993	(1.31)%
Dividends declared per common share	\$0.41	\$0.35	17.14%
Net cash provided by operating activities	\$4,833	\$4,163	16.09%
Total debt, including obligations under capital leases	\$12,079	\$11,657	3.62%
Total capital investments, excluding acquisitions	\$3,349	\$2,831	18.30%

<u>Note:</u> 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.

SUSTAINABILITY

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.



Kroger's #1 corporate social responsibility is feeding the hungry

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



Over \$30 million donated to support breast cancer programs since 2005



The USO's largest cumulative donor, contributing **\$15 million** since 2010



\$51 million donated to over 140,000 schools and local organizations in 2015



Kroger® is honored to have received these acknowledgements:

MEMBER OF

Dow Jones Sustainability Indices

In Collaboration with RobecoSAM (

Since 2013



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 #20 ranking on the Fortune 100 list published in June 2015. Kroger® was founded in 1883 and incorporated in 1902.

At the end of fiscal 2015, Kroger operated (either directly or through its subsidiaries) 2,778 supermarkets, 1,387 of which had fuel centers. Approximately 42% of these supermarkets were operated in 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) 784 convenience stores, 323 fine jewelry stores and an online retailer. Subsidiaries operated 711 of the convenience stores, while 73 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 jewelry stores [and online retailer] is contained in Section II of this Fact Book.

The Company also manufactures some of the food for sale in its supermarkets. As of February 1, 2015, the Company operated 38 food production plants. See Section III of this Fact Book for more information about our food production operations and corporate brand products.

All of the Company's operations are domestic.

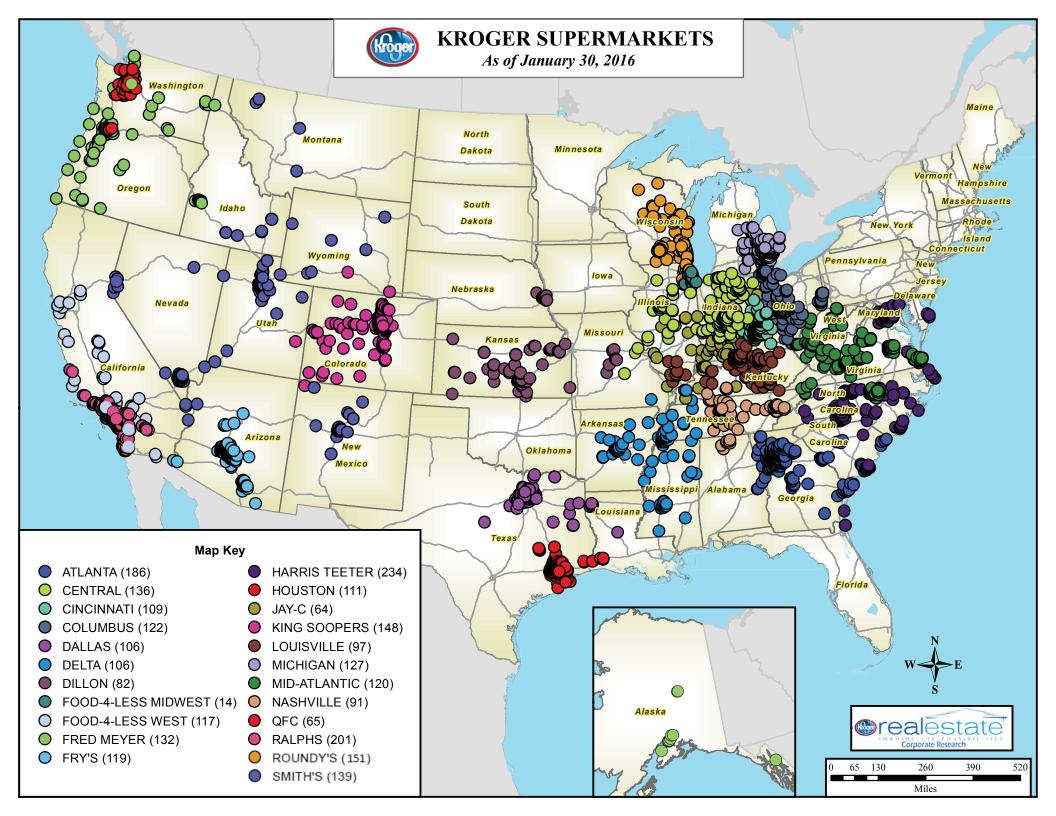
The Kroger Co.	# of Stores	% of Revenue
Supermarkets	2,778	94.0%
Convenience Stores	784	3.9%
Jewelry Stores (A)	323	0.3%
Other (B)	n/a	1.8%
Total		100%

- (A) Includes 202 locations operated inside our supermarkets and 121 in shopping malls.
- (B) Primarily represents sales by Kroger's food production plants to outside customers, Axium and Vitacost.com[®].

ASSOCIATES

The Company employs about 431,000 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 approximately 350 such agreements, usually with terms of three to five years.





SUPERMARKETS

STORE FORMATS

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, purchasing patterns and 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.

At year-end 2015, Kroger® operated 2,778 supermarkets classified under the four primary formats listed in the table below.

Store Formats	# of Stores	% of Store Base
Combination Stores	2,403	87%
Multi-Department Stores	127	4%
Marketplace Stores	117	4%
Price Impact Warehouse Stores	131	5%
Total Supermarkets	2,778	100%



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 with a wide selection of consumables. Combo stores feature a complete supermarket and pharmacy. Additionally, combo stores feature expanded perishable, health care, general merchandise, natural and organic and pet care offerings. Many also include a fuel center. Combination stores that were opened during the last four years average 77,000 square feet and required an average investment of \$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, elegant décor package, expanded wine selection, enhanced services, and overall product variety separate a Fresh Fare store from a traditional combo store. At the end of 2015, 69 of our combo stores were considered Fresh Fare locations.



MULTI-DEPARTMENT STORES

Fred Meyer.

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® Marketplace. Most Fred Meyer locations also house a Fred Meyer



Jewelers® (the nations' 2nd largest jeweler), and 103 have a fuel center. The average investment to build a multi-department store is over \$30 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[®], Black & Decker[®], Bose[®], Calphalon[®], Carhartt[®], Carter's[®], Columbia Sportswear[®], Converse[®], Dockers[®], FitBit[®], Gold Toe[®], Jockey[®], Keurig[®], KitchenAid[®], Krups[®], Levi's[®], Nike[®], Samsung[®], Skechers[®], Sony[®], Stanley[®], 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













Marketplace stores offer the full line of departments that are in our combo stores as well as an expanded prepared food offering and general merchandise areas that include apparel, home goods and toys. Many also include a fuel center.

Typically ranging in size from 100,000 to 145,000 square feet, this format is smaller than the multi-department format, and requires an average investment of \$23 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 2015, we operated 117 Marketplace stores, and we expect this format to be one of our primary growth formats of the future. Customers tell us that they LOVE their Marketplace stores!



PRICE IMPACT WAREHOUSE & RULER FOODS® STORES



Our price impact warehouse stores operate under the Food 4 Less® and Foods Co® banners. Stores built in the past four years average 79,000 square feet in size and require an average investment of \$19 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 warehouse 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 our 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 2015, The Kroger Co. (either directly or through its subsidiaries) operated 2,778 supermarkets in 35 states and the District of Columbia under more than twenty banners listed below. Kroger[®] has grown through organic growth and acquisition and believes strongly in maintaining local banners where appropriate.

State	Banners	Y/E 2015	Y/E
California	Food 4 Less, Foods Co, Ralphs	321	2014 335
Ohio	Kroger, Kroger Marketplace, Ruler Foods	212	212
Texas	Kroger, Kroger Marketplace	209	203
Georgia	Kroger, Kroger Marketplace, Harris Teeter	173	173
North Carolina	Kroger, Harris Teeter	160	157
	Jay C, Kroger, Kroger Marketplace, Owen's, Pay Less		
Indiana	Super Markets, Ruler Foods	151	149
Colorado	City Market, King Soopers, King Soopers Marketplace	144	142
Michigan	Kroger, Kroger Marketplace	129	126
Arizona	Fry's Food & Drug, Fry's Marketplace, Smith's	123	123
Tennessee	Kroger, Kroger Marketplace	120	125
Washington	Fred Meyer, QFC	118	119
Wisconsin	Pick 'n Save, Copps, Metro Market	116	0
Kentucky	Kroger, Kroger Marketplace, Ruler Foods	114	113
Virginia	Kroger, Kroger Marketplace, Harris Teeter	106	104
Illinois	Food 4 Less, Kroger, Mariano's, Ruler Foods	98	60
Kansas	Dillons Food Stores, Dillons Marketplace	64	64
Oregon	Fred Meyer, QFC	56	56
Utah	City Market, Smith's, Smith's Marketplace	52	51
Nevada	Smith's	44	45
West Virginia	Kroger	42	42
South Carolina	Kroger, Harris Teeter	35	33
Arkansas	Kroger, Kroger Marketplace	32	33
Mississippi	Kroger	31	33
New Mexico	City Market, Price Rite, Smith's, Smith's Marketplace	25	26
Idaho	Fred Meyer, Smith's	15	15
Missouri	Gerbes Super Markets, Kroger, Ruler Foods	15	12
Maryland	Harris Teeter	12	12
Alaska	Fred Meyer	11	11
Nebraska	Baker's	11	11
Alabama	Kroger	11	11
Wyoming	City Market, King Soopers, Smith's	9	9
Louisiana	Kroger	8	8
Montana	Smith's	4	4
Washington, D.C.	Harris Teeter	4	4
Delaware	Harris Teeter	2	3
Florida	Harris Teeter	1	1
TOTAL		2,778	2,625

Operating Divisions

Kroger's operating structure is a balance between our corporate office in Cincinnati, Ohio, and our 21 supermarket operating divisions. This balance keeps merchandising decisions closest to the Customer while achieving synergies in back office 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 administrative 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 21 supermarket operating divisions are:

Division	Headquarters	# Stores
Harris Teeter	Charlotte, NC	234
Kroger Southwest*	Houston, TX	217
Ralphs	Los Angeles, CA	204
Kroger Atlanta	Atlanta, GA	186
Roundy's	Milwaukee, WI	151
King Soopers/City Market	Denver, CO	148
Smith's	Salt Lake City, UT	138
Kroger Central	Indianapolis, IN	136
Fred Meyer Stores	Portland, OR	132
Food 4 Less	Los Angeles, CA	131
Kroger Michigan	Novi, MI	127
Kroger Columbus	Columbus, OH	122
Kroger Mid-Atlantic	Roanoke, VA	120
Fry's Food & Drug	Phoenix, AZ	119
Kroger Cincinnati	Cincinnati, OH	109
Kroger Delta	Memphis, TN	104
Kroger Louisville	Louisville, KY	97
Kroger Nashville	Nashville, TN	92
Dillons Food Stores	Hutchinson, KS	81
Jay C/Ruler	Seymour, IN	65
Quality Food Centers (QFC)	Seattle, WA	65
TOTAL		2,778

^{*}Beginning in 2016, the Southwest Division separated into two separate divisions (Dallas and Houston).

MAJOR MARKETS

At the end of 2015 Kroger[®] operated stores in 51 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 46 of those major markets.

Forty-two of Kroger's 51 major markets are located among the nation's top 100 Metropolitan Statistical Areas (MSAs) ranked by population.

Major Markets (9 or More Stores)

	Market	# Stores	Division	#1 or #2	Major Competitors	
1	Los Angeles CA	202	Ralphs/Food 4 Less	Yes	Vons	Trader Joe's
2	Atlanta GA	127	Atlanta	Yes	Publix	Walmart SC
3	Houston TX	101	Southwest	Yes	HEB	Walmart SC
4	Phoenix AZ	91	Fry's Food & Drug	Yes	Walmart SC	Safeway
5	Seattle WA	88	Fred Meyer/QFC	Yes	Safeway	Costco
6	Detroit MI	87	Michigan	Yes	Meijer	Walmart SC
7	Denver CO	80	King Soopers	Yes	Walmart SC	Safeway
8	Cincinnati OH	72	Cincinnati	Yes	Walmart SC	Meijer
9	Charlotte NC	61	Harris Teeter	Yes	Walmart SC	Food Lion
10	Columbus OH	60	Columbus	Yes	Walmart SC	Giant Eagle
11	Dallas TX	59	Southwest	Yes	Walmart SC	Tom Thumb
12	Milwaukee WI	55	Roundy's	Yes	Walmart SC	Sendik's/Woodman's
13	Riverside CA	46	Ralphs/Food 4 Less	Yes	Stater Bros.	Walmart SC
14	Louisville KY	46	Louisville/Jay C/Ruler	Yes	Walmart SC	Meijer
15	Nashville TN	45	Nashville	Yes	Walmart SC	Publix
16	Indianapolis IN	45	Central	Yes	Walmart SC	Meijer
17	Portland OR	42	Fred Meyer/QFC	Yes	Safeway	Winco
18	Raleigh NC	38	Harris Teeter/Mid-Atlantic	Yes	Walmart SC	Food Lion
19	Washington, DC	38	Harris Teeter	No	Giant	Safeway
20	Memphis TN	37	Delta	Yes	Walmart SC	Walgreens
21	Las Vegas	35	Smith's	Yes	Walmart SC	Albertsons
22	San Diego CA	33	Ralphs/Food 4 Less	Yes	Vons	Albertsons
23	Fort Worth TX	31	Southwest	Yes	Walmart SC	Albertsons
24	Salt Lake City UT	27	Smith's	Yes	Walmart SC	Harmons
25	Wichita KS	24	Dillons Food Stores	Yes	Walmart SC	Walmart NH
26	Virginia Beach VA	24	Harris Teeter/Mid-Atlantic	No	Walmart SC	Food Lion
27	Dayton OH	22	Cincinnati	Yes	Walmart SC	Meijer
28	Little Rock AR	20	Delta	Yes	Walmart SC	Walgreens
29	Tucson AZ	19	Fry's Food & Drug	Yes	Safeway	Walmart SC
30	Toledo OH	18	Columbus	Yes	Walmart SC	Meijer
31	Richmond VA	18	Mid-Atlantic	Yes	Walmart SC	Food Lion
32	Lexington KY	17	Louisville	Yes	Walmart SC	Meijer
33	Madison WI	15	Roundy's	Yes	Woodman's	Hy-Vee
34	Albuquerque NM	16	Smith's	Yes	Walmart SC	Albertsons
35	Charleston SC	16	Harris Teeter	Yes	Walmart SC	Publix
36	Durham NC	15	Harris Teeter/Mid-Atlantic	Yes	Walmart SC	Food Lion
37	Chicago IL	49	Roundy's/Food 4 Less	No	Jewel	Walmart SC
38	Knoxville TN	14	Nashville	Yes	Walmart SC	Food City
39	Roanoke VA	14	Mid-Atlantic	Yes	Walmart SC	Food Lion
40	Jackson MS	12	Delta	Yes	Walmart SC	Walgreens
41	Fort Wayne IN	12	Central	Yes	Walmart SC	Meijer
42	Charleston WV	11	Mid-Atlantic	Yes	Walmart SC	Foodland
43	Colorado Springs CO	11	King Soopers	Yes	Walmart SC	Safeway
44	Grnsboro-High Pt NC	11	Harris Teeter	No	Walmart SC	Food Lion
45	Oxnard CA	11	Ralphs/Food 4 Less	Yes	Vons	Trader Joe's
46	Peoria IL	11	Central	Yes	Walmart SC	Schnuck's
47	Flint MI	10	Michigan	Yes	Meijer	Walmart SC
48	Omaha NE	10	Dillons Food Stores	No	Hy-Vee	Walmart SC
49	Ogden UT	10	Smith's	Yes	Walmart SC	Winco
50	Wilmington NC	9	Harris Teeter	Yes	Walmart SC	Food Lion
51	Savannah GA	9	Atlanta	Yes	Walmart SC	Publix
	TOTAL	1,869		46		

Secondary Markets (3 - 8 Stores)

	Market	# Stores	Division	#1 or #2
1	Augusta GA	8	Atlanta	Yes
2	Boulder CO	8	King Soopers	Yes
3	Decatur/Huntsville AL	8	Nashville	No
4	Winston-Salem NC	8	Harris Teeter	No
5	Anchorage AK	7	Fred Meyer	Yes
6	Ann Arbor MI	7	Michigan	Yes
7	Boise-Nampa ID	7	Fred Meyer	No
8	Fort Collins-Loveland CO	7	King Soopers	Yes
9	Lansing MI	7	Michigan	Yes
10	Macon GA	7	Atlanta	Yes
11	Topeka KS	7	Dillons Food Stores	Yes
12	Charlottesville VA	6	Harris Teeter/Mid-Atlantic	Yes
13	Evansville IN	6	Jay C	Yes
14	Huntington WV	6	Mid-Atlantic	Yes
15	Provo-Orem UT	6	Smith's	Yes
16	San Francisco-Oakland CA	6	Food 4 Less	No
17	Wheeling WV	6	Columbus	Yes
18	Baltimore-Towson MD	5	Harris Teeter	No
19	Grand Junction CO	5	King Soopers	Yes
20	Greeley CO	5	King Soopers	Yes
21	Lynchburg VA	5	Mid-Atlantic	Yes
22	Oshkosh-Neenah WI	5	Roundy's	No
23	Racine, WI	5	Roundy's	Yes
24	Saginaw MI	5	Michigan	Yes
25	Springfield OH	5	Cincinnati	Yes
26	Wierton WV	5	Columbus	Yes
27	Appleton WI	4	Roundy's	No
28	Athens, GA	4	Atlanta	Yes
29	Blacksburg VA	4	Mid-Atlantic	Yes
30	Bloomington IN	4	Central	Yes
31	Clarksville TN/Hopkinsville KY	4	Nashville	Yes
32	Decatur IL	4	Central	Yes
33	Eugene-Springfield OR	4	Fred Meyer	Yes
34	Gainesville, GA	4	Atlanta	Yes
35	Hilton Head, SC	4	Atlanta/Harris Teeter	Yes
36	Lafayette IN	4	Central	Yes
37	Lawrence KS	4	Dillons Food Stores	Yes
38	Myrtle Beach SC	4	Atlanta	No
39	Parkersburg WV	4	Mid-Atlantic	Yes
40	Prescott AZ	4	Fry's Food & Drug	Yes
41	Sacramento-Arden CA	4	Food 4 Less	No
42	Shreveport LA	4	Southwest	No
43	South Bend IN	4	Central	No
44	Terre Haute IN	4	Central	Yes
45	Warner Robins, GA	4	Atlanta	Yes
46	Anderson IN	3	Central	Yes
47	Bloomington IL	3	Central	Yes
48	Bowling Green KY	3	Nashville Y	
49	Bremerton-Silverdale	3	Fred Meyer/QFC	Yes
50	Columbia MO	3	Dillons Food Stores	No

Secondary Markets (3 - 8 Stores) Continued

	Market	# Stores	Division	#1 or #2
51	Columbia SC	3	Atlanta	No
52	Columbus IN	3	Central/Jay C	Yes
53	Elkhart IN	3	Central	No
54	Green Bay WI	3	Roundy's	No
55	Greenville NC	3	Harris Teeter	No
56	Hot Springs, AR	3	Delta	Yes
57	Jackson, TN	3	Delta	Yes
58	Lake Charles LA	3	Southwest	Yes
59	Manhattan KS	3	Dillons Food Stores	Yes
60	Mansfield OH	3	Columbus	Yes
61	Monroe MI	3	Michigan	Yes
62	Morgantown WV	3	Mid-Atlantic	Yes
63	Olympia WA	3	Fred Meyer/QFC	Yes
64	Owensboro KY	3	Louisville	Yes
65	Santa Fe NM	3	Smith's	Yes
66	Sheboygan WI	3	Roundy's	Yes
67	Spokane WA	3	Fred Meyer	No
68	Stevens Point, WI	3	Roundy's	Yes
69	Wausau WI	3	Roundy's	Yes
	TOTAL	310		52



Kroger® Operating Divisions (Year-End 2015)

KROGER DIVISIONS/ Major MSAs	# Stores	Total Square Feet (millions)	Combo	Multi-Dept	Marketplace	Price Impact
ATLANTA	186	11.6	181	-	5	-
Atlanta	127					
Savannah	9					
CENTRAL	136	7.6	132	-	4	-
Indianapolis	45					
Fort Wayne	12					
Peoria	11					
CINCINNATI	109	7.9	93	-	16	-
Cincinnati	72					
Dayton	22					
COLUMBUS	122	7.8	114	-	8	-
Columbus	60					
Toledo	18					
DELTA	104	6.0	99	-	5	-
Memphis	37					
Little Rock	20					
Jackson, MS	12					
DILLONS FOOD STORES	81	4.5	76	-	5	-
Wichita	24					
Omaha	10					
FOOD 4 LESS	131	7.6	-	-	-	131
Los Angeles	57					
Riverside	24					
Chicago	14					
San Diego	11					
FRED MEYER	132	20.4	3	129	-	-
Portland	36					
Seattle	35					
FRY'S FOOD & DRUG	119	8.7	96	-	23	-
Phoenix	91					
Tucson	19					
HARRIS TEETER	234	11.3	234	-	-	-
Charlotte	61					
Washington DC	38					
Raleigh-Cary	30					
Charleston SC	16					
Virginia Beach	5					
Greensboro-High Point	11					
Wilmington	9					
Durham-Chapel Hill	9					

Kroger® Operating Divisions (Year-End 2015)

KROGER DIVISIONS/ Major MSAs	# Stores	Total Square Feet (millions)	Combo	Multi-Dept	Marketplace	Price Impact
JAY C/RULER	65	0.9	23	-	-	42
Louisville	6					
KING SOOPERS	148	9.3	141	-	7	ı
Denver	80					
Colorado Springs	11					
LOUISVILLE	97	5.9	91	-	6	-
Louisville	40					
Lexington	17					
MICHIGAN	127	7.2	126	-	1	i
Detroit	87					
Flint	10					
MID-ATLANTIC	120	6.7	114	-	6	i
Richmond	18					
Roanoke	14					
Charleston WV	11					
Hampton Rds/Virginia Beach	10					
NASHVILLE	92	5.7	86	-	6	-
Nashville	45					
Knoxville	14					
QFC	65	2.4	65	-	-	-
Seattle	53					
Portland	6					
RALPHS	204	9.6	204	-	-	ı
Los Angeles	145					
Riverside	22					
San Diego	22					
Oxnard	10					
ROUNDY'S	151	9.5	151	-	-	-
Milwaukee	55					
Chicago	35					
Madison	15					
SMITH'S	138	8.4	128	-	10	-
Las Vegas	5					
Salt Lake City	27					
Albuquerque	16					
Ogden	10					
SOUTHWEST	217	14.1	197	-	20	•
Houston	101					
Dallas	59					
Fort Worth	31					
TOTAL	2,778	173.1	2,354	129	122	173

MERGER & ACQUISITION STRATEGY

Kroger's merger & acquisition strategy focuses on identifying opportunities to bring physical, intangible and human assets into the Kroger organization to enhance or accelerate achievement of our corporate priorities. We apply a disciplined, multifunctional review process of both financial and non-financial attributes of potential merger/acquisition candidates to maximize the probability of shareholder value creation. With all mergers, Kroger strives to ensure both parties provide synergies to the relationship to enhance value.

Kroger's supermarket 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. The recent Harris Teeter® and Roundy's® mergers, while offering entry into new markets for Kroger, also provide synergy opportunities based upon each partner's areas of operating excellence applicable across our large base of existing assets. Starting with the Axium Pharmacy merger in 2012, Kroger has become more focused on identifying potential merger partners that enhance our ability to deliver on our Customer 1st Strategy in expanded ways.

Mergers/Acquisitions	Date	# Stores (A)	Location	Banner Change?
Buehler Food Markets	Apr-06	1	Louisville KY	Yes
Scott's Food & Pharmacy	Apr-07	18	Fort Wayne IN	Yes
Farmer Jack	Jun-07	20	Detroit MI	Yes
Individual stores	2007	2	Various	Yes
Individual stores	2008	9	Various	Yes
AWG	Jan-10	7	Topeka & Wichita KS	Yes
Brookshires	Mar-10	2	Jackson MS	Yes
Albertsons	Jun-10	1	Ft. Worth TX	Yes
Individual store	Apr-11	1	Bloomfield IN	Yes
Schnuck's (supermarket)	Sept-11	8	Memphis TN	Yes
Schnuck's (c-stores)	Sept-11	7	Memphis TN	Yes
Axium Pharmacy	Dec-12	Specialty Rx	Lake Mary FL	N/A
Harris Teeter	Jan-14	227	Multiple	No
YOU Technology	Feb-14	Technology	San Francisco CA	N/A
Vitacost.com	Aug-14	e-comm	Boca Raton FL	N/A
84.51°	Apr-15	Technology	Cincinnati OH	N/A
Hiller's	Jul-15	7	Detroit MI	Yes
Roundy's (various banners)	Dec-15	151	Wisconsin/Chicago	No

⁽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 the end of 2015, Kroger's 784 convenience stores spanned 18 states; 725 of these locations sold fuel. Subsidiaries operated 711 of the convenience stores and 73 were operated through franchise agreements.

In 2015, the convenience stores accounted for 4% 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 C-Stores are continually refining store formats and product selection. The C-Stores continue to introduce new and innovative products, such as fresh produce and pizza.

During 2015, eleven C-Stores were opened and nine were closed; 84 stores received interior remodels and 22 received fuel remodels. Typically located on a parcel of one to two acres, the new stores range from 2,006 square feet to 5,600 square feet in size and generally have a large fuel offering with six to eight fuel dispensers, covered by a large, well-lit canopy.

STORE PROFILE

The average size of a C-Store at yearend was 2,946 square feet and the average weekly merchandise Customer count was approximately 6,406. The typical C-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-fuel sales for 2015. Fuel sales represented approximately 68% of Kroger's total C-Store sales in 2015.

	# Stores at Year End					
C-Store Division	2011	2012	2013	2014	2015	
Kwik Shop IA, KS, NE	125	125	126	128	129	
Loaf 'N Jug CO, MT, ND, NE, NM, SD, WY	174	169	170	170	169	
Quik Stop CA, NV	103	103	102	100	100	
Tom Thumb AL, FL, MS, TN	121	121	120	118	117	
Turkey Hill Minit Markets IN, OH, PA	268	268	268	266	269	
TOTAL	791	786	786	782	784	



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 323 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 202 stores located inside our supermarkets and 121 stores located in shopping malls. In addition to store locations, Fred Meyer Jewelers serves Customers through two online/mobile branded E-commerce

websites: <u>www.fredmeyerjewelers.com</u> and <u>www.littmanjewelers.com</u>. During 2015, the jewelry stores produced 0.5% of Kroger's total sales.

STATE	# STORES	STATE	# STORES	STATE	# STORES
Washington	59	Maryland	11	Arkansas	4
Oregon	50	Michigan	11	Kansas	4
Pennsylvania	25	Florida	9	Wisconsin	4
Texas	18	Colorado	7	Arizona	2
Ohio	14	Kentucky	7	Connecticut	2
Utah	14	California	6	Delaware	2
Idaho	12	Indiana	6	Illinois	2
New Jersey	12	Tennessee	6	Alabama	1
New York	12	Georgia	5	Nevada	1
Alaska	11	Virginia	5	West Virginia	1



CORPORATE BRANDS

A POWERHOUSE FAMILY OF CORPORATE BRANDS

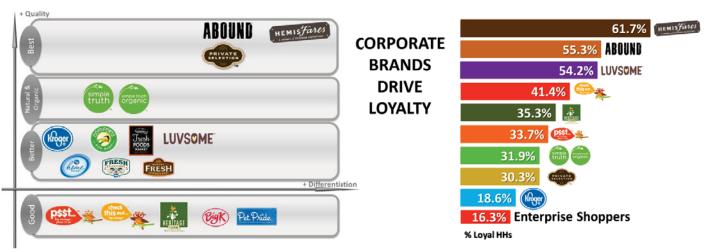
Corporate Brands deliver meaningful brands and products that give The Kroger Co. a significant competitive advantage.

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

In 2015, we engaged our Customers more than ever to get to know our Family of Brands, driving deeper loyalty within and across all our brands. Each brand in our portfolio speaks to each Customer's evolving needs from every day to surprisingly unique solutions that help them make each day successful.

OUR FAMILY OF BRANDS ARE LOYALTY MAKERS

Brands such as Kroger[®], Private Selection[®], Simple Truth[®], Simple Truth Organic[®], HemisFares[™], p\$\$t...[®], check this out..., 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: 26% sales dollars and 28% 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.

A STRONGER CORE OF BRANDS

Our 'better' tier of brands makes up over 65% of our total Corporate Brands sales. This \$15.7B brand portfolio includes our namesake Kroger[®] brand as well as Comforts for Baby[®], Fresh Foods Market, Bakery Fresh Goodness, and Luvsome[®].

Specific to the Kroger brand, we infused greater product credibility with category-appropriate designs and reformulations in bottled water, canned vegetables & fruits, frozen vegetables, packaged meats, deli, condiments and international foods. We've even sprinkled in tasty recipes to give our Kroger brand Customers variety. When it comes to OUR national brand, we want our Customers to LOVE it!



A LOYAL EPICUREAN FOLLOWING

Our Private Selection[®] brand, the 5th largest brand sold in our stores, continued to entice Customers with new, flavorful culinary offerings throughout the store, successfully trading Customers up in several 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.



\$1.5+ BILLION LIFESTYLE BRANDS

Simple Truth® and Simple Truth Organic® demonstrated strong base growth while it also welcomed over 160 new fresh and shelf-stable items to the portfolio in 2015 - some of which featured trend forward flavor profiles in our food categories.







Customers also told us they wanted more Simple Truth and Simple Truth Organic products that fit more aspects of their lifestyles. As a result, we evolved the trusted Simple Truth and Simple Truth Organic brands portfolio into a true lifestyle brand. Our Customers can now find solutions in laundry, household cleaning and baby aisles across the country. Our journey to meet our Customers' lifestyle needs is just beginning and we look forward to introducing even more relevant solutions in 2016.



CARING FOR OUR FURRIEST FAMILY MEMBERS

Our three-tiered pet portfolio proudly includes ABOUND®, Luvsome® and Pet Pride® brands. Our pet brands offer a variety of foods, treats and pet care supplies to fill the needs of all our families with furry companions, while exceeding the expectations of pets and owners alike!



ABOUND is our commitment to delivering food that's naturally nutritious and delicious through natural ingredients, high-quality proteins, wholesome whole grains and nutrient-rich vegetables and fruits. We have spent a great deal of time carefully selecting the highest-quality ingredients for our ABOUND foods and treats, and preparing them in a way that delivers optimum nutrition for cats and dogs. NO fillers like corn, soy or wheat, NO artificial colors, flavors or preservatives, and NO animal by-product meal.



LUVSOME Luvsome knows that our furry companions enhance our lives on a daily basis. We are committed to helping our cats and dogs stay healthy and happy for a long time to come with a variety of products that help us take great care of them. Luvsome offers high-quality foods, treats & pet care products that balance what pets love with benefits that will help keep them healthy.



Pet Pride is our line of everyday pet essentials that offers quality product that will keep tails wagging, at a price that will let you do more for your pet. From nutritious foods to tasty treats, fun toys and a variety of pet care essentials, Pet Pride has everything pet owners need to help their pets get the most out of life every day.

UNCOVERING THE BEST TASTES ON EARTH



HemisFares[™], our brand that offers a guided tour of *the best* tastes on Earth, has impressed some of our most loyal Customers with delectable, regional culinary treasures. We took - a journey of epicurean proportions[™] - to work side-by-side with the best food connoisseurs - some with decades of experience - to scour the food-rich countries, villages, islands and hillsides. Our first stop was to Italy where we uncovered the best 27 food "finds" Italy had to offer, which were worthy of our HemisFares brand name. Each regionally authentic HemisFares product has attracted new Customers to its respective category. In 2016, your palates will get to punch their passports with more of the best tastes on Earth!



MANUFACTURING

GETTING TO KNOW: Kroger® Manufacturing

Kroger Manufacturing is made up of 38 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 process improvements, 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 38 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. Kroger also operates two cheese plants, which produce a variety of natural and processed cheeses for our supermarkets.





We operate a state of the art facility in Denver 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.

MEAT

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

DELI/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. In 2015, Roundy's Commissary was added to the overall Manufacturing network.





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

DELI/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 Roundy's Commissary, WI

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

MEAT

King Soopers Meat, CO Vernon Meat, CA



Corporate Brand Categories Produced at Our Manufacturing Facilities

DAIRY

- Aseptic Products
- Bottled Water
- Citrus Punch
- Cottage Cheese
- Cubed Ice
- Frozen Novelties
- Fruit Juices/Drinks
- Ice Cream
- Ice Cream Cakes
- Milk
- Natural Cheese
- Orange Juice
- Organic Milk
- Organic Yogurt
- Processed Cheese
- Sour Cream
- Yogurt

BEVERAGE

- Juices
- Mixers
- Purified Water
- Soft Drinks (A)
- Sparkling Water
- Vitamin Enhanced Water

MEAT

- Packaged Meats
- Retail Meats
- Sausages

DELI/BAKERY

- Bagels
- Breads
- Buns
- Cake Muffins
- Cakes
- Cheese Curls
- Cookies
- Corn Chips
- Crackers
- Cupcakes
- Danish
- Decorated Cakes
- Dessert Salads
- Donuts
- English Muffins
- Flour Tortillas
- Iced Cakes
- Icings/Glazes
- Mac & Cheese
- Mashed Potatoes
- Muffins
- Pies
- Popcorn
- Pudding Cakes
- Rolls
- Salads
- Seafood Salads
- Spreads/Dips
- Tortilla Chips

PET FOOD

- Dry Dog Food
- Dry Cat Food

GROCERY

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

(A) Carbonated and Non-Carbonated

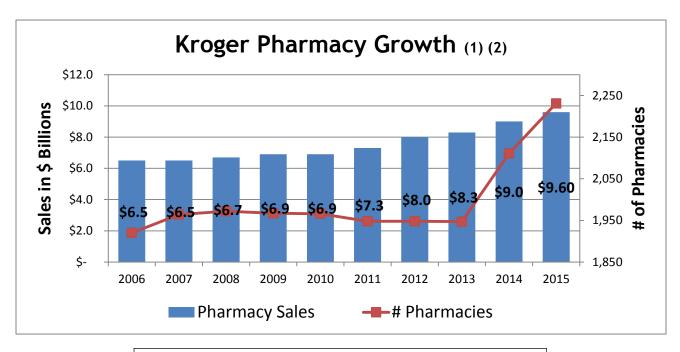




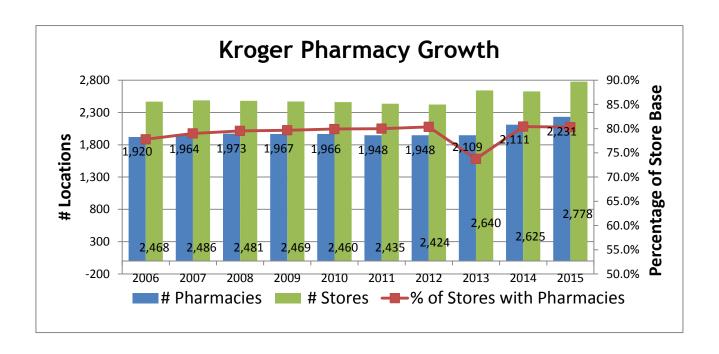


PHARMACY

Kroger[®] is the fifth-largest pharmacy operator in the United States in number of locations, operating retail pharmacies in 2,231 of our food stores. During 2015, Kroger pharmacists filled almost 182 million prescriptions at a retail value of approximately \$9.6 billion (excluding Roundy's[®]).



- (1) Pharmacy sales exclude Harris Teeter® prior to 2014
- (2) Pharmacy sales exclude Roundy's



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, 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 for its execution of MTM services in 2013, 2014, and 2015. Kroger has also been honored by the American Pharmacists Association (APhA) Foundation as the Pinnacle Award recipient in 2014 for innovations that improve the medication use process. And most recently Kroger was bestowed the H.A.B Dunning Award by APhA for its contributions to the profession of pharmacy.



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 $^{\texttt{M}}$), 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 2016 to further improve the pharmacy online and mobile experience.

THE LITTLE CLINIC®

Healthcare Right Where You Shop!



The retail clinic industry continues to grow 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 ten states inside select Kroger, Dillons, Fry's Food Stores, Jay C and King Soopers stores. 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 that earned accreditation by The Joint Commission for delivering high quality and safe patient care.

Convenience is the number one reason why Customers choose to get care at The Little Clinic.

Offering high quality health care seven days a week inside a store in which our Customers already shop gives them yet another reason to love shopping at Kroger.

Staffed by board-certified nurse practitioners and physician assistants, The Little Clinic clinicians diagnose and treat common illnesses and minor injuries, offer vaccinations, physicals, preventive care, travel health services, disease management 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), Denver (University of Colorado), Wichita (Via Christi Health), Indianapolis (St. Vincent Health) and Richmond (VCU Health). These clinical affiliations are improving access to all levels of care and strengthening care coordination for the patient.



In 2015, The Little Clinic opened 41 new clinics bringing the total number of clinics to 188 and grew patient visits by 30 percent versus the prior year. The Little Clinic will continue to expand in 2016 focusing on further penetration in existing markets. Our clinic growth is possible because we are focused on providing the highest quality of healthcare along with an outstanding patient experience, which leads to high patient satisfaction scores. The Kroger Co.

NATURAL AND ORGANIC FOODS



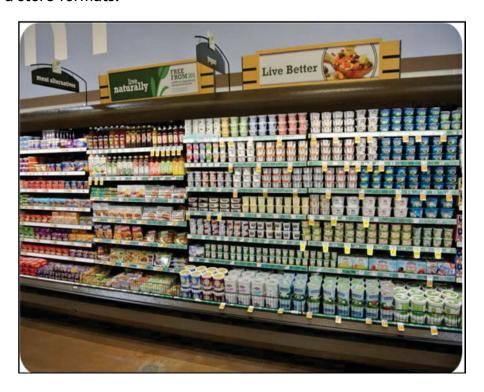
As the consumer base for healthy foods broadens, Customers continue to look to Kroger® for those natural and organic products they want at great prices.

In 2015, natural and organic food sales grew double digits for the 6th 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 2016, 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 nearly 60,000 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 partnerships 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®

2015 was an outstanding year for growing the Simple Truth and Simple Truth Organic brands of products. Launched in 2013, Simple Truth and Simple Truth Organic exceeded \$1.5 billion in annual sales in 2015, making the brand one of the fastest to ever reach that benchmark. Simple Truth and Simple Truth Organic have proven to be a key piece of Customer loyalty throughout all customer segments.

Simple Truth and Simple Truth Organic offer over 800 unique items in over 90 categories across the entire store. A wide variety of products can be found, 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. Customers may visit www.simpletruth.com for a list of the 101+ artificial preservatives & ingredients that are not found in the Simple Truth and Simple Truth Organic 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 natural and organic products accessible and affordable for everyone.



KROGER PERSONAL FINANCE®



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 Companies, Customers earn double points and triple points on corporate brand products. In 2015, Customers earned more than \$39 million in Free Groceries!

Customers also enjoy a **5 cent discount** per gallon at our fuel centers with their card. Plus, the mobile apps make managing accounts easy and convenient.

GIFT CARDS

KPF's wide selection of gift cards allows Customers to buy gift cards for their favorite restaurant, retailer, entertainment venue or online media store in the Kroger Family of Companies or online at giftcards.kroger.com.

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 Companies 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, including Net10®, TracFone®, T-Mobile®, AT&T Go Phone® and more. Customers can choose the phone and payment that fits their needs and are rewarded with 2X fuel points for their purchase. They also can add minutes to their phones easily and conveniently at www.wirelessairtime.com.







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 fuel 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 fuel at our convenience stores. Despite generally low margins, fuel centers can deliver a high return on investment because of their extraordinary inventory turns and positive effect on overall store sales.

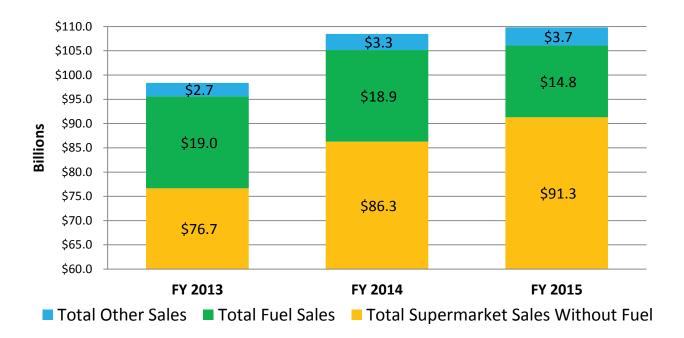
The typical supermarket fuel center consists of three to nine multi-product dispensers covered by a well-lit canopy, and an 8' x 12' kiosk from which cigarettes, soft drinks, snacks, candy and miscellaneous automotive-related products are sold.

At year-end 2015, Kroger's retail fuel operations included 1,387 supermarket fuel centers in 31 states and 725 convenience stores that sell fuel. (We operate 784 convenience stores in total. See the "Convenience Stores" section on Page 22 of this Fact Book.)

FINANCIAL IMPACT

SALES

Fuel sales affect certain financial indicators. They comprise a portion of the Company's total supermarket sales results.



Fuel sales also affect identical supermarket sales:

Identical Supermarket Sales	FY 2014	FY 2015
Including Supermarket Fuel Centers	4.2%	1.1%
Excluding Supermarket Fuel Centers	5.2%	5.0%
Difference (basis points)	<100 bps>	<390 bps>

FIFO GROSS MARGIN (Note A)

Our FIFO gross margin rates, as a percentage of sales, were 22.18% in 2015, 21.30% in 2014 and 20.62% in 2013. 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 4 basis points in 2015 vs. 2014 and 3 basis points in 2014 vs. 2013. FIFO gross margin in 2015, compared to 2014, decreased primarily from continued investments in lower prices for our Customers and increased shrink costs, partially offset by a reduction in transportation costs, as a percentage of sales.



Increase/ <decrease> in FIFO Gross Margin Rate</decrease>	FY 2013	FY 2014	FY 2015
Including Retail Fuel Operations	<2 bps>	67 bps	88 bps
Excluding Retail Fuel Operations	<14 bps>	<3 bps>	<4 bps>

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 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 9 basis points in 2015, compared to 2014. The 2015 decrease, compared to 2014, resulted primarily from increased supermarket sales, productivity improvements and effective cost controls at the store level, partially offset by increases in EMV chargebacks, company



sponsored pension, healthcare and incentive plan costs, as a percentage of sales.

Increase / <decrease> in OG&A Rate</decrease>	FY 2013	FY 2014	FY 2015
Including Retail Fuel Operations	8 bps	37 bps	52 bps
Excluding Retail Fuel Operations (Note C)	<17 bps>	<19 bps>	<9 bps>

Note B: OG&A expenses consist primarily of employee-related costs such as wages, healthcare 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 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 and contributions to our charitable foundation; 2014 and 2015 exclude contributions to the UFCW Consolidated Pension Plan.

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.

Fuel Margins (Cents Per Gallon)	Q1	Q2	Q3	Q4	YR
FY 2015	11.6¢	19.2¢	23.8¢	16.9¢	17.4¢
FY 2014	13.1¢	18.3¢	23.2¢	23.4¢	19.0¢
Difference	<1.5¢>	<0.9¢>	0.6¢	<6.5¢>	<1.6¢>

Note that Kroger's fuel margins exclude credit card fees. We include credit card fees in OG&A expense.

CUSTOMER ANALYTICS, INSIGHT & LOYALTY DATA

Kroger's growth plan focuses on improving Customer connections and innovating to create unique competitive positioning for both today and the future. Through shopper data, surveys, research and partnerships, 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 - one that's easier and more intuitive - which, in turn, enhances our Customers' loyalty by helping them save time and money and delivering more value.

In 2015, Kroger announced a new relationship with dunnhumbyLtd. Under the arrangement, the existing exclusive joint venture agreement was replaced with a new long-term license and service agreement and Kroger acquired certain assets from dunnhumbyUSA. A new business called 84.51° SM (a reference to the longitudinal location of the Cincinnati headquarters) operates with those assets as its foundation.

This new business continues to leverage the unique competitive advantage of more than a decade's worth of Customer analytics experience, along with an enhanced focus on Kroger projects and innovations. Through the use of data and analytics, we understand the shopping behavior of our Customers - their needs, wants, patterns and communication preferences. The team not only designs personalized offerings for individual needs but also gives us the tools to target our promotional dollars and pricing investments toward our most loyal Customers.

We are committed to maintaining our lead in the use and analysis of Customer data and analytics insights. We are constantly searching for new ways to bring new perspectives and ideas to our business to help make our Customers' lives easier.

Putting Kroger's loyal Customers in the center of all decisions has contributed to our unparalleled growth.

- A large portion of our sales growth has come from growth in loyal households and loyal Customer spending
- We delivered billions of personalized offers to our most loyal Customers' households in 2015
- We expanded our digital personalization in 2015 by engaging more households in personalized content and offers



DIGITAL & OMNICHANNEL

Kroger[®] uses digital channels as a means to better engage directly with Customers in personalized and relevant ways 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 provide Customers with an optimal experience for any screen size. These sites provide 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 with aisle locations, 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.

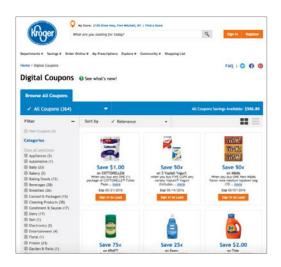


 Customers can order online with the convenience of picking up orders at their local store through Harris Teeter Express Lane, available at over 175 Harris Teeter[®] stores, and ClickList, available at over 50 Kroger and Fred Meyer[®] stores in 9 markets.





The digital coupon center offers Customers a single place to view, load and manage hundreds of digital coupon offers available for manufacturer and corporate brand items. Kroger® began offering coupons that can be loaded to the shopper card in late 2009. Our 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 Co, acquired in February 2014.



*This is an example of the Kroger web site. The promotions shown may not reflect current promotions.

- 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.
- We use a variety of digital media channels to deliver targeted ads and messages to Kroger shoppers, which promote our weekly ad, online events and promotions, and increase awareness and engagement through our digital channels.
- E-mail subscriptions deliver weekly ads and coupons, online specials and promotions, newsletters and other targeted Customer communications.
- Online pharmacy tools offer Customers the ability to 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 for pickup at their local store or ship-to-home delivery, enroll in auto refill, and print annual pharmacy spending summaries.
- Online catalog, pricing and ordering for jewelry at <u>www.fredmeyerjewelers.com</u> and <u>www.littmanjewelers.com</u>. 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.

VITACOST.COM®

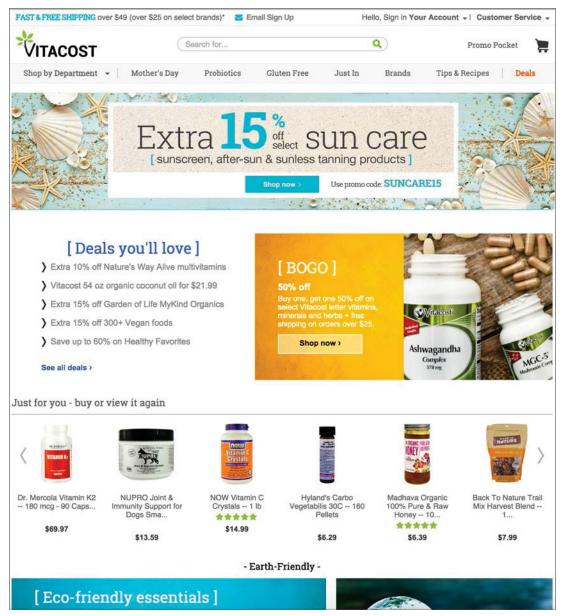
Vitacost.com in August 2014. Vitacost.com is a leading online retailer of a wide variety of products, including healthy living products. Items sold include vitamins, minerals, herbs and supplements (VMHS), as well as a broad assortment of shelf-stable natural and organic foods, including specialty items (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 Customers 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 segments. With more than 12,000 specialty 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 Customers' specific needs. In addition, Vitacost.com 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. Vitacost.com 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.com 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. Vitacost.com has also been designated a Google Trusted Store for offering excellent customer service and reliable shipping.



^{*}This is an example of the Vitacost.com web site. The pricing/promotions shown may not reflect current pricing/promotions.

KROGER® TECHNOLOGY CUSTOMER | QUALITY | INNOVATION

Kroger Technology's vision is to be the most valued technology organization in retail. Technology continues to create a competitive advantage for our business and innovation investments are accelerating. Each day, technology systems and infrastructure play a critical role in supporting our Customers and associates in delivering Kroger's Customer 1st Strategy by:



- 1. Supporting day-to-day operations including regulatory/compliance requirements related to health care, payments processing and accounting.
- 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 advantages.

Secure and reliable systems are essential to delivering a positive Customer experience and play a key role in Kroger's 49 consecutive quarters of positive identical supermarket sales. Additionally, Kroger Technology is adopting lean, agile processes to increase speed to market.

Our project portfolio strategy helps insure we are working on projects aligned with our Customer 1st Strategy and strategic priorities. One key measure for our technology investments is that they collectively produce returns above Kroger's goal of 11.3%, after-tax, for capital projects.

Recent investments in new, innovative technologies include:

- The Digital Customer program provides our Customers with an on-line and mobile app personalized experience that includes:
 - ✓ Relevant weekly ads, coupons and promotions.
 - ✓ Cicklist, our "buy on-line and pick up in store" feature, provides a convenient shopping experience for our Customers. We are currently rolling this out across the company.
 - ✓ 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)

• Partnering with 84.51° (formerly dunnhumby USA) to leverage our data analytic capabilities to deliver personalized solutions to our Customers and associates.

- Upgrading Customer loyalty programs to improve personalization and relevancy.
- Industry leading automated warehouse management systems.
- Advancements in our supply chain systems to improve store level forecasting / ordering to improve in stock positions.
- Data Center upgrades for improved disaster recovery and business continuity.
- Upgrades to store infrastructure to improve the Customer experience.
- "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. As such, Kroger[®] is a world leader in *implemented* "Internet of Things" (IoT) technology. This technology also received a CIO 100 innovation award.
- Expanded Customer and associate Support Centers to enhance Kroger's commitment to our Customer 1st Strategy
- Improvements to the Customer experience during the checkout process. QueVision®, our Faster Checkout Initiative, ranked 3rd in the InformationWeek Elite100.
- The advanced Kroger Video Management System will position Kroger as a video analytics leader for service departments, much like QueVision[®] gave Kroger industry leading checkout times.
- 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 an application for their smartphone or handheld scanner so they can scan and bag their items while they shop.
- New merchandising systems to efficiently allocate product to our stores.
- 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 Axium, Harris Teeter[®], Vitacost.com[®], You Technology, [and] The Little Clinic[®] to introduce new platforms that we are leveraging to support and expand our Customer 1st Strategy.

- Harris Teeter provided valuable insights for delivering our ClickList™ program.
- The Little Clinic, Vitacost.com and Axium along with our in-store pharmacy systems are solidifying our strategy for Customer health and wellness.

- Vitacost.com® provides a ship to home capability for natural and health conscious Customers. We are integrating this capability with other product lines to improve our on-line shopping experience.
- You Technology[®] increases 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 Customers' 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.

SUPPLY CHAIN

In Kroger® Supply Chain, our hard-working associates care for and move several million products every single day to support our 2,778 supermarkets. To achieve this and stay competitive, we embrace change as an advantage and constantly keep our focus on answering the demands of our Customers shopping with us.

Our network includes 36 distribution centers, or DCs, across the U.S. Our great people in Kroger Supply Chain play an important role in our Customer 1st Strategy by:

- Leading and achieving results on our business objectives by engaging our associates across the enterprise
- Providing and improving product freshness, quality, and safety
- Moving product as efficiently as possible and lowering costs to our Customers in the process

Over the past several years, Kroger has kept up with the continually changing marketplace by making 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.



NETWORK OPTIMIZATION & SUSTAINABILITY

Network Optimization is our way of saying we're proactively looking at the big picture of what we do in Supply Chain to make sure we can deliver on our company's growth and freshness goals, which are central to our Customer 1st Strategy. Are we in the right locations to serve our Customers the freshest product? Is the right technology in place today and tomorrow to do the same? Are our people, processes, and items working at best capacity across the network to serve the Customer?



Kroger 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.

With respect to sustainability, Supply Chain takes into consideration our impact on energy, waste, air and water. Our ultimate goal is zero waste, zero add to landfills. From farm or ocean to our stores, we look at the footprints we leave and make strategic decisions that support less impact on our environment.

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.

SALES AND OPERATIONS PLANNING

Sales and Operations Planning allows us to effectively synchronize our merchandising, replenishment and supply chain efforts. It starts as assortment optimization, evolves into a demand/supply review, and ultimately leads to a coordinated process of merchandising, inventory and operations execution.

TRANSPORTATION MANAGEMENT

Kroger's Supply Chain network provides an average of 8,000 store deliveries each day. The delivery resources consist of both private fleet and contracted services. Resources dedicated to store delivery consist of 3,200 tractors and 12,000 trailers, traveling almost 346 million miles to its stores. Kroger® owns approximately 70% of



the trailers and 40% of the tractors used for store deliveries.

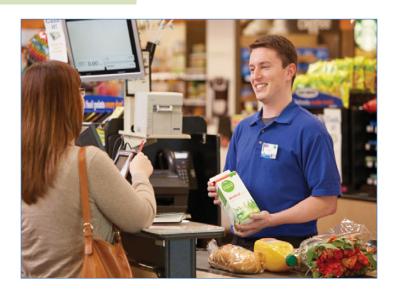
Kroger leverages its investments in network-based transportation management systems to improve utilization of its store delivery fleet. Additionally in 2015, our tractors continue to be equipped with the latest on-board computer technology providing real-time visibility of store deliveries in route which allows our drivers to be more effective and make the appropriate adjustments when necessary to continuously improve our precise, on-time delivery performance to 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 multitemperature 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 eleventh 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 40 basis points during 2015. This data also indicates that our share increased in 17 of the 20 markets outlined by the Nielsen report (excluding Roundy's), was flat in two markets and was down slightly in one market.

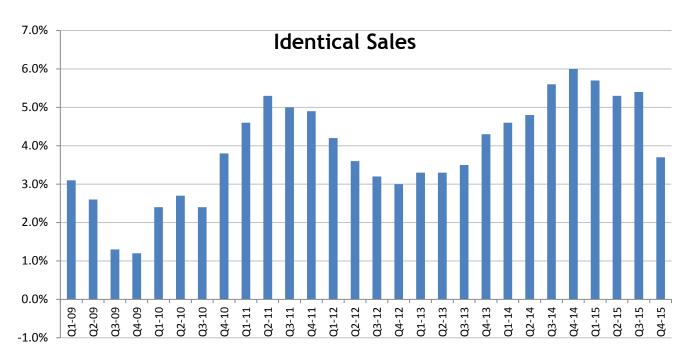
We plan to continue to grow our business by maintaining Kroger's strong market share and continuing to build on additional opportunities for sales growth.

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 49 straight quarters. The chart below depicts identical supermarket sales trends excluding supermarket fuel sales, for the last seven years.

IDENTICAL SALES EXCLUDING FUEL



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

FINANCIAL STRATEGY

Kroger's financial strength has long been a competitive advantage and is even more so in the current economic environment. We use our 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.
 - As of the close of fourth quarter 2015, our net total debt to adjusted EBITDA ratio decreased to 2.08, compared to 2.14 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 our strategy to expand our 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 our goal of continual market share growth.
- 3. Generate a return on invested capital (ROIC) that increases over time.

CAPITAL INVESTMENTS

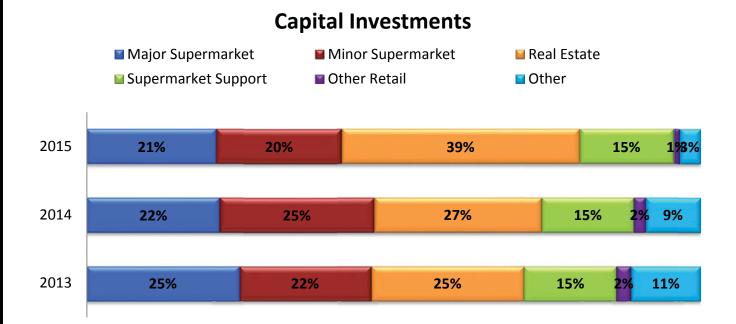
Our capital investment process is designed to maximize value by delivering on our short and long term financial commitments, in a balanced manner, while maintaining flexibility to take advantage of opportunities as they arise. We balance the competing needs of driving our Customer 1st Strategy and growing our core supermarket assets while ensuring we maintain fresh stores and technologies, invest in support assets necessary for growth and invest in new and innovative ways to meet the needs of our Customers. We allocate capital to projects that we expect to earn a rate of return in excess of our internal after-tax hurdle rate of 11.3%.

Total capital investments for 2015 were \$3.3 billion, excluding acquisitions and purchases of leased facilities. Approximately 60% of Kroger's 2015 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, manufacturing, 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 \$61 million in 2015compared to \$162 million in 2014.



2015 Capital Investment Allocation

- Major Supermarket (including real estate): 58%
- Minor Supermarket: 20%
- Supermarket Support (Technology & Logistics): 15%
- Other Retail (C-Stores & Jewelry, including real estate): 3%
- Other (Mfg, Shopping Centers, Lease Buyouts, Other): 4%



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 costs across an expanding store base. While we evaluate all of our existing markets for growth opportunity, we have designated several MSA's across the enterprise as "fill-in markets" with the goal of driving market share and ROIC growth through an accelerated storing strategy.

Capital investments reflect our strategy of growth through expansion and acquisition, as well as our emphasis on self-development and ownership of real estate, logistics and technology improvements. Since 1995, Kroger® has been aggressively purchasing the real estate associated with our storing program. At year-end, approximately 42% of the Company's 2,778 supermarkets were owned by Kroger. Kroger prefers to own stores rather than lease them, as it typically results in a lower rent charge.

REAL ESTATE ACTIVITY BY QUARTER							
FY 2013	Q1	Q2	Q3	Q4	YEAR		
Beginning # Stores	2,424	2,419	2,418	2,414	2,424		
New	5	6	3	3	17		
Acquired - New	-	-	-	227	227		
Acquired - Relocation	-	-	-	-	-		
Relocations	1	1	4	1	7		
Total Stores Opened	6	7	7	231	251		
Expansions	2	4	6	6	18		
Total Store Projects	8	11	13	237	269		
Operational Closures	<10>	<7>	<7>	<4>	<28>		
Ending # Stores	2,419	2,418	2,414	2,640	2,640		
Major Remodels (>\$20/sq ft)	22	36	49	51	158		
Minor Remodels (<\$20/sq ft)	n/a	n/a	n/a	n/a	190		
Square Footage (millions)	149.2	149.5	149.7	160.0	160.0		
% Increase	0.5%	0.4%	0.4%	7.3%	7.0%		
Convenience Stores	784	783	786	786	786		
Jewelry Stores Fuel Centers	322	326	327	320	320		
	1,182	1,195	1,218	1,240	1,240		
Pharmacies	1,947	1,950	1,948	2,109	2,109		
FY 2014	Q1	Q2	Q3	Q4	YEAR		
Beginning # Stores	2,640	2,642	2,638	2,631	2,640		
New	13	4	8	8	33		
Acquired - New	-	-	-	-	-		
Acquired - Relocation Relocations	5	2	-	- 4	12		
Total Stores Opened	18	6	9	12	45		
Expansions	6	2	3	10	21		
Total Store Projects	24	8	12	22	66		
Operational Closures	<11>	<8>	<15>	<14>	<48>		
Ending # Stores	2,642	2,638	2,631	2,625	2,625		
Major Remodels (>\$20/sq ft)	26	45	44	41	156		
Minor Remodels (<\$20/sq ft)	n/a	n/a	n/a	n/a	221		
Square Footage (millions)	161.6	161.7	161.7	161.7	161.7		
% Increase	8.3%	8.2%	8.0%	1.1%	1.1%		
Convenience Stores	787	785	783	782	782		
Jewelry Stores	324	324	325	326	326		
Fuel Centers	1,261	1,271	1,293	1,330	1,330		
Pharmacies	2,109	2,109	2,107	2,111	2,111		
FY 2015	Q1	Q2	Q3	Q4	YEAR		
Beginning # Stores	2,625	2,626	2,623	2,620	2,625		
New	10	3	8	10	31		
Acquired - New	0	6	0	153	159		
Acquired - Relocation	0	0	0	0	0		
Relocations	3	1	2	6	12		
Total Stores Opened	13	10	10	169	202		
Expansions	4	5	5	14	28		
Total Store Projects	17	15	15	183	230		
Operational Closures	<9>	<12>	<11>	<5>	<37>		
Ending # Stores	2,626	2,623	2,620	2,778	2,778		
Major Remodels (>\$20/sq ft)	26	46	61	50	183		
Minor Remodels (<\$20/sq ft)	n/a	n/a	n/a	n/a	246		
Square Footage (millions)	162.4	162.4	162.8	173.5	173.5		
% Increase	0.5%	0.4%	0.7%	7.3%	0.5%		
Convenience Stores	780	781	786	784	784		
Jewelry Stores	327	327	326	323	323		
Fuel Centers	1,342	1,350	1,360	1,387	1,387		
Pharmacies	2,116	2,116	2,122	2,231	2,231		

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 \$990 million 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 \$13 million as of January 30, 2016.

The table on the following page details Kroger's debt obligations as of fiscal year-end 2015.

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.



DEBT ISSUES	MATURITY	PRINCIPAL
(Fiscal Year-End 2015)	DATE	(\$ millions)
Floating Rate Senior Notes	10/17/16	500
1.20% Senior Notes	10/17/16	300
2.20% Senior Notes	01/15/17	450
6.40% Senior Notes	08/15/17	600
7.00% Senior Notes	05/01/18	200
6.80% Senior Notes	12/15/18	300
2.30% Senior Notes	01/15/19	500
2.00% Senior Notes	01/15/19	300
6.15% Senior Notes	01/15/20	749
3.30% Senior Notes	01/15/21	699
2.60% Senior Notes	02/01/21	300
2.95% Senior Notes	11/01/21	500
3.40% Senior Notes	04/15/22	498
3.85% Senior Notes	08/01/23	600
4.00% Senior Notes	02/01/24	499
3.50% Senior Notes	02/01/26	499
7.70% Senior Notes	06/01/29	281
8.00% Senior Notes	09/15/29	250
7.50% Senior Notes	04/01/31	440
6.90% Senior Notes	04/15/38	373
5.40% Senior Notes	07/15/40	298
5.00% Senior Notes	04/15/42	349
5.15% Senior Notes	08/01/43	399
Prepaid Senior Note Expense		(56)
Subtotal Senior Notes & Debentures		\$9,828
Mortgages	Through 2027	\$58
Other		\$1,512
Total Debt		\$11,398
Capital Leases		\$682
Total Debt Including Capital Leases (A)		\$12,080

(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 \$500 million, \$1,129 million and \$338 million under Board-authorized repurchase programs during fiscal 2015, 2014 and 2013, respectively.

At the end of fiscal 2015, all \$500 million remained under the share repurchase program authorized by our Board in June 2015. On March 10, 2016, our Board of Directors approved a new \$500 million share repurchase program to supplement the 2015 Repurchase Program.

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 \$203 million, \$155 million and \$271 million under the stock option program during 2015, 2014, and 2013, respectively.

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

	FY 2013	FY 2014	FY 2015
Stock Option Program	\$271	\$155	\$203
Board Repurchase Authorization	\$338	\$1,129	\$500
TOTAL COST	\$609	\$1,284	\$703

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:

Fiscal Year	# Shares	Cost	Avg Cost Per Share
2013	32 million	\$609 million	\$19
2014	57 million	\$1,283 million	\$23
2015	19 million	\$703 million	\$37
TOTAL	108 million	\$2,595 million	\$24

Since January 2000, and through the end of fiscal 2015, Kroger® has invested approximately \$11.8 billion to repurchase 944 million shares at an average cost of \$12.51 per share.

DIVIDENDS

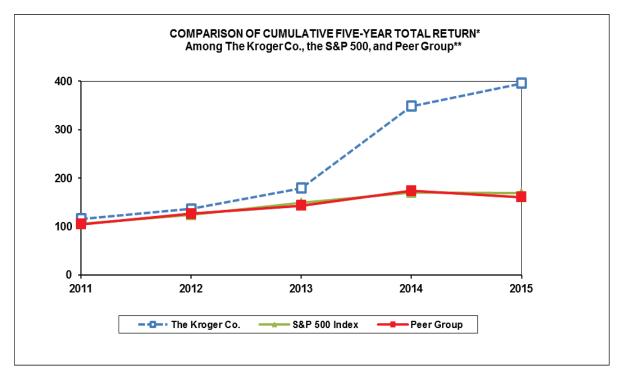
Kroger's quarterly dividend program was initiated by our Board in March 2006. During 2015, the Company paid three quarterly dividends of \$0.105 and one quarterly dividend of \$0.0925. Kroger paid a total of \$385 million, \$338 million and \$319 million in cash dividends during 2015, 2014, and 2013, 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.



	BASE PERIOD	INDEXED RETURNS Years Ending:				
	2010	2011 2012 2013 2014 2015				
THE KROGER CO.	100	116.26	136.28	179.49	348.32	395.78
S&P 500 INDEX	100	105.33	123.87	149.02	170.22	169.08
PEER GROUP**	100	105.11	126.94	143.63	173.96	161.13

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

- * Total assumes \$100 invested on January 30, 2011 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, Etablissements 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)

(in millions, except per share amounts)						
	Q1	Q2	Q3	Q4	Year	
	(16 weeks)	(12 weeks)	(12 weeks)	(12 weeks)	(52 weeks)	
Sales						
2015	\$33,051	\$25,539	\$25,076	\$26,165	\$109,830	
2014	\$32,961	\$25,310	\$24,987	\$25,207	\$108,465	
2013	\$29,997	\$22,686	\$22,470	\$23,222	\$98,375	
Merchandise	Costs (A) (B)					
2015	\$25,760	\$20,065	\$19,478	\$20,193	\$85,496	
2014	\$26,065	\$20,136	\$19,764	\$19,548	\$85,512	
2013	\$23,817	\$18,059	\$17,866	\$18,397	\$78,138	
		•				
Operating, Go	eneral & Admi	nistrative (B)				
2015	\$5,354	\$4,068	\$4,169	\$4,355	\$17,946	
2014	\$5,167	\$3,920	\$3,955	\$4,118	\$17,161	
2014 Adj.	\$5,081	\$3,920	\$3,955	\$4,118	\$17,074	
2013	\$4,593	\$3,507	\$3,537	\$3,559	\$15,196	
2013 Adj.	\$4,593	\$3,507	\$3,536	\$3,546	\$15,180	
Rent						
2015	\$215	\$155	\$173	\$181	\$723	
2014	\$217	\$165	\$162	\$163	\$707	
2013	\$189	\$139	\$138	\$147	\$613	
Depreciation	& Amortizatio	n				
2015	\$620	\$478	\$484	\$508	\$2,089	
2014	\$581	\$444	\$456	\$467	\$1,948	
2013	\$519	\$387	\$395	\$402	\$1,703	
Operating Pro	ofit / (Loss) (B)					
2015	\$1,102	\$774	\$772	\$928	\$3,576	
2014	\$931	\$644	\$650	\$911	\$3,137	
2014 Adj.	\$1,018	\$644	\$650	\$911	\$3,223	
2013	\$879	\$595	\$534	\$718	\$2,725	
2013 Adj.	\$879	\$595	\$536	\$730	\$2,741	
	Ŧ ·	7	7	7	7-7	

	Q1	Q2	Q3	Q4	Year		
	(16 weeks)	(12 weeks)	(12 weeks)	(12 weeks)	(52 weeks)		
Interest Expe	ense						
2015	\$148	\$114	\$108	\$112	\$482		
2014	\$147	\$112	\$114	\$114	\$487		
2013	\$129	\$99	\$108	\$107	\$443		
2013 Adj.	\$129	\$99	\$106	\$101	\$432		
Earnings / (Lo	oss) Before Inc	ome Tax Expe	nse (B)				
2015	\$954	\$660	\$664	\$816	\$3,094		
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		
					·		
Income Tax E	xpense (B)						
2015	\$330	\$227	\$238	\$250	\$1,045		
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		
	/ (Loss) Includ	ing Noncontro	lling Interests				
2015	\$624	\$433	\$427	\$566	\$2,049		
2014	\$509	\$350	\$364	\$524	\$1,748		
2014 Adj.	\$565	\$350	\$3 4 8	\$52 <i>4</i>	\$1,787		
2013	\$483	\$321	\$301	\$427	\$1,531		
2013 Adj.	\$483	\$321	\$278	\$411	\$1,508		
	/ (Loss) Attrib						
2015	\$5	\$1	(\$2)	\$6	\$10		
2014	\$8	\$3	\$3	\$5	\$19		
2013	\$3	\$3	\$2	\$5	\$13		
	/ (Loss) Attrib			٠ . ٦			
2015	\$501	\$347	\$362	\$519	\$1,728		
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		

Q1	Q2	Q3	Q4	Year
(16 weeks)	(12 weeks)	(12 weeks)	(12 weeks)	(52 weeks)

Net Earnings / (Loss) Attributable to The Kroger Co. Per Diluted Common Share							
2015	\$0.62	\$0.44	\$0.43	\$0.57	\$2.06		
2014	0.49	\$0.35	\$0.37	\$0.52	\$1.72		
2014 Adj.	\$0.55	\$0.35	\$0.35	\$0.52	\$1.76		
2013	\$0.46	\$0.30	\$0.29	\$0.41	\$1.45		
2013 Adj.	\$0.46	\$0.30	\$0.27	\$0.39	\$1.43		

Average Number of Common Shares Used in Diluted Calculation								
2015	983	977	979	980	980			
2014	1,014	982	984	986	994			
2013	1,040	1,042	1,042	1,034	1,040			

- (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.

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

