

2016

# Kroger Fact Book





2.3 billion

Kilowatts of electricity saved

\$115.3 billion

2016 Total Sales



276 million



Meals donated through more than 100 Feeding America Food Bank partners

We cover 35



States and the District of Columbia

319



Fine Jewelry Stores

38



Food Production Plants

Nearly 443,000

Associates Company-wide



784



Convenience Stores



2,796

Supermarkets and Multi-Department Stores

Almost 185 million



Prescriptions filled

1,445



Supermarket Fuel Centers



1%

Same-store sales growth (without fuel)

38



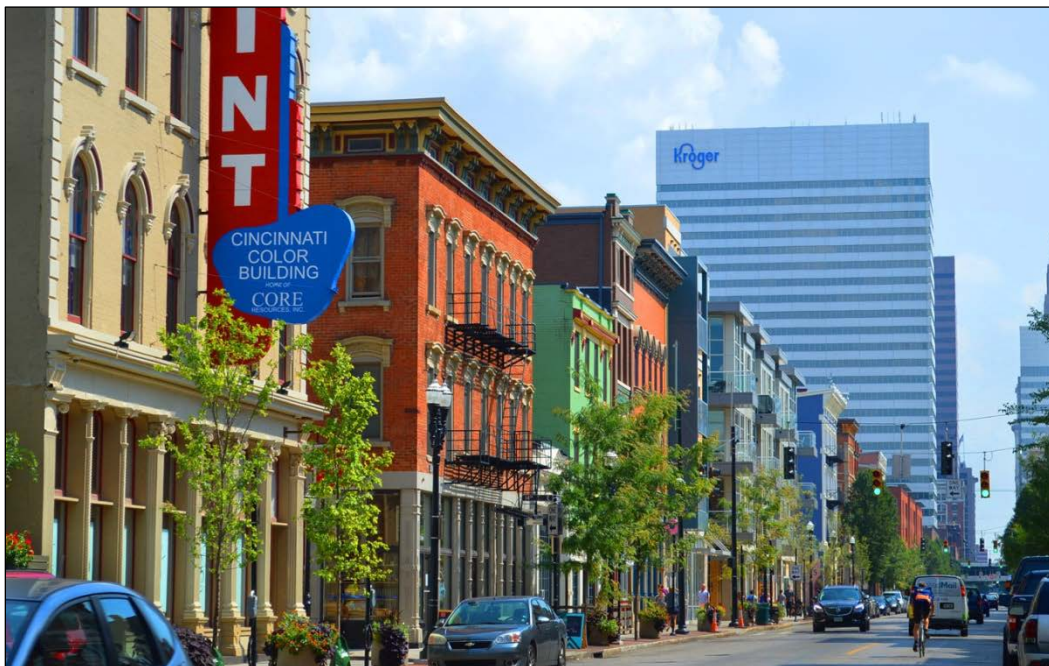
Distribution Centers

## 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 2017 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.



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## SHAREHOLDER INFORMATION

### CORPORATE OFFICE

1014 Vine Street Cincinnati, OH 45202	(513) 762-4000 <a href="http://www.thekrogerco.com">www.thekrogerco.com</a> or <a href="http://ir.kroger.com">ir.kroger.com</a>
Shareholder Services	(513) 762-1220
Investor Relations	(513) 762-4366 e-mail: <a href="mailto:kroger.ir@kroger.com">kroger.ir@kroger.com</a>

### STOCK TRANSFER AGENT & REGISTRAR

Wells Fargo Shareowner Services P.O. Box 64874 St. Paul, MN 55164-0874	(800) 468-9716 [toll free] e-mail: <a href="mailto:stocktransfer@wellsfargo.com">stocktransfer@wellsfargo.com</a> <a href="http://www.shareowneronline.com">www.shareowneronline.com</a>
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### 2017 FISCAL CALENDAR\*

First Quarter	January 29 - May 20
Second Quarter	May 21 - August 12
Third Quarter	August 13 - November 4
Fourth Quarter	November 5 - February 3, 2018

\*Note that 2017 includes a 53<sup>rd</sup> week.

Number of Employees	~443,000
Shareholders of Record as of FY 2016	28,351
Common Diluted Shares Outstanding (March 22, 2017)	914,240,326*
Common Diluted Shares Outstanding (FY 2015)	980,100,087*
Exchange	NYSE
Ticker	KR

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

### HIGH, LOW & CLOSING STOCK PRICE BY QUARTER

Quarter	Fiscal 2016			Fiscal 2015		
	High	Low	Close	High	Low	Close
1 <sup>st</sup>	\$40.91	\$33.62	\$34.62	\$38.87	\$34.05	\$37.21
2 <sup>nd</sup>	\$37.97	\$32.02	\$32.58	\$38.65	\$37.09	\$38.35
3 <sup>rd</sup>	\$33.24	\$28.71	\$30.92	\$38.73	\$27.32	\$37.57
4 <sup>th</sup>	\$36.44	\$30.44	\$33.36	\$42.75	\$36.00	\$38.81

## FINANCIAL HIGHLIGHTS

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

CALENDAR YEAR END DECEMBER 31, 2016	2016	2015	Change
Closing market price per share on last trading day	\$34.51	\$41.71	(17.3)%

FISCAL YEAR END	2016	2015	Change
Closing market price per share	\$33.36	\$38.81	(14.0)%

FISCAL YEAR	2016 (1)	2015	Change
Total sales	\$115,337	\$109,830	5.0%
Operating profit (GAAP)	\$3,436	\$3,576	(3.9)%
Operating profit (excluding one-time)	\$3,547	\$3,576	(0.8)%
Net earnings attributable to The Kroger Co. per diluted common share (GAAP)	\$2.05	\$2.06	(0.5)%
Net earnings attributable to The Kroger Co. per diluted common share (excluding one-time)	\$2.12	\$2.06	2.9%
Average number of common shares used in diluted calculation	958	980	(2.2)%
Dividends declared per common share	\$0.45	\$0.40	13.9%
Net cash provided by operating activities	\$4,272	\$4,917	(13.1)%
Total debt, including obligations under capital leases	\$14,076	\$12,079	16.5%
Total capital investments, excluding acquisitions	\$3,699	\$3,349	10.5%

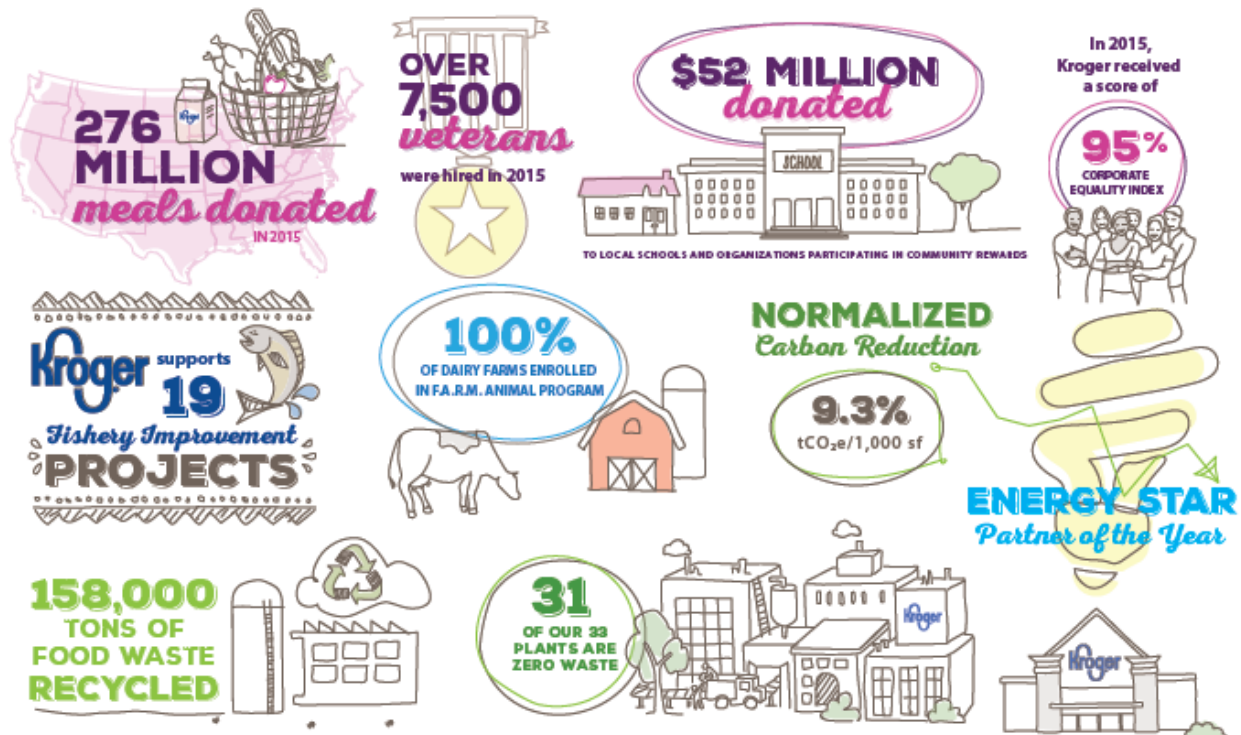
*Note:* Percent change calculations are based on the rounded numbers as presented.

(1) 2016 GAAP results included expenses for pension plan agreements.

# SUSTAINABILITY

Kroger has built a strong foundation based upon the commitment of our associates to serve each and every customer every day, and our promise to be good stewards of our communities and our planet. We know that trust is earned and we never take for granted the trust and confidence of our associates, customers, suppliers, communities and other stakeholders. In 2016, Kroger announced new and expanded sustainability commitments to increase responsible sourcing and improve eco-stewardship by 2020. Kroger's full list of 2020 sustainability goals is available online at <http://sustainability.kroger.com>, which includes:

- Expanding our 100% sustainable seafood commitment,
- Achieving the EPA's "zero waste" threshold of 90% in all facilities,
- Optimizing 100% of corporate brand packaging, and
- Transitioning toward a 100% cage-free egg supply chain.



# 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 #17 ranking on the Fortune 100 list published in June 2016. Kroger was founded in 1883 and incorporated in 1902.

At the end of fiscal 2016, Kroger operated (either directly or through its subsidiaries) 2,796 supermarkets, 1,445 of which had fuel centers. We also offer ClickList<sup>®</sup> and Harris Teeter ExpressLane—personalized, order online, pick up at the store services— at 637 of our supermarkets. Approximately 48% 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, 319 fine jewelry stores and an online retailer. Approximately 56% 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. The Company operates 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	2,796	93.8%
Convenience Stores	784	3.6%
Jewelry Stores (A)	319	0.3%
Other (B)	n/a	2.3%
Total		100%

(A) Includes 205 locations operated inside our supermarkets and 114 in shopping malls.

(B) Other sales primarily relate to sales at food production plants to outside customers; data analytic services; variable interest entities; specialty pharmacy; in-store health clinics; digital coupon services; and online sales by Vitacost.com.



## ASSOCIATES

The Company employs about 443,000 full-time and part-time associates. A majority of our store employees are covered by collective bargaining agreements negotiated with local unions affiliated with one of several different international unions. There are approximately 366 such agreements, usually with terms of three to five years.

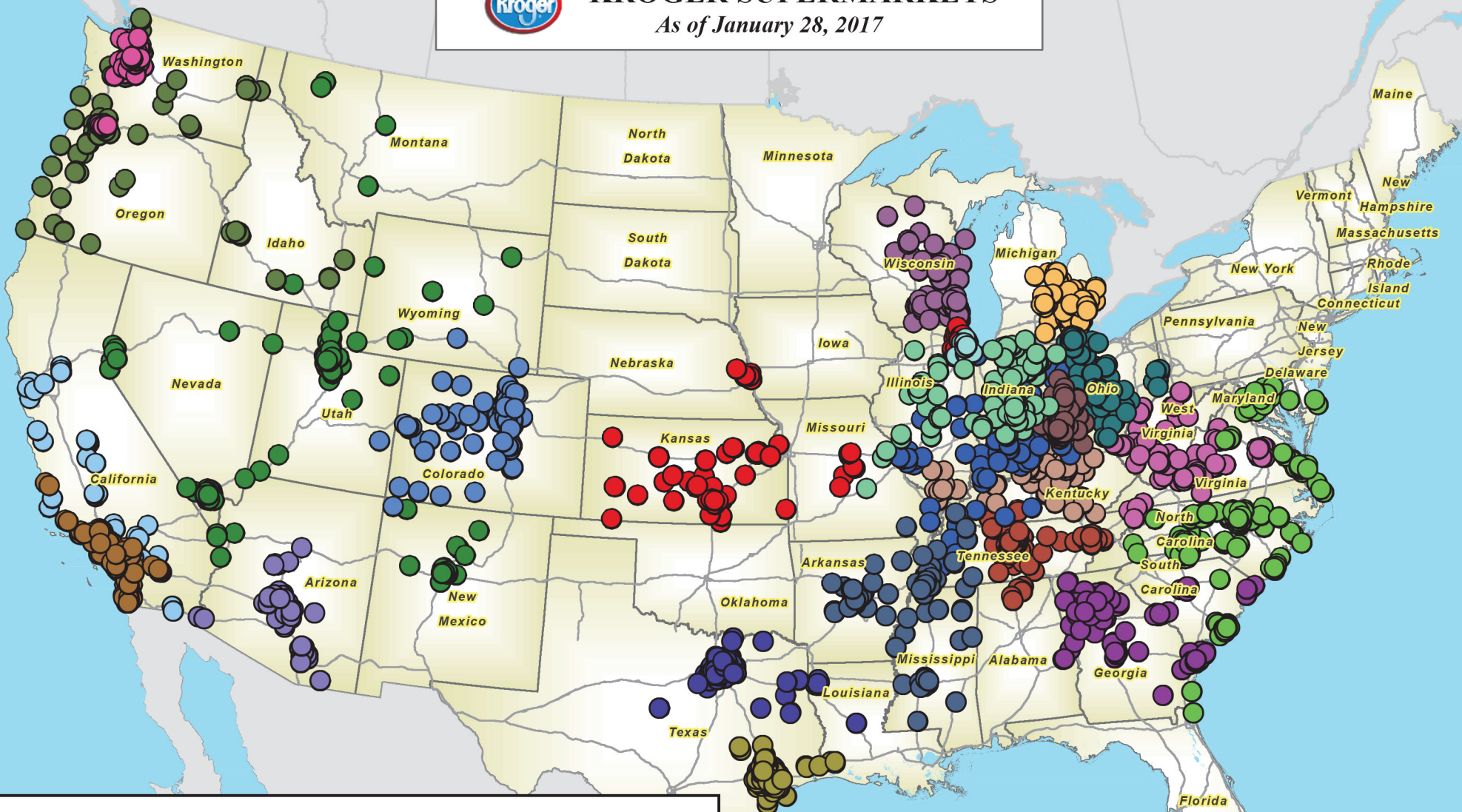
Our objective in every negotiation is to find a fair and reasonable balance between competitive costs and compensation packages that provide solid wages, good quality, affordable health care, and retirement benefits for our associates. Kroger's financial results continue to be pressured by rising health care and pension costs, which some of our competitors do not face. Kroger continues to communicate to local unions that represent many of our associates, about the importance of growing Kroger's business and profitability, which will help us create more jobs and career opportunities and enhance job security for our associates.





# KROGER SUPERMARKETS

As of January 28, 2017



### Map Key

- |             |                       |                    |
|-------------|-----------------------|--------------------|
| ATLANTA     | FOOD 4 LESS - MIDWEST | MICHIGAN           |
| CENTRAL     | FRED MEYER            | MID-ATLANTIC       |
| CINCINNATI  | FRY'S                 | NASHVILLE          |
| COLUMBUS    | HARRIS TEETER         | QFC                |
| DALLAS      | HOUSTON               | RALPHS             |
| DELTA       | JAY C                 | ROUNDY'S CHICAGO   |
| DILLON      | KING SOOPERS          | ROUNDY'S WISCONSIN |
| FOOD 4 LESS | LOUISVILLE            | SMITH'S            |



# 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 2016, Kroger operated 2,796 supermarkets classified under the four primary formats listed in the table below.

Store Formats	# of Stores	% of Store Base
Combination Stores	2,381	85%
Multi-Department Stores*	132	5%
Marketplace Stores*	153	5%
Price Impact Warehouse Stores	130	5%
Total Supermarkets	2,796	100%

\*Four Smith's locations that were previously categorized as Marketplace stores are now categorized as Multi-Department stores, due to the square footage of the stores.



## 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 71,000 square feet and required an average investment of \$20 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 also have 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 2016, 64 of our combo stores were considered Fresh Fare locations.



## MULTI-DEPARTMENT STORES

**Smith's FredMeyer**



Our multi-department stores operate under the Fred Meyer<sup>®</sup> and Smith's banners with 132 locations in Alaska, Idaho, Oregon, Utah and Washington. Averaging over 161,000 square feet, this format is far larger than a Kroger<sup>®</sup> Marketplace. Most locations also house a Fred Meyer Jewelers<sup>®</sup> (the nation's 2<sup>nd</sup> largest jeweler),

and 109 have a fuel center. The average investment to build a multi-department store is over \$30 million, including real estate.

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

In most locations, this comprehensive, well-targeted food store is complemented by:

- ✓ A complete Apparel and 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<sup>®</sup>, Apple<sup>®</sup>, Ashley<sup>®</sup>, Beats<sup>®</sup>, Bose<sup>®</sup>, Calphalon<sup>®</sup>, Carhartt<sup>®</sup>, Carter's<sup>®</sup>, Columbia Sportswear<sup>®</sup>, Converse<sup>®</sup>, Dockers<sup>®</sup>, Dyson<sup>®</sup>, FitBit<sup>®</sup>, Gold Toe<sup>®</sup>, Jockey<sup>®</sup>, Keurig<sup>®</sup>, KitchenAid<sup>®</sup>, Levi's<sup>®</sup>, Nest<sup>®</sup>, Nike<sup>®</sup>, Samsung<sup>®</sup>, Skechers<sup>®</sup>, Sony<sup>®</sup>, Stanley<sup>®</sup>, Under Armour<sup>®</sup>, Vans<sup>®</sup> and Vizio<sup>®</sup>.

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 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 \$24 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 2016, we operated 153 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, including real estate. 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 130 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 19,000 square feet and requires an average investment of \$2.5 million, including real estate. 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 2016, The Kroger Co. (either directly or through its subsidiaries) operated 2,796 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 2016	Y/E 2015
California	Food 4 Less, Foods Co., Ralphs	309	321
Ohio	Kroger, Kroger Marketplace, Ruler Foods	212	212
Texas	Kroger, Kroger Marketplace	211	209
Georgia	Kroger, Kroger Marketplace, Harris Teeter	174	173
North Carolina	Kroger, Harris Teeter	162	160
Indiana	Jay C, Kroger, Kroger Marketplace, Owen's, Pay Less Super Markets, Ruler Foods	152	151
Colorado	City Market, King Soopers, King Soopers Marketplace	146	144
Michigan	Kroger, Kroger Marketplace	128	129
Arizona	Fry's Food & Drug, Fry's Marketplace, Smith's	127	123
Tennessee	Kroger, Kroger Marketplace	123	120
Washington	Fred Meyer, QFC	119	118
Wisconsin	Pick 'n Save, Copps, Metro Market	115	116
Kentucky	Kroger, Kroger Marketplace, Ruler Foods	112	114
Virginia	Kroger, Kroger Marketplace, Harris Teeter	111	106
Illinois	Food 4 Less, Kroger, Mariano's, Ruler Foods	103	98
Kansas	Dillons Food Stores, Dillons Marketplace	62	64
Oregon	Fred Meyer, QFC	57	56
Utah	City Market, Smith's, Smith's Marketplace	54	52
Nevada	Smith's	44	44
West Virginia	Kroger	42	42
South Carolina	Kroger, Harris Teeter	36	35
Arkansas	Kroger, Kroger Marketplace	32	32
Mississippi	Kroger	31	31
New Mexico	City Market, Price Rite, Smith's, Smith's Marketplace	25	25
Missouri	Gerbes Super Markets, Kroger, Ruler Foods	17	15
Idaho	Fred Meyer, Smith's	15	15
Maryland	Harris Teeter	15	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	9	8
Montana	Smith's	4	4
Washington, D.C.	Harris Teeter	4	4
Delaware	Harris Teeter	2	2
Florida	Harris Teeter	1	1
<b>TOTAL</b>		<b>2,796</b>	<b>2,778</b>



## Operating Divisions

Kroger's operating structure is a balance between our corporate office in Cincinnati, Ohio, and our 22 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 22 supermarket operating divisions are:

Division	Headquarters	# Stores
Harris Teeter	Charlotte, NC	243
Ralphs	Los Angeles, CA	193
Kroger Atlanta	Atlanta, GA	188
Roundy's	Milwaukee, WI	155
King Soopers/City Market	Denver, CO	150
Smith's	Salt Lake City, UT	140
Kroger Central	Indianapolis, IN	137
Fred Meyer Stores	Portland, OR	133
Food 4 Less	Los Angeles, CA	130
Kroger Michigan	Novi, MI	126
Kroger Columbus	Columbus, OH	121
Kroger Mid-Atlantic	Roanoke, VA	121
Fry's Food & Drug	Phoenix, AZ	123
Kroger Houston	Houston, TX	111
Kroger Dallas	Dallas, TX	109
Kroger Cincinnati	Cincinnati, OH	109
Kroger Delta	Memphis, TN	104
Kroger Louisville	Louisville, KY	94
Kroger Nashville	Nashville, TN	93
Dillons Food Stores	Hutchinson, KS	80
Jay C/Ruler	Seymour, IN	71
Quality Food Centers (QFC)	Seattle, WA	65
<b>TOTAL</b>		<b>2,796</b>

## MAJOR MARKETS

At the end of 2016 Kroger operated stores in 52 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 47 of those major markets.

Forty-four of Kroger's 52 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	LA-LONG BEACH, CA	197	Ralphps/Food 4 Less	Yes	Sfwy/Albs	Independent
2	ATLANTA, GA	128	Atlanta	Yes	Publix	Walmart SC
3	HOUSTON, TX	102	Houston	Yes	HEB	Walmart SC
4	PHOENIX, AZ	94	Fry's	Yes	Walmart SC	Sfwy/Albs
5	DETROIT, MI	87	Michigan	Yes	Meijer	Independent
6	SEATTLE, WA	88	Fred Meyer/QFC	Yes	Sfwy/Albs	Walmart SC
7	DENVER, CO	80	King Soopers	Yes	Walmart SC	Sfwy/Albs
8	CINCINNATI, OH	73	Cincinnati/Jay C	Yes	Walmart SC	Meijer
9	COLUMBUS, OH	62	Columbus	Yes	Walmart SC	Giant Eagle
10	CHARLOTTE, NC	63	Harris Teeter	Yes	Walmart SC	Food Lion
11	DALLAS-PLANO, TX	60	Dallas	Yes	Walmart SC	Tom Thumb
12	CHICAGO, IL	58	Jay C/Food 4 Less/Roundy's	No	Sfwy/Albs	Walmart SC
13	MILWAUKEE, WI	55	Roundy's	Yes	Walmart SC	Sendik's
14	INDIANAPOLIS, IN	49	Central	Yes	Walmart SC	Meijer
15	NASHVILLE, TN	48	Nashville	Yes	Walmart SC	Publix
16	LOUISVILLE, KY	44	Louisville/Jay C	Yes	Walmart SC	Meijer
17	RIVERSIDE, CA	43	Ralphps/Food 4 Less	Yes	Stater Bros	Walmart SC
18	MEMPHIS, TN-MS-AR	37	Delta	Yes	Walmart SC	Walgreens
19	PORTLAND, OR	43	Fred Meyer/QFC	Yes	Sfwy/Albs	Winco
20	WASHINGTON, DC	43	Harris Teeter	No	Giant	Sfwy/Albs
21	RALEIGH, NC	38	Harris Teeter/Mid-Atlantic	Yes	Walmart SC	Food Lion
22	LAS VEGAS, NV	35	Smith's	Yes	Walmart SC	Sfwy/Albs
23	DALLAS-FT WORTH, TX	32	Dallas	Yes	Walmart SC	Wal-Mart NH
24	SAN DIEGO, CA	32	Ralphps/Food 4 Less	Yes	Sfwy/Albs	Walmart SC
25	SALT LAKE CITY, UT	28	Smith's	Yes	Walmart SC	Harmon's
26	VIRGINIA BEACH, VA	26	Harris Teeter/Mid-Atlantic	No	Food Lion	Walmart SC
27	WICHITA, KS	24	Dillon's	Yes	Walmart SC	Wal-Mart NH
28	DAYTON, OH	22	Cincinnati	Yes	Walmart SC	Meijer
29	LITTLE ROCK, AR	20	Delta	Yes	Walmart SC	Independent
30	TUCSON, AZ	20	Fry's	Yes	Walmart SC	Sfwy/Albs
31	RICHMOND, VA	18	Mid-Atlantic	Yes	Walmart SC	Food Lion
32	LEXINGTON, KY	17	Louisville	Yes	Walmart SC	Meijer
33	TOLEDO, OH	17	Columbus	Yes	Meijer	Walmart SC
34	ALBUQUERQUE, NM	16	Smith's	Yes	Walmart SC	Sfwy/Albs
35	CHARLESTON, SC	16	Harris Teeter	Yes	Walmart SC	Publix
36	KNOXVILLE, TN	16	Nashville	Yes	Walmart SC	Food City
37	MADISON, WI	16	Roundy's	Yes	Woodman's	Hy Vee
38	ROANOKE, VA	14	Mid-Atlantic	Yes	Walmart SC	Food Lion
39	FORT WAYNE, IN	12	Central	Yes	Walmart SC	Meijer
40	JACKSON, MS	12	Delta	Yes	Walmart SC	Walgreens
41	CHARLESTON, WV	11	Mid-Atlantic	Yes	Walmart SC	Save-A-Lot
42	COLORADO SPRINGS, CO	11	King Soopers	Yes	Walmart SC	Sfwy/Albs
43	GREENSBORO, NC	11	Harris Teeter	No	Walmart SC	Food Lion
44	OGDEN, UT	11	Smith's	Yes	Walmart SC	Winco
45	PEORIA, IL	11	Central	Yes	Walmart SC	Schnuck's
46	ST. LOUIS, MO-IL	11	Central/Jay C	No	Schnuck's	Walmart SC
47	FLINT, MI	10	Michigan	Yes	Meijer	Walmart SC
48	OMAHA, NE	10	Dillon's	Yes	Hy Vee	Walmart SC
49	OXNARD, CA	10	Ralphps/Food 4 Less	Yes	Vons	Trader Joe's
50	SAVANNAH, GA	10	Atlanta	Yes	Walmart SC	Publix
51	DURHAM, NC	15	Harris Teeter/Mid-Atlantic	Yes	Walmart SC	Food Lion
52	WILMINGTON, NC	9	Harris Teeter	Yes	Walmart SC	Food Lion
	<b>TOTAL</b>	<b>2,015</b>		<b>47</b>		

## 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	WINSTON-SALEM, NC	8	Harris Teeter	No
4	ANCHORAGE, AK	7	Fred Meyer	Yes
5	ANN ARBOR, MI	7	Michigan	Yes
6	BOISE CITY-NAMPA, ID	7	Fred Meyer	Yes
7	FORT COLLINS, CO	7	King Soopers	Yes
8	HUNTSVILLE, AL	7	Nashville	No
9	LANSING, MI	7	Michigan	Yes
10	MACON, GA	7	Atlanta	Yes
11	TOPEKA, KS	7	Dillon's	Yes
12	CHARLOTTESVILLE, VA	6	Harris Teeter / Mid-Atlantic	Yes
13	EVANSVILLE, IN-KY	6	Jay C	No
14	GRAND JUNCTION, CO	6	King Soopers	Yes
15	GREELEY, CO	6	King Soopers	Yes
16	HUNTINGTON, WV	6	Mid-Atlantic	Yes
17	PROVO-OREM, UT	6	Smith's	Yes
18	SAN FRANCISCO, CA	6	Food 4 Less	No
19	WHEELING, WV-OH	6	Columbus	Yes
20	BALTIMORE, MD	5	Harris Teeter	No
21	BECKLEY, WV	5	Mid-Atlantic	Yes
22	BLOOMINGTON, IN	5	Central / Jay C	Yes
23	LYNCHBURG, VA	5	Mid-Atlantic	Yes
24	MYRTLE BEACH, SC	5	Atlanta / Harris Teeter	No
25	OSHKOSH-NEENAH, WI	5	Roundy's	No
26	RACINE, WI	5	Roundy's	Yes
27	SAGINAW, MI	5	Michigan	Yes
28	SHREVEPORT, LA	5	Dallas	No
29	SPRINGFIELD, OH	5	Cincinnati	Yes
30	WEIRTON, WV	5	Columbus	Yes
31	ATHENS, GA	4	Atlanta	Yes
32	BLACKSBURG, VA	4	Mid-Atlantic	Yes
33	CARBONDALE, IL	4	Louisville	Yes
34	CLARKSVILLE, TN-KY	4	Nashville	Yes
35	COLUMBIA, SC	4	Atlanta	No
36	COLUMBUS, IN	4	Central / Jay C	Yes
37	DECATUR, IL	4	Central	Yes
38	EUGENE-SPRINGFIELD, OR	4	Fred Meyer	Yes
39	GAINESVILLE, GA	4	Atlanta	Yes
40	HILTON HEAD ISLAND	4	Atlanta / Harris Teeter	Yes
41	LAFAYETTE, IN	4	Central	Yes
42	LAWRENCE, KS	4	Dillon's	Yes
43	MONROE, MI	4	Columbus / Michigan	Yes
44	PARKERSBURG, WV	4	Mid-Atlantic	Yes
45	PRESCOTT, AZ	4	Fry's	Yes
46	SACRAMENTO, CA	4	Food 4 Less	No
47	SANTA BARBARA, CA	4	Ralphs / Food 4 Less	No
48	SOUTH BEND, IN	4	Central	No
49	TERRE HAUTE, IN	4	Central	Yes
50	WARNER ROBINS, GA	4	Atlanta	Yes

Secondary Markets (3 - 8 Stores) Continued

	Market	# Stores	Division	#1 or #2
51	APPLETON, WI	3	Roundy's	No
52	BAKERSFIELD, CA	3	Food 4 Less	No
53	BEAUMONT, TX	3	Houston	No
54	BLOOMINGTON, IL	3	Central	Yes
55	BOWLING GREEN, KY	3	Nashville	Yes
56	BREMERTON-SILVERDALE	3	Fred Meyer / QFC	Yes
57	COLUMBIA, MO	3	Dillon's	No
58	ELKHART-GOSHEN, IN	3	Central	No
59	FRESNO, CA	3	Food 4 Less	No
60	GREEN BAY, WI	3	Roundy's	No
61	GREENVILLE, NC	3	Harris Teeter	No
62	HOT SPRINGS, AR	3	Delta	Yes
63	JACKSON, TN	3	Delta	Yes
64	LAKE CHARLES, LA	3	Houston	Yes
65	MANHATTAN, KS	3	Dillon's	Yes
66	MANSFIELD, OH	3	Columbus	Yes
67	MORGANTOWN, WV	3	Mid-Atlantic	Yes
68	OLYMPIA, WA	3	Fred Meyer / QFC	Yes
69	OWENSBORO, KY	3	Louisville	Yes
70	RENO-SPARKS, NV	3	Smith's	No
71	SALEM, OR	3	Fred Meyer	Yes
72	SANTA FE, NM	3	Smith's	Yes
73	SHEBOYGAN, WI	3	Roundy's	No
74	SPOKANE, WA	3	Fred Meyer	Yes
75	WAUSAU, WI	3	Roundy's	Yes
	TOTAL	338		53



### Kroger Operating Divisions (Year-End 2016)

KROGER DIVISIONS/ Major MSAs	# Stores	Total Square Feet (millions)	Combo	Multi-Dept	Marketplace	Price Impact	ClickList/ Express Lane
<b>ATLANTA</b>	<b>188</b>	<b>12.2</b>	<b>177</b>	<b>-</b>	<b>11</b>	<b>-</b>	<b>28</b>
Atlanta	128						
Savannah	10						
<b>CENTRAL</b>	<b>137</b>	<b>7.9</b>	<b>130</b>	<b>-</b>	<b>7</b>	<b>-</b>	<b>29</b>
Indianapolis	49						
Fort Wayne	12						
Peoria	11						
<b>CINCINNATI</b>	<b>109</b>	<b>7.9</b>	<b>93</b>	<b>-</b>	<b>16</b>	<b>-</b>	<b>34</b>
Cincinnati	72						
Dayton	22						
<b>COLUMBUS</b>	<b>121</b>	<b>8.0</b>	<b>109</b>	<b>-</b>	<b>12</b>	<b>-</b>	<b>28</b>
Columbus	62						
Toledo	17						
<b>DALLAS</b>	<b>109</b>	<b>7.2</b>	<b>95</b>	<b>-</b>	<b>14</b>	<b>-</b>	<b>25</b>
Dallas-Plano	60						
Dallas-Ft. Worth	32						
<b>DELTA</b>	<b>104</b>	<b>6.0</b>	<b>98</b>	<b>-</b>	<b>6</b>	<b>-</b>	<b>26</b>
Memphis	37						
Little Rock	20						
Jackson, MS	12						
<b>DILLONS FOOD STORES</b>	<b>80</b>	<b>4.4</b>	<b>75</b>	<b>-</b>	<b>5</b>	<b>-</b>	<b>14</b>
Wichita	24						
Omaha	10						
<b>FOOD 4 LESS</b>	<b>130</b>	<b>7.5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>130</b>	<b>-</b>
Los Angeles	57						
Riverside	24						
Chicago	14						
San Diego	11						
<b>FRED MEYER</b>	<b>133</b>	<b>20.8</b>	<b>5</b>	<b>128</b>	<b>-</b>	<b>-</b>	<b>34</b>
Portland	37						
Seattle	35						
<b>FRY'S FOOD &amp; DRUG</b>	<b>123</b>	<b>9.3</b>	<b>97</b>	<b>-</b>	<b>26</b>	<b>-</b>	<b>30</b>
Phoenix	94						
Tucson	20						
<b>HARRIS TEETER</b>	<b>243</b>	<b>11.9</b>	<b>243</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>188</b>
Charlotte	63						
Washington DC	43						
Raleigh-Cary	30						
Charleston SC	16						
Virginia Beach	16						
Greensboro-High Point	11						
Wilmington	9						
Durham-Chapel Hill	9						

## Kroger Operating Divisions (Year-End 2016)

KROGER DIVISIONS/ Major MSAs	# Stores	Total Square Feet (millions)	Combo	Multi-Dept	Marketplace	Price Impact	ClickList/ Express Lane
<b>HOUSTON</b>	111	7.6	98		13		30
Houston	102						
<b>JAY C/RULER FOODS</b>	71	1.6	23	-	-	48	-
St. Louis	9						
Louisville	6						
<b>KING SOOPERS</b>	150	9.5	142	-	8	-	25
Denver	80						
Colorado Springs	11						
<b>LOUISVILLE</b>	94	6.0	86	-	8	-	26
Louisville	38						
Lexington	17						
<b>MICHIGAN</b>	126	7.4	122	-	4	-	28
Detroit	87						
Flint	10						
<b>MID-ATLANTIC</b>	121	6.9	113	-	8	-	26
Richmond	18						
Roanoke	14						
Charleston WV	11						
Virginia Beach	10						
Raleigh	8						
Durham	6						
<b>NASHVILLE</b>	93	6.0	86	-	7	-	25
Nashville	48						
Knoxville	16						
<b>QFC</b>	65	2.4	65	-	-	-	4
Seattle	53						
Portland	6						
<b>RALPHS</b>	193	8.6	193	-	-	-	8
Los Angeles	140						
Riverside	19						
San Diego	21						
Oxnard	9						
<b>ROUNDY'S</b>	155	9.9	155	-	-	-	-
Milwaukee	55						
Chicago	43						
Madison	16						
<b>SMITH'S</b>	140	8.8	128	4	8	-	29
Las Vegas	35						
Salt Lake City	28						
Albuquerque	16						
Ogden	11						
<b>TOTAL</b>	<b>2,796</b>	<b>177.8</b>	<b>2,333</b>	<b>132</b>	<b>153</b>	<b>178</b>	<b>637</b>

## 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, multi-functional 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 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. Since 2012, Kroger has become more focused on identifying potential merger partners that enhance our ability to deliver on our Customer 1<sup>st</sup> 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
Axiom 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
Minyard Sun Fresh	Jan-16	1	Plano, TX	Yes
Market6	Aug-16	Technology	Deerfield, IL	N/A
ModernHEALTH	Sep-16	Specialty Rx	Orlando, FL	N/A
Murray's Cheese	Jan-17	2	New York City, NY	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<sup>®</sup>, Loaf ‘N Jug<sup>®</sup>, Quik Stop, Tom Thumb, and Turkey Hill<sup>®</sup>. Minit Markets. At the end of 2016, Kroger’s 784 convenience stores spanned 18 states; 726 of these locations sold fuel. Subsidiaries operated 715 of the convenience stores and 69 were operated through franchise agreements.

In 2016, the C-stores accounted for 4% of Kroger’s total sales. C-Stores partner (bridge) with Kroger<sup>®</sup> 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 C-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 alongside Customer favorites, such as fresh produce and pizza.

During 2016, six C-Stores were opened and six were closed; 59 stores received interior remodels and 4 received fuel remodels. Typically located on a parcel of one to two acres, the new stores range from 1,130 square feet to 6,110 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 year-end was 2,954 square feet and the average weekly merchandise Customer count was approximately 6,216. The typical C-Store stocks approximately 3,600 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 C-store business accounted for approximately 12% of non-fuel C-store sales for 2016. Fuel sales represented approximately 65% of Kroger's total C-Store sales in 2016.



C-Store Division	# Stores at Year End					
	2011	2012	2013	2014	2015	2016
Kwik Shop IA, KS, NE	125	125	126	128	129	129
Loaf 'N Jug CO, MT, ND, NE, NM, SD, WY	174	169	170	170	169	170
Quik Stop CA, NV	103	103	102	100	100	101
Tom Thumb AL, FL, MS, TN	121	121	120	118	117	117
Turkey Hill Minit Markets IN, OH, PA	268	268	268	266	269	267
<b>TOTAL</b>	<b>791</b>	<b>786</b>	<b>786</b>	<b>782</b>	<b>784</b>	<b>784</b>



## 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 1<sup>st</sup> 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 319 fine jewelry stores in 30 states under the Fred Meyer and Littman Jewelers<sup>®</sup> banners and is one of America's largest fine jewelers. There are 205 stores located inside our supermarkets and 114 stores located in shopping malls. In addition to store locations, Fred Meyer Jewelers<sup>®</sup> serves Customers through two online/mobile branded E-commerce websites: [www.fredmeyerjewelers.com](http://www.fredmeyerjewelers.com) and [www.littmanjewelers.com](http://www.littmanjewelers.com). During 2016, the jewelry stores produced 0.3% of Kroger's total sales.

STATE	# STORES	STATE	# STORES	STATE	# STORES
Washington	59	New York	11	California	4
Oregon	51	Michigan	10	Kansas	4
Pennsylvania	25	Florida	8	Wisconsin	4
Texas	18	Colorado	7	Arizona	2
Utah	16	Kentucky	7	Delaware	2
Ohio	14	Tennessee	6	Illinois	2
Idaho	12	Georgia	5	Alabama	1
New Jersey	12	Indiana	5	Connecticut	1
Alaska	11	Virginia	5	Nevada	1
Maryland	11	Arkansas	4	West Virginia	1

## CORPORATE BRANDS

### PROUD OF OUR POWERHOUSE BRANDS

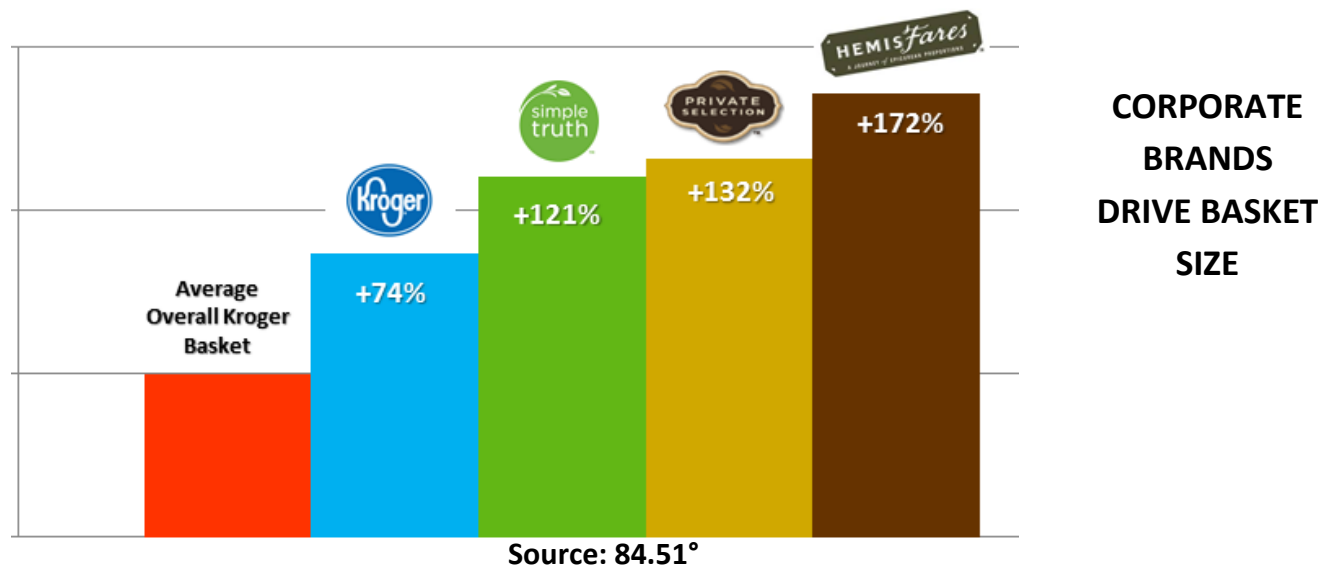
Our Corporate Brands deliver meaningful brands our Customers are proud to buy and provide Kroger a significant competitive advantage.

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

In 2016, a record setting number of Customers selected our exclusive brands to make each day more successful.

### CUSTOMERS PREFER OUR BRANDS

Corporate Brands such as Kroger<sup>®</sup>, Private Selection<sup>®</sup>, Simple Truth<sup>®</sup>, Simple Truth Organic<sup>®</sup>, HemisFares<sup>®</sup>, Check this out...<sup>™</sup>, Heritage Farm<sup>®</sup>, Comforts for Baby<sup>®</sup>, Big K<sup>®</sup>, Luvsome<sup>®</sup> and Pet Pride<sup>®</sup> are selected most often by our Customers, and are margin accelerators to our business. Our data analytics showed that Corporate Brands drove Customer’s basket sizes in 2016.



Corporate Brands sold a record 8.2 billion units and achieved 26% sales dollar share and 28% unit share (excluding pharmacy and fuel).

We are proud of the portfolio we have built and are excited to see our Customers find more on-trend products and solutions they will love throughout our stores, from new culinary products to more natural and organic offerings.

## UNCOMPROMISED QUALITY AND AWARENESS

Our 'better' tier of brands makes up over 75% of our total Corporate Brands sales. This brand portfolio includes our namesake Kroger® brand, as well as Comforts®, Fresh Foods Market, Bakery Fresh Goodness, and Luvsome®.

A true standout, the Kroger brand is universally known among Customers, and is the largest brand sold in our stores by more than 8X's the next largest consumer packaged goods brand. Our Kroger brand's uncompromised product quality speaks for itself, and our Customers are noticing. Research shows Kroger brand buyers are more likely to recommend our brand to family and friends than any other brand in our stores. When it comes to OUR national brand, Customers are proud to talk about it!



## TRANSFORM SOMETHING TO EAT INTO SOMETHING TO SAVOR

Our Private Selection® brand, the 2<sup>nd</sup> largest brand sold in our stores, continues to entice Customers with new, flavorful culinary offerings throughout the store, successfully trading Customers up in several categories. We introduced 119 new items last year, delivering the latest flavor trends Customers crave, from handcrafted sodas and small-batch recipes to global and regional inspired offerings. With all of its delicious gourmet offerings, it's not surprising Private Selection is our Customer's favorite premium brand in our stores.



## PUTTING SIMPLE WITHIN REACH®

The Simple Truth® and Simple Truth Organic® brand portfolio, now the 3<sup>rd</sup> largest brand sold in our stores, delivered strong base growth while growing new items by introducing over 200 products “Free-From” a long list of artificial ingredients and preservatives. In 2016, our Customers’ appetites for organics led to over \$1 billion in organic product sales and nearly \$1.7 billion in total sales for the brands. From cleaner cleaning products to tasty fresh snacks, our lifestyle brand helps Customers live a more complete, natural and organic life.



## A JOURNEY OF EPICUREAN PROPORTIONS®

HemisFares®, our brand that offers a guided tour of the best tastes on Earth, added 13 new amazingly delicious regionally authentic finds from Spain and Italy. For the first time, our Customers had access to a highly curated line of acorn fed Ibérico ham from the Deheasa region in Spain, available in the deli department. This line offers world famous, otherwise inaccessible, global food treasures to our Customers. Findings show the HemisFares brand delivered on highly important purchase driving attributes to foodies in 2016. Our HemisFares journey is continuing with our culinary connoisseurs scouring islands and hill sides in food-rich countries to bring more finds very soon.



## TAILS WAGGING WITH DELIGHT

Our 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 Customers with furry companions, while exceeding the expectations of pets and owners alike!

ABOUND, our brand that offers our pet enthusiasts who seek superior nutrition from the highest quality, natural ingredients for their cats and dogs. ABOUND food and treats continue to provide naturally wholesome nutrition with NO fillers, like corn, wheat or soy, NO artificial colors, flavors or preservatives and NO animal by-products. ABOUND expanded its offering with new grain free pet foods and new superfood dog food varieties.

# ABOUND™



Luvsome is our line of high quality foods, treats and pet care products that balance tastes and experiences pets love with benefits that help them stay happy and healthy. 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. In 2016, Luvsome introduced a new line of playful pet toys and pet care products for all of our Customers' pets to enjoy.

# LUVSOME™



# 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 and 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 35% of the Corporate Brand units sold in our stores are produced in our 38 manufacturing plants.”**

This percentage has declined recently due to an expanded portfolio of non-grocery corporate brand units produced by outside manufacturers. Our food production plants produce 45% of our grocery category corporate brand units sold in our supermarkets, which is consistent with our historical trend.



## 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

## 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, produces a wide variety of deli salads, puddings, desserts, glazes, icings, etc.



## GROCERY

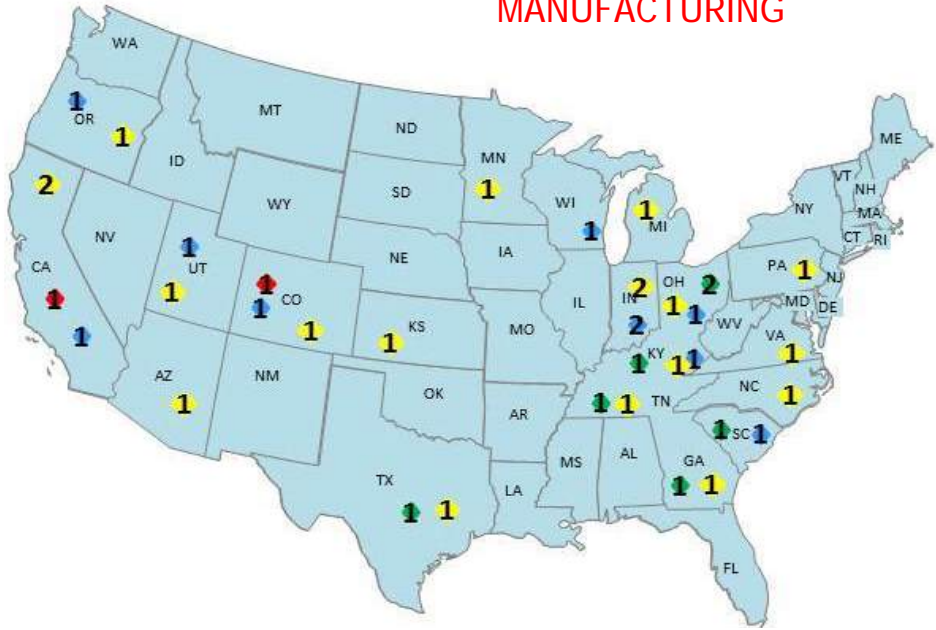
Grocery products, beverages, and water are produced in Kroger's five grocery and two beverage plants. Corporate Brand grocery items include pet foods, sugar-based products like drink mixes, hot cereal, coffee, spices, salad dressings and peanut butter. Beverages include Kroger's Big K® soft drink line.



“Quality is a priority—our in-house quality assurance group monitors the quality of our Corporate Brand products.”



# MANUFACTURING



## 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



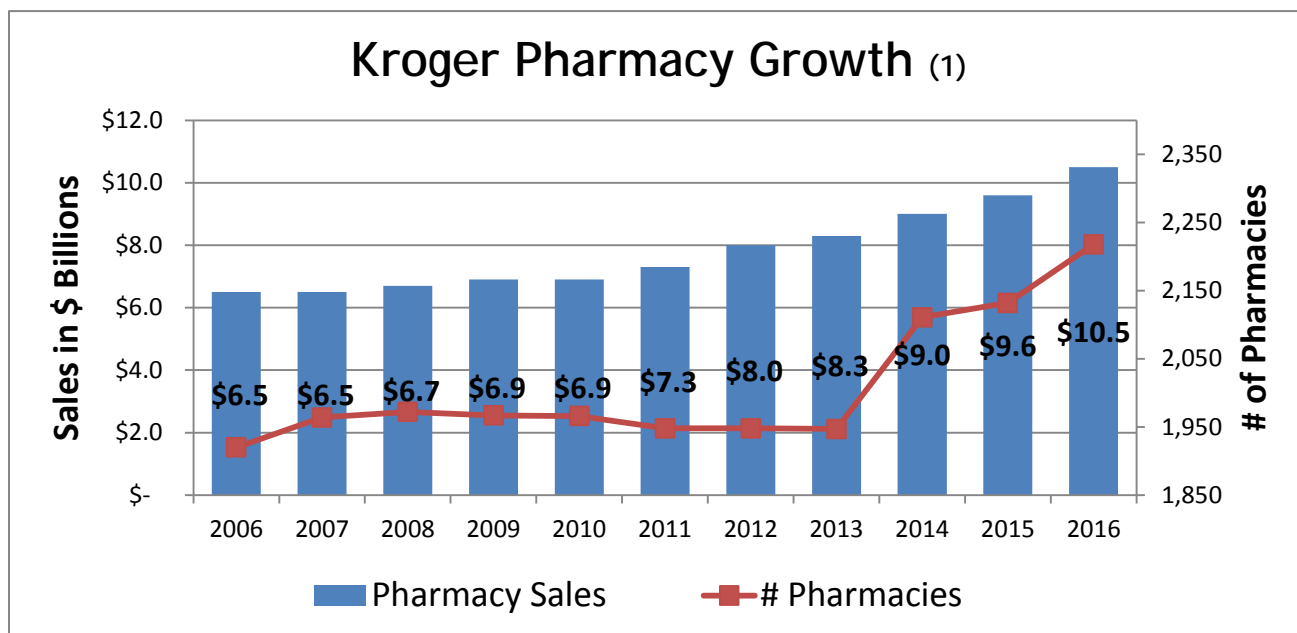
## Corporate Brand Categories Produced at Our Manufacturing Facilities

<p><b><u>DAIRY</u></b></p> <ul style="list-style-type: none"> <li>▪ Aseptic Products</li> <li>▪ Bottled Water</li> <li>▪ Citrus Punch</li> <li>▪ Cottage Cheese</li> <li>▪ Cubed Ice</li> <li>▪ Frozen Novelties</li> <li>▪ Fruit Juices/Drinks</li> <li>▪ Ice Cream</li> <li>▪ Ice Cream Cakes</li> <li>▪ Milk</li> <li>▪ Natural Cheese</li> <li>▪ Orange Juice</li> <li>▪ Organic Milk</li> <li>▪ Organic Yogurt</li> <li>▪ Processed Cheese</li> <li>▪ Sour Cream</li> <li>▪ Yogurt</li> </ul> <p><b><u>BEVERAGE</u></b></p> <ul style="list-style-type: none"> <li>▪ Juices</li> <li>▪ Mixers</li> <li>▪ Purified Water</li> <li>▪ Soft Drinks</li> <li>▪ Sparkling Water</li> <li>▪ Vitamin Enhanced Water</li> </ul> <p><b><u>MEAT</u></b></p> <ul style="list-style-type: none"> <li>▪ Packaged Meats</li> <li>▪ Retail Meats</li> <li>▪ Sausages</li> </ul>	<p><b><u>DELI/BAKERY</u></b></p> <ul style="list-style-type: none"> <li>▪ Bagels</li> <li>▪ Breads</li> <li>▪ Buns</li> <li>▪ Cake Muffins</li> <li>▪ Cakes</li> <li>▪ Cheese Curls</li> <li>▪ Cookies</li> <li>▪ Corn Chips</li> <li>▪ Crackers</li> <li>▪ Cupcakes</li> <li>▪ Danish</li> <li>▪ Decorated Cakes</li> <li>▪ Dessert Salads</li> <li>▪ Donuts</li> <li>▪ English Muffins</li> <li>▪ Flour Tortillas</li> <li>▪ Iced Cakes</li> <li>▪ Icings/Glazes</li> <li>▪ Mac &amp; Cheese</li> <li>▪ Mashed Potatoes</li> <li>▪ Muffins</li> <li>▪ Pies</li> <li>▪ Popcorn</li> <li>▪ Pudding Cakes</li> <li>▪ Rolls</li> <li>▪ Salads</li> <li>▪ Seafood Salads</li> <li>▪ Spreads/Dips</li> <li>▪ Tortilla Chips</li> </ul>	<p><b><u>PET FOOD</u></b></p> <ul style="list-style-type: none"> <li>▪ Dry Dog Food</li> <li>▪ Dry Cat Food</li> </ul> <p><b><u>GROCERY</u></b></p> <ul style="list-style-type: none"> <li>▪ Baking Nuts</li> <li>▪ Broth</li> <li>▪ Coffee</li> <li>▪ Convenience Pouches</li> <li>▪ Extracts</li> <li>▪ Food Coloring</li> <li>▪ Hot Cereal</li> <li>▪ Hot Cocoa</li> <li>▪ Jelly and Preserves</li> <li>▪ Lemon Juice</li> <li>▪ Marinades</li> <li>▪ Peanut Butter</li> <li>▪ Peanut Oil</li> <li>▪ Powdered Drinks/Drink Sticks</li> <li>▪ Red Sauces</li> <li>▪ Rice &amp; Beans</li> <li>▪ Salad Dressing</li> <li>▪ Salsa</li> <li>▪ Salted Nuts</li> <li>▪ Soy Sauce/Teriyaki Sauce</li> <li>▪ Spices</li> <li>▪ Steak Sauces</li> <li>▪ Syrups</li> <li>▪ Trail Mix</li> <li>▪ Vinegars</li> <li>▪ Worcestershire Sauce</li> </ul>
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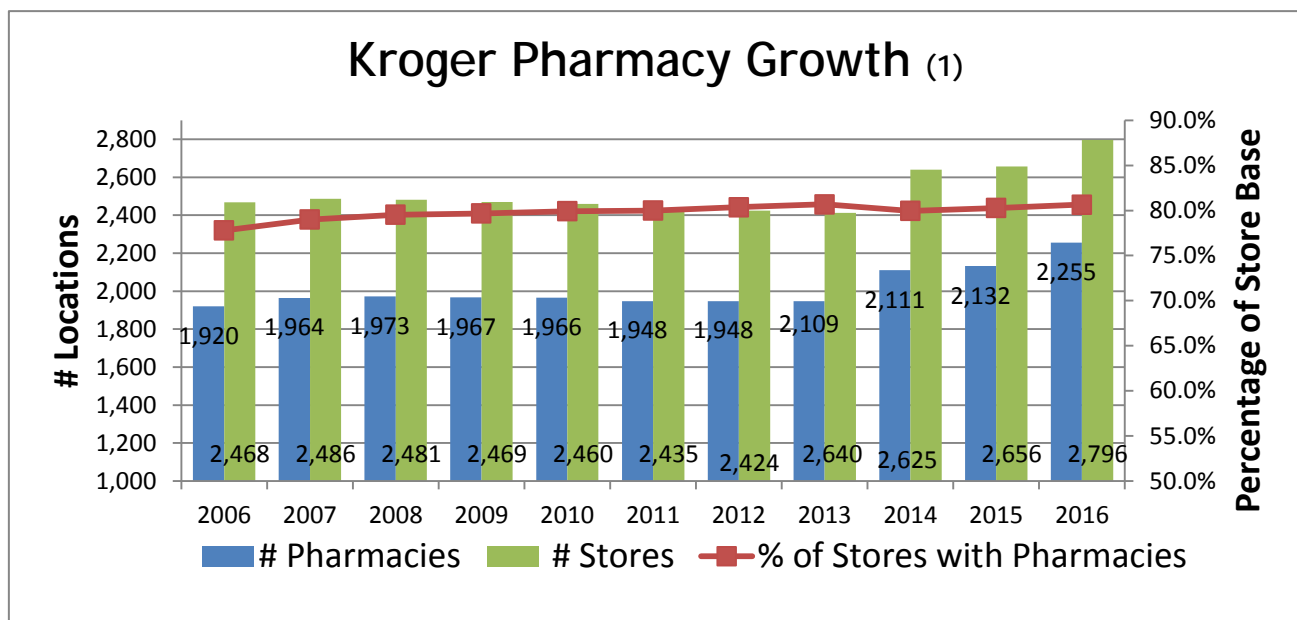


# PHARMACY

Kroger is the fifth-largest pharmacy operator in the United States in number of locations, operating retail pharmacies in 2,255 of our stores. During fiscal 2016, Kroger<sup>®</sup> pharmacists filled almost 185 million prescriptions at a retail value of approximately \$10.5 billion.



(1) Pharmacy sales and # of pharmacies exclude Harris Teeter<sup>®</sup> prior to 2014, and Roundy's prior to 2016.



(1) # of pharmacies and # of stores exclude Harris Teeter<sup>®</sup> prior to 2014, and Roundy's prior to 2016.



Aside from dispensing safe, accurate, and appropriate medications, Kroger<sup>®</sup> Pharmacy is committed to providing a holistic, personalized, quality health experience to our patients. Our everyday services include: vaccinations, Medication Therapy Management (MTM), and a variety of health screenings. In addition, many of our pharmacies offer more intensive education and management programs such as diabetes

and heart healthy coaching, diabetes self-management education (DSME), fitness, nutrition and weight management, and smoking cessation. These programs have been proven to reduce emergency room visits, hospitalizations, and total health care costs. Kroger Pharmacy has 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.



SPECIALTY PHARMACY

Kroger's focus on quality and a service based orientation is not limited to our retail pharmacy network. In 2016, we announced the merger of ModernHEALTH with Axiom Healthcare Pharmacy, creating a combined, wholly-owned subsidiary of Kroger, Kroger Specialty Pharmacy. This strategic investment was made to strengthen our health and wellness business.

Kroger Specialty Pharmacy is a nationwide specialty pharmacy providing medications and supplies that treat complex chronic diseases and conditions such as hepatitis C, multiple sclerosis, cancer, rheumatoid arthritis, and more. Specialty medications can be delivered to patients as injectable, infused, oral and topical forms. Kroger Specialty Pharmacy optimizes patient outcomes by blending high-touch, caring patient experience with specialized clinical knowledge, personalized total life care programs and administrative expertise. We offer unique programs designed to empower patients including education and resources, counseling and side effect management, and financial assistance programs.

## THE LITTLE CLINIC®

### Healthcare Right Inside Your Neighborhood Store!



The retail clinic industry continues to grow rapidly and Kroger was on the forefront of this healthcare delivery model when we purchased The Little Clinic in 2010. Currently, The Little Clinic operates in 10 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), Toledo (University of Toledo and The Toledo Clinic) and Richmond (VCU Health). These clinical affiliations are improving access to all levels of care and strengthening care coordination for the patient.

In 2016, The Little Clinic opened 27 new clinics bringing the total number of clinics to 215 and grew patient visits by 21 percent versus the prior year. The Little Clinic will continue to expand in 2017 by focusing on further penetration in existing markets and also offering patients a new type of healthcare platform of online care!

## 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 2016, natural and organic food sales grew to nearly \$16 billion. With the addition of Roundy's®, Harris Teeter®, Vitacost.com®, and the growth of Clicklist® and Harris Teeter ExpressLane, Kroger is now one of the largest purveyors of natural and organic foods in the U.S. In 2017, Kroger plans to continue our 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 price for our Customers.

## PRODUCT OFFERINGS

Natural and organic offerings can be found in all formats across the enterprise. Kroger<sup>®</sup> 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®

2016 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 \$1.7 billion in annual sales in 2016, making the brand portfolio 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 900 unique items in over 95 categories across the entire store. A wide variety of products can be found, including milk, eggs, meats, produce, trail mix, kombucha, yogurt, chips, snacks, and vitamins and supplements. Simple Truth and Simple Truth Organic products are made from the finest quality ingredients and exclude the artificial preservatives & ingredients that Customers have told us they do not want in their food. Customers may visit [www.simpletruth.com](http://www.simpletruth.com) for a list of the 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 gives the company a unique competitive advantage by offering money management solutions that empower and reward our customers.



### REWARDS Visa® CREDIT CARD

The REWARDS Visa® credit card offers great benefits and rewards to its cardholders, including:

- An additional 25¢ off per gallon for ONE YEAR at Kroger Family of Companies Fuel Centers.
- Free Groceries every three months with Rewards Certificates. In 2016, Customers earned more than \$37 million in Free Groceries!
- A mobile app that makes managing their account easy and convenient

### GIFT CARDS

KPF offers a wide variety of gift cards for every occasion. Customers can purchase gift cards for their favorite restaurant, retailer, entertainment venue or online media store at any Kroger Family stores or online at [giftcards.kroger.com](http://giftcards.kroger.com).

In addition, Customers can also pick up Kroger Family of Companies gift cards and variable load MasterCard®, Visa and American Express® gift cards.

Customers earn 2X fuel points on most gift card purchases every day and 4X fuel points during promotional periods.



## MONEY SERVICES

Money Services destinations, located inside most of our stores, provide Customers with a variety of money management options at competitive prices, including:

- Check and debit card cashing
- Money orders
- Money transfers
- Walk-in bill payment
- Prepaid wireless products
- Prepaid debit cards



## REWARDS<sup>®</sup> PREPAID DEBIT CARDS

The Rewards<sup>®</sup> Prepaid Debit Card rewards customers with free groceries for every purchase they make. Customers also enjoy a 5¢ discount per gallon at our fuel centers and a mobile app that makes managing their account easy and convenient.

## MOBILE MARKET

The KPF Mobile Market offers hundreds of prepaid airtime cards and dozens of phones from all the major carriers, including TracFone<sup>®</sup>, Simple Mobile<sup>®</sup>, AT&T Go Phone<sup>®</sup> and more.

Whether a Customer is looking for a phone for everyday use or just for emergencies, the Mobile Market has a phone and a plan for everyone.

In addition, Customers save money off their monthly mobile phone bill and earn 2X fuel points in the process.



## 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.

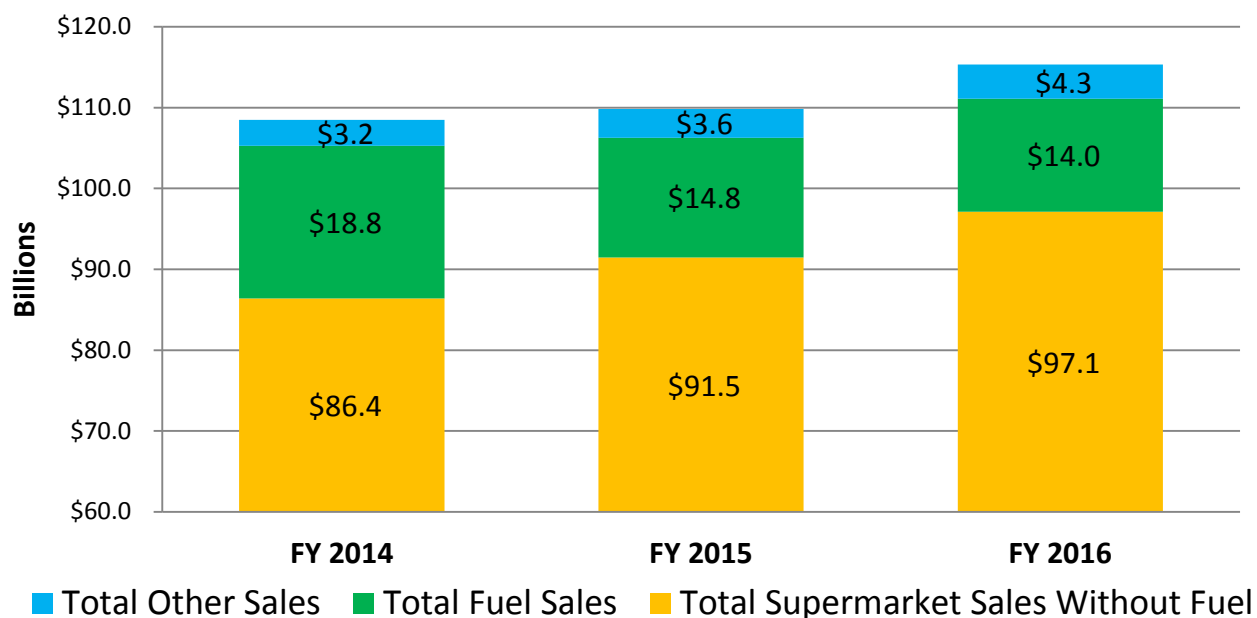
The typical supermarket fuel center consists of three to nine multi-product dispensers covered by a well-lit canopy, and an 8' x 12' kiosk from which cigarettes, soft drinks, snacks, candy and miscellaneous automotive-related products are sold.

At year-end 2016, Kroger’s retail fuel operations included 1,445 supermarket fuel centers in 31 states and 726 convenience stores that sell fuel. (We operate 784 convenience stores in total. See the “Convenience Stores” section on Page 25 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:

<b>Identical Supermarket Sales</b>	<b>FY 2015</b>	<b>FY 2016</b>
Including Supermarket Fuel Centers	1.1%	0.1%
Excluding Supermarket Fuel Centers	5.0%	1.0%
Difference ( <i>basis points</i> )	<390 bps>	<90 bps>

### **FIFO GROSS MARGIN (Note A)**

Our FIFO gross margin rates, as a percentage of sales, were 22.42% in 2016, 22.18% in 2015, and 21.30% in 2014. 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 10 basis points in 2016 vs. 2015 and 4 basis points in 2015 vs. 2014. FIFO gross margin in 2016, compared to 2015, 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.



<b>Increase/&lt;Decrease&gt; in FIFO Gross Margin Rate</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>
Including Retail Fuel Operations	67 bps	89 bps	23 bps
Excluding Retail Fuel Operations	<3 bps>	<4 bps>	<10 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 5 basis points in 2016, compared to 2015. This decrease resulted primarily from increased supermarket sales, productivity improvements, effective cost controls and decreases in incentive plans, company-sponsored pension plans and utility costs, partially offset by the loss of sales leverage due to transitioning to a deflationary operating environment and increases in healthcare benefit and credit card costs, as a percentage of sales.



Increase / <Decrease> in OG&A Rate (Note C)	FY 2014	FY 2015	FY 2016
Including Retail Fuel Operations	37 bps	60 bps	19 bps
Excluding Retail Fuel Operations	<19 bps>	<13 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: The "2014 Adjusted Items" are an \$87 million (\$56 million after-tax) charge to OG&A due to the commitments and withdrawal liabilities arising from restructuring of certain multi-employer obligations ("2014 Multi-Employer Pension Plan Obligation") to help stabilize associates' future pension benefits, offset partially by the benefits from certain tax items of \$17 million. The "2016 Adjusted Items" include \$111 million (\$71 million after-tax) of charges to OG&A related to the restructuring of certain pension obligations to help stabilize associates' future benefits.*

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 2016	14.3¢	19.8¢	17.9¢	17.2¢	17.1¢
FY 2015	11.6¢	19.0¢	23.8¢	16.9¢	17.4¢
Difference	2.7¢	0.8¢	<5.9¢>	0.3¢	<0.3¢>

*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 the Customer experience by innovating customer touch points and operations through science and data. Through analysis of shopper data, surveys, research and partnerships, we consistently strive to understand our Customers and the trends that impact them. The insights we uncover help us deliver solutions that create a valuable shopping experience that's easier and more intuitive, which enhances our Customers' loyalty by helping them save time and money and by creating an emotional connection with them. Our work at 84.51°<sup>SM</sup> is a crucial part of this process.

84.51° helps companies create sustainable growth by putting the customer at the center of everything. Using a sophisticated suite of tools and technology, 84.51°'s talented associates work with some of the world's leading CPG manufacturers and partners.

Furthermore, 84.51° acts as a business accelerator for us by using data analytics to continually improve the Customer experience across pricing, promotions, assortment, communications, fuel, pharmacy. Additionally, the analytics help us to identify new business development opportunities. We leverages more than a decade's worth of Customer analytics experience to understand the shopping behavior of Customers and to create personalized offerings that reward our most loyal Customers.

To underscore our dedication to the Customer, in 2016, we merged 84.51° with Market6, a predictive analytics company focused on product movement data solutions. Combining Market6's supply chain data insights with 84.51°'s Customer experience analytics helps improve our communication with suppliers, and our stores to ensure that Customers are getting what they need and what they want.

We are committed to maintaining our leadership position through innovative use and analysis of Customer data insights, and we remain dedicated to finding new ways to bring new perspectives and ideas to our business to help make our Customers' lives easier.

Putting our Customers first contributes to our unparalleled growth in many ways:

- A large portion of sales growth comes from increases in loyal households and loyal Customer spending
- Digital personalization was expanded in 2016 by engaging more households with even more personalized content and offers
- Billions of personalized offers were delivered to the most loyal Customers' households in 2016





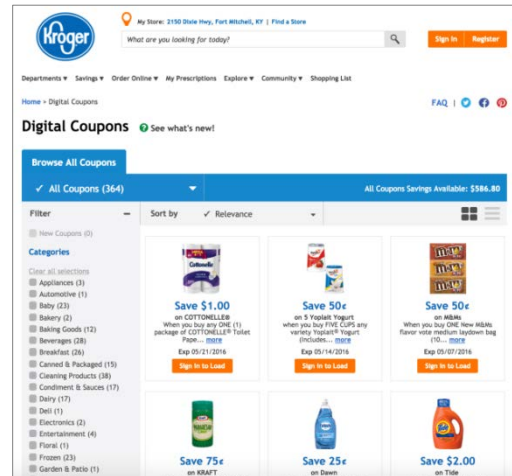
## DIGITAL & OMNICHANNEL

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 onto the shopper card, create shopping lists with aisle locations, find recipe ideas, manage and refill prescriptions, set up an online account, view points and rewards balances, and place online orders.
- Mobile applications for iPhone® and Android® devices optimized for mobile phones and tablets are available for each of the banners. The mobile apps have been downloaded millions of times and provide instant access to many of the features available on the banner websites.
- Personalized experiences across mobile apps, websites and email present digital offers, promotions, weekly sales, and regularly purchased items based on Customers' shopping habits and preferences. Digital versions of the shopper card are available in the mobile app and can be added to Passbook to provide Customers with a convenient way to present their card at checkout.
- Customers can order groceries online with the convenience of picking up orders at their local store through **ClickList** and **Harris Teeter ExpressLane**. This feature is available today at over 640 stores in nearly all markets where Kroger operates.



- The digital coupon center offers Customers a single place to view, load and manage hundreds of digital coupon offers available for national 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 billions of offers annually. Digital coupons are offered through capabilities developed by YOU Technology, LLC, a subsidiary of Kroger.



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

- An active presence on Facebook®, Twitter®, and Instagram® offers Customers who are active in social channels a way to connect with Kroger for inspiration, news, events and promotions.
- We use a variety of digital media channels to deliver targeted ads and messages to Customers, 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.
- Customers can access the online catalog, compare prices and order jewelry at [www.fredmeyerjewelers.com](http://www.fredmeyerjewelers.com) and [www.littmanjewelers.com](http://www.littmanjewelers.com). Customers can choose from an assortment of styles available both online and in-store and from an expanded assortment of exclusive online-only items.

Our digital strategy is driven by Customer feedback and is focused on reaching Customers who are spending more time online, delivering relevant content and offers and enabling Customers to plan and shop in more convenient ways.

VITACOST.COM®



**VITACOST** Vitacost.com is a leading online retailer of health and wellness products, including vitamins, minerals, herbs and supplements (VMHS), as well as a broad assortment of shelf-stable natural and organic foods, including specialty items (organic, non-GMO, gluten-free, vegan, etc.). Additional products include natural beauty and personal care products, sports nutrition, diet essentials, natural home products, and products for pets, babies and children. Vitacost.com makes shopping fast and easy as it sells directly to Customers through its website, [www.vitacost.com](http://www.vitacost.com). With nearly 40,000 items from over 2,500 leading health and wellness brands, Vitacost.com strives to motivate, educate and inspire healthier living for Customers by creating and curating thousands of helpful tips, expert articles and recipes woven throughout the shopping experience, including its 'Vitivibes' magazine and through the company's blog.



Sales of natural and organic foods are Vitacost.com's fastest growing segments. With nearly 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 its own 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 to Customers in all 50 states and over 160 countries worldwide.



**BUY 1, GET 1 HALF OFF SELECT VITACOST BRAND PRODUCTS** [Shop now >](#)

FREE SHIPPING over \$49 (over \$25 on select brands)\* [Email Sign Up](#) Hello, Sign in My Account | [Customer Service](#)

**VITACOST** Search for... [Promo Pocket](#)

[Shop by Department](#) | [Signature Teas](#) | [Vitacost Brands](#) | [New Arrivals](#) | [Shop by Specialty](#) | [Brands](#) | [Get Inspired!](#) | [Deals](#)

[Shop now >](#)

**[ Deals you'll love ]**

- > Buy 1, get 1 half off select Vitacost brand products
- > Save up to 60% on healthy favorites
- > Extra 10% off select New Chapter
- > Save an extra 15% on select coffee & teas
- > Extra 20% off Ella's Kitchen

[See all deals >](#)

**[ Save up to 60% ]**

**on best sellers!**

Spring forward in March with fresh savings on your favorite health and wellness essentials!

[Shop now >](#)

Just for you - buy or view it again [Shop all >](#)

Vitacost Melatonin Slow Release - 5 mg - 1...	Vitacost Extra Virgin Certified Organic Coc...	Pro Supps MyBar™ Iced Cinnamon Crunch -- 12...	Kettle Foods Organic Potato Chips Country S...	Pro Supps MyBar™ Ice Cream Cookie Crunch --...	Surf Sweets Organic Jelly Beans -- 2.75 oz
★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★
\$4.19	\$19.99	\$29.99	Sale price: \$2.55	\$29.99	\$1.99

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

# Murray's Cheese™



In 2017, Kroger purchased the equity of Murray's Cheese, as well as the flagship store on Bleecker Street, to form a merger of the two companies. Established in 1940, Murray's Cheese is a beloved fixture of New York City's Greenwich Village. Murray's is part of the rich food history of this formerly Italian enclave. In its 75+ year history, Murray's has evolved into a world-renowned specialty food destination that offers the finest selection of cheese, meat and grocery items.

Murray's opened a second location in Grand Central Terminal in 2002. Murray's businesses also include a wholesale team that sells to 600+ restaurants and hotels, an e-commerce business, year-round educational and catering programs, a full-service restaurant, and state-of-the-art *affinage* (cheese aging) caves in Long Island City, New York.



Kroger expanded our specialty cheese program in 2008 by offering Murray's Cheese Bars® inside our supermarkets. Murray's Cheese Bars can now be found in 360+ Kroger locations in 30 states.



Murray's Cheese Bars in Kroger stores replicate the same experience customers enjoy at its New York City locations, due to the fact that Murray's staff has trained over 3,000 Red Jacket Cheese Mongers through its decade-long relationship with Kroger. Additionally, each cheese bar carries hundreds of cheeses, charcuterie, olives, crackers and specialty food items from all over the world—a selection that has been carefully curated by the experienced Murray's team.

## KROGER TECHNOLOGY | CUSTOMER | QUALITY | INNOVATION

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



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

Secure and reliable systems are essential to delivering a positive experience for Customers. Our project portfolio strategy helps insure we are working on the right projects. Our investments in new, innovative technologies and processes include:

- Digital Customer initiatives continue to be a priority. Recent highlights include:
  - ✓ ClickList<sup>®</sup> and Harris Teeter ExpressLane allow Customers to order online and pick up at the store at over 640 locations. We continue to invest in the technologies supporting ClickList and Harris Teeter ExpressLane to simplify the shopping experience for Customers and associates.
  - ✓ 84.51<sup>° SM</sup> created analytics processes to help drive personalized recommendations with Clicklist and to help predict the items a Customer is likely to place into their next basket.
  - ✓ "Favorites" in a shopping list and on ClickList and ExpressLane make it simple for Customers to find regularly purchased items and add them to their shopping list or online shopping cart.
  - ✓ We are piloting with third parties for home delivery options for Customers.
  - ✓ Pharmacy refills and patient prescription management were significantly upgraded.

(Please refer to [www.kroger.com](http://www.kroger.com))

- The advanced EDGE shelving solution will allow Kroger to digitize the in-store experience for Customers while streamlining store operations involved in pricing, planograms, and ordering.
- Leveraging our data analytic capabilities to deliver cost saving solutions in support of supply chain, finance, operations and merchandising functions.
- Upgrading our point-of-sale terminals to be EuroPay, MasterCard Visa (EMV) compliant.

- Beginning a significant upgrade on our self-checkout terminals to simplify and expedite the checkout experience for Customers.
- Continue to make Data Center upgrades for improved disaster recovery and business continuity.
- Improving collaboration with our suppliers by automatically synchronizing product information. We are also synchronizing supply chain data with our suppliers to reduce out-of-stocks.
- Completed rollout of advanced production planning tool to 1,975 stores. This solution provides our stores real time production needs and out-of-stock information in order to deliver fresher product for our Customers.
- Continue to upgrade our customer service call centers to enhance our commitment to our Customer 1<sup>st</sup> Strategy.
- Made improvements to the Customer experience during the checkout process. QueVision<sup>®</sup>, our Faster Checkout Initiative, ranked 3rd in the Information Week Elite100.
- Using our point-of-sale and Customer analytics data, we continue to evolve and develop new Customer segmentations that provide a differentiated and specific view into Customer shopping behaviors both on-line and in our stores.
- Continued investment in our Pharmacy and Health & Wellness systems so we can understand our Customers better and drive loyalty through relevant recommendations to Customers.
- Converting the recently merged Roundy's stores to our enterprise suite of applications so we can standardize systems and processes to drive efficiencies for Customers and associates.

As technology continues to mature at its rapid pace, we need talented associates who can deliver systems quickly and exceed our Customer expectations. We have developed an extensive internship program with local high schools and universities to provide us with a solid pipeline of talent. Each year, we hire many of these interns to full-time positions within Kroger Technology. All Kroger Technology leaders attend a formal leadership academy to enhance their technology and leadership capabilities. The Kroger Technology HR team's goal is to attract the best talent in IT by making this a great place to work. In 2016 we were named #45 among large companies in ComputerWorld's *100 Best Places to work in IT*.

## SUPPLY CHAIN

The Kroger Supply Chain manages a network across the U.S. bringing together suppliers, transportation providers, distribution centers, stores, and everything and everyone in between.

- 10,600 logistics associates
- 42 distribution centers
- ~34,000 inbound purchase orders/week
- ~8,000 store outbound loads/day
  - Service 2,796 supermarkets and 784 convenience stores



### STRATEGY

Our supply chain strategy brings our Customer 1<sup>st</sup> Strategy into action across our distribution network. Utilizing our people, processes, and technology, we are remaining competitive by embracing change and maintaining focus on the demands of our Customers.

### PEOPLE + DC1C

Our associates are our most valuable asset. Without our hourly team members, site leadership, transportation team, drivers, and everyone in between, we would not be able to serve our Customers. The teamwork that is displayed throughout the supply chain enables our great culture to grow and develop and allows for the Supply Chain Team as a whole to meet company goals.

Driving the Customer 1<sup>st</sup> Culture (DC1C) was first introduced in 2013 and is all about helping every one of our associates connect themselves and their jobs to our Customers. DC1C provides the tools and processes we use to develop behaviors that allow us to be more change adaptive while engaging associates and building accountability for their own behaviors. This Customer 1<sup>st</sup> focus enables us to positively impact our Customers' ability to buy what they want, when they want it, how they want it, where they want it, at a good value!





## SUPPLY CHAIN ANALYTICS

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 our supply chain strategy. Areas of focus aim to: reduce operating and support costs, enable data driven decisions, and synchronize cross-functional processes.



Supply Chain's Fresh Center of Excellence works hand in hand with our suppliers, replenishment buyers, transportation teams, distribution centers, and others to bring the freshest produce, floral, meat, and seafood to our Customers.



The Cincinnati Fresh Center (CFC) is our new distribution center established in fall 2016. Located in Blue Ash, Ohio, the CFC serves as the model and testing ground for best practices in fresh. The CFC provides a great opportunity to develop and implement innovative changes and processes that will allow flexibility in our fresh supply chain to remain competitive and meet ever changing customer demands.



Our Fresh Kitchens Supply Chain Network was developed in 2014 to provide our Customers with fresh prepared produce, deli, bakery, and ready to heat meal solutions. Fresh Kitchens products are delivered daily to stores through a just-in-time delivery model that enables a day 1 order for a day 2 delivery.



## SALES AND OPERATIONS PLANNING

Sales and operations planning allows us to synchronize our merchandising, replenishment, and supply chain efforts. It begins with assortment optimization focused on ensuring efficiencies within our Three-Tier Network. As assortment optimization matures, the process evolves into a supply/demand review, and ultimately a coordinated Customer driven supply chain.



Through sales and operations planning, 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.

## NETWORK OPTIMIZATION

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 Kroger's growth and freshness goals, which are central to our Customer 1<sup>st</sup> 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?



Some of Kroger's distribution centers and store delivery fleets have been outsourced to third-party logistics providers, giving Kroger 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.

## SUSTAINABILITY

Logistics has joined with our manufacturing plants and stores in the EPA's Waste Wise Program and adopted the EPA's "zero waste" definition for our sustainability efforts. In 2016, 28 of our Distribution Centers began to track individual waste streams to identify opportunities for waste reduction. Currently, 25 of 28 locations measuring results are meeting or exceeding the EPA's zero waste definition.

In addition to improving our capture of cardboard and plastic recycling throughout our Distribution Center network, through the Feeding America Perishable Donations Partnership, we increased food donations by 22% in 2016 compared to 2015! The continued efforts and focus of our Corporate Sustainability plans support our commitment to our communities and the environment.

## TRANSPORTATION

Kroger's supply chain network provides an average of 8,600 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 369 million miles to our stores. Kroger<sup>®</sup> owns approximately 75% of the trailers and 45% of the tractors used for store deliveries.



We leverage our investments in network-based transportation management systems to improve utilization of our store delivery fleet. Our tractors are 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 divisions 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 an automatic tire inflation system; expanding the usage of multi-temperature trucks to transport frozen, refrigerated and dry goods in one trailer; and standardizing top speeds and idling operating protocols.

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

## CUSTOMER 1<sup>ST</sup> STRATEGY

Our relentless focus on our Customer is what makes Kroger<sup>®</sup> stand apart from others in our industry. Our Customer 1<sup>st</sup> 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 1<sup>st</sup> 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. Investments in the 4 keys of our Customer 1<sup>st</sup> 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 1<sup>st</sup> Strategy has proven that it can benefit Customers, associates, and investors in a variety of economic and competitive conditions.



## MARKET SHARE



For the twelfth 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.

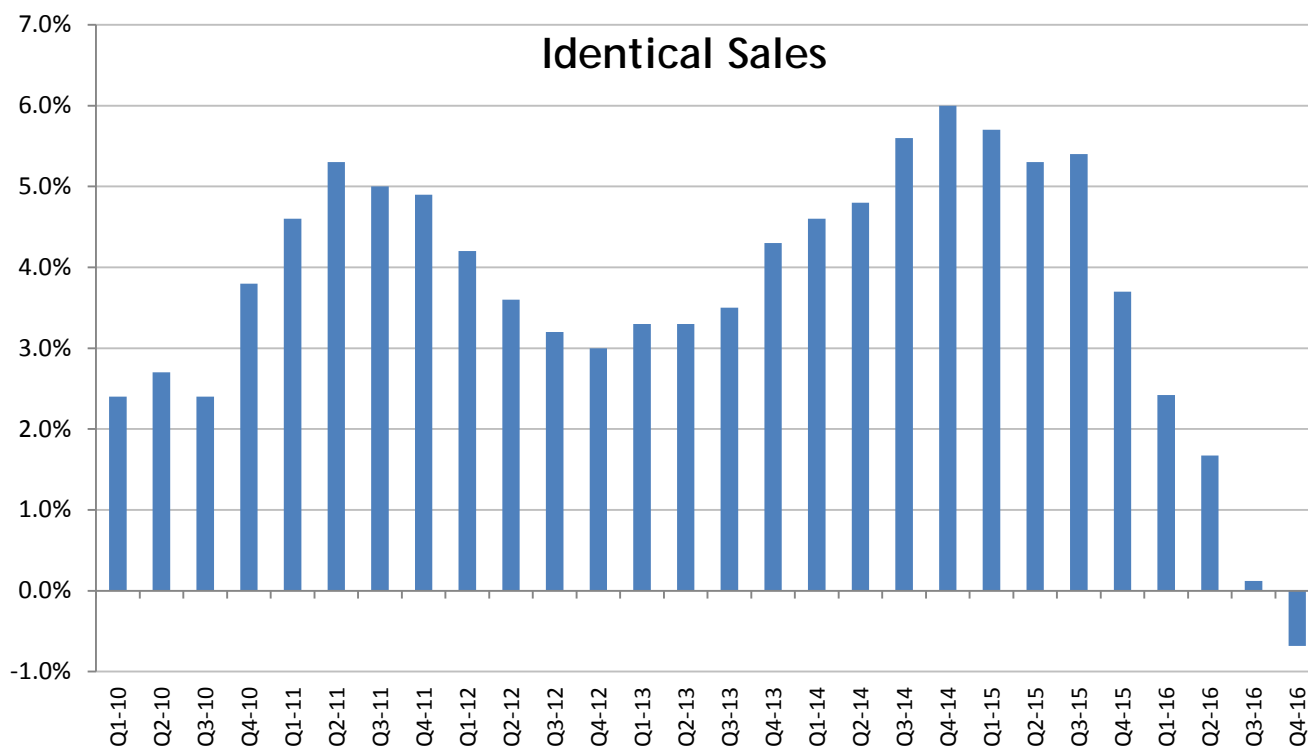
Nielsen POS+ captures roughly 85% of the items we sell, including UPC-coded items, PLU items, and random weight perishable items, making it a good and consistent source.

According to Nielsen POS+ data, Kroger’s overall market share of the products we sell in the markets where we operate grew approximately 20 basis points during 2016. This data also indicates that our share increased in 14 of the 22 markets outlined by the Nielsen report, was flat in two markets and was down in six markets.

We plan to continue to grow our business by maintaining Kroger’s strong market share and continuing to build on additional opportunities for sales growth. Starting in 2017, we plan to begin using IRI point of sale data to measure market share. While we expect there to be some difference in share reporting between Nielsen and IRI, we expect those differences to be minimal.

## 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. The chart below depicts identical supermarket sales trends excluding supermarket fuel sales, for the last several years. *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. Our long-term goal is to achieve increasing identical supermarket sales without fuel, while delivering a slightly expanding non-fuel FIFO operating margin and 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 2016, our net total debt to adjusted EBITDA ratio increased to 2.31, compared to 2.08 in the prior year.
  - b. Return value to shareholders via:
    - i. Target long-term EPS growth averaging 8% to 11% over a three to five-year time horizon.
    - ii. Pay a dividend on a quarterly basis, with expectations of growing the dividend over time, subject to board approval.
    - iii. Maintain a steady share repurchase program, contributing to annual EPS growth.
  - c. Capital investments will be focused on sales-generating initiatives, remodels, upgrades to our logistics network and merchandising systems, and digital and technology initiatives. As we invest more in these areas, our investment in stores will be reduced.
3. Generate a return on invested capital (ROIC) that increases over time.

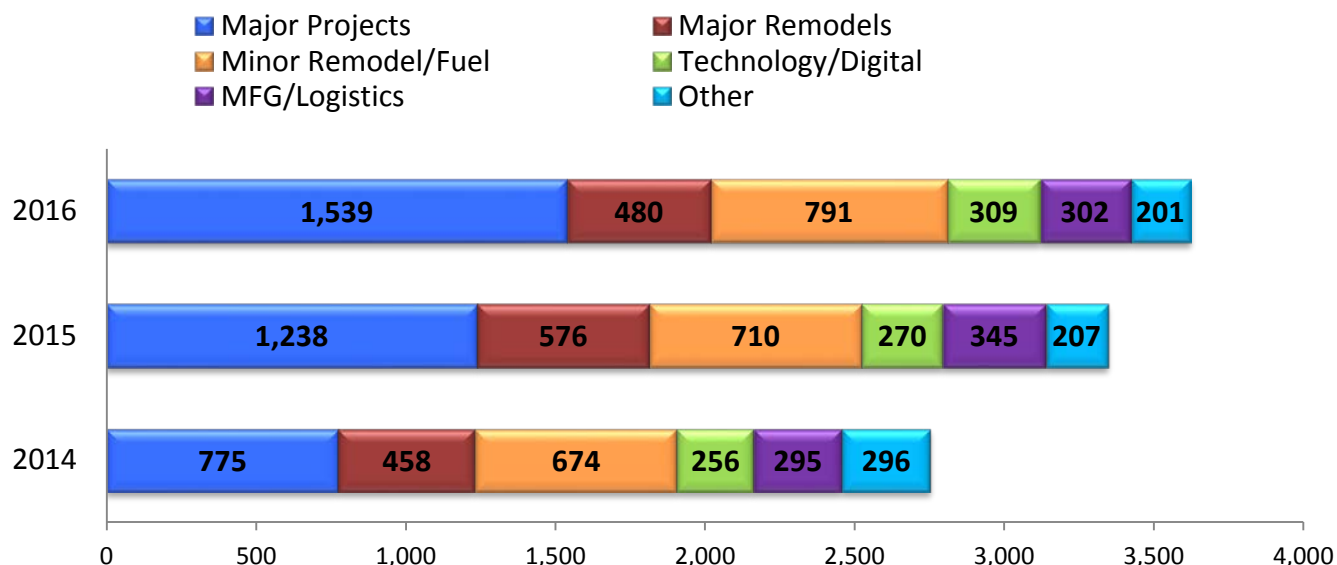


## CAPITAL INVESTMENTS

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 1<sup>st</sup> 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 2016 were \$3.6 billion, excluding mergers, acquisitions and purchases of leased facilities. Approximately 55% of Kroger's 2016 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 maintenance, and the Company's other operating and administrative segments including convenience stores, jewelry stores, manufacturing, technology, logistics/distribution, and other miscellaneous projects.

### Capital Investments



We primarily target existing markets for new stores. In our experience, such “in-market” growth generally produces higher returns, with a lower level of risk, by leveraging fixed expenses such as warehousing, transportation, advertising, and other overhead costs across an expanding store base.

Capital investments reflect our strategy of growth through expansion and acquisition, as well as our emphasis on self-development and ownership of real estate and logistics and technology improvements. At year-end, approximately 48% of the Company's 2,796 supermarkets were owned by Kroger. We prefer to own stores rather than lease them, when possible, as it typically results in a lower rent charge.

## REAL ESTATE ACTIVITY BY QUARTER

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	1	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
FY 2016	Q1	Q2	Q3	Q4	YEAR
Beginning # Stores	2,778	2,778	2,781	2,796	2,778
New	8	12	20	10	50
Acquired - New	0	0	0	0	0
Acquired - Relocation	1	0	0	0	1
Relocations	4	4	11	2	31
Total Stores Opened	13	16	31	12	72
Expansions	4	2	4	4	14
Total Store Projects	17	18	35	16	86
Operational Closures	<8>	<9>	<5>	<10>	<32>
Ending # Stores	2,778	2,781	2,796	2,796	2,796
Major Remodels (>\$20/sq ft)	16	48	55	35	154
Minor Remodels (<\$20/sq ft)	n/a	n/a	n/a	n/a	368
Square Footage (millions)	173.9	174.9	176.9	177.8	177.8
% Increase	7.1%	7.7%	8.7%	2.5%	2.5%
Convenience Stores	785	785	787	784	784
Jewelry Stores	323	323	324	319	319
Fuel Centers	1,400	1,423	1,439	1,445	1,445
Pharmacies	2,230	2,240	2,253	2,255	2,255

## DEBT OBLIGATIONS

Kroger has a \$2.75 billion credit facility (with the ability to increase it by \$750 million) maturing in June 2019, unless earlier terminated by Kroger.

As of fiscal year-end, the Company had \$1.4 billion of outstanding commercial paper and no borrowings under our credit facility. The outstanding letters of credit that reduce funds available under our credit facility totaled \$13 million as of fiscal year end.

The table on the following page details Kroger's debt obligations as of fiscal year-end 2016.

## DEBT RATING

Kroger's debt rating remains important to us as we execute our Customer 1<sup>st</sup> 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 (Fiscal Year-End 2016)	MATURITY DATE	PRINCIPAL (\$ millions)
6.40% Senior Notes	08/15/17	600
7.00% Senior Notes	05/01/18	200
6.80% Senior Notes	12/15/18	300
2.00% Senior Notes	01/15/19	300
2.30% Senior Notes	01/15/19	500
1.50% Senior Notes	09/30/19	500
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
2.65% Senior Notes	10/15/26	748
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
3.875% Senior Notes	10/15/46	500
4.45% Senior Notes	02/01/47	999
Prepaid Senior Note Expense		(68)
<b>Subtotal Senior Notes &amp; Debentures</b>		<b>\$11,313</b>
<b>Mortgages</b>	Through 2027	<b>\$38</b>
<b>Other</b>		<b>\$1,963</b>
<b>Total Debt</b>		<b>\$13,314</b>
<b>Capital Leases</b>		<b>\$763</b>
<b>Total Debt Including Capital Leases (A)</b>		<b>\$14,077</b>

(A) Before FAS No. 133 Adjustment.

## SHARE REPURCHASES

### Board Repurchase Authorizations

We maintain share repurchase programs that comply with Rule 10b5-1 of the Securities Exchange Act of 1934 and allow for the orderly repurchase of our common shares, from time to time. We made open market purchases of our common shares totaling \$1.7 billion in 2016, \$500 million in 2015 and \$1.1 billion in 2014 under these repurchase programs. The following Board authorizations created repurchase programs to reacquire shares via open market purchases:

- A \$500 million share repurchase program authorized by the Board and announced on June 25, 2015. On March 10, 2016, the Board approved an additional \$500 million share repurchase authority to supplement the June 2015 program. These programs were exhausted during the first quarter of 2016.
- On June 22, 2016, the Board approved a \$500 million share repurchase program. On September 15, 2016, the Board approved an additional \$500 million share repurchase authority to supplement the June 2016 program. The June 2016 program was exhausted during the fourth quarter of 2016.
- On March 9, 2017, the Board approved an additional \$500 million share repurchase authority to supplement the September 2016 program.

During the first quarter through March 28, 2017, the Company used an additional \$341 million of cash to repurchase 11 million common shares at an average price of \$31.09 per share. As of March 28, 2017, we have exhausted the September 2016 program and have \$498 million remaining under the March 2017 program.

### Stock Option Repurchase 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 \$105 million in 2016, \$203 million in 2015 and \$155 million in 2014 of our common shares under the stock option repurchase program.

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

	FY 2014	FY 2015	FY 2016
Stock Option Repurchase Program	\$155	\$203	\$105
Board Repurchase Authorization	\$1,129	\$500	\$1,661
<b>TOTAL COST</b>	<b>\$1,284</b>	<b>\$703</b>	<b>\$1,766</b>

Total shares repurchased for the past three years under the stock option repurchase program and Board repurchase authorizations and the average cost per share are summarized below:

Fiscal Year	# Shares	Cost	Avg Cost Per Share
2014	57 million	\$1,283 million	\$23
2015	19 million	\$703 million	\$37
2016	50 million	\$1,766 million	\$35
<b>TOTAL</b>	<b>126 million</b>	<b>\$3,752 million</b>	<b>\$30</b>

Since January 2000, and through the end of fiscal 2016, Kroger has invested approximately \$13.6 billion to repurchase 995 million shares at an average cost of \$13.66 per share.

## DIVIDENDS

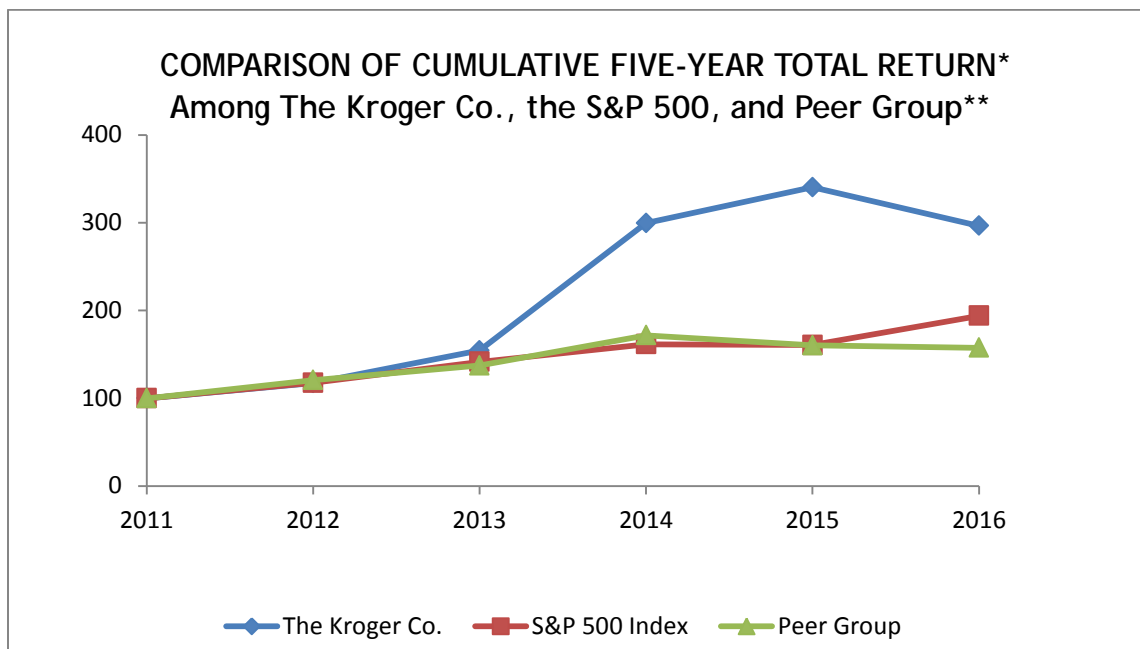
Kroger's quarterly dividend program was reinstated by our Board in March 2006. During 2016, we paid two quarterly dividends of \$0.105 and two quarterly dividends of \$0.120. Kroger paid a total of \$429 million \$385 million and \$338 million in cash dividends during 2016, 2015, and 2014, respectively.

Our 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 our 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.



Company Name/Index	Base	INDEXED RETURNS				
	Period	Years Ending:				
	2011	2012	2013	2014	2015	2016
The Kroger Co.	100	117.21	154.38	299.59	340.41	296.50
S&P 500 Index	100	117.60	141.48	161.61	160.53	194.03
Peer Group	100	120.77	137.32	171.73	160.23	157.59

Kroger's fiscal year ends on the Saturday closest to January 31.

\*Total assumes \$100 invested on January 29, 2012, 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", which is included through July 22, 2016 when it merged with Koninklijke Ahold), Great Atlantic & Pacific Tea Company, Inc. (included through March 13, 2012 when it became private after emerging from bankruptcy), Koninklijke Ahold Delhaize NV (changed name from Koninklijke Ahold after merger with Groupe Delhaize), Safeway, Inc. (included through January 29, 2015 when it was acquired by AB Acquisition LLC), Supervalu Inc., Target Corp., Tesco Plc (included through November 27, 2013 when it sold its U.S. business), 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)

	Q1 (16 weeks)	Q2 (12 weeks)	Q3 (12 weeks)	Q4 (12 weeks)	Year (52 weeks)
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Sales					
2016	\$34,604	\$26,565	\$26,557	\$27,611	\$115,337
2015	\$33,051	\$25,539	\$25,076	\$26,165	\$109,830
2014	\$32,961	\$25,310	\$24,987	\$25,207	\$108,465

Merchandise Costs (A) (B)					
2016	\$26,669	\$20,697	\$20,653	\$21,483	\$89,502
2015	\$25,760	\$20,065	\$19,478	\$20,193	\$85,496
2014	\$26,065	\$20,136	\$19,764	\$19,548	\$85,512

Operating, General & Administrative (B)					
2016	\$5,779	\$4,473	\$4,443	\$4,483	\$19,178
2016 Adj.	\$5,779	\$4,362	\$4,443	\$4,483	\$19,067
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

Rent					
2016	\$262	\$205	\$200	\$214	\$881
2015	\$215	\$155	\$173	\$181	\$723
2014	\$217	\$165	\$162	\$163	\$707

Depreciation & Amortization					
2016	\$694	\$525	\$549	\$572	\$2,340
2015	\$620	\$478	\$484	\$508	\$2,089
2014	\$581	\$444	\$456	\$467	\$1,948

Operating Profit / (Loss) (B)					
2016	\$1,200	\$665	\$713	\$859	\$3,436
2016 Adj.	\$1,200	\$776	\$713	\$859	\$3,547
2015	\$1,102	\$774	\$772	\$928	\$3,576
2014	\$931	\$644	\$650	\$911	\$3,137
2014 Adj.	\$1,018	\$644	\$650	\$911	\$3,223



	Q1 (16 weeks)	Q2 (12 weeks)	Q3 (12 weeks)	Q4 (12 weeks)	Year (52 weeks)
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Interest Expense					
2016	\$155	\$117	\$124	\$127	\$522
2015	\$148	\$114	\$108	\$112	\$482
2014	\$147	\$112	\$114	\$114	\$487

Earnings / (Loss) Before Income Tax Expense (B)					
2016	\$1,045	\$549	\$589	\$732	\$2,914
2016 Adj.	\$1,045	\$660	\$589	\$732	\$3,025
2015	\$954	\$660	\$664	\$816	\$3,094
2014	\$784	\$532	\$537	\$797	\$2,649
2014 Adj.	\$871	\$532	\$537	\$797	\$2,736

Income Tax Expense (B)					
2016	\$351	\$171	\$206	\$230	\$958
2016 Adj.	\$351	\$210	\$206	\$230	\$997
2015	\$330	\$227	\$238	\$250	\$1,045
2014	\$274	\$182	\$172	\$274	\$902
2014 Adj.	\$305	\$182	\$189	\$274	\$949

Net Earnings / (Loss) Including Noncontrolling Interests (B)					
2016	\$695	\$378	\$383	\$501	\$1,957
2016 Adj.	\$695	\$449	\$383	\$501	\$2,028
2015	\$624	\$433	\$427	\$566	\$2,049
2014	\$509	\$350	\$364	\$524	\$1,748
2014 Adj.	\$565	\$350	\$348	\$524	\$1,787

Net Earnings / (Loss) Attributable to Noncontrolling Interests					
2016	(\$1)	(\$5)	(\$8)	(\$4)	(\$18)
2015	\$5	\$1	(\$2)	\$6	\$10
2014	\$8	\$3	\$3	\$5	\$19

Net Earnings / (Loss) Attributable to The Kroger Co. (B)					
2016	\$695	\$383	\$391	\$506	\$1,975
2016 Adj.	\$695	\$455	\$391	\$506	\$2,046
2015	\$619	\$432	\$429	\$566	\$2,039
2014	\$501	\$347	\$362	\$519	\$1,728
2014 Adj.	\$558	\$347	\$345	\$519	\$1,767

	Q1 (16 weeks)	Q2 (12 weeks)	Q3 (12 weeks)	Q4 (12 weeks)	Year (52 weeks)
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Net Earnings / (Loss) Attributable to The Kroger Co. Per Diluted Common Share					
2016	\$0.71	\$0.40	\$0.41	\$0.53	\$2.05
2016 Adj.	\$0.71	\$0.47	\$0.41	\$0.53	\$2.12
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

Average Number of Common Shares Used in Diluted Calculation					
2016	966	959	953	943	958
2015	983	977	979	980	980
2014	1,014	982	984	986	994

(A) Includes advertising, warehousing, and transportation.

(B) 2016 Adj. includes the gain from the adoption of the new stock compensation accounting standard. 2014 Adjs. exclude the impact of pension plan agreements in Q1 2014 and certain tax benefits in Q3 2014.

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





Kroger  
Family  
of Companies

Supermarkets



Price-Impact Stores



Multi-Department Stores



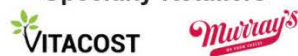
Convenience Stores



Jewelry Stores



Specialty Retailers



Services

