Kroger Reports Second Quarter 2026 Results and Updates Guidance for 2026

Second Quarter Highlights

- Identical Sales without fuel increased 0.2%
- Operating Profit of $971 million; EPS of $1.05
- Adjusted FIFO Operating Profit of $1,076 million and Adjusted EPS of $1.09
- Adjusted eCommerce sales grew 20%[1]; Kroger Precision Marketing profit grew 24%

CINCINNATI, September 11, 2026 – The Kroger Co. (NYSE: KR) today reported results for its second quarter ended August 15, 2026. Kroger reaffirmed its full-year adjusted net earnings per diluted share guidance, lowered its full-year 2026 identical sales without fuel guidance, and shared progress on key priorities.

Comments from CEO Greg Foran

"Kroger delivered a solid second quarter, with adjusted EPS growth of 5 percent. I am pleased with the progress we are making. Our teams kept driving value for customers, improving execution in our stores, growing eCommerce profitably and managing costs with discipline. Improving sales momentum remains a top priority. While there is more work to do, I am confident in our plan to become America's favorite grocer."

Second Quarter Financial Results

	2Q26 ($ in millions; except EPS)	2Q25 ($ in millions; except EPS)
ID Sales[(1)] (Table 4)	**0.2%**	**3.4%**
Earnings Per Share	**$1.05**	**$0.91**
Adjusted EPS (Table 6)	**$1.09**	**$1.04**

[1] Adjusted eCommerce sales exclude the effect of fulfillment center exits in markets where Kroger does not operate stores, the sale of Vitacost, and the discontinuation of Ship Marketplace.

Operating Profit	**$971**	**$863**
Adjusted FIFO Operating Profit (Table 7)	**$1,076**	**$1,091**
Gross Margin (Table 8)	**22.4%**	**22.5%**
FIFO Gross Margin Rate[2]	**Increased 13 basis points**	
OG&A Rate[3]	**Increased 33 basis points**	

[1] Without fuel and includes an unfavorable 138 basis point impact from the Inflation Reduction Act.
[2] Without rent, depreciation and amortization, fuel and adjustment items, if applicable.
[3] Without fuel and adjustment items, if applicable.

Total company sales were $34.6 billion in the second quarter compared to $33.9 billion for the same period last year. Excluding fuel, the sale of Vitacost and the exit of certain fulfillment centers, sales increased 0.1% compared to the same period last year.

Gross margin was 22.4% of sales for the second quarter compared to 22.5% for the same period last year. The decrease in rate was primarily driven by the mix effect of higher fuel sales, higher shrink, higher transportation costs and greater value delivered for customers. These pressures were partially offset by improvement in eCommerce profitability and media, favorable pharmacy mix, sourcing initiatives, tariff refunds, the decreased LIFO charge and depreciation and amortization.

The FIFO gross margin rate, excluding rent, depreciation and amortization, and fuel increased 13 basis points compared to the same period last year. The improvement was primarily driven by improvement in eCommerce profitability and media, favorable pharmacy mix, sourcing initiatives and tariff refunds. These benefits were partially offset by higher shrink, higher transportation costs and greater value delivered for customers.

The LIFO charge for the quarter was $39 million, compared to a LIFO charge of $62 million for the same period last year.

The Operating, General and Administrative rate, excluding fuel and adjustment items, increased 33 basis points compared to the same period last year. The increase was primarily attributable to planned investments in associate wages, increased health care costs, and sales deleverage, partially offset by lower incentive plan costs and ongoing productivity initiatives.

Capital Allocation

Kroger expects to continue to generate strong free cash flow and remains committed to investing in the business to drive long-term sustainable net earnings growth, as well as maintaining its current investment grade debt rating. The Company expects to continue to pay its quarterly dividend and expects this to increase over time, subject to board approval.

Earlier this quarter, Kroger increased its dividend by 11%, marking the 20th consecutive year of dividend increases. Additionally, during the quarter, Kroger repurchased $1.0 billion in shares and year-to-date has repurchased $1.2 billion in shares under the $2 billion board authorization announced in December 2025. As of the end of the second quarter, approximately $800 million remains of the authorization, and Kroger expects to complete the remaining repurchases by the end of fiscal 2026.

Kroger's net total debt to adjusted EBITDA ratio is 1.91, compared to 1.63 a year ago (Table 5). The company's net total debt to adjusted EBITDA ratio target range is 2.30 to 2.50. Kroger's strong balance sheet provides ample opportunities for the Company to invest in the business and enhance shareholder value.

Full-Year 2026 Guidance*

Adjusted Metric*	FY26 Guidance as of June 18, 2026	FY26 Guidance as of September 11, 2026
Identical Sales without fuel**	**1.0% - 2.0%**	**0.2% - 0.8%**
FIFO Operating Profit	**$5.0 - $5.2 billion**	**$5.0 - $5.2 billion**
EPS	**$5.10 - $5.30**	**$5.10 - $5.30**
Free Cash Flow	**$2.7 - $2.9 billion**	**$2.7 - $2.9 billion**
Cap Ex	**$3.8 - $4.0 billion**	**$3.8 - $4.0 billion**
Tax Rate***	**23%**	**23%**

* Without adjusted items, if applicable. Kroger is unable to provide a full reconciliation of the GAAP and non-GAAP measures used in 2026 guidance without unreasonable effort because it is not possible to predict certain of our adjustment items with a reasonable degree of certainty. This information is dependent upon future events and may be outside of our control and its unavailability could have a significant impact on 2026 GAAP financial results.
** Includes approximately 140 basis points unfavorable impact from the Inflation Reduction Act.
*** The adjusted tax rate reflects typical tax adjustments and does not reflect changes to the rate from the completion of income tax audit examinations and changes in tax laws and policies, which cannot be predicted.

Comments from CFO David Kennerley

"Our second quarter results demonstrate the resiliency of Kroger's business model and the discipline with which our teams are executing. Adjusted earnings per diluted share grew 5%, driven by cost savings, strong pharmacy and fuel performance, and improvement in the profitability of our eCommerce business.

Given our first half results and the macro environment, we are updating our identical sales without fuel guidance to a new range of 0.2% to 0.8%, which includes an approximately 140 basis point headwind from the Inflation Reduction Act. We are reaffirming our adjusted FIFO net operating profit and adjusted earnings per diluted share guidance, reflecting our confidence and visibility into the same factors that drove our profitability in the second quarter. We will continue to invest in the business for growth, manage our margins with discipline and create long-term shareholder value."

Kroger will host an investor update meeting on October 20, 2026. Additional details regarding the Company's strategic initiatives and longer-term financial targets will be shared at that event.

About Kroger

The Kroger Co. (NYSE: KR) is one of America's largest retailers, serving more than 11 million customers daily through a digital shopping experience and retail food stores under a variety of banner names. With more than 400,000 associates across our family of companies, Kroger is committed to providing America with affordable, great-tasting food and creating #ZeroHungerZeroWaste communities. To learn more about us, visit our newsroom and investor relations site.

Kroger's second quarter 2026 ended on **August 15, 2026.**

Note: Fuel sales have historically had a low gross margin rate and operating expense rate as compared to corresponding rates on non-fuel sales. As a result, Kroger discusses the changes in these rates excluding the effect of fuel.

Please refer to the supplemental information presented in the tables for reconciliations of the non-GAAP financial measures used in this press release to the most comparable GAAP financial measure and related disclosure. As noted above, Kroger is unable to provide a full reconciliation of the GAAP and non-GAAP measures used in its guidance without unreasonable effort because it is not possible to predict certain of our adjustment items with a reasonable degree of certainty. This information is dependent upon future events and may be outside of our control and its unavailability could have a significant impact on GAAP financial results.

This press release contains certain statements that constitute "forward-looking statements" about Kroger's financial position and the future performance of the company. These statements are based on management's assumptions and beliefs in light of the information currently available to it. Such statements are indicated by words or phrases such as "achieve," "committed," "confidence," "continue," "drive," "expect," "focused," "future," "guidance," "may," "model," "opportunities," "outlook," "remain," "strategy," "target," "trends," "visibility," "will," and variations of such words and similar phrases. Various uncertainties and other factors could cause actual results to differ materially from those contained in the forward-looking statements. These include the specific risk factors identified in "Risk Factors" in our annual report on Form 10-K for our last fiscal year and any subsequent filings, as well as the following:

Kroger's ability to achieve sales, earnings, incremental FIFO operating profit, and adjusted free cash flow goals may be affected by: labor negotiations; potential work stoppages; changes in the unemployment rate; pressures in the labor market; changes in government-funded benefit programs; changes in the types and numbers of businesses that compete with Kroger; pricing and promotional activities of existing and new competitors, and the aggressiveness of that competition; Kroger's response to these actions; the state of the economy, including interest rates, the inflationary, disinflationary and/or deflationary trends and such trends in certain commodities, products and/or operating costs; the geopolitical environment including wars and conflicts; unstable political situations and social unrest; changes in tariffs; the effect that fuel costs have on consumer spending; volatility of fuel margins; manufacturing commodity costs; supply constraints; diesel fuel costs related to Kroger’s logistics operations; trends in consumer spending; the extent to which Kroger’s customers exercise caution in their purchasing in response to economic conditions; the uncertainty of economic growth or recession; stock repurchases; changes in the regulatory environment in which Kroger operates, along with changes in federal policy and at state and federal regulatory agencies; Kroger’s ability to retain pharmacy sales from third party payors; consolidation in the healthcare industry, including pharmacy benefit managers; Kroger’s ability to negotiate modifications to multi-employer pension plans; natural disasters or adverse weather conditions; the effect of public health crises or other significant catastrophic events; the potential costs and risks associated with potential cyber-attacks or data security breaches; the success of Kroger's future growth plans; the ability to execute our growth strategy and value creation model, including continued cost savings, growth of our media business, and our ability to better serve our customers and to generate customer loyalty and sustainable growth through our strategic pillars of fresh, our brands, personalization, and eCommerce; the outcome of litigation matters, including those relating to the terminated transaction with Albertsons; and the risks relating to or arising from our opioid litigation settlements, including the risk of litigation relating to persons, entities, or jurisdictions that do not participate in those settlements. Our ability to achieve these goals may also be affected by our ability to manage the factors identified above. Our ability to execute our financial strategy may be affected by our ability to generate cash flow.

Kroger’s adjusted effective tax rate may differ from the expected rate due to changes in tax laws and policies, the status of pending items with various taxing authorities, and the deductibility of certain expenses.

Kroger assumes no obligation to update the information contained herein unless required by applicable law. Please refer to Kroger's reports and filings with the Securities and Exchange Commission for a further discussion of these risks and uncertainties.

Note: Kroger's quarterly conference call with investors will broadcast live at 8 a.m. (ET) on September 11, 2026 at ir.kroger.com. An on-demand replay of the webcast will be available at approximately 1 p.m. (ET) on Friday, September 11, 2026.

2nd Quarter 2026 Tables Include:

1. Consolidated Statements of Operations
2. Consolidated Balance Sheets
3. Consolidated Statements of Cash Flows
4. Supplemental Sales Information
5. Reconciliation of Net Total Debt and Net Earnings Attributable to The Kroger Co. to Adjusted EBITDA
6. Net Earnings Per Diluted Share Excluding the Adjustment Items

7. Operating Profit Excluding the Adjustment Items
8. Gross Margin

--30--

Contacts: Media: Erin Rolfes (513) 762-1080; Investors: Rob Quast (513) 762-4969

Table 1.
THE KROGER CO.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in millions, except per share amounts)
(unaudited)

	SECOND QUARTER				YEAR-TO-DATE			
	2026		2025		2026		2025	
SALES	$ 34,621	100.0%	$ 33,940	100.0%	$ 80,742	100.0%	$ 79,058	100.0%
OPERATING EXPENSES								
MERCHANDISE COSTS, INCLUDING ADVERTISING, WAREHOUSING AND TRANSPORTATION (a), AND LIFO CHARGE (b)	26,763	77.3	26,130	77.0	62,256	77.1	60,681	76.8
OPERATING, GENERAL AND ADMINISTRATIVE (a)	5,952	17.2	5,967	17.6	13,915	17.2	13,890	17.6
RENT	198	0.6	202	0.6	467	0.6	473	0.6
DEPRECIATION AND AMORTIZATION	737	2.1	778	2.3	1,726	2.1	1,829	2.3
OPERATING PROFIT	971	2.8	863	2.5	2,378	2.9	2,185	2.8
OTHER INCOME (EXPENSE)								
NET INTEREST EXPENSE	(156)	(0.5)	(144)	(0.4)	(365)	(0.5)	(343)	(0.4)
NON-SERVICE COMPONENT OF COMPANY-SPONSORED PENSION PLAN EXPENSE	(9)	-	(3)	-	(16)	-	(4)	-
GAIN ON INVESTMENTS	34	-	56	-	20	-	37	0.1
NET EARNINGS BEFORE INCOME TAX EXPENSE	840	2.4	772	2.3	2,017	2.5	1,875	2.4
INCOME TAX EXPENSE	198	0.6	162	0.5	471	0.6	397	0.5
NET EARNINGS INCLUDING NONCONTROLLING INTERESTS	642	1.9	610	1.8	1,546	1.9	1,478	1.9
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	1	-	1	-	3	-	3	-
NET EARNINGS ATTRIBUTABLE TO THE KROGER CO.	$ 641	1.9%	$ 609	1.8%	$ 1,543	1.9%	$ 1,475	1.9%
NET EARNINGS ATTRIBUTABLE TO THE KROGER CO. PER BASIC COMMON SHARE	$ 1.05		$ 0.91		$ 2.52		$ 2.22	
AVERAGE NUMBER OF COMMON SHARES USED IN BASIC CALCULATION	606		662		610		661	
NET EARNINGS ATTRIBUTABLE TO THE KROGER CO. PER DILUTED COMMON SHARE	$ 1.05		$ 0.91		$ 2.51		$ 2.20	
AVERAGE NUMBER OF COMMON SHARES USED IN DILUTED CALCULATION	608		665		612		664	
DIVIDENDS DECLARED PER COMMON SHARE	$ 0.39		$ 0.35		$ 0.74		$ 0.67	

Note: Certain percentages may not sum due to rounding.

Note: The Company defines First-In First-Out (FIFO) gross profit as sales minus merchandise costs, including advertising, warehousing and transportation, but excluding the Last-In First-Out (LIFO) charge, rent and depreciation and amortization.

The Company defines FIFO gross margin as FIFO gross profit divided by sales.

The Company defines FIFO operating profit as operating profit excluding the LIFO charge.

The Company defines FIFO operating margin as FIFO operating profit divided by sales.

The above FIFO financial metrics are important measures used by management to evaluate operational effectiveness. Management believes these FIFO financial metrics are useful to investors and analysts because they measure our day-to-day operational effectiveness.

(a) Merchandise costs ("COGS") and operating, general and administrative expenses ("OG&A") exclude depreciation and amortization expense and rent expense which are included in separate expense lines.

(b) LIFO charges of $39 and $62 were recorded in the second quarters of 2026 and 2025, respectively. For the year-to-date period, LIFO charges of $91 and $102 were recorded for 2026 and 2025, respectively.

Table 2.
THE KROGER CO.
CONSOLIDATED BALANCE SHEETS
(in millions)
(unaudited)

	August 15, 2026	August 16, 2025
ASSETS		
Current Assets		
Cash	$ 201	$ 215
Temporary cash investments	1,475	4,668
Store deposits in-transit	1,060	1,133
Receivables	2,187	2,211
Inventories	7,282	6,843
Prepaid and other current assets	721	735
Total current assets	12,926	15,805
Property, plant and equipment, net	25,265	25,947
Operating lease assets	6,753	6,812
Intangibles, net	848	866
Goodwill	2,624	2,674
Other assets	1,075	1,486
Total Assets	$ 49,491	$ 53,590
LIABILITIES AND SHAREOWNERS' EQUITY		
Current Liabilities		
Current portion of long-term debt including obligations under finance leases	$ 1,838	$ 827
Current portion of operating lease liabilities	664	673
Accounts payable	10,775	10,183
Accrued salaries and wages	1,206	1,315
Other current liabilities	3,935	3,701
Total current liabilities	18,418	16,699
Long-term debt including obligations under finance leases	15,159	17,132
Noncurrent operating lease liabilities	6,497	6,546
Deferred income taxes	1,184	1,387
Pension and postretirement benefit obligations	409	376
Other long-term liabilities	1,978	2,173
Total Liabilities	43,645	44,313
Shareowners' equity	5,846	9,277
Total Liabilities and Shareowners' Equity	$ 49,491	$ 53,590
Total common shares outstanding at end of period	596	662
Total diluted shares year-to-date	612	664

Table 3.
THE KROGER CO.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)
(unaudited)

	YEAR-TO-DATE	
	2026	2025
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings including noncontrolling interests	$ 1,546	$ 1,478
Adjustments to reconcile net earnings including noncontrolling interests to net cash provided by operating activities:		
Depreciation and amortization	1,726	1,829
Asset impairment and store closure charges	66	114
Operating lease asset amortization	314	318
LIFO charge	91	102
Share-based employee compensation	101	83
Deferred income taxes	94	(31)
Gain on the sale of assets	(26)	(6)
Gain on investments	(20)	(37)
Other	15	(29)
Changes in operating assets and liabilities:		
Store deposits in-transit	185	179
Receivables	(162)	(12)
Inventories	(460)	92
Prepaid and other current assets	(85)	(91)
Accounts payable	(4)	(14)
Accrued expenses	38	181
Income taxes receivable and payable	219	6
Operating lease liabilities	(367)	(291)
Other	(186)	(183)
Net cash provided by operating activities	3,085	3,688
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for property and equipment, including payments for lease buyouts	(2,437)	(1,968)
Other	42	(139)
Net cash used by investing activities	(2,395)	(2,107)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on long-term debt including obligations under finance leases	(604)	(122)
Dividends paid	(431)	(422)
Proceeds from issuance of capital stock	36	163
Treasury stock purchases	(1,271)	(203)
Other	(78)	(73)
Net cash used by financing activities	(2,348)	(657)
NET (DECREASE) INCREASE IN CASH AND TEMPORARY CASH INVESTMENTS	(1,658)	924
CASH AND TEMPORARY CASH INVESTMENTS:		
BEGINNING OF YEAR	3,334	3,959
END OF PERIOD	$ 1,676	$ 4,883
Reconciliation of capital investments:		
Payments for property and equipment, including payments for lease buyouts	$ (2,437)	$ (1,968)
Payments for lease buyouts	37	11
Changes in construction-in-progress payables	(251)	(73)
Total capital investments, excluding lease buyouts	$ (2,651)	$ (2,030)
Disclosure of cash flow information:		
Cash paid during the year for net interest	$ 372	$ 370
Cash paid during the year for income taxes	$ 159	$ 415

Table 4. Supplemental Sales Information
(in millions, except percentages)
(unaudited)

Items identified below should not be considered as alternatives to sales or any other GAAP measure of performance. Identical sales is an industry-specific measure, and it is important to review it in conjunction with Kroger's financial results reported in accordance with GAAP. Other companies in our industry may calculate identical sales differently than Kroger does, limiting the comparability of the measure.

Kroger defines identical sales, excluding fuel, as sales to retail customers, including sales from all departments at identical supermarket locations, jewelry and ship-to-home solutions. Kroger defines a supermarket as identical when it has been in operation without expansion or relocation for five full quarters. We include Kroger Delivery sales as identical if the delivery occurs in an existing Kroger Supermarket geography or when the location has been in operation for five full quarters.

IDENTICAL SALES

	SECOND QUARTER		EXCLUDING ADJUSTMENT YEAR-TO-DATE (a)		YEAR-TO-DATE	
	2026	2025	2026	2025	2026	2025
EXCLUDING FUEL	$ 29,957	$ 29,892	$ 69,759	$ 69,309	$ 70,093	$ 69,567
EXCLUDING FUEL	0.2%	3.4%	0.6%	3.3%	0.8%	3.2%

(a) Identical sales, excluding fuel, were adjusted to exclude stores involved in the labor disputes in Colorado in the first quarter of 2025. Identical sales, excluding fuel, were excluded for the first four weeks of the first quarters of 2026 and 2025 for stores involved in this labor dispute.

Table 5. Reconciliation of Net Total Debt and
Net Earnings Attributable to The Kroger Co. to Adjusted EBITDA
(in millions, except for ratio)
(unaudited)

The items identified below should not be considered an alternative to any GAAP measure of performance or access to liquidity. Net total debt to adjusted EBITDA is an important measure used by management to evaluate the Company's access to liquidity. The items below should be reviewed in conjunction with Kroger's financial results reported in accordance with GAAP.

The following table provides a reconciliation of net total debt.

	August 15, 2026	August 16, 2025	Change
Current portion of long-term debt including obligations under finance leases	$ 1,838	$ 827	$ 1,011
Long-term debt including obligations under finance leases	15,159	17,132	(1,973)
Total debt	16,997	17,959	(962)
Less: Temporary cash investments	1,475	4,668	(3,193)
Net total debt	$ 15,522	$ 13,291	$ 2,231

The following table provides a reconciliation from net earnings attributable to The Kroger Co. to adjusted EBITDA, as defined in the Company's credit agreement, on a rolling four quarter basis.

	ROLLING FOUR QUARTERS ENDED	
	August 15, 2026	August 16, 2025
Net earnings attributable to The Kroger Co.	$ 1,085	$ 2,727
LIFO charge	146	135
Depreciation and amortization	3,230	3,347
Net interest expense	661	586
Income tax expense	251	685
Adjustment for loss on investments	57	6
Adjustment for severance charge and related benefits	-	79
Adjustment for impairment of intangible assets	50	30
Adjustment for labor dispute charges	-	44
Adjustment for store closures	-	100
Adjustment for executive stock compensation for a former executive	-	(21)
Adjustment for merger-related costs (a)	-	361
Adjustment for merger-related litigation and settlement charges	63	136
Adjustment for property losses	-	25
Adjustment for opioid settlement charges and vendor reserves	(28)	(5)
Adjustment for gain on sale of Kroger Specialty Pharmacy	-	(79)
Adjustment for fulfillment network impairment and related charges	2,497	-
Adjustment for transformation costs (b)	119	-
Other	(9)	(14)
Adjusted EBITDA	$ 8,122	$ 8,142
Net total debt to adjusted EBITDA ratio	1.91	1.63

(a) Merger-related costs primarily include third-party professional fees and credit facility fees associated with the terminated merger with Albertsons Companies, Inc.

(b) Transformation costs primarily include costs related to third-party professional consulting fees associated with business transformation and cost saving initiatives.

Table 6. Net Earnings Per Diluted Share Excluding the Adjustment Items
(in millions, except per share amounts)
(unaudited)

The purpose of this table is to better illustrate comparable operating results from our ongoing business, after removing the effects on net earnings per diluted common share for certain items described below. Adjusted net earnings and adjusted net earnings per diluted share are useful metrics to investors and analysts because they present more accurately year-over-year comparisons for net earnings and net earnings per diluted share because adjusted items are not the result of normal operations. Items identified in this table should not be considered alternatives to net earnings attributable to The Kroger Co. or any other GAAP measure of performance. These items should not be reviewed in isolation or considered substitutes for the Company's financial results as reported in accordance with GAAP. Due to the nature of these items, as further described below, it is important to identify these items and to review them in conjunction with the Company's financial results reported in accordance with GAAP.

The following table summarizes items that affected the Company's financial results during the periods presented.

	SECOND QUARTER		YEAR-TO-DATE	
	2026	2025	2026	2025
Net earnings attributable to The Kroger Co.	$ 641	$ 609	$ 1,543	$ 1,475
Adjustment for gain on investments (a)(b)	(26)	(43)	(16)	(28)
Adjustment for labor dispute charges (a)(c)	-	-	-	33
Adjustment for store closures (a)(d)	-	-	-	77
Adjustment for executive stock compensation for a former executive (a)(e)	-	-	-	(16)
Adjustment for merger-related litigation and settlement charges (a)(f)	9	92	29	102
Adjustment for opioid settlement charges and vendor reserves (a)(g)	-	-	-	17
Adjustment for severance charge and related benefits (a)(h)	-	37	-	37
Adjustment for transformation costs (a)(i)	43	-	91	-
Executive stock compensation for a former executive income tax adjustment	-	-	-	(7)
2026 and 2025 Adjustment Items	26	86	104	215
Net earnings attributable to The Kroger Co. excluding the adjustment items above	$ 667	$ 695	$ 1,647	$ 1,690
Net earnings attributable to The Kroger Co. per diluted common share	$ 1.05	$ 0.91	$ 2.51	$ 2.20
Adjustment for gain on investments (j)	(0.04)	(0.06)	(0.03)	(0.04)
Adjustment for labor dispute charges (j)	-	-	-	0.05
Adjustment for store closures (j)	-	-	-	0.12
Adjustment for executive stock compensation for a former executive (j)	-	-	-	(0.03)
Adjustment for merger-related litigation and settlement charges (j)	0.01	0.14	0.04	0.16
Adjustment for opioid settlement charges and vendor reserves (j)	-	-	-	0.03
Adjustment for severance charge and related benefits (j)	-	0.05	-	0.05
Adjustment for transformation costs (j)	0.07	-	0.15	-
Executive stock compensation for a former executive income tax adjustment (j)	-	-	-	(0.01)
2026 and 2025 Adjustment Items	0.04	0.13	0.16	0.33
Net earnings attributable to The Kroger Co. per diluted common share excluding the adjustment items above	$ 1.09	$ 1.04	$ 2.67	$ 2.53
Average number of common shares used in diluted calculation	608	665	612	664

Table 6. Net Earnings Per Diluted Share Excluding the Adjustment Items (continued)
(in millions, except per share amounts)
(unaudited)

(a) The amounts presented represent the after-tax effect of each adjustment.

(b) The pre-tax adjustments for gain on investments were \$(34) and \$(56) in the second quarters of 2026 and 2025, respectively. The year-to-date pre-tax adjustments for gain on investments were \$(20) and \$(37) on the first two quarters of 2026 and 2025, respectively.

(c) The pre-tax adjustments to Sales, COGS and OG&A expenses for labor dispute charges were \$44.

(d) The pre-tax adjustment to OG&A expenses for store closures was \$100.

(e) The pre-tax adjustment to OG&A expenses for executive stock compensation for a former executive was \$(21).

(f) The pre-tax adjustments to OG&A expenses for merger-related litigation and settlement charges were \$13 and \$121 in the second quarters of 2026 and 2025, respectively. The year-to-date pre-tax adjustments to OG&A expenses for merger-related litigation and settlement charges were \$38 and \$136 for the first two quarters of 2026 and 2025, respectively.

(g) The pre-tax adjustment to OG&A expenses for opioid settlement charges and vendor reserves was \$22.

(h) The pre-tax adjustment to OG&A expenses for severance charge and related benefits was \$47.

(i) The pre-tax adjustment to OG&A expenses for transformation costs was \$56 in the second quarter of 2026. The year-to-date pre-tax adjustment to OG&A expenses for transformation costs was \$119 for the first two quarters of 2026. Transformation costs primarily include costs related to third-party professional consulting fees associated with business transformation and cost saving initiatives.

(j) The amounts presented represent the net earnings (loss) per diluted common share effect of each adjustment.

Note: 2026 Second Quarter Adjustment Items include adjustments for the gain on investments, merger-related litigation and settlement charges and transformation costs.

2026 Adjustment Items include the Second Quarter Adjustment Items plus the adjustments that occurred in the first quarter of 2026 for loss on investments, merger-related litigation costs and transformation costs.

2025 Second Quarter Adjustment items include adjustments for the gain on investments, merger-related litigation and settlement charges and the severance charge and related benefits.

2025 Adjustment Items include the Second Quarter Adjustment Items plus the adjustments that occurred in the first quarter of 2025 for the loss on investments, labor dispute charges, store closures, executive stock compensation for a former executive, merger-related litigation costs, opioid settlement charges and vendor reserves and executive stock compensation for a former executive income tax.

Table 7. Operating Profit Excluding the Adjustment Items
(in millions)
(unaudited)

The purpose of this table is to better illustrate comparable operating results from our ongoing business, after removing the effects on operating profit for certain items described below. Adjusted FIFO operating profit is a useful metric to investors and analysts because it presents more accurately year-over-year comparisons for operating profit because adjusted items are not the result of normal operations. Items identified in this table should not be considered alternatives to operating profit or any other GAAP measure of performance. These items should not be reviewed in isolation or considered substitutes for the Company's financial results as reported in accordance with GAAP. Due to the nature of these items, as further described below, it is important to identify these items and to review them in conjunction with the Company's financial results reported in accordance with GAAP.

The following table summarizes items that affected the Company's financial results during the periods presented.

	SECOND QUARTER		YEAR-TO-DATE	
	2026	2025	2026	2025
Operating profit	$ 971	$ 863	$ 2,378	$ 2,185
LIFO charge	39	62	91	102
FIFO operating profit	1,010	925	2,469	2,287
Adjustment for labor dispute charges	-	-	-	44
Adjustment for store closures	-	-	-	100
Adjustment for executive stock compensation for a former executive	-	-	-	(21)
Adjustment for merger-related litigation and settlement charges	13	121	38	136
Adjustment for opioid settlement charges and vendor reserves	-	-	-	22
Adjustment for severance charge and related benefits	-	47	-	47
Adjustment for transformation costs (a)	56	-	119	-
Other	(3)	(2)	(6)	(5)
2026 and 2025 Adjustment items	66	166	151	323
Adjusted FIFO operating profit excluding the adjustment items above	$ 1,076	$ 1,091	$ 2,620	$ 2,610

(a) Transformation costs primarily include costs related to third-party professional consulting fees associated with business transformation and cost saving initiatives.

Table 8. Gross Margin
(in millions, except percentages)
(unaudited)

In the Consolidated Statements of Operations within Table 1, the Company separately presents rent and depreciation and amortization to evaluate operational effectiveness. The table below calculates gross margin in accordance with Generally Accepted Accounting Principles ("GAAP") by including a portion of rent and depreciation and amortization related to the Company's manufacturing and warehousing and transportation activities.

The following table provides the calculation of gross profit and gross margin in accordance with GAAP.

	SECOND QUARTER		YEAR-TO-DATE	
	2026	2025	2026	2025
Sales	$ 34,621	$ 33,940	$ 80,742	$ 79,058
Merchandise costs, including advertising, warehousing and transportation and LIFO charge, excluding rent and depreciation and amortization	26,763	26,130	62,256	60,681
Rent	12	13	29	31
Depreciation and amortization	96	151	235	344
Gross profit	$ 7,750	$ 7,646	$ 18,222	$ 18,002
Gross margin	22.4%	22.5%	22.6%	22.8%