Welcome

Investor Conference

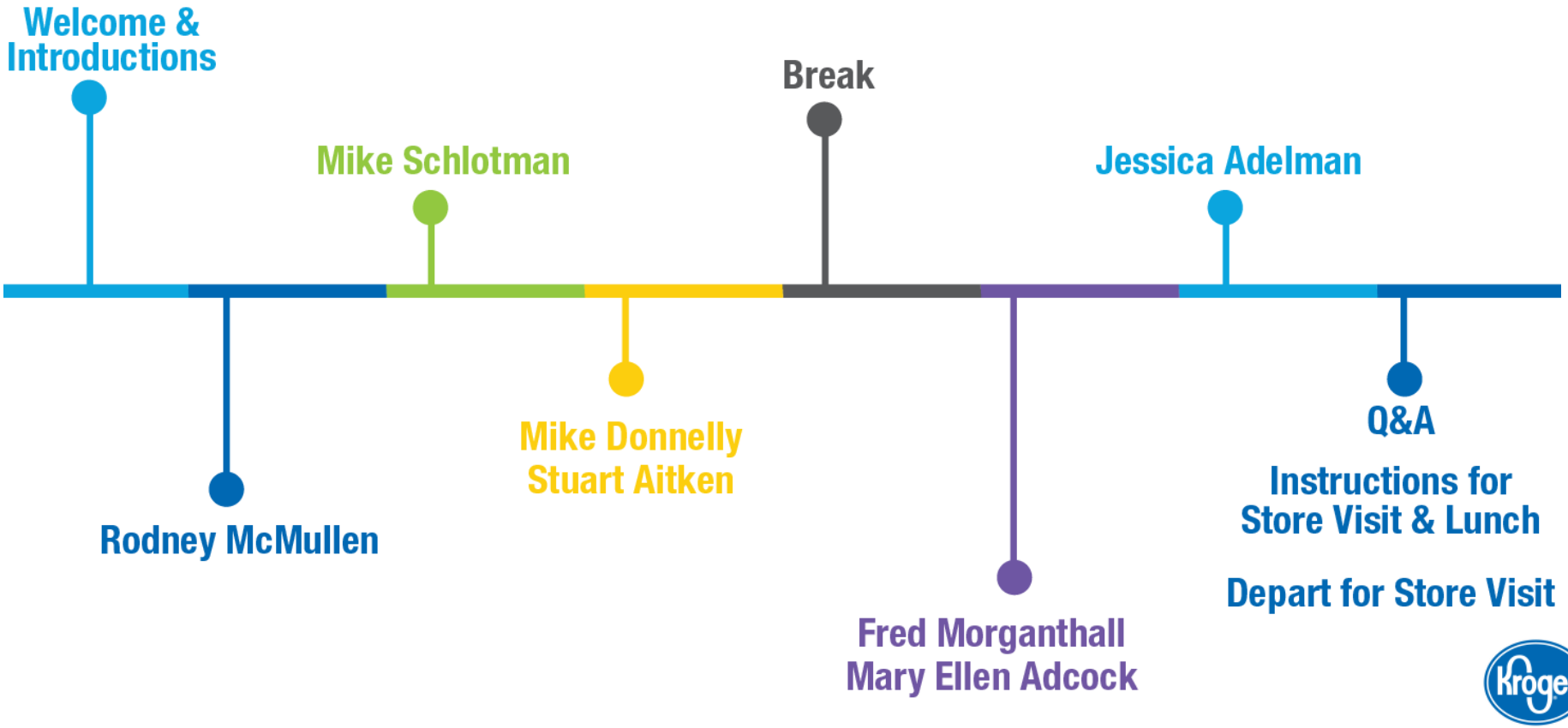
2016



Forward-looking statements

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

Agenda


Welcome & Introductions
Rodney McMullen
Mike Schlotman
Mike Donnelly
Stuart Aitken
Break
Fred Morganthall
Mary Ellen Adcock
Jessica Adelman
Q&A
Instructions for Store Visit & Lunch
Depart for Store Visit

Confirming guidance

- ID supermarket sales growth, excluding fuel, for the **remainder of 2016 to be in the 0.5% to 1.5%** range.
  - 1.4% to 1.8% for the full year.
- **Net earnings of $2.03 to $2.13 per diluted share.** Adjusted net earnings per diluted share guidance range is $2.10 to $2.20.
  - Excludes the $0.07 charge from our commitment to restructure certain multi-employer pension obligations.

Rodney McMullen

Chairman & Chief Executive Officer





Worked hard.
Done well.
Will do better!

Fork in the road



$1.5 trillion spent on food in the U.S.!











Accelerating change

Accelerate our progress to match the speed of change.



Challenging…

But in OUR hands

We have built the foundation, and have more work to do… we're up for the challenge.





431,000 Associates 1 team

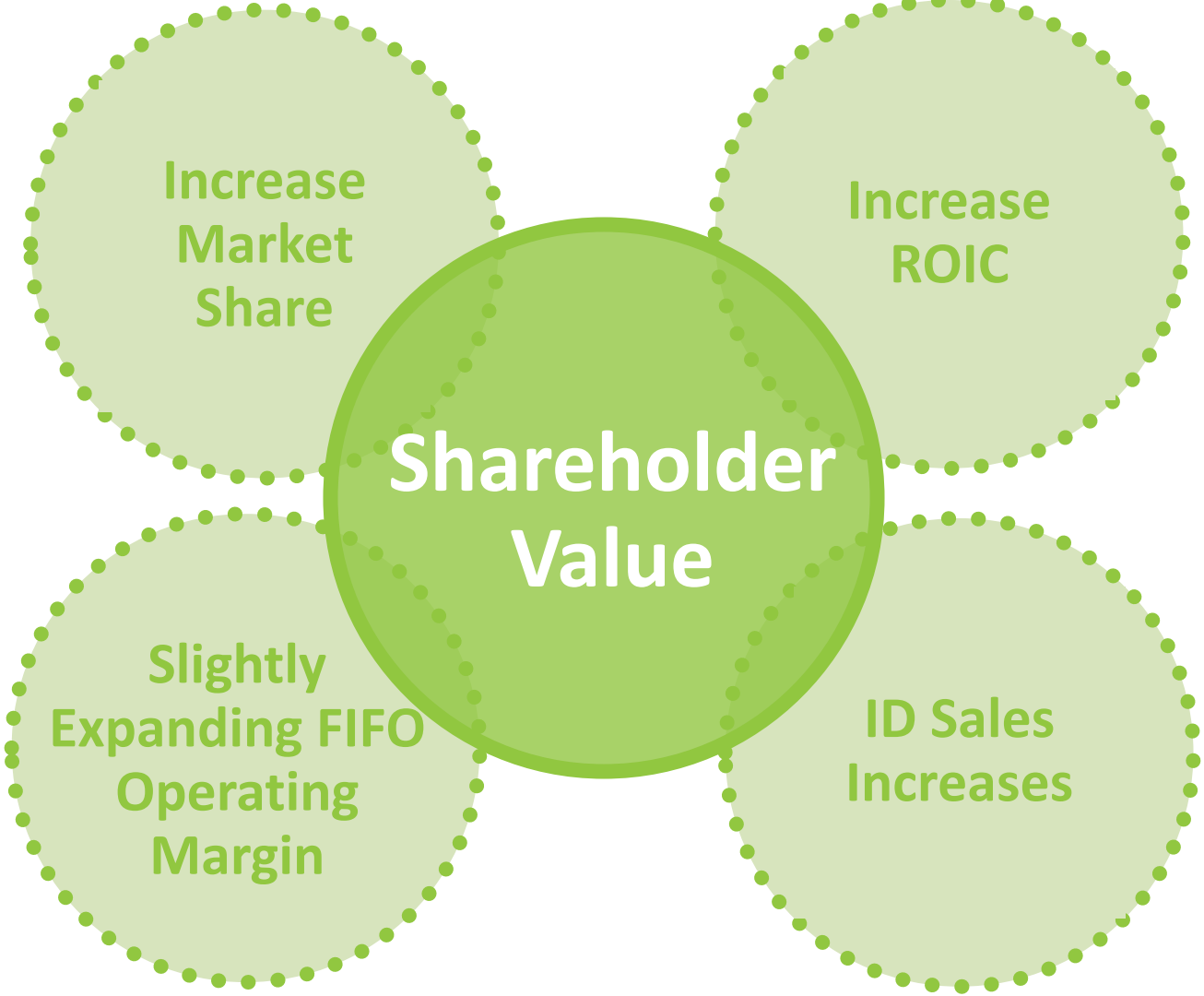
- Strong, focused leadership
- Diverse, and a drive to succeed
- Customer first, every day

500+ ClickList locations



Mike Schlotman

Executive Vice President, Chief Financial Officer


Increase Market Share
Increase ROIC
Shareholder Value
Slightly Expanding FIFO Operating Margin
ID Sales Increases



Roundy's Update

- Management team
- Remodels
- System conversions

ROUNDY'S®

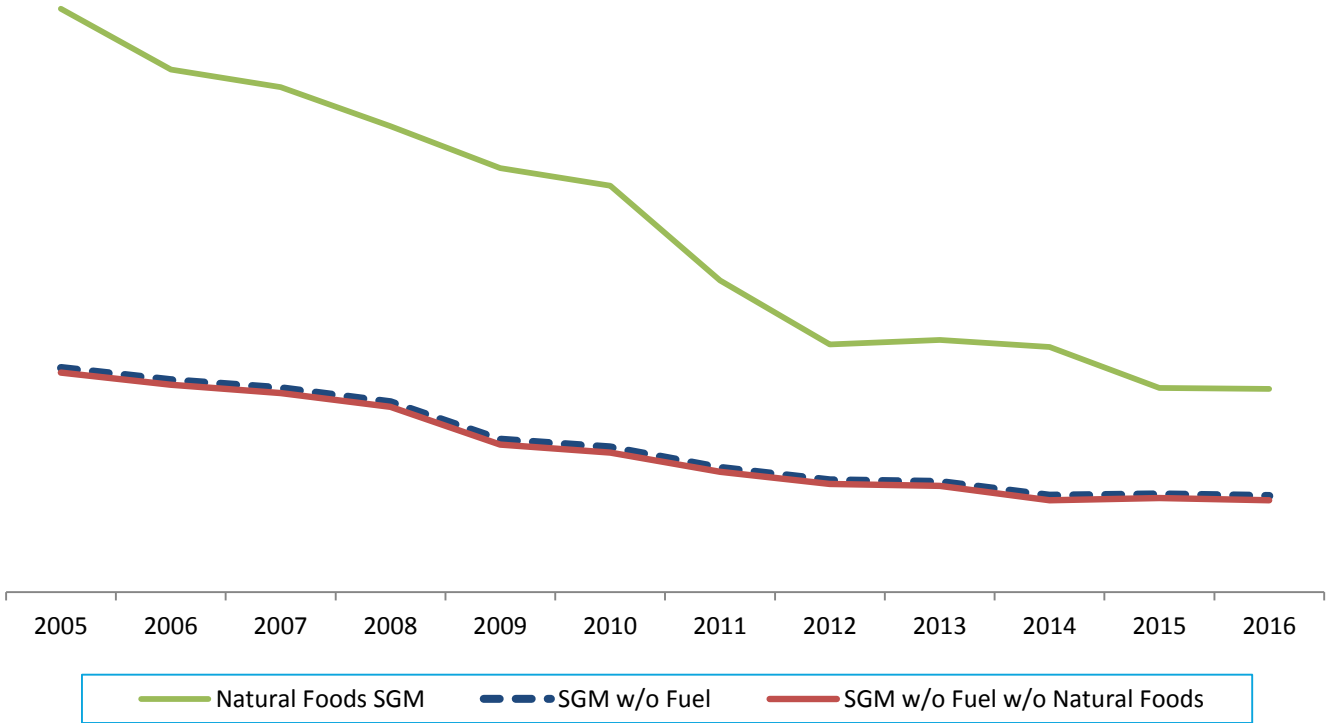
Pick 'n Save

metro market

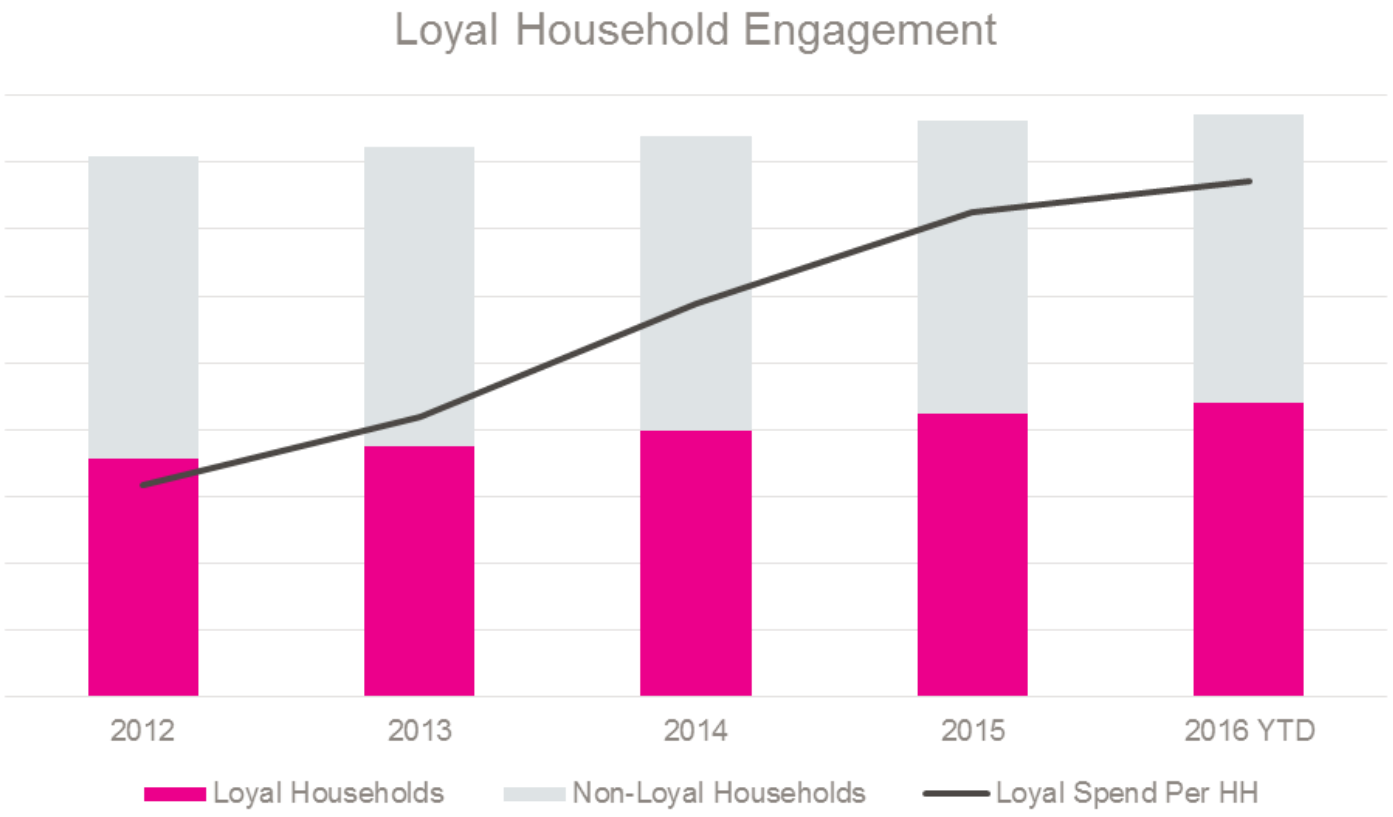
MARIANO'S

Kroger

Selling Gross Profit Margin



LOYAL HOUSEHOLDS ARE GROWING AS A PERCENTAGE OF TOTAL





Quevision

- $85M capital investment
- $1M ongoing costs
- 3 ½ minute reduction in wait time
- $250M labor cost avoidance

Capital Spend

	2012	2016E
Major Project Spend	558,000	1,689,000
Major Project Count	44	85
Major Remodel Spend	352,000	480,000
Minor Remodel/Fuel/Misc. (incl. ClickList)	535,000	880,000
Technology/Digital	175,000	300,000
Logistics & Manufacturing	206,000	355,000
Other	166,000	196,000
Total CAPEX	1,992,000	3,900,000
HT	-	255,000
Roundys	-	130,000
Total CAPEX (w/o HT & Roundy's)	1,992,000	3,515,000

*Capital spend breakout estimate is representative of the upper end of the 2016 guidance range of $3.6-3.9B

Project Counts

	2013	2014	2015	2QTD	2016E
New	17	33	31	20	50
Acquired	227	0	159		
Relocations	7	12	12	8	20
Total Stores Opened	251	45	202	28	70
Expansions	18	21	28	6	15
Major Projects	269	66	230	34	85
Major Projects (excl. acquisitions)	42	66	71	34	85
Operational Closures	<28>	<48>	<37>	<17>	
Ending # Stores	2,640	2,625	2,778	2,781	
Major Remodels (>$20/sq ft)	158	156	183		150-170
Minor Remodels (<$20/sq ft)	190	221	246		

Mike Donnelly & Stuart Aitken

Executive Vice President, Merchandising

President & CEO, 84.51



Customer 1st Journey

2002
dunnhumby

2004
Pricing

2004
Customer 1st Strategy

2005
Loyal Customer Mailer

2008
Assortment

2010
Fuel Rewards

2012
2.0 Mobile App

2013
Digital Personalization

2014
My Magazine

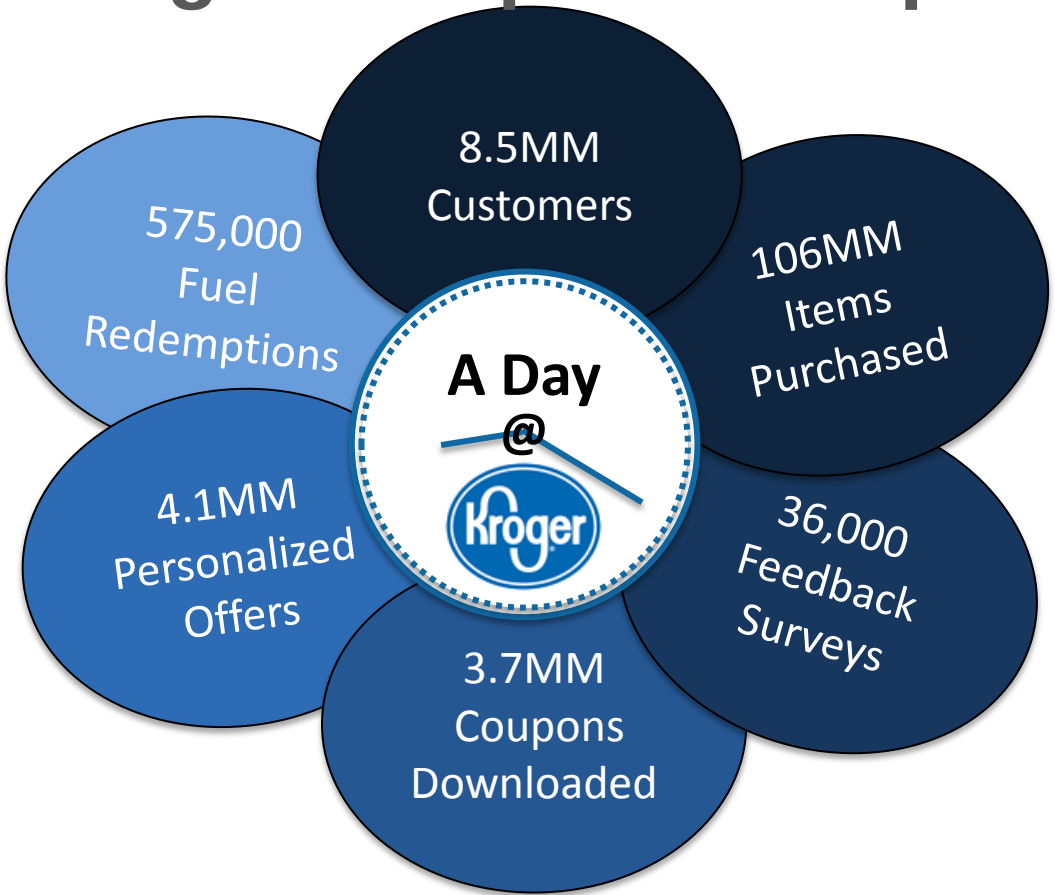
2014
YOU Technology

2015
84.51°

2015
ClickList
Order Online...PICK UP at Store.

2016
Market6

Each day, customers interact with us through multiple touch points



Customers are changing our world through data

“Information is the oil of the 21st century, and analytics is the combustion engine.”

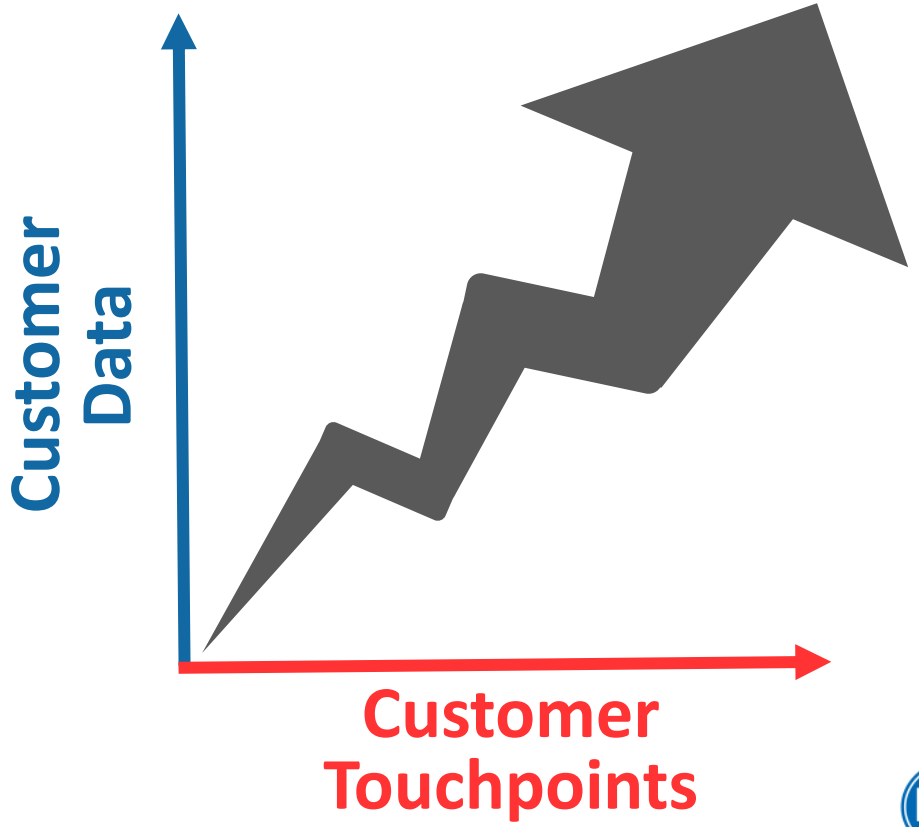
Peter Sondergaard

Gartner



Explosive customer opportunities for growth

- More touchpoints to reach customers with new channels and offerings
- New data sources are created through emerging technology and science
- Synergy between the two drives exponential growth and differentiation



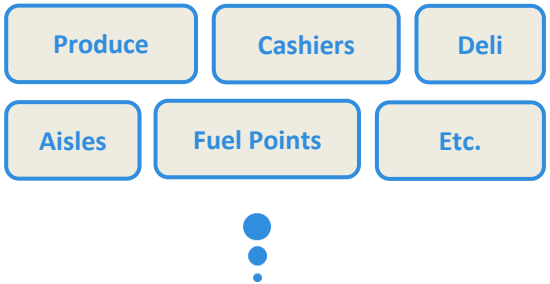
Listening to customers uncovers opportunity



Kroger receives valuable feedback from millions of customer surveys every year.



Natural language processing and machine learning are used to mine open-ended responses.



Resulting topic clusters provide actionable insights on strengths and opportunities.



Using Insights to Drive Change

Responding to customers and moving **fast**

Spotting customer trends drives category growth



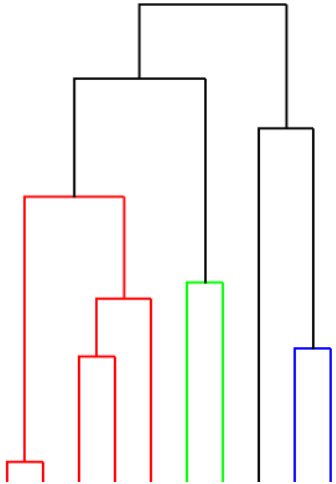
Innovation led by listening to customers

simple truth™

Focused investments allow us to create unique customer experiences



Customer focus informs meaningful change



Uncover customer needs for the category



Focus on Loyalty and winning the basket

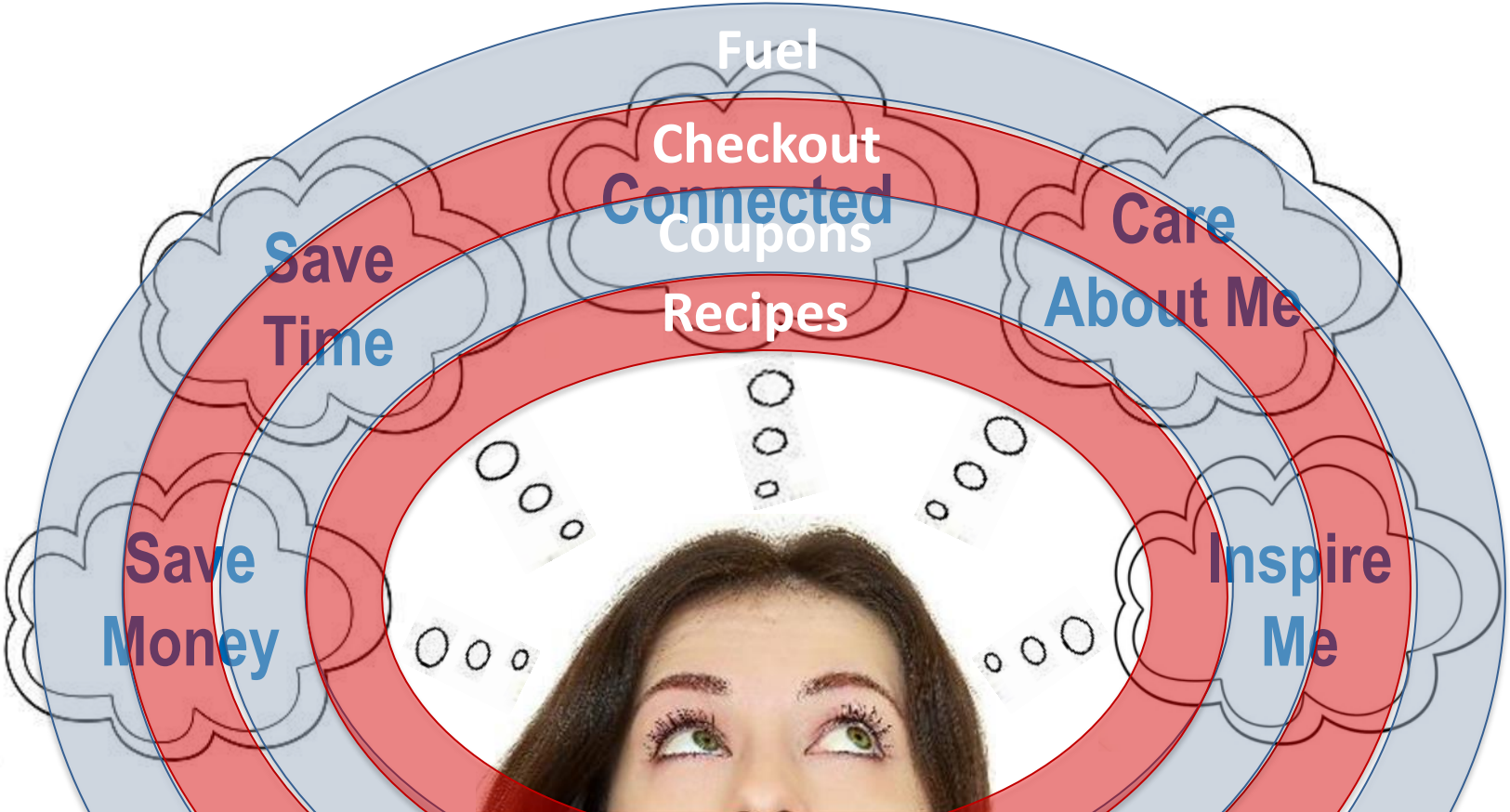


Rationalize assortment and shelve new products



Personalization that Is Truly Personal

Journey to personalization

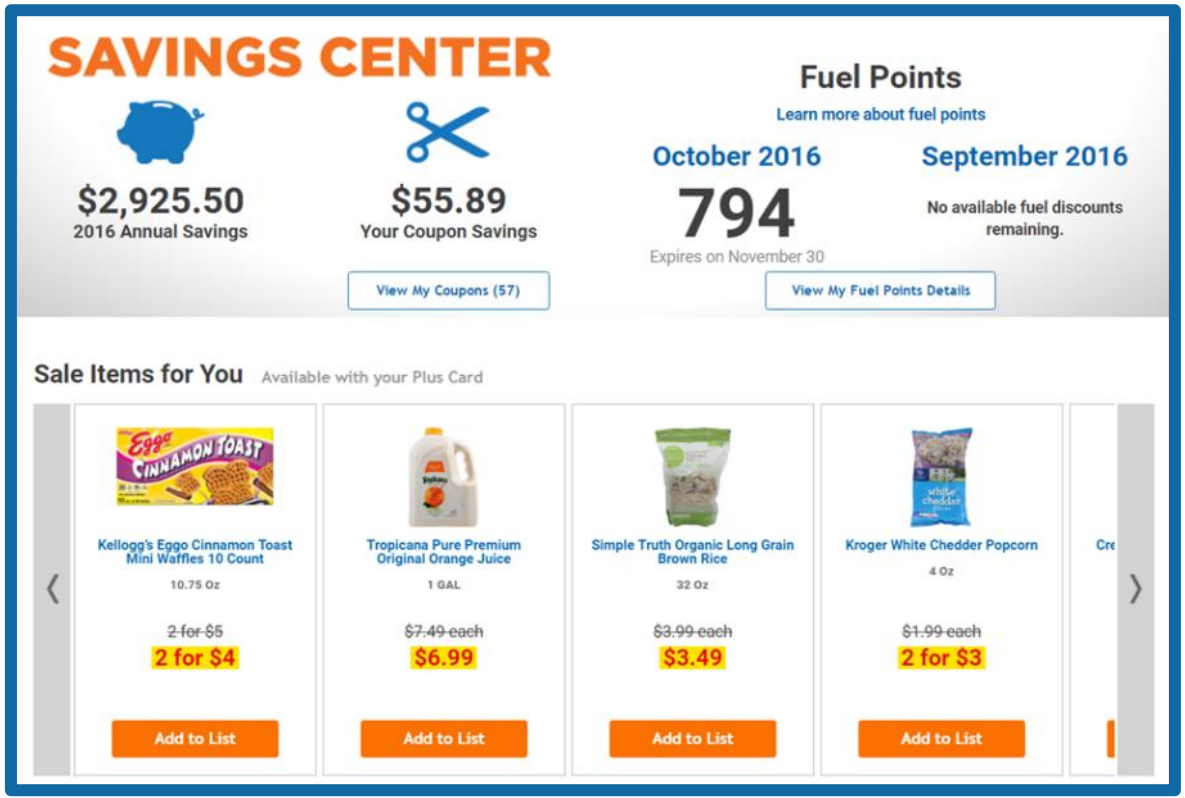


Reach customers with rich, relevant content



- Tailored content and offers designed to inspire and inform
- Digital and traditional versions to support multi-channel

Everyday personalized customer experience

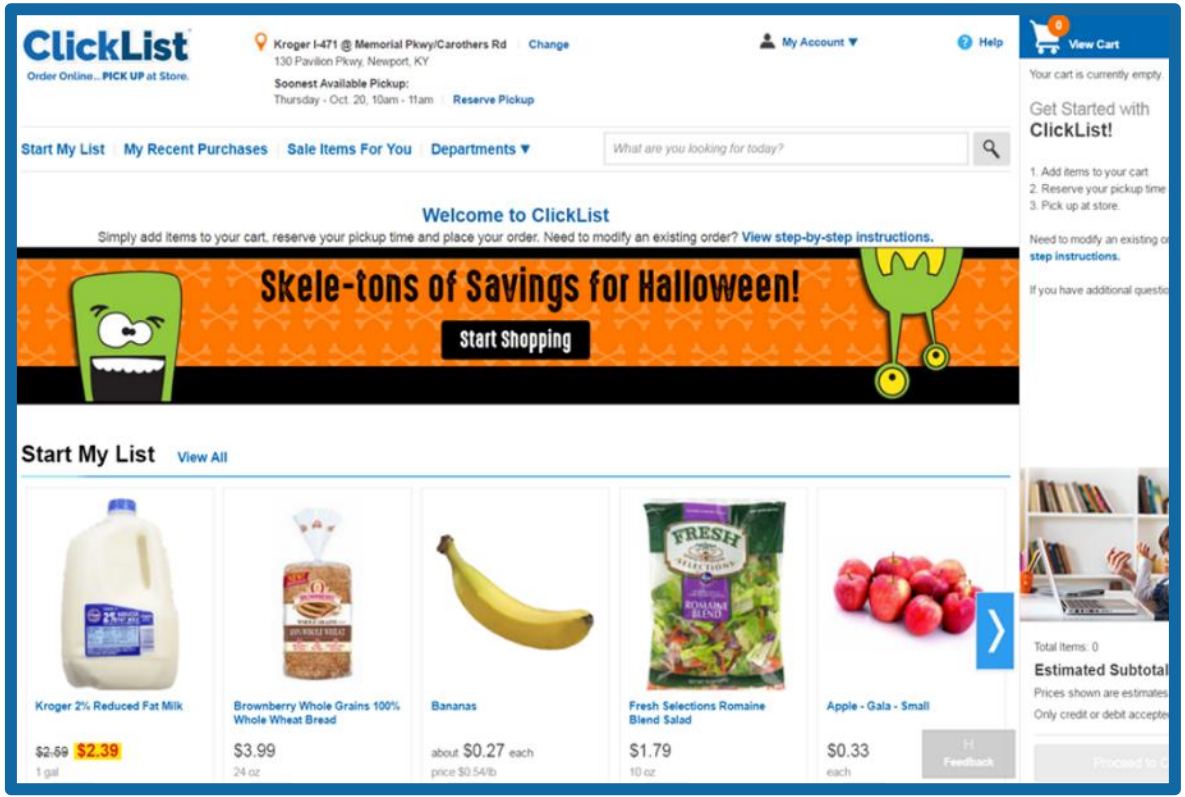


Personalization to save money and time

- Yellow Tag Sales Items
- Digital Coupons
- Weekly Ad Items
- Predictive Shopping Lists

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

Everyday personalized customer experience



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We are ready for today and tomorrow



Listening to customers

Creating great experiences

Driving Loyalty

Fred Morganthall & Mary Ellen Adcock

Executive Vice President

Group Vice President


Strong ID
Sales Growth
Operating
Cost
Leverage
Invest in
Shopping Experience
Improve
Connection
with
Customers
Customer
1st

Process change & productivity





Process change & productivity



Shrink & In-Stock



Jessica Adelman

Group Vice President
Corporate Affairs

A Strong Reputation with our Customers

80%

- Kroger is a good corporate citizen
- Kroger has a good reputation in the community



Next Generation Customer

91%

Of millennials would switch brands to one associated with a cause

62%

Of millennials willing to take a pay cut to work for a responsible company



- 2016 Cone Survey

Kroger Corporate Affairs Strategy



LICENSE TO OPERATE:

Advance License to Operate



COMMUNITY ENGAGEMENT:

Uplift Our Communities

Corporate Affairs enhances & protects Kroger's reputation by elevating our unique story



SUSTAINABILITY & NEW HORIZONS:

Conscientiously Drive Sustainability and Innovation in the Supply Chain



ASSOCIATE ENGAGEMENT:

Connect people to Our Purpose & Strategy


We connect
people to our
purpose
& strategy
Kroger



1 billion meals donated

...over the last 4 years.

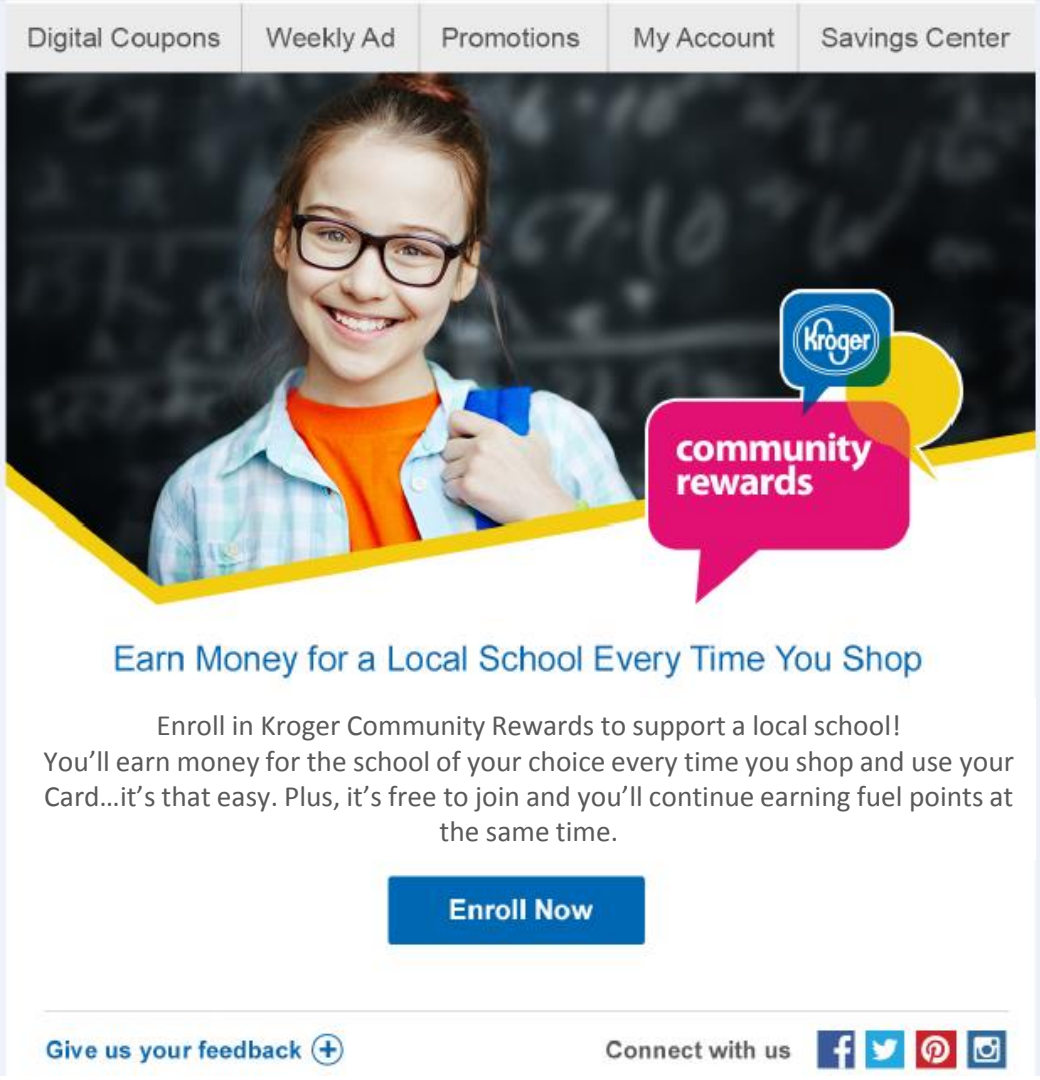
As a founding member of Feeding America®, The Kroger Family of Companies works daily with over 100 local food banks to bring help and hope to our neighbors in need.

Kroger.com/Community

FEEDING AMERICA VISIONARY PARTNER

Meals Matter





Community Rewards

We support more than **145,000 local organizations** to strengthen our communities

We allow our Customers to decide where our community funds are spent – just by shopping with us

sustainability
Improving today to protect tomorrow.



31 Manufacturing Plants are Zero Waste



Energy consumption down by 35%

Dow Jones Sustainability Indexes

1 of 2 companies in the industry to make DJSI

Improving Today to Protect Tomorrow

Kroger

FORTUNE

Kroger Has an Incredibly Ambitious Plan to go Green

by Michal Addady @michal_addady JULY 7, 2016, 3:47 PM EDT

Justmeans
Business. Better.SM

Responsible Food Sourcing and Green Innovation: Kroger's 2020 Plan



Kroger

First-Ever Supply Chain Partnership Award





Thank you!

