

Investor Conference

October 11, 2017

Forward-looking Statement



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



Reaffirm Fiscal 2017 Guidance



- **Identical supermarket sales growth of 0.5 to 1.0%**, excluding fuel, for the remainder of fiscal 2017.
- **Fiscal 2017 net earnings of $1.74 to $1.79** per diluted share, including an estimated $.09 for the 53rd week.
- **Fiscal 2017 adjusted net earnings of $2.00 to $2.05** per diluted share, including the 53rd week and excluding charges related to the withdrawal liability for certain multi-employer pension funds and a voluntary retirement offering (the “2017 adjustment items”).
- **Full-year FIFO operating margin to decline approximately 30-40 basis points compared to 2016 results**, excluding fuel, the 2017 adjustment items and the 2016 restructuring of certain multi-employer pension obligations.



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

2018 Commentary



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





Restock Kroger

October 11, 2017

Agenda



I. Introduction

II. Taking Stock

III. Restock Kroger Plan

IV. Investment Thesis



Introduction



Taking Stock



Taking Stock



Great Strengths

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



Strong Foundation



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



Taking Stock



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

Outside Forces:

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

Internal Reflection:

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



Restock Kroger Plan



Restock Kroger Plan



Serving America through food inspiration and uplift

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



- Create Shareholder Value

Restock Kroger Plan



Serving America through food inspiration and uplift

Redefine Grocery CX

- Data & Personalization
- Digital
- Space Optimization
- Our Brands
- Smart pricing

Partner for Customer Value

- Infrastructure & technology upgrades
- COGS
- Alternative revenue streams

Develop Talent

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

Live Our Purpose

- Zero Hunger | Zero Waste

Create Shareholder Value

- Free cash flow
- Operating margins





Redefine Grocery Customer Experience

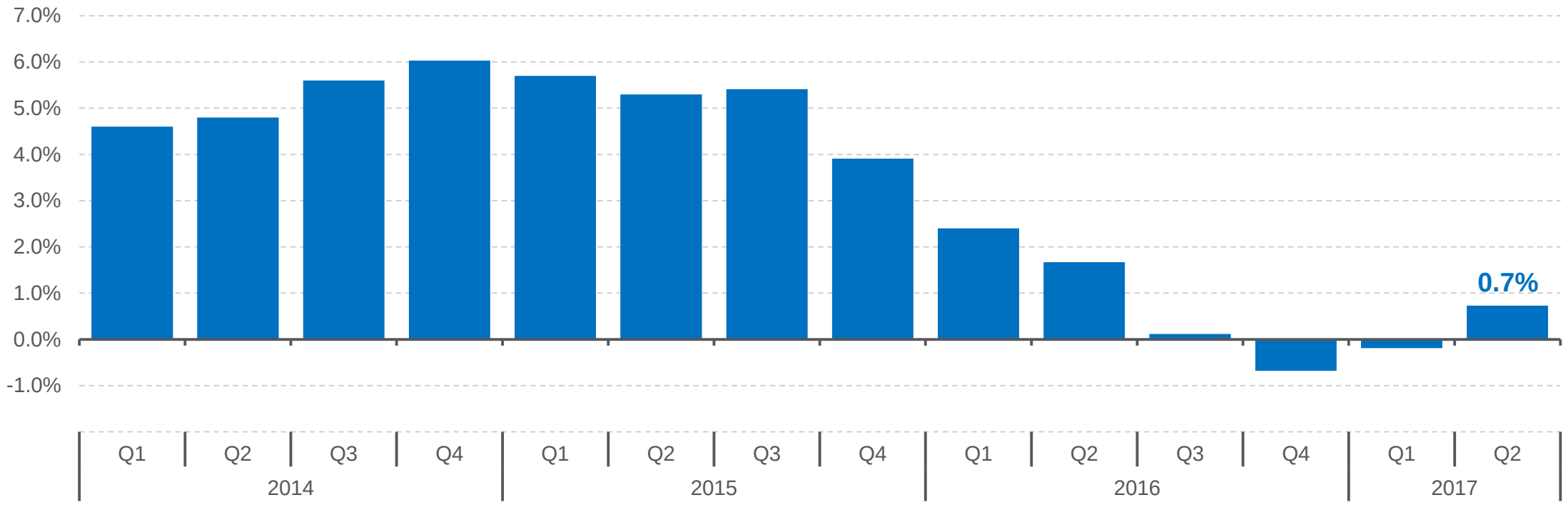


Market and Customer Trends

Identical Stores Sales Rebound



Quarterly Identical Store Sales
Without fuel

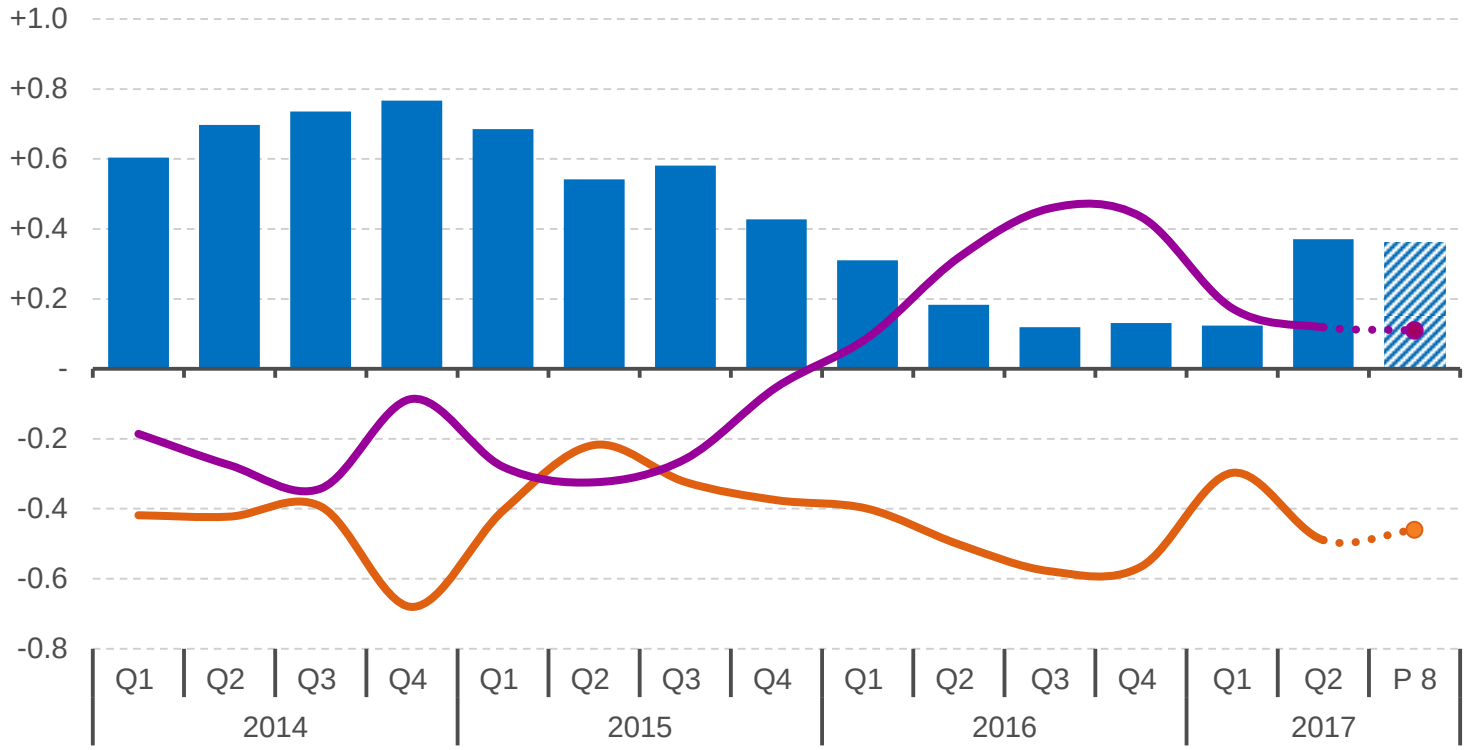




Momentum Builds With Market Share Gains

Year on Year Market Share Dollars

IRI POS+, Kroger Marketing Areas



Kroger

Non Food Channel →

Size of Non Food Channel is Over

$150BN

Not including Rx, Fuel, and most of GM…

Remaining Food Channel →

Size of Remaining Food Channel is Over

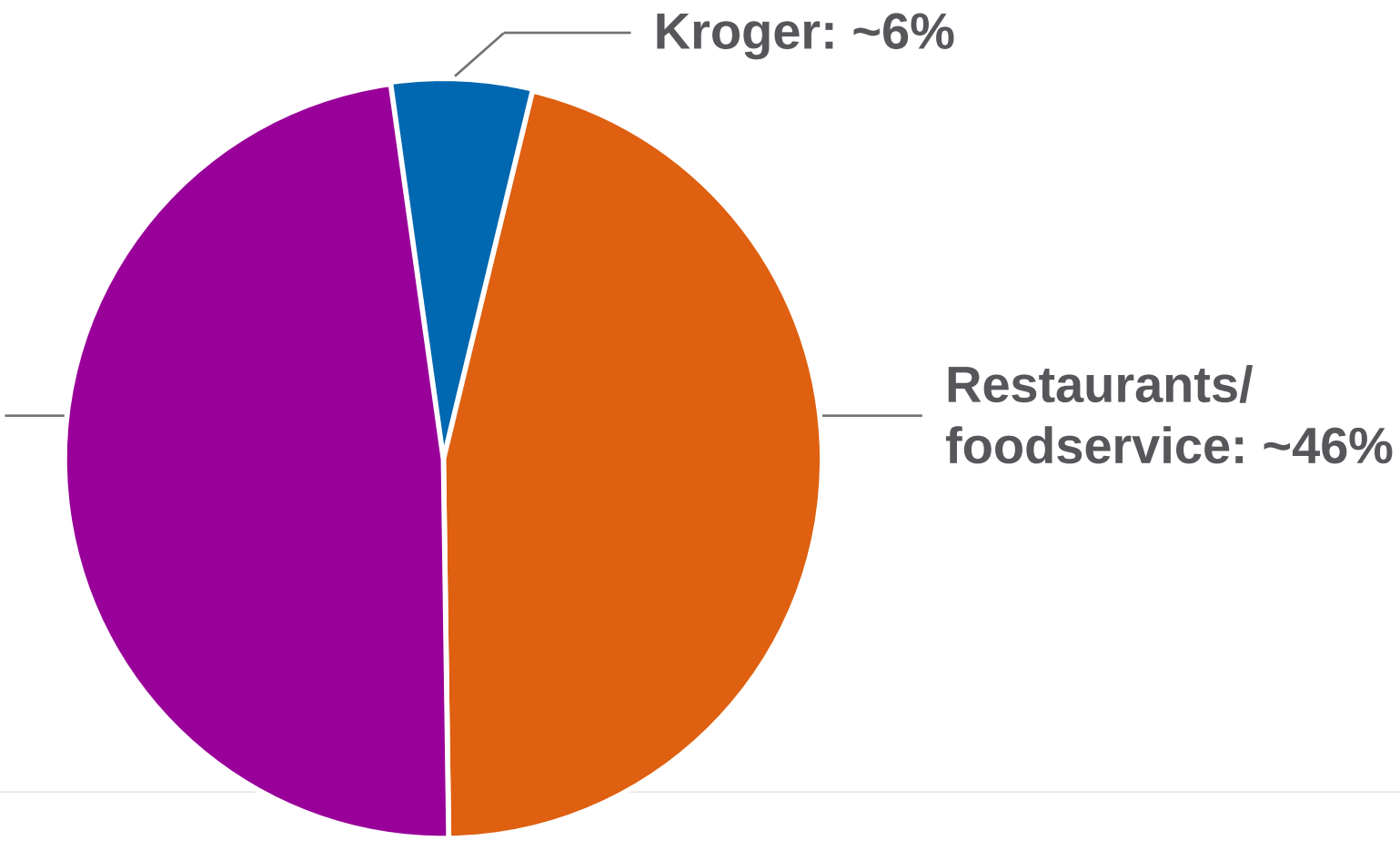
$120BN

Not including Rx, Fuel, and most of GM…

Source: IRI

More Opportunity in Food Away From Home

Edible Market Share in the U.S.



Internal sources

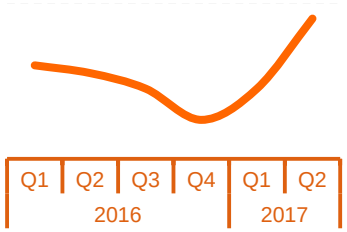
IDs Driven By Strong Customer Growth…



All Households

+1.8%

YoY in Q2

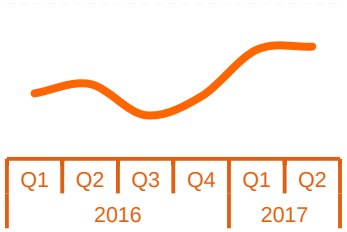


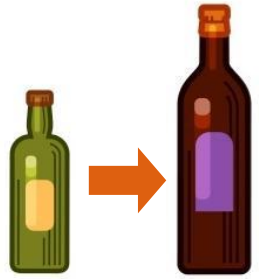


Loyal Households

+3.6%

YoY in Q2





Spend per item up

+1.1%

YoY in Q2

Product mix	Active Retail
1.5% YoY	**-0.6%** YoY

Strong Growth Areas In Store



Produce

High ID sales growth

High market share growth



Fresh Prepared

High ID sales growth

High market share growth



Natural & Organics

Double-digit ID sales growth

High market share growth

ClickList

Curbside Pickup

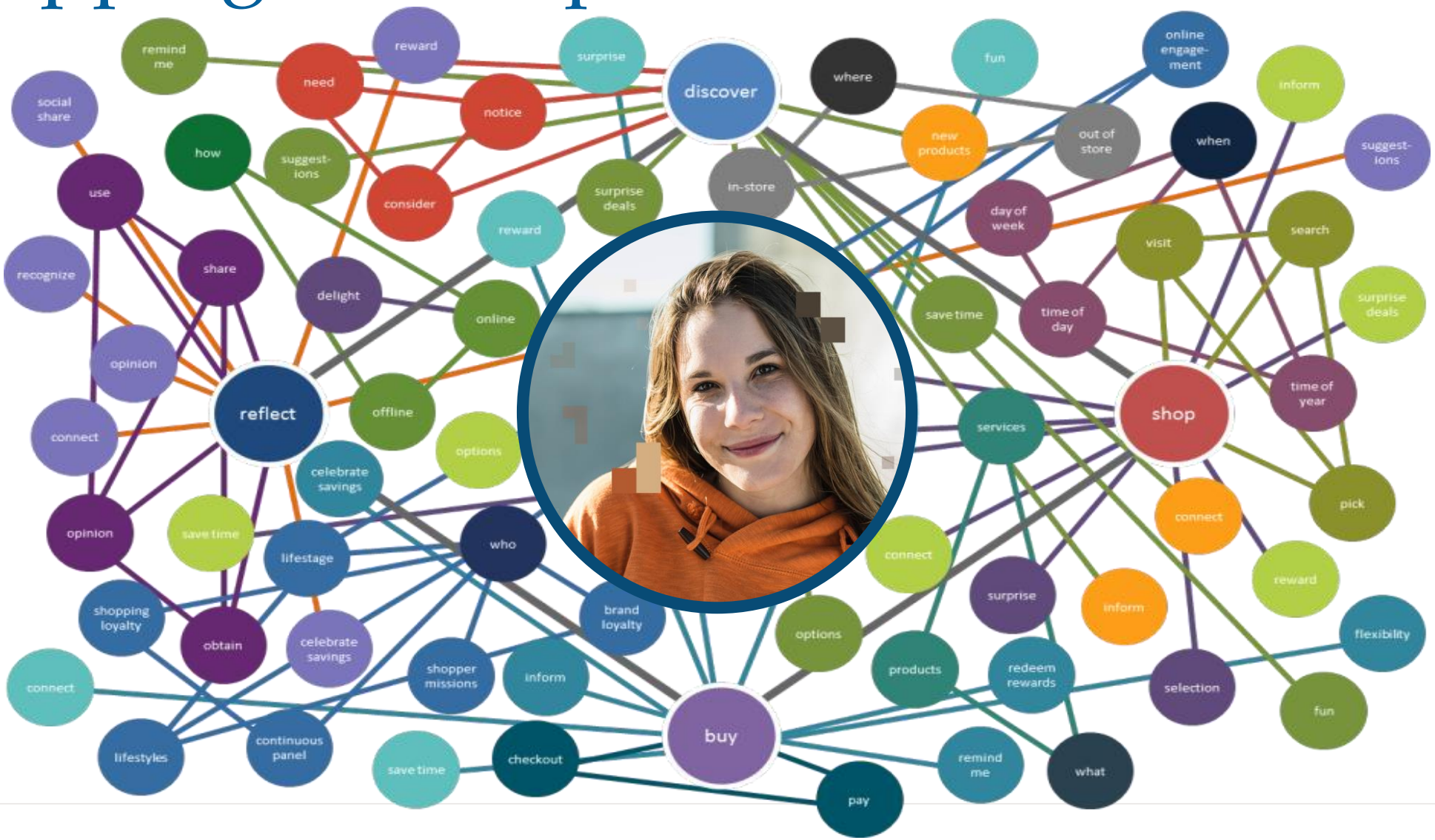
High double-digit ID

Sales growth



Our Differentiators – Data & Science

Shopping Is Complicated



Personal Is Only "P" That Matters



Product: Brand – Product – Solution

Price: Competitive – Segmented – Personalized

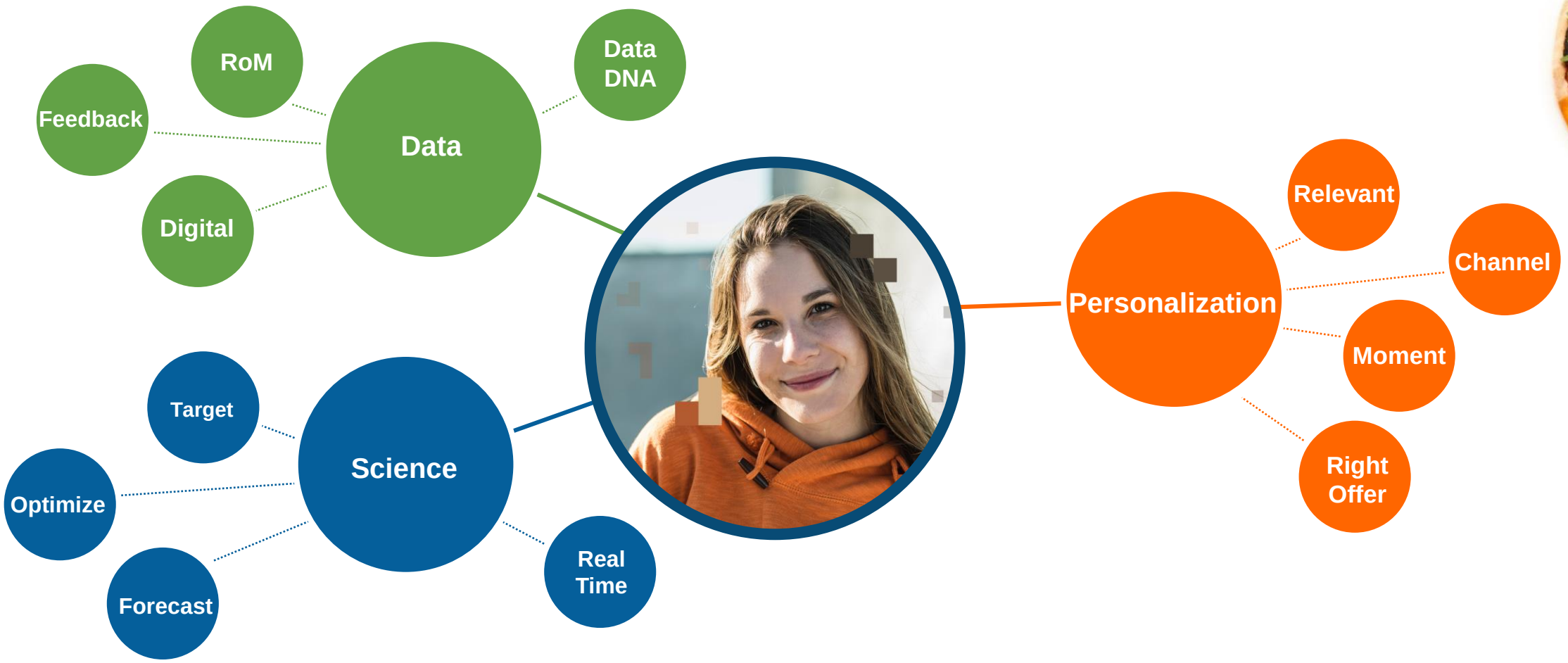
Place: Location – Channel - Anywhere

Promotion: Push – Reactive – Responsive

Data And Science Drive The Model







Seeing Customers In Data

Behaviors

Retail data
Payment data

Tracking and
Clickstream data

Mobile data

Location data

Influences

Media data

Social data

Response data

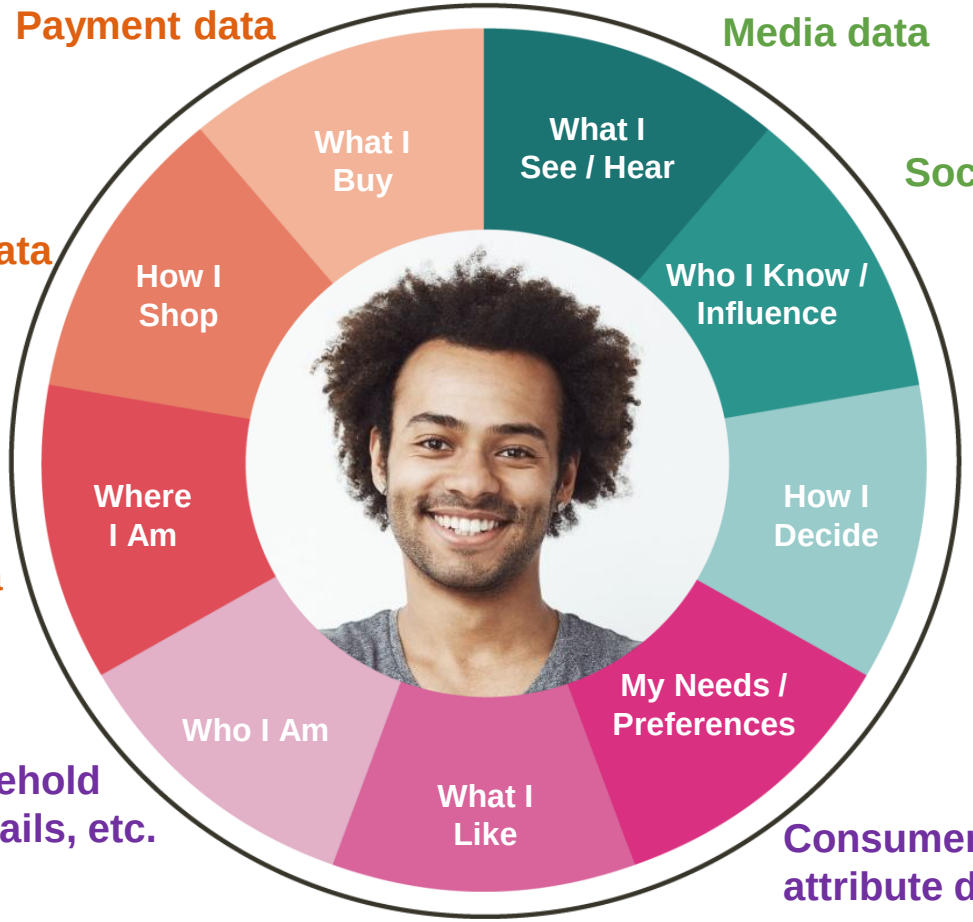
Network and sentiment

Consumer
attribute data

Motivations

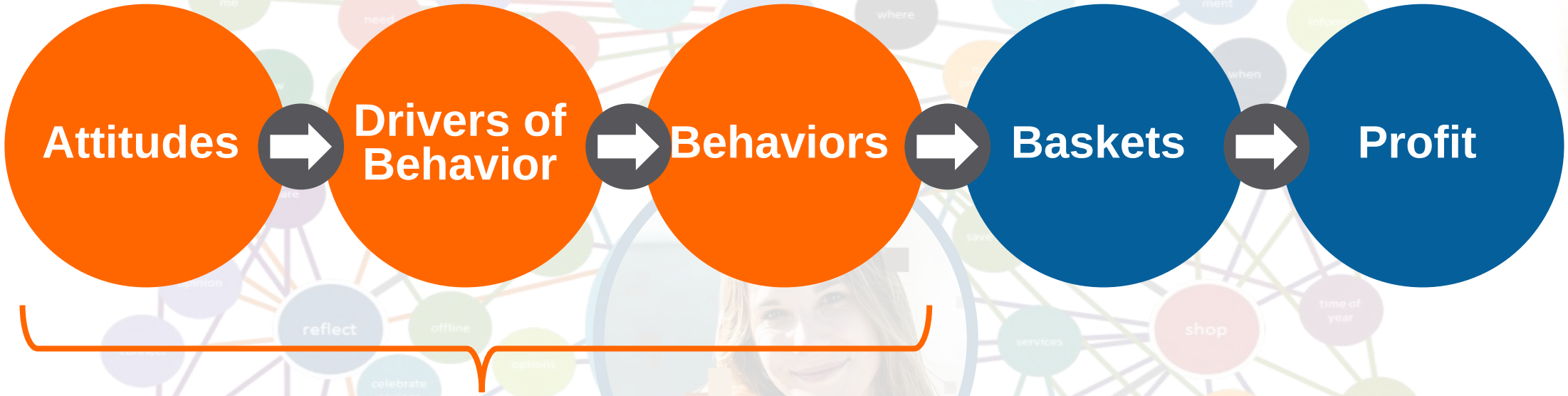
Life-stage, household
size, contact details, etc.

Product attributes, reviews,
context, derived needs



We Use Science & A Different Lens





We focus on being relevant to customers through their behaviors and needs



Customers Have Core Needs to Address

That Go Beyond the Functional. Customers are also Looking for Emotional Connection



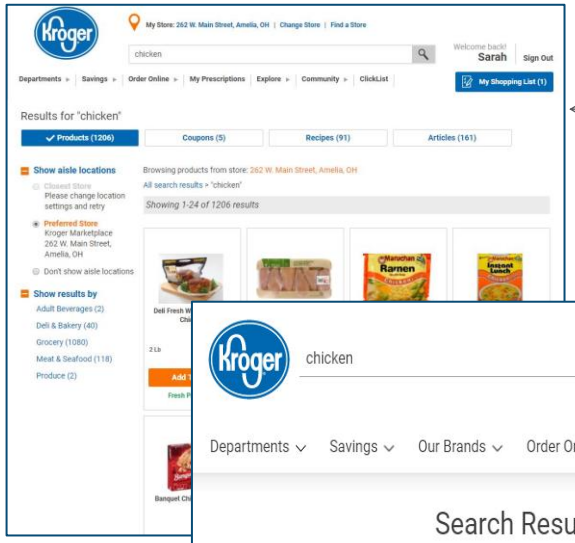
To Create Different Experiences

NEED

SAVE ME TIME

Sub-Dimensions

- Quick Food Preparation
- Shopability
- Stock Up
- . . .

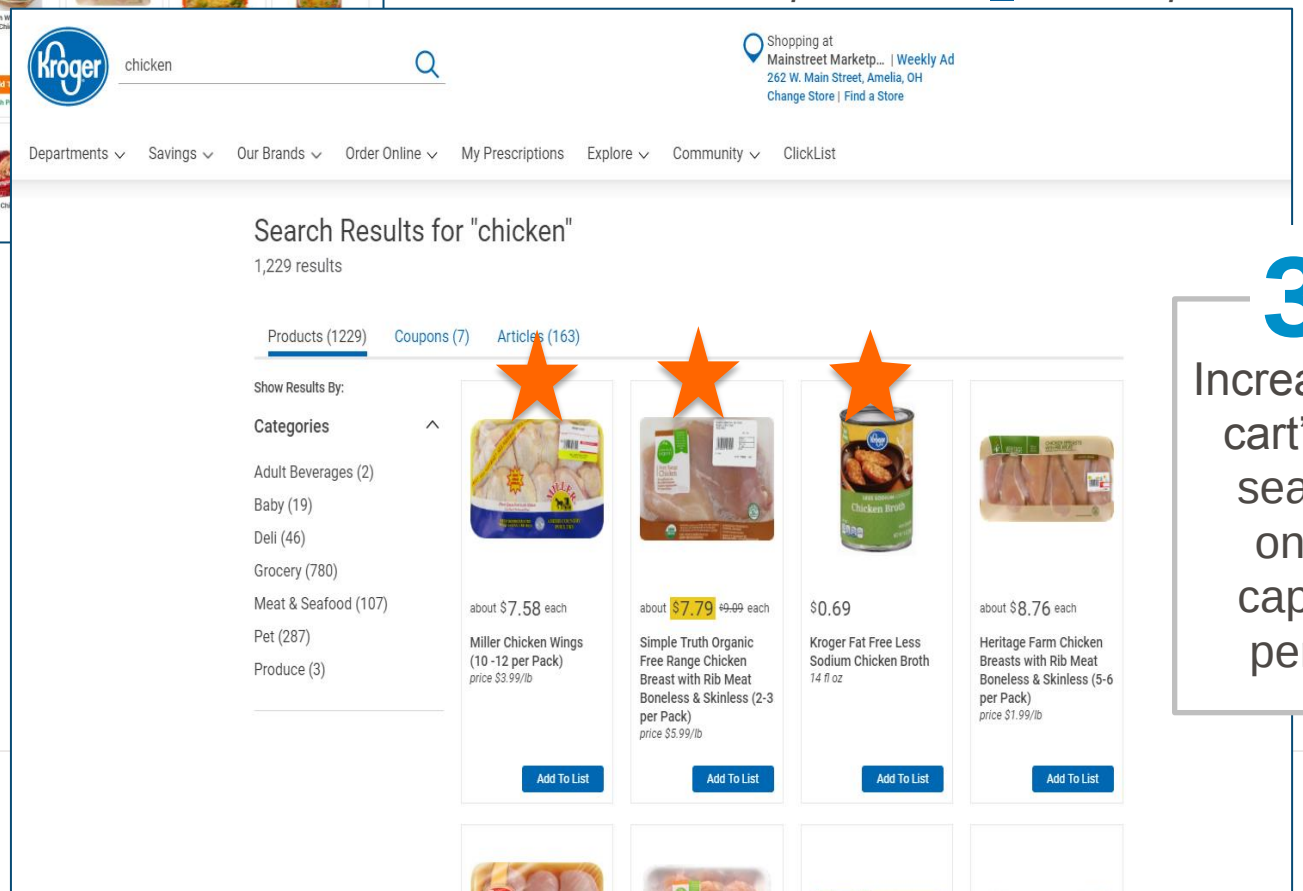


PREVIOUS EXPERIENCE

*Customer has purchased **0** of top 8 search results*

CURRENT EXPERIENCE

*Customer has purchased **3** of the top 8 search results*



33%

Increase in 'add to cart' among top search results once search capability was personalized

To Create Different Experiences

NEED → **INSPIRE ME**

Sub-Dimensions

- New Experiences
- Quality Brands
- Local & Sustainable
- . . .

Content

Offers

Audience

Targeted



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

To Create Different Experiences



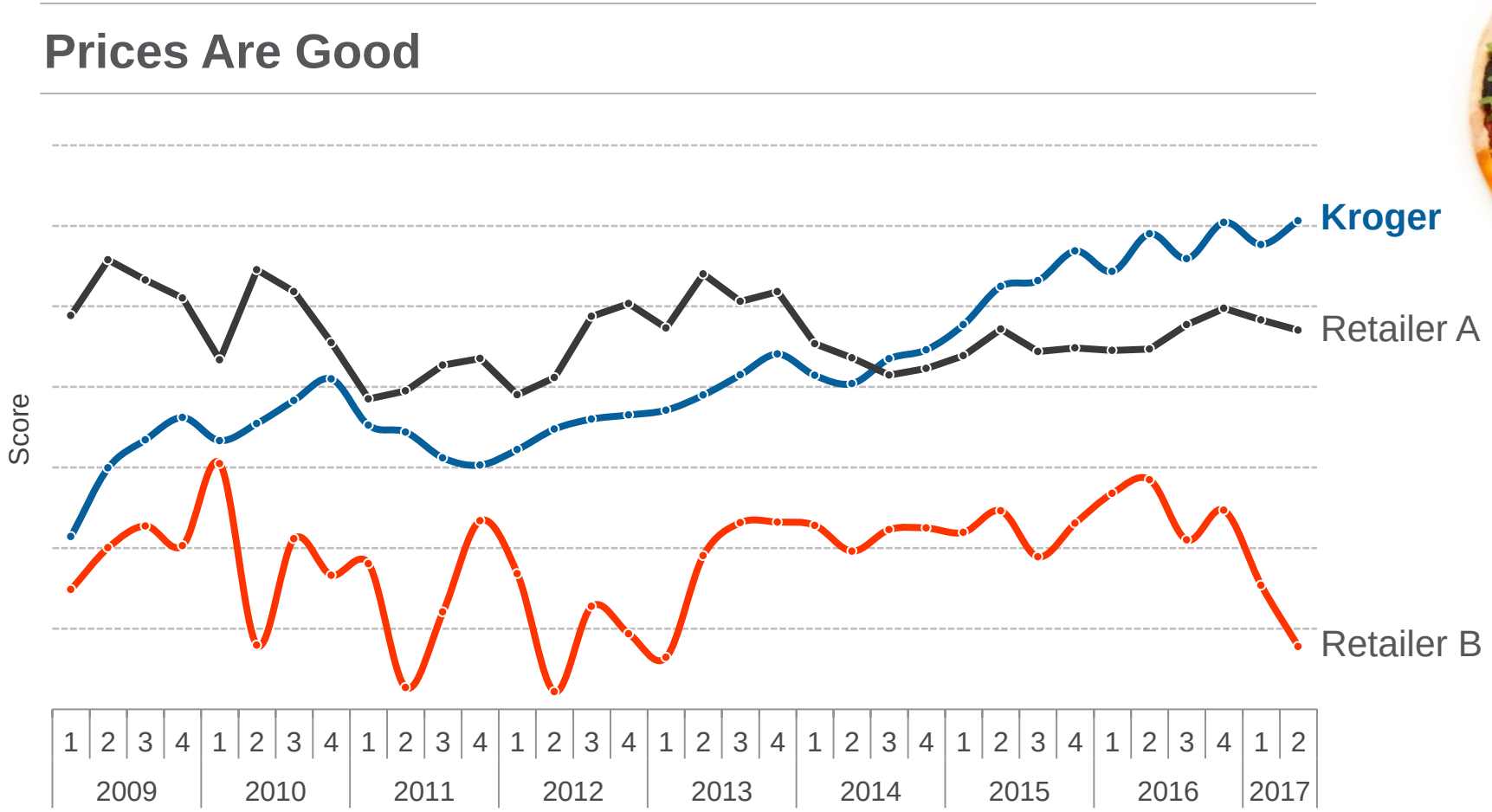
NEED → **SAVE ME MONEY**

Sub-Dimensions:

- Price Paid
- Spend to Save
- Retailer Switching
- . . .







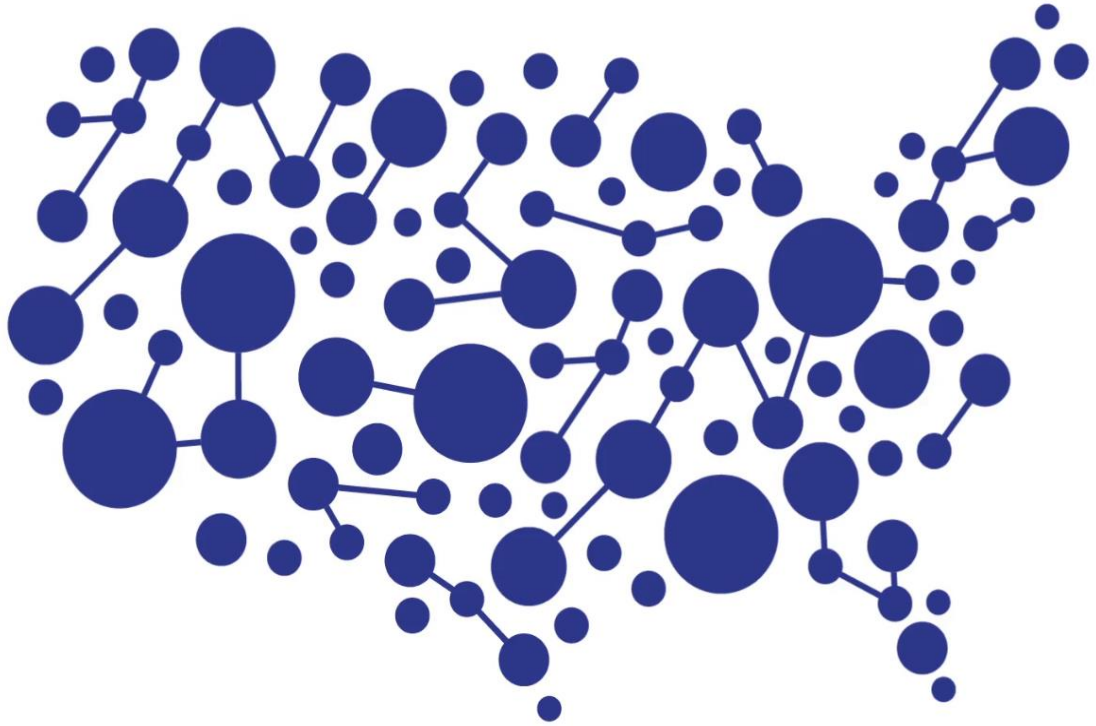


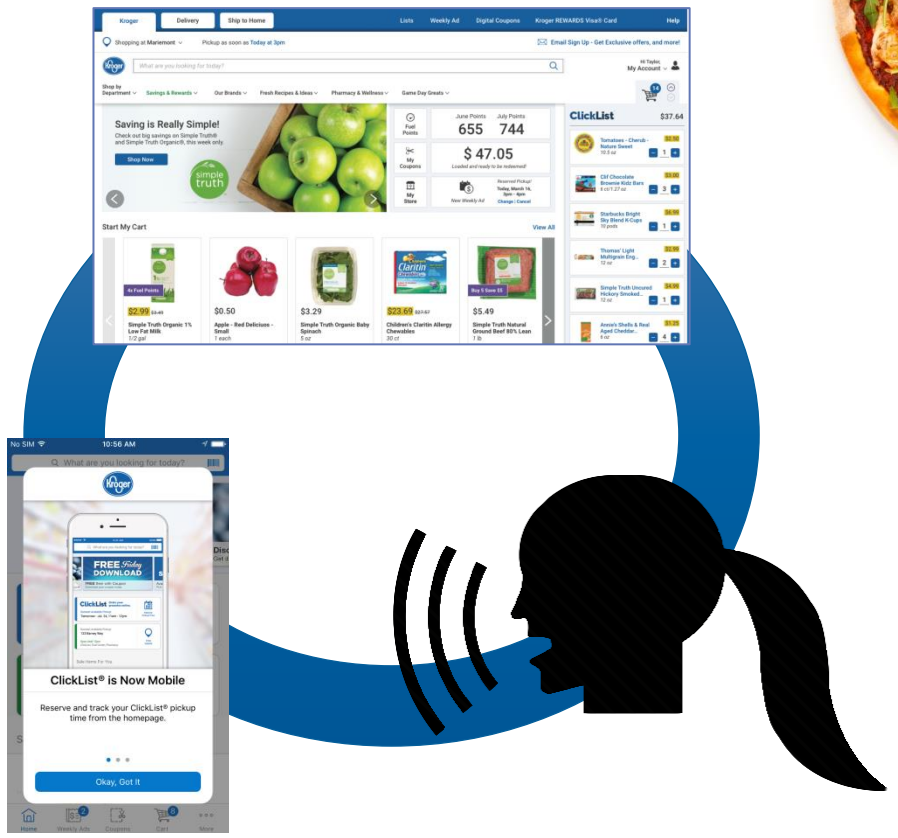
- Seeing Customers In Data
- Science Activates in a Customer 1st Way
- To Drive Loyalty



Digital

REACHING OUR CUSTOMERS





FOOD EXPERIENCE AS YOU WANT IT

Product Experience



Fresh & Sustainable

35 min.



Easy For You!

25 min.



Prep+Pared Meal Kit

20 min.



Ready to Eat

1 min.

Inspiration & Discovery

Product Content

Recipe & Video Content

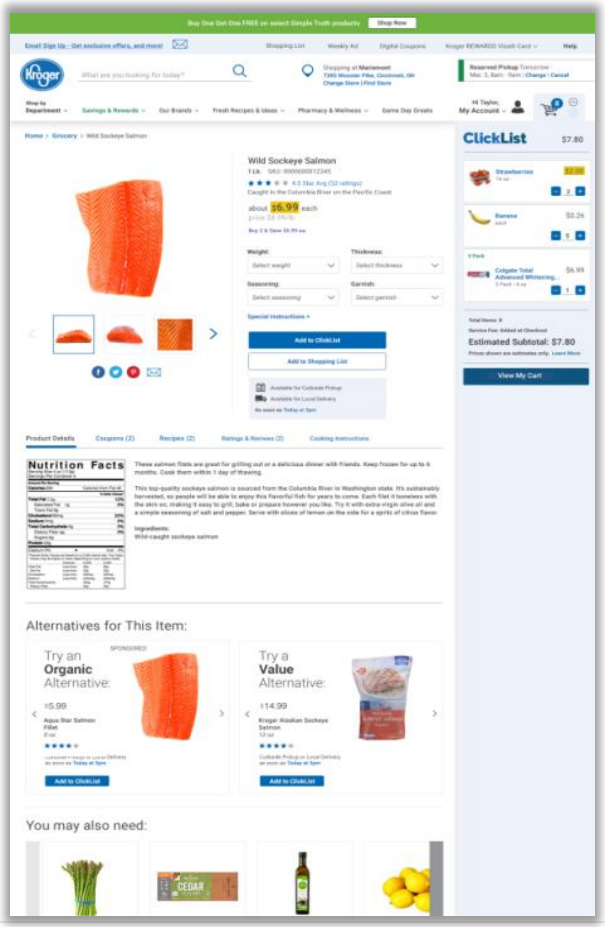
Complementary Products

Sourcing Stories

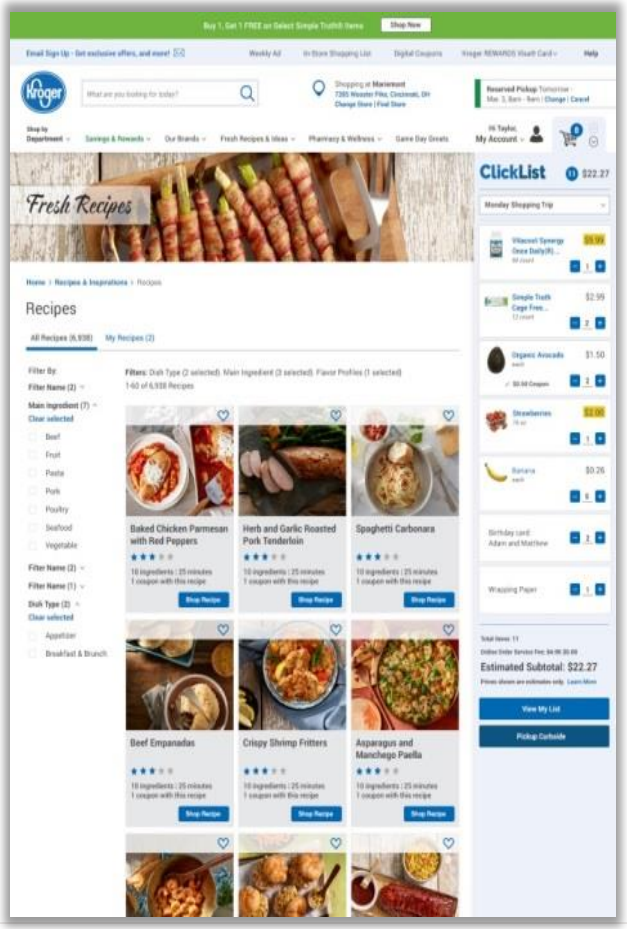
User-Generated Content

PERSONALIZED DISCOVERY

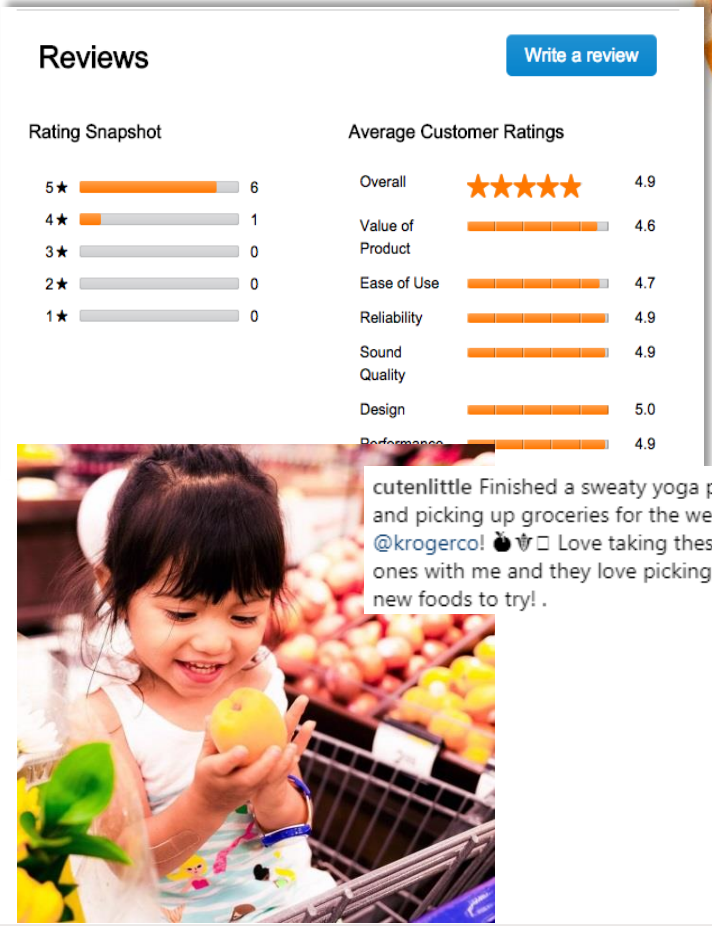
Functional



Inspirational



Emotional



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Fuel Points — June Points 655 | July Points 744

My Coupons — $ 47.05 Loaded and ready to be redeemed!

My Store — New Weekly Ad | Reserved Pickup! Today, March 16, 3pm - 4pm Change | Cancel

Start My Cart

View All

4x Fuel Points

$2.99 ~~$3.49~~
Simple Truth Organic 1% Low Fat Milk
1/2 gal

$0.50
Apple - Red Deliciuos - Small
1 each

$3.29
Simple Truth Organic Baby Spinach
5 oz

$23.69 ~~$27.57~~
Children's Claritin Allergy Chewables
30 ct

Buy 5 Save $5

$5.49
Simple Truth Natural Ground Beef 80% Lean
1 lb

ClickList $37.64

- Tomatoes - Cherub - Nature Sweet, 10.5 oz — $2.50 — 1
- Clif Chocolate Brownie Kidz Bars, 6 ct/1.27 oz — $3.00 — 3
- Starbucks Bright Sky Blend K-Cups, 10 pods — $6.99 — 1
- Thomas' Light Multigrain Eng..., 12 oz — $2.99 — 2
- Simple Truth Uncured Hickory Smoked..., 12 oz — $4.99 — 1
- Annie's Shells & Real Aged Cheddar..., 6 oz — $1.25 — 4

My Sale Items

View All



$0.99 ~~$1.99~~

Avocado - Large
1each

Pickup or Delivery as soon as **Today at 3pm**

Add to Cart



$3.29 ~~$3.99~~

Kashi Cinnamon Harvest Cereal
16.3 oz

Pickup or Delivery as soon as **Today at 3pm**

Coupon Loaded: Save $0.50
Details

Add to Cart



$2.99 ~~$3.29~~

Berries - Strawberries
16 oz

Pickup or Delivery as soon as **Today at 3pm**

Coupon Loaded: Save $0.20
Details

Add to Cart



Buy 5 Save $5

$5.99 ~~$6.29~~

Simple Truth Organic Columbian Coffee K-Cups
12 ct

Pickup or Delivery as soon as **Today at 3pm**

Load Coupon: Save $0.50
Details

Add to Cart



$2.99 ~~$3.49~~

Thomas' Light Multigrain English Muffins
12 oz

Pickup or Delivery as soon as **Today at 3pm**

2



Hydrate for Summer with some of your favorite Kroger brands!

Shop Now

Recent Purchases

View All











Estimated Subtotal: $37.64

Prices shown are estimated only. Learn More

View My Cart

Recent Purchases

View All



$2.49

Kroger Half & Half
1 qt

Pickup or Delivery as soon as **Today at 3pm**

Coupon Loaded: Save $0.50
Details

Add to Cart



Buy 5 Save $5

$2.89

Kellogg's Eggo Chocolatey Chip Pancake Bites
5 ct/1.7 oz

Pickup or Delivery as soon as **Today at 3pm**

Coupon Loaded: Save $0.50
Details

Add to Cart



$2.19

Bush's Best Vegetarian Baked Beans
28 oz

Pickup or Delivery as soon as **Today at 3pm**

Load Coupon: Save $0.50
Details

Add to Cart



$2.50

Driscoll's Blueberries
1 pt

Pickup or Delivery as soon as **Today at 3pm**

Load Coupon: Save $0.50
Details

Add to Cart



$3.99

Simple Truth Cage Free Grade A Brown Large Eggs
18 ct

Pickup or Delivery as soon as **Today at 3pm**

Load Coupon: Save $0.50
Details

Add to Cart

Suggested Recipes

View All



Glazed Baked Ham with Honey Relish



Slow Cooker Baked Apples



Authentic Thai Pumpkin Curry



Maple-Bourbon Apple Butter



Overnight Vanilla Chia Seed Pudding

Suggested Recipes

View All



Glazed Baked Ham with Honey Relish

★★★★★

11 ingredients | 65 min.

View Recipe



Slow Cooker Baked Apples

★★★★★

9 ingredients | 3 hrs. 5 min.

View Recipe



Authentic Thai Pumpkin Curry

★★★★★

10 ingredients | 25 min.
1 coupon with this recipe

View Recipe



Maple-Bourbon Apple Butter

★★★★★

9 ingredients | 4 hrs.
2 coupon with this recipe

View Recipe



Overnight Vanilla Chia Seed Pudding

★★★★★

10 ingredients | 25 min.
1 coupon with this recipe

View Recipe

Connect With Us:

Download the App: Download on the App Store | Get it on Google play

ABOUT THE COMPANY
- About this Company
- Careers
- Express HR
- Investor Relations
- Kroger Real Estate
- News Room
- Vendor & Suppliers

COMMUNITY
- Bringing Hope to the Table
- Giving Hope a Hand
- Honoring Our Heroes
- Salvation Army
- Sustainability

CUSTOMER SERVICES
- FAQs
- Contact Us
- Recall Alerts
- Leave Website Feedback

ONLINE SERVICES
- Deli/Bakery Ordering
- Digital Coupons
- Gift Card Mail
- Join Our Customer Panel
- Mobile App
- ClickList – Pick Up at Store
- Reciept Survey Invitation
- Receipts
- Request a Donation
- Shopping List
- Store Locator
- Weekly Ad

Earn FREE GROCERIES



Save More on Fuel

GET THE CARD
- Apply Now
- Manage my Card
- Rewards abd Benefits



Digital



Space Optimization

Our Space Optimization Approach

Leverage customer science for space planning decisions

- Internal and external data
- Optimization science – constrained and unconstrained models
- Convenience, instant gratification, inspiration & solutions

Expanding the scope of the changes in store

- Number of categories touched
- Include operational cost efficiencies

Test & Learn in 2017 for roll out in 2018

- Organizing stores to meet the needs of our local customers
- Scaling successful pilots

Number of stores touched

- **Past: 5-10%**
- **2018 & Beyond: 20-30%**

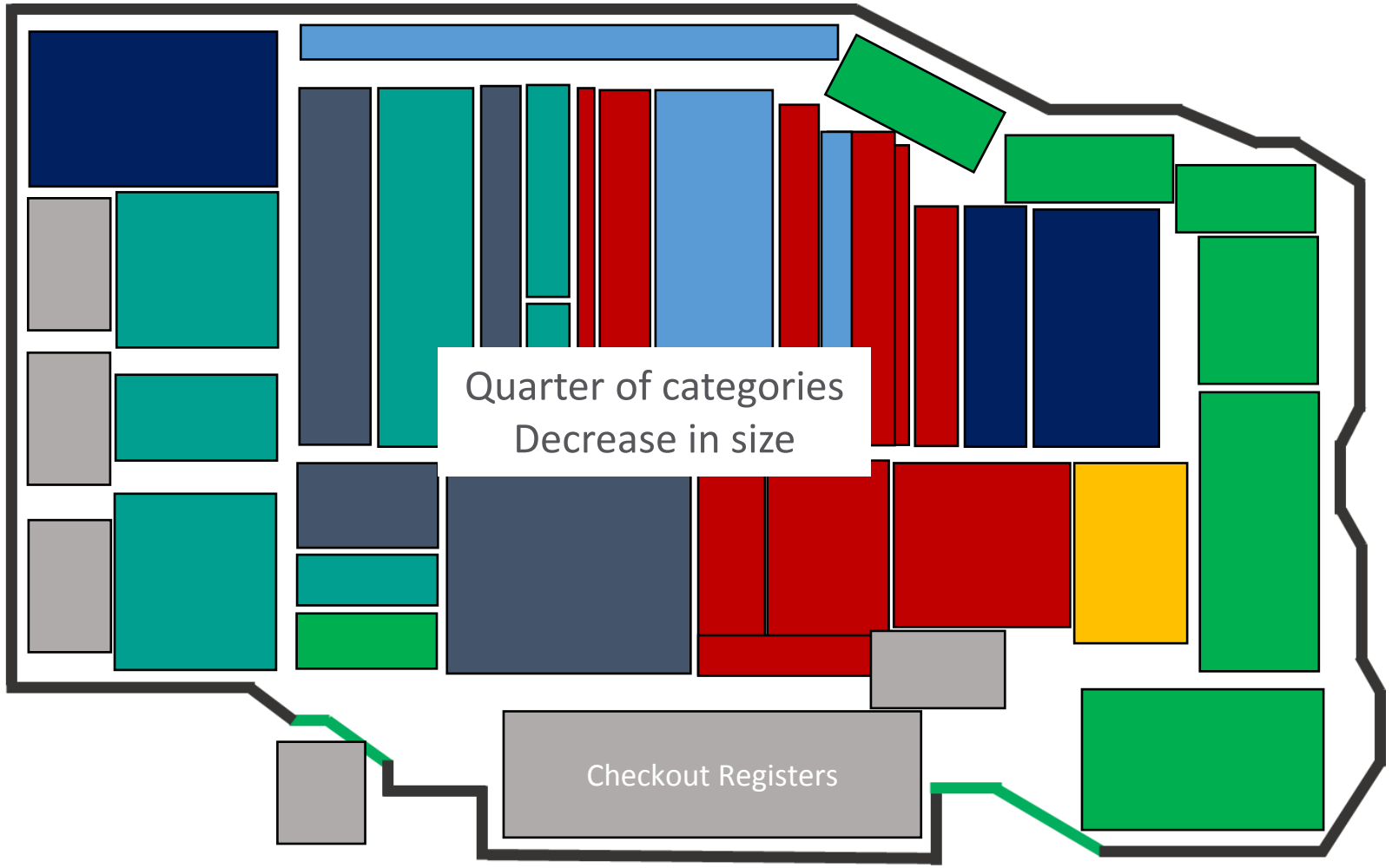


Infuse Science – Macro Space Optimization

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

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

Highlights both the **greatest return** and the **highest opportunity** by store



Illustrative

What We've Learned

- Every store is unique
- Integration and expansion of Natural Foods into center store
- Expansion in high-growth categories
  Beverage, Snacking, Pet, etc.
- Implement fresh food elements
- Disruption at shelf, optimize assortment and improve in-stocks
- Adopt and execute operation cost efficiencies
  Scan-Bag-Go and increased self-checkout options, pallet merchandising



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At Shelf Disruption – Micro Space

Selective Categories - Pasta Example

Current State



Future State



Efficiency & Effectiveness

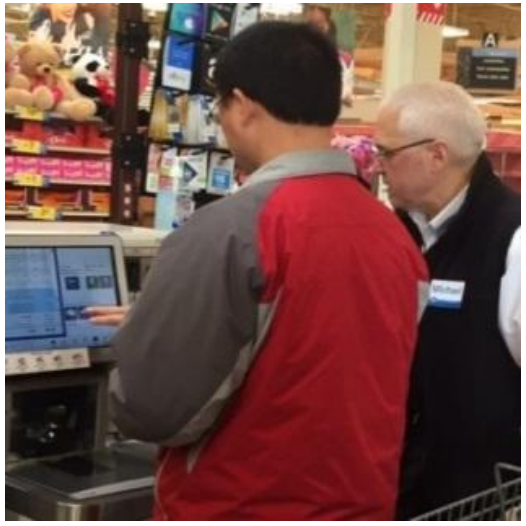
Pallet Drops





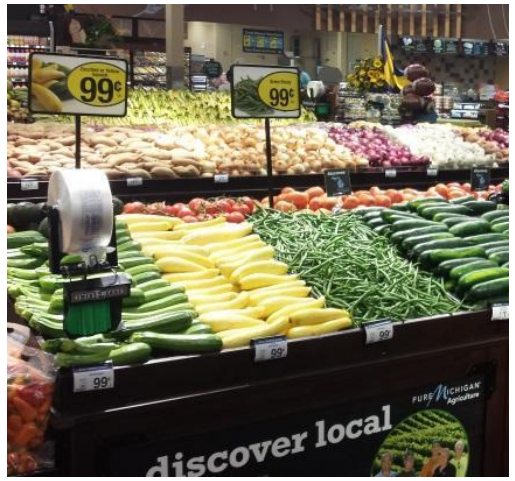


Front End





Space Optimization – A Significant Impact On 2018

















Our Brands



Selling More of OUR BRANDS

to serve both **our customers** and **our bottom line**



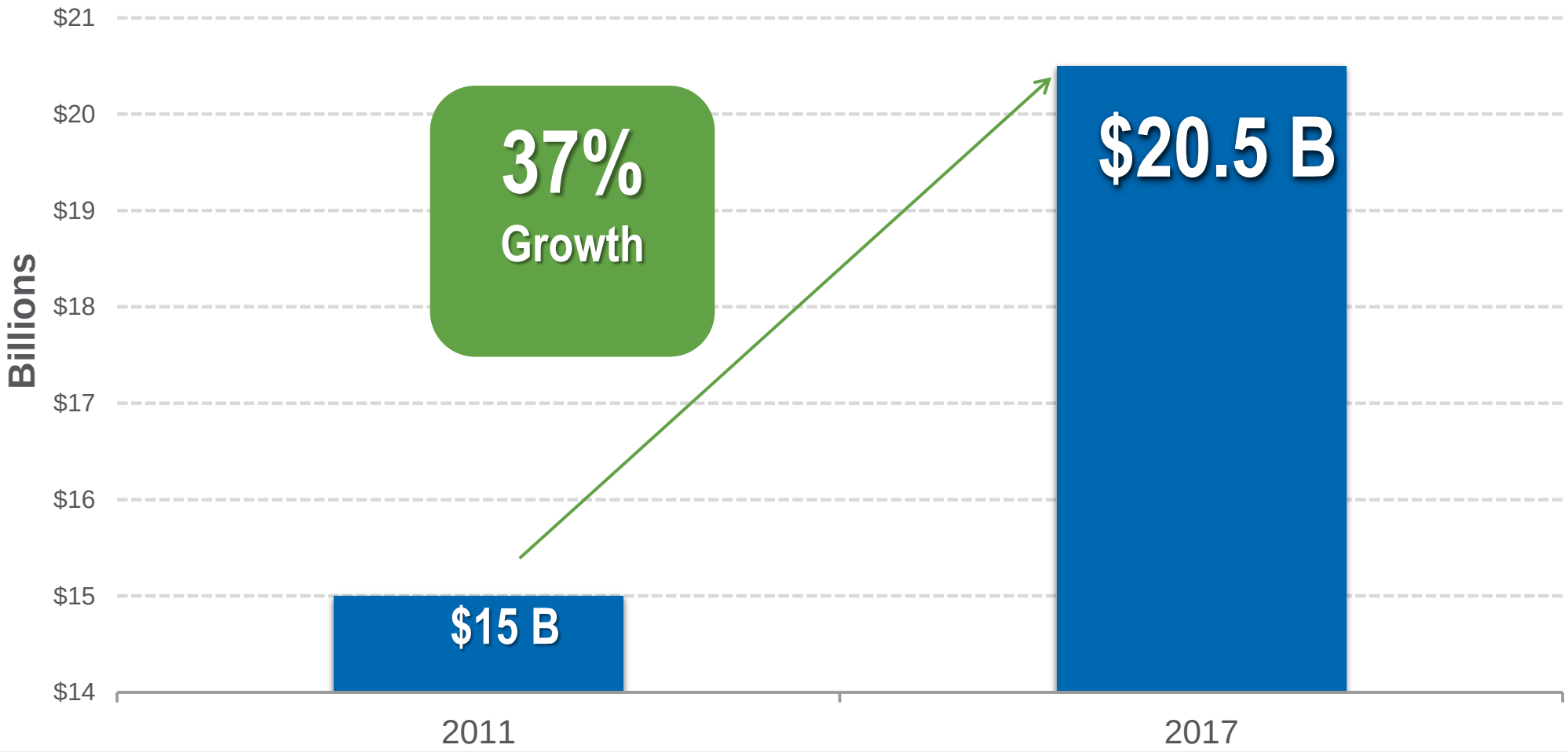
84.51°
Knowing our customers better

38 Food Production Plants

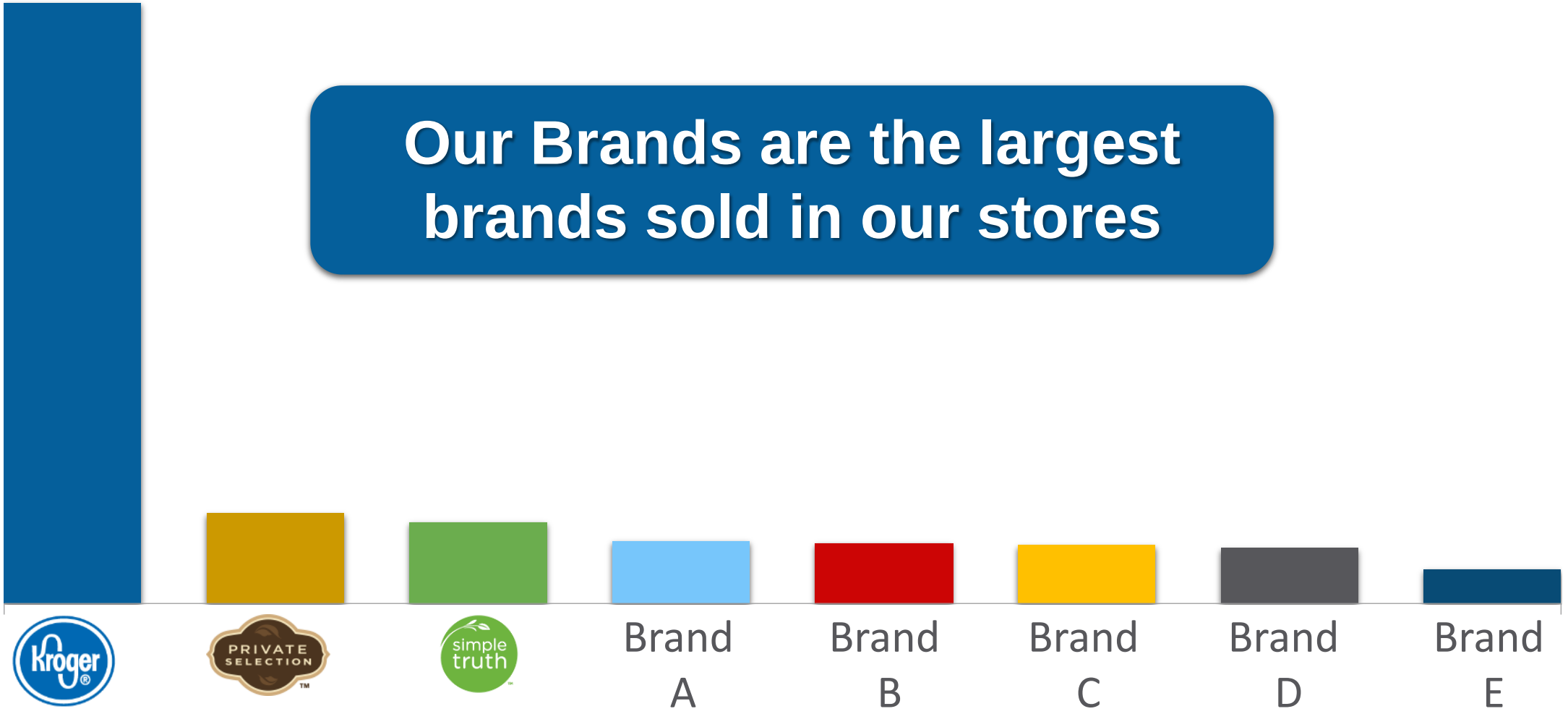
Trend Hunters & Culinarians

Dietitian's Choice at Kroger

Our Brands would be ranked #140 on Fortune 500 list



Our Brands are the largest brands sold in our stores



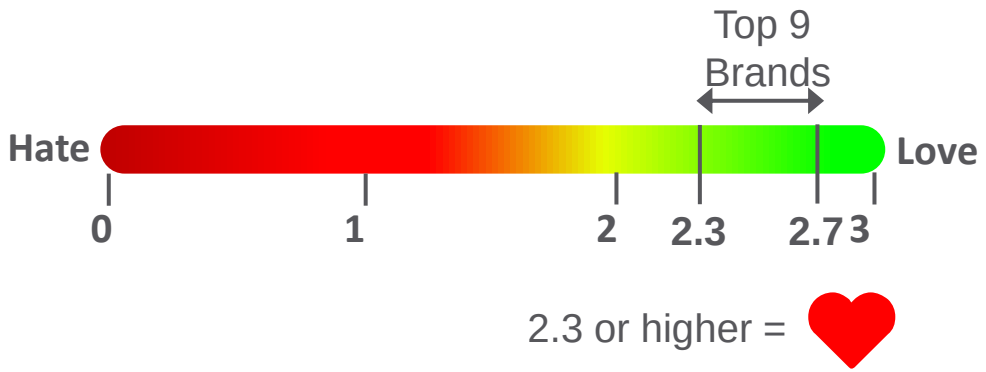
Source: Kroger internal data

Brand Equity Study

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

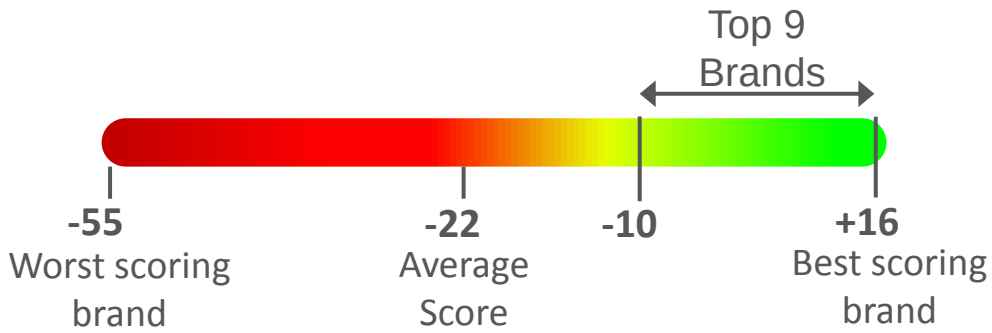
Brand Affinity Score:

(Love or Hate)



Net Promoter Score:

(likelihood to recommend)



Top 9 Scoring Brands

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

BRAND	Brand Affinity	Net Promoter
Retailer D	2.7	16
★ **Kroger Brand**	**2.6**	**5**
★ **Simple Truth**	**2.5**	**1**
Brand F	2.4	-1
Brand D	2.5	-3
Brand K	2.6	-5
★ **Luvsome**	**2.3**	**-6**
★ **Private Selection**	**2.4**	**-8**
Brand G	2.4	-10



Brand Affinity:

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

Net Promoter Score:

- 2 of the 3 positive scores are Our Brands

Kroger Brand Scores:

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

	Kroger	Retailer B	Retailer C	Brand D	Brand K
BRAND AFFINITY	**2.6**	1.8	1.5	2.5	2.6
NET PROMOTOR	**+5**	-24	-33	-3	-5



Simple Truth Scores:

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

	simple truth	Retailer D	Retailer B	Brand H	Brand J
BRAND AFFINITY	**2.5**	1.7	1.5	1.7	2.0
NET PROMOTOR	**+1**	-30	-17	-32	-20

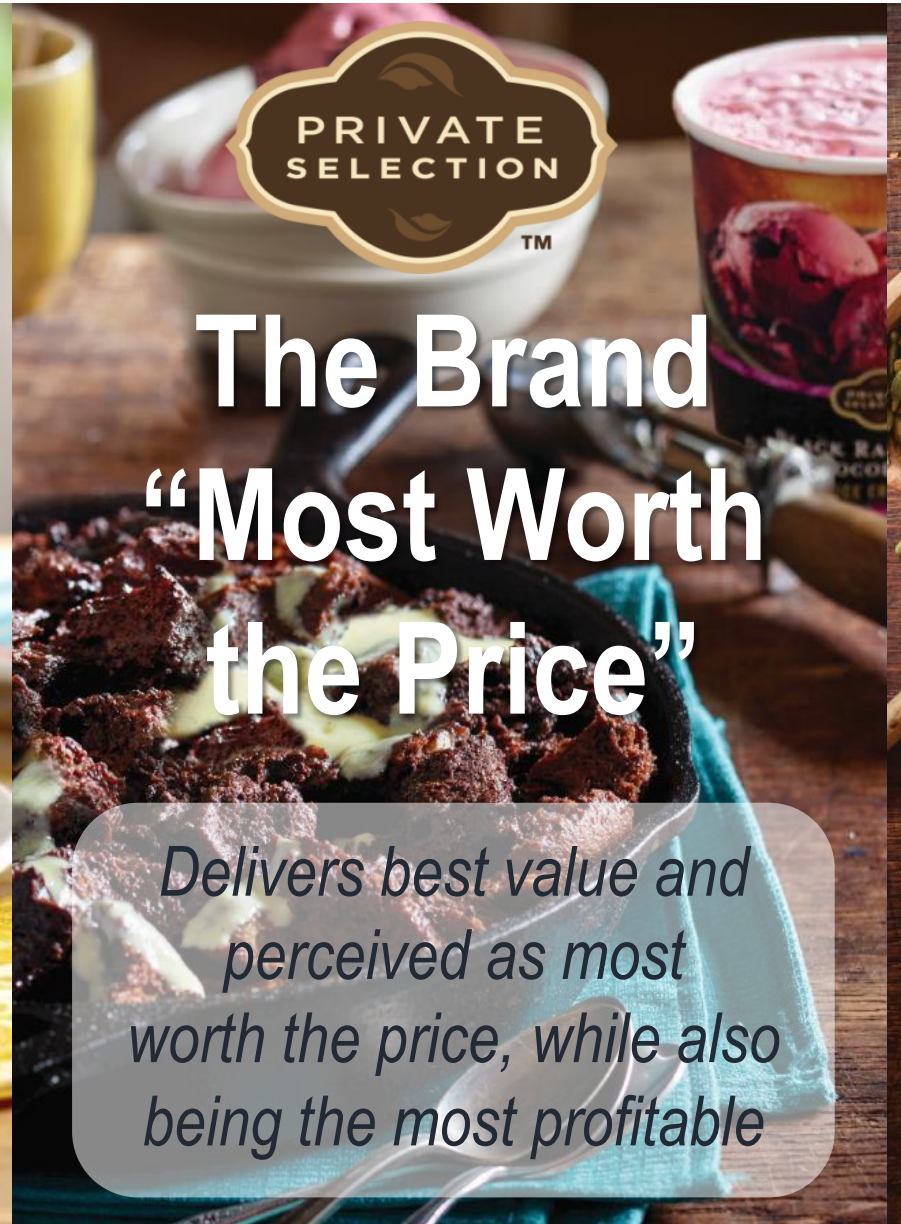
IRI Brand Awareness & Equity Study, Jan 2017

Aggressively Grow Big 3 Brands



Most Loved Brand in Our Stores

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



The Brand "Most Worth the Price"

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



Most Loved Natural & Organic Brand

Exceeds customer expectations & needs, and is highly recommended to friends & family


simple truth
truth is, we've always been affordable
simple truth exclusively at Kroger



Smart Pricing

We Will Not Lose Customers Because of Price



We have invested nearly

$4 Billion

in price since 2001





It’s more than just price



Loyal Customer 24-Item Basket





Live Our Purpose

ZERO HUNGER ZERO WASTE

What we know

134 YEARS

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

MEALS MATTER

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

ABSURDITY

More than 40% of the food produced in the U.S. goes to waste, and yet 1 in 8 Americans struggles with hunger

Our Vision

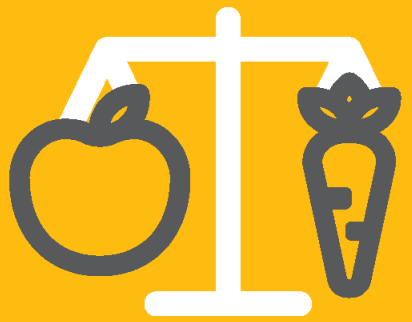
Zero Hunger | Zero Waste aims to end hunger in the places we call home and eliminate waste in our company by 2025

ZERO HUNGER ZERO WASTE



- **Establish $10 million innovation fund**
- **Accelerate donations to give 3 billion meals by 2025**





- **Donate not just more food, more balanced meals**

ZERO FOOD WASTE BY 2025

- Zero Waste company by 2020, plus Zero Food Waste by 2025
- Advocate for public policy solutions
- Join forces with new and long-standing partners



FEEDING AMERICA

WWF

- **Transform Kroger communities and improve health for millions by 2025**



Accelerating progress

Bringing HOPE To the Table

2020 Goals

1 BILLION MEALS donated over the last 4 years.

Kroger

ZERO HUNGER ZERO WASTE

Kroger already doing great work in these areas:

- Hunger relief since our inception
- Announced 2020 Zero Waste goal in 2016

Now is the time to accelerate our commitment

- Bold vision that engages stakeholders
- Set aspirational goals that require the community to get there
- Tell our story and keep it fresh to drive interest, pride and participation



Kroger

ZERO HUNGER ZERO WASTE



Partner For Customer Value

Partner for Customer Value:
Infrastructure & Technology Upgrades



Technology Investments



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

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

200% Increase Over 2017

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

- Data
- Store WiFi
- Legacy Modernization

50+% Increase Over 2017



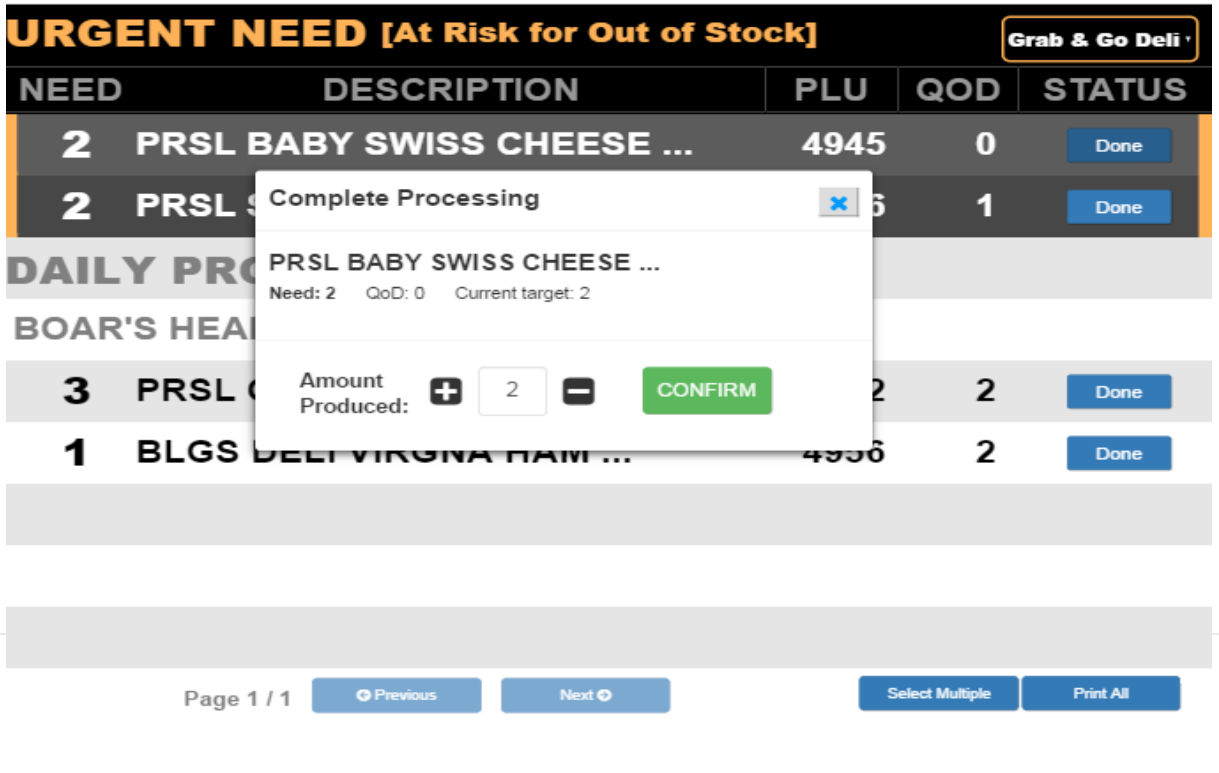
Store Operations

Automated Production Planning

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

Service Execution

ClickList







Front-end Transformation

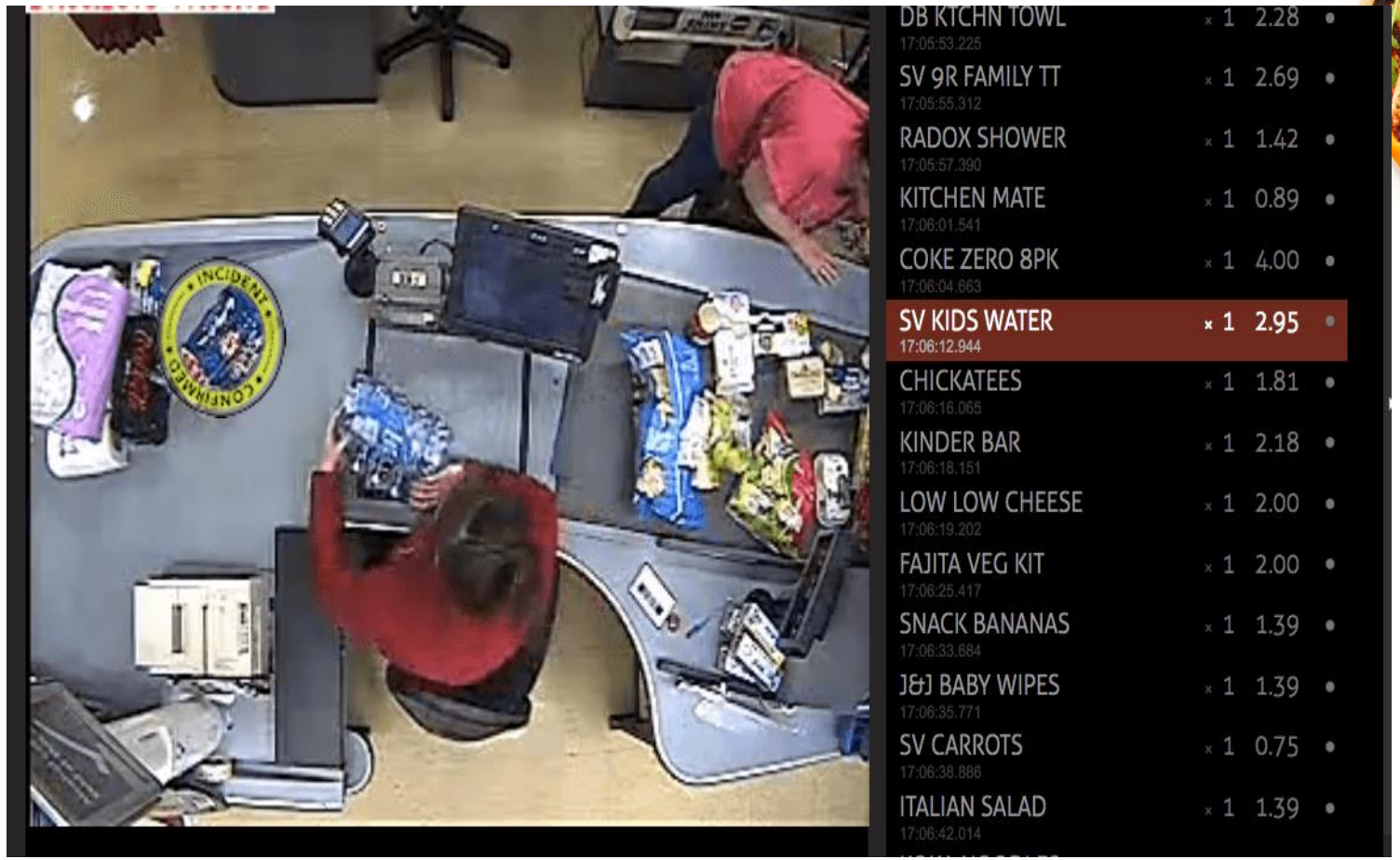




- Front-End Transformation Project
  - Re-design store front-end to maximize Self-CheckOut (SCO)
  - Scan, Bag, Pay & Go (SBPG) + SCO with a goal to increase materially beyond today's performance
  - Pilot expansion to 20 stores in 2017, 400 stores in 2018
- Mobile POS for ClickList
  - Future uses including line busting, parking lot sales, gift cards, etc.
- EMV Quick Chip & Point of Sale (POS) Enhancements
  - Up to 6+ second reduction in transaction time

Asset Protection

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



Technology Innovation

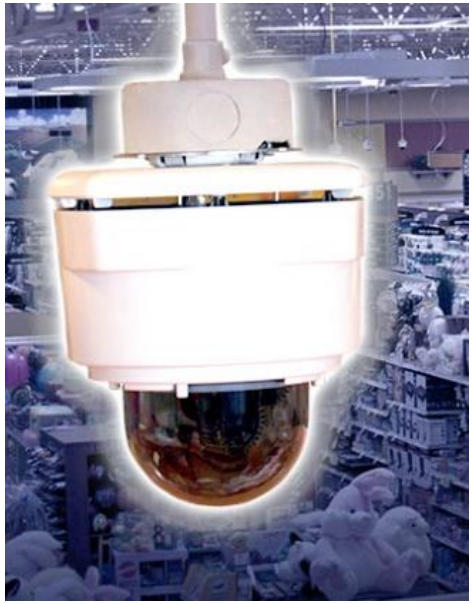
Robotics & Artificial Intelligence will complement our Sensor Network (IoT), Video Analytics & Machine Learning



Temperature Sensor

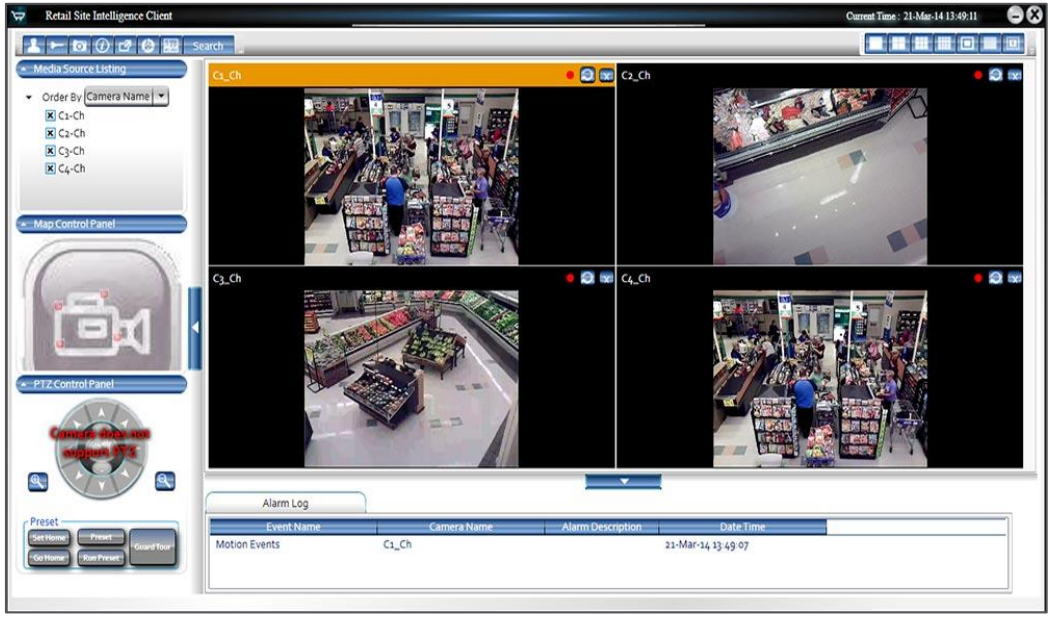


Zigbee Router



EDGE





Video Management System



Develop Talent

People Focus Areas to Enable Restock Kroger

- Experience
- Talent
- Leadership



Experience - Six Generations



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



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

Six Generations include: Greatest, Silent, Baby Boomers, Gen X, Millennials, and Gen Z



Come for a Job, Stay for a Career







LOVE PEOPLE, LOVE FOOD!

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

Investing in Our Store Hourly Associates



- Rebalancing pay & benefits
- Wage progressions
- Certifications & performance incentives
- Talent development investment of $500M over next 3 years
- Currently store associate average hourly rate over $14.00
- Over $20.00 in total wages & benefits per hour
- Two-week advance scheduling, career opportunities & training





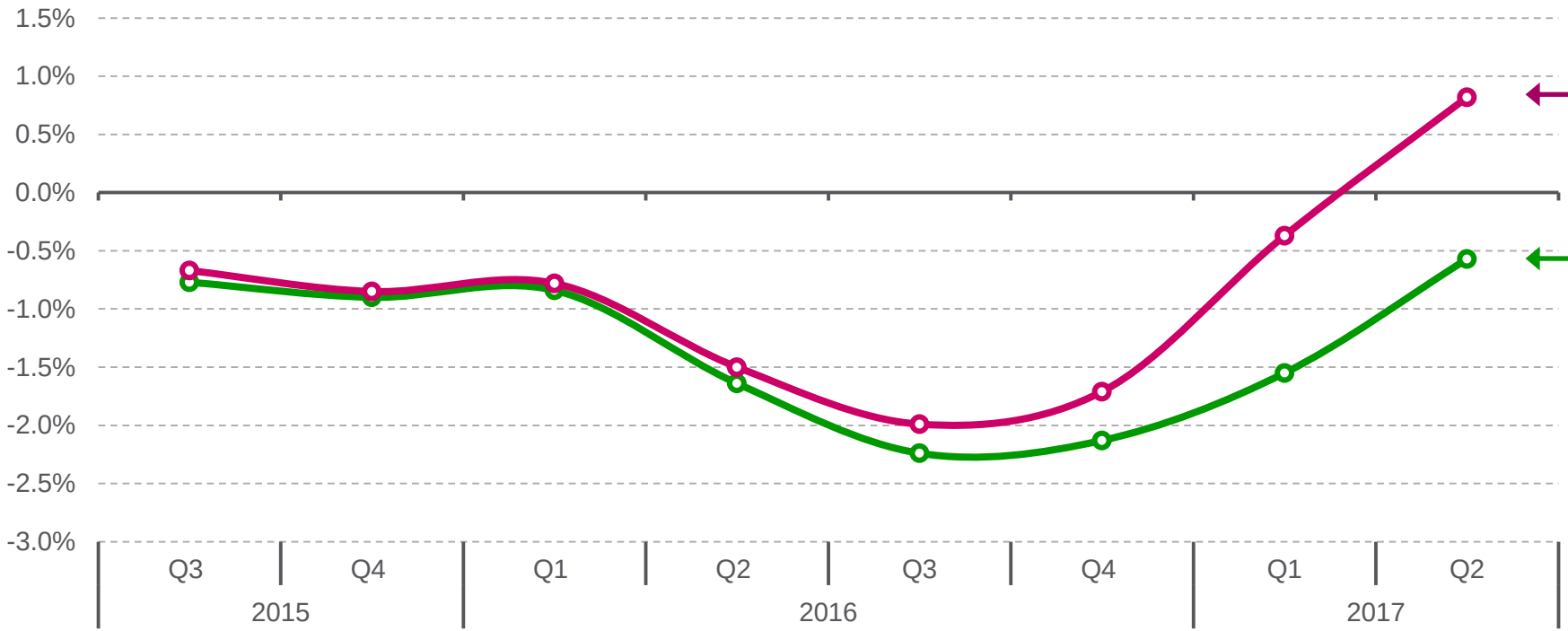
Create Shareholder Value

We Use 84.51° Science to Balance Inflation



Year-on-Year Cost Inflation vs. Controllable Retail Inflation

Based on card data, ID stores



Our cost inflation

Retail inflation we control



Restock Kroger Plan



	2018-2020		
	Incremental Operating Margin Growth	Incremental Operating Margin Investment	Shareholder Value
Redefine Customer Experience • Digital • Store Optimization • Smart Pricing • Our Brands	$2,300M	$3,100M	
Partner for Customer Value • Infrastructure & Technology Upgrades • COGS • Alternative Revenue Streams	$1,775M	$400M	
Develop Talent	$ 375M	$500M	
Live Our Purpose		$50M	
	$4,450M	**$4,050M**	**= $400M**



Capital to Support Growth



	2015-2017*	2018-2020E	Previous Expectation for 2018-2020
Capital to Support Restock Plan	$1,070M	$3,045M	$1,700M
Store Remodels	$4,068M	$3,675M	$3,800M
Storing	$3,562M	$1,150M	$5,000M
Major Project Counts	212	65-75	Nearly 300
Infrastructure Maintenance	$1,515M	$1,130M	$1,200M
	$10,215M	**$9,000M**	**$11,700M**

Major projects are defined as a new, relocated or expanded stores.



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

Free Cash Flow



	2015-2017	2018-2020E
Operating Cash Flow	$12.6B	$15.5B
Capital Investments	($10.2B)	($9.0B)
Free Cash Flow	**$2.5B**	**$6.5B**
Dividends Paid	($1.3B)	($1.5B)
Cash Flow After Dividends	$1.2B	$5.0B

** Slide was updated from October 2017 Investor Day to reflect the tax reform savings.*



Investment Thesis & Next Steps



Investment Thesis



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



Q&A Session



Enjoy Our Brands



Investment Thesis



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Thank you!



Forward Looking Statements

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



- The extent to which our sources of liquidity are sufficient to meet our requirements may be affected by the state of the financial markets and the effect that such condition has on our ability to issue commercial paper at acceptable rates. Our ability to borrow under our committed lines of credit, including our bank credit facilities, could be impaired if one or more of our lenders under those lines is unwilling or unable to honor its contractual obligation to lend to us, or in the event that natural disasters or weather conditions interfere with the ability of our lenders to lend to us. Our ability to refinance maturing debt may be affected by the state of the financial markets.
- Our ability to achieve sales, earnings and cash flow goals may be affected by: labor negotiations or disputes; changes in the types and numbers of businesses that compete with us; pricing and promotional activities of existing and new competitors, including non-traditional competitors, and the aggressiveness of that competition; our response to these actions; the state of the economy, including interest rates, the inflationary and deflationary trends in certain commodities, and the unemployment rate; the effect that fuel costs have on consumer spending; volatility of fuel margins; changes in government-funded benefit programs; manufacturing commodity costs; diesel fuel costs related to our logistics operations; trends in consumer spending; the extent to which our customers exercise caution in their purchasing in response to economic conditions; the inconsistent pace of the economic recovery; changes in inflation or deflation in product and operating costs; stock repurchases; our ability to retain pharmacy sales from third party payors; consolidation in the healthcare industry, including pharmacy benefit managers; our ability to negotiate modifications to multi-employer pension plans; natural disasters or adverse weather conditions; the potential costs and risks associated with potential cyber-attacks or data security breaches; the success of our future growth plans; and the successful integration of Harris Teeter and Roundy's. Our ability to achieve sales and earnings goals may also be affected by our ability to manage the factors identified above. Our ability to execute our financial strategy may be affected by our ability to generate cash flow.
- During the first three quarters of each fiscal year, our LIFO charge and the recognition of LIFO expense is affected primarily by estimated year-end changes in product costs. Our fiscal year LIFO charge is affected primarily by changes in product costs at year-end.
- If actual results differ significantly from anticipated future results for certain reporting units including variable interest entities, an impairment loss for any excess of the carrying value of the reporting units' goodwill over the implied fair value would have to be recognized.
- Our effective tax rate may differ from the expected rate due to changes in laws, the status of pending items with various taxing authorities, and the deductibility of certain expenses.
- Changes in our product mix may negatively affect certain financial indicators. For example, we continue to add supermarket fuel centers to our store base. Since fuel generates lower profit margins than our supermarket sales, we expect to see our FIFO gross margins decline as fuel sales increase.

