

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended February 1, 2025.

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-303

THE KROGER CO.

(Exact name of registrant as specified in its charter)

Ohio

(State or Other Jurisdiction of Incorporation or Organization)

31-0345740

(I.R.S. Employer Identification No.)

1014 Vine Street, Cincinnati, OH
(Address of Principal Executive Offices)

45202
(Zip Code)

Registrant's telephone number, including area code **(513) 762-4000**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common, \$1.00 Par Value	KR	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

NONE

(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act).

Yes No

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter (August 17, 2024). \$38.2 billion.

The number of shares outstanding of the registrant's common stock, as of the latest practicable date. 660,893,475, shares of Common Stock of \$1 par value, as of March 26, 2025.

Documents Incorporated by Reference:

Portions of Kroger's definitive proxy statement for its 2025 annual meeting of shareholders, which shall be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year to which this Report relates, are incorporated by reference into Part III of this Report.

The Kroger Co.
Form 10-K
For the Fiscal Year Ended February 1, 2025
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PART I

FORWARD LOOKING STATEMENTS.

This Annual Report on Form 10-K contains forward-looking statements about our future performance. These statements are based on our assumptions and beliefs in light of the information currently available to us. These statements are subject to a number of known and unknown risks, uncertainties and other important factors, including the risks and other factors discussed in “Risk Factors” below, that could cause actual results and outcomes to differ materially from any future results or outcomes expressed or implied by such forward looking statements. Such statements are indicated by words such as “achieve,” “affect,” “anticipate,” “assumptions,” “believe,” “committed,” “continue,” “could,” “deliver,” “effect,” “enable,” “estimate,” “expects,” “future,” “goal,” “growth,” “intended,” “likely,” “may,” “model,” “objective,” “plan,” “position,” “program,” “range,” “result,” “strategy,” “strive,” “strong,” “target,” “trend,” “will” and “would,” and similar words or phrases. Moreover, statements in the sections entitled Risk Factors, Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”), and elsewhere in this report regarding our expectations, projections, beliefs, intentions or strategies are forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended.

Various uncertainties and other factors could cause actual results to differ materially from those contained in the forward-looking statements. These include:

- 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 global pandemics, 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 incremental FIFO operating profit 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 us; pricing and promotional activities of existing and new competitors, and the aggressiveness of that competition; our 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 our logistics operations; trends in consumer spending; the extent to which our 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 we operate, along with changes in federal policy and at regulatory agencies; 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; our ability to attract and retain qualified individuals; 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 potential costs and risks associated with new technologies, including artificial intelligence; the success of our future growth plans; the ability to execute our growth strategy and value creation model, including continued cost savings, growth of our alternative profit businesses, 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 seamless; 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.

- Our 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.

We cannot fully foresee the effects of changes in economic conditions on our business.

Other factors and assumptions not identified above, including those discussed in Part 1, Item 1A of this Annual Report, could also cause actual results to differ materially from those set forth in the forward-looking information. Accordingly, actual events and results may vary significantly from those included in, contemplated or implied by forward-looking statements made by us or our representatives. We undertake no obligation to update the forward-looking information contained in this filing.

ITEM 1. BUSINESS.

The Kroger Co. (the “Company” or “Kroger”) was founded in 1883 and incorporated in 1902. Our Company is built on the foundation of our retail grocery business, which includes the added convenience of our retail pharmacies and fuel centers. Our strategy is focused on growing households and increasing customer loyalty by delivering great value and convenience, and investing in four strategic pillars: Fresh, *Our Brands*, Data & Personalization and Seamless.

We utilize the data and traffic generated by our retail business to create personalized experiences and value for our customers. This data and traffic also enables our fast-growing, high operating margin alternative profit business, including data and analytic services and third-party media revenue. In turn, the value generated from these businesses enables us to reinvest back into our retail business.

Our revenues are predominately earned and cash is generated as consumer products are sold to customers in our stores, fuel centers and via our online platforms. We earn income predominately by selling products at price levels that produce revenues in excess of the costs we incur to make these products available to our customers. Such costs include procurement and distribution costs, facility occupancy and operational costs, and overhead expenses. Our fiscal year ends on the Saturday closest to January 31. All references to 2024, 2023 and 2022 are to the fiscal years ended February 1, 2025, February 3, 2024 and January 28, 2023, respectively, unless specifically indicated otherwise.

We maintain a web site (www.thekrogerco.com) that includes additional information about the Company. Kroger’s website and any reports or other information made available by Kroger through its website are not part of or incorporated by reference into this Annual Report on Form 10-K. We make available through our web site, free of charge, our annual reports on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K and our interactive data files, including amendments. These forms are available as soon as reasonably practicable after we have filed them with, or furnished them electronically to, the Securities and Exchange Commission (SEC), and are also available at www.sec.gov.

Kroger is diversified across brands, product categories, channels of distribution, geographies and consumer demographics. Our combination of assets includes the following:

Stores

As of February 1, 2025, Kroger operates supermarkets under a variety of local banner names in 35 states and the District of Columbia. As of February 1, 2025, Kroger operated, either directly or through its subsidiaries, 2,731 supermarkets, of which 2,273 had pharmacies and 1,702 had fuel centers. Approximately 51% of our supermarkets were operated in Company-owned facilities, including some Company-owned buildings on leased land. Our stores operate under a variety of banners that have strong local ties and brand recognition. We connect with customers through our expanding seamless ecosystem and the consistent delivery of a full, fresh, and friendly customer experience. Fuel sales are an important part of our revenue, net earnings and loyalty offering. Our fuel strategy is to include a fuel center at each of our supermarket locations when it is feasible and it is expected to be profitable. Each fuel center typically includes five to ten islands of fuel dispensers and storage tanks with capacity for 40,000 to 50,000 gallons of fuel. Supermarkets are generally operated under one of the following formats: combination food and drug stores (“combo stores”); multi-department stores; marketplace stores; or price impact warehouses.

The combo store is the primary grocery store format. We believe this format is successful because the stores are large enough to offer the specialty departments, including natural food and organic sections, pharmacies, general merchandise, pet centers and high-quality perishables such as fresh seafood and organic produce.

Multi-department stores are significantly larger in size than combo stores. In addition to the departments offered at a typical combo store, multi-department stores sell a wide selection of general merchandise items such as apparel, home fashion and furnishings, outdoor living, electronics, automotive products and toys.

Marketplace stores are smaller in size than multi-department stores. They offer full-service grocery, pharmacy and health and beauty care departments as well as an expanded perishable offering and general merchandise area that includes apparel, home goods and toys.

Price impact warehouse stores offer a “no-frills, low cost” warehouse format and feature everyday low prices plus promotions for a wide selection of grocery and health and beauty care items. Quality meat, dairy, baked goods and fresh produce items provide strategic differentiation for price impact warehouse stores. The average size of a price impact warehouse store is similar to that of a combo store.

Seamless Digital Ecosystem

We offer a convenient shopping experience for our customers regardless of how they choose to shop with us, including Pickup, Delivery and Ship. We offer Pickup and Harris Teeter ExpressLane™ — personalized, order online, pick up at the store services — at 2,412 of our supermarkets and provide Delivery, which allows us to offer digital solutions to substantially all of our customers. Our Delivery solutions include orders delivered to customers from retail store locations, customer fulfillment centers and orders placed through third-party platforms. These channels allow us to serve customers anything, anytime and anywhere with zero compromise on selection, convenience, and price. We also provide relevant customer-facing apps and interfaces that have the features customers want that are also reliable, easy to use and deliver a seamless customer experience across our store and digital channels.

Merchandising and Manufacturing

Our Brands products play an important role in our merchandising strategy and represented over \$32 billion of our sales in 2024. Our supermarkets, on average, stock over 12,000 private label items. *Our Brands* products are primarily produced and sold in three “tiers.” Private Selection® is our main premium quality brand, offering customers culinary foods and ingredients that deliver amazing eating experiences. The Kroger® brand, which represents the majority of our private label items, is designed to consistently satisfy and delight customers with quality products that exceed or meet the national brand in taste and efficacy, as well as with unique and differentiated products. Big K®, Smart Way® and Heritage Farm® are some of our value brands, designed to deliver good quality at a very affordable price. In addition to our three “tiers,” *Our Brands* offers customers a variety of natural and organic products with Simple Truth® and Simple Truth Organic®. Both Simple Truth® and Simple Truth Organic® are free from a defined list of artificial ingredients that some customers have told us they do not want in their food, and the Simple Truth Organic products are USDA certified organic.

Approximately 31% of *Our Brands* units sold in our supermarkets are produced in our food production plants; the remaining *Our Brands* items are produced to our strict specifications by outside manufacturers. We perform a “make or buy” analysis on *Our Brands* products and decisions are based upon a comparison of market-based transfer prices versus open market purchases. As of February 1, 2025, we owned 33 food production plants. These plants consisted of 14 dairies, nine deli or bakery plants, five grocery product plants, two beverage plants, one meat plant and two cheese plants.

Our Data

The traffic and data generated by our retail business, including pharmacies and fuel centers, enables our diverse business. Kroger serves approximately 63 million households annually and because of our rewards program, over 95% of customer transactions are tethered to a Kroger loyalty card. Our over 20 years of investment in data science capabilities allows us to utilize this data to create personalized experiences and value for our customers and enables our growing, high operating margin alternative profit businesses, including data analytic services and third-party media revenue. Our retail media business – Kroger Precision Marketing – provides differentiated media capabilities for our consumer packaged goods partners and other industry verticals. It is a key driver of our digital profitability and alternative profit.

SEASONALITY

The majority of our revenues are generally not seasonal in nature. However, revenues tend to be higher during the major holidays throughout the year. Additionally, certain significant events including inclement weather systems, particularly winter storms, tend to affect our sales trends.

HUMAN CAPITAL MANAGEMENT

Our People

We want Kroger to be a place where our customers love to shop and associates love to work. This is why we aim to create working environments where associates feel encouraged and supported to be their best selves every day. As of February 1, 2025, Kroger employed over 409,000 full- and part-time employees. Our people are essential to our success, and we focus intentionally on attracting, developing and engaging a diverse workforce that represents the communities we serve. We strive to create a culture of opportunity and take seriously our role as a leading employer in the United States. Kroger has provided a large number of people with first jobs, new beginnings and lifelong careers. We have long been guided by our values – Honesty, Integrity, Respect, Safety, Diversity and Inclusion.

Attracting & Developing Our Talent

To deliver on our customers' experiences and remain competitive with union and non-union employers, we continually try to improve how we attract and retain talent. In addition to competitive wages, quality benefits and a safe work environment, we offer a broad range of employment opportunities for workers of all ages and aspirations. Many retail roles offer opportunities to learn new skills, where new associates come for a job, and discover a career.

Associates at all levels of Kroger have access to training and education programs to build their skills and prepare for the roles they want. In 2024, we spent approximately \$192 million on training our associates through onboarding, leadership development programs and programs designed to upskill associates across the Company. We continue to invest in new platforms and applications to make learning more accessible to our associates.

Beyond our own training programs, associates can take advantage of our tuition reimbursement benefit, which offers up to \$3,500 annually — \$21,000 over the course of employment — toward continuing education. These funds can be applied to education programs like certifications, associate or graduate degrees. Approximately 5,500 associates, 89% of whom are hourly, have taken advantage of our tuition reimbursement program in 2024. Kroger has invested approximately \$64 million in this program since it launched in 2018.

Rewarding Our Associates

As we continue to operate in a challenging labor market, we are dedicated to attracting and retaining the right talent across the organization to be able to continue delivering for our customers. We are investing in our associates by expanding our industry-leading benefits, including continuing education, training and development and health and wellness. During 2024, we increased associate wages resulting in an average hourly rate of more than \$19, and a rate of more than \$25 with comprehensive benefits factored in, which is a 38% increase in rate in the last seven years. Over the last five years, we have now invested more than \$2.7 billion in incremental wage investments. We remain committed to supporting our associates with investments in wages and comprehensive benefits that are sustainable and will allow us to continue to keep products affordable for the communities we serve. We expect to make continued associate investments in 2025.

Creating a Safe Environment

Our associates' safety is a top priority. It is also one of our core values. We prioritize providing the right safety training and equipment, safe working conditions and resources to maintain and improve associates' well-being. Through our strategy to set clear expectations, routine monitoring, and regular communication and engagement, we reduce the number of injuries and accidents that happen in our workplace. We track health and safety metrics centrally for an enterprise-wide view of issues, trends and opportunities and monitor associate injury performance including total injuries, Occupational Safety and Health Administration ("OSHA") injury rates, and lost-time injuries, as well as customer injury metrics like slip-and-fall injuries. We also track the completion of required training for associates, and we regularly share these metrics with leaders and relevant team members to inform management decisions.

Supporting Labor Relations

A majority of our employees are covered by collective bargaining agreements negotiated with local unions affiliated with one of several different international unions. There are approximately 350 such agreements, usually with terms of three to five years. Wages, health care and pensions are included in all of these collective bargaining agreements that cover approximately 64% of our associates. Our objective is to negotiate contracts that balance wage increases that are competitive with union and non-union employers and provide affordable healthcare for associates with keeping groceries affordable for the communities we serve. Our obligation is to do this in a way that maintains a financially sustainable business.

CLIMATE RESILIENCIES

Managing greenhouse gas emissions to reduce our impact on the environment is an important part of Thriving Together, our responsible business strategy, and has been a focus for our business for many years. With a large portfolio of supermarkets, distribution warehouses, and food production plants, as well as a complex supply chain, we continue to take steps to reduce both the effects of our operations on the environment and the potential effects of a changing climate on our operations.

To help identify and manage climate-related risks to our business, we conducted a quantitative climate risk assessment to determine the likelihood that different physical climate risks, including drought, extreme heat and extreme precipitation, would affect our operations at representative facilities in different geographies and, in turn, potentially increase operating costs for these facilities. As a result of our risk assessments, we do not currently anticipate the modeled physical risks to adversely affect our financial condition, results of operations or cash flows for the foreseeable future. We plan to update these climate risk assessments moving forward as needed.

We also acknowledge that climate-related legislation could affect our business. As a result of current state and federal requirements regarding the phasedown of hydrofluorocarbon ("HFC") refrigerants, we anticipate steadily replacing our refrigerant infrastructure to reach required levels, which could incur significant costs to the business. Any such legislation will affect all retailers using refrigerants in their operations. We also monitor utility and technology availability and costs to help anticipate how these could affect our business operations in the future.

To help prepare for and manage a variety of risk scenarios, including natural disasters and business disruptions to our supply chain, we maintain more than 200 business continuity plans. We have installed technologies and processes to ensure our supermarkets, food production plants, fulfillment centers and supply chain can respond quickly and remain operational to serve our customers.

This topic is managed by leadership with input from several departments across the business. The Public Responsibilities Committee of the Board of Directors oversees our responsibilities as a responsible business and our practices related to environmental sustainability, including potential climate effects, along with other environmental and social topics of material importance.

INFORMATION ABOUT OUR EXECUTIVE OFFICERS

The following is a list of the names and ages of the executive officers and the positions held by each such person as of March 21, 2025. Except as otherwise noted, each person has held office for at least five years. Each officer will hold office at the discretion of the Board for the ensuing year until removed or replaced.

Name	Age	Recent Employment History
Mary E. Adcock	49	Ms. Adcock was elected Executive Vice President and Chief Merchant and Marketing Officer in March 2025 and is responsible for sales and category planning for fresh foods, center store and general merchandise categories, as well as analytics & execution, e-commerce and digital merchandising, fuel and <i>Our Brands</i> . Prior to that, Ms. Adcock served as Senior Vice President and Chief Merchant and Marketing Officer from December 2024 to March 2025. From May 2019 to December 2024, she served as Senior Vice President of Retail Operations, and from June 2016 to April 2019, she served as Group Vice President of Retail Operations. Prior to that, Ms. Adcock held leadership roles in Kroger’s Columbus Division, including Vice President of Operations and Vice President of Merchandising. Prior to that, she served as Vice President of Natural Foods Merchandising and as Vice President of Deli/Bakery Manufacturing and held several leadership positions in the manufacturing department, including human resources manager, general manager and division operations manager. Ms. Adcock joined Kroger in 1999 as human resources assistant manager at the Country Oven Bakery in Bowling Green, Kentucky.
Gabriel Arreaga	50	Mr. Arreaga was elected Executive Vice President of Supply Chain in March 2025. He is responsible for the Company’s industry-leading Supply Chain organization, Logistics, Inventory & Replenishment, Manufacturing, and Fulfillment Centers. From December 2020 to March 2025, Mr. Arreaga served as Senior Vice President of Supply Chain. Prior to joining Kroger, Mr. Arreaga served as Senior Vice President of Supply Chains for Mondelez, where he was responsible for all operations and functions from field to consumer, internal and external factories, fulfillment centers, direct to store branches, Logistics and product development. He was also Global Vice President of Operations for Stanley Black and Decker and held numerous leadership roles at Unilever including Vice President of Food and Beverage Operations

Yael Cosset	51	Mr. Cosset was elected Executive Vice President and Chief Digital Officer in March 2025 and is responsible for leading Kroger’s digital strategy, focused on building Kroger’s presence in the marketplace in digital channels, personalization and e-commerce. He is also responsible for Kroger’s alternative profit businesses, including Kroger’s data analytics subsidiary, 84.51°LLC and Kroger Personal Finance. From May 2019 to March 2025, Mr. Cosset served as Senior Vice President and Chief Information Officer. Prior to that, he served as Group Vice President and Chief Digital Officer, and also as Chief Commercial Officer and Chief Information Officer of 84.51° LLC. Prior to joining Kroger, Mr. Cosset served in several leadership roles at dunnhumby USA, LLC, including Executive Vice President of Consumer Markets and Global Chief Information Officer.
Carin L. Fike	56	Ms. Fike was elected Vice President and Treasurer effective April 2017. Prior to that, she served as Assistant Treasurer and also as Director of Investor Relations. Ms. Fike began her career with Kroger in 1999 as a manager in the Financial Reporting department after working with PricewaterhouseCoopers in various roles, including audit manager.
Todd A. Foley	55	Mr. Foley was named Senior Vice President and Interim Chief Financial Officer in March 2024. Prior to that, he served as Group Vice President, Interim Chief Financial Officer and Corporate Controller from February 2024 to March 2024. Prior to that, he served as Group Vice President and Corporate Controller from October 2021 to February 2024. From April 2017 to September 2021, Mr. Foley served as Vice President and Corporate Controller. Before that, he held several leadership roles, including Vice President and Treasurer, Assistant Corporate Controller, and Controller of Kroger’s Cincinnati/Dayton division. Mr. Foley began his career with Kroger in 2001 as an audit manager in the Internal Audit Department after working for PricewaterhouseCoopers in various roles, including senior audit manager.
Valerie L. Jabbar	56	Ms. Jabbar was elected Senior Vice President effective August 19, 2021 and is responsible for the oversight of several Kroger retail divisions. From July 2020 to August 2021, she served as Group Vice President of Center Store Merchandising, and from September 2018 to June 2020, as Group Vice President of Merchandising. Prior to that, she served as President of the Ralphs Division from July 2016 to August 2018. Before that, Ms. Jabbar served as Vice President of Merchandising for the Ralphs Division and as Vice President of Merchandising for the Mid-Atlantic Division. She also held several leadership roles, including assistant store director, category manager, Drug/GM coordinator, G.O. Seasonal manager, assistant director of Drug/GM and director of Drug GM, and district manager in the Fry’s Division. She joined the Company in 1987 as a clerk in the Fry’s Division.

David J. C. Kennerley	51	Mr. Kennerley was elected Executive Vice President in March 2025. Prior to joining Kroger, he held various leadership roles at PepsiCo from 2001 to 2025, most recently serving as CFO, Europe. Mr. Kennerley joined PepsiCo in 2001 as a manager in the International Corporate Finance/Treasury Department, then in 2005 moved to the U.K. business as a business development director and subsequently held a number of roles across Planning and Commercial Finance. In 2011, he became the company's senior finance director for the Global Beverages Group and then moved into the North American Beverage business. After that, Mr. Kennerley held a number of roles across Commercial Finance before being appointed to SVP Finance for the company's North American Bottling business. He served in his most recent role as CFO, Europe from March 2020 to March 2025.
Kenneth C. Kimball	59	Mr. Kimball was elected Senior Vice President in March 2022 and is responsible for the oversight of several Kroger retail divisions. From April 2016 to March 2022, he served as President of the Smith's Division. Prior to that, he held several leadership roles with the Ralphs Division, including Vice President of Operations and Vice President of Merchandising. Prior to that, he held leadership roles, including store manager, district manager, and director in the Smith's Division as well as Senior Vice President of Sales and Merchandising and Group Vice President of Retail Operations. Mr. Kimball joined the Company in 1984 as a clerk in the Smith's Division.
Timothy A. Massa	58	Mr. Massa was elected Executive Vice President in March 2025 and serves as the company's Chief People Officer, leading all areas of Human Resources and Labor Relations, including total rewards, labor relations, diversity, business unit human resources, people operations, training and development, talent hiring, retention and engagement, corporate affairs, and associate communications. He also leads the areas of shared services and aviation. From June 2018 to March 2025, Mr. Massa served as Senior Vice President and Chief People Officer, and from June 2014 to June 2018, he served as Group Vice President of Human Resources and Labor Relations. Mr. Massa joined Kroger in October 2010 as Vice President, Corporate Human Resources and Talent Development. Prior to joining Kroger, he served in various Human Resources leadership roles for 21 years at Procter & Gamble, most recently serving as Global Human Resources Director of Customer Business Development.
Brian W. Nichols	52	Mr. Nichols was elected Vice President, Corporate Controller in March 2024 and is responsible for oversight of Kroger's Corporate Accounting and Corporate Tax departments, as well as the Company's Accounting Centers and Accounting Modernization teams. Prior to that, he served as Vice President, Assistant Corporate Controller from April 2021 to March 2024. From May 2018 to April 2021, Mr. Nichols served as Senior Director and Assistant Corporate Controller. Prior to that, he held several leadership roles, including Senior Manager of Corporate and External Financial Reporting and Senior Financial Analyst of SEC Reporting. Mr. Nichols joined Kroger in 2000 as Assistant Controller of the Central Division.

Ronald L. Sargent	69	Mr. Sargent was named Interim Chief Executive Officer and Chairman of the Board in March 2025. He has been a Kroger director since 2006 and served as the Lead Director from June 2018 to March 2025. Mr. Sargent was Chairman and Chief Executive Officer of Staples, Inc., a business products retailer, from 2002 until his retirement in 2016 after joining the company in 1989. Prior to joining Staples, Mr. Sargent spent 10 years with Kroger in several roles across stores, sales, marketing, manufacturing and strategy.
Christine S. Wheatley	54	Ms. Wheatley was elected Executive Vice President, General Counsel, and Secretary in March 2025. Prior to that, she served as Senior Vice President, General Counsel, and Secretary from May 2023 to March 2025. From May 2014 to May 2023, Ms. Wheatley served as Group Vice President, Secretary and General Counsel. She joined Kroger in February 2008 as Corporate Counsel, and thereafter served as Senior Attorney, Senior Counsel, and Vice President. Before joining Kroger, Ms. Wheatley was engaged in the private practice of law for 11 years, most recently as a partner at Porter Wright Morris & Arthur in Cincinnati.

COMPETITIVE ENVIRONMENT

For the disclosure related to our competitive environment, see Item 1A under the heading “Competitive Environment.”

ITEM 1A. RISK FACTORS.

There are risks and uncertainties that can affect our business. The significant risk factors are discussed below. The following information should be read together with “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” which includes forward-looking statements and factors that could cause us not to realize our goals or meet our expectations.

COMPETITIVE ENVIRONMENT

The operating environment for the food retailing industry continues to be characterized by the proliferation of local, regional, and national retailers, including both retail and digital formats, and intense and ever-increasing competition ranging from online retailers, mass merchant, club stores, regional chains, deep discounters, dollar stores, and ethnic, specialty and natural food stores. With the proliferation of grocery delivery – both by retailers and third-party delivery service providers – customers have an even wider range of retailers from which to choose. Customers continue to expect a great shopping experience both in-store and online. The industry continues to be shaped by e-commerce, cooking at home and prepared foods to go and other customer needs and preferences. Customers want to be able to shop on their own terms with zero compromise whether at brick and mortar stores or online, pick-up or delivery, depending on their particular trip needs and other factors. If we do not appropriately or accurately anticipate customer preferences or fail to quickly adapt to these ever-changing preferences, our sales and profitability could be adversely affected. If we fail to meet the evolving needs of our customers, our ability to compete and our financial condition, results of operations or cash flows could be adversely affected.

We are continuing to enhance the customer connection with investments in our four strategic pillars – Seamless, Personalization, Fresh, and *Our Brands*. Each of these strategies is designed to better serve our customers and to generate customer loyalty and sustainable growth momentum. We believe our plans to continue to improve these four strategic pillars will enable us to meet the wide-ranging needs and expectations of our customers. If we are unable to continue to enhance the foregoing key elements of our connection with customers, or they fail to strengthen customer loyalty, our ability to compete and our financial condition, results of operations or cash flows could be adversely affected. Our ecosystem monetizes the traffic and data insights generated by our retail grocery business to create fast-growing, asset-light and margin-rich revenue streams. Growth in loyal households, customer traffic and digitally engaged customers allow us to grow profits and power the flywheel in our model. We may be unsuccessful in implementing our alternative profit strategy, which could adversely affect our business growth and our financial condition, results of operations or cash flows. The nature and extent to which our competitors respond to the evolving and competitive industry by developing and implementing their competitive strategies could adversely affect our profitability.

In addition, evolving customer preferences and the advancement of online, delivery, ship to home and mobile channels in our industry increase the competitive environment. We must anticipate and meet these evolving customer preferences and continue to implement technology, software and processes to be able to conveniently and cost-effectively fulfill customer orders. Providing flexible fulfillment options and implementing new technology is complex and may not meet customer preferences. If we are not successful in reducing or offsetting the cost of fulfilling orders outside of our in-store channel with efficiencies, cost-savings, expense reductions, or alternative revenues, our financial condition, results of operations or cash flows could be adversely affected.

In addition, if we do not successfully develop and maintain a relevant digital experience for our customers, our business, financial condition, results of operations or cash flows could be adversely affected. Digital retailing is rapidly evolving, and we must keep pace with new developments by our competitors as well as the evolving needs and preferences of our customers. We must compete by offering a convenient shopping experience for our customers regardless of how they choose to shop with us, and by investing in providing and maintaining relevant customer-facing apps and interfaces that have the features customers want that are also reliable and easy to use. The future success of the digital business will also depend on the efficiency and cost effectiveness of fulfilling orders across our modalities, whether in store, pickup or delivery through third parties or our customer fulfillment centers.

PRODUCT SAFETY

Customers count on Kroger to provide them with safe food and drugs and other merchandise. Concerns regarding the safety of the products that we sell could cause shoppers to avoid purchasing certain products from us, or to seek alternative sources of supply even if the basis for the concern is outside of our control. Any lost confidence on the part of our customers would be difficult and costly to reestablish. We could be adversely affected by personal injury or product liability claims, product recalls, or other health and safety issues, which occur from time to time. If we sell products that cause illness or injury to customers, resulting from product contamination or spoilage, the presence of certain substances, or damage caused in handling, storage or transportation, we could be exposed to claims or litigation. Any issue regarding the safety of items, whether *Our Brands* items manufactured by us or for us or CPG products we sell, regardless of the cause, could have a substantial and adverse effect on our reputation, financial condition, results of operations or cash flows.

EMPLOYEE MATTERS

Nearly two-thirds of our associates are covered by collective bargaining agreements with unions, and our relationship with those unions, including any work stoppage affecting a substantial number of locations, could have a material adverse effect on our financial condition, results of operations or cash flows. We are a party to approximately 350 collective bargaining agreements. Upon the expiration of our collective bargaining agreements, work stoppages by the affected workers could occur (and have occurred in the past) if we are unable to negotiate new contracts with labor unions. In addition, changes to national labor policy could affect labor relations with our associates and relationships with unions. Further, if we are unable to control health care, pension and wage costs, or if we have insufficient operational flexibility under our collective bargaining agreements, we may experience increased operating costs and an adverse effect on our financial condition, results of operations or cash flows.

We have committed to paying fair wages and providing the benefits that were collectively bargained with the United Food and Commercial Workers (“UFCW”) and other labor unions representing associates. Our ability to control labor and benefit costs is subject to numerous internal and external factors, including regulatory changes, wage rates, and healthcare and other insurance costs. Changes to wage regulations, including further increases in the minimum wage or ordinances related to pay or working conditions enacted by local governments, could have an effect on our future financial condition, results of operations or cash flows. Our ability to meet our labor needs, while controlling wages and other costs, is subject to numerous external factors, including the available qualified workforce in each area where we are located, unemployment levels within those areas, wage rates, and changes in employment and labor laws.

Our continued success depends on the ongoing contributions of our associates, including members of our senior management, key associates and executives. While we have development and succession plans in place for our key associates and executives, these plans do not guarantee that the services of our key associates and executives will continue to be available to us. For example, we recently experienced several key executive changes. It may be difficult to replace key executives because of the limited number of qualified individuals with the breadth of skills and experience necessary for our business. We must recruit, hire, develop and retain qualified associates with an increasingly large range of skills to meet the needs of our evolving and complex business. We compete with other retail and non-retail businesses for these associates and invest significant resources in training and motivating them. Competition among potential employers has resulted, and may in the future result, in increased associate costs and has from time to time affected our ability to recruit and retain associates. If we are unable to attract, develop, retain and effectively manage the development and succession plans for our associates, including members of our senior management, key associates and executives, it could have a material adverse effect on our business, financial condition, results of operations or cash flows.

DATA AND TECHNOLOGY

Our business is increasingly dependent on information technology systems that are complex and vital to continuing operations, resulting in an expansion of our technological presence and corresponding risk exposure. If we were to experience difficulties maintaining or operating existing systems or implementing new systems, we could incur significant losses due to disruptions in our operations. As we modernize legacy systems, if we are unable to successfully implement those systems in a coordinated manner across internal and external stakeholders, we could be subject to business interruption or reputation risk with our customers, suppliers or associates.

Rapidly evolving technological and regulatory developments related to Artificial Intelligence (“AI”) and related technologies may increase competitive, legal, and security risks facing the Company. While we are utilizing AI and machine learning capabilities across our business, our competitors or other third parties may incorporate AI into their products, services and operations more successfully, which could impair our ability to compete effectively, or adversely affect our results of operations or our ability to improve operational efficiency.

To effectively compete, we may need to increase investments to innovate new capabilities and processes incorporating AI as well as to develop appropriate protections, safeguards, and policies for handling data and mitigating information security, data privacy and legal risks. Furthermore, the regulatory and legal landscape regarding AI is rapidly evolving and the Company may be challenged to timely comply in a cost-effective manner.

Through our sales and marketing activities, we collect and store some personal information that our customers provide to us. We also gather and retain information about our associates in the normal course of business. Under certain circumstances, we may share information with third parties that assist us in conducting our business, as required by law, or otherwise in accordance with our privacy policy.

Our technology systems have been, and may be in the future, disrupted from circumstances beyond our control, as we regularly defend against and respond to data security related attacks. Cyber-attackers have targeted and accessed, and may in the future again target and, if successful, access information stored in our or certain third parties' systems in order to misappropriate confidential customer or business information. The rapid evolution and increased adoption of AI and related technologies may also intensify the risk that our technology systems are targeted. Due to ongoing geopolitical conflicts, there is an increased possibility of cyberattacks that could either directly or indirectly affect our operations. Although we have implemented procedures to protect our information, and require third parties we interact with to do the same, we cannot be certain that our security systems will successfully defend against, or be able to effectively respond to, rapidly evolving, increasingly sophisticated cyber-attacks as they become more difficult to detect and defend against. Further, a Kroger associate, a contractor or other third party with whom we interact may in the future circumvent our security measures in order to obtain information or may inadvertently cause a breach involving information. In addition, hardware, software or applications we may use may have inherent defects, vulnerabilities, or could be inadvertently or intentionally applied or used in a way that could compromise our information security.

Our cybersecurity program, continued investment in our information technology systems, and our processes to evaluate and select vendors with reasonable information security controls may not effectively insulate us from potential attacks, data breaches or disruptions to our business operations, which could result in a loss of customers or business information, negative publicity, damage to our reputation, and exposure to claims from customers, financial institutions, regulatory authorities, payment card associations, associates and other persons. Any such events could have an adverse effect on our business, financial condition, results of operations or cash flows and may not be covered by our insurance. In addition, compliance with rapidly changing privacy and information security laws and standards may result in significant expense due to increased investment in technology and the development of new operational processes and may require us to devote significant management resources to address these issues. The costs of attempting to protect against the foregoing risks and the costs of responding to cyber-attacks are significant. Following a cyber-attack, our and/or our third parties' remediation efforts may not be successful, and a cyber-attack could result in interruptions, delays or cessation of service, and loss of existing or potential customers. In addition, breaches of our and/or our vendors' security measures and the unauthorized dissemination of sensitive personal information or confidential information about us or our customers could expose our customers' private information and our customers to the risk of financial or medical identity theft, or expose us or other third parties to a risk of loss or misuse of this information, and result in investigations, regulatory enforcement actions, material fines and penalties, loss of customers and business relationships, litigation or other actions which could have a material adverse effect on our brands, reputation, business, financial condition, results of operations or cash flows.

Data governance failures can adversely affect our reputation and business. Our business depends on our customers' willingness to entrust us with their personal information. Events that adversely affect that trust, including inadequate disclosure to our customers of our uses of their information, failures to honor new and evolving data privacy rights, failing to keep our information technology systems and our customers' sensitive information secure from significant attack, theft, damage, loss or unauthorized disclosure or access, whether as a result of our action or inaction (including human error) or that of our business associates, vendors or other third parties, could adversely affect our brand and reputation and operating results and also could expose and/or has exposed us to mandatory disclosure to the media, litigation (including class action litigation), governmental investigations and enforcement proceedings, material fines, penalties and/or remediation costs, and compensatory, special, punitive and statutory damages, consent orders, and/or injunctive relief, any of which could adversely affect our businesses, financial condition, results of operations or cash flows. Large scale data breaches at other entities, including supply chain related security vulnerabilities, increase the challenge we face in maintaining the security of our information technology systems and proprietary information and of our customers' information. There can be no assurance that such failures will not occur, or if any do occur, that we will detect them or that they can be sufficiently remediated.

The use of data by our business and our business associates is highly regulated. Privacy and information-security laws and regulations change, and compliance with them may result in cost increases due to, among other things, systems changes and the development of new processes. If we, our third-party service providers, or those with whom we share information fail to comply with laws and regulations, or self-regulatory regimes, that apply to all or parts of our business, such as section 5 of the FTC Act, the California Consumer Privacy Act (CCPA), the Health Insurance Portability and Accountability Act (HIPAA), or applicable international laws such as the EU General Data Protection Regulation (GDPR), our reputation could be damaged, possibly resulting in lost business, and we could be subjected to additional legal risk or financial losses as a result of non-compliance.

PAYMENT SYSTEMS

We accept payments using a variety of methods, including cash and checks, select credit and debit cards, and Kroger Pay, a mobile payment solution. As we offer new payment options to our customers, we may be subject to additional rules, regulations, compliance requirements, and higher fraud losses. For certain payment methods, we pay interchange and other related acceptance fees, along with additional transaction processing fees. We rely on third parties to provide payment transaction processing services for credit and debit cards. It could disrupt our business if these companies become unwilling or unable to provide these services to us, including due to short term disruption of service. We are also subject to evolving payment card association and network operating rules, including data security rules, certification requirements and rules governing electronic funds transfers. For example, we are subject to Payment Card Industry Data Security Standards (“PCI DSS”), which contain compliance guidelines and standards with regard to our security surrounding the physical and electronic storage, processing and transmission of individual cardholder data. If our payment card terminals or internal systems are breached or compromised, we may be liable for card re-issuance costs and other costs, subject to fines and higher transaction fees, and lose our ability to accept card payments from our members, or if our third-party service providers’ systems are breached or compromised, our business, financial condition, results of operations or cash flows could be adversely affected.

INDEBTEDNESS

Our indebtedness could reduce our ability to obtain additional financing for working capital, mergers and acquisitions or other purposes and could make us vulnerable to future economic downturns as well as competitive pressures. If debt markets do not permit us to refinance certain maturing debt, we may be required to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness. Changes in our credit ratings, or in the interest rate environment, could have an adverse effect on our financing costs and structure.

GOVERNMENT REGULATION, LEGAL PROCEEDINGS AND INSURANCE

We are subject to various laws, regulations, and administrative practices that affect our business, including laws and regulations involving antitrust and competition, privacy, data protection, environmental, healthcare, anti-bribery, anti-corruption, tax, accounting, and financial reporting or other matters. These and other rapidly changing laws, regulations, policies and related interpretations, changes in the regulatory environment in which we operate, along with changes in federal policy and at regulatory agencies, as well as increased enforcement actions by various governmental and regulatory agencies, create challenges for us, may alter the environment in which we do business and may increase the ongoing costs of compliance, which could adversely affect our financial condition, results of operations and cash flows. If we are unable to continue to meet these challenges and comply with all laws, regulations, policies and related interpretations, it could negatively affect our reputation and our business results. Additionally, we are currently, and in the future may be, subject to a number of inquiries, investigations, claims, proceeding, and requests for information from governmental agencies or private parties, the adverse outcomes of which could harm our business. Failure to successfully manage these new or pending regulatory and legal matters and resolve such matters without significant liability or damage to our reputation may adversely affect our financial condition, results of operations and cash flows. Furthermore, if new or pending legal or regulatory matters result in fines or costs in excess of the amounts accrued to date, that may also materially affect our financial condition, results of operations or cash flows.

Increasing governmental and societal attention to environmental, social, and governance (“ESG”) matters, including expanding voluntary reporting, diligence, and disclosure on topics such as climate change, waste production, water usage, human capital, labor, and risk oversight, could expand the nature, scope, and complexity of matters that we are required to control, assess, and report and could negatively affect our reputation. Additionally, there is some indication that sustainability goals are becoming more controversial, as some governmental entities in the U.S. and certain investor and other constituencies question the appropriateness of or object to sustainability initiatives. The recent change to the United States administration and changes in investor perspectives could also affect our ability to pursue our sustainability goals and could lead to increased criticism and associated reputational harm. In addition, we may face criticism as a result of ‘anti-ESG’ sentiment among certain stakeholders, including governmental authorities, regulators, shareholders and customers. We have established and publicly announced certain goals which we may refine in the future. The execution of this strategy to achieve these goals is subject to risks and uncertainties, many of which may be outside of our control and prove to be more costly than we anticipate. These risks and uncertainties include, but are not limited to, our ability to achieve our goals within the currently projected costs and the expected timeframes; unforeseen operational and technological difficulties; the outcome of research efforts and future technology developments; and the success of our collaborations with and reliance on third parties. Any failure, or perceived failure, to achieve these goals or the setting or publication of certain targets could damage our reputation and customer, investor and other stakeholder relationships, and may even result in regulatory enforcement action. Such conditions could have an adverse effect on our business, financial condition, results of operations or cash flows. In addition, new or changing regulation or public opinion regarding our sustainability goals or our actions to achieve them may result in adverse effects on our financial performance, reputation or demand for our services and products, or may otherwise result in obligations and liabilities that cannot be predicted or estimated at this time.

Additionally, we must comply with numerous provisions regulating, among other things, health and sanitation standards, food labeling and safety, equal employment opportunity, minimum wages and licensing for the sale of food, drugs, and alcoholic beverages. We cannot predict future laws, regulations, interpretations, administrative orders, or applications, or the effect they will have on our operations. They could, however, significantly increase the cost of doing business. They also could require the reformulation of some of the products that we sell (or manufacture for sale to third parties) to meet new standards. We also could be required to recall or discontinue the sale of products that cannot be reformulated. These changes could result in additional record keeping, expanded documentation of the properties of certain products, expanded or different labeling, or scientific substantiation. Any or all of these requirements could have an adverse effect on our financial condition, results of operations or cash flows.

In addition to legal and regulatory risks, we currently are a party to and will continue to be a party to, third party legal proceedings, including matters involving personnel and employment issues, personal injury, property damage, privacy, contract disputes, private rights of action under certain regulations, and other proceedings, including but not limited to opioid litigation and litigation with Albertsons. Some of these proceedings are brought by individuals and others purport to be brought as class actions on behalf of similarly situated parties. Some of these proceedings could result in a substantial loss to Kroger. We estimate our exposure to these legal proceedings and establish accruals for the estimated liabilities, where it is reasonably possible to estimate and where an adverse outcome is probable. Assessing and predicting the outcome of these matters involves substantial uncertainties. Adverse outcomes in these legal proceedings, or changes in our evaluations or predictions about the proceedings, could have an adverse effect on our financial condition, results of operations or cash flows. Please also refer to the “Litigation” section in Note 12 to the Consolidated Financial Statements.

We use a combination of insurance and self-insurance to provide for potential liability for workers’ compensation, automobile and general liability, property, director and officers’ liability, cyber risk exposure and associate health care benefits. Any actuarial projection of losses is subject to a high degree of variability. With respect to insured matters, we are liable for retention amounts that vary by the nature of the claim, and some losses may not be covered by insurance. Changes in legal claims, trends and interpretations, variability in inflation rates, changes in the nature and method of claims settlement, benefit level changes due to changes in applicable laws, insolvency of insurance carriers, and changes in discount rates could all affect our financial condition, results of operations or cash flows.

MULTI-EMPLOYER PENSION OBLIGATIONS

As discussed in more detail below in “Management’s Discussion and Analysis of Financial Condition and Results of Operations-Critical Accounting Policies-Multi-Employer Pension Plans,” Kroger contributes to several multi-employer pension plans based on obligations arising under collective bargaining agreements with unions representing associates covered by those agreements. We believe the present value of actuarially accrued liabilities in most of these multi-employer plans exceeds the value of the assets held in trust to pay benefits, and we expect that Kroger’s contributions to most of these funds will increase over the next few years. A significant increase to those funding requirements could adversely affect our financial condition, results of operations or cash flows. Despite the fact that the pension obligations of these funds are not the liability or responsibility of the Company, except as noted below, there is a risk that the agencies that rate our outstanding debt instruments could view the underfunded nature of these plans unfavorably, or adjust their current views unfavorably, when determining their ratings on our debt securities. Any downgrading of our debt ratings likely would adversely affect our cost of borrowing and access to capital.

We also currently bear the investment risk of two multi-employer pension plans in which we participate. In addition, we have been designated as the named fiduciary of these funds with sole investment authority of the assets of these funds. If investment results fail to meet our expectations, we could be required to make additional contributions to fund a portion of or the entire shortfall, which could have an adverse effect on our business, financial condition, results of operations or cash flows.

INTEGRATION OF NEW BUSINESS AND STRATEGIC ALLIANCES

We enter into mergers, acquisitions and strategic alliances with expected benefits including, among other things, operating efficiencies, procurement savings, innovation and sharing of best practices, that may allow for future growth. Achieving the anticipated or desired benefits may be subject to a number of significant challenges and uncertainties, including, without limitation, whether unique corporate cultures will work collaboratively in an efficient and effective manner, the coordination of geographically separate organizations, the possibility of imprecise assumptions underlying expectations regarding potential synergies, capital requirements, and the integration process (including the integration of internal controls into our business operations), unforeseen expenses and delays and competitive factors in the marketplace. We could also encounter unforeseen transaction and integration-related costs or other circumstances such as unforeseen liabilities or other issues. Many of these potential circumstances are outside of our control and any of them could result in increased costs, decreased revenue, decreased synergies and the diversion of management time and attention. If we are unable to achieve our objectives within the anticipated time frame, or at all, the expected benefits may not be realized fully or at all, or may take longer to realize than expected, which could have an adverse effect on our business, financial condition, results of operations or cash flows.

FUEL

We sell a significant amount of fuel in our 1,702 fuel centers, which could face increased regulation, including due to climate change or other environmental concerns, and demand could be affected by concerns about the effect of emissions on the environment as well as retail price increases. We are unable to predict future regulations, environmental effects, political unrest, acts of war or terrorism, disruptions to the economy, including but not limited to pandemics and other health crises, geopolitical conflicts, tariffs and other matters that affect the cost and availability of fuel, and how our customers will react to such factors, which could adversely affect our financial condition, results of operations or cash flows.

ECONOMIC CONDITIONS

Our operating results could be materially affected by changes in overall economic conditions and other economic factors that affect consumer confidence and spending, including discretionary spending. Future economic conditions affecting disposable consumer income such as employment levels, business conditions, overall economic slowdown or recession, changes in housing market conditions, changes in government benefits such as SNAP/EBT, student loan relief, or child care credits, the availability of credit, interest rates, inflation, disinflation or deflation, tax rates, tariffs and other matters could reduce consumer spending. Inflation could materially affect our operating results through increases to our cost of goods, supply chain costs and labor costs. In addition, the economic factors listed above, or any other economic factors or circumstances resulting in higher transportation, labor, insurance or healthcare costs or commodity prices, and other economic factors can increase our merchandise costs and operating, general and administrative expenses and otherwise adversely affect our financial condition, results of operations or cash flows. Increased fuel prices also have an effect on consumer spending and on our costs of producing and procuring products that we sell. A deterioration in overall economic conditions, including the uncertainty caused by inflation rate volatility, could adversely affect our business in many ways, including slowing sales growth, reducing overall sales and reducing gross margins. Geopolitical and catastrophic events, such as wars and conflicts, civil unrest, acts of terrorism or other acts of violence, could materially affect our results, including several occurrences which have taken place at our locations, including active shooter situations or the loss of merchandise as a result of shrink or industry-wide theft and organized retail crime, or pandemics or other health crises, and other matters that could reduce consumer spending, could materially affect our financial condition, results of operations or cash flows. We regularly maintain cash balances at third-party financial institutions in excess of the Federal Deposit Insurance Corporation (“FDIC”) insurance limit and are therefore reliant on banks and other financial institutions to safeguard and allow ready access to these assets. If banks or financial institutions enter receivership or become insolvent in the future in response to financial conditions affecting the banking system and financial markets, our ability to access our existing cash, cash equivalents and investments may be threatened. We are unable to predict how the global economy and financial markets will perform or their volatility. If the global economy and financial markets do not perform as we expect, it could adversely affect our business, financial condition, results of operations or cash flows.

Our operating results could be adversely affected by any future disease outbreak, including pandemics, epidemics, or similar widespread health concerns. We cannot predict with certainty the extent that our operations may be affected by any effects of the foregoing on us or on our customers, suppliers, vendors, and other business partners, and each of their financial conditions; however, any adverse effect on these parties could materially and adversely affect us. To the extent that any health crisis affects the U.S. and global economy and our business, it may also heighten other risks described in this section, including but not limited to those related to consumer behavior and expectations, competition, implementation of strategic initiatives, cybersecurity threats, payment-related risks, supply chain disruptions, labor availability and cost, litigation and operational risk as a result of regulatory requirements.

WEATHER, NATURAL DISASTERS AND OTHER EVENTS

A large number of our stores, distribution facilities and fulfillment centers are geographically located in areas that are susceptible to hurricanes, tornadoes, floods, droughts, wildfires, ice and snow storms, and earthquakes. Weather conditions and natural disasters have, and may again in the future, disrupt our operations at one or more of our facilities, interrupt the delivery of products to our stores, substantially increase the cost of products, including supplies and materials and substantially increase the cost of energy needed to operate our facilities or deliver products to our facilities. Moreover, the effects of climate change, including those associated with extreme weather events, may affect our ability to procure needed commodities at costs and in quantities that are optimal for us or at all. Adverse weather or natural disasters and other matters that could reduce consumer spending, could materially affect our financial condition, results of operations or cash flows.

CLIMATE IMPACT

The long-term effects of global climate change present both physical risks, such as extreme weather conditions or rising sea levels, and transition risks, such as regulatory or technology changes, which are expected to be widespread and unpredictable. These changes could over time affect, for example, the availability and cost of products, commodities and energy including utilities, which in turn may affect our ability to procure goods or services required for the operation of our business at the quantities and levels we require. In addition, many of our operations and facilities are in locations that may be affected by the physical risks of climate change, and we face the risk of losses incurred as a result of physical damage to stores, distribution or fulfillment centers, loss or spoilage of inventory and business interruption caused by such events. We also use natural gas, diesel fuel, gasoline and electricity in our operations, all of which could face increased regulation and cost increases as a result of climate change or other environmental concerns. Transitioning to alternative energy sources, such as renewable electricity or electric vehicles, and investments in new technologies, could incur higher costs. Regulations limiting greenhouse gas emissions and energy inputs may also increase in the future, which may increase our costs associated with compliance, tracking, reporting, and sourcing. These events and their effects could otherwise disrupt and adversely affect our operations and could have an adverse effect on our financial condition, results of operations or cash flows.

SUPPLY CHAIN

Disruption in our global supply chain could negatively affect our business. The products we sell are sourced from a wide variety of domestic and international vendors, and any future disruption in our supply chain or inability to find qualified vendors and access products that meet requisite quality and safety standards in a timely and efficient manner could adversely affect our business. The loss or disruption of such supply arrangements for any reason, labor disputes, loss or impairment of key manufacturing sites, acts of war or terrorism, disruptive global political events, quality control issues, a supplier's financial distress, natural disasters or health crises, regulatory actions or ethical sourcing issues, trade sanctions, tariffs or other external factors over which we have no control, could interrupt product supply and, if not effectively managed and remedied, have an adverse effect on our business, financial condition, results of operations or cash flows.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 1C. CYBERSECURITY.

RISK MANAGEMENT AND STRATEGY

Securing Kroger's business information, intellectual property, customer and employee data and technology systems is essential for the continuity of our businesses, meeting applicable regulatory requirements and maintaining the trust of our stakeholders. We have adopted enterprise cybersecurity risk mitigation and governance processes, which are set forth in the Kroger Cybersecurity Risk Management program ("CRM"), the Kroger Third-Party Cybersecurity Risk Management ("TPCRM") program and the Kroger Cyber Incident Response Plan ("IR Plan"). Our approach is guided by the principles of the CRM, which includes monitoring threats and vulnerabilities and assessing and monitoring related controls, supporting the Corporate Information Security function, the Chief Information Security Officer ("CISO") and Chief Digital Officer ("CDO"). Kroger's cybersecurity policies, standards, processes, and practices are integrated into our overarching risk management system in an effort to enhance our ability to safeguard our operations and information, which includes quarterly cybersecurity reporting to the Board, delivered by senior leadership.

Kroger Cyber Risk Management Program

The CRM was developed in collaboration with third-party consultants and is aligned with the National Institute of Standards and Technology (“NIST”), Risk Management Framework (“RMF”), Cybersecurity Framework (“CSF”) and the International Organization for Standardization 27001 (“ISO 27001”). The program includes security and privacy, risk-based controls, and incorporates lessons learned from cybersecurity incidents. Under Kroger’s CRM, cyber risks, including cyber threats and cyber events/incidents, are assessed, treated, and monitored on a continuous basis. We integrate lessons learned from incident response and cyber risk mitigation into our cyber risk management strategy, in an effort to improve overall cybersecurity on an ongoing basis. Kroger’s CRM program is spearheaded by specific management positions, chosen for their expertise in the field as further discussed below.

In line with cyber risk management best practices, we have collaborated with recognized third-party experts as needed to align the CRM’s foundational processes, metrics, monitoring, and reporting with common frameworks such as the NIST RMF and the NIST CSF.

Third-Party Cyber Risk Management

Recognizing the potential vulnerabilities posed by third-party relationships, Kroger has implemented a comprehensive TPCRM program. The TPCRM program is designed to assess third-party cybersecurity risks by employing third-party cyber risk assessments, vendor tiering, and a dedicated team tasked with recommending holistic improvements to strengthen Kroger’s cybersecurity posture, sourcing, and contracting processes. Kroger’s Information Security Operations Center (“iSOC”) responds to known third-party incidents on a continuous basis. The iSOC is a part of the Corporate Information Security (“CIS”) department and is responsible for detecting, responding to, and escalating security incidents. We partner directly with business stakeholders and technology custodians to determine an appropriate response to manage incident risk to minimize the effect to the business. This response process is a regular and critical function of the iSOC and is defined in a separate appendix to the IR Plan. Any material risk identified from these incidents is escalated and communicated using formal severity and impact criteria as defined in the IR Plan.

Kroger Cyber Incident Response Plan

The IR Plan documents the processes by which information security events are detected, identified, prioritized, and analyzed. The Kroger iSOC, CISO, legal counsel, and corporate affairs stakeholders are then engaged depending on the incident’s scope, business effect, and potential material risk. This cross-functional team is responsible for assessing an appropriate response and mitigation pathway. Once security events are identified through the enterprise detection and monitoring ecosystem, the IR Plan sets forth an incident prioritization/decision workflow to determine scope, business effect, and potential material risk. This workflow is implemented through collaboration with the iSOC, CISO, legal counsel, and corporate affairs stakeholders and correlates to industry standard severity levels.

In addition to the processes outlined above, we have also implemented an information security training program for employees that includes security awareness training related to cyber security risks, simulated phishing emails and regular communication to the enterprise regarding cyber security risks.

We experience cybersecurity threats and incidents from time to time. We are not aware of any material risks from cybersecurity threats, including as a result of any previous cybersecurity incidents, that have materially affected or are reasonably likely to materially affect us, including our business strategy, our financial condition, results of operations or cash flows, and we have not experienced a cybersecurity threat or incident that has materially affected Kroger in at least the last three years. There can be no assurance that cybersecurity threats will not have a material effect on us, including our business strategy, our financial condition, results of operations or cash flows. Please see “Item 1A. Risk Factors” for more information on our cybersecurity-related risks.

GOVERNANCE

Protection of our customers' data is a fundamental priority for our Board and management team. Our risk management team is integrated into our CIS function and is led by our CDO and CISO. The risk management team reports to the CISO and has combined experience in information security, governance, and compliance, including domains such as engineering, architecture, cybersecurity, and privacy. This team is responsible for defining the program, cybersecurity governance, and gathering insights related to assessing, identifying, and managing cybersecurity threat risks, their severity, and mitigations.

Kroger's CDO reports to the CEO and leads technology and digital capabilities for the Kroger Co., including the overall cybersecurity strategy. Kroger's CDO has over 20 years of both leading and transforming technology, digital growth, and e-commerce in the retail and food industry. He graduated with a master's degree in business administration and management from Ecole Supérieure de Commerce de Chambéry, Rhône-Alpes, France. Kroger's interim CISO brings nearly 20 years of experience developing and leading security and risk programs. His experience includes governance, information security, and threat management. He graduated from Miami University with a bachelor's degree in management information systems and marketing.

The Audit Committee of Kroger's Board of Directors is charged with oversight of data privacy and cybersecurity risks. Kroger's CDO and CISO provide quarterly updates on cybersecurity risks and related mitigating actions to the Audit Committee, meet with the full Board at least annually and inform the Audit Committee immediately if a cybersecurity incident is deemed material. They report to the Audit Committee and the Board on compliance and regulatory issues, provide updates concerning continuously-evolving threats and mitigating actions, and present a NIST Cybersecurity Framework Scorecard. Additionally, the CDO and CISO discuss and present strategies to address geopolitical threats that may affect operations as well as technological changes, such as AI and quantum computing. In overseeing cybersecurity risks, the Audit Committee focuses on aggregated, thematic issues with a risk-based approach. Oversight of cybersecurity risk incorporates strategy metrics, third-party assessments, and internal audit and controls. An independent third party also regularly reports to the Audit Committee and the full Board on cybersecurity, and outside counsel advises the Board on best practices for cybersecurity oversight by the Board, and the evolution of that oversight over time. Management also reports on strategic key risk indicators, ongoing initiatives, and significant incidents and their effect.

ITEM 2. PROPERTIES.

As of February 1, 2025, we operated approximately 2,800 owned or leased supermarkets, distribution warehouses, customer fulfillment centers and food production plants through divisions, subsidiaries or affiliates. These facilities are located throughout the United States. We generally own store equipment, fixtures and leasehold improvements, as well as processing and food production equipment. The total cost of our owned assets and finance leases at February 1, 2025, was \$60.1 billion while the accumulated depreciation was \$34.4 billion.

We lease certain store real estate, warehouses, distribution centers, office space and equipment. We operate in leased facilities in approximately half of our store locations. Lease terms generally range from 10 to 20 years with options to renew for varying terms at our sole discretion. Certain leases also include options to purchase the leased property. Leases with an initial term of 12 months or less are not recorded on the balance sheet. Certain leases include escalation clauses or payment of executory costs such as property taxes, utilities or insurance and maintenance. Rent expense for leases with escalation clauses or other lease concessions are accounted for on a straight-line basis over the lease term. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants. Certain properties or portions thereof are subleased to others for periods generally ranging from one to 20 years. For additional information on lease obligations, see Note 9 to the Consolidated Financial Statements.

ITEM 3. LEGAL PROCEEDINGS.

Incorporated by reference herein is information regarding certain legal proceedings in which we are involved as set forth under “Litigation” contained in Note 12 – “Commitments and Contingencies” in the notes to the Consolidated Financial Statements in Item 8 of Part II of this Annual Report.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

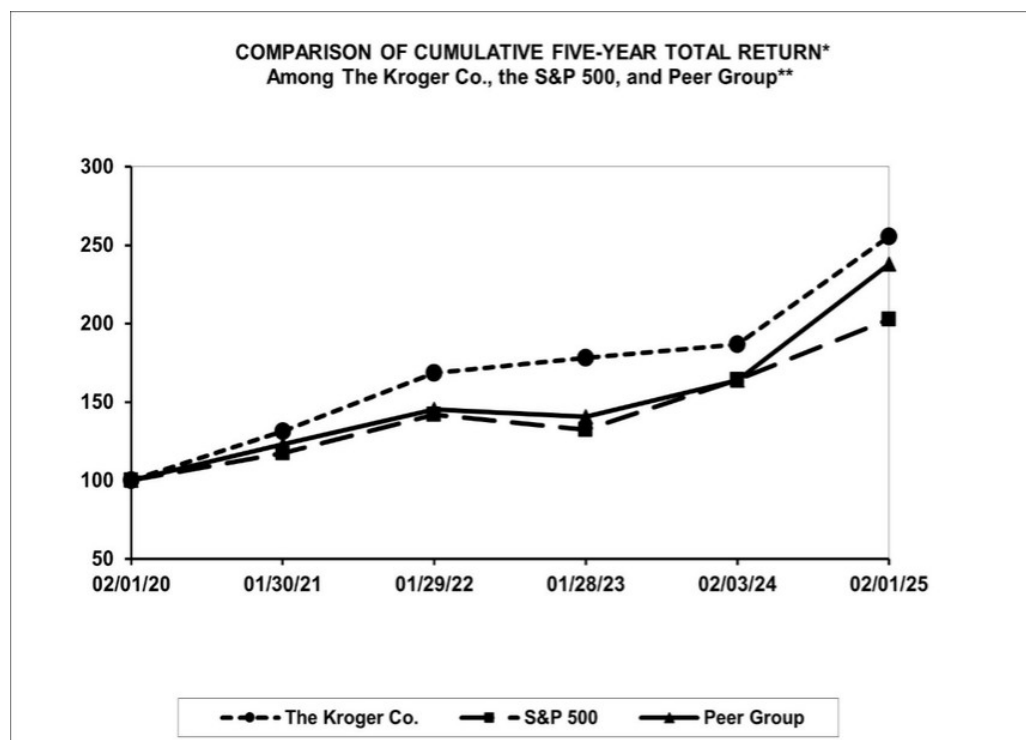
Our common stock is listed on the New York Stock Exchange under the symbol “KR.” As of March 26, 2025, there were 26,750 shareholders of record.

During 2024, we paid two quarterly cash dividends of \$0.29 per share and two quarterly cash dividends of \$0.32 per share. During 2023, we paid two quarterly cash dividends of \$0.26 per share and two quarterly cash dividends of \$0.29 per share. On March 1, 2025, we paid a quarterly cash dividend of \$0.32 per share. On March 13, 2025, we announced that our Board of Directors declared a quarterly cash dividend of \$0.32 per share, payable on June 1, 2025, to shareholders of record at the close of business on May 15, 2025. We currently expect to continue to pay comparable cash dividends on a quarterly basis, that will increase over time, depending on our earnings and other factors, including approval by our Board.

For information on securities authorized for issuance under our existing equity compensation plans, see Item 12 under the heading “Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.”

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				
	2019	2020	2021	2022	2023	2024
The Kroger Co.	100	131.19	168.66	178.23	186.91	255.56
S&P 500 Index	100	117.25	141.87	132.47	164.06	202.59
Peer Group	100	123.01	145.25	140.77	164.01	238.01

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

Data supplied by Standard & Poor's.

The foregoing Performance Graph will not be deemed incorporated by reference into any other filing, absent an express reference thereto.

* Total assumes \$100 invested on February 1, 2020, in The Kroger Co., S&P 500 Index, and the Peer Group, with reinvestment of dividends.

** The Peer Group consists of Albertsons Companies, Inc. (included from June 26, 2020 when it began trading), Costco Wholesale Corporation, CVS Health Corporation, Koninklijke Ahold Delhaize N.V., Target Corp., Walgreens Boots Alliance Inc. and Walmart Inc.

The following table presents information on our purchases of our common shares during the fourth quarter of 2024:

ISSUER PURCHASES OF EQUITY SECURITIES

Period ⁽¹⁾	Total Number of Shares Purchased ⁽²⁾	Average Price Paid Per Share ⁽²⁾	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ⁽³⁾	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs ⁽⁴⁾⁽⁵⁾ (in millions)
First period - four weeks				
November 10, 2024 to December 7, 2024	121,067	\$ 59.49	113,600	\$ 1,000
Second period - four weeks				
December 8, 2024 to January 4, 2025	65,963,661	\$ 61.54	65,958,149	\$ 2,500
Third period - four weeks				
January 5, 2025 to February 1, 2025	50,941	\$ 59.47	50,941	\$ 2,500
Total	66,135,669	\$ 61.54	66,122,690	\$ 2,500

- (1) The reported periods conform to our fiscal calendar composed of thirteen 28-day periods. The fourth quarter of 2024 contained three 28-day periods.
- (2) Includes (i) shares repurchased under the December 2024 Repurchase Program described below in (4), (ii) shares repurchased under a program announced on December 6, 1999 to repurchase common shares to reduce dilution resulting from our employee stock option and long-term incentive plans, under which repurchases are limited to proceeds received from exercises of stock options and the tax benefits associated therewith (“1999 Repurchase Program”) and (iii) 12,979 shares that were surrendered to Kroger by participants under our long-term incentive plans to pay for taxes on restricted stock awards.
- (3) Represents shares repurchased under the December 2024 Repurchase Program and the 1999 Repurchase Program.
- (4) On September 9, 2022, our Board of Directors approved a \$1.0 billion share repurchase program to reacquire shares via open market purchase or privately negotiated transactions, block trades, or pursuant to trades intending to comply with Rule 10b5-1 under the Securities Exchange Act of 1934, as amended (the “September 2022 Repurchase Program”). On December 11, 2024, our Board of Directors approved a \$7.5 billion share repurchase program to reacquire shares via open market purchase or privately negotiated transactions, including accelerated stock repurchase (“ASR”) transactions, block trades, or pursuant to trades intending to comply with Rule 10b5-1 under the Securities Exchange Act of 1934, as amended (the “December 2024 Repurchase Program”). The December 2024 Repurchase Program authorization replaced the existing September 2022 Repurchase Program. For information about our ASR agreements, see Note 13 to the Consolidated Financial Statements. The amounts shown in this column reflect the amount remaining under the September 2022 Repurchase Program and the December 2024 Repurchase Program as of the specified period end dates. Amounts available under the 1999 Repurchase Program are dependent upon option exercise activity. The authority remaining under the December 2024 Repurchase Program and the 1999 Repurchase Program do not have an expiration date but may be suspended or terminated by our Board of Directors at any time.
- (5) Reflects the reduction of the unsettled accelerated share repurchases of \$1.0 billion and excludes excise tax on share repurchases in excess of issuances.

ITEM 6. RESERVED.

Not applicable.

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion and analysis of financial condition and results of operations of The Kroger Co. should be read in conjunction with the “Forward-looking Statements” section set forth in Part I and the “Risk Factors” section set forth in Item 1A of Part I. MD&A is provided as a supplement to, and should be read in conjunction with, our Consolidated Financial Statements and the accompanying notes thereto contained in Item 8 of this report, as well as Part II, Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of our Form 10-K for the year ended February 3, 2024, which provides additional information on comparisons of fiscal years 2023 and 2022.

OUR VALUE CREATION MODEL – DELIVERING CONSISTENT AND ATTRACTIVE TOTAL SHAREHOLDER RETURN

Kroger’s proven value creation model is allowing us to deliver today and invest for the future. The foundation of our value creation model is our omnichannel retail business, including fuel and health and wellness. By executing on our go-to-market strategy built on the four pillars of Fresh, *Our Brands*, Personalization and Seamless, we are creating a shopping experience that builds loyalty and grows sales. Our retail business generates traffic and data which accelerates growth in our high operating margin alternative profit businesses, like Kroger Precision Marketing. In turn, the value generated from these businesses enables us to reinvest back into our retail business.

We are focused on enhancing our pillars and delivering an exceptional customer experience to accelerate this flywheel effect. By expanding our store network and improving our digital capabilities, we expect to grow households and increase sales. Our model provides more ways than ever to generate net earnings growth.

This will be achieved by:

- Growing identical sales without fuel. Our plan involves maximizing growth opportunities in our retail business and is supported by continued strategic investments in our associates, greater value for our customers and our seamless ecosystem to ensure we deliver a full, fresh and friendly experience for every customer, every time. In an effort to serve more households, we will invest in major storing projects that allow us to increase both in-store and online sales. As more and more customers incorporate ecommerce into their permanent routines, we expect digital sales to grow at a double-digit rate – a faster pace than other food at home sales – over time; and
- Expanding operating margin through long-term initiatives in gross margin, growing alternative profit businesses, and productivity and cost savings initiatives that are focused on simplifying processes and utilizing technology to enhance the associate experience without affecting the customer experience. Together, these will enable us to improve operating margin, while balancing strategic price investments for customers and wage and benefit investments for associates.

We expect to continue to generate strong free cash flow and are committed to being disciplined with capital deployment in support of our value creation model and stated capital allocation priorities. Our first priority is to invest in the business through attractive high return opportunities that drive long-term sustainable net earnings growth. We are committed to maintaining our current investment grade debt rating and our net total debt to adjusted EBITDA ratio target range of 2.30 to 2.50. We also expect to continue to grow our dividend over time and return excess cash to shareholders via stock repurchases, subject to Board approval. During the fourth quarter of 2024, following the termination of the merger with Albertsons, as discussed in Note 18 to the Consolidated Financial Statements, we resumed our share repurchase program after a more than two-year pause to return excess capital to our shareholders.

We expect our value creation model will result in total shareholder return within our target range of 8% to 11% over time.

2024 EXECUTIVE SUMMARY

We achieved solid results in 2024 led by our pharmacy and digital performance, which demonstrates the strength and diversity of our value creation model. We helped customers save in multiple ways through fresh affordable products and promotions including loyalty discounts, personalized offers, fuel rewards and *Our Brands* products. By delivering a differentiated customer experience through our focus areas of Fresh, *Our Brands*, Personalization and Seamless, our go-to-market strategy positioned us well to meet our customers' needs, growing households and enhancing loyalty, growing sales and generating traffic, which in turn accelerated growth opportunities in our alternative profit businesses and drove greater efficiency.

We will continue to improve our customer experience and increase our investments in major storing projects to drive traffic and increase volumes because they power our value creation model and are critical to our long-term success. We also remain focused on associate retention by investing in our associates, through enhanced wages and benefits and improved training and career development opportunities. In 2024, we increased associate wages resulting in an average hourly rate of more than \$19, and a rate of more than \$25 with comprehensive benefits factored in, which is a 38% increase in rate in the last seven years. This positions us well to generate attractive and sustainable returns for shareholders.

The following table provides highlights of our financial performance:

Financial Performance Data
(\$ in millions, except per share amounts)

	February 1, 2025	Percentage Change	February 3, 2024
Sales ⁽¹⁾	\$ 147,123	(1.9)%	\$ 150,039
Sales without fuel and the Extra Week ⁽¹⁾	\$ 132,150	0.9 %	\$ 130,988
Identical sales excluding fuel	1.5 %	N/A	0.9 %
FIFO gross margin rate, excluding rent, depreciation and amortization, fuel and the Extra Week, bps increase ⁽¹⁾	0.32	N/A	0.18
OG&A rate, excluding fuel, Adjusted Items and the Extra Week, bps increase ⁽¹⁾	0.31	N/A	0.21
Operating profit ⁽¹⁾	\$ 3,849	24.3 %	\$ 3,096
Adjusted FIFO operating profit excluding the Extra Week ⁽¹⁾	\$ 4,674	(2.6)%	\$ 4,799
Net earnings attributable to The Kroger Co.	\$ 2,665	23.2 %	\$ 2,164
Adjusted net earnings attributable to The Kroger Co. excluding the Extra Week	\$ 3,246	(2.7)%	\$ 3,335
Net earnings attributable to The Kroger Co. per diluted common share	\$ 3.67	24.0 %	\$ 2.96
Adjusted net earnings attributable to The Kroger Co. per diluted common share excluding the Extra Week	\$ 4.47	(2.0)%	\$ 4.56
Dividends paid	\$ 883	10.9 %	\$ 796
Dividends paid per common share	\$ 1.22	10.9 %	\$ 1.10
Share repurchases ⁽²⁾	\$ 4,194	N/A	\$ 62
Increase (decrease) in total debt, including obligations under finance leases compared to prior fiscal year end ⁽³⁾	\$ 5,679	N/A	\$ (1,152)

- (1) Total sales in 2024 includes \$2,021 of Kroger Specialty Pharmacy sales. Total sales in 2023 includes \$3,193 of Kroger Specialty Pharmacy sales. In 2024, the sale of Kroger Specialty Pharmacy had a positive effect on the FIFO gross margin rate, excluding rent, depreciation and amortization, fuel and the Extra Week and a negative effect on the OG&A rate, excluding fuel, the Extra Week and the 2024 and 2023 Adjusted Items, as defined below. It had no material effect on operating profit.
- (2) The \$4,194 share repurchases included 68.4 million Kroger common shares, at an average price of \$61.31 per share, which includes excise tax related to the shares repurchased. See Note 13 to the Consolidated Financial Statements.
- (3) The increase of \$5,679 in total debt was primarily due to issuing \$10,500 of senior notes to pay a portion of the cash consideration for the proposed merger with Albertsons and for general corporate purposes offset by the mandatory redemption of \$4,700 of senior notes following the termination of the merger. After the termination of the proposed merger, these funds were primarily used to fund the \$5,000 ASR program to be completed under our December 2024 Repurchase Program. For additional information about the senior notes and ASR program, see Note 5, Note 13 and Note 18 to the Consolidated Financial Statements.

OVERVIEW

Notable items for 2024 are:

Shareholder Return

- Achieved net earnings attributable to The Kroger Co. per diluted common share of \$3.67, which represents a 24% increase compared to 2023.
- Achieved adjusted net earnings attributable to The Kroger Co. per diluted common share of \$4.47, which represents a 2% decrease compared to 2023, excluding the 53rd week in 2023 (the “Extra Week”).
- Achieved operating profit of \$3.8 billion, which represents a 24% increase compared to 2023.
- Achieved adjusted FIFO operating profit of \$4.7 billion, which represents a 3% decrease compared to 2023, excluding the Extra Week.
- Generated cash flows from operations of \$5.8 billion, which represents a 15% decrease compared to 2023.
- Returned \$5.1 billion to shareholders from share repurchases and dividend payments, which included the total cost of the initial delivery of approximately 65.6 million shares repurchased as part of the \$5.0 billion ASR program.

Other Financial Results

- Identical sales, excluding fuel, increased 1.5% in 2024, compared to 2023, primarily due to increases in total and loyal households shopping with us, increased Health and Wellness sales and digital sales, partially offset by a reduction in the number of items in basket.
- Digital sales grew to more than \$13.0 billion in annual sales. Digital sales include products ordered online and picked up at our stores and our Delivery and Ship solutions. Our Delivery solutions include orders delivered to customers from retail store locations, customer fulfillment centers and orders placed through third-party platforms. Our Ship solutions primarily include online orders placed through our owned platforms that are dispatched using mail service or third-party platforms. Digital sales growth was led by the strength of our Delivery solutions. Delivery solutions, which grew by 18% in 2024, excluding the Extra Week in 2023, were driven by the growth in demand across our Kroger Delivery network.
- Alternative profit streams contributed \$1.35 billion of operating profit in 2024, driven by a 17% increase in third-party media revenue, excluding the Extra Week in 2023.

Significant Events

- On December 19, 2024, we entered into ASR agreements with two financial institutions to reacquire, in aggregate, \$5.0 billion in shares of Kroger common stock. The ASR agreements will be completed under our \$7.5 billion share repurchase authorization. During 2024, we funded \$5.0 billion and received a \$4.0 billion initial delivery of approximately 65.6 million Kroger common shares at an average price of \$61.54 per share, which includes excise taxes related to the share repurchases. The total numbers of shares purchased by us pursuant to the ASR agreements will be based on the average of the volume-weighted average prices of Kroger common shares on specified dates during the term of each ASR agreement, less a discount, and subject to adjustments pursuant to the terms and conditions of the ASR agreements. Final settlement under the ASR agreements is expected to occur no later than the third fiscal quarter of our Fiscal 2025.
- On December 11, 2024, we delivered a notice (the “Termination Notice”) to Albertsons, terminating the merger agreement (the “Merger Agreement”) we entered into with Albertsons on October 13, 2022. The Termination Notice further notified Albertsons that a prior termination letter sent by Albertsons to us, dated December 10, 2024, is not an effective termination. In connection with the Termination Notice, we notified Albertsons that we have no obligation to pay the Parent Termination Fee (as defined in the Merger Agreement) because Albertsons has failed to perform and comply in all material respects with its covenants under the Merger Agreement. For additional information about the termination of the Merger Agreement, see Note 18 to the Consolidated Financial Statements.
- On October 4, 2024, we completed the sale of our Kroger Specialty Pharmacy business to Elevance Health for \$464 million. In 2024, we recognized a gain on sale for \$79 million, \$91 million net of tax, which includes the reduction to income tax expense of \$31 million related to recognizing deferred tax assets for the divested entity. Kroger Specialty Pharmacy had sales of \$2.0 billion in 2024 and \$3.2 billion in 2023. Kroger Specialty Pharmacy was a low margin business. As a result, the sale of the business increased both our gross margin and operating, general and administrative costs as a rate of sales. It had no material effect on operating profit.
- On August 20, 2024, we issued \$10.5 billion of senior notes to pay a portion of the cash consideration for the proposed merger and for general corporate purposes. In connection with the termination of the Merger Agreement, we redeemed \$4.7 billion of the senior notes that included a special mandatory redemption feature on December 18, 2024. For additional information about the issuance and redemption of these senior notes, see Note 5 and Note 18 to the Consolidated Financial Statements.

OUR BUSINESS

The Kroger Co. (the “Company” or “Kroger”) was founded in 1883 and incorporated in 1902. Our Company is built on the foundation of our retail grocery business, which includes the added convenience of our retail pharmacies and fuel centers. Our strategy is focused on growing customer loyalty by delivering great value and convenience, and investing in four strategic pillars: Fresh, *Our Brands*, Data & Personalization and Seamless.

We also utilize the data and traffic generated by our retail business to deliver incremental value and services for our customers that generate alternative profit streams. These alternative profit streams would not exist without our core retail business.

Our revenues are predominately earned and cash is generated as consumer products are sold to customers in our stores, fuel centers and via our online platforms. We earn income predominately by selling products at price levels that produce revenues in excess of the costs we incur to make these products available to our customers. Such costs include procurement and distribution costs, facility occupancy and operational costs, and overhead expenses. Our retail operations, which represent 98% of our consolidated sales, is our only reportable segment.

Kroger is diversified across brands, product categories, channels of distribution, geographies and consumer demographics. Our combination of assets includes the following:

Stores

As of February 1, 2025, Kroger operates supermarkets under a variety of local banner names in 35 states and the District of Columbia. As of February 1, 2025, Kroger operated, either directly or through its subsidiaries, 2,731 supermarkets, of which 2,273 had pharmacies and 1,702 had fuel centers. We connect with customers through our expanding seamless ecosystem and the consistent delivery of a full, fresh, and friendly customer experience. Fuel sales are an important part of our revenue, net earnings and loyalty offering. Our fuel strategy is to include a fuel center at each of our supermarket locations when it is feasible and it is expected to be profitable.

Seamless Digital Ecosystem

We offer a convenient shopping experience for our customers regardless of how they choose to shop with us, including Pickup, Delivery and Ship. We offer Pickup and Harris Teeter ExpressLane™ — personalized, order online, pick up at the store services — at 2,412 of our supermarkets and provide Delivery, which allows us to offer digital solutions to substantially all of our customers. Our Delivery solutions include orders delivered to customers from retail store locations, customer fulfillment centers and orders placed through third-party platforms. These channels allow us to serve customers anything, anytime, and anywhere with zero compromise on selection, convenience, and price. We also provide relevant customer-facing apps and interfaces that have the features customers want that are also reliable, easy to use and deliver a seamless customer experience across our store and digital channels.

Merchandising and Manufacturing

Our Brands products play an important role in our merchandising strategy and represented over \$32 billion of our sales in 2024. We own 33 food production plants, primarily bakeries and dairies, which supply approximately 31% of *Our Brands* units sold in our supermarkets; the remaining *Our Brands* items are produced to our strict specifications by outside manufacturers.

Our Data

The traffic and data generated by our retail business, including pharmacies and fuel centers, is enabling this transformation. Kroger serves approximately 63 million households annually and because of our rewards program, over 95% of customer transactions are tethered to a Kroger loyalty card. Our over 20 years of investment in data science capabilities is allowing us to utilize this data to create personalized experiences and value for our customers and is also enabling our fast-growing, high operating margin alternative profit businesses, including data analytic services and third-party media revenue. Our retail media business – Kroger Precision Marketing – provides best in class media capabilities for our consumer packaged goods partners and other industry verticals. It is a key driver of our digital profitability and alternative profit.

USE OF NON-GAAP FINANCIAL MEASURES

The accompanying Consolidated Financial Statements, including the related notes, are presented in accordance with generally accepted accounting principles (“GAAP”). We provide non-GAAP measures, including First-In, First-Out (“FIFO”) gross margin, FIFO operating profit, adjusted FIFO operating profit, adjusted net earnings and adjusted net earnings per diluted share because management believes these metrics are useful to investors and analysts. These non-GAAP financial measures should not be considered as an alternative to gross margin, operating profit, net earnings and net earnings per diluted share or any other GAAP measure of performance. These measures should not be reviewed in isolation or considered as a substitute for our financial results as reported in accordance with GAAP.

We calculate FIFO gross margin as FIFO gross profit divided by sales. FIFO gross profit is calculated as sales less merchandise costs, including advertising, warehousing and transportation expenses, but excluding the Last-In, First-Out (“LIFO”) charge, rent and depreciation and amortization. FIFO gross margin is an important measure used by management, and management believes FIFO gross margin is a useful metric to investors and analysts because it measures the merchandising and operational effectiveness of our go-to-market strategy.

We calculate FIFO operating profit as operating profit excluding the LIFO charge. FIFO operating profit is an important measure used by management, and management believes FIFO operating profit is a useful metric to investors and analysts because it measures the operational effectiveness of our financial model.

The adjusted net earnings, adjusted net earnings per diluted share and adjusted FIFO operating profit metrics are important measures used by management to compare the performance of core operating results between periods. We believe adjusted net earnings, adjusted net earnings per diluted share and adjusted FIFO operating profit are useful metrics to investors and analysts because they present more accurate year-over-year comparisons of our net earnings, net earnings per diluted share and FIFO operating profit because adjusted items are not the result of our normal operations. Net earnings for 2024 include the following, which we define as the “2024 Adjusted Items:”

- Charges to operating, general and administrative expenses (“OG&A”) of \$32 million, \$24 million net of tax, for severance charge and related benefits, \$30 million, \$23 million net of tax, for impairment of intangible assets, \$25 million, \$19 million net of tax, for property losses, \$684 million, \$489 million net of tax, for merger-related costs, net of a credit to OG&A of \$27 million, \$21 million net of tax, for opioid settlement charges (the “2024 OG&A Adjusted Items”).
- A loss in other income (expense) of \$148 million, \$112 million net of tax, for the unrealized loss on investments, a charge to other income (expense) of \$34 million, \$26 million net of tax, for merger-related net interest expense and a gain in other income (expense) of \$79 million, \$60 million net of tax, on the sale of Kroger Specialty Pharmacy (the “2024 Other Income (Expense) Adjusted Items”).
- A reduction to income tax expense of \$31 million from recognizing deferred tax assets related to the sale of our Kroger Specialty Pharmacy business (the “2024 Income Tax Expense Adjusted Item”).

Net earnings for 2023 include \$179 million, \$144 million net of tax, due to the Extra Week. In addition, net earnings for 2023 include the following, which we define as the “2023 Adjusted Items:”

- Charges to OG&A of \$316 million, \$268 million net of tax, for merger related costs and \$1.5 billion, \$1.2 billion net of tax, for opioid settlement charges (the “2023 OG&A Adjusted Items”).
- A gain in other income (expense) of \$151 million, \$116 million net of tax, for the unrealized gain on investments (the “2023 Other Income (Expense) Adjusted Item”).

Net earnings for 2022 include the following, which we define as the “2022 Adjusted Items:”

- Charges to OG&A of \$25 million, \$19 million net of tax, for obligations related to withdrawal liabilities for certain multi-employer pension funds, \$20 million, \$15 million net of tax, for the revaluation of Home Chef contingent consideration, \$44 million, \$34 million net of tax, for merger related costs, \$85 million, \$67 million net of tax, for opioid settlement charges and \$164 million for goodwill and fixed asset impairment charges related to Vitacost.com (the “2022 OG&A Adjusted Items”).
- Losses in other income (expense) of \$728 million, \$561 million net of tax, for the unrealized loss on investments (the “2022 Other Income (Expense) Adjusted Item”).

The table below provides a reconciliation of net earnings attributable to The Kroger Co. to adjusted net earnings attributable to The Kroger Co. and a reconciliation of net earnings attributable to The Kroger Co. per diluted common share to adjusted net earnings attributable to The Kroger Co. per diluted common share excluding the 2024, 2023 and 2022 Adjusted Items:

Net Earnings per Diluted Share excluding the Adjusted Items
(\$ in millions, except per share amounts)

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Net earnings attributable to The Kroger Co.	\$ 2,665	\$ 2,164	\$ 2,244
(Income) expense adjustments			
Adjustment for pension plan withdrawal liabilities ⁽¹⁾⁽²⁾	—	—	19
Adjustment for loss (gain) on investments ⁽¹⁾⁽³⁾	112	(116)	561
Adjustment for Home Chef contingent consideration ⁽¹⁾⁽⁴⁾	—	—	15
Adjustment for severance charge and related benefits ⁽¹⁾⁽⁵⁾	24	—	—
Adjustment for impairment of intangible assets ⁽¹⁾⁽⁶⁾	23	—	—
Adjustment for property losses ⁽¹⁾⁽⁷⁾	19	—	—
Adjustment for merger-related costs ⁽¹⁾⁽⁸⁾	489	268	34
Adjustment for merger-related net interest expense ⁽¹⁾⁽⁹⁾	26	—	—
Adjustment for opioid settlement charges ⁽¹⁾⁽¹⁰⁾	(21)	1,163	67
Adjustment for goodwill and fixed asset impairment charges related to Vitacost.com ⁽¹⁾⁽¹¹⁾	—	—	164
Adjustment for gain on sale of Kroger Specialty Pharmacy ⁽¹⁾⁽¹²⁾	(60)	—	—
Adjustment for income tax expense on sale of Kroger Specialty Pharmacy	(31)	—	—
Total Adjusted Items	<u>581</u>	<u>1,315</u>	<u>860</u>
Net earnings attributable to The Kroger Co. excluding the Adjusted Items	<u>\$ 3,246</u>	<u>\$ 3,479</u>	<u>\$ 3,104</u>
Extra Week adjustment ⁽¹⁾⁽¹³⁾	<u>—</u>	<u>(144)</u>	<u>—</u>
Net earnings attributable to The Kroger Co. excluding the Adjusted Items and the Extra Week adjustment	<u>\$ 3,246</u>	<u>\$ 3,335</u>	<u>\$ 3,104</u>
Net earnings attributable to The Kroger Co. per diluted common share	\$ 3.67	\$ 2.96	\$ 3.06
(Income) expense adjustments			
Adjustment for pension plan withdrawal liabilities ⁽¹⁴⁾	—	—	0.03
Adjustment for loss (gain) on investments ⁽¹⁴⁾	0.15	(0.17)	0.76
Adjustment for Home Chef contingent consideration ⁽¹⁴⁾	—	—	0.02
Adjustment for severance charge and related benefits ⁽¹⁴⁾	0.03	—	—
Adjustment for impairment of intangible assets ⁽¹⁴⁾	0.03	—	—
Adjustment for property losses ⁽¹⁴⁾	0.03	—	—
Adjustment for merger-related costs ⁽¹⁴⁾	0.67	0.37	0.05
Adjustment for merger-related net interest expense ⁽¹⁴⁾	0.04	—	—
Adjustment for opioid settlement charges ⁽¹⁴⁾	(0.03)	1.60	0.09
Adjustment for goodwill and fixed asset impairment charges related to Vitacost.com ⁽¹⁴⁾	—	—	0.22
Adjustment for gain on sale of Kroger Specialty Pharmacy ⁽¹⁴⁾	(0.08)	—	—
Adjustment for income tax expense on sale of Kroger Specialty Pharmacy ⁽¹⁴⁾	(0.04)	—	—
Total Adjusted Items	<u>0.80</u>	<u>1.80</u>	<u>1.17</u>
Net earnings attributable to The Kroger Co. per diluted common share excluding the Adjusted Items	<u>\$ 4.47</u>	<u>\$ 4.76</u>	<u>\$ 4.23</u>
Extra Week adjustment ⁽¹⁴⁾	<u>—</u>	<u>(0.20)</u>	<u>—</u>
Net earnings attributable to The Kroger Co. per diluted common share excluding the Adjusted Items and the Extra Week adjustment	<u>\$ 4.47</u>	<u>\$ 4.56</u>	<u>\$ 4.23</u>
Average numbers of common shares used in diluted calculation	720	725	727

Net Earnings per Diluted Share excluding the Adjusted Items (continued)

(\$ in millions, except per share amounts)

- (1) The amounts presented represent the after-tax effect of each adjustment, which was calculated using discrete tax rates.
- (2) The pre-tax adjustment for pension plan withdrawal liabilities was \$25.
- (3) The pre-tax adjustments for loss (gain) on investments were \$148 in 2024, \$(151) in 2023 and \$728 in 2022.
- (4) The pre-tax adjustment for Home Chef contingent consideration was \$20.
- (5) The pre-tax adjustment for severance charge and related benefits was \$32.
- (6) The pre-tax adjustment for impairment of intangible assets was \$30.
- (7) The pre-tax adjustment for property losses was \$25.
- (8) The pre-tax adjustments for merger related costs were \$684 in 2024, \$316 in 2023 and \$44 in 2022. Merger related costs primarily include third-party professional fees and credit facility fees associated with the terminated merger with Albertsons.
- (9) The pre-tax adjustment for merger-related net interest expense was \$34.
- (10) The pre-tax adjustments for opioid settlement charges were \$(27) in 2024, \$1,475 in 2023 and \$85 in 2022.
- (11) The pre-tax and after-tax adjustments for goodwill and fixed asset impairment charges related to Vitacost.com was \$164.
- (12) The pre-tax adjustment for gain on sale of Kroger Specialty Pharmacy was \$(79).
- (13) The pre-tax Extra Week adjustment was \$(179).
- (14) The amount presented represents the net earnings (loss) per diluted common share effect of each adjustment.

Key Performance Indicators

We evaluate our results of operations and cash flows using a variety of key performance indicators, such as sales, identical sales, excluding fuel, FIFO gross margin, adjusted FIFO operating profit, adjusted net earnings, adjusted net earnings per diluted share and return on invested capital. We use these financial metrics and related computations to evaluate our operational effectiveness and our results of operations from period to period and to plan for near and long-term operating and strategic decisions. These key performance indicators should not be reviewed in isolation or considered as a substitute for our financial results as reported in accordance with GAAP. These measures, which are described in more detail in this Annual Report on Form 10-K, may not be comparable to similarly-titled performance indicators used by other companies.

RESULTS OF OPERATIONS

Sales

Total Sales (\$ in millions)

	2024	Percentage Change ⁽¹⁾	2023 ⁽⁶⁾	2023 Adjusted ⁽²⁾⁽⁶⁾	Percentage Change ⁽³⁾	2022 ⁽⁶⁾
Total sales to retail customers without fuel ⁽⁴⁾	\$ 130,859	0.8 %	\$ 132,175	\$ 129,759	0.9 %	\$ 128,559
Supermarket fuel sales	14,973	(8.4)%	16,621	16,340	(12.3)%	18,632
Other sales ⁽⁵⁾	1,291	5.0 %	1,243	1,229	15.2 %	1,067
Total sales	<u>\$ 147,123</u>	<u>(0.1)%</u>	<u>\$ 150,039</u>	<u>\$ 147,328</u>	<u>(0.6)%</u>	<u>\$ 148,258</u>

- (1) This column represents the percentage change in 2024 compared to 2023 adjusted sales, which removes the Extra Week.
- (2) The 2023 adjusted column represents the items presented in the 2023 column adjusted to remove the Extra Week.
- (3) This column represents the percentage change in 2023 adjusted sales compared to 2022.
- (4) Digital sales are included in the "Total sales to retail customers without fuel" line above. Digital sales include products ordered online and picked up at our stores and our Delivery and Ship solutions. Our Delivery solutions include orders delivered to customers from retail store locations, customer fulfillment centers and orders placed through third-party platforms. Our Ship solutions primarily include online orders placed through our owned platforms that are dispatched using mail service or third-party courier. Digital sales increased approximately 11% in 2024 and 12% in 2023, excluding the Extra Week in 2023, and increased approximately 4% in 2022. Digital sales growth for 2024, 2023 and 2022 was led by strength in our Delivery solutions, which grew by 18% in 2024 and 25% in 2023, excluding the Extra Week in 2023, and 25% in 2022. Delivery solutions growth was driven by the growth in demand across our Kroger Delivery network.
- (5) Other sales primarily relate to external sales at food production plants, third-party media revenue and data analytic services. The increase in 2024, compared to 2023, is primarily due to an increase in external sales at food production plants and in third-party media revenue. The increase in 2023, compared to 2022, is primarily due to an increase in data analytic services and third-party media revenue.
- (6) 2023, 2023 adjusted and 2022 sales by category amounts have been reclassified to conform to the 2024 presentation.

Total sales decreased in 2024, compared to total 2023 adjusted sales, by 0.1%. Total 2023 adjusted sales represent total sales for 2023 excluding the Extra Week. The decrease was primarily due to a decrease in supermarket fuel sales and the sale of Kroger Specialty Pharmacy, partially offset by an increase in total sales to retail customers without fuel. Total supermarket fuel sales decreased 8.4%, compared to 2023 adjusted supermarket fuel sales, primarily due to a decrease in the average retail fuel price of 5.9% and a decrease in fuel gallons sold of 2.6%. The decrease in the average retail fuel price was caused by a decrease in the product cost of fuel. Total sales, excluding fuel and Kroger Specialty Pharmacy, adjusted for the Extra Week, increased 1.8% in 2024, compared to 2023, which was primarily due to our identical sales increase, excluding fuel, of 1.5%. Identical sales, excluding fuel, for 2024, compared to 2023, increased primarily due to increases in total and loyal households shopping with us, increased Health and Wellness sales and digital sales, partially offset by a reduction in the number of items in basket.

Total 2023 adjusted sales decreased in 2023, compared to 2022, by 0.6%. The decrease was primarily due to the decrease in supermarket fuel sales, partially offset by the increase in total sales to retail customers without fuel. Total sales, excluding fuel, adjusted for the Extra Week, increased 1.1% in 2023, compared to 2022, which was primarily due to our identical sales increase, excluding fuel, of 0.9%. Identical sales, excluding fuel, in 2023, compared to 2022, increased primarily due to an increase in the number of loyal households shopping with us and an increase in basket value due to retail inflation, partially offset by a reduction in the number of items in basket and the termination of our agreement with Express Scripts effective December 31, 2022. Identical sales, excluding fuel, would have grown 2.3% in 2023 if not for the approximately \$1.8 billion reduction in pharmacy sales from the termination of our agreement with Express Scripts effective December 31, 2022. Total adjusted fuel sales decreased 12.3% in 2023, compared to 2022, primarily due to a decrease in the average retail fuel price of 11.1% and a decrease in fuel gallons sold of 1.5%. The decrease in the average retail fuel price was caused by a decrease in the product cost of fuel.

We calculate identical sales, excluding fuel, as sales to retail customers, including sales from all departments at identical supermarket locations, Kroger Specialty Pharmacy business and Delivery and Ship solutions. We define a supermarket as identical when it has been in operation without expansion or relocation for five full quarters. We define Kroger Specialty Pharmacy business as identical when physical locations have been in operation continuously for five full quarters; discontinued patient therapies are excluded from the identical sales calculation starting in the quarter of transfer or termination. Starting in the first quarter of 2024, Kroger Specialty Pharmacy businesses were not included in identical sales due to being classified as held for sale, while they were included in identical sales in fiscal year 2023. We completed the sale of the Kroger Specialty Pharmacy business during the third quarter of 2024. We include sales from Kroger Delivery from customer fulfillment centers in the identical sales calculation if the delivery occurs in an existing Kroger supermarket geography or when the location has been in operation for five full quarters. Although identical sales is a relatively standard term, numerous methods exist for calculating identical sales growth. As a result, the method used by our management to calculate identical sales may differ from methods other companies use to calculate identical sales. It is important to understand the methods used by other companies to calculate identical sales before comparing our identical sales to those of other such companies. Our identical sales results, excluding fuel, are summarized in the following table. We used the identical sales, excluding fuel, dollar figures presented below to calculate percentage changes for 2024 and 2023.

Identical Sales
(\$ in millions)

	2024 ⁽¹⁾	2023 ⁽²⁾
Excluding fuel	\$ 128,297	\$ 126,378
Excluding fuel	1.5 %	0.9 %

- (1) Identical sales, excluding fuel, for 2024 were calculated on a 52-week basis by excluding week 1 of fiscal 2023 in our 2023 identical sales base.
- (2) Identical sales, excluding fuel, for 2023 were calculated on a 53-week basis by including week 1 of fiscal year 2023 in our 2022 identical sales base.

Gross Margin, LIFO and FIFO Gross Margin

Our gross margin rates, as a percentage of sales, were 22.26% in 2024 and 21.83% in 2023. This increase resulted primarily from the sale of our Kroger Specialty Pharmacy business, which has a lower gross margin rate, strong *Our Brands* performance, lower shrink and decreased fuel sales, which has a lower gross margin rate, partially offset by lower pharmacy margins.

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

Gross Margin
(\$ in millions, except percentages)

	2024	2023
Sales	\$ 147,123	\$ 150,039
Merchandise costs, including advertising, warehousing and transportation and LIFO charge, excluding rent and depreciation and amortization	113,720	116,675
Rent	66	68
Depreciation and amortization	589	541
Gross profit	<u>\$ 32,748</u>	<u>\$ 32,755</u>
Gross margin	<u>22.26 %</u>	<u>21.83 %</u>

Our LIFO charge was \$95 million in 2024 and \$113 million in 2023. The decrease in our LIFO charge was attributable to lower product cost inflation for 2024 compared to 2023.

We define FIFO gross margin as FIFO gross profit divided by sales. FIFO gross profit is calculated as sales less merchandise costs, including advertising, warehousing and transportation expenses, but excluding the LIFO charge, rent and depreciation and amortization.

Our fuel sales lower our FIFO gross margin rate due to the very low FIFO gross margin rate, as a percentage of sales, of fuel sales compared to non-fuel sales. Excluding the effect of fuel and the Extra Week, our FIFO gross margin rate increased 32 basis points in 2024, compared to 2023. This increase resulted primarily from the sale of our Kroger Specialty Pharmacy business, which has a lower gross margin rate, strong *Our Brands* performance and lower shrink, partially offset by lower pharmacy margins. Excluding the effect of fuel, the Extra Week and Kroger Specialty Pharmacy, our FIFO gross margin rate increased 14 basis points in 2024, compared to 2023.

Operating, General and Administrative Expenses

OG&A expenses consist primarily of employee-related costs such as wages, healthcare benefit costs, retirement plan costs, utilities, and credit card fees. Rent expense, depreciation and amortization expense, and interest expense are not included in OG&A.

OG&A expenses, as a percentage of sales, were 17.29% in 2024 and 17.50% in 2023. The decrease in 2024, compared to 2023, resulted primarily from the 2023 OG&A Adjusted Items and continued execution of broad-based cost savings initiatives that drive administrative efficiencies, including store productivity, partially offset by the effect of decreased fuel sales, which increases our OG&A rate, as a percentage of sales, the sale of our Kroger Specialty Pharmacy business, which has a lower OG&A rate to sales, increased incentive plan costs, an increase in costs due to the severity of general liability claims, planned investment in associates and the 2024 OG&A Adjusted Items.

Our fuel sales lower our OG&A rate, as a percentage of sales, due to the very low OG&A rate, as a percentage of sales, of fuel sales compared to non-fuel sales. Excluding the effect of fuel, the Extra Week, the 2024 OG&A Adjusted Items and the 2023 OG&A Adjusted Items, our OG&A rate increased 31 basis points in 2024, compared to 2023. This increase resulted primarily from the sale of our Kroger Specialty Pharmacy business, which has a lower OG&A rate to sales, increased incentive plan costs, an increase in costs due to the severity of general liability claims and planned investments in associates, partially offset by the broad-based improvement from cost savings initiatives that drive administrative efficiencies, including store productivity. Excluding the effect of fuel, the Extra Week, Kroger Specialty Pharmacy, the 2024 OG&A Adjusted Items and the 2023 OG&A Adjusted Items, our OG&A rate increased 19 basis points in 2024, compared to 2023.

Rent Expense

Rent expense remained relatively consistent, as a percentage of sales, for 2024 compared to 2023.

Depreciation and Amortization Expense

Depreciation and amortization expense increased, as a percentage of sales, in 2024, compared to 2023, primarily due to the Extra Week, additional depreciation associated with higher capital investments during 2024 and a decrease in the average useful life on these capital investments.

Operating Profit and FIFO Operating Profit

Operating profit was \$3.8 billion, or 2.62% of sales, for 2024, compared to \$3.1 billion, or 2.06% of sales, for 2023. Operating profit, as a percentage of sales, increased 56 basis points in 2024, compared to 2023, due to decreased OG&A expenses, as a percentage of sales and a higher FIFO gross margin rate, partially offset by increased depreciation and amortization expenses, as a percentage of sales, a decrease in fuel operating profit and the Extra Week.

FIFO operating profit was \$3.9 billion, or 2.68% of sales, for 2024, compared to \$3.2 billion, or 2.14% of sales, for 2023. FIFO operating profit, as a percentage of sales, excluding the 2024 and 2023 Adjusted Items and the Extra Week, decreased 8 basis points in 2024, compared to 2023, due to increased OG&A and depreciation and amortization expenses, as a percentage of sales, and a decrease in fuel operating profit, partially offset by a higher FIFO gross margin rate.

Specific factors contributing to the trends driving operating profit and FIFO operating profit identified above are discussed earlier in this section.

The following table provides a reconciliation of operating profit to FIFO operating profit, and to Adjusted FIFO operating profit, excluding the 2024 and 2023 Adjusted Items:

Operating Profit excluding the Adjusted Items
(\$ in millions)

	2024	2023
Operating profit	\$ 3,849	\$ 3,096
LIFO charge	95	113
FIFO Operating profit	3,944	3,209
Adjustment for merger related costs ⁽¹⁾	684	316
Adjustment for opioid settlement charges	(27)	1,475
Adjustment for severance charge and related benefits	32	—
Adjustment for impairment of intangible assets	30	—
Adjustment for property losses	25	—
Other	(14)	(14)
2024 and 2023 Adjusted items	730	1,777
Adjusted FIFO operating profit excluding the adjusted items above	\$ 4,674	\$ 4,986
Extra Week adjustment	—	(187)
Adjusted FIFO operating profit excluding the adjusted items above and the Extra Week	\$ 4,674	\$ 4,799

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

Net Interest Expense

Net interest expense totaled \$450 million in 2024 and \$441 million in 2023. Net interest expense increased in 2024, compared to 2023, primarily due to increased average total outstanding debt throughout 2024, compared to 2023, from the net proceeds of the senior notes issuance and the \$34 million for merger-related net interest expense, partially offset by increased interest income earned on our cash and temporary cash investments due to increased balances of cash and temporary cash investments in 2024, compared to 2023.

Income Taxes

Our effective income tax rate was 20.0% in 2024 and 23.5% in 2023. The 2024 tax rate differed from the federal statutory rate due to a tax benefit from recognizing deferred tax assets related to the sale of Kroger Specialty Pharmacy, the benefit from share-based payments and the utilization of tax credits, partially offset by the effect of state income taxes. The 2023 tax rate differed from the federal statutory rate due to the effect of state income taxes and the nondeductible portion of opioid settlement charges, partially offset by the benefit from share-based payments and the utilization of tax credits.

Net Earnings and Net Earnings Per Diluted Share

Our net earnings are based on the factors discussed in the Results of Operations section.

Net earnings of \$3.67 per diluted share for 2024 represented an increase of 24.0% compared to net earnings of \$2.96 per diluted share for 2023. Excluding the 2024 and 2023 Adjusted Items and the Extra Week, adjusted net earnings of \$4.47 per diluted share for 2024 represented a decrease of 2.0% compared to adjusted net earnings of \$4.56 per diluted share for 2023. The decrease in adjusted net earnings per diluted share resulted primarily from decreased adjusted FIFO operating profit, excluding fuel, and decreased fuel earnings, partially offset by a decreased LIFO charge and lower net interest expense.

RETURN ON INVESTED CAPITAL

We calculate return on invested capital (“ROIC”) by dividing adjusted ROIC operating profit for the prior four quarters by the average invested capital. Adjusted operating profit for ROIC purposes is calculated by excluding certain items included in operating profit, and adding back our LIFO charge, depreciation and amortization and rent to our U.S. GAAP operating profit of the prior four quarters. Average invested capital is calculated as the sum of (i) the average of our total assets, (ii) the average LIFO reserve and (iii) the average accumulated depreciation and amortization; minus (i) the average taxes receivable, (ii) the average accounts payable, (iii) the average accrued salaries and wages and (iv) the average other current liabilities, excluding accrued income taxes. Averages are calculated for ROIC by adding the beginning balance of the first quarter and the ending balance of the fourth quarter, of the last four quarters, and dividing by two. ROIC is a non-GAAP financial measure of performance. ROIC should not be reviewed in isolation or considered as a substitute for our financial results as reported in accordance with GAAP. ROIC is an important measure used by management to evaluate our investment returns on capital. Management believes ROIC is a useful metric to investors and analysts because it measures how effectively we are deploying our assets.

Although ROIC is a relatively standard financial term, numerous methods exist for calculating a company’s ROIC. As a result, the method used by our management to calculate ROIC may differ from methods other companies use to calculate their ROIC. We urge you to understand the methods used by other companies to calculate their ROIC before comparing our ROIC to that of such other companies.

The following table provides a calculation of ROIC for 2024 and 2023 on a 52 week basis (\$ in millions):

	Fiscal Year Ended	
	February 1, 2025	February 3, 2024
Return on Invested Capital		
Numerator		
Operating profit on a 53 week basis in fiscal year 2023	\$ 3,849	\$ 3,096
Extra Week operating profit adjustment	—	(187)
LIFO charge	95	113
Depreciation and amortization	3,246	3,125
Rent on a 53 week basis in fiscal year 2023	877	891
Extra Week rent adjustment	—	(17)
Adjustment for severance charge and related benefits	32	—
Adjustment for impairment of intangible assets	30	—
Adjustment for property losses	25	—
Adjustment for merger-related costs	684	316
Adjustment for opioid settlement charges	(27)	1,475
Adjusted ROIC operating profit	<u>\$ 8,811</u>	<u>\$ 8,812</u>
Denominator		
Average total assets	\$ 51,561	\$ 50,064
Average taxes receivable ⁽¹⁾	(124)	(197)
Average LIFO reserve	2,357	2,253
Average accumulated depreciation and amortization ⁽²⁾	33,397	30,573
Average accounts payable	(10,253)	(10,280)
Average accrued salaries and wages	(1,327)	(1,535)
Average other current liabilities	(3,551)	(3,414)
Average invested capital	<u>\$ 72,060</u>	<u>\$ 67,464</u>
Return on Invested Capital	<u>12.23 %</u>	<u>13.06 %</u>

(1) Taxes receivable were \$84 as of February 1, 2025, \$163 as of February 3, 2024 and \$231 as of January 28, 2023.

(2) Accumulated depreciation and amortization includes depreciation for property, plant and equipment and amortization for definite-lived intangible assets.

CRITICAL ACCOUNTING ESTIMATES

We have chosen accounting policies that we believe are appropriate to report accurately and fairly our operating results and financial position, and we apply those accounting policies in a consistent manner. Our significant accounting policies are summarized in Note 1 to the Consolidated Financial Statements.

The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses, and related disclosures of contingent assets and liabilities. We base our estimates on historical experience and other factors we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates.

We believe the following accounting estimates are the most critical in the preparation of our financial statements because they involve the most difficult, subjective or complex judgments about the effect of matters that are inherently uncertain.

Impairments of Long-Lived Assets

We monitor the carrying value of long-lived assets for potential impairment each quarter based on whether certain triggering events have occurred. These events include current period losses combined with a history of losses or a projection of continuing losses or a significant decrease in the market value of an asset. When a triggering event occurs, we perform an impairment calculation, comparing projected undiscounted cash flows, utilizing current cash flow information and expected growth rates related to specific stores, to the carrying value for those stores. If we identify impairment for long-lived assets to be held and used, we compare the assets' current carrying value to the assets' fair value. Fair value is determined based on market values or discounted future cash flows. We record impairment when the carrying value exceeds fair market value. With respect to owned property and equipment held for disposal, we adjust the value of the property and equipment to reflect recoverable values based on our previous efforts to dispose of similar assets and current economic conditions. We recognize impairment for the excess of the carrying value over the estimated fair market value, reduced by estimated direct costs of disposal. We recorded asset impairments in the normal course of business totaling \$98 million in 2024, which includes \$25 million, \$19 million net of tax, for property losses and \$69 million in 2023. We record costs to reduce the carrying value of long-lived assets in the Consolidated Statements of Operations as OG&A expense.

The factors that most significantly affect the impairment calculation are our estimates of future cash flows. Our cash flow projections look several years into the future and include assumptions on variables such as inflation, the economy and competition. Application of alternative assumptions and definitions, such as reviewing long-lived assets for impairment at a different level, could produce significantly different results.

Business Combinations

We account for business combinations using the acquisition method of accounting. All the assets acquired, liabilities assumed and amounts attributable to noncontrolling interests are recorded at their respective fair values at the date of acquisition once we obtain control of an entity. The determination of fair values of identifiable assets and liabilities involves estimates and the use of valuation techniques when market value is not readily available. We use various techniques to determine fair value in such instances, including the income approach. Significant estimates used in determining fair value include, but are not limited to, the amount and timing of future cash flows, growth rates, discount rates and useful lives. The excess of the purchase price over fair values of identifiable assets and liabilities is recorded as goodwill. See Note 2 for further information about goodwill.

Goodwill

Our goodwill totaled \$2.7 billion as of February 1, 2025. We review goodwill for impairment in the fourth quarter of each year and also upon the occurrence of triggering events. We perform reviews of each of our operating divisions and other consolidated entities (collectively, "reporting units") that have goodwill balances. Generally, fair value is determined using a multiple of earnings, or discounted projected future cash flows, and we compare fair value to the carrying value of a reporting unit for purposes of identifying potential impairment. We base projected future cash flows on management's knowledge of the current operating environment and expectations for the future. We recognize goodwill impairment for any excess of a reporting unit's carrying value over its fair value, not to exceed the total amount of goodwill allocated to the reporting unit.

In 2022, we recorded a goodwill impairment charge for Vitacost.com totaling \$160 million. The talent and capabilities gained through the merger with Vitacost in 2014 have been key to advancing Kroger's digital platform and growing our digital business to more than \$13 billion in annual sales. As our digital strategy has evolved, our primary focus looking forward will be to effectively utilize our Pickup and Delivery capabilities. This reprioritization resulted in reduced long-term profitability expectations and a decline in the market value for one underlying channel of business and led to the impairment charge. Vitacost.com will continue to operate as an online platform providing great value natural, organic, and eco-friendly products for customers.

The annual evaluation of goodwill performed in 2024, 2023 and 2022 did not result in impairment for any of our reporting units other than Vitacost.com described above. Based on current and future expected cash flows, we believe additional goodwill impairments are not reasonably likely. A 10% reduction in fair value of our reporting units would not indicate a potential for impairment of our goodwill balance.

For additional information relating to our results of the goodwill impairment reviews performed during 2024, 2023 and 2022, see Note 2 to the Consolidated Financial Statements.

The impairment review requires the extensive use of management judgment and financial estimates. Application of alternative estimates and assumptions could produce significantly different results. The cash flow projections embedded in our goodwill impairment reviews can be affected by several factors such as inflation, business valuations in the market, the economy, competition and our ability to successfully integrate recently acquired businesses.

Multi-Employer Pension Plans

We contribute to various multi-employer pension plans based on obligations arising from collective bargaining agreements. These multi-employer pension plans provide retirement benefits to participants based on their service to contributing employers. The benefits are paid from assets held in trust for that purpose. Trustees are appointed in equal number by employers and unions. The trustees typically are responsible for determining the level of benefits to be provided to participants as well as for such matters as the investment of the assets and the administration of the plans.

We recognize expense in connection with these plans as contributions are funded or when commitments are probable and reasonably estimable, in accordance with GAAP. We made cash contributions to these plans of \$398 million in 2024, \$635 million in 2023 and \$620 million in 2022. The decrease in 2024, compared to 2023 and 2022, is due to the fulfillment of contractually obligated payments related to our commitments established when restructuring the United Food and Commercial Workers International Union-Industry Variable Annuity Pension Plan agreement.

We continue to evaluate and address our potential exposure to under-funded multi-employer pension plans as it relates to our associates who are beneficiaries of these plans. These under-fundings are not our liability. When an opportunity arises that is economically feasible and beneficial to us and our associates, we may negotiate the restructuring of under-funded multi-employer pension plan obligations to help stabilize associates' future benefits and become the fiduciary of the restructured multi-employer pension plan. The commitments from these restructurings do not change our debt profile as it relates to our credit rating since these off-balance sheet commitments are typically considered in our investment grade debt rating. We are currently designated as the named fiduciary of the UFCW Consolidated Pension Plan and the International Brotherhood of Teamsters ("IBT") Consolidated Pension Fund and have sole investment authority over these assets. Significant effects of these restructuring agreements recorded in our Consolidated Financial Statements are:

- In 2022, we incurred a \$25 million charge, \$19 million net of tax, for obligations related to withdrawal liabilities for certain multi-employer pension funds.

As we continue to work to find solutions to under-funded multi-employer pension plans, it is possible we could incur withdrawal liabilities for certain funds.

Based on the most recent information available to us, we believe the present value of actuarially accrued liabilities in most of these multi-employer plans exceeds the value of the assets held in trust to pay benefits, and we expect that our contributions to most of these funds will increase over the next few years. We have attempted to estimate the amount by which these liabilities exceed the assets, (i.e., the amount of underfunding), as of December 31, 2024. Because we are only one of a number of employers contributing to these plans, we also have attempted to estimate the ratio of our contributions to the total of all contributions to these plans in a year as a way of assessing our "share" of the underfunding. Nonetheless, the underfunding is not a direct obligation or liability of ours or of any employer.

As of December 31, 2024, we estimate our share of the underfunding of multi-employer pension plans to which we contribute was approximately \$1.9 billion, \$1.4 billion net of tax. As of December 31, 2023, we estimate our share of the underfunding of multi-employer pension plans to which we contribute was approximately \$2.5 billion, \$1.9 billion net of tax. This represents a decrease in the estimated amount of underfunding of approximately \$630 million, \$482 million net of tax, as of December 31, 2024. The decrease in the amount of underfunding is primarily attributable to higher expected returns on assets in the funds as well as the receipt of American Rescue Plan Act ("ARP Act") funding. Our estimate is based on the most current information available to us including actuarial evaluations and other data (that include the estimates of others), and such information may be outdated or otherwise unreliable.

We have made and disclosed this estimate not because, except as noted above, this underfunding is a direct liability of ours. Rather, we believe the underfunding is likely to have important consequences. In the event we were to exit certain markets or otherwise cease making contributions to these plans, we could trigger a substantial withdrawal liability. Any adjustment for withdrawal liability will be recorded when it is probable that a liability exists and can be reasonably estimated, in accordance with GAAP.

The amount of underfunding described above is an estimate and could change based on contract negotiations, returns on the assets held in the multi-employer pension plans, benefit payments or future restructuring agreements. The amount could decline, and our future expense would be favorably affected, if the values of the assets held in the trust significantly increase or if further changes occur through collective bargaining, trustee action or favorable legislation. On the other hand, our share of the underfunding could increase, and our future expense could be adversely affected if the asset values decline, if employers currently contributing to these funds cease participation or if changes occur through collective bargaining, trustee action or adverse legislation. We continue to evaluate our potential exposure to under-funded multi-employer pension plans. Although these liabilities are not a direct obligation or liability of ours, any commitments to fund certain multi-employer pension plans will be expensed when our commitment is probable and an estimate can be made.

The ARP Act, which was signed into law on March 11, 2021, established a special financial assistance program for financially troubled multi-employer pension plans. Under the ARP Act, eligible multi-employer plans can apply to receive a cash payment in an amount projected by the Pension Benefit Guaranty Corporation to pay pension benefits through the plan year ending 2051. At the end of 2024, we expect certain multi-employer pension plans in which we participate, for which our estimated share of underfunding is approximately \$665 million, \$509 million net of tax, to apply for or receive funding in 2025, which may reduce a portion of our share of unfunded multi-employer pension plan liabilities.

See Note 15 to the Consolidated Financial Statements for more information relating to our participation in these multi-employer pension plans.

NEW ACCOUNTING STANDARDS

Refer to Note 19 and Note 20 to the Consolidated Financial Statements for recently adopted accounting standards and recently issued accounting standards not yet adopted as of February 1, 2025.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow Information

The following table summarizes our net increase in cash and temporary cash investments for 2024 and 2023:

	Fiscal Year	
	2024	2023
Net cash provided by (used in)		
Operating activities	\$ 5,794	\$ 6,788
Investing activities	(3,228)	(3,750)
Financing activities	(490)	(2,170)
Net increase in cash and temporary cash investments	<u>\$ 2,076</u>	<u>\$ 868</u>

Net cash provided by operating activities

We generated \$5.8 billion of cash from operations in 2024, compared to \$6.8 billion in 2023. The decrease in cash generated from operations was primarily due to the following:

- An increase in long-term liabilities at the end of 2023, compared to the end of 2022, primarily due to an increase in the noncurrent portion of our accrued opioid settlement charges;

- Cash flows for FIFO inventory were less favorable for 2024, compared to 2023, primarily due to a decrease in FIFO inventory at the end of 2023, compared to 2022, primarily due to maintaining inventory at optimal levels through improved inventory management planning;
- Cash flows for accounts receivable were less favorable in 2024, compared to 2023, primarily due to an increase in pharmacy receivables at the end of 2024, compared to 2023, primarily due to timing of cash receipts and increased Health and Wellness sales;
- Partially offset by cash flows for accrued expenses were more favorable in 2024, compared to 2023, primarily due to the following:
 - A decrease in accrued incentive plan costs at the end of 2023, compared to 2022;
 - A decrease in our commitments due to the UFCW International Union-Industry Pension Fund (“National Fund”) at the end of 2023, compared to 2022, as a result of the final contractual payment related to the multi-employer pension plan withdrawal liability charge we incurred in 2020; and
 - An increase in accrued interest expense at the end of 2024, compared to 2023, primarily due to accrued interest expense associated with the net \$5.8 billion senior notes issuance;
 - Partially offset by an increase in accrued legal expenses at the end of 2023, compared to 2022, primarily due to an increase in the current portion of our accrued opioid settlement charges.

Net cash used by investing activities

Investing activities used cash of \$3.2 billion in 2024, compared to \$3.8 billion in 2023. The amount of cash used by investing activities decreased in 2024, compared to 2023, primarily due to the net proceeds from the sale of our Kroger Specialty Pharmacy business in 2024 and an increase in proceeds from the sale of assets related to the sale of an equity investment in 2024, partially offset by increased payments for property and equipment, including payments for lease buyouts.

Net cash used by financing activities

We used \$490 million of cash for financing activities in 2024, compared to \$2.2 billion in 2023. The amount of cash used for financing activities decreased in 2024, compared to 2023, primarily due to increased proceeds from the issuance of long-term debt, partially offset by increased payments on long-term debt including obligations under finance leases and increased payments on treasury stock purchases and unsettled accelerated share repurchases.

Capital Investments

Capital investments, including changes in construction-in-progress payables and excluding the purchase of leased facilities, totaled \$3.6 billion in 2024 and 2023. Capital investments for the purchase of leased facilities totaled \$51 million in 2024. We did not purchase any leased facilities in 2023. Our capital priorities align directly with our value creation model and our target to consistently grow net earnings. Our capital program includes initiatives to enhance the customer experience in stores, improve our process efficiency and enhance our digital capabilities through technology developments. While our capital investments remained consistent in 2024, compared to 2023, we increased capital investments in store projects in 2024, compared to 2023, which was offset by decreased capital investments in supply chain and manufacturing projects and digital projects. These investments are expected to drive sales growth and improve operating efficiency by removing cost and waste from our business.

The table below shows our supermarket storing activity and our total supermarket square footage for 2024, 2023 and 2022:

Supermarket Storing Activity

	2024	2023	2022
Beginning of year	2,722	2,719	2,726
Opened	16	5	3
Opened (relocation)	7	2	1
Closed (operational)	(7)	(1)	(10)
Closed (relocation)	(7)	(3)	(1)
End of year	<u>2,731</u>	<u>2,722</u>	<u>2,719</u>
Total expansions ⁽¹⁾	6	3	—
Total remodels ⁽²⁾	210	278	231
Total supermarket square footage (in millions)	182	180	179

(1) We define an expansion as a project that expands the square footage of a store by at least 5,000 square feet or 15,000 square feet for stores greater than 95,000 square feet prior to the expansion.

(2) We define a remodel as a project that is greater than or equal to a cost of \$8 per square foot.

Debt Management

Total debt, including both the current and long-term portions of obligations under finance leases, increased \$5.7 billion to \$17.9 billion as of year-end 2024, compared to 2023. This increase resulted primarily from the issuance of \$10.5 billion senior notes, partially offset by the payment to redeem \$4.7 billion of the senior notes that included a special mandatory redemption feature following the termination of the merger with Albertsons. After the termination of the proposed merger, these net proceeds were primarily used to fund the \$5.0 billion ASR program to be completed under our December 2024 Repurchase Program.

Common Share Repurchase Programs

On December 11, 2024, our Board of Directors approved a \$7.5 billion share repurchase program to reacquire shares via open market purchase or privately negotiated transactions, including ASR transactions, block trades, or pursuant to trades intending to comply with Rule 10b5-1 under the Securities Exchange Act of 1934, as amended (the “December 2024 Repurchase Program”). The December 2024 Repurchase Program authorization replaced the existing September 2022 Repurchase Program described below.

On September 9, 2022, our Board of Directors approved a \$1.0 billion share repurchase program to reacquire shares via open market purchase or privately negotiated transactions, block trades, or pursuant to trades intending to comply with Rule 10b5-1 under the Exchange Act (the “September 2022 Repurchase Program”). No shares were repurchased under the September 2022 authorization.

On December 30, 2021, our Board of Directors approved a \$1.0 billion share repurchase program to reacquire shares via open market purchase or privately negotiated transactions, block trades, or pursuant to trades intending to comply with Rule 10b5-1 under the Exchange Act (the “December 2021 Repurchase Program”). The December 2021 Repurchase Program was exhausted during 2022.

On December 6, 1999, the Company announced a program to repurchase common shares to reduce dilution resulting from our employee stock option and long-term incentive plans, under which repurchases are limited to proceeds received from exercises of stock options and the tax benefits associated therewith (“1999 Repurchase Program”). This program is solely funded by proceeds from stock option exercises, and the tax benefit from these exercises.

On December 19, 2024, we entered into an ASR agreement with two financial institutions to reacquire, in aggregate, \$5.0 billion in shares of Kroger common stock. The ASR agreement will be completed under the December 2024 Repurchase Program. During 2024, we funded \$5.0 billion and received a \$4.0 billion initial delivery of approximately 65.6 million Kroger common shares at an average price of \$61.54 per share, which includes excise taxes related to the shares repurchased. The total number of shares purchased by the Company pursuant to the ASR agreement will be based on the average of the volume-weighted average prices of Kroger common shares on specified dates during the term of each ASR agreement, less a discount, and subject to adjustments pursuant to the terms and conditions of the ASR agreement. Final settlement under the ASR agreement is expected to occur no later than the third fiscal quarter of our Fiscal 2025.

During 2024, we invested \$4.2 billion to repurchase 68.4 million Kroger common shares at an average price of \$61.31 per share, which includes excise taxes related to the shares repurchased. These shares were reacquired under the December 2024 Repurchase Program and the 1999 Repurchase Program. During 2023, we invested \$62 million to repurchase 1.3 million Kroger common shares at an average price of \$46.98 per share. These shares were reacquired under the 1999 Repurchase Program. During 2022, we invested \$993 million to repurchase 19.4 million Kroger common shares at an average price of \$51.29 per share. These shares were reacquired under the December 2021 Repurchase Program and the 1999 Repurchase Program.

As of February 1, 2025, there was \$2.5 billion remaining under the December 2024 Repurchase Program, which reflects the reduction of the unsettled accelerated share repurchases of \$1.0 billion and excludes excise tax on share repurchases in excess of issuances. Amounts available under the 1999 Repurchase Program are dependent upon option exercise activity. The authority remaining under the December 2024 Repurchase Program and the 1999 Repurchase Program do not have an expiration date but may be suspended or terminated by our Board of Directors at any time.

Dividends

The following table provides dividend information for 2024 and 2023 (\$ in millions, except per share amounts):

	2024	2023
Cash dividends paid	\$ 883	\$ 796
Cash dividends paid per common share	\$ 1.22	\$ 1.10

Liquidity Needs

We held cash and temporary cash investments of \$4.0 billion, as of the end of 2024, which reflects net proceeds from the \$10.5 billion senior notes issuance, the payment to redeem \$4.7 billion senior notes issued with a mandatory redemption feature following the termination of the merger with Albertsons, our elevated operating performance over the last few years and the commencement of the \$5.0 billion ASR program to be completed under our December 2024 Repurchase Program. We actively manage our cash and temporary cash investments in order to internally fund operating activities, support and invest in our core businesses, make scheduled interest and principal payments on our borrowings and return cash to shareholders through cash dividend payments and share repurchases. Our current levels of cash, borrowing capacity and balance sheet leverage provide us with the operational flexibility to adjust to changes in economic and market conditions. We remain committed to our dividend, and growing our dividend over time, subject to board approval, as well as share repurchase programs and we will evaluate the optimal use of any excess free cash flow, consistent with our capital allocation strategy.

The table below summarizes our short-term and long-term material cash requirements, based on year of maturity or settlement, as of February 1, 2025 (in millions of dollars):

	2025	2026	2027	2028	2029	Thereafter	Total
Contractual Obligations⁽¹⁾⁽²⁾							
Long-term debt ⁽³⁾	\$ 104	\$ 1,300	\$ 606	\$ 675	\$ 583	\$ 12,641	\$ 15,909
Interest on long-term debt ⁽⁴⁾	739	712	687	674	624	9,992	13,428
Finance lease obligations	261	262	265	259	255	1,280	2,582
Operating lease obligations	974	921	866	799	734	5,832	10,126
Self-insurance liability ⁽⁵⁾	345	158	110	73	42	115	843
Construction commitments ⁽⁶⁾	1,031	—	—	—	—	—	1,031
Opioid settlement payments ⁽⁷⁾	283	140	136	140	134	615	1,448
Purchase obligations ⁽⁸⁾	700	398	216	122	114	692	2,242
Total	\$ 4,437	\$ 3,891	\$ 2,886	\$ 2,742	\$ 2,486	\$ 31,167	\$ 47,609

- (1) The contractual obligations table excludes funding of pension and other postretirement benefit obligations, which totaled approximately \$37 million in 2024. For additional information about these obligations, see Note 14 to the Consolidated Financial Statements. This table also excludes contributions under various multi-employer pension plans, which totaled \$398 million in 2024. For additional information about these multi-employer pension plans, see Note 15 to the Consolidated Financial Statements.
- (2) The liability related to unrecognized tax benefits has been excluded from the contractual obligations table because a reasonable estimate of the timing of future tax settlements cannot be determined.
- (3) As of February 1, 2025, we had no outstanding commercial paper and no borrowings under our credit facility.
- (4) Amounts include contractual interest payments using the interest rate as of February 1, 2025 and stated fixed and swapped interest rates, if applicable, for all other debt instruments.
- (5) The amounts include self-insurance liabilities related to workers' compensation claims and general liability claims. Workers' compensation claims have been stated on a present value basis.
- (6) Amounts include funds owed to third parties for projects currently under construction. These amounts are reflected in "Accounts payable" in our Consolidated Balance Sheets.
- (7) Amounts include scheduled opioid settlement commitments. For additional information about our opioid settlement charges, see Note 12 to the Consolidated Financial Statements.
- (8) Amounts include commitments, many of which are short-term in nature, to be utilized in the normal course of business, such as several contracts to purchase raw materials utilized in our food production plants and several contracts to purchase energy to be used in our stores and food production plants. Our obligations also include management fees for facilities operated by third parties and outside service contracts. Any upfront vendor allowances or incentives associated with outstanding purchase commitments are recorded as either current or long-term liabilities in our Consolidated Balance Sheets. We included our future commitments for customer fulfillment centers for which we have placed an order as of February 1, 2025. We did not include our commitments associated with additional customer fulfillment centers that have not yet been ordered. Future commitments for customer fulfillment centers will grow as we place orders for additional customer fulfillment centers.

We expect to meet our short-term and long-term liquidity needs with cash and temporary cash investments on hand as of February 1, 2025, cash flows from our operating activities and other sources of liquidity, including borrowings under our commercial paper program and bank credit facility. Our short-term and long-term liquidity needs include anticipated requirements for working capital to maintain our operations, pension plan commitments, interest payments and scheduled principal payments of debt and commercial paper, servicing our lease obligations, self-insurance liabilities, capital investments, scheduled opioid settlement payments and other purchase obligations. We may also require additional capital in the future to fund organic growth opportunities, additional customer fulfillment centers, joint ventures or other business partnerships, property development, acquisitions, dividends and share repurchases. In addition, we generally operate with a working capital deficit due to our efficient use of cash in funding operations and because we have consistent access to the capital markets. We believe we have adequate coverage of our debt covenants to continue to maintain our current investment grade debt ratings and to respond effectively to competitive conditions.

For additional information about our debt activity in 2024, see Note 5 to the Consolidated Financial Statements.

Factors Affecting Liquidity

We can currently borrow on a daily basis approximately \$2.75 billion under our commercial paper program. At February 1, 2025, we had no outstanding commercial paper. Commercial paper borrowings are backed by our credit facility and reduce the amount we can borrow under the credit facility. If our short-term credit ratings fall, the ability to borrow under our current commercial paper program could be adversely affected for a period of time and increase our interest cost on daily borrowings under our commercial paper program. This could require us to borrow additional funds under the credit facility, under which we believe we have sufficient capacity. However, in the event of a ratings decline, we do not anticipate that our borrowing capacity under our commercial paper program would be any lower than \$500 million on a daily basis. Factors that could affect our credit rating include changes in our operating performance and financial position, the state of the economy, conditions in the food retail industry and changes in our business model. Further information on the risks and uncertainties that can affect our business can be found in the “Risk Factors” section set forth in Item 1A of Part I of this Annual Report on Form 10-K. Although our ability to borrow under the credit facility is not affected by our credit rating, the interest cost and applicable margin on borrowings under the credit facility could be affected by a downgrade in our Public Debt Rating. “Public Debt Rating” means, as of any date, the rating that has been most recently announced by either S&P or Moody’s, as the case may be, for any class of non-credit enhanced long-term senior unsecured debt issued by Kroger. As of March 27, 2025, we had no commercial paper borrowings outstanding.

Our credit facility requires the maintenance of a Leverage Ratio (our “financial covenant”). A failure to maintain our financial covenant would impair our ability to borrow under the credit facility. This financial covenant is described below:

- Our Leverage Ratio (the ratio of Net Debt to Adjusted EBITDA, as defined in the credit facility) was 1.54 to 1 as of February 1, 2025. If this ratio were to exceed 3.50 to 1, we would be in default of our revolving credit facility and our ability to borrow under the facility would be impaired.

Our credit facility is more fully described in Note 5 to the Consolidated Financial Statements. We were in compliance with our financial covenant at February 1, 2025.

As of February 1, 2025, we maintained a \$2.75 billion, unsecured revolving credit facility that, unless extended, terminates on September 13, 2029. Outstanding borrowings under the credit facility, commercial paper borrowings, and some outstanding letters of credit reduce funds available under the credit facility. As of February 1, 2025, we had no outstanding commercial paper and no borrowings under our revolving credit facility. The outstanding letters of credit that reduce funds available under our credit facility totaled \$1 million as of February 1, 2025.

In addition to the available credit mentioned above, as of February 1, 2025, we had authorized for issuance \$2.0 billion of securities remaining under a shelf registration statement filed with the SEC and effective on May 20, 2022.

We maintain surety bonds related primarily to our self-insured workers’ compensation claims. These bonds are required by most states in which we are self-insured for workers’ compensation and are placed with predominately third-party insurance providers to insure payment of our obligations in the event we are unable to meet our claim payment obligations up to our self-insured retention levels. These bonds do not represent liabilities of ours, as we already have reserves on our books for the claims costs. Market changes may make the surety bonds more costly and, in some instances, availability of these bonds may become more limited, which could affect our costs of, or access to, such bonds. Although we do not believe increased costs or decreased availability would significantly affect our ability to access these surety bonds, if this does become an issue, we would issue letters of credit, in states where allowed, to meet the state bonding requirements. This could increase our cost or decrease the funds available under our credit facility if the letters of credit were issued against our credit facility. We had \$478 million of outstanding surety bonds as of February 1, 2025. These surety bonds expire during fiscal year 2025 and are expected to be renewed.

We have standby letters of credit outstanding as part of our insurance program and for other business purposes. We had \$261 million of outstanding standby letters of credit as of February 1, 2025. These standby letters of credit expire during fiscal year 2025 or early fiscal year 2026 and most are expected to be renewed. The letters of credit for our insurance program collateralize obligations to our insurance carriers in connection with the settlement of potential claims. We have also provided a letter of credit which supports our commitment to build a certain number of fulfillment centers. The balance of this letter of credit reduces primarily upon the construction of each fulfillment center. If we do not reach our total purchase commitment, we will be responsible for the balance remaining on the letter of credit.. Letters of credit do not represent liabilities of ours and are not reflected in our Consolidated Balance Sheets.

We also are contingently liable for leases that have been assigned to various third parties in connection with facility closings and dispositions. We could be required to satisfy obligations under the leases if any of the assignees are unable to fulfill their lease obligations. Due to the wide distribution of our assignments among third parties, and various other remedies available to us, we believe the likelihood that we will be required to assume a material amount of these obligations is remote. We have agreed to indemnify certain third-party logistics operators for certain expenses, including multi-employer pension plan obligations and withdrawal liabilities.

In addition to the above, we enter into various indemnification agreements and take on indemnification obligations in the ordinary course of business. Such arrangements include indemnities against third-party claims arising out of agreements to provide services to us; indemnities related to the sale of our securities; indemnities of directors, officers and employees in connection with the performance of their work; and indemnities of individuals serving as fiduciaries on benefit plans. While our aggregate indemnification obligation could result in a material liability, we are not aware of any current matter that could result in a material liability.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

FINANCIAL RISK MANAGEMENT

In addition to the risks inherent in our operations, we are exposed to market risk from a variety of sources, including changes in interest rates, commodity prices, the fair value of certain equity investments and defined benefit pension and other post-retirement benefit plans. Our market risk exposures are discussed below.

Interest Rate Risk

We manage our exposure to interest rates and changes in the fair value of our debt instruments primarily through the strategic use of our commercial paper program, variable and fixed rate debt, and interest rate swaps. Our current program relative to interest rate protection contemplates hedging the exposure to changes in the fair value of fixed-rate debt attributable to changes in interest rates. To do this, we use the following guidelines: (i) use average daily outstanding borrowings to determine annual debt amounts subject to interest rate exposure, (ii) limit the average annual amount subject to interest rate reset and the amount of floating rate debt to a combined total amount that represents 25% of the carrying value of our debt portfolio or less, (iii) include no leveraged products, and (iv) hedge without regard to profit motive or sensitivity to current mark-to-market status.

When we use derivative financial instruments, it is primarily to manage our exposure to fluctuations in interest rates. We do not enter into derivative financial instruments for trading purposes. As a matter of policy, all of our derivative positions are intended to reduce risk by hedging an underlying economic exposure. Because of the high correlation between the hedging instrument and the underlying exposure, fluctuations in the value of the instruments generally are offset by reciprocal changes in the value of the underlying exposure. The interest rate derivatives we use are straightforward instruments with liquid markets.

As of February 1, 2025, we had no forward-starting interest rate swap agreements outstanding.

As of February 3, 2024, we maintained five forward-starting interest rate swap agreements with a maturity date of August 1, 2027 with an aggregate notional amount totaling \$5.4 billion. A forward-starting interest rate swap is an agreement that effectively hedges the variability in future benchmark interest payments attributable to changes in interest rates on the forecasted issuance of fixed-rate debt. We entered into these forward-starting interest rate swaps in order to hedge the variability in future benchmark interest payments attributable to changing interest rate on the forecasted issuance of fixed-rate debt that was issued in 2024. The fixed interest rates for these forward-starting interest rate swaps range from 3.00% to 3.78%. The variable rate component on the forward-starting interest rate swaps is the Secured Overnight Financing Rate ("SOFR").

A notional amount of \$2.4 billion of these forward-starting interest rate swaps was designated as a cash-flow hedge as defined by GAAP. Accordingly, the changes in fair value of these forward-starting interest rate swaps are recorded to other comprehensive income and reclassified into net earnings when the hedged transaction affects net earnings. As of February 3, 2024, the fair value of the interest rate swaps designated as cash flow hedges was recorded in "Other assets" for \$125 million and accumulated other comprehensive income for \$95 million, net of tax.

The remainder of the notional amount of \$3.0 billion of the forward-starting interest rate swaps was not designated as a cash-flow hedge. Accordingly, the changes in the fair value of these forward-starting interest rate swaps not designated as cash-flow hedges are recognized through net earnings. As of February 3, 2024, the fair value of these swaps was recorded in "Other Assets" for \$35 million and "Other long-term liabilities" for \$3 million. In 2023, we recognized an unrealized gain of \$174 million that is included in "(Loss) gain on investments" in our Consolidated Statements of Operations.

In 2024, we terminated these five forward-starting interest rate swaps with a maturity date of August 1, 2027 and an aggregate notional amount totaling \$5.4 billion. For the notional amount of \$2.4 billion of these forward-starting interest rate swaps that was designated as a cash-flow hedge, the unamortized gain of \$48 million, \$36 million net of tax, has been deferred in accumulated other comprehensive income and will be amortized to earnings as the interest payments are made. For the remainder of the notional amount of \$3.0 billion of the forward-starting interest rate swaps not designated as a cash-flow hedge, we recognized a realized loss of \$55 million that is included in "(Loss) gain on investments" in our Consolidated Statements of Operations.

In 2024, we entered into two 10-year treasury lock agreements with an aggregate notional amount of \$2.1 billion and a weighted-average interest rate of 3.91% and two 30-year treasury lock agreements with an aggregate notional amount of \$3.3 billion and a weighted-average interest rate of 4.11%. These treasury locks were an agreement used to hedge the U.S. Treasury benchmark interest rate associated with future interest payments on the forecasted issuance of fixed-rate debt that was issued in 2024. These treasury locks were designated as cash-flow hedges as defined by GAAP. Accordingly, the changes in fair value of these treasury locks are recorded to accumulated other comprehensive income and reclassified into net earnings when the hedged transaction affects net earnings. In 2024, we terminated these treasury lock agreements. The unamortized loss of \$56 million, \$43 million net of tax, has been deferred in accumulated other comprehensive loss and will be amortized to earnings as the interest payments are made.

Annually, we review with the Finance Committee of our Board of Directors compliance with the guidelines described above. The guidelines may change as our business needs dictate.

The tables below provide information about our underlying debt portfolio as of February 1, 2025 and February 3, 2024. The amounts shown for each year represent the contractual maturities of long-term debt, excluding finance leases, as of February 1, 2025 and February 3, 2024. Interest rates reflect the weighted average rate for the outstanding instruments. The variable rate debt is based on a reference rate using the forward yield curve as of February 1, 2025 and February 3, 2024. The Fair Value column includes the fair value of our debt instruments as of February 1, 2025 and February 3, 2024. We had no outstanding interest rate derivatives classified as fair value hedges as of February 1, 2025 or February 3, 2024. See Notes 5, 6 and 7 to the Consolidated Financial Statements.

	February 1, 2025							Total	Fair Value
	Expected Year of Maturity								
	2025	2026	2027	2028	2029	Thereafter			
	(in millions)								
Debt									
Fixed rate principal payments ⁽¹⁾	\$ (25)	\$ (1,311)	\$ (616)	\$ (663)	\$ (552)	\$ (12,735)	\$ (15,902)	\$ (14,497)	
Average interest rate ⁽¹⁾	2.10 %	3.00 %	3.68 %	4.43 %	7.69 %	4.79 %			
Variable rate principal payments	\$ (90)	\$ —	\$ —	\$ (22)	\$ (38)	\$ —	\$ (150)	\$ (151)	
Average interest rate	2.87 %	—	—	7.93 %	6.17 %	—			

- (1) The fixed rate principal payments exclude debt discounts and deferred financing costs of \$143 million, of which \$11 million is current and \$132 million is long-term. The weighted average interest rate calculation excludes the effects of debt discounts and deferred financing costs.

	February 3, 2024							Total	Fair Value
	Expected Year of Maturity								
	2024	2025	2026	2027	2028	Thereafter			
	(in millions)								
Debt									
Fixed rate principal payments ⁽¹⁾	\$ (23)	\$ (19)	\$ (1,311)	\$ (616)	\$ (625)	\$ (7,521)	\$ (10,115)	\$ (9,256)	
Average interest rate ⁽¹⁾	2.41 %	3.03 %	3.00 %	3.68 %	4.50 %	4.56 %			
Variable rate principal payments	\$ (9)	\$ (81)	\$ —	\$ —	\$ (22)	\$ (33)	\$ (145)	\$ (145)	
Average interest rate	7.19 %	3.07 %	—	—	7.94 %	7.19 %			

- (1) The fixed rate principal payments exclude debt discounts and deferred financing costs of \$73 million, of which \$7 million is current and \$66 million is long-term. The weighted average interest rate calculation excludes the effects of debt discounts and deferred financing costs.

Based on our year-end 2024 variable rate debt levels, a 10 percent change in interest rates would be immaterial. See Note 6 to the Consolidated Financial Statements for further discussion of derivatives and hedging policies.

Commodity Price Risk

We are subject to commodity price risk generated by our purchases of meat, seafood and dairy products, among other food items. We purchase, manufacture and sell various commodity related food products and risk arises from the price volatility of these commodities. The price and availability of these commodities directly affects our results of operations. To help manage or minimize the effect of commodity price risk exposure on our operations, we use a combination of pricing features embedded within supply contracts, such as fixed-price and price-to-be-fixed contracts, and have the ability to increase or decrease retail prices to our customers as commodity prices change.

We are exposed to changes in the prices of diesel and unleaded fuel. The majority of our fuel contracts utilize index-based pricing formulas plus or minus a fixed locational/supplier differential. We expect to take delivery of these commitments in the normal course of business, and, as a result, these contracts qualify as normal purchases. While many of the indices are aligned, each index may fluctuate at a different pace, driving variability in the prices paid for fuel. Because of this, our operating results may be affected should the market price of fuel suddenly change by a significant amount, which can affect our operating results either positively or negatively in the short-term.

We manage our exposure to diesel fuel price changes through the strategic use of diesel fuel hedge contracts. When we use fuel hedge contracts, it is primarily to manage our exposure to fluctuations in diesel fuel prices for our logistics operations. We do not enter into fuel hedge arrangements for trading purposes. As a matter of policy, all of our hedge positions are intended to reduce risk by hedging an underlying economic exposure. Because of the high correlation between the hedging instrument and the underlying exposure, fluctuations in the value of the instruments generally are offset by reciprocal changes in the value of the underlying exposure. The diesel fuel hedge contracts we use are straightforward instruments with liquid markets. As of February 1, 2025, our outstanding diesel fuel hedge contracts had a total notional amount of \$32 million. As of February 3, 2024, our outstanding diesel fuel hedge contracts had a total notional amount of \$48 million. The fair value and effect to the Consolidated Statement of Operations of these contracts is insignificant.

We have entered into fixed price contracts to purchase electricity and natural gas for a portion of our energy needs. We expect to take delivery of these commitments in the normal course of business, and, as a result, these contracts qualify as normal purchases.

As of February 1, 2025 and February 3, 2024, we had no commodity derivative contracts outstanding other than the diesel fuel hedge contracts described above.

Equity Investment Risk

We are exposed to market price volatility for our equity investments in certain financial instruments, measured using Level 1 inputs, which are measured at fair value through net earnings. Fair value adjustments flow through “(Loss) gain on investments” in our Consolidated Statements of Operations. The change in fair value of certain Level 1 investments resulted in an unrealized loss of \$116 million in 2024, \$66 million in 2023 and \$586 million in 2022. As of February 1, 2025, the fair value of our investments in certain Level 1 financial instruments was \$183 million. As of February 1, 2025, a 10% change in the fair value of these investments would be approximately \$18 million. For additional details on these investments, see Note 7 to the Consolidated Financial Statements.

Company-Sponsored Benefit Plans

We sponsor defined benefit pension plans and post-retirement healthcare plans for certain eligible employees. Changes in interest rates affect our liabilities associated with these retirement plans, as well as the amount of expense recognized for these retirement plans. Increased interest rates could result in a lower fair value of plan assets and increased pension expense in the following years. The target plan asset allocations are established based on our liability-driven investment (“LDI”) strategy. An LDI strategy focuses on maintaining a close to fully-funded status over the long-term with minimal funded status risk. This is achieved by investing more of the plan assets in fixed income instruments to more closely match the duration of the plan liability. As of February 1, 2025, our defined benefit pension plans had total investment assets of \$2.3 billion. As of February 3, 2024, our defined benefit pension plans had total investment assets of \$2.4 billion. Declines in the fair value of plan assets could diminish the funded status of our defined benefit pension plans and potentially increase our requirement to make contributions to these plans. For additional details, see Note 14 to the Consolidated Financial Statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Consolidated Financial Statements of The Kroger Co.
For the Fiscal Year Ended February 1, 2025

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of The Kroger Co.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of The Kroger Co. and its subsidiaries (the "Company") as of February 1, 2025 and February 3, 2024, and the related consolidated statements of operations, of comprehensive income, of changes in shareholders' equity and of cash flows for each of the three years in the period ended February 1, 2025, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of February 1, 2025, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of February 1, 2025 and February 3, 2024, and the results of its operations and its cash flows for each of the three years in the period ended February 1, 2025 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of February 1, 2025, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Litigation Contingencies Related to Opioid Claims and Merger Termination

As described in Notes 12 and 18 to the consolidated financial statements, various claims and lawsuits arising in the normal course of business, including personal injury, contract disputes, employment discrimination, wage and hour and other regulatory claims are pending against the Company. Management continually evaluates the Company's exposure to loss contingencies arising from pending or threatened litigation and believes the Company has made provisions where it is reasonably possible to estimate and when an adverse outcome is probable. The Company is one of dozens of companies that have been named in various lawsuits alleging that defendants contributed to creating a public nuisance through the distribution and dispensing of opioids. On September 8, 2023, the Company announced that it reached an agreement in principle with plaintiffs to settle the majority of opioid claims that have been or could be brought against the Company by states in which they operate, subdivisions, and Native American tribes. On October 31, 2024, the Company determined that there is sufficient participation in the settlement by states and subdivisions and elected to proceed with the settlement. The settlement with states and subdivisions became effective on December 30, 2024, and the settlement with Native American tribes is currently anticipated to become effective by May 30, 2025. As of February 1, 2025, the Company has recorded \$279 million and \$1,139 million of the estimated settlement liability in other current liabilities and other long-term liabilities, respectively. Additionally, on December 10, 2024, Albertsons sued the Company for alleged breaches of the merger agreement and the implied covenant of good faith and fair dealing. Albertsons seeks payment of a \$600 million termination fee that Albertsons alleges it is owed under the merger agreement, as well as additional damages. On March 17, 2025, the Company filed an answer denying the allegations in Albertsons's complaint, and also filed counterclaims that seek recovery for breaches of the merger agreement by Albertsons.

The principal considerations for our determination that performing procedures relating to the litigation contingencies related to opioid claims and merger termination is a critical audit matter are (i) the significant judgment by management when assessing whether an adverse outcome from the pending or threatened litigation is probable and when determining whether a reasonable estimate of the loss can be made and (ii) a high degree of auditor judgment in performing procedures and evaluating audit evidence related to management's assessment of loss contingencies related to the opioid claims and merger termination.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's assessment of litigation contingencies, including the determination of whether an adverse outcome from the pending or threatened litigation is probable and whether a reasonable estimate of the loss can be made, as well as controls over the financial statement disclosures. These procedures also included, among others (i) obtaining and evaluating certain executed settlement agreements related to opioid claims; (ii) obtaining and evaluating the merger agreement and certain letters where the Company is a named party related to the merger termination; (iii) evaluating the status of significant known actual and potential litigation and settlement activity by inquiring of the Company's internal and external legal counsel, when deemed necessary; (iv) evaluating the reasonableness of management's assessment regarding whether an adverse outcome from the pending or threatened litigation is probable and whether a reasonable estimate of the loss can be made; (v) obtaining and evaluating the letters of audit inquiry with internal and external legal counsel related to the opioid claims and merger termination; and (vi) evaluating the sufficiency of the Company's litigation contingency disclosures related to the opioid claims and merger termination.

/s/PricewaterhouseCoopers LLP
Cincinnati, Ohio
April 1, 2025

We have served as the Company's auditor since 1929.

**THE KROGER CO.
CONSOLIDATED BALANCE SHEETS**

(In millions, except par amounts)	February 1, 2025	February 3, 2024
ASSETS		
Current assets		
Cash and temporary cash investments	\$ 3,959	\$ 1,883
Store deposits in-transit	1,312	1,215
Receivables	2,195	2,136
FIFO inventory	9,442	9,414
LIFO reserve	(2,404)	(2,309)
Prepaid and other current assets	769	609
Total current assets	<u>15,273</u>	<u>12,948</u>
Property, plant and equipment, net	25,703	25,230
Operating lease assets	6,839	6,692
Intangibles, net	834	899
Goodwill	2,674	2,916
Other assets	<u>1,293</u>	<u>1,820</u>
Total Assets	<u>\$ 52,616</u>	<u>\$ 50,505</u>
LIABILITIES		
Current liabilities		
Current portion of long-term debt including obligations under finance leases	\$ 272	\$ 198
Current portion of operating lease liabilities	599	670
Accounts payable	10,124	10,381
Accrued salaries and wages	1,330	1,323
Other current liabilities	<u>3,615</u>	<u>3,486</u>
Total current liabilities	15,940	16,058
Long-term debt including obligations under finance leases	17,633	12,028
Noncurrent operating lease liabilities	6,578	6,351
Deferred income taxes	1,417	1,579
Pension and postretirement benefit obligations	387	385
Other long-term liabilities	<u>2,380</u>	<u>2,503</u>
Total Liabilities	44,335	38,904
Commitments and contingencies see Note 12		
SHAREOWNERS' EQUITY		
Preferred shares, \$100 par per share, 5 shares authorized and unissued	—	—
Common shares, \$1 par per share, 2,000 shares authorized; 1,918 shares issued in 2024 and 2023	1,918	1,918
Additional paid-in capital	3,087	3,922
Accumulated other comprehensive loss	(621)	(489)
Accumulated earnings	28,724	26,946
Common shares in treasury, at cost, 1,258 shares in 2024 and 1,198 shares in 2023	<u>(24,823)</u>	<u>(20,682)</u>
Total Shareowners' Equity - The Kroger Co.	8,285	11,615
Noncontrolling interests	<u>(4)</u>	<u>(14)</u>
Total Equity	<u>8,281</u>	<u>11,601</u>
Total Liabilities and Equity	<u>\$ 52,616</u>	<u>\$ 50,505</u>

The accompanying notes are an integral part of the consolidated financial statements.

THE KROGER CO.
CONSOLIDATED STATEMENTS OF OPERATIONS

Years Ended February 1, 2025, February 3, 2024 and January 28, 2023

(In millions, except per share amounts)	2024 (52 weeks)	2023 (53 weeks)	2022 (52 weeks)
Sales	\$ 147,123	\$ 150,039	\$ 148,258
Operating expenses			
Merchandise costs, including advertising, warehousing, and transportation, excluding items shown separately below	113,720	116,675	116,480
Operating, general and administrative	25,431	26,252	23,848
Rent	877	891	839
Depreciation and amortization	<u>3,246</u>	<u>3,125</u>	<u>2,965</u>
Operating profit	3,849	3,096	4,126
Other income (expense)			
Net interest expense see Note 5	(450)	(441)	(535)
Non-service component of company-sponsored pension plan benefits	12	30	39
(Loss) gain on investments	(148)	151	(728)
Gain on the sale of business	<u>79</u>	<u>—</u>	<u>—</u>
Net earnings before income tax expense	3,342	2,836	2,902
Income tax expense	<u>670</u>	<u>667</u>	<u>653</u>
Net earnings including noncontrolling interests	2,672	2,169	2,249
Net income attributable to noncontrolling interests	<u>7</u>	<u>5</u>	<u>5</u>
Net earnings attributable to The Kroger Co.	<u>\$ 2,665</u>	<u>\$ 2,164</u>	<u>\$ 2,244</u>
Net earnings attributable to The Kroger Co. per basic common share	<u>\$ 3.70</u>	<u>\$ 2.99</u>	<u>\$ 3.10</u>
Average number of common shares used in basic calculation	715	718	718
Net earnings attributable to The Kroger Co. per diluted common share	<u>\$ 3.67</u>	<u>\$ 2.96</u>	<u>\$ 3.06</u>
Average number of common shares used in diluted calculation	720	725	727

The accompanying notes are an integral part of the consolidated financial statements.

THE KROGER CO.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years Ended February 1, 2025, February 3, 2024 and January 28, 2023

(In millions)	2024 (52 weeks)	2023 (53 weeks)	2022 (52 weeks)
Net earnings including noncontrolling interests	\$ 2,672	\$ 2,169	\$ 2,249
Other comprehensive income (loss)			
Change in pension and other postretirement defined benefit plans, net of income tax ⁽¹⁾	(37)	(46)	(83)
Unrealized gains and losses on cash flow hedging activities, net of income tax ⁽²⁾	(103)	183	(89)
Amortization of unrealized gains and losses on cash flow hedging activities, net of income tax ⁽³⁾	8	6	7
Total other comprehensive (loss) income	(132)	143	(165)
Comprehensive income	2,540	2,312	2,084
Comprehensive income attributable to noncontrolling interests	7	5	5
Comprehensive income attributable to The Kroger Co.	<u>\$ 2,533</u>	<u>\$ 2,307</u>	<u>\$ 2,079</u>

(1) Amount is net of tax benefit of \$(11) in 2024, \$(14) in 2023 and \$(26) in 2022.

(2) Amount is net of tax (benefit) expense of \$(31) in 2024, \$56 in 2023 and \$(27) in 2022.

(3) Amount is net of tax expense of \$1 in 2024, \$2 in 2023 and \$2 in 2022.

The accompanying notes are an integral part of the consolidated financial statements.

THE KROGER CO.
CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended February 1, 2025, February 3, 2024 and January 28, 2023

(In millions)	2024	2023	2022
	(52 weeks)	(53 weeks)	(52 weeks)
Cash Flows from Operating Activities:			
Net earnings including noncontrolling interests	\$ 2,672	\$ 2,169	\$ 2,249
Adjustments to reconcile net earnings including noncontrolling interests to net cash provided by operating activities:			
Depreciation and amortization	3,246	3,125	2,965
Asset impairment charges	98	69	68
Goodwill and fixed asset impairment charges related to Vitacost.com	—	—	164
Operating lease asset amortization	603	625	614
LIFO charge	95	113	626
Share-based employee compensation	175	172	190
Company-sponsored pension plans	(2)	(9)	(26)
Deferred income taxes	(102)	(155)	161
Gain on sale of assets	(70)	(56)	(40)
Gain on sale of business	(79)	—	—
Loss (gain) on investments	148	(151)	728
Other	22	78	(8)
Changes in operating assets and liabilities:			
Store deposits in-transit	(97)	(88)	(45)
Receivables	(288)	14	(222)
Inventories	(144)	342	(1,370)
Prepaid and other current assets	(166)	72	(36)
Accounts payable	253	545	44
Accrued expenses	107	(222)	(167)
Income taxes receivable and payable	76	68	(190)
Operating lease liabilities	(609)	(695)	(622)
Other	(144)	772	(585)
Net cash provided by operating activities	<u>5,794</u>	<u>6,788</u>	<u>4,498</u>
Cash Flows from Investing Activities:			
Payments for property and equipment, including payments for lease buyouts	(4,017)	(3,904)	(3,078)
Proceeds from sale of assets	377	101	78
Net proceeds from sale of business	464	—	—
Other	(52)	53	(15)
Net cash used by investing activities	<u>(3,228)</u>	<u>(3,750)</u>	<u>(3,015)</u>
Cash Flows from Financing Activities:			
Proceeds from issuance of long-term debt	10,502	15	—
Payments on long-term debt including obligations under finance leases	(4,883)	(1,301)	(552)
Dividends paid	(883)	(796)	(682)
Financing fees paid	(116)	—	(84)
Proceeds from issuance of capital stock	127	50	134
Treasury stock purchases	(4,156)	(62)	(993)
Unsettled accelerated share repurchases	(1,000)	—	—
Other	(81)	(76)	(112)
Net cash used by financing activities	<u>(490)</u>	<u>(2,170)</u>	<u>(2,289)</u>
Net increase (decrease) in cash and temporary cash investments	2,076	868	(806)
Cash and temporary cash investments:			
Beginning of year	1,883	1,015	1,821
End of year	<u>\$ 3,959</u>	<u>\$ 1,883</u>	<u>\$ 1,015</u>
Reconciliation of capital investments:			
Payments for property and equipment, including payments for lease buyouts	\$ (4,017)	\$ (3,904)	\$ (3,078)
Payments for lease buyouts	51	—	21
Changes in construction-in-progress payables	343	344	(281)
Total capital investments, excluding lease buyouts	<u>\$ (3,623)</u>	<u>\$ (3,560)</u>	<u>\$ (3,338)</u>
Disclosure of cash flow information:			
Cash paid during the year for net interest	\$ 252	\$ 488	\$ 545
Cash paid during the year for income taxes	\$ 681	\$ 751	\$ 698

The accompanying notes are an integral part of the consolidated financial statements.

THE KROGER CO.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Years Ended February 1, 2025, February 3, 2024 and January 28, 2023

(In millions, except per share amounts)	Common Stock		Additional Paid-In Capital	Treasury Stock		Accumulated Other Comprehensive Income (Loss)	Accumulated Earnings	Noncontrolling Interest	Total
	Shares	Amount		Shares	Amount				
Balances at January 29, 2022	1,918	\$ 1,918	\$ 3,657	1,191	\$ (19,722)	\$ (467)	\$ 24,066	\$ (23)	\$ 9,429
Issuance of common stock:									
Stock options exercised	—	—	—	(4)	134	—	—	—	134
Restricted stock issued	—	—	(173)	(4)	62	—	—	—	(111)
Treasury stock activity:									
Treasury stock purchases, at cost	—	—	—	16	(821)	—	—	—	(821)
Stock options exchanged	—	—	—	3	(172)	—	—	—	(172)
Share-based employee compensation	—	—	190	—	—	—	—	—	190
Other comprehensive income net of tax of \$(51)	—	—	—	—	—	(165)	—	—	(165)
Other	—	—	131	—	(131)	—	—	(10)	(10)
Cash dividends declared (\$0.99 per common share)	—	—	—	—	—	—	(709)	—	(709)
Net earnings including non-controlling interests	—	—	—	—	—	—	2,244	5	2,249
Balances at January 28, 2023	1,918	\$ 1,918	\$ 3,805	1,202	\$ (20,650)	\$ (632)	\$ 25,601	\$ (28)	\$ 10,014
Issuance of common stock:									
Stock options exercised	—	—	—	(2)	50	—	—	—	50
Restricted stock issued	—	—	(163)	(3)	88	—	—	—	(75)
Treasury stock activity:									
Stock options exchanged	—	—	—	1	(62)	—	—	—	(62)
Share-based employee compensation	—	—	172	—	—	—	—	—	172
Other comprehensive income net of tax of \$44	—	—	—	—	—	143	—	—	143
Other	—	—	108	—	(108)	—	—	9	9
Cash dividends declared (\$1.13 per common share)	—	—	—	—	—	—	(819)	—	(819)
Net earnings including non-controlling interests	—	—	—	—	—	—	2,164	5	2,169
Balances at February 3, 2024	1,918	\$ 1,918	\$ 3,922	1,198	\$ (20,682)	\$ (489)	\$ 26,946	\$ (14)	\$ 11,601
Issuance of common stock:									
Stock options exercised	—	—	—	(3)	127	—	—	—	127
Restricted stock issued	—	—	(176)	(3)	92	—	—	—	(84)
Treasury stock activity:									
Treasury stock purchases, at cost	—	—	(1,000)	66	(4,038)	—	—	—	(5,038)
Stock options exchanged	—	—	—	—	(156)	—	—	—	(156)
Share-based employee compensation	—	—	175	—	—	—	—	—	175
Other comprehensive loss net of tax of \$(41)	—	—	—	—	—	(132)	—	—	(132)
Other	—	—	166	—	(166)	—	—	3	3
Cash dividends declared (\$1.25 per common share)	—	—	—	—	—	—	(887)	—	(887)
Net earnings including non-controlling interests	—	—	—	—	—	—	2,665	7	2,672
Balances at February 1, 2025	1,918	\$ 1,918	\$ 3,087	1,258	\$ (24,823)	\$ (621)	\$ 28,724	\$ (4)	\$ 8,281

The accompanying notes are an integral part of the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

All amounts in the Notes to Consolidated Financial Statements are in millions except per share amounts.

1. ACCOUNTING POLICIES

The following is a summary of the significant accounting policies followed in preparing these financial statements.

Description of Business, Basis of Presentation and Principles of Consolidation

The Kroger Co. (the “Company”) was founded in 1883 and incorporated in 1902. The Company is a food and drug retailer that operates 2,731 supermarkets, 2,273 pharmacies and 1,702 fuel centers in 35 states and the District of Columbia while also operating online through a digital ecosystem to offer customers an omnichannel shopping experience. The Company also manufactures and processes food for sale by its supermarkets and online. The accompanying financial statements include the consolidated accounts of the Company, its wholly-owned subsidiaries and other consolidated entities. Intercompany transactions and balances have been eliminated.

Fiscal Year

The Company’s fiscal year ends on the Saturday nearest January 31. The last three fiscal years consist of the 52-week period ended February 1, 2025, the 53-week period ended February 3, 2024 and the 52-week period ended January 28, 2023.

Pervasiveness of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. Disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of consolidated revenues and expenses during the reporting period is also required. Actual results could differ from those estimates.

Cash, Temporary Cash Investments and Book Overdrafts

Cash and temporary cash investments represent store cash and short-term investments with original maturities of less than three months. Book overdrafts are included in “Accounts payable” and “Accrued salaries and wages” in the Consolidated Balance Sheets.

Deposits In-Transit

Deposits in-transit generally represent funds deposited to the Company’s bank accounts at the end of the year related to sales, a majority of which were paid for with debit cards, credit cards and checks, to which the Company does not have immediate access but settle within a few days of the sales transaction.

Inventories

Inventories are stated at the lower of cost (principally on a last-in, first-out “LIFO” basis) or market. In total, approximately 92% of inventories in 2024 and 91% of inventories in 2023 were valued using the LIFO method. The remaining inventories, including substantially all fuel inventories, are stated at the lower of cost (on a FIFO basis) or net realizable value. Replacement cost was higher than the carrying amount by \$2,404 at February 1, 2025 and \$2,309 at February 3, 2024. The Company follows the Link-Chain, Dollar-Value LIFO method for purposes of calculating its LIFO charge.

The item-cost method of accounting to determine inventory cost before the LIFO adjustment is followed for substantially all store inventories at the Company’s supermarket divisions. This method involves counting each item in inventory, assigning costs to each of these items based on the actual purchase costs (net of vendor allowances and cash discounts) of each item and recording the cost of items sold. The item-cost method of accounting allows for more accurate reporting of periodic inventory balances and enables management to more precisely manage inventory. In addition, substantially all of the Company’s inventory consists of finished goods and is recorded at actual purchase costs (net of vendor allowances and cash discounts).

The Company evaluates inventory shortages throughout the year based on actual physical counts in its facilities. Allowances for inventory shortages are recorded based on the results of these counts to provide for estimated shortages as of the financial statement date.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost or, in the case of assets acquired in a business combination, at fair value. Depreciation and amortization expense, which includes the depreciation of assets recorded under finance leases, is computed principally using the straight-line method over the estimated useful lives of individual assets. Buildings and land improvements are depreciated based on lives varying from 10 to 40 years. All new purchases of store equipment are assigned lives varying from three to nine years. Leasehold improvements are amortized over the shorter of the lease term to which they relate, which generally varies from four to 25 years, or the useful life of the asset. Food production plant, fulfillment center and distribution center equipment is depreciated over lives varying from three to 15 years. Information technology assets are generally depreciated over three to five years. Depreciation and amortization expense was \$3,246 in 2024, \$3,125 in 2023 and \$2,965 in 2022.

Interest costs on significant projects constructed for the Company’s own use are capitalized as part of the costs of the newly constructed facilities. Upon retirement or disposal of assets, the cost and related accumulated depreciation and amortization are removed from the balance sheet and any gain or loss is reflected in net earnings. Refer to Note 3 for further information regarding the Company’s property, plant and equipment.

Leases

The Company leases certain store real estate, warehouses, distribution centers, fulfillment centers, office space and equipment. The Company determines if an arrangement is a lease at inception. Finance and operating lease assets and liabilities are recognized at the lease commencement date. Finance and operating lease liabilities represent the present value of minimum lease payments not yet paid. Operating lease assets represent the right to use an underlying asset and are based upon the operating lease liabilities adjusted for prepayments, lease incentives and impairment, if any. To determine the present value of lease payments, the Company estimates an incremental borrowing rate which represents the rate used for a secured borrowing of a similar term as the lease.

Lease terms generally range from 10 to 20 years with options to renew for varying terms at the Company's sole discretion. The lease term includes the initial contractual term as well as any options to extend the lease when it is reasonably certain the Company will exercise that option. Leases with an initial term of 12 months or less are not recorded on the balance sheet. Certain leases include escalation clauses or payment of executory costs such as property taxes, utilities or insurance and maintenance. Operating lease payments are charged on a straight-line basis to rent expense over the lease term and finance lease payments are charged to interest expense and depreciation and amortization expense over the lease term. Assets under finance leases are amortized in accordance with the Company's normal depreciation policy for owned assets or over the lease term, if shorter. The Company's lease agreements do not contain any residual value guarantees or material restrictive covenants. For additional information on leases, see Note 9 to the Consolidated Financial Statements.

Goodwill

The Company reviews goodwill for impairment during the fourth quarter of each year, or earlier upon the occurrence of a triggering event. The Company performs reviews of each of its operating divisions and other consolidated entities (collectively, "reporting units") that have goodwill balances. Generally, fair value is determined using a market multiple model, or discounted projected future cash flows, and is compared to the carrying value of a reporting unit for purposes of identifying potential impairment. Projected future cash flows are based on management's knowledge of the current operating environment and expectations for the future. Goodwill impairment is recognized for any excess of the reporting unit's carrying value over its fair value, not to exceed the total amount of goodwill allocated to the reporting unit. Results of the goodwill impairment reviews performed during 2024, 2023 and 2022 are summarized in Note 2.

Impairment of Long-Lived Assets

The Company monitors the carrying value of long-lived assets for potential impairment each quarter based on whether certain triggering events have occurred. These events include current period losses combined with a history of losses or a projection of continuing losses or a significant decrease in the market value of an asset. When a triggering event occurs, an impairment calculation is performed, comparing projected undiscounted future cash flows, utilizing current cash flow information and expected growth rates related to specific stores, to the carrying value for those stores. If the Company identifies impairment for long-lived assets to be held and used, the Company compares the assets' current carrying value to the assets' fair value. Fair value is based on current market values or discounted future cash flows. The Company records impairment when the carrying value exceeds fair market value. With respect to owned property and equipment held for disposal, the value of the property and equipment is adjusted to reflect recoverable values based on previous efforts to dispose of similar assets and current economic conditions. Impairment is recognized for the excess of the carrying value over the estimated fair market value, reduced by estimated direct costs of disposal. The Company recorded asset impairments totaling \$98 in 2024, which includes \$25, \$19 net of tax, for property losses. The Company recorded asset impairments in the normal course of business totaling \$69 and \$68 in 2023 and 2022, respectively. Costs to reduce the carrying value of long-lived assets for each of the years presented have been included in the Consolidated Statements of Operations as Operating, general and administrative ("OG&A") expense.

Accounts Payable Financing Arrangement

The Company has an agreement with a third party to provide an accounts payable tracking system which facilitates participating suppliers' ability to finance payment obligations from the Company with designated third-party financial institutions. Participating suppliers may, at their sole discretion, make offers to finance one or more payment obligations of the Company prior to their scheduled due dates at a discounted price to participating financial institutions. The Company's obligations to its suppliers, including amounts due and scheduled payment dates, are not affected by suppliers' decisions to finance amounts under this arrangement. The payment term that the Company has with participating suppliers under these programs is approximately 90 days. Outstanding obligations under this financing arrangement are included in "Accounts payable" in the Consolidated Balance Sheets.

As of February 1, 2025 and February 3, 2024, the Company had \$294 and \$325 in “Accounts payable,” respectively, associated with financing arrangements.

The following table summarizes the changes in the Company’s outstanding obligations under this financing arrangement through February 1, 2025:

	<u>February 1, 2025</u>
Balance at the beginning of the year	\$ 325
Invoices confirmed during the year	1,797
Confirmed invoices paid during the year	(1,828)
Balance at the end of the year	<u>\$ 294</u>

Contingent Consideration

The Company’s Home Chef business combination involved potential payment of future consideration that was contingent upon the achievement of certain performance milestones. The Company recorded contingent consideration at fair value at the date of acquisition based on the consideration expected to be transferred, estimated as the probability-weighted future cash flows, discounted back to present value using a discount rate determined in accordance with accepted valuation methods. The liability for contingent consideration is remeasured to fair value at each reporting period using Level 3 inputs, and the change in fair value, including accretion for the passage of time, is recognized in earnings until the contingency is resolved. In 2022, adjustments to increase the contingent consideration liability as of year-end were recorded for \$20 in OG&A expense. The Company made the final contingent consideration payment in 2023, which was based on the fair value of the outstanding year-end 2022 liability.

Store Closing Costs

The Company regularly evaluates the performance of its stores and periodically closes those stores that are underperforming. Related liabilities arise, such as severance, contractual obligations and other accruals associated with store closings. The Company records a liability for costs associated with an exit or disposal activity when the liability is incurred, usually in the period the store closes. Adjustments to closed store liabilities primarily relate to actual exit costs differing from original estimates. Adjustments are made for changes in estimates in the period in which the change becomes known.

Owned stores held for disposal are reduced to their estimated net realizable value. Costs to reduce the carrying values of property, plant, equipment and operating lease assets are accounted for in accordance with the Company’s policy on impairment of long-lived assets. Inventory write-downs, if any, in connection with store closings, are classified in the Consolidated Statements of Operations as “Merchandise costs.” Costs to transfer inventory and equipment from closed stores are expensed as incurred.

Interest Rate Risk Management

The Company uses derivative instruments primarily to manage its exposure to changes in interest rates. The Company’s current program relative to interest rate protection and the methods by which the Company accounts for its derivative instruments are described in Note 6.

Benefit Plans and Multi-Employer Pension Plans

The Company recognizes the funded status of its retirement plans on the Consolidated Balance Sheets. Actuarial gains or losses, prior service costs or credits and transition obligations that have not yet been recognized as part of net periodic benefit cost are required to be recorded as a component of Accumulated Other Comprehensive Income (“AOCI”). The Company has elected to measure defined benefit plan assets and obligations as of January 31, which is the month-end that is closest to its fiscal year-ends.

The determination of the obligation and expense for company-sponsored pension plans and other post-retirement benefits is dependent on the selection of assumptions used by actuaries and the Company in calculating those amounts. Those assumptions are described in Note 14 and include, among others, the discount rate, the expected long-term rate of return on plan assets, mortality and the rates of increase in compensation and health care costs. Actual results that differ from the assumptions are accumulated and amortized over future periods and, therefore, generally affect the recognized expense and recorded obligation in future periods. While the Company believes the assumptions are appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the pension and other post-retirement obligations and future expense.

The Company also participates in various multi-employer plans for substantially all union employees. Pension expense for these plans is recognized as contributions are funded or when commitments are probable and reasonably estimable, in accordance with GAAP. Refer to Note 15 for additional information regarding the Company's participation in these various multi-employer pension plans.

The Company administers and makes contributions to the employee 401(k) retirement savings accounts. Contributions to the employee 401(k) retirement savings accounts are expensed when contributed or over the service period in the case of automatic contributions. Refer to Note 14 for additional information regarding the Company's benefit plans.

Share Based Compensation

The Company recognizes compensation expense for all share-based payments granted under fair value recognition provisions. The Company recognizes share-based compensation expense, net of an estimated forfeiture rate, over the requisite service period of the award based on the fair value at the date of the grant. The Company grants options for common shares ("stock options") to employees under various plans at an option price equal to the fair market value of the underlying shares on the grant date of the award. Stock options typically expire 10 years from the date of grant. Stock options vest between one and four years from the date of grant. In addition to stock options, the Company awards restricted stock to employees and incentive shares to nonemployee directors under various plans. The restrictions on these restricted stock awards generally lapse between one and four years from the date of the awards. The Company determines the fair value for restricted stock awards in an amount equal to the fair market value of the underlying shares on the grant date of the award.

Deferred Income Taxes

Deferred income taxes are recorded to reflect the tax consequences of differences between the tax basis of assets and liabilities and their financial reporting basis. Refer to Note 4 for the types of differences that give rise to significant portions of deferred income tax assets and liabilities.

Uncertain Tax Positions

The Company reviews the tax positions taken or expected to be taken on tax returns to determine whether and to what extent a benefit can be recognized in its consolidated financial statements. Refer to Note 4 for the amount of unrecognized tax benefits and other related disclosures related to uncertain tax positions.

Various taxing authorities periodically audit the Company's income tax returns. These audits include questions regarding the Company's tax filing positions, including the timing and amount of deductions and the allocation of income to various tax jurisdictions. In evaluating the exposures connected with these various tax filing positions, including state and local taxes, the Company records allowances for probable exposures. A number of years may elapse before a particular matter, for which an allowance has been established, is audited and fully resolved. As of February 1, 2025, the years ended January 31, 2021 and forward remain open for review for federal income tax purposes.

The assessment of the Company's tax position relies on the judgment of management to estimate the exposures associated with the Company's various filing positions.

Self-Insurance Costs

The Company is primarily self-insured for costs related to workers' compensation and general liability claims. Liabilities are actuarially determined and are recognized based on claims filed and an estimate of claims incurred but not reported. The liabilities for workers' compensation claims are accounted for on a present value basis. The Company has purchased stop-loss coverage to limit its exposure to any significant exposure on a per claim basis. The Company is insured for covered costs in excess of these per claim limits.

The following table summarizes the changes in the Company's self-insurance liability through February 1, 2025:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Beginning balance	\$ 761	\$ 712	\$ 721
Expense ⁽¹⁾	427	330	227
Claim payments	(345)	(281)	(236)
Ending balance	843	761	712
Less: Current portion	(345)	(281)	(236)
Long-term portion	<u>\$ 498</u>	<u>\$ 480</u>	<u>\$ 476</u>

(1) The increases in 2024 and 2023, compared to 2022, were the result of higher claim costs.

The current portion of the self-insured liability is included in "Other current liabilities," and the long-term portion is included in "Other long-term liabilities" in the Consolidated Balance Sheets.

The Company maintains surety bonds related to self-insured workers' compensation claims. These bonds are required by most states in which the Company is self-insured for workers' compensation and are placed with third-party insurance providers to insure payment of the Company's obligations in the event the Company is unable to meet its claim payment obligations up to its self-insured retention levels. These bonds do not represent liabilities of the Company, as the Company has recorded reserves for the claim costs.

The Company also maintains insurance coverages for certain risks, including cyber exposure and property-related losses. The Company's insurance coverage begins for these exposures ranging from \$25 to \$30.

Revenue Recognition

Sales

The Company recognizes revenues from the retail sale of products, net of sales taxes, at the point of sale. Pharmacy sales are recorded when the product is provided to the customer. Digital channel-originated sales are recognized either upon pickup in store or upon delivery to the customer. Amounts billed to a customer related to shipping and delivery represent revenues earned for the goods provided and are classified as sales. When shipping is discounted, it is recorded as an adjustment to sales. Discounts provided to customers by the Company at the time of sale, including those provided in connection with loyalty cards, are recognized as a reduction in sales as the products are sold. Discounts provided by vendors, usually in the form of coupons, are not recognized as a reduction in sales provided the coupons are redeemable at any retailer that accepts coupons. The Company records a receivable from the vendor for the difference in sales price and cash received. For merchandise sold in one of the Company's stores or online, tender is accepted at the point of sale. The Company acts as principal in certain vendor arrangements where the purchase and sale of inventory are virtually simultaneous. The Company records revenue and related costs on a gross basis for these arrangements. For pharmacy sales, collection of third-party receivables is typically expected within three months or less from the time of purchase. The third-party receivables from pharmacy sales are recorded in "Receivables" in the Company's Consolidated Balance Sheets and were \$622 as of February 1, 2025 and \$616 as of February 3, 2024.

Gift Cards and Gift Certificates

The Company does not recognize revenue when it sells its own gift cards and gift certificates (collectively “gift cards”). Rather, it records a deferred revenue liability equal to the amount received. A sale is then recognized when the gift cards are redeemed to purchase the Company’s products. The Company’s gift cards do not expire. While gift cards are generally redeemed within 12 months, some are never fully redeemed. The Company recognizes gift card breakage under the proportional method, where recognition of breakage income is based upon the historical run-off rate of unredeemed gift cards. The Company’s gift card deferred revenue liability was \$256 as of February 1, 2025 and \$228 as of February 3, 2024.

Disaggregated Revenues

The following table presents sales revenue by type of product for the years ended February 1, 2025, February 3, 2024, and January 28, 2023:

	2024		2023 ⁽³⁾		2022 ⁽³⁾	
	Amount	% of total	Amount	% of total	Amount	% of total
Non perishable ⁽¹⁾	\$ 76,966	52.3 %	\$ 78,106	52.0 %	\$ 75,386	50.9 %
Fresh ⁽²⁾	36,317	24.7 %	36,568	24.4 %	36,285	24.5 %
Supermarket fuel	14,973	10.2 %	16,621	11.1 %	18,632	12.6 %
Pharmacy	15,691	10.6 %	14,406	9.6 %	13,448	9.0 %
Other ⁽⁴⁾	3,176	2.2 %	4,338	2.9 %	4,507	3.0 %
Total Sales	\$ 147,123	100 %	\$ 150,039	100 %	\$ 148,258	100 %

- (1) Consists primarily of grocery, general merchandise, health and beauty care and natural foods.
- (2) Consists primarily of produce, floral, meat, seafood, deli, bakery and fresh prepared.
- (3) 2023 and 2022 revenues by category have been reclassified to conform to the 2024 current presentation by product category.
- (4) Consists primarily of sales related to third-party media revenue, data analytic services, specialty pharmacy and in-store health clinics. The decrease in 2024, compared to 2023, is primarily due to the disposal of Kroger Specialty Pharmacy, partially offset by an increase in third-party media revenue.

Merchandise Costs

The “Merchandise costs” line item of the Consolidated Statements of Operations includes product costs, net of discounts and allowances; advertising costs (see separate discussion below); inbound freight charges; warehousing costs, including receiving and inspection costs; transportation costs and food production costs. Warehousing, transportation and manufacturing management salaries are also included in the “Merchandise costs” line item; however, purchasing management salaries and administration costs are included in the “OG&A” line item along with most of the Company’s other managerial and administrative costs. Shipping and delivery costs associated with the Company’s digital offerings originating from non-retail store locations are included in the “Merchandise costs” line item. Rent expense and depreciation and amortization expense are shown separately in the Consolidated Statements of Operations.

Warehousing and transportation costs include distribution center direct wages, transportation direct wages, repairs and maintenance, utilities, inbound freight and, where applicable, third-party warehouse management fees. These costs are recognized in the periods the related expenses are incurred.

The Company believes the classification of costs included in merchandise costs could vary widely throughout the industry. The Company’s approach is to include in the “Merchandise costs” line item the direct, net costs of acquiring products and making them available to customers. The Company believes this approach most accurately presents the actual costs of products sold.

The Company recognizes all vendor allowances as a reduction in merchandise costs when the related product is sold. When possible, vendor allowances are applied to the related product cost by item and, therefore, reduce the carrying value of inventory by item. When the items are sold, the vendor allowance is recognized. When it is not possible, due to systems constraints, to allocate vendor allowances to the product by item, vendor allowances are recognized as a reduction in merchandise costs based on inventory turns and, therefore, recognized as the product is sold.

Advertising Costs

The Company's advertising costs are recognized in the periods the related expenses are incurred and are included in the "Merchandise costs" line item of the Consolidated Statements of Operations. The Company's advertising costs totaled \$1,171 in 2024, \$1,089 in 2023 and \$1,030 in 2022. The Company does not record vendor allowances for co-operative advertising as a reduction of advertising expense.

Operating, General and Administrative Expenses

OG&A expenses consist primarily of employee-related costs such as wages, healthcare benefit costs, retirement plan costs, utilities, and credit card fees. Shipping and delivery costs associated with the Company's digital offerings originating from retail store locations, including third-party delivery fees, are included in the "OG&A" line item of the Consolidated Statements of Operations. Rent expense, depreciation and amortization expense and interest expense are shown separately in the Consolidated Statement of Operations.

Consolidated Statements of Cash Flows

For purposes of the Consolidated Statements of Cash Flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be temporary cash investments.

2. GOODWILL AND INTANGIBLE ASSETS

The following table summarizes the changes in the Company's net goodwill balance through February 1, 2025:

	2024	2023
Balance beginning of year		
Goodwill	\$ 5,737	\$ 5,737
Accumulated impairment losses	(2,821)	(2,821)
Subtotal	<u>2,916</u>	<u>2,916</u>
Activity during the year		
Sale of Kroger Specialty Pharmacy see Note 17	(242)	—
Balance end of year		
Goodwill	5,385	5,737
Accumulated impairment losses	(2,711)	(2,821)
Total Goodwill	<u>\$ 2,674</u>	<u>\$ 2,916</u>

Testing for impairment is performed annually, or on an interim basis upon the occurrence of a triggering event or a change in circumstances that would more likely than not reduce the fair value of a reporting unit below its carrying amount. The annual evaluation of goodwill and indefinite-lived intangible assets was performed during the fourth quarter of 2024, 2023 and 2022. The evaluation did not result in impairment in 2023. The evaluation resulted in an impairment of indefinite-lived trade name assets in 2024 and an impairment of goodwill in 2022.

Based on the results of the Company's impairment assessment in the fourth quarter of 2022, Vitacost.com recorded a \$160 goodwill impairment. In the fourth quarter of 2022, as the Company's digital strategy evolved, the Company's primary focus was to effectively utilize its Pickup and Delivery capabilities. This reprioritization resulted in reduced long-term profitability expectations and a decline in the market value for one underlying channel of business and led to the pre-tax and after-tax impairment charge of \$160. The pre-impairment goodwill balance for Vitacost.com was \$160 as of the fourth quarter 2022. There is no goodwill remaining for Vitacost.com as of January 28, 2023.

The following table summarizes the Company's intangible assets balance through February 1, 2025:

	2024		2023	
	Gross carrying amount	Accumulated amortization ⁽¹⁾	Gross carrying amount	Accumulated amortization ⁽¹⁾
Definite-lived pharmacy prescription files ⁽²⁾	\$ 247	\$ (183)	\$ 360	\$ (259)
Definite-lived customer relationships ⁽²⁾	148	(145)	186	(179)
Definite-lived other ⁽²⁾	106	(92)	118	(103)
Indefinite-lived trade name	655	—	685	—
Indefinite-lived liquor licenses	98	—	91	—
Total	\$ 1,254	\$ (420)	\$ 1,440	\$ (541)

- (1) Pharmacy prescription files are amortized to merchandise costs, customer relationships are amortized to depreciation and amortization expense and other intangibles are amortized to OG&A expense and depreciation and amortization expense.
- (2) The reduction of these definite-lived intangible assets between 2024 and 2023 are primarily the result of the sale of the Kroger Specialty Pharmacy in the third quarter of 2024 (see Note 17).

Based on the results of the Company's impairment assessment in the fourth quarter of 2024, a \$30, \$24 net of tax, impairment was recognized for indefinite-lived trade names.

Amortization expense associated with intangible assets totaled approximately \$30, \$42 and \$52, during fiscal years 2024, 2023 and 2022, respectively. Future amortization expense associated with the net carrying amount of definite-lived intangible assets for the years subsequent to 2024 is estimated to be approximately:

2025	\$ 27
2026	12
2027	11
2028	10
2029	10
Thereafter	11
Total future estimated amortization associated with definite-lived intangible assets	\$ 81

3. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment, net consists of:

	2024	2023
Land	\$ 3,609	\$ 3,512
Buildings and land improvements	16,100	15,137
Equipment	21,082	19,375
Leasehold improvements	13,287	12,394
Construction-in-progress	3,162	3,574
Leased property under finance leases	2,832	2,701
Total property, plant and equipment	60,072	56,693
Accumulated depreciation and amortization	(34,369)	(31,463)
Property, plant and equipment, net	\$ 25,703	\$ 25,230

Accumulated depreciation and amortization for leased property under finance leases was \$915 at February 1, 2025 and \$730 at February 3, 2024.

Approximately \$97 and \$104 net book value of property, plant and equipment collateralized certain mortgages at February 1, 2025 and February 3, 2024 respectively.

Capitalized implementation costs associated with cloud computing arrangements of \$270, net of accumulated amortization of \$97, and \$257, net of accumulated amortization of \$65, are included in “Other assets” in the Company’s Consolidated Balance Sheets as of February 1, 2025 and February 3, 2024, respectively. The corresponding cash flows related to these arrangements are included in “Net cash provided by operating activities” in the Company’s Consolidated Statements of Cash Flows.

4. TAXES BASED ON INCOME

The provision for taxes based on income consists of:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Federal			
Current	\$ 622	\$ 707	\$ 401
Deferred	(62)	(130)	162
Subtotal federal	<u>560</u>	<u>577</u>	<u>563</u>
State and local			
Current	97	114	91
Deferred	13	(24)	(1)
Subtotal state and local	<u>110</u>	<u>90</u>	<u>90</u>
Total	<u>\$ 670</u>	<u>\$ 667</u>	<u>\$ 653</u>

A reconciliation of the statutory federal rate and the effective rate follows:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Statutory rate	21.0 %	21.0 %	21.0 %
State income taxes, net of federal tax benefit	2.6	2.5	2.5
Credits	(0.8)	(1.1)	(0.8)
Resolution of tax audit examinations	(0.2)	—	(0.2)
Excess tax benefits from share-based payments	(0.9)	(0.7)	(1.9)
Impairment of goodwill related to Vitacost.com	—	—	1.2
Non-deductible legal settlements	(0.1)	1.4	—
Non-deductible executive compensation	0.2	0.3	0.5
Tax benefit from sale of Kroger Specialty Pharmacy	(0.9)	—	—
Other changes, net	<u>(0.9)</u>	<u>0.1</u>	<u>0.2</u>
Effective income tax rate	<u>20.0 %</u>	<u>23.5 %</u>	<u>22.5 %</u>

The 2024 tax rate differed from the federal statutory rate due to a tax benefit from recognizing deferred tax assets related to the sale of Kroger Specialty Pharmacy, the benefit from share-based payments and the utilization of tax credits, partially offset by the effect of state income taxes.

The 2023 tax rate differed from the federal statutory rate due to the effect of state income taxes and the nondeductible portion of opioid settlement charges, partially offset by the benefit from share-based payments and the utilization of tax credits.

The 2022 tax rate differed from the federal statutory rate due to the effect of state income taxes and non-deductible goodwill impairment charges related to Vitacost.com, partially offset by the benefits from share-based payments and the utilization of tax credits.

The tax effects of significant temporary differences that comprise tax balances were as follows:

	2024	2023
Deferred tax assets:		
Compensation related costs	\$ 338	\$ 361
Lease liabilities	2,126	2,100
Closed store reserves	58	51
Net operating loss and credit carryforwards	70	76
Deferred income	83	102
Legal settlements	303	313
Allowance for uncollectible receivables	24	30
Other	44	—
Subtotal	3,046	3,033
Valuation allowance	(54)	(55)
Total deferred tax assets	2,992	2,978
Deferred tax liabilities:		
Depreciation and amortization	(1,895)	(2,038)
Operating lease assets	(2,002)	(1,985)
Insurance related costs	(229)	(241)
Inventory related costs	(283)	(259)
Other	—	(16)
Total deferred tax liabilities	(4,409)	(4,539)
Net deferred tax liabilities	\$ (1,417)	\$ (1,561)

As of February 3, 2024, deferred tax assets of \$18 are included in “Other assets” in the Company’s Consolidated Balance Sheets. At February 1, 2025, the Company had net operating loss carryforwards for state income tax purposes of \$1,283. The majority of these net operating loss carryforwards expire from 2025 through 2044. The utilization of certain of the Company’s state net operating loss carryforwards may be limited in a given year. Further, based on the analysis described below, the Company has recorded a valuation allowance against some of the deferred tax assets resulting from its state net operating losses.

At February 1, 2025, the Company had state credit carryforwards of \$7 which expire from 2025 through 2038. The utilization of certain of the Company’s credits may be limited in a given year. Further, based on the analysis described below, the Company has recorded a valuation allowance against some of the deferred tax assets resulting from its state credits.

The Company regularly reviews all deferred tax assets on a tax filer and jurisdictional basis to estimate whether these assets are more likely than not to be realized based on all available evidence. This evidence includes historical taxable income, projected future taxable income, the expected timing of the reversal of existing temporary differences and the implementation of tax planning strategies. Projected future taxable income is based on expected results and assumptions as to the jurisdiction in which the income will be earned. The expected timing of the reversals of existing temporary differences is based on current tax law and the Company's tax methods of accounting. Unless deferred tax assets are more likely than not to be realized, a valuation allowance is established to reduce the carrying value of the deferred tax asset until such time that realization becomes more likely than not. Increases and decreases in these valuation allowances are included in "Income tax expense" in the Consolidated Statements of Operations. As of February 1, 2025, February 3, 2024, and January 28, 2023, the total valuation allowance was \$54, \$55, and \$83, respectively.

A reconciliation of the beginning and ending amount of unrecognized tax benefits, including positions affecting only the timing of tax benefits, is as follows:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Beginning balance	\$ 90	\$ 93	\$ 100
Additions based on tax positions related to the current year	11	10	8
Additions for tax positions of prior years	12	3	6
Reductions for tax positions of prior years	—	(9)	(4)
Settlements	(4)	(1)	(9)
Lapse of statute	(7)	(6)	(8)
Ending balance	<u>\$ 102</u>	<u>\$ 90</u>	<u>\$ 93</u>

As of February 1, 2025, February 3, 2024, and January 28, 2023 the amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate was \$70, \$62, and \$66, respectively.

To the extent interest and penalties would be assessed by taxing authorities on any underpayment of income tax, such amounts have been accrued and classified as a component of income tax expense. During the years ended February 1, 2025, February 3, 2024, and January 28, 2023, the Company recognized approximately \$4, \$1, and \$(6), respectively, in interest and penalties (recoveries). The Company had accrued approximately \$19, \$15, and \$14 for the payment of interest and penalties as of February 1, 2025, February 3, 2024, and January 28, 2023, respectively.

As of February 1, 2025, the years ended January 30, 2021 and forward remain open for review for federal income tax purposes.

5. DEBT OBLIGATIONS

Long-term debt consists of:

	<u>February 1, 2025</u>	<u>February 3, 2024</u>
1.70% to 8.00% Senior Notes due through 2064	\$ 14,854	\$ 9,123
Other	1,055	1,064
Total debt, excluding obligations under finance leases	15,909	10,187
Less current portion	<u>(104)</u>	<u>(25)</u>
Total long-term debt, excluding obligations under finance leases	<u>\$ 15,805</u>	<u>\$ 10,162</u>

In 2024, the Company issued \$10,500 of senior notes to pay a portion of the cash consideration for its proposed merger with Albertsons and general corporate purposes. The Company repaid certain senior notes of \$4,700 that were subject to a special mandatory redemption due to the termination of the merger. For additional information related to these issuances and repayments, see Note 18 to the Consolidated Financial Statements.

In 2023, the Company repaid \$600 of senior notes bearing an interest rate of 3.85% and \$500 of senior notes bearing an interest rate of 4.00%, all using cash on hand.

On September 13, 2024, the Company entered into an unsecured revolving credit facility (the “Credit Agreement”), with a termination date of September 13, 2029, unless extended as permitted under the Credit Agreement. This Credit Agreement amended the Company’s \$2,750 credit facility that would otherwise have terminated on July 6, 2026. Under the Credit Agreement, the aggregate amount of initial commitments under the revolving credit facility is \$2,750, which could have been increased by \$2,250 to \$5,000 upon the closing date of the proposed merger with Albertsons (such additional commitments, the “Albertsons Closing Date Additional Commitments”). Concurrently with the termination of the Merger Agreement on December 11, 2024, the Albertsons Closing Date Additional Commitments were automatically terminated in accordance with the terms of the Credit Agreement. On and after December 11, 2024, the amount of outstanding commitments under the Credit Agreement is \$2,750.

Borrowings under the Credit Agreement bear interest, at the Company’s option, at either (i) adjusted Term Secured Overnight Financing Rate (“SOFR”) plus a market spread, based on the Company’s Public Debt Rating or (ii) the base rate, defined as the highest of (a) the Federal Funds Rate plus 0.5%, (b) Bank of America’s prime rate, and (c) one-month Term SOFR plus 1.0%, plus a market rate spread based on the Company’s Public Debt Rating. The Company will also pay a Commitment Fee based on its Public Debt Rating and Letter of Credit fees equal to a market rate spread based on the Company’s Public Debt Rating. “Public Debt Rating” means, as of any date, the rating that has been most recently announced by either S&P or Moody’s, as the case may be, for any class of non-credit enhanced long-term senior unsecured debt issued by the Company.

The Credit Agreement contains a covenant, which, among other things, requires the maintenance of a leverage ratio of not greater than 3.50:1.00. The Company may repay the Credit Agreement in whole or in part at any time without premium or penalty. The Credit Agreement is not guaranteed by the Company’s subsidiaries.

Cash paid for interest expense related to long term debt including obligations under finance leases was \$554, \$636 and \$578 for 2024, 2023 and 2022, respectively. Interest income of approximately \$311, \$118 and \$33 for 2024, 2023 and 2022, respectively, is included in “Net interest expense” in the Company’s Consolidated Statements of Operations.

For additional information about the Company’s unsecured bridge term loan facility, term loan credit agreement and completed senior notes issuance related to the terminated Albertsons merger, see Note 18 to the Consolidated Financial Statements.

As of February 1, 2025 and February 3, 2024, Other debt consisted primarily of a financial obligation related to a sale transaction for properties that did not qualify for sale-leaseback accounting treatment in 2021.

As of February 1, 2025 and February 3, 2024, the Company had no commercial paper borrowings and no borrowings under the Credit Agreement.

As of February 1, 2025, the Company had outstanding letters of credit in the amount of \$261, of which \$1 reduces funds available under the Credit Agreement. As of February 3, 2024, the Company had outstanding letters of credit in the amount of \$314, of which \$2 reduces funds available under the Credit Agreement. The letters of credit are maintained primarily to support performance, payment, deposit or surety obligations of the Company.

Most of the Company’s outstanding public debt is subject to early redemption at varying times and premiums, at the option of the Company. In addition, subject to certain conditions, some of the Company’s publicly issued debt is subject to redemption, in whole or in part, at the option of the holder upon the occurrence of a redemption event, upon not less than five days’ notice prior to the date of redemption, at a redemption price equal to the default amount, plus a specified premium. “Redemption Event” is defined in the indentures as the occurrence of (i) any person or group, together with any affiliate thereof, beneficially owning 50% or more of the voting power of the Company, (ii) any one person or group, or affiliate thereof, succeeding in having a majority of its nominees elected to the Company’s Board of Directors, in each case, without the consent of a majority of the continuing directors of the Company or (iii) both a change of control and a below investment grade rating.

The aggregate annual maturities and scheduled payments of long-term debt, as of year-end 2024, and for the years subsequent to 2024 are:

2025	\$ 104
2026	1,300
2027	606
2028	675
2029	583
Thereafter	12,641
Total debt	<u>\$ 15,909</u>

6. DERIVATIVE FINANCIAL INSTRUMENTS

GAAP requires that derivatives be carried at fair value on the balance sheet and provides for hedge accounting when certain conditions are met. The Company's derivative financial instruments are recognized on the balance sheet at fair value. Changes in the fair value of derivative instruments designated as "cash flow" hedges, to the extent the hedges are highly effective, are recorded in other comprehensive income, net of tax effects. Ineffective cash flow hedges, if any, are recognized in current period earnings. Other comprehensive income or loss is reclassified into current period earnings when the hedged transaction affects earnings. Changes in the fair value of derivative instruments designated as "fair value" hedges, along with corresponding changes in the fair values of the hedged assets or liabilities, are recorded in current period earnings. Ineffective fair value hedges, if any, are recognized in current period earnings. Changes in fair value of derivative instruments not designated as hedges are recognized in current period earnings and included in "(Loss) gain on investments" in the Company's Consolidated Statements of Operations.

The Company assesses, both at the inception of the hedge and on an ongoing basis, whether derivatives used as hedging instruments are highly effective in offsetting the changes in the fair value or cash flow of the hedged items. If it is determined that a derivative is not highly effective as a hedge or ceases to be highly effective, the Company discontinues hedge accounting prospectively.

Interest Rate Risk Management

The Company is exposed to market risk from fluctuations in interest rates. The Company manages its exposure to interest rate fluctuations through the use of a commercial paper program, interest rate swaps (fair value hedges) and forward-starting interest rate swaps (cash flow hedges). The Company's current program relative to interest rate protection contemplates hedging the exposure to changes in the fair value of fixed-rate debt attributable to changes in interest rates. To do this, the Company uses the following guidelines: (i) use average daily outstanding borrowings to determine annual debt amounts subject to interest rate exposure, (ii) limit the average annual amount subject to interest rate reset and the amount of floating rate debt to a combined total amount that represents 25% of the carrying value of the Company's debt portfolio or less, (iii) include no leveraged products, and (iv) hedge without regard to profit motive or sensitivity to current mark-to-market status.

The Company reviews compliance with these guidelines annually with the Finance Committee of the Board of Directors. These guidelines may change as the Company's needs dictate.

Fair Value Interest Rate Swaps

The Company did not have any outstanding interest rate derivatives classified as fair value hedges as of February 1, 2025 or February 3, 2024.

Cash Flow Forward-Starting Interest Rate Swaps

The Company did not have any outstanding forward-starting interest rate swaps as of February 1, 2025.

As of February 3, 2024, the Company had five forward-starting interest rate swap agreements with a maturity date of August 1, 2027 with an aggregate notional amount totaling \$5,350. A forward-starting interest rate swap is an agreement that effectively hedges the variability in future benchmark interest payments attributable to changes in interest rates on the forecasted issuance of fixed-rate debt. The Company entered into these forward-starting interest rate swaps to hedge the variability in future benchmark interest payments attributable to changing interest rates on the forecasted issuance of fixed-rate debt that was issued in 2024.

A notional amount of \$2,350 of these forward-starting interest rate swaps was designated as a cash-flow hedge as defined by GAAP. Accordingly, the changes in fair value of these forward-starting interest rate swaps are recorded to accumulated other comprehensive income and reclassified into net earnings when the hedged transaction affects net earnings. As of February 3, 2024, the fair value of the interest rate swaps designated as cash flow hedges was recorded in “Other Assets” for \$125 and accumulated other comprehensive income for \$95, net of tax.

The remainder of the notional amount of \$3,000 of the forward-starting interest rate swaps was not designated as a cash-flow hedge. Accordingly, the changes in the fair value of these forward-starting interest rate swaps not designated as cash-flow hedges are recognized through net earnings. As of February 3, 2024, the fair value of these swaps was recorded in “Other Assets” for \$35 and “Other long-term liabilities” for \$3. In 2023, the Company recognized an unrealized gain of \$174 related to these swaps that is included in “(Loss) gain on investments” in the Company’s Consolidated Statements of Operations.

In 2024, the Company terminated these five forward-starting interest rate swaps with a maturity date of August 1, 2027 with an aggregate notional amount totaling \$5,350. For the notional amount of \$2,350 of these forward-starting interest rate swaps that was designated as a cash-flow hedge, the unamortized gain of \$48, \$36 net of tax, has been deferred in accumulated other comprehensive income and will be amortized to earnings as the interest payments are made. For the remainder of the notional amount of \$3,000 of the forward-starting interest rate swaps not designated as a cash-flow hedge, the Company recognized a realized loss of \$55 that is included in “(Loss) gain on investments” in the Company’s Consolidated Statements of Operations.

In 2024, the Company entered into two 10-year treasury lock agreements with an aggregate notional amount of \$2,100 and a weighted-average interest rate of 3.91% and two 30-year treasury lock agreements with an aggregate notional amount of \$3,250 and a weighted-average interest rate of 4.11%. These treasury locks were an agreement used to hedge the U.S. Treasury benchmark interest rate associated with future interest payments on the forecasted issuance of fixed-rate debt that was issued in 2024. These treasury locks were designated as cash-flow hedges as defined by GAAP. Accordingly, the changes in fair value of these treasury locks are recorded to accumulated other comprehensive income and reclassified into net earnings when the hedged transaction affects net earnings. In 2024, the Company terminated these treasury lock agreements. The unamortized loss of \$56, \$43 net of tax, has been deferred in accumulated other comprehensive loss and will be amortized to earnings as the interest payments are made.

The following table summarizes the effect of the Company’s derivative instruments designated as cash flow hedges for 2024, 2023 and 2022:

Derivatives in Cash Flow Hedging Relationships	Year-To-Date						Location of Gain/(Loss) Reclassified into Income
	Amount of Gain/(Loss) in AOCI on Derivative			Amount of Gain/(Loss) Reclassified from AOCI into Income			
	2024	2023	2022	2024	2023	2022	
Forward-Starting Interest Rate Swaps, net of tax ⁽¹⁾	\$ (34)	\$ 60	\$ (129)	\$ (8)	\$ (6)	\$ (7)	Net interest expense

- (1) The amounts of Gain/(Loss) reclassified from AOCI into income on derivatives include unamortized proceeds and payments from forward-starting interest rate swaps once classified as cash flow hedges that were terminated prior to the end of 2024.

For the above cash flow interest rate swaps, the Company has entered into International Swaps and Derivatives Association master netting agreements that permit the net settlement of amounts owed under their respective derivative contracts. Under these master netting agreements, net settlement generally permits the Company or the counterparty to determine the net amount payable for contracts due on the same date and in the same currency for similar types of derivative transactions. These master netting agreements generally also provide for net settlement of all outstanding contracts with a counterparty in the case of an event of default or a termination event.

Collateral is generally not required of the counterparties or of the Company under these master netting agreements. As of February 1, 2025, no cash collateral was received or pledged under the master netting agreements.

The effect of the net settlement provisions of these master netting agreements on the Company's derivative balances upon an event of default or termination event is as follows as of February 3, 2024:

February 3, 2024	Gross Amount Recognized	Gross Amounts Offset in the Balance Sheet	Net Amount Presented in the Balance Sheet	Gross Amounts Not Offset in the Balance Sheet		Net Amount
				Financial Instruments	Cash Collateral	
Assets						
Cash Flow Forward-Starting Interest Rate Swaps	\$ 160	\$ —	\$ 160	\$ —	\$ —	\$ 160
Liabilities						
Cash Flow Forward-Starting Interest Rate Swaps	\$ 3	\$ —	\$ 3	\$ —	\$ —	\$ 3

7. FAIR VALUE MEASUREMENTS

GAAP establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The three levels of the fair value hierarchy defined in the standards are as follows:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities;

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable;

Level 3 - Unobservable pricing inputs in which little or no market activity exists, therefore requiring an entity to develop its own assumptions about the assumptions that market participants would use in pricing an asset or liability.

For items carried at (or adjusted to) fair value in the consolidated financial statements, the following tables summarize the fair value of these instruments at February 1, 2025 and February 3, 2024:

February 1, 2025 Fair Value Measurements Using

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total
Marketable Securities	\$ 274	\$ —	\$ 274
Commodity Contracts	—	(1)	(1)
Total	\$ 274	\$ (1)	\$ 273

February 3, 2024 Fair Value Measurements Using

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total
Marketable Securities	\$ 646	\$ —	\$ 646
Forward-Starting Interest Rate Swaps and Commodity Contracts	—	155	155
Total	\$ 646	\$ 155	\$ 801

The Company values interest rate hedges using observable forward yield curves. These forward yield curves are classified as Level 2 inputs.

Fair value measurements of non-financial assets and non-financial liabilities are primarily used in the impairment analysis of goodwill, other intangible assets, long-lived assets and in the valuation of store lease exit costs. The Company reviews goodwill and indefinite-lived intangible assets for impairment annually, during the fourth quarter of each fiscal year, and as circumstances indicate the possibility of impairment. See Note 2 for further discussion related to the Company's carrying value of goodwill. Long-lived assets and store lease exit costs were measured at fair value on a nonrecurring basis using Level 3 inputs as defined in the fair value hierarchy. See Note 1 for further discussion of the Company's policies for impairments of long-lived assets and valuation of store lease exit costs. In 2024, long-lived assets with a carrying amount of \$229 were written down to their fair value of \$131, resulting in an impairment charge of \$98, which includes \$25, \$19 net of tax, for property losses. In 2023, long-lived assets with a carrying amount of \$72 were written down to their fair value of \$3, resulting in an impairment charge of \$69.

Fair Value of Other Financial Instruments

Current and Long-term Debt

The fair value of the Company's long-term debt, including current maturities, was estimated based on the quoted market prices for the same or similar issues adjusted for illiquidity based on available market evidence. If quoted market prices were not available, the fair value was based upon the net present value of the future cash flow using the forward interest rate yield curve in effect at respective year-ends. At February 1, 2025, the fair value of total debt excluding obligations under finance leases was \$14,648 compared to a carrying value of \$15,909. At February 3, 2024, the fair value of total debt excluding obligations under finance leases was \$9,401 compared to a carrying value of \$10,187.

Contingent Consideration

As a result of the Home Chef merger in 2018, the Company recognized a contingent liability of \$91 on the acquisition date. The contingent consideration was measured using unobservable (Level 3) inputs and was included in "Other long-term liabilities" within the Consolidated Balance Sheet. The Company estimated the fair value of the earnout liability by applying a Monte-Carlo simulation method using the Company's projection of future operating results for both the online and offline businesses related to the Home Chef merger and the estimated probability of achievement of the earnout target metrics. The Monte-Carlo simulation is a generally accepted statistical technique used to generate a defined number of valuation paths in order to develop a reasonable estimate of the fair value of the earnout liability. The liability is remeasured to fair value using the Monte-Carlo simulation method at each reporting period, and the change in fair value, including accretion for the passage of time, is recognized in net earnings until the contingency is resolved. In 2020, the Company amended the contingent consideration agreement including the performance milestones to align with the Company's current business strategies. In 2022, the Company recorded adjustments to increase the contingent consideration liability for \$20 in OG&A. During 2023, the Company made the final contingent consideration payment of \$83 which was based on the fair value of the outstanding year-end 2022 liability.

Cash and Temporary Cash Investments, Store Deposits In-Transit, Receivables, Prepaid and Other Current Assets, Accounts Payable, Accrued Salaries and Wages and Other Current Liabilities

The carrying amounts of these items approximated fair value due to their short-term nature.

Other Assets

The fair value of certain financial instruments, measured using Level 1 inputs, was \$183 and \$578 as of February 1, 2025 and February 3, 2024, respectively, and is included in "Other assets" in the Company's Consolidated Balance Sheets. The unrealized loss for these Level 1 investments was approximately \$116 and \$66 for 2024 and 2023, respectively, and is included in "(Loss) gain on investments" in the Company's Consolidated Statements of Operations.

In 2024, the Company fully exited its position in a Level 1 equity investment, receiving proceeds totaling approximately \$303, resulting in a realized gain of \$23, which is included in "(Loss) gain on investments" in the Company's Consolidated Statements of Operations.

The Company held other equity investments without a readily determinable fair value. These investments are measured initially at cost and remeasured for observable price changes to fair value through net earnings. The value of these investments was \$96 and \$92 as of February 1, 2025 and February 3, 2024, respectively, and is included in “Other assets” in the Company’s Consolidated Balance Sheets. There were no material observable price changes or impairments for these investments without a readily determinable fair value during 2024 or 2023, and as such, they are excluded from the fair value measurements table above for February 1, 2025 and February 3, 2024.

The following table presents the Company’s remaining other assets as of February 1, 2025 and February 3, 2024:

	February 1, 2025	February 3, 2024
Other Assets		
Equity method and other long-term investments	\$ 314	\$ 290
Notes receivable	75	78
Prepaid deposits under certain contractual arrangements	201	193
Implementation costs related to cloud computing arrangements	270	257
Forward-starting interest rate swaps	—	160
Funded asset status of pension plans	24	44
Other	130	128
Total	\$ 1,014	\$ 1,150

8. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following table represents the changes in AOCI by component for the years ended February 1, 2025 and February 3, 2024:

	Cash Flow Hedging Activities ⁽¹⁾	Pension and Postretirement Defined Benefit Plans ⁽¹⁾	Total ⁽¹⁾
Balance at January 28, 2023	\$ (129)	\$ (503)	\$ (632)
OCI before reclassifications ⁽²⁾	183	(35)	148
Amounts reclassified out of AOCI ⁽³⁾	6	(11)	(5)
Net current-period OCI	189	(46)	143
Balance at February 3, 2024	<u>\$ 60</u>	<u>\$ (549)</u>	<u>\$ (489)</u>
Balance at February 3, 2024	\$ 60	\$ (549)	\$ (489)
OCI before reclassifications ⁽²⁾	(103)	(33)	(136)
Amounts reclassified out of AOCI ⁽³⁾	8	(4)	4
Net current-period OCI	(95)	(37)	(132)
Balance at February 1, 2025	<u>\$ (35)</u>	<u>\$ (586)</u>	<u>\$ (621)</u>

(1) All amounts are net of tax.

(2) Net of tax of \$(11) and \$56 for pension and postretirement defined benefit plans and cash flow hedging activities, respectively, as of February 3, 2024. Net of tax of \$(10) and \$(31) for pension and postretirement defined benefit plans and cash flow hedging activities, respectively, as of February 1, 2025.

(3) Net of tax of \$(3) and \$2 for pension and postretirement defined benefit plans and cash flow hedging activities, respectively, as of February 3, 2024. Net of tax of \$(1) and \$1 for pension and postretirement defined benefit plans and cash flow hedging activities, respectively, as of February 1, 2025.

The following table represents the items reclassified out of AOCI and the related tax effects for the years ended February 1, 2025, February 3, 2024 and January 28, 2023:

	<u>For the year ended February 1, 2025</u>	<u>For the year ended February 3, 2024</u>	<u>For the year ended January 28, 2023</u>
Cash flow hedging activity items:			
Amortization of gains and losses on cash flow hedging activities ⁽¹⁾	\$ 9	\$ 8	\$ 9
Tax expense	<u>(1)</u>	<u>(2)</u>	<u>(2)</u>
Net of tax	<u>8</u>	<u>6</u>	<u>7</u>
Pension and postretirement defined benefit plan items:			
Amortization of amounts included in net periodic pension cost ⁽²⁾	(5)	(14)	7
Tax expense	<u>1</u>	<u>3</u>	<u>(2)</u>
Net of tax	<u>(4)</u>	<u>(11)</u>	<u>5</u>
Total reclassifications, net of tax	<u>\$ 4</u>	<u>\$ (5)</u>	<u>\$ 12</u>

(1) Reclassified from AOCI into interest expense.

(2) Reclassified from AOCI into non-service component of company-sponsored pension plan costs. These components are included in the computation of net periodic pension expense.

9. LEASES AND LEASE-FINANCED TRANSACTIONS

The Company leases certain store real estate, warehouses, distribution centers, fulfillment centers, office space and equipment. The Company operates in leased facilities in approximately half of its store locations. Lease terms generally range from 10 to 20 years with options to renew for varying terms at the Company's sole discretion. Certain leases also include options to purchase the leased property. Leases with an initial term of 12 months or less are not recorded on the balance sheet. Certain leases include escalation clauses or payment of executory costs such as property taxes, utilities or insurance and maintenance. Rent expense for leases with escalation clauses or other lease concessions are accounted for on a straight-line basis over the lease term. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants. Certain properties or portions thereof are subleased to others for periods generally ranging from one to 20 years.

The following table provides supplemental balance sheet classification information related to leases:

	Classification	February 1, 2025	February 3, 2024
Assets			
Operating	Operating lease assets	\$ 6,839	\$ 6,692
Finance	Property, plant and equipment, net ⁽¹⁾	1,917	1,971
Total leased assets		<u>\$ 8,756</u>	<u>\$ 8,663</u>
Liabilities			
Current			
Operating	Current portion of operating lease liabilities	\$ 599	\$ 670
Finance	Current portion of long-term debt including obligations under finance leases	168	173
Noncurrent			
Operating	Noncurrent operating lease liabilities	6,578	6,351
Finance	Long-term debt including obligations under finance leases	1,828	1,866
Total lease liabilities		<u>\$ 9,173</u>	<u>\$ 9,060</u>

(1) Finance lease assets are recorded net of accumulated amortization of \$915 and \$730 as of February 1, 2025 and February 3, 2024, respectively.

The following table provides the components of lease cost:

Lease Cost	Classification	Year-To-Date February 1, 2025	Year-To-Date February 3, 2024
Operating lease cost ⁽¹⁾	Rent Expense	\$ 988	\$ 1,006
Sublease and other rental income	Rent Expense	(111)	(115)
Finance lease cost			
Amortization of leased assets	Depreciation and Amortization	203	195
Interest on lease liabilities	Interest Expense	84	78
Net lease cost		<u>\$ 1,164</u>	<u>\$ 1,164</u>

(1) Includes short-term leases and variable lease costs, which are immaterial.

Maturities of operating and finance lease liabilities are listed below. Amounts in the table include options to extend lease terms that are reasonably certain of being exercised.

	Operating Leases	Finance Leases	Total
2025	\$ 974	\$ 261	\$ 1,235
2026	921	262	1,183
2027	866	265	1,131
2028	799	259	1,058
2029	734	255	989
Thereafter	5,832	1,280	7,112
Total lease payments	10,126	2,582	\$ 12,708
Less amount representing interest	2,949	586	
Present value of lease liabilities⁽¹⁾	\$ 7,177	\$ 1,996	

(1) Includes the current portion of \$599 for operating leases and \$168 for finance leases.

Total future minimum rentals under non-cancellable subleases at February 1, 2025 were \$269.

The following table provides the weighted-average lease term and discount rate for operating and finance leases:

	February 1, 2025	February 3, 2024
Weighted-average remaining lease term (years)		
Operating leases	13.7	13.9
Finance leases	11.5	11.8
Weighted-average discount rate		
Operating leases	4.6 %	4.4 %
Finance leases	4.7 %	3.8 %

The following table provides supplemental cash flow information related to leases:

	Year-To-Date February 1, 2025	Year-To-Date February 3, 2024
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 916	\$ 984
Operating cash flows from finance leases	\$ 84	\$ 78
Financing cash flows from finance leases	\$ 168	\$ 173
Leased assets obtained in exchange for new operating lease liabilities	\$ 786	\$ 700
Leased assets obtained in exchange for new finance lease liabilities	\$ 157	\$ 168
Net gain recognized from sale and leaseback transactions ⁽¹⁾	\$ 39	\$ 37
Impairment of operating lease assets	\$ 13	\$ 15
Impairment of finance lease assets	\$ —	\$ —

(1) In 2024, the Company entered into sale leaseback transactions related to five properties, which resulted in total proceeds of \$52. In 2023, the Company entered into sale leaseback transactions related to nine properties, which resulted in total proceeds of \$52.

On May 17, 2018, the Company entered into a Partnership Framework Agreement with Ocado International Holdings Limited and Ocado Group plc (“Ocado”), which has since been amended. Under this agreement, Ocado will partner exclusively with the Company in the U.S., enhancing the Company’s digital and robotics capabilities in its distribution networks. In 2024, the Company did not open any additional Kroger Delivery customer fulfillment centers. The Company determined the arrangement with Ocado contains a lease of the robotic equipment used to fulfill customer orders. As a result, the Company establishes a finance lease when each facility begins fulfilling orders to customers. The base term of each lease is 10 years with options to renew at the Company’s sole discretion. The Company elected to combine the lease and non-lease elements in the contract. As a result, the Company will account for all payments to Ocado as lease payments. In 2024, the Company recorded finance lease assets of \$91 and finance lease liabilities of \$73 related to the Company’s agreement with Ocado. In 2023, the Company recorded finance lease assets of \$147 and finance lease liabilities of \$135 related to the Company’s agreement with Ocado. As of February 1, 2025 and February 3, 2024, the Company had \$926 and \$960, respectively, of net finance lease assets included within “Property, plant and equipment, net” in the Company’s Consolidated Balance Sheets related to the Company’s agreement with Ocado. As of February 1, 2025 and February 3, 2024, the Company had \$104 and \$100, respectively, of current finance lease liabilities recorded within “Current portion of long-term debt including obligations under finance leases” and \$781 and \$814, respectively, of non-current finance lease liabilities recorded within “Long-term debt including obligations under finance leases” in the Company’s Consolidated Balance Sheets.

10. EARNINGS PER COMMON SHARE

Net earnings attributable to The Kroger Co. per basic common share equals net earnings attributable to The Kroger Co. less income allocated to participating securities divided by the weighted average number of common shares outstanding. Net earnings attributable to The Kroger Co. per diluted common share equals net earnings attributable to The Kroger Co. less income allocated to participating securities divided by the weighted average number of common shares outstanding, after giving effect to dilutive stock options. The following table provides a reconciliation of net earnings attributable to The Kroger Co. and shares used in calculating net earnings attributable to The Kroger Co. per basic common share to those used in calculating net earnings attributable to The Kroger Co. per diluted common share:

(in millions, except per share amounts)	For the year ended February 1, 2025			For the year ended February 3, 2024			For the year ended January 28, 2023		
	Earnings (Numerator)	Shares (Denominator)	Per Share Amount	Earnings (Numerator)	Shares (Denominator)	Per Share Amount	Earnings (Numerator)	Shares (Denominator)	Per Share Amount
Net earnings attributable to The Kroger Co. per basic common share	\$ 2,645	715	\$ 3.70	\$ 2,146	718	\$ 2.99	\$ 2,224	718	\$ 3.10
Dilutive effect of stock options		<u>5</u>			<u>7</u>			<u>9</u>	
Net earnings attributable to The Kroger Co. per diluted common share	\$ 2,645	<u>720</u>	\$ 3.67	\$ 2,146	<u>725</u>	\$ 2.96	\$ 2,224	<u>727</u>	\$ 3.06

The Company had combined undistributed and distributed earnings to participating securities totaling \$20, \$18 and \$20 in 2024, 2023 and 2022, respectively.

The Company had stock options outstanding for approximately 2.9 million, 2.8 million and 1.7 million shares, respectively, for the years ended February 1, 2025, February 3, 2024 and January 28, 2023, which were excluded from the computations of net earnings per diluted common share because their inclusion would have had an anti-dilutive effect on net earnings per diluted share.

11. STOCK-BASED COMPENSATION

The Company recognizes compensation expense for all share-based payments granted. The Company recognizes share-based compensation expense, net of an estimated forfeiture rate, over the requisite service period of the award based on the fair value at the date of the grant.

The Company grants options for common shares (“stock options”) to employees under various plans at an option price equal to the fair market value of the underlying shares on the grant date of the award. The Company accounts for stock options under the fair value recognition provisions. Stock options typically expire 10 years from the date of grant. Stock options vest between one and four years from the date of grant.

In addition to the stock options described above, the Company awards restricted stock to employees and incentive shares to nonemployee directors under various plans. The restrictions on the restricted share awards generally lapse between one and four years from the date of the awards. The Company determines the fair value for restricted stock awards in an amount equal to the fair market value of the underlying shares on the grant date of the award.

At February 1, 2025, approximately 29 million common shares were available for future options or restricted stock grants under the 2019 Amended and Restated Long-Term Incentive Plan. Options granted reduce the shares available under the Plans at a ratio of one to one. Restricted stock grants reduce the shares available under the Plans at a ratio of 2.83 to one.

Equity awards granted are based on the aggregate value of the award on the grant date. This can affect the number of shares granted in a given year as equity awards. Excess tax benefits related to equity awards are recognized in the provision for income taxes. Equity awards may be approved at one of four meetings of its Board of Directors occurring shortly after the Company's release of quarterly earnings. The 2024 primary grants were made in conjunction with the March and June meetings of the Company's Board of Directors.

All awards become immediately exercisable upon certain changes of control of the Company.

Stock Options

Changes in options outstanding under the stock option plans are summarized below:

	Shares subject to option (in millions)	Weighted- average exercise price
Outstanding, year-end 2021	21.1	\$ 28.15
Granted	1.2	\$ 56.13
Exercised	(5.4)	\$ 26.02
Canceled or Forfeited	(0.3)	\$ 31.54
Outstanding, year-end 2022	16.6	\$ 30.81
Granted	1.3	\$ 47.23
Exercised	(2.4)	\$ 24.04
Canceled or Forfeited	(0.1)	\$ 39.45
Outstanding, year-end 2023	15.4	\$ 33.11
Granted	1.2	\$ 55.50
Exercised	(4.6)	\$ 29.75
Canceled or Forfeited	(0.4)	\$ 45.79
Outstanding, year-end 2024	<u>11.6</u>	\$ 36.25

A summary of options outstanding, exercisable and expected to vest at February 1, 2025 follows:

	Number of shares (in millions)	Weighted-average remaining contractual life (in years)	Weighted-average exercise price	Aggregate intrinsic value (in millions)
Options Outstanding	11.6	4.86	\$ 36.25	\$ 294
Options Exercisable	8.8	3.84	\$ 31.76	\$ 262
Options Expected to Vest	2.7	8.02	\$ 50.14	\$ 31

Restricted stock

Changes in restricted stock outstanding under the restricted stock plans are summarized below:

	Restricted shares outstanding (in millions)	Weighted-average grant-date fair value
Outstanding, year-end 2021	7.2	\$ 32.52
Granted	3.0	\$ 50.50
Lapsed	(4.0)	\$ 32.16
Canceled or Forfeited	<u>(0.4)</u>	\$ 38.32
Outstanding, year-end 2022	5.8	\$ 41.76
Granted	3.5	\$ 47.06
Lapsed	(3.1)	\$ 40.37
Canceled or Forfeited	<u>(0.3)</u>	\$ 45.32
Outstanding, year-end 2023	5.9	\$ 45.49
Granted	3.2	\$ 53.29
Lapsed	(3.2)	\$ 44.22
Canceled or Forfeited	<u>(0.5)</u>	\$ 48.76
Outstanding, year-end 2024	<u>5.4</u>	\$ 50.58

The weighted-average grant date fair value of stock options granted during 2024, 2023 and 2022 was \$17.05, \$15.17 and \$15.91, respectively. The fair value of each stock option grant was estimated on the date of grant using the Black-Scholes option-pricing model, based on the assumptions shown in the table below. The Black-Scholes model utilizes accounting judgment and financial estimates, including the term option holders are expected to retain their stock options before exercising them, the volatility of the Company's share price over that expected term, the dividend yield over the term and the number of awards expected to be forfeited before they vest. Using alternative assumptions in the calculation of fair value would produce fair values for stock option grants that could be different than those used to record stock-based compensation expense in the Consolidated Statements of Operations. The increase in the fair value of the stock options granted during 2024, compared to 2023, resulted primarily from increases in the Company's share price and the expected dividend yield. The decrease in the fair value of the stock options granted during 2023, compared to 2022, resulted primarily from decreases in the Company's share price, partially offset by an increase in the weighted-average risk-free interest rate.

The following table reflects the weighted-average assumptions used for grants awarded to option holders:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Weighted average expected volatility	30.63 %	31.14 %	30.47 %
Weighted average risk-free interest rate	4.20 %	4.09 %	2.09 %
Expected dividend yield	2.31 %	2.11 %	1.82 %
Expected term (based on historical results)	7.1 years	7.1 years	7.2 years

The weighted-average risk-free interest rate was based on the yield of a treasury note as of the grant date, continuously compounded, which matures at a date that approximates the expected term of the options. The dividend yield was based on our history and expectation of dividend payouts. Expected volatility was determined based upon historical stock volatilities; however, implied volatility was also considered. Expected term was determined based upon historical exercise and cancellation experience.

Total stock compensation recognized in 2024, 2023 and 2022 was \$175, \$172 and \$190, respectively. Stock option compensation recognized in 2024, 2023 and 2022 was \$15, \$17 and \$19, respectively. Restricted shares compensation recognized in 2024, 2023 and 2022 was \$160, \$155 and \$171, respectively.

The total intrinsic value of stock options exercised was \$117, \$55 and \$159 in 2024, 2023 and 2022, respectively. The total amount of cash received by the Company was \$127, \$50 and \$134 in 2024, 2023 and 2022, respectively, from the exercise of stock options granted under share-based payment arrangements. As of February 1, 2025, there was \$204 of total unrecognized compensation expense remaining related to non-vested share-based compensation arrangements granted under the Plans. This cost is expected to be recognized over a weighted-average period of approximately two years. The total fair value of options that vested was \$16, \$16 and \$19 in 2024, 2023 and 2022, respectively.

Shares issued as a result of stock option exercises may be newly issued shares or reissued treasury shares. Proceeds received from the exercise of options, and the related tax benefit, may be utilized to repurchase the Company's common shares under a stock repurchase program adopted by the Company's Board of Directors. During 2024, the Company repurchased approximately three million common shares in such a manner.

12. COMMITMENTS AND CONTINGENCIES

The Company continuously evaluates contingencies based upon the best available evidence.

The Company believes that allowances for loss have been provided to the extent necessary and that its assessment of contingencies is reasonable. To the extent that resolution of contingencies results in amounts that vary from the Company's estimates, future earnings will be charged or credited.

The principal contingencies are described below:

Insurance — The Company's workers' compensation risks are self-insured in most states. In addition, other workers' compensation risks and certain levels of insured general liability risks are based on retrospective premium plans, deductible plans and self-insured retention plans. The liability for workers' compensation risks is accounted for on a present value basis. Actual claim settlements and expenses incident thereto may differ from the provisions for loss. Property risks have been underwritten by a subsidiary and are all reinsured with unrelated insurance companies. Operating divisions and subsidiaries have paid premiums, and the insurance subsidiary has provided loss allowances, based upon actuarially determined estimates.

Litigation — Various claims and lawsuits arising in the normal course of business, including personal injury, contract disputes, employment discrimination, wage and hour and other regulatory claims are pending against the Company. Some of these suits purport or have been determined to be class actions and/or seek substantial damages. Although it is not possible at this time to evaluate the merits of all of these claims and lawsuits, nor their likelihood of success, the Company is of the belief that any resulting liability will not have a material effect on the Company's financial position, results of operations, or cash flows.

The Company continually evaluates its exposure to loss contingencies arising from pending or threatened litigation and believes it has made provisions where it is reasonably possible to estimate and when an adverse outcome is probable. Nonetheless, assessing and predicting the outcomes of these matters involves substantial uncertainties. Management currently believes that the aggregate range of loss for the Company's exposure is not material to the Company. It remains possible that despite management's current belief, material differences in actual outcomes or changes in management's evaluation or predictions could arise that could have a material adverse effect on the Company's financial condition, results of operations, or cash flows.

The Company is one of dozens of companies that have been named in various lawsuits alleging that defendants contributed to create a public nuisance through the distribution and dispensing of opioids.

On September 8, 2023, the Company announced that it reached an agreement in principle with plaintiffs to settle the majority of opioid claims that have been or could be brought against Kroger by states in which they operate, subdivisions, and Native American tribes. Along with the execution of certain non-monetary conditions that remain under discussion, the Company has agreed to pay up to \$1,200 to states and subdivisions and \$36 to Native American tribes in funding for abatement efforts, and approximately \$177 to cover attorneys' fees and costs. The exact payment amount will depend on several factors, including the extent to which states take action to foreclose opioid lawsuits by political subdivisions (e.g., by passing laws barring or limiting opioid lawsuits by political subdivisions), and the extent to which additional political subdivisions in participating states file additional opioid lawsuits against the Company. The settlement would allow for the full resolution of all claims on behalf of participating states, subdivisions and Native American tribes and is not an admission of any wrongdoing or liability. Certain opioid-related cases against the Company will remain pending in the multidistrict litigation and in various state courts after the settlement becomes effective, including those brought by nonparticipating states and subdivisions and private parties such as hospitals and third-party payors. The Company continues to defend these cases.

As a result, the Company concluded that the agreement in principle for the settlement of opioid claims was probable, and for which the related loss was reasonably estimable. Accordingly, in 2023, the Company recognized opioid settlement charges of \$1,413, \$1,113 net of tax, relating to the nationwide opioid settlement framework. This charge is included in "Operating, general and administrative" in the Company's Consolidated Statement of Operations.

The agreement described above includes payments of approximately \$1,236 and \$177, in equal installments over 11 years and 6 years, respectively. In 2024, the Company made its first annual payment for \$138 into an escrow account, which is recorded in "Prepaid and other current assets" in the Company's Consolidated Balance Sheets. This escrow payment is recorded in "Prepaid and other current assets" within "Changes in operating assets and liabilities" in the Company's Consolidated Statement of Cash Flows.

In 2024, certain states and subdivisions confirmed their participation or lack of participation in the agreement described above, which resulted in immaterial changes to the settlement amount and timing of payments. On October 31, 2024, the Company determined that there is sufficient participation in the settlement by states and subdivisions and elected to proceed with the settlement. The settlement with states and subdivisions became effective on December 30, 2024, and the settlement with Native American tribes is currently anticipated to become effective by May 30, 2025. The Company also entered into separate agreements with certain states and their subdivisions in 2024 that resulted in immaterial changes to the settlement amount and timing of payments.

In 2023, the Company recorded a charge of \$62 relating to a settlement of opioid litigation claims with the State of West Virginia. The agreed upon settlement framework resolves all opioid lawsuits and claims by the West Virginia Attorney General.

As of February 1, 2025, the Company recorded \$279 and \$1,139 of the estimated settlement liability in "Other current liabilities" and "Other long-term liabilities," respectively, in the Company's Consolidated Balance Sheets related to these opioid settlements. As of February 3, 2024, the Company recorded \$284 and \$1,129 of the estimated settlement liability in "Other current liabilities" and "Other long-term liabilities," respectively, in the Company's Consolidated Balance Sheets related to these opioid settlements.

The foregoing settlements are not admissions of wrongdoing or liability by the Company and the Company will continue to vigorously defend against any other claims and lawsuits relating to opioids that the settlements do not resolve, including private plaintiff litigation. The Company continues to believe it has strong legal defenses and appellate arguments in those cases.

Because of the many uncertainties associated with any settlement arrangement or other resolution of opioid-related litigation matters, and because the Company continues to actively defend ongoing litigation for which it believes it has defenses and assertions that have merit, the Company is not able to reasonably estimate the range of ultimate possible loss for all opioid-related litigation matters at this time.

Assignments — The Company is contingently liable for leases that have been assigned to various third parties in connection with facility closings and dispositions. The Company could be required to satisfy the obligations under the leases if any of the assignees is unable to fulfill its lease obligations. Due to the wide distribution of the Company's assignments among third parties, and various other remedies available, the Company believes the likelihood that it will be required to assume a material amount of these obligations is remote.

13. STOCK

Preferred Shares

The Company has authorized five million shares of voting cumulative preferred shares; two million shares were available for issuance at February 1, 2025. The shares have a par value of \$100 per share and are issuable in series.

Common Shares

The Company has authorized two billion common shares, \$1 par value per share.

Common Stock Repurchase Program

On December 11, 2024, the Company's Board of Directors approved a \$7,500 share repurchase program to reacquire shares via open market purchase or privately negotiated transactions, including accelerated stock repurchase ("ASR") transactions, block trades, or pursuant to trades intending to comply with Rule 10b5-1 under the Securities Exchange Act of 1934, as amended (the "December 2024 Repurchase Program"). The December 2024 Repurchase Program authorization replaced the existing September 2022 Repurchase Program described below.

On September 9, 2022, the Company's Board of Directors approved a \$1,000 share repurchase program to reacquire shares via open market purchase or privately negotiated transactions, block trades, or pursuant to trades intending to comply with Rule 10b5-1 under the Exchange Act (the "September 2022 Repurchase Program"). No shares were repurchased under the September 2022 authorization.

On December 30, 2021, the Company's Board of Directors approved a \$1.0 billion share repurchase program to reacquire shares via open market purchase or privately negotiated transactions, block trades, or pursuant to trades intending to comply with Rule 10b5-1 under the Exchange Act (the "December 2021 Repurchase Program"). The December 2021 Repurchase Program was exhausted during 2022.

On December 6, 1999, the Company announced a program to repurchase common shares to reduce dilution resulting from our employee stock option and long-term incentive plans, under which repurchases are limited to proceeds received from exercises of stock options and the tax benefits associated therewith ("1999 Repurchase Program"). This program is solely funded by proceeds from stock option exercises, and the tax benefit from these exercises.

On December 19, 2024, the Company entered into an ASR agreement with two financial institutions to reacquire, in aggregate, \$5,000 in shares of Kroger common stock. The ASR agreement will be completed under the Company's \$7,500 share repurchase authorization. During 2024, the Company funded \$5,000 and received a \$4,000 initial delivery of approximately 65.6 million Kroger common shares at an average price of \$61.54 per share. The total number of shares purchased by the Company pursuant to the ASR agreement will be based on the average of the volume-weighted average prices of Kroger common shares on specified dates during the term of each ASR agreement, less a discount, and subject to adjustments pursuant to the terms and conditions of the ASR agreement. Final settlement under the ASR agreement is expected to occur no later than the third fiscal quarter of the Company's Fiscal 2025.

During 2024, the Company invested \$4,194 to repurchase 68.4 million Kroger common shares at an average price of \$61.31 per share, which includes excise taxes related to the shares repurchased. These shares were reacquired under the December 2024 Repurchase Program and the 1999 Repurchase Program. During 2023, the Company invested \$62 to repurchase 1.3 million Kroger common shares at an average price of \$46.98 per share. These shares were reacquired under the 1999 Repurchase Program. During 2022, the Company invested \$993 to repurchase 19.4 million Kroger common shares at an average price of \$51.29 per share. These shares were reacquired under the December 2021 Repurchase Program and the 1999 Repurchase Program.

As of February 1, 2025, there was \$2,500 remaining under the December 2024 Repurchase Program, which reflects the reduction of the unsettled accelerated share repurchases of \$1,000 and excludes excise tax on share repurchases in excess of issuances. Amounts available under the 1999 Repurchase Program are dependent upon option exercise activity. The authority remaining under the December 2024 Repurchase Program and the 1999 Repurchase Program do not have an expiration date but may be suspended or terminated by our Board of Directors at any time.

14. COMPANY- SPONSORED BENEFIT PLANS

The Company administers non-contributory defined benefit retirement plans for some non-union employees and union-represented employees as determined by the terms and conditions of collective bargaining agreements. These include several qualified pension plans (the “Qualified Plans”) and non-qualified pension plans (the “Non-Qualified Plans”). The Non-Qualified Plans pay benefits to any employee that earns in excess of the maximum allowed for the Qualified Plans by Section 415 of the Internal Revenue Code. The Company only funds obligations under the Qualified Plans. Funding for the company-sponsored pension plans is based on a review of the specific requirements and on evaluation of the assets and liabilities of each plan.

In addition to providing pension benefits, the Company provides certain health care benefits for retired employees. Based on an employee’s age, years of service and position with the Company, the employee may be eligible for retiree health care benefits. Funding of retiree health care benefits occurs as claims or premiums are paid.

The Company recognizes the funded status of its retirement plans on the Consolidated Balance Sheets. Actuarial gains or losses and prior service credits that have not yet been recognized as part of net periodic benefit cost are required to be recorded as a component of AOCI. The Company has elected to measure defined benefit plan assets and obligations as of January 31, which is the month-end that is closest to its fiscal year-ends.

Amounts recognized in AOCI as of February 1, 2025 and February 3, 2024 consist of the following (pre-tax):

	Pension Benefits		Other Benefits		Total	
	2024	2023	2024	2023	2024	2023
Net actuarial loss (gain)	\$ 850	\$ 817	\$ (79)	\$ (92)	\$ 771	\$ 725
Prior service credit	—	—	(10)	(11)	(10)	(11)
Total	<u>\$ 850</u>	<u>\$ 817</u>	<u>\$ (89)</u>	<u>\$ (103)</u>	<u>\$ 761</u>	<u>\$ 714</u>

Other changes recognized in other comprehensive income (loss) in 2024, 2023 and 2022 were as follows (pre-tax):

	Pension Benefits			Other Benefits			Total		
	2024	2023	2022	2024	2023	2022	2024	2023	2022
Incurring net actuarial loss	\$ 42	\$ 42	\$ 101	\$ —	\$ 4	\$ 15	\$ 42	\$ 46	\$ 116
Amortization of prior service credit	—	—	—	4	11	13	4	11	13
Amortization of net actuarial (loss) gain	(9)	(10)	(31)	10	13	11	1	3	(20)
Total recognized in other comprehensive income	<u>\$ 33</u>	<u>\$ 32</u>	<u>\$ 70</u>	<u>\$ 14</u>	<u>\$ 28</u>	<u>\$ 39</u>	<u>\$ 47</u>	<u>\$ 60</u>	<u>\$ 109</u>
Total recognized in net periodic benefit cost and other comprehensive income	<u>\$ 32</u>	<u>\$ 36</u>	<u>\$ 58</u>	<u>\$ 13</u>	<u>\$ 15</u>	<u>\$ 25</u>	<u>\$ 45</u>	<u>\$ 51</u>	<u>\$ 83</u>

Information with respect to change in benefit obligation, change in plan assets, the funded status of the plans recorded in the Consolidated Balance Sheets, net amounts recognized at the end of fiscal years, weighted-average assumptions and components of net periodic benefit cost follow:

	Pension Benefits				Other Benefits	
	Qualified Plans		Non-Qualified Plans		2024	2023
	2024	2023	2024	2023		
Change in benefit obligation:						
Benefit obligation at beginning of fiscal year	\$ 2,368	\$ 2,463	\$ 256	\$ 271	\$ 168	\$ 165
Service cost	6	17	—	—	4	4
Interest cost	119	116	13	13	9	8
Plan participants' contributions	3	4	—	—	9	9
Actuarial (gain) loss	(62)	(42)	(5)	(3)	2	—
Plan settlements	—	(11)	(2)	(1)	—	—
Benefits paid	(175)	(165)	(21)	(24)	(23)	(21)
Other	(9)	(14)	—	—	(2)	3
Benefit obligation at end of fiscal year	\$ 2,250	\$ 2,368	\$ 241	\$ 256	\$ 167	\$ 168
Change in plan assets:						
Fair value of plan assets at beginning of fiscal year	\$ 2,399	\$ 2,496	\$ —	\$ —	\$ —	\$ —
Actual return on plan assets	37	65	—	—	—	—
Employer contributions	—	27	23	26	14	12
Plan participants' contributions	3	4	—	—	9	9
Plan settlements	—	(11)	(2)	(2)	—	—
Benefits paid	(175)	(165)	(21)	(24)	(23)	(21)
Other	(5)	(17)	—	—	—	—
Fair value of plan assets at end of fiscal year	\$ 2,259	\$ 2,399	\$ —	\$ —	\$ —	\$ —
Funded (unfunded) status and net asset and liability recognized at end of fiscal year	\$ 9	\$ 31	\$ (241)	\$ (256)	\$ (167)	\$ (168)

As of February 1, 2025, other assets and other current liabilities include \$24 and \$36, respectively, of the net asset and liability recognized for the above benefit plans. As of February 3, 2024, other assets and other current liabilities include \$44 and \$36, respectively, of the net asset and liability recognized for the above benefit plans. Pension plan assets do not include common shares of The Kroger Co.

The following table outlines the weighted average assumptions associated with pension and other benefit costs for 2024, 2023 and 2022:

Weighted average assumptions	Pension Benefits			Other Benefits		
	2024	2023	2022	2024	2023	2022
Discount rate — Benefit obligation	5.60 %	5.27 %	4.90 %	5.54 %	5.21 %	4.86 %
Discount rate — Net periodic benefit cost	5.27 %	4.90 %	3.17 %	5.21 %	4.86 %	3.01 %
Expected long-term rate of return on plan assets	5.50 %	5.50 %	5.50 %			
Rate of compensation increase — Net periodic benefit cost	2.52 %	2.57 %	3.05 %			
Rate of compensation increase — Benefit obligation ⁽¹⁾	—	2.52 %	2.57 %			
Cash Balance plan interest crediting rate	3.30 %	3.30 %	3.30 %			

(1) The Rate of compensation increase-Benefit obligation assumption is not applicable for 2024 due to negotiated plan freezes related to certain union benefits that were accruing in 2024.

The Company's discount rate assumptions were intended to reflect the rates at which the pension benefits could be effectively settled. They take into account the timing and amount of benefits that would be available under the plans. The Company's policy is to match the plan's cash flows to that of a hypothetical bond portfolio whose cash flow from coupons and maturities match the plan's projected benefit cash flows. The discount rates are the single rates that produce the same present value of cash flows. The selection of the 5.60% and 5.54% discount rates as of year-end 2024 for pension and other benefits, respectively, represents the hypothetical bond portfolio using bonds with an AA or better rating constructed with the assistance of an outside consultant.

The Company's assumed pension plan investment return rate was 5.50% in 2024, 2023, and 2022. The value of all investments in the company-sponsored defined benefit pension plans during the calendar year ended December 31, 2024, net of investment management fees and expenses, increased 0.7% and for fiscal year 2024 investments increased 1.7%. Historically, the Company's pension plans' average rate of return was 4.0% for the 10 calendar years ended December 31, 2024, net of all investment management fees and expenses. For the past 20 years, the Company's pension plans' average annual rate of return has been 5.8%. To determine the expected rate of return on pension plan assets held by the Company, the Company considers current and forecasted plan asset allocations as well as historical and forecasted rates of return on various asset categories.

The Company calculates its expected return on plan assets by using the market-related value of plan assets. The market-related value of plan assets is determined by adjusting the actual fair value of plan assets for gains or losses on plan assets. Gains or losses represent the difference between actual and expected returns on plan investments for each plan year. Gains or losses on plan assets are recognized evenly over a five-year period. Using a different method to calculate the market-related value of plan assets would provide a different expected return on plan assets.

The pension benefit unfunded status increased in 2024, compared to 2023, due primarily to the qualified plans' actual return on plan assets being less than the expected rate of return on plan assets, partially offset by an increase in discount rates, which lowered the benefit obligation. The Company's Qualified Plans were fully funded as of February 1, 2025 and February 3, 2024.

The following table provides the components of the Company's net periodic benefit costs for 2024, 2023 and 2022:

	Pension Benefits								
	Qualified Plans			Non-Qualified Plans			Other Benefits		
	2024	2023	2022	2024	2023	2022	2024	2023	2022
Components of net periodic benefit cost:									
Service cost	\$ 6	\$ 17	\$ 8	\$ —	\$ —	\$ —	\$ 4	\$ 4	\$ 5
Interest cost	119	116	92	13	13	10	9	8	5
Expected return on plan assets	(148)	(150)	(153)	—	—	—	—	—	—
Amortization of:									
Prior service credit	—	—	—	—	—	—	(4)	(11)	(13)
Actuarial loss (gain)	7	5	22	2	4	5	(10)	(13)	(11)
Settlement loss recognized	—	1	4	—	—	—	—	—	—
Other	—	—	—	—	(2)	—	—	(1)	—
Net periodic benefit cost	<u>\$ (16)</u>	<u>\$ (11)</u>	<u>\$ (27)</u>	<u>\$ 15</u>	<u>\$ 15</u>	<u>\$ 15</u>	<u>\$ (1)</u>	<u>\$ (13)</u>	<u>\$ (14)</u>

The following table provides the projected benefit obligation ("PBO") and the fair value of plan assets for those company-sponsored pension plans with projected benefit obligations in excess of plan assets:

	Qualified Plans		Non-Qualified Plans	
	2024	2023	2024	2023
PBO at end of fiscal year	\$ 196	\$ 159	\$ 240	\$ 256
Fair value of plan assets at end of year	\$ 180	\$ 150	\$ —	\$ —

The following table provides the accumulated benefit obligation (“ABO”) and the fair value of plan assets for those company-sponsored pension plans with accumulated benefit obligations in excess of plan assets:

	<u>Qualified Plans</u>		<u>Non-Qualified Plans</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
ABO at end of fiscal year	\$ 196	\$ 159	\$ 240	\$ 256
Fair value of plan assets at end of year	\$ 180	\$ 150	\$ —	\$ —

The following table provides information about the Company’s estimated future benefit payments:

	<u>Pension Benefits</u>	<u>Other Benefits</u>
2025	\$ 226	\$ 13
2026	\$ 213	\$ 15
2027	\$ 212	\$ 16
2028	\$ 210	\$ 16
2029	\$ 207	\$ 17
2030 —2034	\$ 966	\$ 83

The following table provides information about the target and actual pension plan asset allocations as of February 1, 2025:

	<u>Target allocations</u>	<u>Actual Allocations</u>	
	<u>2024</u>	<u>2024</u>	<u>2023</u>
Pension plan asset allocation			
Global equity securities	5.0 %	6.5 %	5.4 %
Investment grade debt securities	79.5	79.1	78.9
High yield debt securities	3.0	3.5	3.1
Private equity	8.0	7.5	8.5
Hedge funds	3.0	2.0	2.4
Real estate	1.5	1.4	1.7
Total	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>

Investment objectives, policies and strategies are set by the Retirement Benefit Plan Management Committee (the “Committee”). The primary objectives include holding and investing the assets and distributing benefits to participants and beneficiaries of the pension plans. Investment objectives have been established based on a comprehensive review of the capital markets and each underlying plan’s current and projected financial requirements. The time horizon of the investment objectives is long-term in nature and plan assets are managed on a going-concern basis.

Investment objectives and guidelines specifically applicable to each manager of assets are established and reviewed annually. Derivative instruments may be used for specified purposes, including rebalancing exposures to certain asset classes. Any use of derivative instruments for a purpose or in a manner not specifically authorized is prohibited, unless approved in advance by the Committee.

The target allocations shown for 2024 were established at the beginning of 2024 based on the Company’s liability-driven investment (“LDI”) strategy. An LDI strategy focuses on maintaining a close to fully-funded status over the long-term with minimal funded status risk. This is achieved by investing more of the plan assets in fixed income instruments to more closely match the duration of the plan liability.

The Company did not make any significant contributions to its company-sponsored pension plans in 2024, and the Company is not required to make any contributions to these plans in 2025. If the Company does make any contributions in 2025, the Company expects these contributions will decrease its required contributions in future years. Among other things, investment performance of plan assets, the interest rates required to be used to calculate the pension obligations and future changes in legislation, will determine the amounts of any contributions. The Company expects 2025 net periodic benefit costs for company-sponsored pension plans to be approximately \$13.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. The Company used a 6.60% initial health care cost trend rate, which is assumed to decrease on a linear basis to a 4.00% ultimate health care cost trend rate in 2046, to determine its expense.

The following tables, set forth by level within the fair value hierarchy, present the Qualified Plans' assets at fair value as of February 1, 2025 and February 3, 2024:

Assets at Fair Value as of February 1, 2025

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Assets Measured at NAV	Total
Cash and cash equivalents	\$ 129	\$ —	\$ —	\$ —	\$ 129
Corporate Stocks	2	—	—	—	2
Corporate Bonds	—	847	—	—	847
U.S. Government Securities	—	151	—	—	151
Mutual Funds	92	—	—	—	92
Collective Trusts	—	—	—	737	737
Hedge Funds	—	—	25	20	45
Private Equity	—	—	—	166	166
Real Estate	—	—	20	13	33
Other	—	57	—	—	57
Total	\$ 223	\$ 1,055	\$ 45	\$ 936	\$ 2,259

Assets at Fair Value as of February 3, 2024

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Assets Measured at NAV	Total
Cash and cash equivalents	\$ 151	\$ —	\$ —	\$ —	\$ 151
Corporate Stocks	2	—	—	—	2
Corporate Bonds	—	1,092	—	—	1,092
U.S. Government Securities	—	140	—	—	140
Mutual Funds	108	—	—	—	108
Collective Trusts	—	—	—	513	513
Hedge Funds	—	—	29	29	58
Private Equity	—	—	—	203	203
Real Estate	—	—	24	15	39
Other	—	93	—	—	93
Total	\$ 261	\$ 1,325	\$ 53	\$ 760	\$ 2,399

Certain investments that are measured at fair value using the NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented for these investments in the preceding tables are intended to permit reconciliation of the fair value hierarchies to the total fair value of plan assets.

For measurements using significant unobservable inputs (Level 3) during 2024 and 2023, a reconciliation of the beginning and ending balances is as follows:

	<u>Hedge Funds</u>	<u>Real Estate</u>
Ending balance, January 28, 2023	\$ 31	\$ 28
Contributions into fund	—	1
Realized gains	1	—
Unrealized gains (losses)	1	(3)
Distributions	<u>(4)</u>	<u>(2)</u>
Ending balance, February 3, 2024	29	24
Contributions into fund	—	2
Realized gains (losses)	2	(4)
Unrealized (losses) gains	(1)	2
Distributions	<u>(5)</u>	<u>(4)</u>
Ending balance, February 1, 2025	<u>\$ 25</u>	<u>\$ 20</u>

See Note 7 for a discussion of the levels of the fair value hierarchy. The assets' fair value measurement level above is based on the lowest level of any input that is significant to the fair value measurement.

The following is a description of the valuation methods used for the Qualified Plans' assets measured at fair value in the above tables:

- Cash and cash equivalents: The carrying value approximates fair value.
- Corporate Stocks: The fair values of these securities are based on observable market quotations for identical assets and are valued at the closing price reported on the active market on which the individual securities are traded.
- Corporate Bonds: The fair values of these securities are primarily based on observable market quotations for similar bonds, valued at the closing price reported on the active market on which the individual securities are traded. When such quoted prices are not available, the bonds are valued using a discounted cash flow approach using current yields on similar instruments of issuers with similar credit ratings, including adjustments for certain risks that may not be observable, such as credit and liquidity risks.
- U.S. Government Securities: Certain U.S. Government securities are valued at the closing price reported in the active market in which the security is traded. Other U.S. government securities are valued based on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for similar securities, the security is valued under a discounted cash flow approach that maximizes observable inputs, such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks.
- Mutual Funds: The fair values of these securities are based on observable market quotations for identical assets and are valued at the closing price reported on the active market on which the individual securities are traded.
- Collective Trusts: The collective trust funds are public investment vehicles valued using a Net Asset Value (NAV) provided by the manager of each fund. These assets have been valued using NAV as a practical expedient.
- Hedge Funds: The Hedge funds classified as Level 3 include investments that are not readily tradeable and have valuations that are not based on readily observable data inputs. The fair value of these assets is estimated based on information provided by the fund managers or the general partners. Therefore, these assets are classified as Level 3. Certain other hedge funds are private investment vehicles valued using a NAV provided by the manager of each fund. These assets have been valued using NAV as a practical expedient.

- **Private Equity:** Private Equity investments are valued based on the fair value of the underlying securities within the fund, which include investments both traded on an active market and not traded on an active market. For those investments that are traded on an active market, the values are based on the closing price reported on the active market on which those individual securities are traded. For investments not traded on an active market, or for which a quoted price is not publicly available, a variety of unobservable valuation methodologies, including discounted cash flow, market multiple and cost valuation approaches, are employed by the fund manager to value investments. Fair values of all investments are adjusted annually, if necessary, based on audits of the private equity fund financial statements; such adjustments are reflected in the fair value of the plan's assets.
- **Real Estate:** Real estate investments include investments in real estate funds managed by a fund manager. These investments are valued using a variety of unobservable valuation methodologies, including discounted cash flow, market multiple and cost valuation approaches. The valuations for these investments are not based on readily observable inputs and are classified as Level 3 investments. Certain other real estate investments are valued using a NAV provided by the manager of each fund. These assets have been valued using NAV as a practical expedient.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement.

The Company contributed and expensed \$328, \$322 and \$315 to employee 401(k) retirement savings accounts in 2024, 2023 and 2022, respectively. The 401(k) retirement savings account plans provide to eligible employees both matching contributions and automatic contributions from the Company based on participant contributions, compensation as defined by the plan and length of service.

15. MULTI-EMPLOYER PENSION PLANS

The Company contributes to various multi-employer pension plans based on obligations arising from collective bargaining agreements. These multi-employer pension plans provide retirement benefits to participants based on their service to contributing employers. The benefits are paid from assets held in trust for that purpose. Trustees are appointed in equal number by employers and unions. The trustees typically are responsible for determining the level of benefits to be provided to participants as well as for such matters as the investment of the assets and the administration of the plans.

The Company recognizes expense in connection with these plans as contributions are funded or when commitments are probable and reasonably estimable, in accordance with GAAP. The Company made cash contributions to these plans of \$398 in 2024, \$635 in 2023 and \$620 in 2022. The decrease in 2024, compared to 2023 and 2022, is due to the fulfillment of contractually obligated payments related to the Company's commitments established when restructuring the United Food and Commercial Workers International Union-Industry Variable Annuity Pension Plan agreement.

The Company continues to evaluate and address potential exposure to under-funded multi-employer pension plans as it relates to the Company's associates who are beneficiaries of these plans. These under-fundings are not a liability of the Company. When an opportunity arises that is economically feasible and beneficial to the Company and its associates, the Company may negotiate the restructuring of under-funded multi-employer pension plan obligations to help stabilize associates' future benefits and become the fiduciary of the restructured multi-employer pension plan. The commitments from these restructurings do not change the Company's debt profile as it relates to its credit rating since these off-balance sheet commitments are typically considered in the Company's investment grade debt rating.

The Company is currently designated as the named fiduciary of the United Food and Commercial Workers (“UFCW”) Consolidated Pension Plan and the International Brotherhood of Teamsters (“IBT”) Consolidated Pension Fund and has sole investment authority over these assets. Due to opportunities arising, the Company has restructured certain multi-employer pension plans. The significant effects of these restructuring agreements recorded in our Consolidated Financial Statements are:

- In 2022, the Company incurred a \$25 charge, \$19 net of tax, for obligations related to withdrawal liabilities for certain multi-employer pension funds.

The risks of participating in multi-employer pension plans are different from the risks of participating in single-employer pension plans in the following respects:

- Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan allocable to such withdrawing employer may be borne by the remaining participating employers.
- If the Company stops participating in some of its multi-employer pension plans, the Company may be required to pay those plans an amount based on its allocable share of the unfunded vested benefits of the plan, referred to as a withdrawal liability.

The Company’s participation in multi-employer plans is outlined in the following tables. The EIN / Pension Plan Number column provides the Employer Identification Number (“EIN”) and the three-digit pension plan number. The most recent Pension Protection Act Zone Status available in 2024 and 2023 is for the plan’s year-end at December 31, 2023 and December 31, 2022, respectively. Among other factors, generally, plans in the red zone are less than 65 percent funded, plans in the yellow zone are less than 80 percent funded and plans in the green zone are at least 80 percent funded. The FIP/RP Status Pending / Implemented Column indicates plans for which a funding improvement plan (“FIP”) or a rehabilitation plan (“RP”) is either pending or has been implemented. Unless otherwise noted, the information for these tables was obtained from the Forms 5500 filed for each plan’s year-end at December 31, 2023 and December 31, 2022. The multi-employer contributions listed in the table below are the Company’s multi-employer contributions made in fiscal years 2024, 2023 and 2022.

The following table contains information about the Company's multi-employer pension plans:

Pension Fund	EIN / Pension Plan Number	Pension Protection Act Zone Status		FIP/RP Status Pending/ Implemented	Multi-Employer Contributions			Surcharge Imposed ⁽⁴⁾
		2024	2023		2024	2023	2022	
SO CA UFCW Unions & Food Employers Joint Pension Trust Fund ⁽¹⁾⁽²⁾	95-1939092 - 001	Yellow	Red	Implemented	\$ 84	\$ 83	\$ 84	No
Desert States Employers & UFCW Unions Pension Plan ⁽¹⁾	84-6277982 - 001	Green	Green	No	19	19	20	No
Sound Variable Annuity Pension Trust ⁽¹⁾	86-3278029 - 001	Green	Green	No	15	15	14	No
Rocky Mountain UFCW Unions and Employers Pension Plan ⁽¹⁾	84-6045986 - 001	Green	Green	No	27	27	27	No
Oregon Retail Employees Pension Plan ⁽¹⁾	93-6074377 - 001	Green	Green	No	11	10	9	No
Bakery and Confectionary Union & Industry International Pension Fund ⁽¹⁾	52-6118572 - 001	Red	Red	Implemented	8	7	7	No
Retail Food Employers & UFCW Local 711 Pension ⁽¹⁾	51-6031512 - 001	Red	Red	Implemented	11	11	11	No
UFCW International Union — Industry Variable Annuity Pension Plan ⁽³⁾	51-6055922 - 001	Green	Green	No	33	263	282	No
Western Conference of Teamsters Pension Plan	91-6145047 - 001	Green	Green	No	44	39	40	No
Central States, Southeast & Southwest Areas Pension Plan	36-6044243 - 001	Red	Red	Implemented	57	40	34	No
UFCW Consolidated Pension Plan ⁽¹⁾	58-6101602 - 001	Green	Green	No	70	98	56	No
IBT Consolidated Pension Plan ⁽¹⁾⁽⁵⁾	82-2153627 - 001	N/A	N/A	No	—	7	7	No
Other					19	16	29	
Total Contributions					<u>\$ 398</u>	<u>\$ 635</u>	<u>\$ 620</u>	

- (1) The Company's multi-employer contributions to these respective funds represent more than 5% of the total contributions received by the pension funds.
- (2) The information for this fund was obtained from the Form 5500 filed for the plan's year-end at March 31, 2024 and March 31, 2023.
- (3) The information for this fund was obtained from the Form 5500 filed for the plan's year-end at June 30, 2023 and June 30, 2022.
- (4) Under the Pension Protection Act, a surcharge may be imposed when employers make contributions under a collective bargaining agreement that is not in compliance with a rehabilitation plan. As of February 1, 2025, the collective bargaining agreements under which the Company was making contributions were in compliance with rehabilitation plans adopted by the applicable pension fund.
- (5) The plan was formed after 2006, and therefore is not subject to zone status certifications.

The following table describes (a) the expiration date of the Company’s collective bargaining agreements and (b) the expiration date of the Company’s most significant collective bargaining agreements for each of the material multi-employer funds in which the Company participates:

Pension Fund	Expiration Date of Collective Bargaining Agreements	Most Significant Collective Bargaining Agreements ⁽¹⁾	
		Count	Expiration
SO CA UFCW Unions & Food Employers Joint Pension Trust Fund	March 2025 to June 2027	1	March 2025
UFCW Consolidated Pension Plan	July 2024 ⁽²⁾ to March 2028	2	June 2026 to February 2027
Desert States Employers & UFCW Unions Pension Plan	June 2025 to March 2026	1	March 2026
Sound Variable Annuity Pension Trust	May 2025 to July 2028	4	May 2025
Rocky Mountain UFCW Unions and Employers Pension Plan	January 2025 ⁽²⁾ to November 2025	1	January 2025 ⁽²⁾
Oregon Retail Employees Pension Plan	August 2027 to March 2029	2	August 2027 to July 2028
Bakery and Confectionary Union & Industry International Pension Fund	September 2025 to July 2027	3	May 2027 to June 2027
Retail Food Employers & UFCW Local 711 Pension	March 2025 to January 2027	1	March 2025
UFCW International Union — Industry Variable Annuity Pension Plan	July 2024 ⁽²⁾ to October 2029	2	June 2026 to June 2027
Western Conference of Teamsters Pension Plan	April 2025 to September 2028	4	July 2025 to September 2025
IBT Consolidated Pension Plan	September 2027 to September 2029	3	September 2027 to September 2029

- (1) This column represents the number of significant collective bargaining agreements and their expiration date for each of the Company’s pension funds listed above. For the purposes of this table, the “significant collective bargaining agreements” are the largest based on covered employees that, when aggregated, cover the majority of the employees for which we make multi-employer contributions for the referenced pension fund.
- (2) Certain collective bargaining agreements are operating under an extension.

Based on the most recent information available to it, the Company believes the present value of actuarial accrued liabilities in most of these multi-employer plans exceeds the value of the assets held in trust to pay benefits. Moreover, if the Company were to exit certain markets or otherwise cease making contributions to these funds, the Company could trigger a withdrawal liability. Any adjustment for withdrawal liability will be recorded when it is probable that a liability exists and it can be reasonably estimated.

The Company also contributes to various other multi-employer benefit plans that provide health and welfare benefits to active and retired participants. Total contributions made by the Company to these other multi-employer health and welfare plans were approximately \$1,228 in 2024, \$1,182 in 2023 and \$1,129 in 2022.

16. SEGMENT REPORTING

The Company operates supermarkets, multi-department stores and fulfillment centers throughout the United States. The Company’s retail operations, which represent 98% of the Company’s consolidated sales, are its only reportable segment. The retail operations’ segment revenues are predominately earned as consumer products are sold to customers in our stores, fuel centers and via the Company’s online platforms. The Company aggregates its operating divisions into one reportable segment due to the operating divisions having similar economic characteristics with similar long-term financial performance. In addition, the Company’s operating divisions offer customers similar products, have similar distribution methods, operate in similar regulatory environments, purchase the majority of the merchandise for retail sale from similar (and in many cases identical) vendors on a coordinated basis from a centralized location, serve similar types of customers, and are allocated capital from a centralized location. Operating divisions are organized primarily on a geographical basis so the operating division management team can be responsive to local needs of the operating division and can execute company strategic plans and initiatives throughout the locations in their operating division. This geographical separation is the primary differentiation between these retail operating divisions. The geographical basis of organization reflects how the business is managed and how the Company’s Chief Executive Officer, who acts as the Company’s chief operating decision maker (“CODM”), assesses performance internally. All of the Company’s operations are domestic.

The accounting policies of the retail operations segment are the same as those described in the summary of significant accounting policies in Note 1 to the Consolidated Financial Statements. The Company's CODM assesses performance and allocates resources for the retail operations segment using segment FIFO earnings before net interest expense, income tax expense and depreciation and amortization ("EBITDA"). The Company defines FIFO EBITDA as EBITDA excluding the LIFO charge. The Company's CODM also uses segment FIFO EBITDA to measure the operational effectiveness of the Company's financial model, compare the performance of core operating results between periods, against budget and against competitors and evaluate whether to invest capital in the retail operations segment or in other parts of the Company, such as for share repurchases or dividend payments. The Company's CODM is not provided asset information by reportable segment as asset information is provided to the CODM on a consolidated basis.

The following table presents the Company's retail operations segment revenue, measure of segment profit or loss, significant segment expenses and reconciliation of retail operations segment FIFO EBITDA to consolidated net earnings before income tax expense and retail operations segment sales to consolidated sales for the fiscal years ended February 1, 2025, February 3, 2024 and January 28, 2023:

	2024 (52 weeks)	2023 (53 weeks)	2022 (52 weeks)
Retail operations segment sales	\$ 143,947	\$ 145,701	\$ 143,751
Retail operations segment expenses:			
Merchandise costs ⁽¹⁾	103,024	104,609	104,403
Expenses in gross ⁽²⁾	8,655	8,813	8,062
Operating, general, and administrative	24,935	25,699	23,297
Rent	866	879	826
Retail operations segment FIFO EBITDA	<u>\$ 6,467</u>	<u>\$ 5,701</u>	<u>\$ 7,163</u>
Reconciliation of net earnings before income tax expense:			
Retail operations segment FIFO EBITDA	\$ 6,467	\$ 5,701	\$ 7,163
Depreciation and amortization	(3,246)	(3,125)	(2,965)
LIFO charge	(95)	(113)	(626)
Other FIFO EBITDA ⁽³⁾	723	633	554
Net interest expense	(450)	(441)	(535)
Non-service component of company-sponsored pension plan benefits	12	30	39
(Loss) gain on investments	(148)	151	(728)
Gain on the sale of business	79	—	—
Consolidated net earnings before income tax expense	<u>\$ 3,342</u>	<u>\$ 2,836</u>	<u>\$ 2,902</u>
Reconciliation of sales:			
Retail operations segment sales	\$ 143,947	\$ 145,701	\$ 143,751
Other sales ⁽³⁾	3,176	4,338	4,507
Consolidated sales	<u>\$ 147,123</u>	<u>\$ 150,039</u>	<u>\$ 148,258</u>

- (1) Merchandise costs include product costs, net of discounts and allowances, and food production costs.
- (2) Expenses in gross include advertising costs, warehousing costs, including receiving and inspection costs, and transportation costs.
- (3) Other sales and other FIFO EBITDA primarily include other operating segments that are not part of the retail operations segment such as third-party media revenue, data analytic services, specialty pharmacy and in-store health clinics.

17. SALE OF KROGER SPECIALTY PHARMACY

On October 4, 2024, the Company completed the sale of its Kroger Specialty Pharmacy business to Elevance Health, for \$464. In 2024, the Company recognized a gain on sale for \$79, \$91 net of tax, which includes the reduction to income tax expense of \$31 related to recognizing deferred tax assets for the divested entity.

18. TERMINATION OF THE MERGER WITH ALBERTSONS COMPANIES, INC.

As previously disclosed, on October 13, 2022, the Company entered into a merger agreement (the “Merger Agreement”) with Albertsons Companies, Inc. (“Albertsons”) pursuant to which all of the outstanding shares of Albertsons common and preferred stock (on an as converted basis) automatically would have been converted into the right to receive \$34.10 per share, subject to certain reductions following a \$6.85 per share pre-closing cash dividend that was paid on January 20, 2023 to Albertsons shareholders of record as of October 24, 2022. The adjusted per share cash purchase price was expected to be \$27.25.

On February 26, 2024, the Federal Trade Commission (“FTC”) instituted an administrative proceeding to prohibit the merger. Simultaneously, the FTC (joined by nine States) filed suit in the United States District Court for the District of Oregon (the “FTC Federal Litigation”) requesting a preliminary injunction to block the merger. On December 10, 2024, pursuant to a decision of United States District Court for the District of Oregon in the case Federal Trade Commission et al. v. The Kroger Company and Albertsons Companies, Inc. (Case No.: 3:24-cv-00347-AN), the court issued a preliminary injunction enjoining the consummation of the merger.

On January 15, 2024, and February 14, 2024, the attorneys general of Washington and Colorado, respectively, filed suit in their respective state courts, also seeking to enjoin the merger. On December 10, 2024, the Washington court also issued a permanent injunction blocking the merger in the Washington case. On March 5, 2025, the Colorado court dismissed the claim seeking to enjoin the merger as moot. A second claim related to an alleged no-poach agreement between Kroger and Albertsons remains pending in Colorado.

In addition to these governmental actions, private plaintiffs have filed suit in the United States District Court for the Northern District of California also seeking to enjoin the transaction. That case was dismissed with prejudice on February 3, 2025, and plaintiffs have appealed.

On December 11, 2024, the Company delivered a notice to Albertsons terminating the merger agreement (the “Termination Notice”). The Termination Notice further notified Albertsons that a prior termination letter sent by Albertsons to Kroger on December 10, 2024 was not an effective termination. In connection with the Termination Notice, Kroger notified Albertsons that Kroger has no obligation to pay the Parent Termination Fee (as defined in the Merger Agreement) because Albertsons failed to perform and comply in all material respects with its covenants under the Merger Agreement.

On December 10, 2024, Albertsons sued the Company in the Delaware Court of Chancery for alleged breaches of the Merger Agreement and the implied covenant of good faith and fair dealing. Albertsons seeks payment of a \$600 termination fee that Albertsons alleges it is owed under the Merger Agreement, as well as additional damages, including expenses paid by Albertsons in connection with the Merger and the lost premium Albertsons alleges is owed to its shareholders, as well as other relief. On March 17, 2025, the Company filed an answer denying the allegations in Albertsons’s complaint, and also filed counterclaims that seek recovery for breaches of the Merger Agreement by Albertsons.

In connection with obtaining the requisite regulatory clearance necessary to consummate the Albertsons transaction, the Company and Albertsons entered into a comprehensive divestiture plan with C&S Wholesale Grocers, LLC (“C&S”) on September 8, 2023, which was further amended on April 22, 2024, to provide for the divestiture of stores, facilities, agreements, banners, private label brands and certain other rights. The definitive amended and restated agreement was subject to fulfillment of customary closing conditions, including clearance by the FTC. Following the termination of the merger with Albertsons, the Company terminated the amended and restated purchase agreement with C&S.

In connection with the merger agreement, on October 13, 2022, the Company entered into a commitment letter with certain lenders pursuant to which the lenders committed to provide a \$17,400 senior unsecured bridge term loan facility, which, if entered into, would have matured 364 days after the closing date of the merger. The commitments were intended to be drawn to finance the merger with Albertsons only to the extent the Company did not arrange for alternative financing prior to closing. As alternative financing for the merger was secured, the commitments with respect to the bridge term loan facility under the commitment letter were reduced. The entry into the term loan credit agreement mentioned below reduced the commitments under the Company's \$17,400 bridge facility commitment by \$4,750 to \$12,650. On April 12, 2024, the Company and the lenders to the bridge facility, at the Company's request, further reduced the bridge facility commitment by \$2,000 to \$10,650. During the third quarter of 2024, the Company terminated the bridge term loan facility due to issuing \$10,500 of senior notes mentioned below, net proceeds of which were expected to partially fund the cash consideration for the proposed merger and for general corporate purposes. Fees with respect to the bridge term loan facility are included in "Other" in the Company's Consolidated Statements of Cash Flows within "Cash Flows from Financing Activities" and were recognized as operating, general and administrative expense in the Company's Consolidated Statements of Operations over the commitment period.

On November 9, 2022, the Company executed a term loan credit agreement with certain lenders pursuant to which the lenders committed to provide, contingent upon the completion of the merger with Albertsons and certain other customary conditions to funding, (1) senior unsecured term loans in an aggregate principal amount of \$3,000 maturing on the third anniversary of the merger closing date and (2) senior unsecured term loans in an aggregate principal amount of \$1,750 maturing on the date that is 18 months after the merger closing date (collectively, the "Term Loan Facilities"). Borrowings under the Term Loan Facilities were to be used to pay a portion of the consideration and other amounts payable in connection with the merger with Albertsons. In 2024, the Company entered into a second amendment to the term loan agreement to, among other things, amend certain covenants applicable thereto.

Concurrently with the termination of the Merger Agreement on December 11, 2024, all of the commitments with respect to the Term Loan Facilities were automatically terminated in accordance with the terms thereof.

On August 20, 2024, the Company issued \$1,000 of its 4.70% Senior Notes due 2026 (the "2026 notes"); \$1,000 of its 4.60% Senior Notes due 2027 (the "2027 notes"); \$1,400 of its 4.65% Senior Notes due 2029 (the "2029 notes"); \$1,300 of its 4.90% Senior Notes due 2031 (the "2031 notes"); \$2,200 of its 5.00% Senior Notes due 2034 (the "2034 notes"); \$2,100 of its 5.50% Senior Notes due 2054 (the "2054 notes"); and \$1,500 of its 5.65% Senior Notes due 2064 (the "2064 notes") to pay a portion of the cash consideration for its proposed merger with Albertsons and general corporate purposes. The 2026 notes, 2027 notes, 2029 notes and the 2031 notes (collectively, the "SMR Notes") were subject to a special mandatory redemption if the proposed merger was terminated or did not close by an agreed upon date. In connection with the termination of the Merger Agreement, the Company redeemed the SMR Notes on December 18, 2024 at a redemption price equal to 101% of the principal amount, plus accrued and unpaid interest to, but excluding, December 18, 2024. The 2034 notes, the 2054 notes and the 2064 notes remain outstanding.

On August 15, 2024, the Company commenced an exchange offer for any and all outstanding notes (the "ACI Notes") issued by Albertsons and certain of its subsidiaries for up to approximately \$7,442 aggregate principal amount of new senior notes to be issued by the Company and cash. In conjunction with the exchange offers (the "Exchange Offers"), the Company concurrently solicited consents (collectively, the "Consent Solicitations") to adopt certain proposed amendments (the "Proposed Amendments") to each of the indentures (each an "ACI Indenture" and, collectively, the "ACI Indentures") governing the ACI Notes. In connection with the termination of the Merger Agreement, on December 11, 2024, the Company terminated the Exchange Offers and Consent Solicitations.

19. RECENTLY ADOPTED ACCOUNTING STANDARDS

In November 2023, the FASB issued ASU No. 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosure." The ASU updated reportable segment disclosure requirements, primarily through requiring enhanced disclosures about significant segment expenses and information used to assess segment performance. The Company adopted ASU No. 2023-07 during the year ended February 1, 2025. See Note 16 "Segment Reporting" in the accompanying Notes to the Consolidated Financial Statements for additional information.

20. RECENTLY ISSUED ACCOUNTING STANDARDS

In November 2024, the FASB issued ASU 2024-03 and in January 2025, the FASB issued ASU 2025-01, "Income Statement - Reporting Comprehensive Income -Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses." The guidance requires disclosures about specific expense categories, including but not limited to, purchases of inventory, employee compensation, depreciation, amortization and selling expenses. The ASU is effective in the first annual reporting period beginning after December 15, 2026, and for interim periods within annual reporting periods beginning after December 15, 2027. The Company is currently assessing the effect that adoption of this guidance will have on its Consolidated Financial Statements.

In December 2023, the FASB issued ASU No. 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures." This guidance amends existing income tax disclosure guidance, primarily requiring more detailed disclosure for income taxes paid and the effective tax rate reconciliation. The ASU is effective for annual reporting periods beginning after December 15, 2024, with early adoption permitted and can be applied on either a prospective or retroactive basis. The Company is currently assessing the effect that adoption of this guidance will have on its Consolidated Financial Statements.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES.

As of February 1, 2025, our Interim Chief Executive Officer and Interim Chief Financial Officer, together with a disclosure review committee appointed by the Interim Chief Executive Officer, evaluated the Company's disclosure controls and procedures. Based on that evaluation, our Interim Chief Executive Officer and Interim Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of February 1, 2025.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company is in the process of implementing a broad, multi-year, technology transformation project to modernize mainframe, middleware and legacy systems to achieve better process efficiencies across customer service, merchandising, sourcing, payroll and accounting through the use of various solutions. There have been no material additional implementations of modules during the quarter ended February 1, 2025. As the Company's technology transformation project continues, the Company continues to emphasize the maintenance of effective internal controls and assessment of the design and operating effectiveness of key control activities throughout development and deployment of each phase and will evaluate as additional phases are deployed.

There were no changes in Kroger's internal control over financial reporting that materially affected, or were reasonably likely to materially affect, Kroger's internal control over financial reporting during the quarter ended February 1, 2025.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. With the participation of the Interim Chief Executive Officer and the Interim Chief Financial Officer, our management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework and criteria established in *Internal Control — Integrated Framework (2013)*, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the evaluation, management has concluded that the Company's internal control over financial reporting was effective as of February 1, 2025.

The effectiveness of the Company's internal control over financial reporting as of February 1, 2025, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report, which can be found in Item 8 of this Form 10-K.

ITEM 9B. OTHER INFORMATION.

In the fourth quarter of 2024, no director or officer (as defined in Exchange Act Rule 16a-1(f)) of the Company adopted or terminated a Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement for the purchase or sale of securities of the Company, within the meaning of Item 408 of Regulation S-K.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS.

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

Our board of directors has adopted The Kroger Co. Policy on Business Ethics, applicable to all officers, employees and directors, including Kroger's principal executive, financial and accounting officers. The Policy on Business Ethics is available on our website at ir.kroger.com under Investors – Governance – Policy on Business Ethics. A copy of the Code of Ethics is available in print free of charge to any shareholder who requests a copy. Shareholders may make a written request to Kroger's Secretary at our executive offices at 1014 Vine Street, Cincinnati, Ohio 45202. We intend to satisfy the disclosure requirement regarding any amendment to, or a waiver from, a provision of the Policy on Business Ethics for our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, by posting such information on our website.

The information required by this Item 10 with respect to executive officers is included within Item 1 in Part I of this Annual Report on Form 10-K under the caption "Information about our Executive Officers." The information required by this Item not otherwise set forth in Part I above or in this Item 10 of Part III is set forth under the headings Election of Directors, Information Concerning the Board of Directors- Committees of the Board, Information Concerning the Board of Directors- Audit Committee and Delinquent 16(a) Reports, if required, and Compensation Discussion and Analysis – Securities Trading Policies in the definitive proxy statement to be filed by the Company with the Securities and Exchange Commission within 120 days after the end of the fiscal year 2024 (the "2025 proxy statement") and is hereby incorporated by reference into this Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION.

The information required by this Item is set forth in the sections entitled Compensation Discussion and Analysis, Compensation Committee Report, and Compensation Tables in the 2025 proxy statement and is hereby incorporated by reference into this Form 10-K.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The following table provides information regarding shares outstanding and available for issuance under our existing equity compensation plans:

Equity Compensation Plan Information

Plan Category	(a)	(b)	(c)
	Number of securities to be issued upon exercise of outstanding options, warrants and rights ⁽¹⁾	Weighted-average exercise price of outstanding options, warrants and rights ⁽¹⁾	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	13,916,145	\$ 36.25	29,254,814
Equity compensation plans not approved by security holders	—	\$ —	—
Total	13,916,145	\$ 36.25	29,254,814

(1) The total number of securities reported includes the maximum number of common shares, 2,340,449, that may be issued under performance units granted under our long-term incentive plans. The nature of the awards is more particularly described in the Compensation Discussion and Analysis section of the definitive 2025 proxy statement and is hereby incorporated by reference into this Form 10-K. The weighted-average exercise price in column (b) does not take these performance unit awards into account.

The remainder of the information required by this Item is set forth in the section entitled Beneficial Ownership of Common Stock in the 2025 proxy statement and is hereby incorporated by reference into this Form 10-K.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

The information required by this Item is set forth in the sections entitled Related Person Transactions and Information Concerning the Board of Directors-Independence in the 2025 proxy statement and is hereby incorporated by reference into this Form 10-K.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The information required by this Item is set forth in the section entitled Ratification of the Appointment of Kroger's Independent Auditor in the 2025 proxy statement and is hereby incorporated by reference into this Form 10-K.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

- (a)1.† Financial Statements:
Report of Independent Registered Public Accounting Firm (PCAOB ID 238)
Consolidated Balance Sheets as of February 1, 2025 and February 3, 2024
Consolidated Statements of Operations for the years ended February 1, 2025, February 3, 2024 and January 28, 2023
Consolidated Statements of Comprehensive Income for the years ended February 1, 2025, February 3, 2024 and January 28, 2023
Consolidated Statements of Cash Flows for the years ended February 1, 2025, February 3, 2024 and January 28, 2023
Consolidated Statement of Changes in Shareholders' Equity for the years ended February 1, 2025, February 3, 2024 and January 28, 2023
Notes to Consolidated Financial Statements
- (a)2. Financial Statement Schedules:
There are no Financial Statement Schedules included with this filing for the reason that they are not applicable or are not required or the information is included in the financial statements or notes thereto.
- (a)3.(b) Exhibits
- 2.1 [Agreement and Plan of Merger, dated as of October 13, 2022, by and among the Company, Parent and Merger Sub, is hereby incorporated by reference to Exhibit 2.1 of the Company's 8-K filed with the SEC on October 14, 2022.](#)
- 3.1 [Amended Articles of Incorporation are hereby incorporated by reference to Exhibit 3.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended May 22, 2010, as amended by the Amendment to Amended Articles of Incorporation, which is hereby incorporated by reference to Exhibit 3.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended May 23, 2015.](#)
- 3.2 [The Company's Regulations are hereby incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K filed with the SEC on June 27, 2019.](#)
- 4.1 Instruments defining the rights of holders of long-term debt of the Company and its subsidiaries are not filed as Exhibits because the amount of debt under each instrument is less than 10% of the consolidated assets of the Company. The Company undertakes to file these instruments with the SEC upon request.
- 4.2 [Description of Securities. Incorporated by reference to Exhibit 4.2 of the Company's Annual Report on Form 10-K for the fiscal year ended February 1, 2020.](#)
- 10.1 [Credit Agreement, dated as of September 13, 2024, by and among the Company, the lenders from time to time party thereto, Wells Fargo Bank, National Association and Citibank, N.A., as co-administrative agents, and Wells Fargo Bank, National Association, as the paying agent, which is hereby incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed with the SEC on September 13, 2024.](#)
- 10.2 [Amendment No. 1 to Credit Agreement, dated as of October 8, 2024, by and among the Company, the lenders party thereto, Wells Fargo Bank, National Association and Citibank, N.A., as co-administrative agents, and Wells Fargo Bank, National Association, as the paying agent, to the Credit Agreement, dated as of September 13, 2024, which is hereby incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed with the SEC on October 9, 2024.](#)
- 10.3 [Amendment No. 2 to Term Loan Credit Agreement, dated as of September 13, 2024, by and among the Company, the lenders party thereto and Citibank, N.A., as administrative agent, to the Term Loan Credit Agreement, dated as of November 9, 2022, which is hereby incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed with the SEC on September 13, 2024.](#)

- 10.4 [Amendment No. 3 to Term Loan Credit Agreement, dated as of October 8, 2024, by and among the Company, the lenders party thereto and Citibank, N.A., as administrative agent, to the Term Loan Credit Agreement, dated as of November 9, 2022, which is hereby incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed with the SEC on October 9, 2024.](#)
- 10.1* [The Kroger Co. Deferred Compensation Plan for Independent Directors. Incorporated by reference to Exhibit 10.2 of the Company's Annual Report on Form 10-K for the fiscal year ended January 30, 2016.](#)
- 10.2* [The Kroger Co. Executive Deferred Compensation Plan. Incorporated by reference to Exhibit 10.4 of the Company's Annual Report on Form 10-K for the fiscal year ended January 29, 2005.](#)
- 10.3* [The Kroger Co. 401\(k\) Retirement Savings Account Restoration Plan. Incorporated by reference to Exhibit 10.4 of the Company's Annual Report on Form 10-K for the fiscal year ended February 3, 2007.](#)
- 10.4* [The Kroger Co. Supplemental Retirement Plans for Certain Retirement Benefit Plan Participants. Incorporated by reference to Exhibit 10.6 of the Company's Annual Report on Form 10-K for the fiscal year ended February 3, 2007.](#)
- 10.5* [The Kroger Co. Employee Protection Plan dated January 13, 2017. Incorporated by reference to Exhibit 10.5 of the Company's Annual Report on Form 10-K for the fiscal year ended January 28, 2017.](#)
- 10.6 [Term Loan agreement, dated as of November 9, 2022, by and among The Kroger Co., the lenders from time to time party thereto, and Citibank, N.A., as administrative agent for the lenders, incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed with the SEC on November 10, 2022.](#)
- 10.7 [Amendment No. 1 to Credit Agreement, dated as of November 9, 2022, by and among The Kroger Co., the lenders party thereto, and Bank of America, N.A., as paying agent to the Amended and Restated Credit Agreement dated July 6, 2021, incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed with the SEC on November 10, 2022.](#)
- 10.8 [The Kroger Co. 2008 Long-Term Incentive and Cash Bonus Plan. Incorporated by reference to Exhibit 4.2 of the Company's Form S-8 filed with the SEC on June 26, 2008.](#)
- 10.9 [The Kroger Co. 2011 Long-Term Incentive and Cash Bonus Plan. Incorporated by reference to Exhibit 4.2 of the Company's Form S-8 filed with the SEC on June 23, 2011.](#)
- 10.10 [The Kroger Co. 2014 Long-Term Incentive and Cash Bonus Plan. Incorporated by reference to Exhibit 4.2 of the Company's Form S-8 filed with the SEC on July 29, 2014.](#)
- 10.11* [The Kroger Co. 2019 Long-Term Incentive Plan. Incorporated by reference to Exhibit 99.1 of the Company's Form S-8 filed with the SEC on June 28, 2019.](#)
- 10.12* [Form of Restricted Stock Grant Agreement under Long-Term Incentive Cash Bonus Plans. Incorporated by reference to Exhibit 10.11 of the Company's Annual Report on Form 10-K for the fiscal year ended February 1, 2020.](#)
- 10.13* [Form of Restricted Stock Grant Agreement under Long-Term Incentive and Cash Bonus Plans. Incorporated by reference to Exhibit 10.9 of the Company's Annual Report on Form 10-K for the fiscal year ended February 3, 2007.](#)
- 10.14* [Form of Non-Qualified Stock Option Grant Agreement under Long-Term Incentive and Cash Bonus Plan. Incorporated by reference to Exhibit 10.13 of the Company's Annual Report on Form 10-K for the fiscal year ended February 1, 2020.](#)
- 10.15* [Form of Non-Qualified Stock Option Grant Agreement under Long-Term Incentive and Cash Bonus Plans. Incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended May 24, 2008.](#)
- 10.16* [Form of Performance Unit Award Agreement under Long-Term Incentive and Cash Bonus Plans. Incorporated by reference to Exhibit 10.15 of the Company's Annual Report on Form 10-K for the fiscal year ended February 1, 2020.](#)

- 10.17* [Form of Restricted Stock Grant Agreement under Long-Term Incentive and Cash Bonus Plan. Incorporated by reference to Exhibit 10.16 of the Company's Annual Report on Form 10-K for the fiscal year ended January 30, 2021.](#)
- 10.18 [Amended and Restated Employment Agreement between The Kroger Co. and David Kennerley dated March 28, 2025.](#)
- 19.1 [The Kroger Co. Share Repurchase Policy](#)
- 19.2 [The Kroger Co. Policy on Securities Trading](#)
- 21.1 [Subsidiaries of the Registrant.](#)
- 23.1 [Consent of Independent Registered Public Accounting Firm.](#)
- 24.1 [Powers of Attorney.](#)
- 31.1 [Rule 13a-14\(a\)/15d-14\(a\) Certification.](#)
- 31.2 [Rule 13a-14\(a\)/15d-14\(a\) Certification.](#)
- 32.1 [Section 1350 Certifications.](#)
- 97 [The Kroger Co. Policy on Incentive Based Compensation Recovery](#)
- 101.INS XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
- 101.SCH XBRL Taxonomy Extension Schema Document.
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document.
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document.
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document.
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document.
- 104 Cover Page Interactive Data File - The cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.

* Management contract or compensatory plan or arrangement.

† Filed herewith.

ITEM 16. FORM 10-K SUMMARY.

Not Applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE KROGER CO.

Dated: April 1, 2025

/s/ Ronald L. Sargent

Ronald L. Sargent
Chairman of the Board and Interim Chief Executive Officer
(principal executive officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Company and in the capacities indicated on the 1st of April 2025.

/s/ Todd A. Foley _____ Todd A. Foley	Senior Vice President and Interim Chief Financial Officer (principal financial officer)
/s/ Brian W. Nichols _____ Brian W. Nichols	Vice President, Corporate Controller and Assistant Treasurer (principal accounting officer)
* _____ Nora A. Aufreiter	Director
* _____ Kevin M. Brown	Director
* _____ Elaine L. Chao	Director
* _____ Anne Gates	Director
* _____ Karen M. Hoguet	Director
* _____ Clyde R. Moore	Chairman of the Board and Interim Chief Executive Officer
* _____ Ronald L. Sargent	Director
* _____ J. Amanda Sourry Knox	Director
* _____ Mark S. Sutton	Director
* _____ Ashok Vemuri	Director

*By: /s/ Christine S. Wheatley
Christine S. Wheatley
Attorney-in-fact



THE KROGER CO.

1014 VINE STREET

CINCINNATI, OHIO 45202-1100

Date: March 28, 2025

To: David Kennerley
From: Ron Sargent
Subject: Executive New Hire – Amended and Restated Offer

David,

We are pleased to offer you the position of Senior Vice President of The Kroger Co. (“Kroger” or the “Company”) effective March 10, 2025 and Chief Financial Officer effective April 3, 2025, reporting solely and directly to me as CEO. The position will be based in Cincinnati, OH except as otherwise previously directed or consented to by the Company.

Your annual salary will be \$800,000 with an annual incentive plan target of \$800,000. For the 2025 fiscal year, such bonus shall not be prorated. The annual incentive plan is currently paid out in March of each year based on our prior year company performance as described in the plan for that year. For example, the 2025 fiscal year begins on February 2, 2025 and ends on January 31, 2026. The incentive payout for this year will be mid-March 2026. To receive an annual incentive payout, you must be an active associate on the last day of our fiscal year for which the incentive was earned. After 30 days of employment, the Company shall pay you a \$300,000 cash bonus payment, less applicable taxes. After 2 months of employment, the Company shall pay you a \$550,000 cash bonus payment, less applicable taxes. At 12 months of employment, the Company shall pay you another \$500,000 cash bonus payment, less applicable taxes (each such payment a “Cash Payment Amount”). See footnote for more details.

On the first of the month following your date of hire, you will be eligible for our comprehensive health care plans along with stock purchase and life and income protection plans. You will also be eligible for 4 weeks of vacation, with the amount pro-rated in calendar 2025 based on your date of hire. As an executive of the Company, your benefits will also include long-term disability, deferred compensation, accidental death and dismemberment and the long-term incentive plan. Please review the executive benefits brochure you have been provided for complete details.

The Company shall award you a special grant of \$2,800,000 in restricted shares, ratably vesting over 3 years. This will be awarded in March 2025. In addition to the special grant, annually, beginning in March 2025, you will be eligible for a long-term equity grant vesting over 4 years, commensurate with your role and based on meeting performance expectations in a fiscal year. You will also be eligible to participate in our Long-Term Incentive Plan which may pay out in performance unit equity based on the Company meeting specific performance metrics over the life of the plan. The current total target long-term incentive plan and equity award value for your role, assuming your performance is consistently delivering expectations, is \$3,100,000 (20% in stock options, 30% in restricted shares, and 50% in performance units).

To more closely align the interests of Kroger’s officers and directors with those of our shareholders, the Board of Directors has adopted stock ownership guidelines. These guidelines require non-employee directors, executive officers, and other key executives to acquire and hold a minimum dollar value of Kroger common shares within 5 years of entering a role subject to these requirements. The target value of stock ownership for your role equals 3 times your base salary.

Until the ownership requirements are met, you must hold 100% of common shares issued, including performance units earned and shares received upon the exercise of stock options or upon the vesting of restricted stock, except those necessary to pay the exercise price of the options and/or applicable taxes. While working to achieve your target level of ownership, you must also retain all Kroger common shares unless a disposition is approved by the CEO.



THE KROGER CO.

1014 VINE STREET

CINCINNATI, OHIO 45202-1100

You also qualify for the Relocation Program. The Relocation Policy Summaries are attached. Your relocation package includes one month of base pay at the new salary to assist with miscellaneous relocation expenses not covered in the relocation policy, which will be generated with your first payroll processing in your new position. For the avoidance of doubt, you will be covered under the U.S. Domestic Relocation Policy for Tier 1 U.S. executives with such additional features as are provided under the Company's International Relocation Policy for international relocation assignments. Upon acceptance of this offer, a relocation representative will contact you to discuss your moving plans.

In the event that your employment terminates as a result of a termination by the Company without Cause (as defined in The Kroger Co. Employee Protection Plan), a termination by you with Good Reason (as defined in The Kroger Co. Employee Protection Plan), or as a result of your death or disability, the Company shall (i) pay you any remaining unpaid Cash Payment Amounts within thirty (30) days following such termination and (ii) allow the Special RSU Grant to continue to vest according to the original vesting terms of the grant.

In your role as Chief Financial Officer, you will be covered as an officer under the Company's Directors & Officers Liability Coverage insurance policy. In summary, coverage is provided as follows: Provides corporate reimbursement coverage to the Company and personal liability coverage to all directors and officers for liability arising from their actions in their capacity as director or officer of the Company. Includes specific coverage for pollution-related claims for non-indemnifiable losses. The corporate entity is also covered for securities claims only. This policy will respond to employment claims against directors & officers in excess of our Employment Practices Liability policy.

Signing below confirms all the details of our amended and restated offer, terms and conditions of employment but does not constitute any express, implied or real contracts of employment, as your employment will be at-will.

Please indicate your decision below, sign, date and email the offer letter to Tim Massa's attention at Tim.Massa@kroger.com.

David, we appreciate you considering this role with Kroger. We believe you will make a big difference in our success and the achievement of our vision. I personally look forward to working closely with you.

Please feel free to contact me if you have any additional questions concerning this offer.

Sincerely,

Ron Sargent
Chairman and Interim CEO
The Kroger Co.

I agree to the terms of this amended and restated offer letter: _____ Yes _____ No

/s/ David J. C. Kennerley

Signature

Date: _____

Footnote: By signing this letter, you agree that in the event you are separated from your employment from Kroger within 2 years of your hire for reason other than an involuntary termination (that is, Kroger's terminating your employment) or your death or significant disability, you will be obliged to repay to Kroger the entirety of any amount Kroger has paid to you in connection with your Cash Payment Amount. You agree that Kroger will and you hereby authorize Kroger to withhold from your final paycheck and/or from any other forms of final



THE KROGER CO.

1014 VINE STREET

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compensation otherwise owed to you the amount you owe to Kroger in relation to the terms of this paragraph, and you agree to pay all of Kroger's costs and expenses (including without limitation reasonable attorneys' fees) incurred in any other effort to collect repayment you owe to Kroger in accord with the terms of this paragraph.

cc: Tim Massa, SVP, Human Resources/Labor Relations

The Kroger Co. Share Repurchase Policy

This purpose of this policy (this “Policy”) is to help The Kroger Co. and its subsidiaries (collectively, “Kroger” or “the Company”) comply with U.S. securities laws, rules and regulations (collectively, “Securities Laws”) concerning insider trading matters with respect to the Company’s open market repurchase of Company’s securities, including any form of shares, debt or other security, previously issued by the Company or any of its affiliates (“Company Securities”). Transactions in Company Securities by our directors, officers and associates are subject to the Company’s Policy on Securities Trading.

The board of directors of the Company (the “Board”) may from time to time authorize the Company to repurchase Company Securities under such terms and conditions that the Board may determine (a “Repurchase Authorization”).

Subject to the terms and conditions of a Repurchase Authorization, the Company’s Chief Financial Officer (the “CFO”) or the CFO’s delegate approves the execution of specific repurchases of Company Securities in consultation with, and subject to prior clearance from, Kroger’s General Counsel or his or her designee.

In general, Repurchase Authorizations should be effected (a) when the Company is not aware of material non-public information about the Company or Company Securities, (b) pursuant to a contract, instruction, or plan that satisfies the requirements of Rule 10b5-1(c) under the Securities Exchange Act of 1934, as amended, or (c) otherwise in compliance with applicable law.

The timing, magnitude and volume of individual repurchase contracts under the program, as well as the brokers utilized to execute share repurchase contracts, are at the discretion of management and must be in compliance with all applicable securities laws.

Any amendments to this Policy must be approved by the Board of Directors.

Adopted March 13, 2025

The Kroger Co.
Policy on Securities Trading

I. INTRODUCTION

A. Purpose

The Kroger Co. (“Kroger”) and its subsidiaries (collectively, the “Company”) have a culture which requires, and have developed a well-earned reputation for, integrity, ethical conduct and fair dealing. The purpose of this Policy on Securities Trading (this “Policy”) is to promote compliance with federal and state securities laws that prohibit certain persons who are aware of material non-public information about a company from: (i) trading in securities of that company; or (ii) providing material non-public information to other persons who may trade on the basis of that information.

B. Company Securities

This Policy applies to transactions in the Company’s securities, including common shares, options to purchase common shares, or any other type of security that the Company may issue, such as debt, derivative securities that are not issued by the Company such as exchange-traded put or call options or swaps relating to the Company or securities issued by the Company (collectively referred to as “Company Securities”). Therefore, for example, it may apply to open market purchase and sales, gifts, transfer of assets into or out of Kroger shares within an associate benefit plan (such as 401(k) or a stock purchase plan), and “cashless” exercises of stock options.

As described below, this Policy under certain circumstances also could apply to the securities of certain other companies.

C. Who is Subject to this Policy

This Policy applies to all directors and officers of Kroger and to all associates of the Company (collectively, “Company Personnel”). The use of “you” throughout this Policy speaks directly to Company Personnel.

This Policy also applies to anyone who lives in the household of Company Personnel (whether or not family members) or anyone whose transactions are subject to your influence or control (collectively referred to as “Family Members”). You are responsible for the transactions of Family Members and therefore should inform your Family Members of the need to confer with you before they trade in Company Securities.

This Policy also applies to any entities or accounts, including corporations, partnerships or trusts, that are under your influence or control, or are a beneficiary of you or your Family Members (collectively, “Controlled Entities”). Transactions by such Controlled Entities should be treated as if they were for the account of you or your Family Member for the purposes of this Policy and applicable securities laws.

D. Individual Responsibility

You are responsible for complying with this Policy, including for determining whether you are aware of material non-public information. You could be subject to severe legal penalties and disciplinary action by the Company for any conduct prohibited by this Policy or applicable securities laws, as described below in more detail under the heading “Consequences of Violation.”

E. Questions

Questions about this Policy or any proposed transaction should be directed to Kroger’s General Counsel or the General Counsel’s designee (and all references to the General Counsel in this Policy shall include such designee).

II. STATEMENT OF POLICY

A. Policy Prohibiting Insider Trading

- **No Trading on Material Non-Public Information.** If you are aware of material non-public information about the Company or its securities, you may not, directly or indirectly, buy, sell, or gift Company Securities, except as otherwise specified in this Policy.
- **No Tipping.** If you are aware of material non-public information about the Company, you may not communicate or pass (“tip”) that information to persons within the Company whose jobs do not require them to have that information, or to persons outside the Company, including Family Members and friends. The federal securities laws impose liability on any person who “tips” or communicates material non-public information (the “tipper”) to another person or entity (the “tippee”), who then trades on the basis of the information. Penalties may apply regardless of whether the tipper derives any benefits from the tippee’s trading activities.
- **Other Companies.** If you, in the course of working for the Company, learn of material non-public information about any other company with which the Company does business, including a competitor or supplier, or that is involved in a potential transaction or business relationship with the Company, then you may not trade in, take advantage of, or share such information about that other company’s securities until the information becomes public or is no longer material.

B. Transactions under Company Plans

The limitations of this Policy do **not** apply to the following, except as specifically noted:

- **Stock Option Exercises:** Exercise of an employee stock option acquired pursuant to the Company’s plans, or the exercise of a tax withholding right pursuant to

which a person has elected to have the Company withhold common shares subject to an option to satisfy tax withholding requirements. However, this Policy **does** apply to (i) a cashless exercise of the option through a broker, as this entails selling a portion of the underlying shares to cover the cost of exercise, or (ii) any sale of the underlying shares.

- **Restricted Stock Awards:** Vesting of restricted stock, or the exercise of a tax withholding right pursuant to which a person elected to have the Company withhold common shares to satisfy tax withholding requirements upon the vesting of any restricted stock. However, this Policy **does** apply to any sale of vested restricted stock.
- **401(k) Plan:** Purchases of Company Securities in the Company's 401(k) plan resulting from periodic contribution of money to the plan pursuant to standard payroll deduction elections. However, this Policy **does** apply to certain elections you may make under the 401(k) plan, including: (a) an election to increase or decrease the percentage of your periodic contributions that will be allocated to Kroger stock; (b) an election to make an intra-plan transfer of an existing account balance into or out of Kroger stock; (c) an election to borrow money against your 401(k) plan account if the loan will result in a liquidation of some or all of your Kroger stock balance; and (d) an election to pre-pay a plan loan if the pre-payment will result in allocation of loan proceeds to Kroger stock.

C. Planned Trading Programs

Rule 10b5-1 under the Securities Exchange Act of 1934 provides an affirmative defense, under certain conditions, against allegations that a person traded in Company Securities while aware of material non-public information. In order to be eligible to rely on this defense, a person subject to this Policy must enter into a trading plan for transactions in Company Securities that meets certain conditions specified in Rule 10b5-1 (a "Rule 10b5-1 Plan") and in accordance with Kroger's Guidelines on Rule 10b5-1 Trading Plans as further described in Exhibit A (the "Rule 10b5-1 Guidelines") to this Policy. If the requirements of Rule 10b5-1 and the Rule 10b5-1 Guidelines are satisfied, Company Securities may be bought, sold, or gifted without regard to certain insider trading restrictions, including the Blackout Period and pre-clearance requirements described below.

To comply with this Policy, a Rule 10b5-1 Plan must be pre-approved by the General Counsel or such person's designee and the requirements of the Rule 10b5-1 Guidelines must be satisfied.

D. Post-Termination Transactions

This Policy continues to apply to transactions in Company Securities even after your service with the Company has ended (other than the pre-clearance and trading prohibitions during a Blackout Period, which will cease to apply upon the expiration of any Blackout Period pending at the time of the termination of service). If you are aware

of material non-public information when your employment terminates, you may not engage in transactions in Company Securities until that information has become public or is no longer material.

E. What is Material Non-Public Information?

(1) Identifying Material Information

As a general rule, you should consider material information as any information that a reasonable investor would consider important in making a decision to buy, hold, or sell securities. Any information that could be expected to affect a company's stock price, whether it is positive or negative, should be considered material. There is no bright-line standard for assessing materiality; rather, materiality is based on an assessment of all of the facts and circumstances.

While it is not possible to define all categories of material information, some examples of information that ordinarily would be regarded as material are:

- A pending acquisition, sale, joint venture, merger or tender offer;
- Changes to earnings, guidance or projections;
- Significant cybersecurity incidents or privacy breaches, whether at the Company's facilities or through its information technology infrastructure;
- Company restructuring;
- Significant borrowing activities, including contemplated financings and refinancings (other than in the ordinary course);
- A change in dividend policy, the declaration of a stock split, or an offering of additional securities;
- A change in auditors or notification that the auditor's reports may no longer be relied upon;
- The imposition of a ban on trading in Company Securities or the securities of another company, or the extension or termination of such ban;
- Impending bankruptcy or the existence of severe liquidity problems;
- Adjustments to reported earnings;
- A significant expansion or cutback of operations;
- Extraordinary business developments;
- Changes in senior executive management;
- Major lawsuits, legal settlements or regulatory matters;
- The commencement or results of significant regulatory proceedings;
- Significant transactions in Company Securities; and
- Material weakness in internal controls of financial reporting.

(2) When is Information Considered Non-Public?

Information that has not been disclosed to the public is generally considered to be non-public information. In order to establish that the information has been disclosed to the

public, it may be necessary to demonstrate that the information has been widely disseminated. The following are considered methods of public dissemination:

- A Form 8-K or other document filed with, or submitted to, the U.S. Securities and Exchange Commission (“SEC”) when available on the SEC’s website;
- A press release disseminated through newswire services; or
- A conference call (or webcast of such a call) that is open to the public at large, and has been the subject of adequate advance notice within the meaning of Regulation FD, under the Securities Exchange Act of 1934.

Once information is widely disseminated, it is still necessary to afford the investing public with sufficient time to absorb the information. As a general rule, information should not be considered fully absorbed by the marketplace until after one business day has elapsed since the day on which the information is released. For example, if Kroger were to make issue a press release pre-market on a Thursday that included previously non-public information, it generally would not be considered publicly disseminated until Friday. Depending on the particular circumstances, Kroger may determine that a longer or shorter period should apply to the release of specific material non-public information.

(3) *Confidentiality of Material Non-Public Information*

In addition to the trading restrictions, Company Personnel may not use any material non-public information, or divulge that information to others, except as required by the legitimate business of the Company or otherwise permitted by rules of the SEC as determined in consultation with Kroger’s Law Department. The same policy applies to material non-public information about any other company, including our competitors and suppliers, obtained in the course of employment with the Company.

Questions about this Policy or about any specific transaction should be directed to the General Counsel or the General Counsel’s designee. In the case of any doubt regarding the applicability of this Policy, Company Personnel are urged to consult with the General Counsel or the General Counsel’s designee prior to trading. Ultimate responsibility for compliance, however, rests with the individual.

III. BLACKOUT PERIODS

All individuals who are reasonably likely to come into possession of material non-public information regarding the Company’s financial performance are prohibited from transacting in Company Securities beginning on the first day of the last accounting period of each fiscal quarter of Kroger and ending on the business day after Kroger publicly discloses its earnings for that quarter (the “Blackout Periods”). For example, if Kroger publishes its earnings press release on Thursday before the markets open, then Thursday would be covered by the Blackout Period but Friday would not.

The individuals subject to Blackout Periods include:

- All members of Kroger’s Board of Directors;

- All officers (as defined in Rule 16a-1(f) of the Exchange Act) of Kroger (i.e., Section 16 officers);
- All other Company executives (i.e., those above pay level 13);
- Those individuals who receives sales or earnings information for the entire Company in advance of its public disclosure or who have access to that information;
- Any other individual who is notified in writing by the Company that such person is not permitted to trade during the Blackout Periods; and
- Family Members and Controlled Entities of each of the foregoing.

Additionally, it may be necessary to implement Blackout Periods during other times. In this case, individuals will be notified by the General Counsel or such person's designee. The Company's implementation of additional Blackout Periods could itself be, or otherwise imply the existence of, material non-public information. Accordingly, if you are made aware of the existence of an additional Blackout Period, you should not disclose the existence of such Blackout Period to any other person.

IV. CONSEQUENCES OF VIOLATION

Insider trading (and tipping) is a serious crime. There are no thresholds or limits on the size of a transaction that will trigger insider trading liability. Insider trading violations are pursued vigorously by the Securities and Exchange Commission and the Department of Justice and can be detected using advanced technologies. Individuals found liable for insider trading face significant penalties, criminal fines and imprisonment.

The Company may impose disciplinary action, up to and including termination of employment, for any violation of this Policy whether or not such violation resulted in a violation of law. Needless to say, a violation of this Policy can tarnish a person's reputation and irreparably damage a career.

V. CERTAIN ADDITIONAL RESTRICTIONS

A. Designated Persons

All Designated Persons are subject to Pre-Clearance restrictions described in this Section.

The following are "Designated Persons":

- All members of Kroger's Board of Directors;
- All officers (as defined in Rule 16a-1(f) of the Exchange Act) of Kroger (i.e., Section 16 officers);
- Such other persons as may be designated from time to time by the General Counsel (designated individuals will be identified and contacted through a separate memorandum); and
- Family Members and Controlled Entities of each of the foregoing.

B. Pre-Clearance

All Designated Persons must obtain **prior** approval from the General Counsel or designee for transactions in Company Securities, as specified below. This pre-clearance also applies to gifts to charities or other persons and other transfers of Company Securities. Pre-clearance requests will not be granted during a Blackout Period.

Designated Persons seeking to pre-clear a transaction must notify the General Counsel or designee by email of the desire to effect a transaction at least one (1) business day before the date of the proposed transaction. Designated Persons should be prepared to provide the date on which the proposed transaction is expected to occur and to identify the broker-dealer or any other investment professional responsible for executing the transaction. The General Counsel or designee will inform the requesting individual of a decision with respect to the request as soon as possible after considering all the circumstances relevant to a determination.

The General Counsel or designee is under no obligation to approve a transaction submitted for pre-clearance and may determine not to permit the transaction. If the General Counsel or designee has not responded to a request for pre-clearance, do not trade. If approved, the transaction must occur with one business day after receipt of approval (so long as the transaction is not during a Blackout Period). If permission is denied, refrain from initiating any transaction in Company Securities and do not inform any other person of the restriction.

Even if approval to enter into a transaction pursuant to the pre-clearance process is obtained in writing or pre-clearance is not required for a particular transaction, Designated Persons may not transact in Company Securities if such person is aware of material non-public information about the Company or its securities.

C. Prohibited and Special Transactions

In addition to the other restrictions and prohibitions contained in this Policy, Designated Persons **may not**:

- **Publicly Traded Options:** Engage in Company Securities in the form of puts, calls, or other derivative securities, on an exchange or in any other organized market.
- **Hedging and Pledging.** Engage, directly or indirectly, in hedging or monetization transactions utilizing Company Securities or through the use of financial instruments designed for those purposes or engaging in short sale transactions in Company Securities. In addition, Designated Persons may not pledge Company Securities as collateral for a loan (including through the use of traditional margin accounts with brokers), except to the extent that common shares so pledged are in excess of the number of shares that the individual is required to maintain pursuant to Kroger's stock ownership guidelines.

- ***Standing and Limit Orders:*** Place standing or limit orders on Company Securities outside of a Rule 10b5-1 Plan adopted in accordance with this Policy.
- ***Short Sales:*** Engage in short sales (selling securities that you do not own, with the intention of buying the securities at a lower price in the future) of Company Securities. In addition, Section 16(c) of the Exchange Act prohibits directors and Section 16 officers of Kroger from engaging in short sales.

Adopted by the Board on March 9, 2023.

EXHIBIT A

Guidelines on Rule 10b5-1 Trading Plans

The following guidelines apply for any Rule 10b5-1 trading plan established (a “Trading Plan”) relating to the securities of The Kroger Co. (“Kroger”) and its subsidiaries (collectively, the “Company”).

Trading Plans, and any amendments or terminations thereof must comply with Rule 10b5-1 (“Rule 10b5-1”) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), Kroger’s Policy on Securities Trading and other Company policies. All references to a “Plan Participant” shall mean any individual that has entered into a Trading Plan. The requirements set forth in this exhibit for a new Trading Plan also apply to amendments to a Trading Plan.

1. **Pre-Approval of Trading Plans, Amendments, and Terminations.**
 - Prior written approval of Kroger’s General Counsel or designee must be obtained prior to the adoption, amendment, or termination of a Trading Plan. Requests for approval must be made at least five (5) business days prior to adoption, amendment or termination, as the case may be, or such shorter period as the General Counsel or designee may authorize.
2. **Limitations.**
 - **No Material Non-Public Information; Blackout Periods.** A Trading Plan must be adopted (and amendments may only be approved) (a) outside of a Blackout Period under Kroger’s Policy on Securities Trading and (b) when the Plan Participant does not possess material non-public information about the Company or its securities.
 - **Good Faith.** A Trading Plan must be entered into (or amended) in good faith and not as part of a plan or scheme to evade the prohibitions of Rule 10b5-1, and the Plan Participant must act in good faith for the duration of the Trading Plan.
3. **Trading Plan Requirements.**
 - **Duration.** A Trading Plan must be at least 6 months but no longer than 18 months in duration after the effective date of such Trading Plan.
 - **Cooling-off Period.** For directors or officers (as defined in Rule 16a-1(f) of the Exchange Act) of Kroger (i.e., Section 16 officers), a Trading Plan should only allow for trades to be executed under the Trading Plan after a minimum of 120 calendar days after adoption of the Trading Plan. For persons other than directors or officers of Kroger, a Trading Plan should only allow for trades to be executed under the Trading Plan after a minimum of 30 calendar days after the date of adoption of the Trading Plan.
 - **Plan Specifications; Discretion Regarding Trades.** A Trading Plan must either (a) specify the amount of securities to be purchased or sold and the price at which and date on which the securities are to be purchased or sold, or (b) specify or set an objective formula or algorithm for determining the amount of securities to be purchased or sold. A Trading Plan should specify the timing of trading or allow the broker to exercise discretion regarding timing of trading under the Trading Plan.

- **Mandatory Suspension.** A Trading Plan must provide for suspension of trades under such plan, in whole or in part as appropriate, if legal, regulatory or contractual restrictions or suspensions are imposed on the Plan Participant, or if other events occur that would prohibit sales or purchases under such Trading Plan, as the case may be, such as a suspension, expiration, termination or unavailability of an applicable registration statement related to the Company, or by reason of a material transaction related to the Company's securities.
 - **Certification for Directors and Officers.** Any Trading Plan for a director or officer of Kroger must include a certification with the representations required by Rule 10b5-1(c)(1)(ii)(C), as amended.
4. **Amendments of a Trading Plan.** The prior written permission of the General Counsel or designee is required in order to amend a Trading Plan. Any amendment to a Trading Plan that modifies the amount, price, or timing of the purchase or sale of securities will constitute a termination of the Trading Plan and the adoption of a new Trading Plan. Consequently, such amended Trading Plan must comply with all requirements set forth in this Policy, including the cooling-off period described in Section 3 above.
 5. **Termination of a Trading Plan.** A Trading Plan may be terminated at any time with prior written notice to and approval of the General Counsel or designee. A Plan Participant that terminates a Trading Plan prior to its stated duration shall not trade in Company securities (including pursuant to a new Trading Plan) until the later of (i) the next period under Kroger's Policy on Securities Trading that is not a Blackout Period or (ii) 90 calendar days following such termination; *provided, however*, that any transactions in Company Securities following such termination must comply with Kroger's Policy on Securities Trading. Any new Trading Plan shall be subject to the cooling-off period described in Section 3 above.
 6. **Trades Outside a Trading Plan.** A Plan Participant shall not trade in Company securities during the term of a Trading Plan except as otherwise approved by the General Counsel or designee. For the avoidance of doubt and notwithstanding anything to the contrary in these guidelines, these restrictions shall not apply to transactions with the Company such as (i) shares withheld by or sold to the Company to satisfy tax obligations in connection with the vesting of restricted stock or (ii) option exercises; provided that open market sales of shares underlying exercised options shall be treated as a sale outside of the Trading Plan and therefore not permitted, unless made pursuant to the Trading Plan.]
 7. **Single Trade Plans.** The Plan Participant shall comply with the requirements of Rule 10b5-1(c)(1)(ii)(E), as amended, which generally provides that Plan Participants are limited to one "single-trade plan" in any consecutive 12-month period. A "single-trade plan" is generally one which is designed to effect an open-market sale (or purchase) of the total amount of the securities subject to the plan in a single transaction. A sell-to-cover transaction, which authorizes a sale by a broker of only such securities necessary to satisfy tax withholding obligations arising from the vesting of a Kroger compensatory award, is generally exempt from the limitation on single-trade plans.

8. **Multiple or Overlapping Trading Plans.** Multiple or overlapping Trading Plans are prohibited, subject to certain exceptions. A Trading Plan providing for an eligible sell-to-cover transaction shall not be considered an outstanding or additional Trading Plan under Rule 10b5-1. Additionally, a Plan Participant may adopt a new Trading Plan to replace a Trading Plan before the scheduled termination date of such existing Trading Plan so long as the first scheduled trade under the new Trading Plan does not occur prior to the last scheduled trade(s) of the existing Trading Plan and otherwise complies with these Guidelines and conditions under Rule 10b5-1.
9. **Form 4 Filings.** For directors and officers (as defined in Rule 16a-1(f) of the Exchange Act) of Kroger (i.e., Section 16 officers), Form 4 filings will indicate that the reported transaction(s) was made pursuant to a Trading Plan.
10. **Trading Plans for Gifts.** Trading Plans for gifts of Company securities will be on such conditions as determined by the General Counsel or designee.
11. **Interpretation and Modification of Guidelines.** The General Counsel will interpret and administer, and shall have the authority to amend in writing, these Guidelines. Under appropriate circumstances, these Guidelines may be waived or modified with the prior written approval of the General Counsel.

SUBSIDIARIES OF THE KROGER CO.

84.51 LLC [Ohio]
 84.51 HQ Building Company, LLC [Ohio]
 Alpha Beta Company [California]
 Also Doing Business As:
 Food 4 Less
 Ralphs
 Ansonborough Square Investors I, LLC [Delaware]
 Ansonborough Square Retail, LLC [South Carolina]
 Bay Area Warehouse Stores, Inc. [California]
 Also Doing Business As:
 Foods Co.
 Beech Tree Holdings, LLC [Delaware]
 Bleecker Ventures LLC [New York]
 Bluefield Beverage Company [Ohio]
 Box Cutter, Inc. [New York]
 Cala Co. [Delaware]
 Also Doing Business As:
 Food 4 Less
 Cala Foods, Inc. [California]
 Also Doing Business As:
 Foods Co.
 CB&S Advertising Agency, Inc. [Oregon]
 Cheeses of All Nations, Inc. [New York]
 Country Oven, Inc. [Ohio]
 Crawford Stores, Inc. [California]
 Creedmoor Retail, LLC [North Carolina]
 Dillon Companies, LLC [Kansas]
 Also Doing Business As:
 Baker's
 Baker's Supermarkets
 City Market
 City Market Fuel Center
 City Market Pharmacy
 Dillons
 Dillons Marketplace
 Dillons Pharmacy
 Gerbes Pharmacy
 Gerbes Supermarkets
 Inter-American Products
 King Soopers
 King Soopers Fresh Fare
 King Soopers Fuel Center
 King Soopers Marketplace
 Peyton's Fountain
 Dillon Real Estate Co., Inc. [Kansas]
 Distribution Trucking Company [Oregon]
 Dotto, Inc. [Indiana]
 Edgewood Plaza Holdings, LLC [Ohio]
 Embassy International, Inc. [Ohio]
 FM, Inc. [Utah]

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FMJ, Inc. [Delaware]
Also Doing Business As:
FMJ Ecommerce
Fred Meyer Jewelers Mail Order
fredmeyerjewelers.com
littmanjewelers.com
Food 4 Less GM, Inc. [California]
Food 4 Less Holdings, Inc. [Delaware]
Food 4 Less Merchandising, Inc. [California]
Food 4 Less of California, Inc. [California]
Also Doing Business As:
Food 4 Less
Foods Co.
Food 4 Less of Southern California, Inc. [Delaware]
Fred Meyer, Inc. [Delaware]
Fred Meyer Jewelers, Inc. [California]
Also Doing Business As:
Fred Meyer Jewelers
Littman Jewelers
Fred Meyer Stores, Inc. [Ohio]
Also Doing Business As:
Fred Meyer Cork & Tap
Fred Meyer Fuel Center
Fred Meyer Fuel Stop
Fred Meyer Pharmacy
Fred Meyer
Inter-American Products
Peyton's Phoenix
QFC
QFC Cork & Tap
QFC Fuel Station/Center
QFC Fuel Stop
Q20 Pub
Quality Food Centers
Swan Island Dairy
Fresh Distribution Services LLC [Ohio]
Glasswing Labs LLC [Ohio]
Glendale/Goodwin Realty I, LLC [Ohio]
Grubstake Investments, LLC [Oregon]
Harris Teeter, LLC [North Carolina]
Also Doing Business As:
Harris Teeter
Harris Teeter Delivery Service
Harris Teeter Fuel Center
Harris Teeter Pharmacy
Harris Teeter Properties, LLC [North Carolina]
Harris-Teeter Services, Inc. [North Carolina]
Harris Teeter Supermarkets, Inc. [North Carolina]
Healthy Options Inc. [Delaware]
Also Doing Business As:
Columbus Central Fill
Postal Prescription Services
Henpil, Inc. [Texas]
Hood-Clayton Logistics LLC [Georgia]
HT Fuel DE, LLC [Delaware]

[] Brackets indicate state or country of incorporation or organization and do not form part of corporate name.

HT Fuel NC, LLC [North Carolina]
HT Fuel SC, LLC [South Carolina]
HT Fuel VA, LLC [Virginia]
HTGBD, LLC [North Carolina]
HTP Bluffton, LLC [North Carolina]
HTP Plaza LLC [North Carolina]
HTP Relo, LLC [North Carolina]
HTPS, LLC [North Carolina]
HTTAH, LLC [North Carolina]
Hughes Markets, Inc. [California]

Also Doing Business As:

Ralphs
Hughes Realty, Inc. [California]
Inter-American Foods, Inc. [Ohio]
Inter American Products, Inc. [Ohio]
IRP, LLC [Wisconsin]
I.T.A., Inc. [Wisconsin]
ITAC 119, LLC [North Carolina]
ITAC 265, LLC [North Carolina]
Jondex Corp. [Wisconsin]
Jubilee Carolina, LLC [North Carolina]
J.V. Distributing, Inc. [Michigan]
KCDE-2 LLC [Ohio]
KCDE-3 LLC [Ohio]
KCDE-4 LLC [Ohio]
KCDE-5 LLC [Ohio]
KCDE – 2013, LLC [Ohio]
Kee Trans, Inc. [Wisconsin]
KGO LLC [Ohio]
Kiosk Medicine Kentucky, LLC [Kentucky]

Also Doing Business As:

The Little Clinic
Kirkpatrick West Retail, LLC [Virginia]
KPF, LLC [Delaware]
KPS, LLC [Ohio]
KRGF LLC [Ohio]

Also Doing Business As:

Kitchen 1883
KRLP Inc. [Ohio]
The Kroger Co. of Michigan [Michigan]

Also Doing Business As:

Inter-American Products
Kessel Food Markets
Kessel Pharmacies
Kroger
Kroger Fresh Fare
Kroger Marketplace
Michigan Dairy
Kroger Community Development Entity, LLC [Ohio]
Kroger Dedicated Logistics Co. [Ohio]

Also Doing Business As:

KDL
Kroger Fulfillment Network, LLC [Ohio]
Kroger G.O. LLC [Ohio]
Kroger HQ LLC [Ohio]

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Kroger Health Navigator LLC [Ohio]
Kroger Limited Partnership I [Ohio]
Also Doing Business As:
Chef's Choice Catering
Foods Plus
Gene Maddy Drugs
Inter-American Products
JayC Food Stores
Jeffersonville Central Fill
Kentucky Distribution Center
Kroger
Kroger Fresh Fare
Kroger Marketplace
Kroger Pharmacy
Pay Less Super Markets
Peyton's Southeastern
Ruler Foods
Kroger Limited Partnership II [Ohio]
Also Doing Business As:
Country Oven Bakery
Crossroad Farms Dairy
Inter-American Products
K. B. Specialty Foods
Kenlake Foods
Pace Dairy of Indiana
Peyton's Northern
Winchester Farms Dairy
Kroger LM Real Estate Holdings, LLC [Ohio]
Kroger Management Co. [Michigan]
Kroger Management – NMTC Athens I, LLC [Ohio]
Kroger Management – NMTC Portsmouth I, LLC [Ohio]
Kroger MC Holdings, LLC [Ohio]
Kroger MTL Management, LLC [Ohio]
Kroger NMTC Fremont, LLC [Ohio]
Kroger Opportunity Fund I, Inc. [Ohio]
Kroger OZ1 Inc. [Ohio]
Kroger OZ2 Inc. [Ohio]
Kroger OZ3 Inc. [Ohio]
Kroger OZ1 LLC [Ohio]
Kroger OZ2 LLC [Ohio]
Kroger OZ3 LLC [Ohio]
Kroger Prescription Plans, Inc. [Ohio]
Kroger Texas L.P. [Ohio]
Also Doing Business As:
America's Beverage Company
Inter-American Products
Kroger
Kroger Fresh Fare
Kroger Marketplace
Kroger Pharmacy
Vandervoort Dairy Foods Company
KV Anderson, LLC [Delaware]
Latta Village, LLC [North Carolina]
LCGP3 Home Cooking, Inc. [Delaware]
The Little Clinic LLC [Delaware]

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The Little Clinic Management Services LLC [Delaware]
The Little Clinic of Arizona LLC [Delaware]
The Little Clinic of Colorado LLC [Delaware]
The Little Clinic of IN LLC [Delaware]
The Little Clinic of Kansas LLC [Delaware]
The Little Clinic of Mississippi LLC [Delaware]
The Little Clinic of Ohio LLC [Ohio]
The Little Clinic of Tennessee LLC [Delaware]
The Little Clinic of TX LLC [Delaware]
The Little Clinic of VA LLC [Delaware]
Local Mkt LLC [Ohio]
Main & Vine LLC [Ohio]
Main Street Spirits LLC [Ohio]
Matthews Property 1, LLC [North Carolina]
Mega Marts, LLC [Wisconsin]
Also Doing Business As:
Metro Market
Pick 'n Save
Michigan Dairy, L.L.C. [Michigan]
Murray's Cheese LLC [Ohio]
Also Doing Business As:
Murray's Cheese
Murray's LIC LLC [New York]
Also Doing Business As:
Murray's Cheese Bar
Murray's Table LLC [New York]
Also Doing Business As:
Murray's Table
Pace Dairy Foods Company [Ohio]
Paramount Logistics, LLC [Ohio]
Parkway Shopping Center LLC [Colorado]
Pay Less Super Markets, Inc. [Indiana]
Peyton's-Southeastern, Inc. [Tennessee]
Also Doing Business As:
Peyton's Mid-South Company
Plum Labs LLC [Ohio]
Pontiac Foods, Inc. [South Carolina]
Queen City Assurance, Inc. [Vermont]
Ralphs Grocery Company [Ohio]
Also Doing Business As:
Food 4 Less
Food 4 Less Midwest
Foods Co.
Inter-American Products
Ralphs
Ralphs Fresh Fare
RBF, LLC [Wisconsin]
Relish Labs LLC [Delaware]
Also Doing Business As:
Home Chef
RGC Southeast Properties LLC [Ohio]
Rocket Newco, Inc. [Texas]
Roundy's Acquisition Corp. [Delaware]

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Roundy's Illinois, LLC [Wisconsin]
Also Doing Business As:
Mariano's

Roundy's, Inc. [Delaware]

Roundy's Supermarkets, Inc. [Wisconsin]
Also Doing Business As:
Mariano's Pharmacy
RCK Foods

Second Story, Inc. [Washington]

Shop-Rite, LLC [Wisconsin]
Also Doing Business As:
Metro Market
Pick 'n Save

Smith's Beverage of Wyoming, Inc. [Wyoming]

Smith's Food & Drug Centers, Inc. [Ohio]
Also Doing Business As:
Fry's Food Stores
Fry's Marketplace
Fry's Mercado
Inter-American Products
Smith's Express
Smith's Food & Drug
Smith's Fuel Centers
Smith's Marketplace

Stallings Investors I, LLC [North Carolina]

Sunrise R&D Holdings, LLC [Ohio]

Sunrise Technology LLC [Ohio]

TLC Corporate Services LLC [Delaware]

TLC Immunization Clinic LLC [Delaware]

TLC of Georgia LLC [Delaware]
Also Doing Business As:
The Little Clinic

Topvalco, Inc. [Ohio]

Ultimate Mart, LLC [Wisconsin]
Also Doing Business As:
Metro Market
Pick 'n Save

Ultra Mart Foods, LLC [Wisconsin]
Also Doing Business As:
Metro Market
Pick 'n Save

Vine Court Assurance Incorporated [Vermont]

Vitacost.com, Inc. [Delaware]

WA KPS LLC [Ohio]

Woodmont Holdings, LLC [North Carolina]

[] Brackets indicate state or country of incorporation or organization and do not form part of corporate name.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-265130) and Form S-8 (Nos. 333-266030, 333-206531, 333-197711, 333-185446, and 033-55501) of The Kroger Co. of our report dated April 1, 2025 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/PricewaterhouseCoopers LLP

Cincinnati, Ohio

April 1, 2025

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each of the undersigned directors of THE KROGER CO. (the "Company") hereby makes, constitutes and appoints Christine S. Wheatley and Stacey M. Heiser, or either of them, his or her true and lawful attorneys-in-fact to sign and execute for and on his or her behalf the Company's annual report on Form 10-K, and any and all amendments thereto, to be filed with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, in such form as they, or either of them, may approve and to do any and all other acts which said attorneys-in-fact, or either of them, may deem necessary or desirable to enable the Company to comply with said Act or the rules and regulations thereunder.

IN WITNESS WHEREOF, the undersigned directors have hereunto set their hands as of the 13th day of March 2025.

/s/ Nora A. Aufreiter
Nora A. Aufreiter

/s/ Clyde R. Moore
Clyde R. Moore

/s/ Kevin M. Brown
Kevin M. Brown

/s/ Ronald L. Sargent
Ronald L. Sargent

/s/ Elaine L. Chao
Elaine L. Chao

/s/ J. Amanda Sourry Knox
J. Amanda Sourry Knox

/s/ Anne Gates
Anne Gates

/s/ Mark S. Sutton
Mark S. Sutton

/s/ Karen M. Hoguet
Karen M. Hoguet

/s/ Ashok Vemuri
Ashok Vemuri

CERTIFICATION

I, Ronald L. Sargent, certify that:

1. I have reviewed this annual report on Form 10-K of The Kroger Co.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 1, 2025

/s/ Ronald L. Sargent

Ronald L. Sargent
Chairman of the Board and
Interim Chief Executive Officer
(principal executive officer)

CERTIFICATION

I, Todd A. Foley, certify that:

1. I have reviewed this annual report on Form 10-K of The Kroger Co.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 1, 2025

/s/ Todd A. Foley

Todd A. Foley

Senior Vice President and Interim Chief Financial Officer
(principal financial officer)

CERTIFICATIONS

NOTE: The referenced officers, based on their knowledge, furnish the following certification, pursuant to 18 U.S.C. §1350.

We, Ronald L. Sargent, Interim Chief Executive Officer and Chairman of the Board, and Todd A. Foley, Senior Vice President and Interim Chief Financial Officer, of The Kroger Co. (the “Company”), do hereby certify in accordance with 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Annual Report on Form 10-K of the Company for the period ending February 1, 2025 (the “Periodic Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. §78m or 78o(d)); and
2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 1, 2025

/s/ Ronald L. Sargent

Ronald L. Sargent
Chairman of the Board and Interim Chief Executive Officer

/s/ Todd A. Foley

Todd A. Foley
Senior Vice President and Interim Chief Financial Officer

A signed original of this written statement as required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to The Kroger Co., and will be retained by The Kroger Co. and furnished to the SEC or its staff upon request.

The Kroger Co.

Policy on Incentive-Based Compensation Recovery

Section 1. Introduction. The board of directors (the “Board”) of The Kroger Co. (the “Company”) has adopted this policy (the “Policy”) to provide for the recovery by the Company, in the event of a Recovery Trigger (as defined below), of certain incentive-based compensation received by certain current and former executive officers, as further specified in this Policy.

This Policy is intended to comply with the requirements of Section 303A.14 of the Listed Company Manual of the New York Stock Exchange (the “NYSE”) relating to erroneously awarded compensation.

Section 2. Administration. The Compensation and Talent Development Committee of the Board (the “Compensation Committee”) will administer and interpret this Policy and make all determinations for the administration of this Policy. Any determinations made by the Compensation Committee will be final, binding, and conclusive on all affected individuals. For the avoidance of doubt, any director who is a Covered Individual (as defined below) under this Policy may not participate in discussions related to, or vote on, any potential recovery of their Incentive-Based Compensation (as defined below) under this Policy.

Section 3. Statement of Policy. Following the occurrence of a Recovery Trigger, the Company will recover reasonably promptly the Erroneously Awarded Compensation (as defined below) from the applicable Covered Individual(s), except as provided in this Policy.

Section 4. Covered Individuals Subject to this Policy. The Policy is applicable to any current or former “executive officer” of the Company as defined in Section 303A.14 of the NYSE Listed Company Manual who “received” (see Section 7 below) the subject Incentive-Based Compensation after beginning service as an “executive officer” and who served as an “executive officer” at any time during the performance period (for that Incentive-Based Compensation) covered by the Recovery Period (as defined below) (together, “Covered Individuals”). For clarity, only officers as defined in Rule 16a-1(f) are “executive officers” for purposes of this policy.

Section 5. Recovery Trigger for Accounting Restatements. A “Recovery Trigger” will have occurred upon the earlier to occur of: (i) the date the Board, the Audit Committee of the Board, or the officer or officers of the Company authorized to take such action concludes, or reasonably should have concluded, that the Company is required to prepare an Accounting Restatement (as defined below), or (ii) the date a court, regulator or other legally authorized body directs the Company to prepare an Accounting Restatement.

For the purposes of this Policy, an “Accounting Restatement” means a restatement of the Company’s financial statements due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement (i) to correct an error in previously issued financial statements that is material to the previously issued financial statements or (ii) that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period.

For the avoidance of doubt, the Company's obligation to recover Erroneously Awarded Compensation is not dependent on if or when the restated financial statements are filed with the Securities and Exchange Commission ("SEC").

Section 6. Recovery Period. The Policy will apply to Incentive-Based Compensation "received" (see Section 7 below) during the three completed fiscal years immediately preceding the date on which a Recovery Trigger occurs (the "Recovery Period"). In addition to these last three completed fiscal years, this Policy applies to any transition period (that results from a change in the Company's fiscal year) within or immediately following such three completed fiscal years. However, a transition period between the last day of the Company's previous fiscal year end and the first day of its new fiscal year that comprises a period of nine to 12 months would be deemed a completed fiscal year.

Section 7. Compensation "Received". Incentive-Based Compensation is deemed "received" by a Covered Individual in the Company's fiscal period during which the Financial Reporting Measure (as defined below) specified in the Incentive-Based Compensation award is attained, even if the payment or grant of the applicable award occurs after the end of that period. Notwithstanding anything to the contrary contained herein, the only compensation subject to this Policy is Incentive-Based Compensation "received" by Covered Individuals on or after October 2, 2023 and while the Company had a class of securities listed on a national securities exchange or a national securities association.

Section 8. Incentive-Based Compensation Subject to Recovery. Any compensation that is granted, earned, or vested based wholly or in part upon the attainment of a Financial Reporting Measure ("Incentive-Based Compensation") will be subject to this Policy. A "Financial Reporting Measure" is a measure that is determined and presented in accordance with the accounting principles used in preparing the Company's financial statements and any measures that are derived wholly or in part from such measures. Stock price and total shareholder return are also Financial Reporting Measures. A Financial Reporting Measure need not be presented within the financial statements or included in a filing with the SEC. Incentive-Based Compensation is subject to recovery under this Policy even if the Accounting Restatement was not due to any misconduct or failure of oversight on the part a Covered Individual.

Section 9. Erroneously Awarded Compensation. In the event of a Recovery Trigger, the Company will seek to recover from any applicable Covered Individual an amount of Incentive-Based Compensation "received" (see Section 7 above) that exceeds the amount that otherwise would have been "received" (see Section 7 above) by such Covered Individual had it been determined based on the restated amounts, computed without regard to any taxes paid (such excess amount, the "Erroneously Awarded Compensation"). For Incentive-Based Compensation based on stock price or total shareholder return, where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in an Accounting Restatement (A) the amount must be based on a reasonable estimate of the effect of the Accounting Restatement on the stock price or total shareholder return upon which the Incentive-Based Compensation was "received" (see Section 7 above) and (B) the Company will maintain documentation of that reasonable estimate and, if required by the NYSE, provide such documentation to the NYSE.

Section 10. Limited Exceptions to Recovery. The Company must recover Erroneously Awarded Compensation in compliance with this Policy, except to the extent that the conditions of paragraphs (c)(1)(iv)(A), (B) or (C) of Section 303A.14 of the NYSE Listed Company Manual are

met and the Compensation Committee, or in the absence of such a committee, a majority of the independent directors serving on the Board, has made a determination that recovery would be impracticable.

Section 11. Method of Recovery. The Compensation Committee will determine in its sole discretion how the Company will effect any reimbursement or recovery pursuant to this Policy, including, but not limited to the following (subject in each case to applicable law and the terms and conditions of the plan, program or arrangement, as applicable): (1) seeking repayment from the Covered Individual; (2) reducing the amount that would otherwise be payable to the Covered Individual under any compensation, bonus, incentive, equity and other benefit plan, agreement, policy or arrangement maintained by the Company or any of its affiliates; (3) canceling any unvested or unpaid award (whether cash- or equity-based) previously granted to the Covered Individual; (4) if it can be accomplished reasonably promptly, withholding payment of future increases in compensation (including payment of any permissible discretionary bonus payments or amounts) or grants of compensatory or equity awards that otherwise would have been made in accordance with the Company's applicable compensation practices or decisions; or (5) any combination of the foregoing.

Section 12. Policy Relationship to other Recoupment or Clawback Provisions. This Policy supplements any requirements imposed pursuant to applicable law or regulations, any clawback or recovery provision in the Company's other policies, plans, awards and individual employment or other agreements (including any recovery provisions in the Company's equity incentive plans or award agreements), and any other rights or remedies available to the Company, including termination of employment.

In the event that a recovery is initiated under this Policy, amounts of Incentive-Based Compensation previously recovered by the Company from a Covered Individual pursuant to the Company's other policies, plans, awards and individual employment or other agreements shall be considered so that recovery is not duplicative, provided that in the event of a conflict between any applicable clawback or recoupment provision, including this Policy, the right to clawback or recoupment shall be interpreted to result in the greatest clawback or recoupment from the Covered Individual.

Section 13. Amendment or Termination of Policy. The Board may amend this Policy at any time, and from time to time, in its discretion. The Board may terminate this Policy at any time.

Section 14. Disclosure. The Company is required to file this Policy as an exhibit to its Form 10-K filed with the SEC and is also subject to the disclosure requirements of Item 402(w) of Regulation S-K, SEC Rule 10D-1 and Section 303A.14 of the NYSE Listed Company Manual, as applicable.

Section 15. Indemnification. The Company is prohibited from indemnifying any Covered Individual against the loss of Erroneously Awarded Compensation, including any payment or reimbursement for the cost of third-party insurance purchased by any Covered Individual to fund potential obligations to the Company under this Policy.

Section 16. Successors. This Policy shall be binding and enforceable against all Covered Individuals and their successors, heirs, beneficiaries, executors, administrators or other legal or personal representatives.

Section 17. Validity and Enforceability. To the extent that any provision of this Policy is found to be unenforceable or invalid under any applicable law, such provision will be applied to the maximum extent permitted, and shall automatically be deemed amended in a manner consistent with its objectives to the extent necessary to conform to applicable law. The invalidity or unenforceability of any provision of this Policy shall not affect the validity or enforceability of any other provision of this Policy. This Policy is intended to comply with, shall be interpreted to comply with, and shall be deemed automatically amended to comply with Section 303A.14 of the NYSE Listed Company Manual, and any related rules or regulations promulgated by the SEC or the NYSE including any additional or new requirements that become effective after October 2, 2023.
