

JEFFERIES

2011 GLOBAL CONSUMER CONFERENCE

WHITE ELEPHANT HOTEL, NANTUCKET

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Comments by Mike Schlotman:

Good morning and thank you for joining us. I am Mike Schlotman, Senior Vice President and Chief Financial Officer of The Kroger Co. With me today is Cindy Holmes, Director of Investor Relations.

Before we begin, I want to remind everyone that the discussion today will include forward-looking statements. I want to caution you that such statements are predictions, and actual events or results can differ materially. A detailed discussion of the many factors that we believe may have a material effect on our business, on an ongoing basis, is contained in our SEC filings.

Best-In-Class Retailer

This morning I plan to provide an overview of our company, describe why Kroger is a compelling investment for shareholders, outline our earnings growth strategy, and describe how Kroger's financial strategy rewards our shareholders.

First, I want to highlight several of Kroger's key competitive strengths that support the continued growth of our business in a competitive and evolving industry. Our primary advantages include:

- Significant scale with over 2,400 supermarkets across a broad geography of 31 states producing over \$80 billion in annual revenues;
- A strong market share position – our supermarkets hold the #1 or #2 share in 38 of the 42 major markets that we serve;
- Proprietary consumer insights that we use to drive strong customer loyalty;
- Outstanding positive identical supermarket sales momentum;

- A consistent record of rewarding shareholders through share repurchases and dividends;
- A highly experienced and proven leadership team. Kroger's key leadership includes individuals with long-term experience from both inside and outside our industry;
- A strong balance sheet, providing us with significant financial flexibility in a consolidating industry.

Now I'll share additional color on some of these important advantages.

National Presence Across Banners & Formats

Kroger operates one of the largest retail businesses in the United States.

Our core grocery business includes 2,449 supermarkets and multi-department stores that we operate under a wide variety of banners and formats. Our local banner names are very important to our customers.

We also operate 785 convenience stores, 359 fine jewelry stores, 1035 supermarket fuel centers and 40 food processing plants. Many of our

stores offer additional services to customers – including health care and wellness solutions through our wholly-owned subsidiary, The Little Clinic; reliable and affordable wireless service through i-wireless; and an array of simple financial products through Kroger Personal Finance.

Unparalleled Reach With Leadership in Key Markets

As I mentioned earlier, our supermarket banners hold the #1 or #2 share position in all but four of our major markets. Market share is critical to us because it allows Kroger to leverage the fixed costs in our business over a wider revenue base. Thus, our fundamental operating philosophy is to maintain and increase market share in order to generate free cash flow and earnings that create value for our shareholders. Our household penetration is very strong. Approximately 85% of the households in the markets we serve have shopped with us during the past year.

Strengthening Our Competitive Position in Today's Environment

It's no secret that we operate in a challenging industry. Kroger's competitive strengths position us to weather and often take advantage of current industry trends. For example, the economy continues to affect consumer spending. Already this year, Kroger's competitive pricing position and proprietary consumer insights allowed us to increase our loyal household count and drive market share gains even while many customers remained cautious about their spending.

High unemployment and other enduring effects of the recession sparked increased customer interest in private label products since they typically carry a lower price tag than the national brand equivalent. Kroger's industry-leading corporate brand strategy differentiates us from our peers and increases customer loyalty. I'll share some additional insights on our corporate brands program in a moment.

Another relatively recent trend is food inflation. While we've really only been experiencing product cost inflation for the first quarter of this

year, we are passing along product cost increases from national brand suppliers, and we plan to continue to do so. Of course, competitive dynamics in individual markets also affect retail prices. A modest level of inflation generally has a positive impact on our business.

Growing Share in a Highly Competitive Sector

Kroger has been consistently growing market share and leveraging our scale over the past several years. During 2010, Kroger's overall market share increased approximately 80 basis points. Since 2007, Kroger's share has grown approximately 150 basis points. This is based on Nielsen Homescan Data that is generated by customers who self-report their grocery purchases to Nielsen, regardless of retail channel or grocery outlet. It illustrates that not only is Kroger growing bigger among traditional grocers, we are also gaining ground in the larger retail market for grocery and consumable items, which includes many non-traditional competitors. This is very important because the competitive dynamics of our industry continue to evolve.

Customer 1st: A Cycle of Value Creation

At Kroger, you will hear us talk about customers a lot. Our company's successful Customer 1st strategy is a competitive advantage. It is a multi-faceted strategy. A competitor may copy one or two pieces, but it is extremely difficult to fully replicate Kroger's entire approach.

Some describe our Customer 1st strategy as a cycle of value creation. The leverage of Kroger's solid identical sales growth, plus operating cost savings, funds additional investments in our customers through four key areas: People, Products, Shopping Experience, and Price. These investments strengthen our connection with customers, which in turn produces additional identical sales growth. When we refer to growing identical sales, we are excluding Kroger's retail fuel operations due to the volatility of fuel prices. In that part of our business, we focus on growing gallons sold.

Industry Leading Loyalty Program

Our Customer 1st strategy is designed to reward Kroger's best and most profitable customers, which we do through our industry-leading loyalty program that produces unique customer insights. Over 90% of the transactions in our stores involve one of our loyalty cards. Over half of the households in the United States carry one of our shopper cards. And in the markets where we operate, our penetration is even higher – approximately 85% of the households in those markets carry one of our loyalty cards. As a result, Kroger has one of the largest retail customer databases in America. This data provides us with valuable insight into our customers' shopping behaviors that no other U.S. grocery retailer possesses.

The key to unlocking that insight has been a partnership we formed in 2003 with a firm named “dunnhumby”, a global leader in the fields of data management, customer analysis, and insight-led planning. This

partnership is a unique competitive advantage for Kroger. It allows us to segment our customer base and design customized offerings for the individual needs of each customer segment. It also gives us the ability to target promotional dollars and pricing investments toward our most profitable customers. These insights and our relationship with dunnhumby continue to grow and evolve.

Compelling Tiered Corporate Brand Strategy

Another important competitive advantage is our three-tiered corporate brand offering: Value, the Banner brand, and Private Selection. This multi-billion dollar portfolio gives our customers additional choices – in variety and value – to complement the broad assortment of national brand products that our stores offer for sale. Out of the millions of loyal households served by Kroger, 99.9% purchased at least one of our corporate brand products during the most recent quarter. This demonstrates the wide acceptance of our own brands, which are available exclusively at our family of stores.

Kroger's corporate brand penetration is among the highest in the U.S. grocery industry. Our results stack up favorably for the supermarket industry as a whole. We continue to see additional opportunities for growth.

While we are very proud of our corporate brand offering and results, it is important to stress that Kroger's objective is to increase sales of both corporate brands and national brands inside our stores. We view national brand manufacturers as our partners, and we work together to win with Kroger customers.

30 Consecutive Quarters of Positive ID Sales Growth

Think back to Kroger's Customer 1st strategy and the "cycle of value creation" that I described for you earlier. This approach, supported by Kroger's numerous competitive strengths, has resulted in 30 consecutive quarters of positive identical supermarket sales growth, excluding fuel,

for Kroger – that’s 7 1/2 years. On this measure, Kroger has outpaced most of our competitors. Our track record is even more impressive when you consider that timeframe includes the worst economic recession our country has faced since the Great Depression.

Our Growth Strategy

When it comes to our growth strategy, we focus on identical sales growth, excluding fuel, because it powers our business model and generates earnings and free cash flow that reward our shareholders. Our business model is structured to produce annual earnings per share growth averaging 6% to 8% over a rolling three- to five-year time horizon. Including Kroger’s dividend, the Company’s business model is expected to generate total shareholder return of approximately 8% to 10%. Our goal is to produce an average annual return for shareholders that matches or exceeds the S&P 500 index over the time horizon that I described...but, with less volatility. We are not opposed to individual years exceeding this range and that is what we now expect out of 2011.

Strong Financial Performance Through Downturn

Over the past five fiscal years, Kroger's compound annual growth rates for revenues and earnings per share were 6.3% and 6.1%, respectively.

This period includes the recent economic recession and is in line with the growth strategy that I described. Note that the compound annual EPS growth rate for the S&P 500 index over this same timeframe was slightly less than 4%.

Attractive Cash Generation & Capital Structure

In addition to earnings growth, Kroger seeks to return value to shareholders through debt reduction, share repurchases, and dividend payments.

Kroger has a solid balance sheet with significant financial flexibility.

Over the past decade, we have reduced Kroger's net total debt by

approximately \$1 billion and improved our net total debt to EBITDA ratio to 1.9x from 2.3x. This improved to 1.79x in the first quarter of fiscal 2011. Kroger's strong investment grade credit rating positions Kroger well to take advantage of opportunities in an industry that continues to consolidate.

Also during the past decade, we have returned value to shareholders through buying back approximately 25% of Kroger's outstanding shares. Between January 2000 and the end of our fiscal 2011 first quarter, Kroger invested \$6.9 billion to repurchase nearly 320 million shares of stock at an average price of \$21.78 per share.

Rewarding Shareholders Through Share Repurchases & Dividends

We have a consistent track record of rewarding shareholders through both share repurchases and cash dividends. Combining both, total payout to shareholders has averaged over 70% of Kroger's net income over the past five years.

In early March, we announced that our board increased Kroger's share repurchase authorization by \$1 billion. We used \$544 million in the first quarter, and fully intend to use the remainder during 2011 to create shareholder value.

Kroger's dividend program was initiated in 2006. Our board has increased the dividend amount per share each year.

Fiscal Year 2011 Guidance

Let me turn now to our outlook for fiscal 2011. Just as the first quarter results position us well to continue investing in our Customer 1st strategy this year, they also position us for a better year than we originally expected. For the full year, we anticipate identical supermarket sales growth, excluding fuel, of approximately 3.5% to 4.5%. This will be driven by moderate tonnage growth and product cost inflation.

Full-year net earnings are expected to range from \$1.85 to \$1.95 per diluted share. This increase reflects the strength of our first quarter results and the higher estimated LIFO charge of \$150 million. Based on

the current operating environment, we expect to achieve results near the top end of this range. Earnings per share growth rates in the second and third quarters will be near the low end of our new full-year earnings per share growth expectations. This is primarily the result of the 2 cents per share tax benefit recorded in each of these quarters last year.

Closing Remarks

In closing and to wrap things up – here is a recap of Kroger’s primary competitive advantages that I have been describing for you this morning:

- Significant scale;
- Strong market shares;
- Proprietary consumer insights;
- Outstanding positive identical supermarket sales momentum;
- A consistent record of rewarding shareholders through both share repurchases and dividends;

- Our highly experienced and proven leadership team; and
- Kroger's strong balance sheet with significant financial flexibility.

These are just some of the attributes that position Kroger to further grow our business and reward shareholders by placing our customers' needs first. Throughout 2011, we will continue to follow our successful business strategy in order to deliver additional value to our shareholders through earnings growth, share repurchases, and dividends.

I will now be happy to take your questions.

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The remarks contain certain forward-looking statements about the future performance of the Company. These statements are based on management's assumptions and beliefs in light of the information currently available to it. Such statements are indicated by words or phrases such as "goal," "will," "expect," "expected," "plan," "seek," and "anticipate." These forward-looking statements are subject to uncertainties and other factors that could cause actual results to differ materially. Our ability to pass along product cost increases will depend primarily on the reaction of our customers to those increases and the extent to which those increases are consistent with our strategy as it relates to our pricing philosophy. Our ability to achieve identical supermarket sales and earnings growth and earnings per share goals, as well as the timing that those earnings occur within the year, may be affected by: labor disputes, particularly as the Company seeks to

manage health care and pension costs; industry consolidation; pricing and promotional activities of existing and new competitors, including non-traditional competitors; our response to these actions; unexpected changes in product costs; the state of the economy, including interest rates and the inflationary and deflationary trends in certain commodities; changes in government-funded benefit programs; the extent to which our customers exercise caution in their purchasing behavior in response to economic conditions as well as rising fuel and food prices; the number of shares outstanding; the success of our future growth plans; goodwill impairment; volatility in our fuel margins; increased fuel costs and the effect those increases have on consumer spending; and our ability to generate sales at desirable margins, as well as the success of our programs designed to increase our identical sales without fuel. In addition, any delays in opening new stores, failure to achieve tonnage growth as expected, or changes in the economic climate, including our outlook on inflation, could cause us to fall short of our sales and earnings targets. Our ability to increase identical supermarket sales also could be adversely affected by increased competition, the competitive landscape failing to be more rational as we expect, and sales shifts to other stores that we operate, as well as increases in sales of our corporate brand products. Earnings and sales also may be affected by adverse weather conditions, particularly to the extent that hurricanes, tornadoes, floods, and other conditions disrupt our operations or those of our suppliers; create shortages in the availability or increases in the cost of products that we sell in our stores or materials and ingredients we use in our manufacturing facilities; or raise the cost of supplying energy to our various operations, including the cost of transportation. Our earnings per share results also will be affected by our ability to improve our operating results and our ability to repurchase shares under our repurchase program as expected. Our plans to reward shareholders through repayment of debt, repurchase of shares, and payment of dividends will depend on our ability to generate free cash flow and otherwise to have cash on hand, which will be affected by all of the factors identified above, as well as the extent to which funds can be used for those reasons while maintaining our debt rating. We assume no obligation to update the information contained herein. Please refer to Kroger's reports and filings with the Securities and Exchange Commission for a further discussion of these risks and uncertainties.