

2023 FACT BOOK

FRESH FOR EVERYONE™ Kroger®

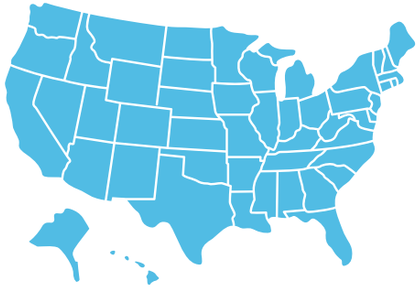
$148.3B
TOTAL 2022 SALES

2,252
PHARMACIES AND ALMOST 310 MILLION PRESCRIPTIONS FILLED

PICK UP AND DELIVERY AVAILABLE TO
98%
HOUSEHOLDS

30 OF 32
FOOD PRODUCTION PLANTS ARE ZERO WASTE

WE COVER



35 STATES
& THE DISTRICT OF COLUMBIA

44
DISTRIBUTION CENTERS

430,000
ASSOCIATES COMPANY-WIDE

600
MILLION MEALS DONATED TO OUR COMMUNITIES

1,637
SUPERMARKET FUEL CENTERS

MORE THAN
2,200
PICK UP LOCATIONS

ACHIEVED
82%
WASTE DIVERSION
FROM LANDFILLS COMPANY WIDE

106
MILLION POUNDS OF FOOD RESCUED

2,719
SUPERMARKETS & MULTI-DEPARTMENT STORES

5.5B
COMBINED STORE AND ONLINE VISITS

$336M
IN CHARITABLE GIVING TO OUR COMMUNITIES

7 CFCs
POWERED BY OCADO

ONE OF AMERICA'S
MOST RESPONSIBLE COMPANIES OF 2022
AS RECOGNIZED BY NEWSWEEK

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About the Kroger Fact Book

This Fact Book contains certain statements that constitute "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 "aim," "believe," "committed," "confident," "continue," "create," "deliver," "drive," "enable," "ensure," "expect," "focus," "goal", "intend," "model," "on track," "positioning," "plan," "strategy," "strive," "targets," "vision," "well positioned," and "will." Various uncertainties and other factors could cause actual results to differ materially from those contained in the forward-looking statements. These include the specific risk factors identified in "Risk Factors" in our annual report on Form 10-K for our last fiscal year and any subsequent filings, as well as the following:

Kroger's ability to achieve sales, earnings, incremental FIFO operating profit, and adjusted free cash flow goals may be affected by: the risks relating to or arising from our proposed transaction with Albertsons announced in October 2022, including, among others, our ability to consummate the proposed transaction, including on the terms of the merger agreement, on the anticipated timeline, and/or with the required regulatory approvals; COVID-19 pandemic related factors, risks and challenges; labor negotiations; potential work stoppages; changes in the unemployment rate; pressures in the labor market; changes in government-funded benefit programs; changes in the types and numbers of businesses that compete with Kroger; pricing and promotional activities of existing and new competitors, including non-traditional competitors, and the aggressiveness of that competition; Kroger's response to these actions; the state of the economy, including interest rates, the current inflationary environment and future potential inflationary and/or deflationary trends and such trends in certain commodities, products and/or operating costs; the geopolitical environment including the war in Ukraine; unstable political situations and social unrest; changes in tariffs; the effect that fuel costs have on consumer spending; volatility of fuel margins; manufacturing commodity costs; supply constraints; diesel fuel costs related to Kroger's logistics operations; trends in consumer spending; the extent to which Kroger's customers exercise caution in their purchasing in response to economic conditions; the uncertainty of economic growth or recession; stock repurchases; changes in the regulatory environment in which Kroger operates; Kroger's ability to retain pharmacy sales from third party payors; consolidation in the healthcare industry, including pharmacy benefit managers; Kroger's ability to negotiate modifications to multi-employer pension plans; natural disasters or adverse weather conditions; the effect of public health crises or other significant catastrophic events; the potential costs and risks associated with potential cyber-attacks or data security breaches; the success of Kroger's future growth plans; the ability to execute our growth strategy and value creation model, including continued cost savings, growth of our 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; and the successful integration of merged companies and new partnerships. Our ability to achieve these goals may also be affected by our ability to manage the factors identified above. Our ability to execute our financial strategy may be affected by our ability to generate cash flow.

Kroger believes that the information contained in this Fact Book is correct in all material respects as of August 2023 or such earlier date as indicated. However, such information is subject to change. Unless otherwise noted, reference to "years" is to Kroger's fiscal years.

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

Kroger at a Glance

Headquartered in Cincinnati, Ohio, The Kroger Co. is one of the largest retailers in the United States based on annual sales, holding the #21 ranking on the Fortune 100 list published June 2022. **Total company annual sales totaled $148.3 billion for fiscal year 2022.**

Kroger was founded in 1883 and incorporated in 1902. Throughout its rich history, Kroger has served as an innovator and a pioneer in the food retail industry. In the early 1900s, Barney Kroger became the first grocer in the country to establish his own bakeries. Shortly after that he was also the first to sell meats and groceries under one roof. We have demonstrated a long- standing commitment to food safety and quality. During the 1930s, Kroger was the first grocery chain to routinely monitor product quality and scientifically test food. Technology has also played a significant role in Kroger's growth. In 1972, Kroger became the first grocery retailer in America to test an electronic scanner, reducing the customer wait time for check out and improving accuracy.

Kroger has continued to use technology to reimagine our business and better serve our customers, including:

1. Applying our best-in-class data science platform to offer personalization, which is better enabling us to address the unique needs of our customers.

2. Introducing Customer Fulfilment Centers powered by Ocado, combining vertical integration, machine learnings, and robotics to effectively pick orders and deliver affordable, fresh food through a one-of-a-kind white glove experience.

3. Utilizing insights from our loyalty program and data science capabilities to power Kroger Precision Marketing, one of our fastest growing businesses which is well positioned to win within the U.S. retail media landscape.

Mergers and acquisitions have also played a key role in Kroger's growth over the years. In 1983, Kroger merged with Dillon Companies Inc. in Kansas to become a coast-to-coast operator of food, drug and convenience stores. The biggest merger in Kroger's history came in 1999 when Kroger merged with Fred Meyer to create a supermarket chain with the broadest geographic coverage and widest variety of formats in the food retailing industry. The merger also enabled Kroger to generate significant economies of scale in purchasing, manufacturing, information systems and logistics.

In 2014, Kroger finalized its merger with Harris Teeter bringing an exceptional brand and a complementary base of stores in high growth markets. Later in the year, Kroger merged with Vitacost.com, one of the largest pure e-commerce companies in the nutrition and healthy living market. This merger accelerated Kroger's entry into the e-commerce space by several years, bringing the ability to serve customers through ship-to-home orders and expanding Kroger's reach to all 50 states. In 2015, Kroger finalized a merger with Roundy's, bringing an expanded footprint and innovative store format within the Wisconsin and Chicagoland areas under multiple banners to the Kroger family of companies. In 2017, Kroger merged with Murray's Cheese to bring fresh, quality specialty items to our customer. Kroger has significantly grown the brand since the merger and today, Murray's Cheese is the number one cheese platform in our markets. In 2018, Kroger merged with Home Chef to redefine the grocery customer experience and accelerate meal kit market growth.

Our business today looks very different than it did over 130 years ago when Barney Kroger first opened his doors but the business principles that made the first Kroger store successful in 1883 — service, selection, value and our commitment to our customers — continue to guide the company's operations. Our growth, innovation, collaborations and evolving business are aimed at satisfying the needs of our customers. "Be particular. Never sell anything you would not want yourself" was the motto Barney Kroger ran his business with over 100 years ago and remains a guiding principle to the way we run our business today.

Kroger operates either directly or through its subsidiaries, 2,719 supermarkets under a variety of local banner names, 2,252 pharmacies and 1,637 fuel centers. We offer Pickup and Harris Teeter ExpressLane™— personalized, order online, pick up at the store services — at 2,274 of our supermarkets and provide home delivery services to substantially all of Kroger households. Approximately 50% of supermarkets are operated in company-owned facilities, including some company-owned buildings on leased land.

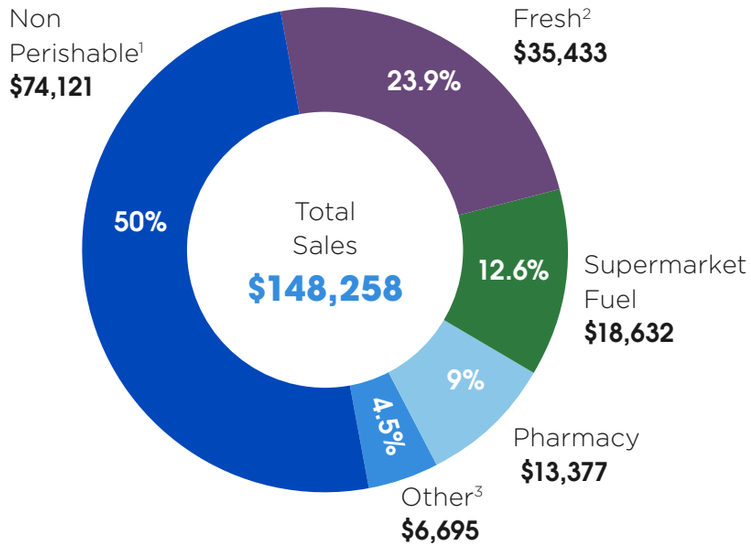
Kroger operates 33 food production plants. These plants consists of 14 dairies, 9 deli or bakery plants, 5 grocery product plants, 2 beverage plants, 2 cheese plants, and 1 meat plant. Approximately 30% of *Our Brands* units and 42% of the grocery category *Our Brands* units sold in our supermarkets are produced in our food production plants; the remaining *Our Brands* items are produced to our strict specifications by outside manufacturers. All the company's operations are domestic. The following table presents sales revenue by type of product for the year-ended January 28, 2023.

In the spring of 2021, the company launched their strategic plan, Leading with Fresh and Accelerating with Digital, at its annual Investor Conference. This strategic plan is focused on: our Fresh food leadership enabling us to win share, our Digital Growth engine, and the power of the Kroger ecosystem which is positioning us to compete and win long-term. Our focus on these key areas is enabled by an exceptional Associate Experience and a Purpose-driven culture. All of this empowers us to continue to drive shareholder value and deliver on our TSR growth algorithm of 8–11%.

We are evolving our business model to serve customers across an ecosystem of offerings that complement and build on our food first mentality. Our unique collection of assets allow for additional growth opportunities outside of the traditional retail grocery segment.

Our leading position in food underpins the value creation model. We continue to invest in the areas of our business that matter most to our customers to drive sales growth in our retail supermarkets. This in turn generates data and traffic that enables our fast-growing alternative profit streams.

The Kroger Co. Sales Revenue



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. Consists primarily of sales related to food production plants to outside parties, data analytic services, third-party media revenue, other consolidated entities, specialty pharmacy, in-store health clinics, digital coupon services and other online sales not included in the categories above.

Dear Fellow Shareholders:

One of the things I love about food retail is that customers are always evolving. As tastes and needs continually shift, accommodating those shifts with agility earn us the privilege of continuing to serve our customers. This is what makes our industry so exciting.

The ways customers shop for food is ever evolving and always changing. Customers used to shop once a week, checking off items from handwritten lists. Today, our customers manage their groceries with a mix of in-person and online shopping, rely on digital technologies to make lists and track spending, and shop for more ready-made meal solutions. Outside our stores, we know customers spend approximately half of their food budgets at restaurants.

Our passion for our customers, associates and communities is also on display in our willingness to take on difficult challenges and see them through. We see it in the way our store and supply chain teams respond to natural disasters, always the first to help our communities. We see it in the way our associates worked with the White House, governors and mayors to ensure America had access to fresh, affordable food during the pandemic. And we see it in our willingness to address one of our food systems most intractable challenges – that more than 40% of the food produced goes to waste each year while one in eight Americans struggle with hunger – through our Zero Hunger | Zero Waste impact plan.

Kroger has the fortitude to take on these challenges because we know that when we take care of our customers, associates and communities, our shareholders will benefit.

We continue delivering value for our shareholders. On a three-year basis, Kroger's adjusted net earnings per diluted share has grown at a compounded annual growth rate of 24.5% which has helped support a total shareholder return of 78.2% over the same period.

This incredible outcome is the result of our dedicated and thriving associates delivering a full, fresh and friendly experience for more than 11 million customers every day. It's no wonder Kroger was recently included in a list of America's Most Trustworthy Companies. From our manufacturing facilities and fulfillment centers to our store and office teams, we appreciate everything our associates do to embody Our Purpose: To Feed the Human Spirit.

Our associates are driving consistent execution of our go-to-market strategy in every interaction, everyday positioning the company for sustainable, long-term growth.

Kroger is building momentum and has the people, the plan, and the operational discipline to win today and in the future.

Update on proposed merger with Albertsons Co.

In October 2022, we announced our definitive merger agreement with Albertsons Companies, Inc. We are incredibly impressed with the Albertsons team and their commitment to their associates, culture, customers and communities.

Lower prices. More choices.

We believe bringing our highly complementary organizations together will provide customers with lower prices and more choices. Our proposed merger will mean more value for our customers, with lower prices and more food choices to discover. And we will begin on day one post-close, with $500 million already committed to bringing down prices.

Empower our associates' success

Our associates are responsible for our success, and we are committed to investing in theirs. The proposed combination will secure the long-term future of union jobs while creating a more competitive alternative to larger, non-union retailers. We have already committed $1 billion to continue raising associate wages and comprehensive, industry-leading benefits.

It is vital that we support our associates as they explore what their individual career paths will be. So many of our associates come to Kroger to experience their first job. In 2022, approximately 20% of our new hires were 18 years old or younger. It is amazing that Kroger introduces so many young people to a fulfilling career in the grocery industry. We demonstrate how our associates can choose from many different paths and how a foundation in amazing customer service supports associates' long-term goals, no matter where associates choose to build their careers.

At Kroger, associates get to help families discover healthier answers to the question, "what's for dinner tonight;" create technology that makes customers' shopping trips simpler; make healthcare more accessible for their neighbors – and even dream up a job that has yet to be created. The career opportunities are truly endless.

Build healthier communities free of hunger

The proposed merger will also allow our organization to invest in our communities in ways we simply cannot do on our own. I am so proud of what we have accomplished in our Zero Hunger | Zero Waste work and am impressed by the Albertsons team's commitment to supporting their communities as outlined in their Recipe for Change plan. We know that when families eat together, it supports their children's success across all aspects of their lives. I cannot wait to see how our combined efforts will connect people with the meals they need to thrive.

We look forward to continue working cooperatively with regulators and remain on track for a projected closure of the merger in early 2024.



2022 in Review

As the pandemic continued to fade and inflation caused ongoing economic uncertainty, our associates showed up for our customers. Last year, Kroger associates did everything we could to minimize the impact of inflation and help stretch tight food budgets so families could access fresh, affordable food, with zero compromise on convenience or selection. Our Leading with Fresh and Accelerating with Digital strategy and key focus areas of Fresh, *Our Brands*, seamless and personalization give us the flexibility to navigate a changing operating environment – all while providing value to our customers and our associates. We will continue to consider a five- to ten-year time horizon as we make key decisions.

During the year, we:

- Achieved positive identical sales without fuel of 5.6%;
- Increased associate wages, resulting in an average hourly wage of $18 and rate of more than $23 with comprehensive benefits;
- Exceeded $1 billion in cost savings for the fifth consecutive year; and
- Announced 14 additional Kroger Delivery locations across the U.S.

The subsequent sections will highlight progress we made across our business in 2022 and ways we intend to continue building on our momentum moving forward.

Leading with Fresh

For us, Fresh for Everyone™ is more than a brand promise. It's a commitment to bringing fresh, affordable foods to more people in more neighborhoods. Fresh foods are central to families living healthy, thriving lives. And our customers prioritize fresh when they shop with Kroger – with more than more than 90% of customers purchasing fresh foods. Many companies claim they are focused on fresh – we have demonstrated success in creating fresher shopping experiences, and our customers are rewarding us for it.

In the last year, we continued to put our focus on fresh, both with our in-store and e-commerce experiences. The End-to-End Fresh initiative is at the center of how we are changing the way we bring fresh to life in our stores. Today, we have more than 1,400 stores implementing this initiative in their produce departments, driving higher produce and overall store sales. We look forward to exploring how we can expand this work in other fresh departments in 2023 and beyond.

We are also working closely with our technology and supply chain teams to understand ways we can add days of freshness to our products. From optimizing delivery routes to simplifying associate tasks, we want to ensure our customers can buy food at its peak of freshness and trust those items will remain fresh in their homes.

Freshness is also important when we think about innovation in *Our Brands*. In 2022, we launched a simplified opening-price-point brand known as Smart Way. This new concept is easily identifiable for customers who want to stretch their budgets. It joins Kroger's carefully curated, extensive *Our Brands* portfolio, which includes the company's namesake Kroger brand, Simple Truth, Private Selection, Home Chef and Heritage Farm, among others.

In addition to the Smart Way brand introduction, we launched more than 680 new, unique *Our Brands* products last year. We engage with food trends throughout the year to understand what our customers are craving and ensure we have those items on our shelves. We aim to bring every customer the high-quality, affordable products they love – from pantry staples and fresh foods to ready-to-heat, restaurant-quality meals.

Accelerating with Digital

We continue to invest in our seamless ecosystem – bringing our customers the products they love when and where they want them. We see customers shift the ways they interact with us based on their individual needs, which aligns with our vision of a truly seamless shopping experience.

Our goal remains to be there for our customers – however they need us in a particular moment.

When it fits their day's plans, customers may choose to shop in our stores. Sometimes, they find a Kroger Delivery order easier during a busy weekend. Or when nothing looks good in the refrigerator or the last paper towel comes off the roll, we're here with Kroger Delivery Now, delivering in as little as 30 minutes. We remain well-positioned to achieve double-digit digital growth in the next three years.

Our brick-and-mortar stores and automated fulfillment centers work together to ensure our customers have access to the fresh foods and pantry staples they want when they need them most.

Our efforts to bring a truly personalized shopping experience to life are creating value for our customers. We serve the right promotions at the right time, directly to the customers who would be most interested in the offer. From providing suggestions to start a basket to offering a new item, we are providing customers real value. In 2022 alone, customers saved $1.4 billion through a combination of paper and digital coupons.

Last year, we also launched Boost by Kroger, the retail industry's most-affordable membership program. We are already exceeding internal expectations in both incremental engagement and household spend. We look forward to evolving our membership program to appeal to more customers and create additional value.

The *Accelerating with Digital* piece of our strategy continues to drive our profit flywheel. We are improving margins by reducing digital cost-to-serve, all while growing our alternative profit streams.

Investing in Our Associates

Our associates are at the heart of everything we do. I am always impressed at the ways they create memorable food moments for our customers every day. I regularly think back to my time working in a Kroger store when I began my career more than 40 years ago. I learned how to run a successful store, how to create real community with my customers and coworkers, and how important our stores are to the neighborhoods they serve.

Kroger provides opportunities for people seeking their first job, a new beginning or a new challenge to discover a fulfilling career path. And we continue to invest in our associates. Earlier this year we committed nearly $800 million to raise wages and benefits, create new training opportunities, and improve healthcare options in 2023.

This investment builds on our $1.9 billion in incremental investments in wages and comprehensive benefits Kroger has made since 2018. As a result, we raised our average hourly rate to $18, or $23.50 an hour with comprehensive benefits.

We understand we must support our associates' holistic well-being. To accomplish this goal, Kroger creates programs that power our associates' growth, including a world-class educational benefit program offering associates up to $21,000 toward continuing education opportunities – whatever that may mean to our associates. In 2022 alone, more than 5,000 people engaged with this program. We provide affordable, accessible healthcare options, which includes free counseling. Also in 2022, we introduced a first-of-its-kind free financial coaching services to all our hourly associates. We remain committed to helping our associates thrive in their careers and at home, ensuring Kroger remains an employer of choice.

Environmental Sustainability and Social Impact

Kroger is committed to responsible sourcing practices, respecting human rights and advancing animal welfare. Our comprehensive programs hold our suppliers accountable to meet our high standards and support our continual improvement. We rely on deep knowledge from our category sourcing leaders, data insights and input from our investors, industry groups, NGOs and subject-matter experts.

In 2022, we published our greenhouse gas (GHG) reduction goal roadmap. We are diligently working to reduce absolute Scope 1 and 2 GHG emissions from our operations by 30% by 2030 against a 2018 baseline. This goal was developed using climate science, supporting a well-below 2ºC climate scenario according to the absolute contraction method.

Kroger made considerable progress against our Framework for Action: Diversity, Equity & Inclusion plan. Launched in 2020, this action plan is accelerating change across the entire company. Since its introduction, we successfully provided unconscious bias training to all leaders and nearly half a million associates. We are working with 53 Historically Black Colleges and Universities, and institutions serving Hispanic, Asian American and Pacific Islander, and Native American students. And we are taking strong steps to achieve our goal of increasing our spend with diverse suppliers to $10 billion annually by 2030.

We are growing the many ways we participate in our communities – both big and small. In 2022, we celebrated the fifth anniversary of our Zero Hunger | Zero Waste impact plan. Since its inception, we directed more than $1.65 billion in food and funds to help end hunger, which includes more than 2.3 billion meals. We remain on track to donate 3 billion meals to our neighbors by 2025.

One accomplishment I am so proud of is our stores' work to achieve 100% execution of our food rescue program in participating Kroger stores. Flawless execution is an ideal for which we always strive. It is inspirational to see the way our store teams embrace our mission of providing healthy food to their communities.



Looking to the Future

I am optimistic for what 2023 and beyond will mean for Kroger, our customers, our associates and our communities. We are committed to providing the freshest food to our customers, with **zero compromise** on value, convenience or selection. We are investing in the business to continuously optimize our approach to freshness – and our customers are taking notice. Our teams are always looking for new opportunities to bring fresh *Our Brands* items to our customers, both capitalizing on food trends and creating experiences that can only come from Kroger.

Customers continue to expect the convenience our digital experience offers. We are working toward innovative ways to ensure grocery shopping fits easily into our customers' days – whether they are looking for a need-it-now item, a weekly stock-up shop or the perfect ingredient to make a special meal more memorable. And we do more than make it convenient – we make the shopping experience personal. We know our customers, and we earn their trust daily by providing engaging offers on the foods they love.

And our amazing associates bring it all to life. In addition to creating a full, fresh and friendly shopping experience for every customer, every time, our associates are committed to making their communities a better place to live. This year, we are recognizing 50 outstanding associates who raised significant funds for our Zero Hunger | Zero Waste Foundation. These dollars support our nonprofit partners across America who are working to create communities free from hunger and waste. Congratulations to each of these "Zero Heroes" for making measurable change for your neighbors.

I would like to thank our customers, associates and shareholders for your ongoing support for Kroger. I look forward to everything we will do together in the year ahead.



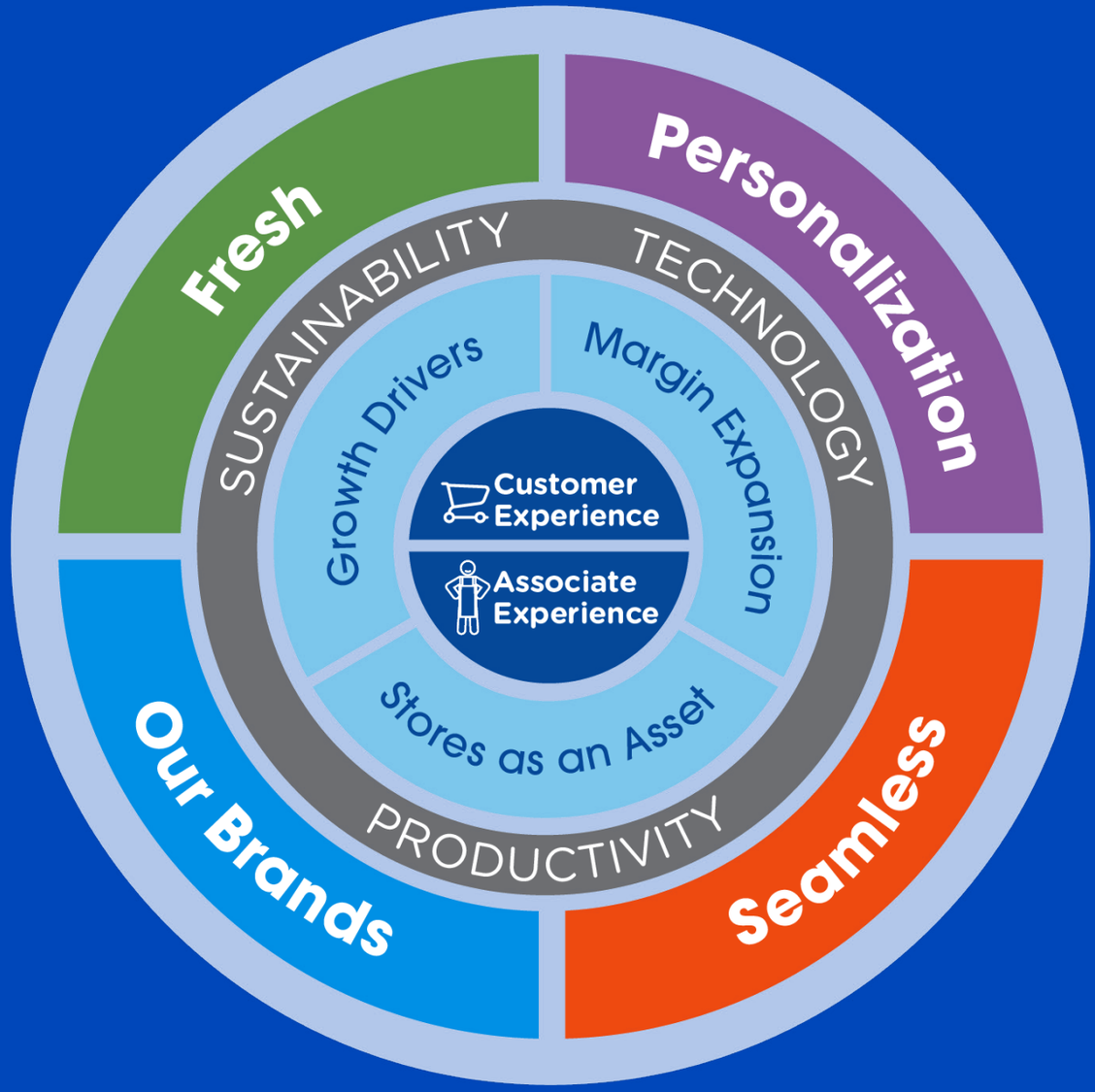
Rodney McMullen
Chairman and CEO, The Kroger Co.



Go-to-Market Strategy



Our Go-to-Market Strategy is Underpinned by our four Strategic Pillars, Fresh, Personalization, Our Brands, and Seamless which are the key growth drivers in our food business



Fresh for Everyone™

Our brand ethos, “Fresh for Everyone™”, is focused on providing undeniably fresh food through innovative and sustainable solutions across all channels. We know that 70% of customers choose their grocery store based on the quality of the fresh departments, which is why we care so much about fresh. Fresh meal concepts and innovation will provide customers new solutions to solve what’s for dinner with a seamless approach.

A world class fresh experience!
Kroger is a leader in floral, deli and sushi.

Fresh Experience

Kroger is committed to delivering Fresh for Everyone™ anywhere and anytime. Fresh is a cornerstone of our go-to-market strategy, and we are continually trying to add days of freshness for our customers through initiatives such as End-to-End Fresh. The End-to-End approach strengthens our Fresh equity through enhanced operational processes, delivering products to our customers sooner so they last longer, and utilizing technology to improve the fresh experience through all channels, from pickup, to in-store, to delivery. Expanding our sourcing of more locally grown products increases our customers days of fresh and optimizes the Fresh experience for all our customers.

Fresh Meal Concepts

Home Chef® allows us to ship meal kits directly to customers’ doors as well as offer a selection of “Ready to Cook,” “Ready to Heat” and “Ready to Eat” options. Quarterly rotations in the Ready to Cook program ensure that assortment remains fresh and relevant no matter the season. In 2023, our high quality “Ready to Heat” items will expand to our digital Home Chef platform as part of our subscription business. Our offerings have evolved with our customers, and now includes an assortment of fresh, convenient bowls and appetizers.

Fresh Innovation

Our expanded innovative collaborations with eco-friendly alternative farms such as 80 Acres and Gotham Greens support our supply of local, sustainable fresh produce to over 500 stores as of spring 2023. Growing our network of local produce suppliers provides our customers the freshest produce and supports our mission to positively impact the communities we operate in.

Fresh for Everyone™ Campaign

Kroger has a long-standing passion for fresh food and our Fresh for Everyone™ strategy helps us share that passion with our customers. We are now three years into our Fresh for Everyone™ customer communication campaign and continue to see strong performance. We are breaking through the sea of sameness, creating customer engagement, and driving marketing ROI above pre-campaign levels.

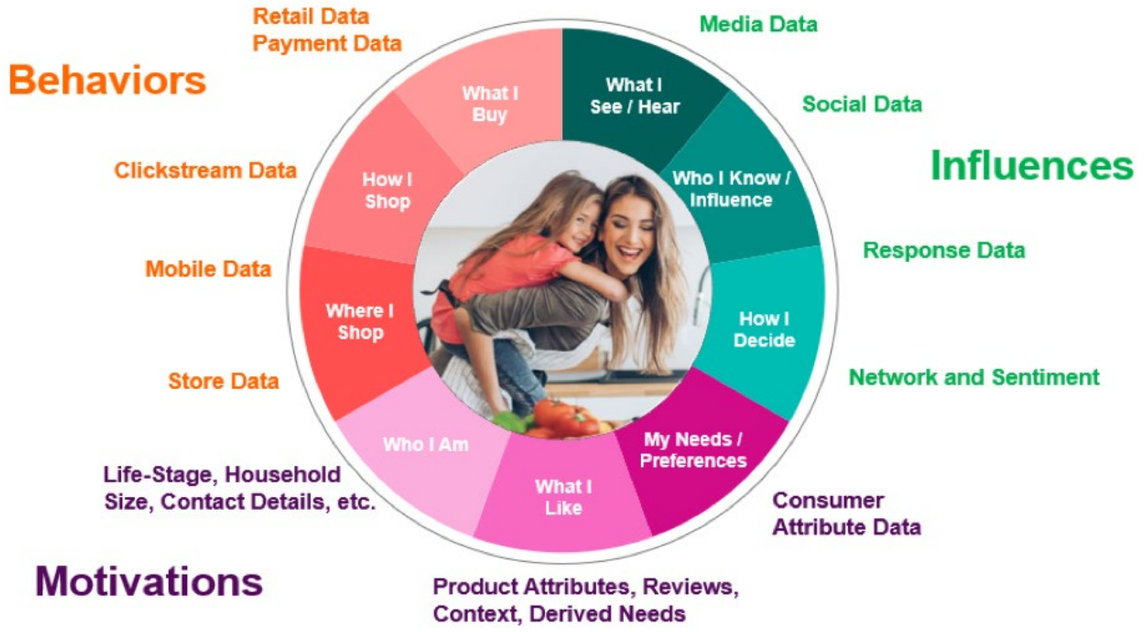
Loyalty and Personalization

We are customer obsessed. We take the time to get to know and listen to our customers to make their shopping and eating experiences better.

Data and science are at the core of our business. Our loyalty programs build long-term customer engagement by delivering valuable personalized communications at scale with brands and products that customers love and trust.

We are able to capture over 90% of sales on our customer loyalty card. Our ability to capture shopping behavior data and combine it with advanced data science capabilities to understand our customers better than anyone sets us apart from the competition. Using a sophisticated proprietary suite of tools and technology, we turn the customer data into insights and deliver personalized communications and offers to the right customers, at the right time through both direct mail and digital channels.

Putting the customer at the center of everything that we do results in a more dynamic, informed, and personal approach to driving customer loyalty. In 2022, our Best Customer Communications program delivered over $1.4B in incremental savings for customers. We continue to see incredible effectiveness and efficiency from a focus on loyal customers and investing in their satisfaction.



60 Million
Households Analyzed

2 Trillion
Personalized Recommendations Annually

10 Petabytes
Customer Data

Loyalty and Personalization

By combining transaction data, customer- supplied information and publicly available data, we can provide personalized experiences for each customer. Personalization saves the customer time and money, and provides more choice while helping them discover new products. These personalized experiences make customers feel appreciated and inspired and allow us to gain their loyalty and trust. Data and science-driven personalization provides value to the business by increasing sales and engagement.

Kroger cultivates a customer first relationship and activates multiple touchpoints to provide the right content and the right products, all when, where and at the value our customers want. With new science and insight, we create increasingly personalized experiences through relevant communication and meaningful rewards that make our customers' lives easier.

Over 90% of customer interactions with products on our website and app are enabled by personalization, driving a significantly higher level of engagement in our offers and nearly doubling the likelihood of a customer adding an item to their cart.





Data and insights

Loyalty marketing

Multi-channel advertising

Our Brands

Kroger's *Our Brands* has a leading position in the U.S. market delivering its best year ever with sales of over $30 billion in 2022 despite major headwinds faced by the industry including labor and supply shortages. Over the years, Kroger has built and sustained a competitive advantage through *Our Brands* that has positioned our portfolio for growth. Our multi-billion-dollar brands (Kroger, Simple Truth and Private Selection) generate three times the sales than those of the top five CPGs combined.

Simple Truth, the largest Free From and Organic brand in the U.S. celebrated its 10-year anniversary and is already achieving more than $3B in sales annually. Simple Truth's new collaboration with Kipster Farms hit a new milestone by introducing its first ever carbon neutral egg, expanding the brand's line of sustainable products available to all.

In 2022, Kroger introduced a new opening price point brand, Smart Way, to help meet the needs of customers on a budget and is another example of how *Our Brands* has continued to innovate to meet our customers' needs.

Our Brands will continue to utilize its unique leadership position to drive market share growth and profitability. To drive growth, Kroger is focused on four strategic initiatives designed to capitalize on key shifts in customer trends and shopping patterns that point to significant growth over the next five years.

- **Premiumization** behind the elevation of Kroger brand and exponential expansion of Private Selection and Simple Truth.
- New product **innovation** and differentiation, across all our premier brands.
- **Multi-Cultural** by exponentially expanding the Kroger Mercado offering.
- **Trade-Up** and Differentiation through expanding our Big Packs and muti-pack assortment.

Additionally, Home Chef has played an important role in fulfilling customers' growing preference for convenient and fresh meal solutions. Kroger will continue to focus on expanding its Home Chef offering to meet more meal occasions and deliver more assortment to our customers, and continue to grow this >$1B brand.

Finally, the relentless focus on product quality and packaging functionality will continue to be a cornerstone of the *Our Brands* growth strategy in 2023 and years to come.

Our customers tell us that the quality of our portfolio is a key factor in delivering a better shopping experience.

Kroger manufactures approximately 30% of *Our Brands* units sold, which creates a three-prong benefit:



Ensures supply and highest quality in a scarce environment;



Enhances *Our Brands* margin by ensuring the lowest possible COGS and utilizing third-party suppliers;



And enables us to sell innovative and unique products our customers can only find in our stores.

Our Brands

Innovation – Top Trends

As we continue to focus efforts on innovation, our trend mapping tools provide insight to new flavor and product trends that excite customers and set us apart from competitors as a clear authority in food.

Among some of our favorite product innovations is our Private Selection Bacon-Wrapped Wild Sea Scallops and Private Selection Shrimp Queso with Green Chiles Dip, inspired by newer trends of cooking restaurant quality seafood meals at home.

Other trends that have carried on post pandemic are flavors from around the globe and Snacking & Meal Planning. A few examples of products created to capitalize on these trends include the new Kroger Yum Yum Sauce, Simple Truth Organic Sweet Thai Chili Sauce and Simple Truth Ancient Grains Jalapeno Cilantro Crackers.

As we look to 2023 innovation, *Our Brands* plans to continue outpacing the industry by launching several new items and updating additional SKUs.



Seafood Meals at Home



Food from Around the World



Snacking and Meal Planning

Manufacturing

Kroger Manufacturing is made up of 33 facilities.
Our manufacturing plants produce breads, dairy products, meat and thousands of other grocery items. By manufacturing our own products, we lower our costs and pass the savings on to our customers. We invest in both process improvements and automation and we constantly monitor our costs versus that of third parties to ensure we are delivering high quality products at a competitive price. Additionally, we look for new products to bring in-house to lower costs to our customers.

Approximately 30% of the *Our Brands* units sold in our stores were produced in our manufacturing plants



Dairy

Kroger's 14 dairies produce all varieties of fluid milk, orange juice, cultured products such as yogurt and cottage cheese, ice cream, novelty treats and non-carbonated beverages. In all of our markets, our Banner Brand milk is the "national brand" for most customers. Kroger also operates two cheese plants, which produce a variety of natural and processed cheeses for our supermarkets.

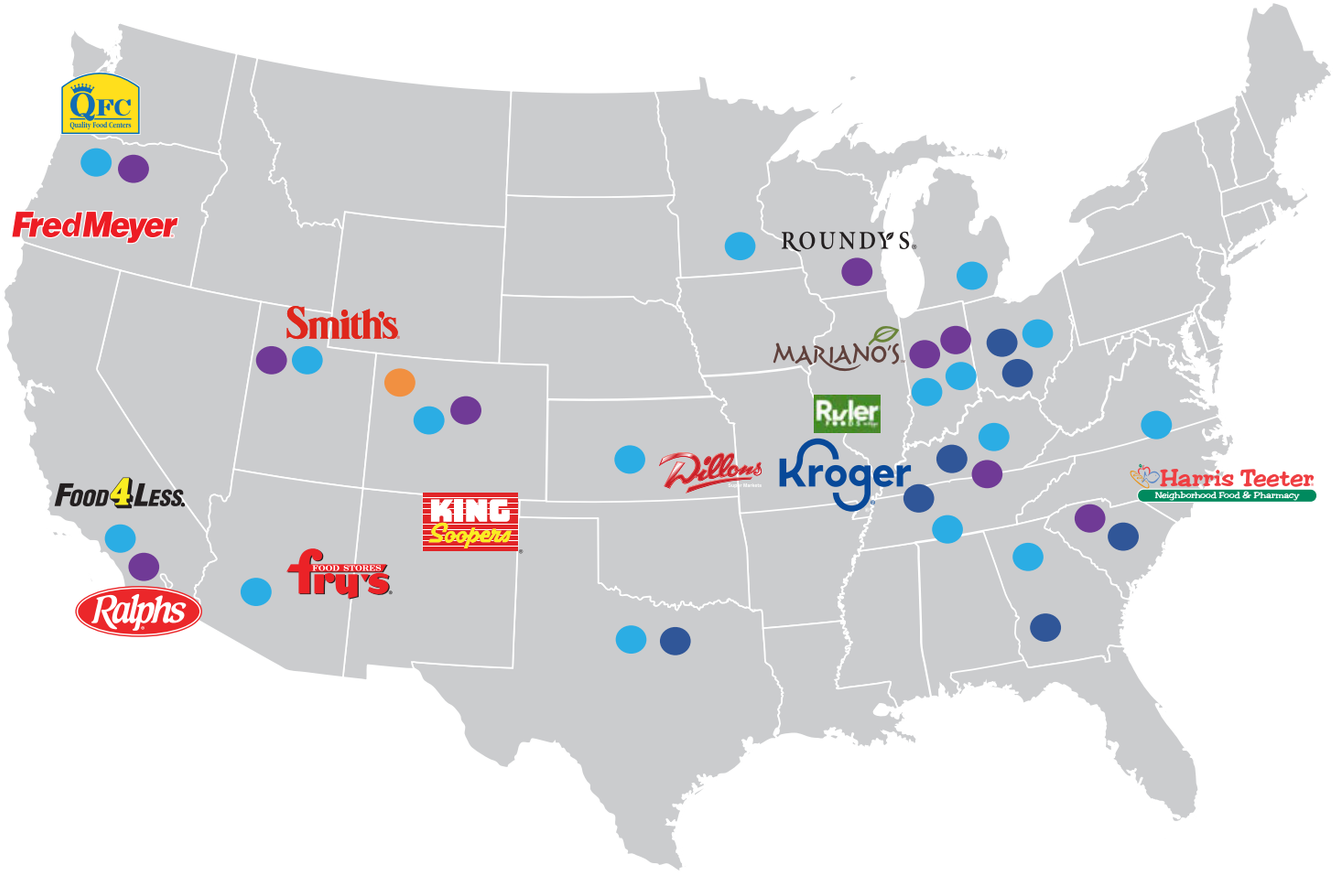
Deli/Bakery

Five Kroger bakeries supply bread, cakes, donuts, cookies, bagels, muffins, crackers, snacks and rolls to Kroger retail stores and outside customers. Two frozen dough plants in Bowling Green, KY, and Salt Lake City, UT, supply frozen cakes and dough to our retail stores. Two deli plants in Greensburg, IN, and Kenosha, WI, produce a wide variety of deli salads, soups, and side dishes.

Grocery

Grocery products, beverages, and water are produced in Kroger's five grocery and two beverage plants. *Our Brands* grocery items include pet foods, sugar-based products like drink mixes, hot cereal, coffee, spices, salad dressings and peanut butter. Beverages include Kroger's Big K® soft drink line.

Manufacturing Facilities



Dairy

Centennial Farms Dairy, GA
Crossroad Farms Dairy, IN
Heritage Farms Dairy, TN
Jackson Dairy, KS
Layton Dairy, UT
Michigan Dairy, MI
Mountain View Foods, CO
Pace Dairy, MN
Pace Dairy of Indiana, IN
Riverside Creamery, CA
Swan Island Dairy, OR
Tamarack Farms Dairy, OH
Tolleson Dairy, AZ
Vandervoort Dairy, TX
Westover Dairy, VA
Winchester Farms Dairy, KY

Meat

Ledbetter Meat, CO

Deli/Bakery

Anderson Bakery, SC
Clackamas Bakery, OR
Country Oven Bakery, KY
Indianapolis Bakery, IN
KB Specialty Foods, IN
King Soopers Bakery, CO
La Habra Bakery, CA
Layton Dough, UT
RCK Foods, WI

Grocery

America's Beverage, TX
Delight Products, TN
Kenlake Foods, KY
Pontiac Foods, SC
Springdale Ice Cream & Beverage, OH
State Avenue, OH
Tara Foods, GA

Seamless

We're focused on delivering a seamless experience that allows customers to shop anything, anytime, anywhere, without compromise or complexity. Customers want options and solutions without having to compromise on value, what they can get, when they can get it, or how they get it. Whether the customer is planning their weekly shop or looking for an immediate option for dinner, we offer solutions that address each of their shopping missions.
To support these rapidly evolving customer needs, we continue to enhance and optimize our seamless digital ecosystem that brings together our dynamic network of stores and larger automated customer fulfillment centers, as well as intermediate sized facilities and spokes, which together help to maximize our growth potential. This allows us to capture more trips and more customers through our seamless pickup and delivery ecosystem.

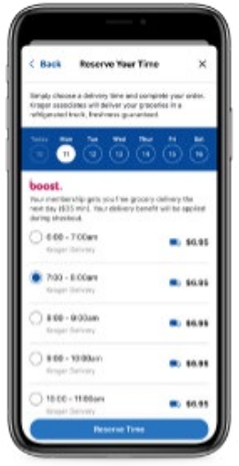
Our seamless ecosystem is continuously growing. To fuel our growth and capture e-commerce share, we are focused on accelerating our core offerings and creating new offerings that attract new customers and new shopping occasions.

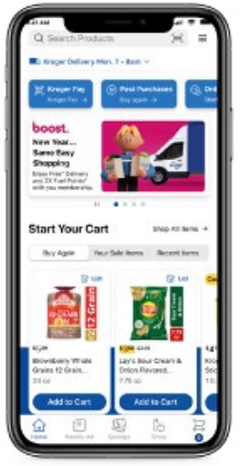
Pickup

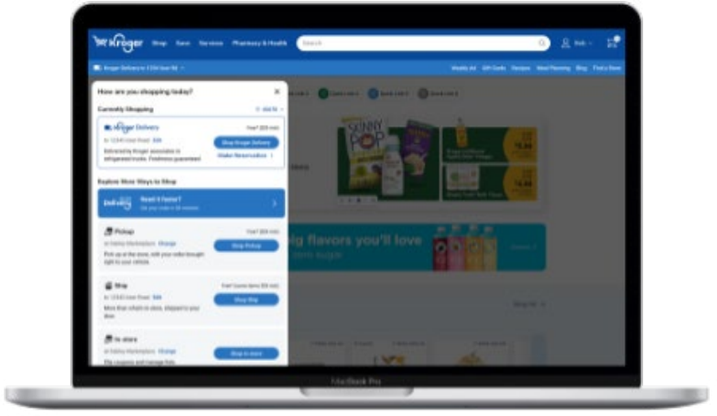
We use more than 2,200 pickup locations in stores as assets to further our Seamless strategy. We continue to expand capacity and create more flexibility during peak hours to capture customer demand. In 2022, we made significant improvements to our pickup service that were focused on delivering a fast and consistent customer experience.

To streamline our operations, we modernized our equipment and technology, consolidating eight different devices into one and eliminated paper printing in support of our Zero Hunger | Zero Waste impact plan.

We also enhanced our online inventory visibility, which enabled us to achieve improved fill rates on our journey to perfect orders and provided customers with a better online shopping experience. These efforts were a strategic step forward in our ongoing journey to continually improve our value proposition and exceed customer expectations.







Kroger Delivery and Fulfillment Network

We have established a delivery network designed to meet the need for same-day and next-day grocery delivery.

The delivery network relies on highly automated customer fulfillment centers that utilize artificial intelligence, advanced robotics, and automation. At the “hub” sites, more than 1,000 bots move around on giant 3D grids, orchestrated by proprietary air-traffic control systems. The grid, known as The Hive, contains totes with products and ready-to-deliver customer orders.

As customers’ orders near their delivery times, the bots retrieve products from The Hive and are presented at pick stations for items to be sorted for delivery, a process governed by algorithms that ensure items are intelligently packed.

After being packed, groceries are loaded into a refrigerated delivery van, which can store multiple customer orders. Powerful machine learning algorithms optimize delivery routes, considering factors such as road conditions and optimal fuel efficiency.

To supplement our customer fulfillment centers, we have created a network of spokes which expand the coverage area.

Instacart and Kroger Delivery Now

We collaborate with Instacart to help expand delivery reach and capacity beyond our CFCs and enable us to offer shorter lead-time delivery offerings. These orders can be placed on either Kroger’s digital platforms or Instacart and are picked by Instacart shoppers from our stores.

Kroger Delivery Now creates a first-of-its-kind virtual convenience experience that makes faster delivery possible from the Kroger Family of Stores in as little as 30 minutes nationwide. Kroger Delivery Now redefined convenience by being the first delivery service that doesn’t require customers to make a trade-off on selection, quality, price, or speed.

Boost

Kroger Boost is our next-generation loyalty program that is deepening our relationships with our customers. It offers incredible value for customers with unlimited free delivery on orders of $35 or more, double the fuel points on every dollar spent at Kroger, and other exclusive member benefits. Membership is offered in 2 tiers, for the price of $59 and $99 for an annual subscription. The $59 tier offers free next-day delivery and the $99 tier offers free delivery in as little as 2 hours.

Kroger’s vision for an omnichannel experience remains unchanged. We will continue to deliver a seamless experience that requires zero compromise by our customers.



Kroger Fulfillment Network Powered by Ocado Group

Kroger Delivery Customer Fulfillment Centers (CFCs), powered by Ocado Group allows Kroger to deliver a white-glove customer experience through proprietary fulfillment automation. In 2018, the companies announced a collaboration to establish a one-of-a-kind delivery network to the United States.

By offering a vertical integration and proprietary technology solutions, the CFCs create a more seamless and efficient fulfillment, picking and delivery capability which provide customers with access to fresh, affordable products.

Kroger is driven and passionate about delivering a fresh, convenient customer shopping experience with zero compromise on quality, selection, and value. Our CFCs drive that very passion and value as it builds a superior end-to-end distribution network and a diverse ecosystem of fulfillment channels. These solutions provide Kroger with the capability to support customer delivery and pickup fulfillment. Our long-term strategy is to support our seamless ecosystem and augment the existing Kroger distribution network to meet ever-evolving customer demand by building a flexible network of solutions including small, medium, and large facilities.

In addition to our network solutions, Kroger Delivery services continues to deploy distinguishable, white-glove delivery services, enabling customers to experience a trained, friendly and uniformed Kroger Delivery associate who arrives in a Kroger refrigerated van. Kroger's end-to-end cold solutions keep groceries fresh once loaded into the refrigerated delivery van and machine learning algorithms optimize delivery routes, considering factors such as road conditions and optimal fuel efficiency.



Here is a list of open CFCs as of March, 2023:

Shed Location	Area of Service
Monroe, Ohio	Cincinnati/Dayton, Columbus, Indianapolis, Louisville, Northern Kentucky
Frederick, Maryland	Maryland, Pennsylvania, District of Columbia
Groveland, Florida	Orlando, Jacksonville, Tampa Bay, Miami
Forest Park, Georgia	Atlanta, Birmingham, Nashville
Dallas, Texas	Dallas, Fort Worth, Austin, San Antonio, Oklahoma City
Pleasant Prairie, Wisconsin	Wisconsin, Chicago, Northwest Indiana
Romulus, Michigan	Michigan, Northern Ohio, Indiana
Denver, Colorado	Denver, Northern Colorado

Supply Chain

At Kroger, we differentiate ourselves through our quality, freshness, and efficiency. Our distribution model was built specifically to achieve these outcomes. Fewer touches, great quality controls, collaborations, insourcing and the use of science and automation all make a real difference to Kroger shoppers, a difference they can taste.

As part of our continuing enhancement of the customer experience, we are continuing to test and build-out a flexible network of solutions through owned properties and collaborations to optimize our existing network, develop new assets, and launch incremental services. Owning more of the movement of goods unlocks cost savings and enables the attainment of our customer and sustainability goals: better asset utilization, fresher product, and less waste. Our vision is that we create economies of web that adapt to ever changing customer needs. The ability to manage and oversee them, allows for flexibility from source to customer, product transparency and creates feedback loops on the value of our supply chain.



Smart Pricing

Kroger continues to make investments in price in areas that are most meaningful to our customers. Our rich customer data allows us to personalize offers to our customers. Our goal is to take price off the table for our customers when deciding where to shop. We view lower prices as one key factor in driving Kroger's overall customer value proposition.

Our pricing strategy is based on three core pillars designed to ensure that we will not lose due to price including:

- Fair and consistent everyday pricing
- Great feature pricing on core items to surprise and delight
- Loyal customer rewards, including fuel, best customer rewards, digital coupons and Kroger Personal Finance® rewards



Investing in our Associates



Our Associates

Our associates are at the heart of our business, bringing Our Purpose to Feed the Human Spirit to life for our customers, communities and each other every day. We value, appreciate and respect our associates and all they do to deliver a full, fresh, and friendly experiences for our customers. That's why we are committed to making investments that help them feed their futures.

To deliver a positive associate experience, we strive to deliver programs that add value to our associates' lives and provide growth opportunities to enable them to thrive at work and in life. To do this, we focus on connecting and retaining our talent, developing our leaders, and advocating for our associates and their well-being.

Connecting & Retaining Our Talent

Winning the hearts and minds of our associates requires meaningful connections across the associate journey. We are achieving this by focusing on critical moments through the associate life cycle – from their first impression to their transition to alumni.

We support associates throughout their career, by providing meaningful opportunities for them to learn and grow. This begins with a consistent and highly effective onboarding experience, which guides new associates beginning the day they're hired through their first 30 days and beyond. It gives them everything needed to get to know their team, understand what's expected, and thrive in their new role.

We continue that support by ensuring our leaders and associates have ongoing conversations to drive performance and discuss development opportunities that can help them find their path to success. This is enabled by role-specific development programs, a best-in-class continuing education benefit and technology-enabled training in the flow of work that work together to ensure associates at all levels are prepared to deliver a full, fresh, and friendly experience in their current role while also preparing them for future opportunities.

2022 Highlights

- Named a Best Place to Work for LGBTQ Equality and achieved a perfect score on the Corporate Equality Index by the Human Rights Campaign for the fourth consecutive year.
- Recognized by Computerworld as a Best Place to Work in IT for the fifth consecutive year.
- Expanded our financial well-being program to hourly associates, making free, one-on-one financial coaching available to all associates.
- Recognized with two Brandon Hall Group Excellence in Human Capital Management Awards: Silver for our gamified training app Fresh Start and Bronze for our Inclusive Leader training program.
- Received the 2022 Breakthrough Artists award presented by Qualtrics for our dedication to listening more openly, understanding more deeply and building more purposely.
- Committed to a more than $770 million incremental investment in our associates to raise average hourly rates, improve healthcare options, build new training and development opportunities, and more in 2023.

Developing Our Leaders

THE **LEADER** EMPOWERS EXPERIENCE → Higher Accountability

THE **ASSOCIATE** DRIVES EXPERIENCE → Higher Performance

THE **CUSTOMER** EXPERIENCE → Higher Customer Satisfaction

We believe that highly effective leaders empower the associate experience, which in turn drives the customer experience. We accomplish this by focusing on our passion for people and our passion for results. But it takes more than passion. It takes engaged leaders who demonstrate their care, compassion and support for associates and customers alike.

To help ensure we have highly effective leaders at all levels of the company, we offer the foundational training and experiences needed to successfully lead teams now and into the future. Available trainings introduce our leaders to foundational leadership models and language that will help strengthen a deeper listening, coaching and accountability while also elevating our leaders technical and functional acumen.

Beyond skills needed to grow their own careers, we also have built programs to enable leaders to support their associates' overall well-being through listening, support, care, and action. Our leadership development model outlines the behaviors our leaders should embody to guide our associates through the challenges of today and whatever may come next. It requires a deep sense of ownership of our business and a passion to improve every day while keeping people at the heart of everything we do. From our store leader development program and role-specific training to mental health education and DE&I courses, we provide our leaders with the skills needed to enable our associates to thrive.



Advocating for Our Associates & Their Well-Being

We are cultivating an environment where everyone can find opportunity and thrive. This includes delivering an exceptional, simplified associate experience that supports our associates' overall well-being, including their physical, emotional and financial health, growth and career opportunities and sense of community.

A key component of these efforts is the ongoing refinement of our highly competitive and highly valued Total Rewards programs, which includes compensation, health care benefits, retirement benefits, and perks available to all associates, including those represented by collective bargaining agreements. Over the past two years, we have invested more than ever before in our associates by expanding our industry-leading benefits, including continuing education and tuition reimbursement, training and development, and health and wellness initiatives.

In 2022, we increased our average hourly wage to over $18. That rate increases to over $23 with comprehensive benefits included. In total, Kroger has invested an incremental $1.9 billion in associate wages and comprehensive benefits since 2018. In addition, we have committed to a $770 million incremental investment in 2023 to raise average hourly rates, improve healthcare options, build new training and development opportunities, and more.

Our investments are driven by our data analytics research for specific areas to ensure our wages are competitive with the market. We will continue our efforts to rebalance pay and benefits, while also focusing on operational flexibility for our stores.

Wages, health care and pensions are included in all of the more than 350 collective bargaining agreements that cover approximately 65% of our associates. Our objective is to negotiate contracts that balance competitive wage increases and affordable healthcare for associates with keeping groceries affordable for the communities we serve.

In addition to wages, we provided more than **$3.8 million to support associates through unexpected hardships through our Helping Hands Fund in 2022 alone.**

We also continue to see associates take advantage of our continuing education program, which offers associates up to $3,500 annually (and up to $21,000 over the course of your career) to improve every day through education. All part-time and full-time associates are eligible after 60 days of service. More than 5,000 associates, 90% of whom are hourly, took advantage of the program in 2022 alone.

Mental and emotional well-being are critical priorities as we strive to deliver an exceptional associate experience. In 2022, we invested time and resources to accelerate our efforts in this space, focusing first on our leaders of others to better enable them to support their associates and create a safe and supportive environment within their teams. We continue to assess our ways of working, policies and benefit offerings to ensure we are effectively meeting the needs of our associates and helping them to prioritize their own well-being while also supporting each other.

Continuing to Invest in Our Associates

We're constantly looking to improve the associate experience, the benefits we offer and the meaningful opportunities available for associates to learn and grow their career.

There are several efforts underway to accelerate our improvements to the associate experience. In 2023, we plan to:

- Continue to build on our progress with multicultural universities and institutions, including Historical Black Colleges & Universities and Hispanic Serving Institutions, which increased from 6 collaborations to 53 since 2020, to further develop diverse sources of talent. This includes key collaborations with diversity networks, military organizations, Neurodiverse partners, second-chance employment partners and other groups.
- Utilize modern technology tools to enhance the entire talent acquisition process, increasing accessibility and ease to apply as well as enabling new associates to start their journeys with us faster.
- Continue prioritizing associate well-being with a focus on improving access to care and focusing creating a safe, respectful environment where everyone feels like they belong.
- Invest in modern technology to simplify daily tasks and free our associates to focus on creating an amazing customer experience.
- Enhance associate and leader development programs and increase visibility of opportunities available to develop and discover a career with Kroger.
- Continue to utilize workforce analytics and business insights to drive positive change across the associate experience and customer experience.



Live Our Purpose





At Kroger, how we do what we do matters for people and our planet. Our Environmental, Social & Governance (ESG) strategy — Thriving Together — highlights our focus on advancing positive impacts for People, Planet and Systems. This framework is designed to unlock greater value for our associates, customers, communities and company as we work together to address some of the most significant challenges of our time.

Kroger's Zero Hunger | Zero Waste social and environmental impact plan is the centerpiece of our ESG Strategy and how we live Our Purpose — to Feed the Human Spirit™ — every day. Zero Hunger | Zero Waste, introduced in 2017, evolved from a strategic look at what was authentic to our past and what is needed to drive positive change in our communities today and in the future. It addresses a fundamental absurdity in our food system today: an estimated 38% of the food produced in the U.S. is thrown away, yet 1 in 8 Americans struggle with hunger, including 1 in 6 children.

We have a series of ambitious goals with measurable targets to show progress toward our Zero Hunger | Zero Waste mission. These include:

- Directing 3 billion meals to our communities by 2025
- Donating surplus fresh food from our retail stores every day through the Zero Hunger | Zero Waste Food Rescue program to feed our communities
- Achieving zero waste company-wide by 2025 (90%+ diversion from landfills)
- Achieving zero food waste company-wide by 2025 (95%+ diversion from landfills)
- Reducing Scope 1 & 2 greenhouse gas emissions by 30% by 2030 (2018 baseline)
- Achieving 100% recyclable, reusable and compostable *Our Brands* packaging by 2030

For more details about the company's progress and additional areas of focus for our ESG strategy, please see Kroger's 2022 ESG Report.

We continue working with public and private collaborators, including suppliers and nonprofit organizations, to help build a more sustainable and equitable food system and global supply chain for the future.

In 2022, we continued to make progress on our Zero Hunger | Zero Waste plan by directing nearly 600 million meals in food and funds to nonprofit partners helping fight hunger in our communities. So far, we've directed 2.9 billion meals to our communities since 2017, well ahead of pace to achieve our 3-billion-meal goal for 2025.

Every day, Kroger associates help live our Purpose by setting aside surplus fresh food for donation through our Zero Hunger | Zero Waste Food Rescue program and managing waste responsibly. In 2022, 100% of Kroger-operated retail stores participated in food rescue.

Kroger also gives back meaningfully to our communities. Since introducing Zero Hunger | Zero Waste in 2017, the company has directed a total of $1.9 billion in charitable giving to our communities (food and funds); of that, nearly $1.3 billion supported causes and programs aimed at providing meals to increase food security and improve health.

Value Creation Model



Strong Value Creation Model, Delivering Sustainable TSR



3% - 5%
Net Earnings Growth

5% - 6%
Share Repurchase & Dividends

8% - 11%
Total Shareholder Return*

* Total shareholder return assumes no change in Kroger's PE ratio.

Value Creation Model

The foundation of our strong and durable value creation model is our omnichannel food retail business. This is built on Kroger's unique assets, which includes our stores, digital ecosystem, *Our Brands*, and our data. These assets, when combined with our go-to-market strategy, deliver a compelling value proposition for our customers. We are committed to continuing to build long-term customer loyalty and expect to grow revenue at a faster rate than food-at-home market.

We continue to build long-term customer loyalty through Fresh, *Our Brands*, Personalization and our seamless shopping experience to drive sustainable sales growth in our retail supermarket business, including fuel and health and wellness. This, in turn, generates the data and traffic that enables our fast growing, high operating margin alternative profit businesses. The value generated from these businesses enables us to reinvest back into our supermarkets and drive further store and digital traffic, creating a flywheel effect.

In conjunction with a disciplined approach in allocating capital, we expect our model to generate strong free cash flow which will allow us to generate consistently strong and attractive total shareholder return (TSR). This is supported through EPS growth driven by sustained net earnings growth and return of cash to shareholders via share repurchase plus a growing dividend over time. We have paused our share repurchase program to prioritize de-leveraging following the proposed merger with Albertsons.



Health & Wellness

Kroger Health and Wellness offers a wide range of healthcare services and products to customers across the country and continues to be guided by a vision of: Helping People Live Healthier Lives. **In 2022, we served over 17 million patients across over 2,500 pharmacies and clinics**.

We remain focused on building trusted relationships with our customers and delivering the best service and experience. The key to achieving this is by simplifying the workflow for associates in our retail pharmacies. We continue to invest in critical enablers, including technology enhancements, automation, and centralized fulfillment, in order to support and empower our associates to provide the best experience to our customers.

Additionally, Kroger Health has a significant opportunity to further our vision of helping people live healthier lives by driving medication adherence. We are focused on expanding the reach of programs such as auto-refill and 90-day enrollments as they will be key to achieving our vision.

These efforts not only improve patient health outcomes, but they also help our associates by producing a more predictable and efficient workflow.

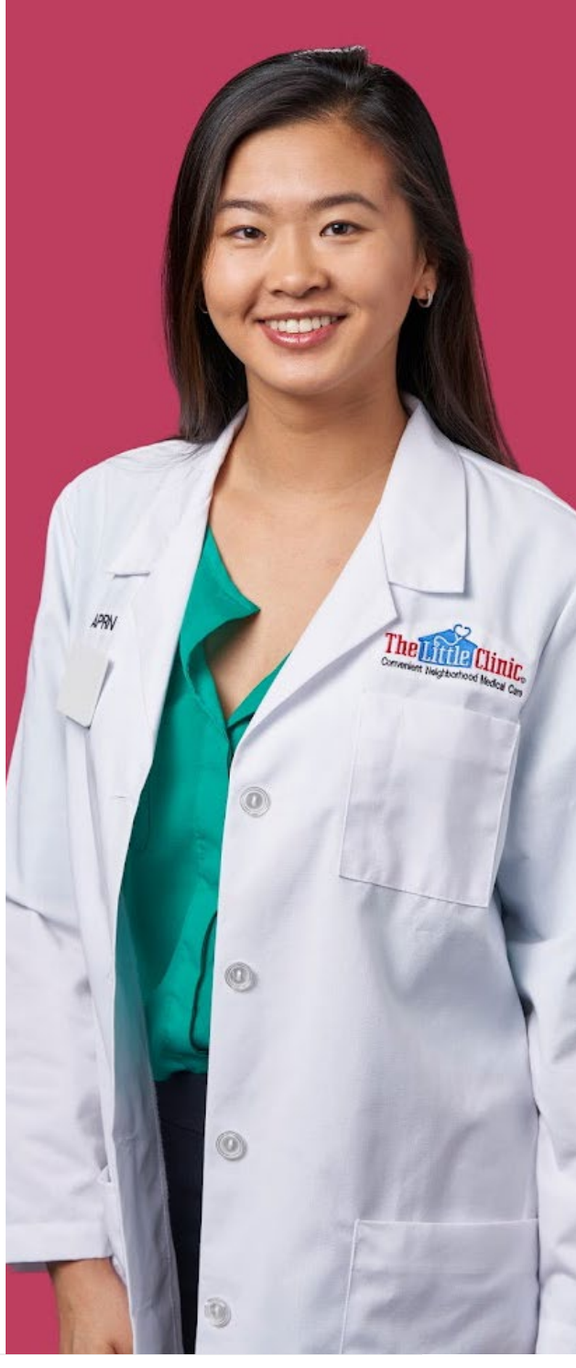
As we look to the future, Kroger Health is well-positioned for continued growth by driving retention, adherence, and attracting new customers, while enhancing the customer experience.

The Little Clinic®

The Little Clinic operates over 225 clinics in nine states within select Kroger, Dillons, Fry's Food Stores, Jay C and King Soopers stores. The Little Clinic aims to deliver individualized, high quality, affordable healthcare in accessible, convenient locations. In 2022, The Little Clinic expanded their reach, with increased telemedicine opportunities for COVID-19 Test to Treat across the entire country and continued to be a key player in the fight against COVID-19 with vaccination and testing availability inside each location. The Little Clinic upholds The Joint Commission Gold Seal of Approval™, maintaining compliance with their nationally recognized high quality care standards.

Kroger Specialty Pharmacy

Kroger Specialty Pharmacy is a nationwide Clinical Pharmacy dedicated to servicing patients with chronic illnesses that require complex medication therapies. Providing the highest level of care to our patients and providers, we maintain exceptional quality standards through URAC and ACHC accreditations. Our teams of clinical experts specialize in therapies that require IVIG/SCIG, oral, injectable, and topical treatments that are not regularly dispensed at our retail pharmacies. Servicing patients in all 50 states and Puerto Rico, our teams of licensed pharmacists, nurses, social workers, and clinical care teams are centered around each specialty to support patients through their unique treatment journey. With 24/7 clinical support, we provide our patients with educational resources, counseling and side effect management, and financial assistance programs to optimize clinical outcomes and improve quality of life. At Kroger Specialty Pharmacy, the journey is our passion.



Fuel

Kroger has 1,637 fuel centers, including 30 new locations opened in 2022. Fuel is an important part of Kroger's strategy, driving customer loyalty and delivering additional savings to customers. Our loyalty program members received hundreds of millions of dollars in fuel discounts annually with Kroger Fuel Points, earned by shopping and filling prescriptions at Kroger.



Alternative Profit Streams

By using specialized Kroger assets and consumer-driven capabilities to create additional value for customers and shareholders, Kroger is creating a virtuous fly wheel built upon the rich collection of proprietary data generated by our grocery business. Data gathered from over 90% of transactions tethered to our loyalty card is a key foundation to improve the customer experience and create new high growth and margin-rich business opportunities.

Kroger's ecosystem fuels the growth of adjacent alternative profit streams like Kroger Personal Finance, customer insights, and our retail media businesses.

These businesses comprise a significant portion of Kroger's overall alternative profit portfolio. They are dependent on a core supermarket business to deliver sustainable, long-term growth and profitability.

The segments within Alternative Profit include Kroger Personal Finance® (KPF), Kroger Precision Marketing (KPM), Insights, Real Estate, Ventures, and Future Innovation. All are underpinned by our core asset of data science which includes data from 60 million households and 10 petabytes of customer data per year. Collectively Kroger's Alternative Profit Stream businesses achieved $1.2 billion in operating profit in 2022.

Kroger Personal Finance® (KPF)

KPF gives the company a unique advantage by offering money management solutions that empower and reward our customers.



Kroger REWARDS World Elite Mastercard®

The Kroger REWARDS World Elite Mastercard® credit card offers great benefits and rewards to its cardholders, including:

- Additional discounts on fuel of 25 cents off per gallon for one year at Kroger Family of Companies Fuel Centers (3% cashback on the first $6,000 spent on fuel and dining purchases, then 1% thereafter in retail divisions without fuel)
- Cashback on every purchase
- 5% on mobile wallet purchases for the first $3,000, then 1% thereafter
- 2% on everything inside our stores
- 1% everywhere else Mastercard is accepted
- The freedom to redeem rewards their way!



Gift Cards

KPF offers a wide variety of gift cards for every occasion. Customers can purchase gift cards through in-store, curbside pick- up, and e-gift through online channels for every aspect of daily life such as their favorite restaurant, local merchant, travel destination or digital gaming platform.

Kroger Family of Companies gift cards offer multiple options for customers with a variety of creative themes to meet gifting occasions. Gift cards are available in-stores, online with e-gift delivery, as well as through a business platform for bulk purchases. In addition, Kroger offers a variety of MasterCard®, and Visa® gift cards and e-gifts in multiple denominations and creative designs.

Customers earn 2X fuel points on most gift card purchases every day and 4X fuel points during promotional periods.

Money Services

Kroger offers Money Services destinations, located inside most of our stores, that provide customers with a variety of money management options at competitive prices, including:

- Check and debit card cashing
- Money orders
- Money transfers
- Walk-in bill payment
- Prepaid wireless products
- Prepaid debit cards

Mobile Market

The KPF Mobile Market offers a wide selection of the most popular prepaid airtime cards and phones from all of the major carriers.

Whether a customer is looking for a phone for everyday use or just for emergencies, the Mobile Market has a phone and a plan for everyone.

In addition, customers can earn 2X fuel points on all airtime and phone purchases in the process.

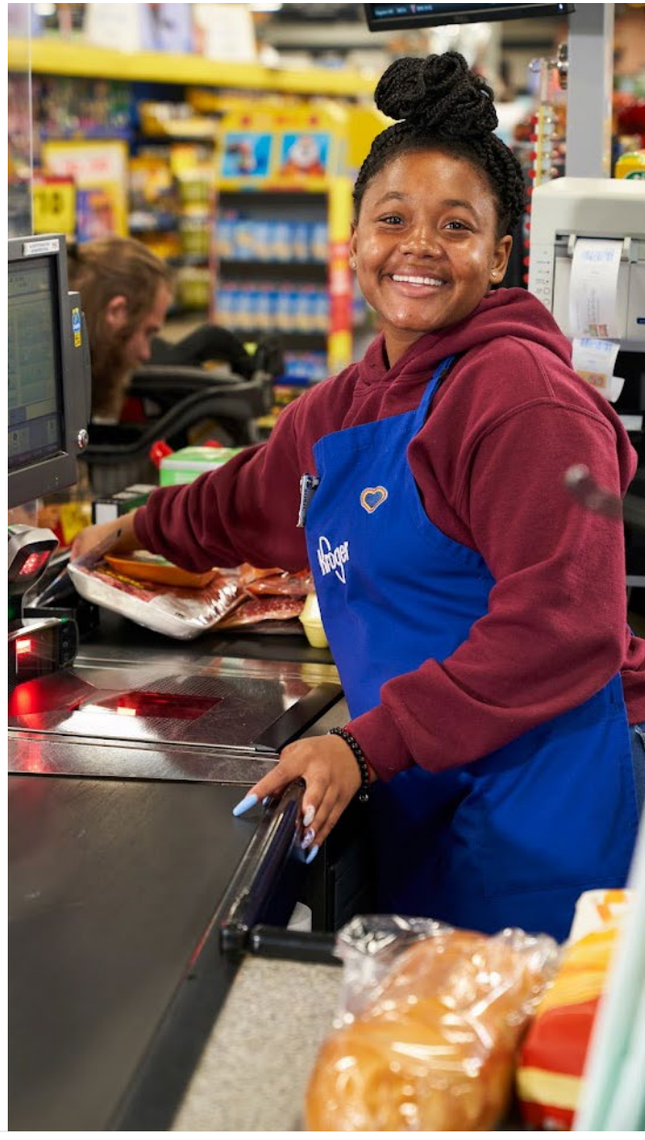
Lottery

KPF offers lottery products for sale in Kroger retail stores where state regulations permit. Lottery games, both 'Draw' and 'Scratch', are available in most stores and fuel centers where applicable law permits.

Innovation

KPF continuously focuses on new product innovation to meet the changing needs of our customers in this dynamic services industry.

In 2022, KPF launched Visa® and Mastercard® e-gift products in the B2C and B2B channels. Our goal is to be a trusted partner who helps make lives easier in the financial services space.



Retail Media

Kroger Precision Marketing (KPM) is the retail media business of Kroger designed to make shopping easier and brand advertising more effective. Powered by 84.51˚ data science, and Kroger's popular loyalty card program, KPM connects consumers to brands through engaging moments that inspire purchasing online or in-store.

As a collaboration between brands and retailers, retail media enables a better ecommerce shopping experience. Kroger's retail media has become an important vehicle for CPG brand growth because of two key factors:

More Relevant Advertising. Kroger's shopper-loyalty program helps us understand the decisions being made in our virtual and physical aisles. Using custom KPM audiences, brands can reduce wasted advertising impressions and reach relevant households.

More Accountable Advertising. Brands need to measure the true impact of advertising. Our closed-loop capabilities —the ability to compare media exposure to online and in-store sales—means greater accountability. Brands no longer have to use guesswork to know what's working.



Kroger's Retail Media Ecosystem

We have four media product pillars to create demand and activate sales for brands:

Off Property

We create business impact through advertising in display, video, advanced TV, audio, influencer and social media. Using custom audiences, we serve relevant advertisements, encouraging customers and prospects to discover their favorite products. Robust campaign reporting shows media delivery, engagement and business impact.Customer privacy is paramount; aggregated audiences that we use for campaign executions do not include any information that could directly identify customers.

On Property

We make shopping easier through relevant messages on our Kroger or Banner websites (Kroger.com, Ralphs.com, etc.), our mobile app, and emails we send. We create personalized experiences through relevant communications and meaningful rewards that make our customers' lives easier. Brands and agencies can manage placements through a self-service portal which also measures online and in-store sales impact.

Loyalty Marketing

We build long-term engagement for consumer-packaged goods customers and fresh providers by delivering valuable personalized communications at scale for brands and products that customers love and trust. Brands can leverage our personalized approach to rewarding their best customers through both direct mail and digital channels. On average, every dollar invested in targeted loyalty marketing generates over three dollars in incremental sales.

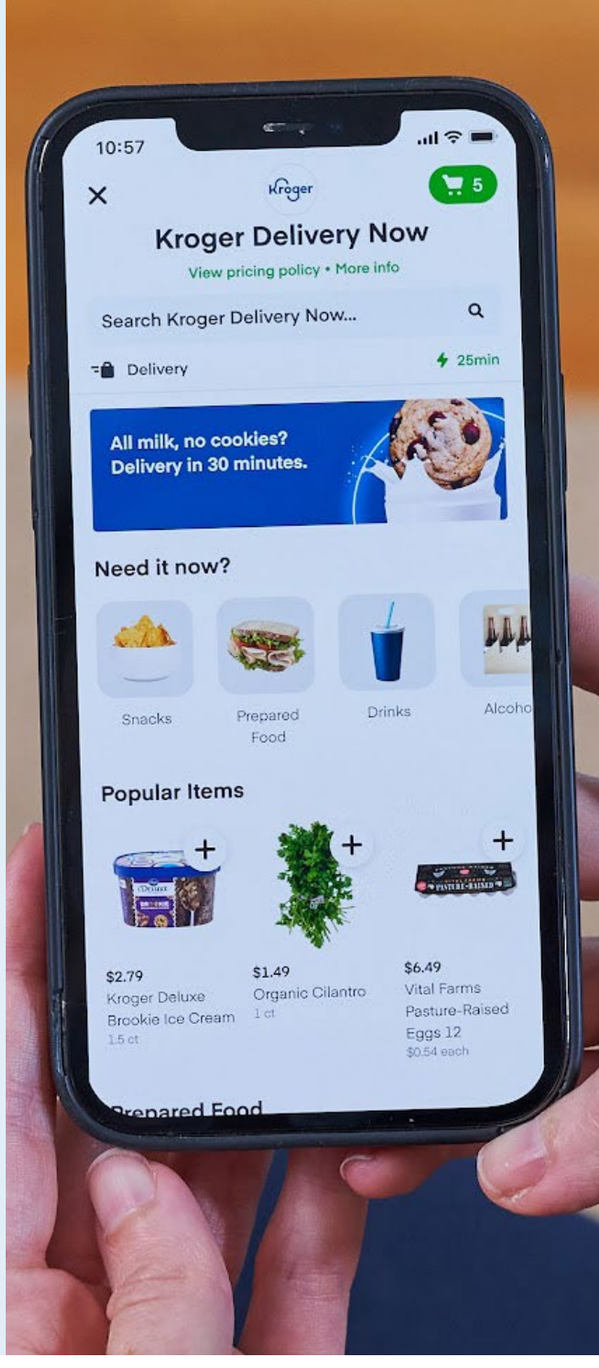
In-Store

With more than 60 million households engaging with us annually we are uniquely positioned to transform the grocery shopping experience for our customers. We're identifying new opportunities to elevate the customer experience while continuing to communicate pricing and promotions, build customers' awareness of products, and assist with wayfinding.

Industry Leader

The Path to Purchase Institute has surveyed CPG marketers on their perception of retail media networks over the last four years. In the most recent results released in January 2023, KPM has maintained a leadership position for the highest-ranking retail network for relevant audiences, traffic-driving capabilities and measurement. Advertisers recognize our ability to drive sales results and media accountability more effectively than other retailers. The difference between KPM and other retail media networks is the strength of Kroger's customer relationships.

Kroger Precision Marketing continues to lead with innovation through new self-service capabilities and collaborations in streaming TV, social and programmatic media.



Real Estate

The Real Estate Department is centralized at the corporate level and structured into 4 pillars: Asset Management, Alternative Profit, Corporate Real Estate, and Shared Services.

The Alternative Profit team manages a portfolio of transactions that are ancillary to Kroger's core business including EV charging stations, cell towers, ATMs and in-store banks, shopping center investments, joint venture investments, outparcel development, specialty leasing, in-store kiosks, property right monetization, and rebates from 3rd party agreements.

Ventures

Kroger has multiple ventures with the goal of using our assets and data to drive focused strategic collaborations that generate joint value.

Customer Insights

Fueled by the most robust first-party-data consisting of retail performance and customer engagement, accelerated by advanced data science, we improve the customers' journey through relevant shopping experiences. Our solutions span across CPGs, agencies and other businesses whose goals are to better understand shopper behavior, attitudes, and preferences both in-store and online at traditional grocery retail. Our Consumer Research practice provides full-service and agile platforms leveraging our first party data as its foundation. Solutions range from full-service to DIY and include proprietary platforms designed for the business user and the data scientist, democratizing data and insights for our clients. These data collaborations power smarter decisions for assortment, supply chain, pricing, promotions, innovation and ecommerce and more. By connecting data, science and technology, we enable data-driven decisions that delivers strong business results for suppliers and Kroger, ultimately benefitting the customer.



Driving Shareholder Value

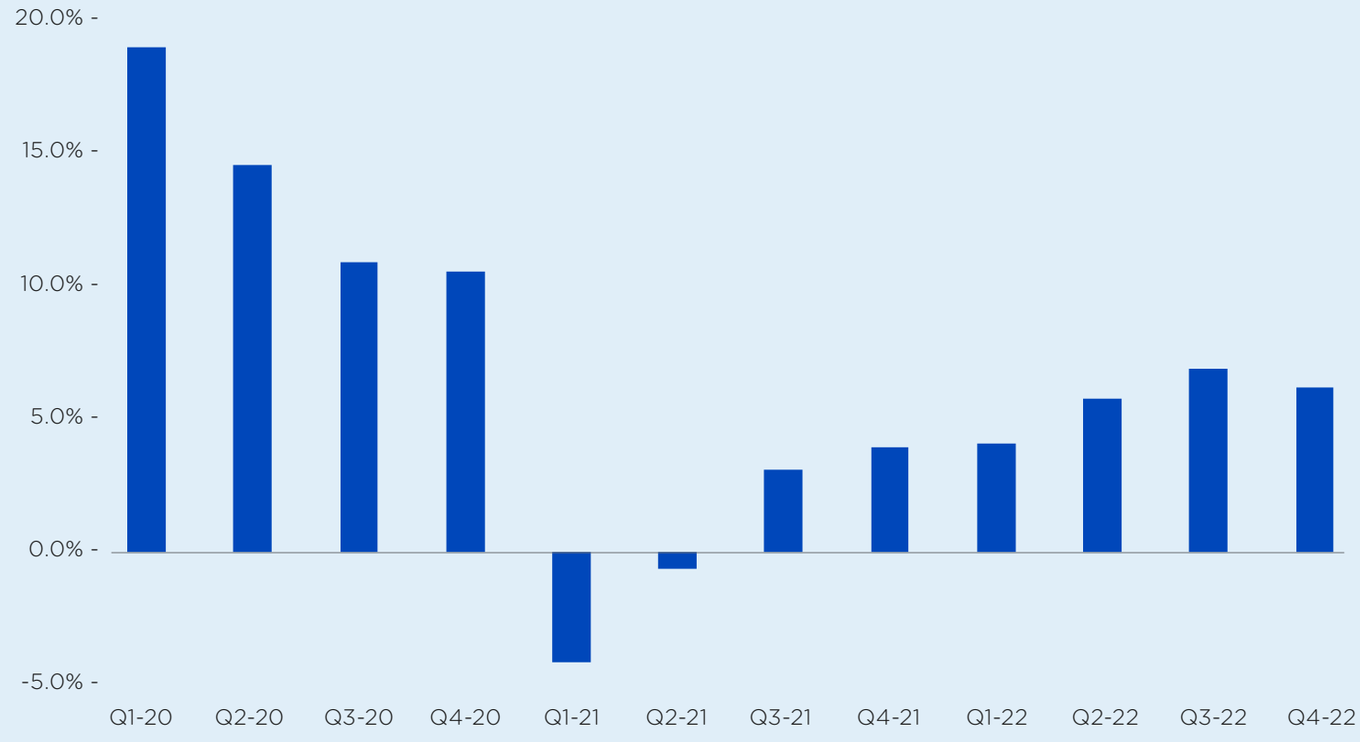


Identical Supermarket Sales

Identical supermarket sales are a key measure of health in the retail food industry. Kroger defines identical sales, excluding fuel, as sales to retail customers, including sales from all departments at identical supermarket locations, Kroger Specialty Pharmacy businesses 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 businesses 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. We define Kroger Delivery identical sales powered by Ocado based on geography. We include Kroger Delivery sales powered by Ocado as identical if the delivery occurs in an existing Kroger supermarket geography. If the Kroger Delivery sales powered by Ocado occur in a new geography, these sales are included as identical when deliveries have occurred to the new geography for five full quarters. Other companies in our industry may calculate identical sales differently than Kroger does, limiting the comparability of this measure.

The chart below depicts identical supermarket sales trends excluding supermarket fuel sales, for the last three years.

IDENTICAL SUPERMARKET SALES EXCLUDING FUEL

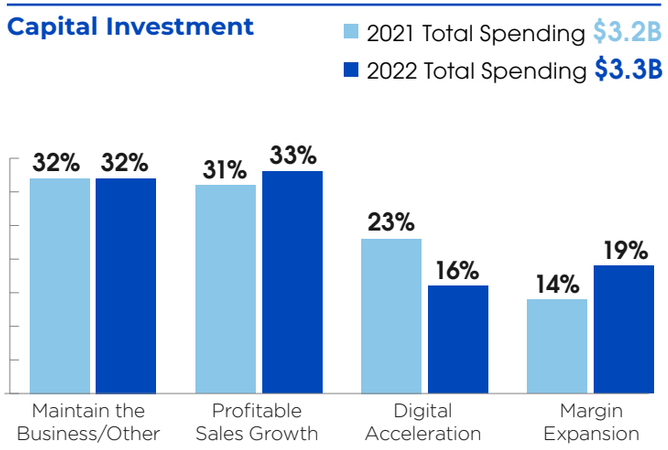


* Note that fuel discounts used at our fuel centers (earned based on in-store purchases) reduce the identical sales for our supermarket

Capital Investment Plan

We allocate capital in a balanced, strategic manner that we believe creates shareholder value in both the short and long-term. Throughout our allocation process, we take into consideration expected return, payback and risk profiles of each investment request. Our program is funded entirely from free cash flow, requiring evaluation of all investment opportunities across the enterprise, and only allocating capital to the highest return projects.

Capital investments, including changes in construction-in-progress payables and excluding mergers and the purchase of leased facilities, increased from $3.2 billion in 2021 to $3.3 billion in 2022. We allocate our capital spending priorities across 4 major buckets of investments: Profitable Sales Growth, Digital Acceleration, Margin Expansion, and Maintain the Business.



Profitable Sales Growth

These investments include major storing and remodel projects and fuel centers that build our revenue growth and are prioritized based on market potential and return. The primary goal of these investments is to drive incremental sales through our brick-and-mortar retail locations. These investments are specifically linked to our long-term financial model that requires annual ID sales growth of 2-4%, and they position us to best compete in the marketplace.

These investments also include customer experience and merchandising initiatives that are centered around full, friendly, and fresh to drive sales. These initiatives are driven by key sales program roll outs, strategic fresh initiatives, and in-stock improvements.

Margin Expansion

These investments are targeted at driving waste out of the business, building supply chain capabilities that allow us to optimize our distribution channels and efficiency, and accelerating monetization of our data. Benefits realized include reduction in labor, shrink, and transportation costs and defined sales impacts. We use this allocation to invest in technologies and new processes that drive our cost of doing business lower so that we can reinvest the proceeds in things that matter to our customers.

These investments focus on strategic improvements in manufacturing & supply chain, retail operations, Kroger technology infrastructure, energy efficiency and associate experience.

Digital Acceleration

Our Digital initiatives are comprised of a portfolio of complex projects focusing on driving customer experience and personalization with a primary focus of building our ecommerce platform (including through CFCs). Our goal is to reduce friction points and drive loyalty, all while driving traffic to Kroger properties creating additional alternative profit opportunities and allowing us to meet our ecommerce revenue goals.

Maintain the Business

These investments represent maintenance, repairs, and assets required to support the day-to-day business including store and operational facility maintenance and technology infrastructure. Each year, our goal is to balance these investments with those that drive revenue to ensure that we continue to maintain our fleet sufficiently.

Share Repurchase Programs

We maintain share repurchase programs that comply with Rule 10b5-1 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and allow for the orderly repurchase of our common shares, from time to time. The share repurchase programs do not have an expiration date but may be suspended or terminated by our Board of Directors at any time. We made open market purchases of our common shares totaling $821 million in 2022 and $1.4 billion in 2021. During the third quarter of 2022, we paused our share repurchase program to prioritize de-leveraging following the proposed merger with Albertsons.

In addition to these repurchase programs, we also repurchase common shares to reduce dilution resulting from our employee stock option plans. This program is solely funded by proceeds from stock option exercises, and the tax benefit from these exercises. We repurchased approximately $172 million in 2022 and $225 million in 2021 of our common shares under the stock option program.

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 the third quarter of 2022. 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 have been repurchased under the September 2022 authorization.

The shares repurchased in 2022 were reacquired under the following share repurchase programs:

- The December 2021 Repurchase Program.
- 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 benefit associated therewith ("1999 Repurchase Program").

As of January 28, 2023, there was $1.0 billion remaining under the September 2022 Repurchase Program.

Dividends

Kroger's quarterly dividend program was reinstated by our Board in March 2006. During 2022, we paid two quarterly cash dividends of $0.21 per share and two quarterly cash dividends of $0.26 per share. Kroger paid a total of $692 million, $589 million and $534 million in cash dividends during 2022, 2021 and 2020, respectively.

We currently expect to continue to pay cash dividends on a quarterly basis, that will increase over time, depending on our earnings and other factors, including approval by our Board.

Merger & Acquisition Strategy

Kroger's merger & acquisition strategy focuses on identifying opportunities to bring physical, intangible or human assets into the Kroger organization to enhance or accelerate our company's priorities. We apply a disciplined, multi-functional review process of both financial and non-financial attributes of potential merger/acquisition candidates to maximize shareholder value creation. With all mergers, Kroger strives to ensure both parties provide unique capabilities and synergies to the relationship to enhance value.

Kroger's historical supermarket merger/acquisition strategy had been focused primarily on store assets in markets with geographic adjacency or proximity to our existing operations. Those "in-market" mergers/acquisitions have historically been considered to carry lower execution risk with an ability to produce higher incremental returns as they require little investment in overhead, advertising, and distribution. The Harris Teeter® and Roundy's® mergers, while offering entry into certain adjacent new markets for Kroger, also provided synergy opportunities based upon each partner's areas of operating excellence applicable across our large base of existing assets. Since 2012, Kroger has materially expanded its deal scope to include potential merger partners which sit outside of the pure Grocery segment that enhance our ability to deliver value to our customers in expanded ways and support our strategic initiatives such as Leading with Fresh and Accelerating with Digital.

On October 14th 2022, Kroger announced that they entered into a definitive merger agreement with Albertson's to establish a national footprint that will merge two highly complementary organizations. Through a family of well-known and trusted retail banners, the combination will expand customer reach and improve proximity to deliver fresh and affordable food to approximately 85 million households through a premier omnichannel experience. The combination will create a more resilient business, with a devoted customer base and strong cash flows, that during the first four years post close is expected to deliver TSR well above Kroger's standalone TSR model of 8 – 11%. Kroger expects the transaction to be accretive to earnings in the first year following close, and double-digit accretive to earnings by year four, excluding one-time costs. The transaction is expected to close in early 2024, subject to the receipt of required regulatory clearance and other customary closing conditions.



Mergers/Acquisitions	Date	# Stores (A)	Location	Banner Change?
Buehler Food Markets	April 2006	1	Louisville, KY	Yes
Scott's Food Pharmacy	April 2007	18	Fort Wayne, IN	Yes
Farmer Jack	June 2007	20	Detroit, MI	Yes
Individual stores	2007	2	Various	Yes
Individual stores	2008	9	Various	Yes
AWG	January 2010	7	Topeka & Wichita, KS	Yes
Brookshires	March 2010	2	Jackson, MS	Yes
Albertsons	June 2010	1	Ft. Worth, TX	Yes
Individual store	April 2011	1	Bloomfield, TN	Yes
Schnuck's (supermarket)	September 2011	8	Memphis, TN	Yes
Schnuck's (c-stores)	September 2011	7	Memphis, TN	Yes
Axium Pharmacy	December 2012	Specialty Rx	Lake Mary, FL	N/A
Harris Teeter	January 2014	227	Multiple	No
YOU Technology	February 2014	Technology	San Francisco, CA	N/A
Vitacost.com	August 2014	E-Comm	Boca Raton, FL	N/A
84.51°	April 2015	Technology	Cincinnati, OH	N/A
Hiller's	July 2015	7	Detroit, MI	Yes
Roundy's (various banners)	December 2015	151	Wisconsin & Chicago, IL	No
Minyard Sun Fresh	January 2016	1	Plano, TX	Yes
Market6	August 2016	Technology	Deerfield, IL	N/A
ModernHEALTH	September 2016	Specialty Rx	Orlando, FL	N/A
Murray's Cheese	January 2017	2	New York City, NY	No
Marsh	July 2017	11	Indianapolis, IN	Yes
Farm Fresh	May 2018	18	Hampton Roads, VA	Yes
Home Chef	May 2018	Meal Kit	Chicago, IL	N/A
Shopko Pharmacies	January 2019	Rx Script Files	Green Bay, WI	N/A



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