

ABOUT THE KROGER FACT BOOK

This Fact Book provides certain financial and operating performance about The Kroger Co. and its consolidated subsidiaries. It is intended to provide general information about Kroger and therefore does not include the Company's consolidated financial statements and notes. On January 22, 2003, the SEC issued release No. 33-8176 that set forth new requirements relating to the disclosure of non-GAAP financial measures, as defined in the release. The release allows for presentation of certain non-GAAP financial measures provided that the measures are reconciled to the most directly comparable GAAP financial measure. Any non-GAAP financial measure discussed in this Fact Book complies with this requirement. More detailed financial information can be found in Kroger's filings with the SEC.

Kroger believes that the information contained in this Fact Book is correct in all material respects as of the date set forth below 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.

July 2008

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SHAREHOLDER INFORMATION

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2008 FISCAL CALENDAR

Quarter 1	February 3 – May 24
Quarter 2	May 25 – August 16
Quarter 3	August 17 – November 8
Quarter 4	November 9 – January 31, 2009

Number of Employees	323,000
Shareholders of Record as of March 28, 2008	46,674
Common Diluted Shares Outstanding (FY 2007)	697,748,672
Common Diluted Shares Outstanding (FY 2006)	722,956,712
Exchanges	NYSE
Ticker	KR

HIGH, LOW & CLOSING STOCK PRICE BY QUARTER

Quarter	Fiscal 2007			Fiscal 2006		
	High	Low	Close	High	Low	Close
1st	\$30.43	\$24.74	\$29.55	\$20.98	\$18.05	\$19.91
2nd	\$31.94	\$23.95	\$26.09	\$23.23	\$19.37	\$22.68
3rd	\$30.00	\$25.30	\$26.71	\$24.15	\$21.49	\$21.60
4th	\$29.35	\$24.23	\$25.98	\$25.96	\$21.12	\$25.85

FINANCIAL HIGHLIGHTS

(in millions, except per share data, as reported)

Calendar Year Ended December 31,	2007	2006	Change
Closing market price per share	\$26.71	\$23.07	15.8%

Fiscal Year End	2007	2006	Change
Closing market price per share	\$25.98	\$25.85	0.5%

Fiscal Year	2007	2006	Change
Total sales	\$70,235	\$66,111	6.2%
Operating profit	\$2,301	\$2,236	2.9%
Net earnings per diluted share	\$1.69	\$1.54	9.7%
Average number of common shares used in diluted calculation	698	723	<3.5%>
Net cash provided by operating activities	\$2,581	\$2,351	9.8%
Total debt, including obligations under capital leases	\$8,121	\$7,060	15.0%
Total capital expenditures, excluding acquisitions	\$2,060	\$1,777	15.9%

Note: Fiscal 2007 contains 52 weeks. Fiscal 2006 contains 53 weeks. Percent change calculations are based on the rounded numbers as presented.

SUSTAINABILITY

Sustainability is an integral part of Kroger's business. We are committed to continuously improving our environmental and social impact to support the communities where we operate, improve the lives of our customers and associates, and ensure the long-term success of our business.

We use a systematic process in each of our core businesses to understand where we have the greatest opportunities. We have made progress in several areas. For example, since 2000, we have reduced energy consumption company-wide by more than 22%, or 1.6 billion kilowatt-hours. That's enough electricity to power every single family home in Denver, Colorado for one year!

Our associates and our customers actively participate in our energy recycling efforts. Our associates reached a significant milestone in 2007 when our team recycled more than 1 billion pounds of cardboard from our stores. We also made it easier for customers to recycle plastic bags by placing special bins in all of our supermarkets last year. Together with our customers, we recycled 9.1 million pounds of plastic in 2007.

On the social front, we are a recognized leader in partnering with food banks to bring food to the hungry.



To learn more about Kroger's environmental and social efforts, please visit our 2008 Sustainability Report, which can be found on our website at www.kroger.com.

CORPORATE OVERVIEW

OPERATIONS

Headquartered in Cincinnati, Ohio, The Kroger Co. is one of the largest retailers in the United States based on annual sales, holding the #26 ranking on the Fortune 100 list. Kroger was founded in 1883 and incorporated in 1902.

At the end of fiscal 2007, Kroger operated (either directly or through its subsidiaries) 2,486 supermarkets, 696 of which had fuel centers. Approximately 43% of these supermarkets were operated in Company-owned facilities, including some Company-owned buildings on leased land. See Section II of this Fact Book for more information about our supermarket operations, and Section III for more information about our supermarket fuel centers.

In addition to supermarkets, Kroger operates (either directly or through its subsidiaries) 782 convenience stores and 394 fine jewelry stores. Subsidiaries operated 691 of the convenience stores, while 91 were operated through franchise agreements. Approximately 50% of the convenience stores operated by subsidiaries were operated in Company-owned facilities. Additional information about our convenience stores and jewelry stores is contained in Section II of this Fact Book.

The Company also manufactures and processes some of the food for sale in its supermarkets. As of February 2, 2008, the Company operated 42 manufacturing plants. See Section III of this Fact Book for more information about our manufacturing operations and private label products.

All of the Company's operations are domestic.

The Kroger Co.	# of Stores	% of Revenue
Supermarkets	2,486	94%
Convenience Stores	782	5%
Jewelry Stores (A)	394	<1%
Other (B)	N/A	<1%
Total	3,662	100%

(A) Includes 123 locations operated inside our supermarkets and 271 in shopping malls.

(B) Represents sales by Kroger's manufacturing plants to outside customers.



ASSOCIATES

The Company employs approximately 323,000 full-time and part-time associates. Approximately 70% of the Company's store employees are covered by collective bargaining agreements negotiated with local unions affiliated with one of several different international unions. There are approximately 330 such agreements, usually with terms of three to five years.



SUPERMARKETS

STORE FORMATS

One key strength that sets Kroger apart from our competitors is our wide variety of store formats. We believe that our customer base is becoming increasingly diverse – not only in terms of ethnicity, but also in terms of income levels, household mix, and purchasing patterns. We are addressing customer diversity through our multiple formats and product selection. Our broad array of formats positions Kroger to take advantage of growth trends in retailing. Expanding our formats and their elements also allows us to further leverage Kroger's existing distribution and manufacturing facilities.

At year-end 2007, Kroger operated 2,486 supermarkets classified under the four primary formats listed in the table below.

Store Formats	# of Stores	% of Stores
Combination Food & Drug Stores	2,183	88%
Multi-Department Stores	123	5%
Marketplace Stores	35	1%
Price Impact Warehouse Stores	145	6%
Total Supermarkets	2,486	100%



Combination Food & Drug Stores

Banners		
<ul style="list-style-type: none">▪ Baker's▪ City Market▪ Dillons▪ Fry's▪ Gerbes	<ul style="list-style-type: none">▪ Hilander▪ Jay C Food Stores▪ King Soopers▪ Kroger▪ Owen's	<ul style="list-style-type: none">▪ Pay Less Super Markets▪ QFC▪ Ralphs▪ Scott's▪ Smith's

The combination store (combo) is Kroger's primary format. This format typically draws customers from a 2.0 – 2.5 mile radius and offers them the advantage of “one-stop shopping” in convenient locations. Combo stores are designed to be a flexible format with a product selection tailored to meet the specific needs of the neighborhood's demographics. Combo stores feature a complete supermarket and pharmacy – most include service bakeries, delis, seafood, meat, and floral shops; expanded general merchandise; “whole health” sections and organic produce; and pet centers. Many include a supermarket fuel center. Combination stores that were opened during the last two years average 68,000 square feet and required an average investment of \$12.5 million, including real estate. Individual locations may vary widely from the average, depending upon the geography of the store. Our combo stores have proven successful in competing against all formats, including supercenters.

In certain markets, we have also introduced our “Fresh Fare” approach to our combo stores. In these select locations, the emphasis is on high quality perishables and top-notch customer service. At the end of 2007, we characterized 83 of our combo stores as “Fresh Fare” locations.



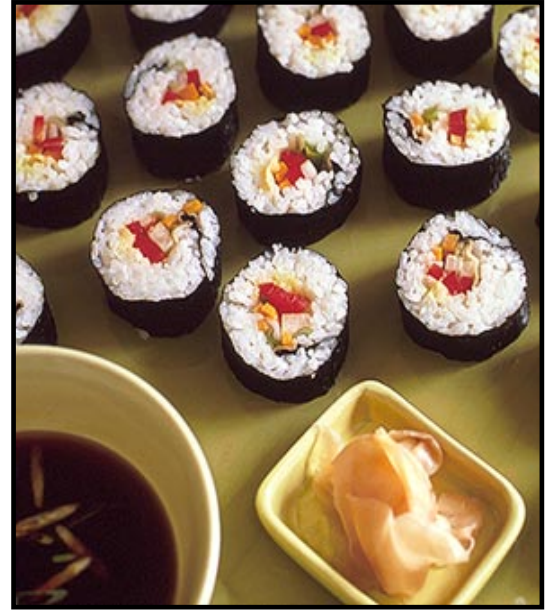
Multi-Department Stores

Our multi-department stores operate under the “Fred Meyer” banner in the Pacific Northwest and Alaska. Most are significantly larger than our combo stores. Averaging over 150,000 square feet, our Fred Meyer stores are large enough to offer a unique one-stop shopping experience – combining food, apparel, and home products. This format requires an average investment of \$30.0 to \$35.0 million, including real estate.



In addition to traditional combo store departments, our Fred Meyer multi-department stores sell a wide selection of general merchandise items such as apparel, home fashion and furnishings, outdoor living, electronics, automotive, and toys. Several locations offer fine jewelry and fuel. Fred Meyer stores are similar to supercenters, but are differentiated by a famous brand strategy, including: KitchenAid[®], Krups[®], Nike[®], adidas[®], Skechers[®], Columbia Sportswear[®], Levi's[®], Dockers[®], Jockey[®], Carhartt[®], Apple[®], Sony[®], Panasonic[®], Nikon[®], Canon[®], and Ashley[®].

Our Fred Meyer stores feature several competitive advantages in food, apparel, home and garden, and home electronics.



Competitive Advantages In Food:

- Quality beef (USDA Choice, Certified Angus Beef® USDA Choice, Natural Beef)
- Quality pork & poultry (all-natural pork, locally grown & organic poultry)
- Fresh seafood
- Natural foods center & organic produce
- Extensive wine selection with wine stewards in many stores
- Large selection of gourmet and international foods



Competitive Advantages In Apparel:

- The shopping experience is that of a department store and features national brands in Men's, Women's, and Children's Casual, Sportswear, and Shoes.



Competitive Advantages In Home:

- Fred Meyer features national brand Housewares and Home Décor merchandise.
- The Home Department also includes a Garden Center where serious gardeners go for expertise and top-quality plants, flowers, and other garden items.



Competitive Advantages In Home Electronics:

- Fred Meyer offers several of the best brands in audio-visual equipment, phones, flat screen TVs, MP3 players, digital cameras, as well as the latest CDs and DVDs.

Marketplace Stores

Banners	
<ul style="list-style-type: none">▪ Dillons Marketplace▪ Fry's Marketplace	<ul style="list-style-type: none">▪ Kroger Marketplace▪ Smith's Marketplace

Fred Meyer's general merchandise expertise has been a key factor in the success of our marketplace store format. The continued rollout of our marketplace strategy would not be possible without the general merchandise expertise of our great team at Fred Meyer that knows which categories and products to procure, and how to sell those products.

The primary distinction between our marketplace stores and our Fred Meyer multi-department stores is that most of our marketplace stores do not include apparel departments. They do offer full-service grocery and pharmacy departments as well as an expanded general merchandise area that includes outdoor living products, home goods, and toys. Ranging in size from 100,000 to 130,000 square feet, most of our marketplace stores are smaller than our multi-department stores. They require an average investment of \$15.0 to \$16.0 million, including real estate.

At the end of 2007, we operated 19 "Fry's Marketplace" stores in Arizona, five "Smith's Marketplace" stores in Utah, 10 "Kroger Marketplace" stores in Ohio, and one "Dillons Marketplace" store in Kansas.



Price Impact Warehouse Stores

Banners	
▪ Food 4 Less	▪ Foods Co

Our price impact warehouse stores offer a “no frills, low cost” shopping experience that features everyday low prices for a wide selection of grocery, health and beauty care items. Quality meat, dairy, baked goods, and fresh produce items provide a competitive advantage against club store and supercenter operators. Most of these stores operate under the “Food 4 Less” banner and average 56,000 square feet in size.

This format provides us with an exciting opportunity to enter new markets as a price merchant and to deepen our customer reach in markets where we currently operate. We operate this format in California, Illinois, and Nevada.



GEOGRAPHY & MARKETS

At the end of fiscal 2007, The Kroger Co. (either directly or through its subsidiaries) operated 2,486 supermarkets in 31 states under two dozen banners. These banners include “Kroger” and others listed below. Kroger has grown through organic growth and acquisition and believes strongly in maintaining local banners where appropriate.

State	Banners	Y/E 2007	Y/E 2006
California	Food 4 Less, Foods Co, Ralphs	386	389
Ohio	Kroger, Kroger Marketplace	214	214
Texas	Kroger	199	201
Georgia	Kroger	173	171
Indiana	Food 4 Less, Jay C, Kroger, Owen's, Pay Less, Scott's	149	141
Michigan	Kroger	138	120
Colorado	City Market, King Soopers	137	136
Washington	Fred Meyer, QFC	127	128
Arizona	Fry's, Fry's Marketplace, Smith's	122	120
Tennessee	Kroger	119	120
Kentucky	Kroger	106	105
Kansas	Dillons	73	75
Virginia	Kroger	63	63
Illinois	Food 4 Less, Hilander, Kroger	59	60
Nevada	Food 4 Less, Smith's	56	55
Oregon	Fred Meyer, QFC	55	55
Utah	City Market, Smith's, Smith's Marketplace	48	48
West Virginia	Kroger	45	46
Arkansas	Kroger	37	37
Mississippi	Kroger	31	31
New Mexico	City Market, Price Rite, Smith's	27	26
Missouri	Dillons, Gerbes, Kroger	20	22
N. Carolina	Kroger	19	19
Idaho	Fred Meyer, Smith's	14	14
Nebraska	Baker's, Food 4 Less	13	14
S. Carolina	Kroger	12	13
Alaska	Fred Meyer	11	11
Alabama	Kroger	10	10
Louisiana	Kroger	10	11
Wyoming	City Market, King Soopers, Smith's	9	9
Montana	Smith's	4	4
TOTAL		2,486	2,468

Operating Divisions

Kroger's operating structure is a balance between our corporate office in Cincinnati, Ohio and our 18 supermarket operating divisions. This balance keeps merchandising decisions closest to the customer while achieving

synergies in backstage operations in order to maximize operating efficiencies and minimize operating costs.

In areas that directly affect the customer, Kroger's decentralized structure places substantial authority for merchandising and operating decisions in our supermarket divisions. Divisional managers are able to respond quickly to changes in competition and customer preferences within each local market.

For backstage processes that offer economies of scale or are invisible to the customer (such as procurement, accounting, treasury operations, etc.), Kroger leverages its size and centralizes those functions to create value for customers and better returns for shareholders.

Kroger's 18 supermarket operating divisions include:

Division	Headquarters	# Stores
Ralphs	Los Angeles, CA	268
Kroger Atlanta	Atlanta, GA	215
Kroger Southwest	Houston, TX	209
Kroger Mid-South	Louisville, KY	162
Kroger Central	Indianapolis, IN	154
Food 4 Less	Los Angeles, CA	145
King Soopers/City Market	Denver, CO	141
Kroger Michigan	Novi, MI	136
Smith's	Salt Lake City, UT	133
Fred Meyer Stores	Portland, OR	128
Kroger Mid-Atlantic	Roanoke, VA	128
Kroger Columbus	Columbus, OH	125
Fry's	Phoenix, AZ	118
Kroger Delta	Memphis, TN	110
Kroger Cincinnati	Cincinnati, OH	109
Dillon Stores	Hutchinson, KS	100
Quality Food Centers (QFC)	Seattle, WA	75
Jay C	Seymour, IN	30
TOTAL		2,486

Major Markets

At year-end 2007, Kroger operated stores in 44 major markets. A major market is one in which Kroger operates nine or more stores. Kroger holds the #1 or #2 position in 39 of those major markets.

At least 35 of Kroger's 44 major markets are located among the nation's top 100 Metropolitan Statistical Areas (MSAs) ranked by population.

Major Markets (9 or More Stores)

	Market	# Stores	Division	#1 or #2?	Major Competitors (A)	
1	Los Angeles CA	246	Ralphs/Food 4 Less	Yes	Albertsons	Vons
2	Atlanta GA	131	Atlanta	Yes	<u>Wal-Mart SC</u>	Publix
3	Houston TX	101	Southwest	Yes	<u>Wal-Mart SC</u>	HEB
4	Seattle WA	93	Fred Meyer/QFC	Yes	Safeway	Albertsons
5	Detroit MI	91	Michigan	Yes	<u>Meijer</u>	Costco
6	Phoenix AZ	90	Fry's	Yes	<u>Wal-Mart SC</u>	Bashas
7	Cincinnati OH	74	Cincinnati	Yes	<u>Wal-Mart SC</u>	<u>Meijer</u>
8	Denver CO	71	King Soopers	Yes	Safeway	<u>Wal-Mart SC</u>
9	Columbus OH	60	Columbus	Yes	<u>Wal-Mart SC</u>	Giant Eagle
10	Riverside CA	58	Ralphs/Food 4 Less	Yes	Stater Bros.	Albertsons
11	Dallas TX	53	Southwest	Yes	<u>Wal-Mart SC</u>	Tom Thumb
12	Las Vegas NV	47	Smith's/Food 4 Less	Yes	<u>Wal-Mart SC</u>	Albertsons
13	Nashville TN	46	Mid-South	Yes	<u>Wal-Mart SC</u>	Publix
14	Indianapolis IN	45	Central	Yes	<u>Wal-Mart SC</u>	Marsh
15	Louisville KY	45	Mid-South/Jay C	Yes	<u>Wal-Mart SC</u>	<u>Meijer</u>
16	Portland OR	41	Fred Meyer/QFC	Yes	Safeway	Winco
17	San Diego CA	38	Ralphs/Food 4 Less	No	Vons	Albertsons
18	Memphis TN	36	Delta	Yes	<u>Wal-Mart SC</u>	Schnuck's
19	Fort Worth TX	27	Southwest	Yes	<u>Wal-Mart SC</u>	Albertsons
20	Wichita KS	27	Dillon Stores	Yes	<u>Wal-Mart SC</u>	Sam's Club
21	Salt Lake City UT	24	Smith's	Yes	<u>Wal-Mart SC</u>	Albertsons
22	Dayton OH	22	Cincinnati	Yes	<u>Wal-Mart SC</u>	<u>Meijer</u>
23	Little Rock AR	21	Delta	Yes	<u>Wal-Mart SC</u>	Harvest Food
24	Toledo OH	21	Columbus	Yes	<u>Meijer</u>	<u>Wal-Mart SC</u>
25	Lexington KY	19	Mid-South	Yes	<u>Wal-Mart SC</u>	<u>Meijer</u>
26	Tucson AZ	19	Fry's	Yes	Safeway	<u>Wal-Mart SC</u>
27	Albuquerque NM	17	Smith's	Yes	<u>Wal-Mart SC</u>	Albertsons
28	Fort Wayne IN	17	Central	Yes	<u>Wal-Mart SC</u>	<u>Meijer</u>
29	Knoxville TN	15	Atlanta	Yes	<u>Wal-Mart SC</u>	Food City
30	Richmond, VA	15	Mid-Atlantic	No	Ukrops	Food Lion
31	Roanoke VA	14	Mid-Atlantic	Yes	<u>Wal-Mart SC</u>	Food Lion
32	Flint MI	13	Michigan	Yes	<u>Meijer</u>	VG's
33	Charleston WV	12	Mid-Atlantic	Yes	<u>Wal-Mart SC</u>	Foodland
34	Chicago IL	12	Food 4 Less	No	Jewel	Dominick's
35	Omaha NE	12	Dillon Stores	Yes	Hy-Vee	<u>Wal-Mart SC</u>
36	Oxnard CA	12	Ralphs/Food 4 Less	Yes	Vons	Albertsons
37	Raleigh NC	12	Mid-Atlantic	No	Food Lion	Harris Teeter
38	Jackson MS	11	Delta	Yes	<u>Wal-Mart SC</u>	Brookshires
39	Peoria IL	11	Central	Yes	<u>Wal-Mart SC</u>	Schnuck's
40	Boulder CO	10	King Soopers	Yes	Safeway	<u>Wal-Mart SC</u>
41	Colorado Springs CO	10	King Soopers	Yes	<u>Wal-Mart SC</u>	Safeway
42	Savannah GA	10	Atlanta	Yes	<u>Wal-Mart SC</u>	Publix
43	Hampton Roads VA	9	Mid-Atlantic	No	Food Lion	Farm Fresh
44	Ogden UT	9	Smith's	Yes	<u>Wal-Mart SC</u>	Albertsons
	TOTAL	1,767		39		

(A) Underline denotes supercenter.

Secondary Markets (3 – 8 Stores)

	Market	# Stores	Division	#1 or #2?
1	Ann Arbor MI	8	Michigan	Yes
2	Augusta GA	8	Atlanta	Yes
3	Lansing MI	7	Michigan	No
4	Macon GA	7	Atlanta	Yes
5	Rockford IL	7	Central	Yes
6	Topeka KS	7	Dillon Stores	Yes
7	Wheeling WV	7	Columbus	Yes
8	Boise City ID	6	Fred Meyer	No
9	Durham NC	6	Mid-Atlantic	No
10	Fort Collins CO	6	King Soopers	Yes
11	Grand Junction CO	6	King Soopers	Yes
12	Huntington WV	6	Mid-Atlantic	Yes
13	Kansas City KS / MO	6	Dillon Stores	No
14	Lynchburg VA	6	Mid-Atlantic	No
15	Provo UT	6	Smith's	No
16	Saginaw MI	6	Michigan	Yes
17	Shreveport LA	5	Southwest	No
18	Huntsville AL	5	Atlanta	Yes
19	Myrtle Beach SC	5	Atlanta	No
20	Owensboro KY	5	Mid-South	Yes
21	San Francisco CA	5	Food 4 Less	No
22	Springfield OH	5	Cincinnati	Yes
23	Steubenville OH	5	Columbus	Yes
24	Blacksburg VA	4	Mid-Atlantic	Yes
25	Bloomington IN	4	Central	Yes
26	Clarksville TN – Hopkinsville KY	4	Mid-South	Yes
27	Columbia SC	4	Atlanta	No
28	Decatur IL	4	Central	Yes
29	Elkhart IN	4	Central	No
30	Eugene OR	4	Fred Meyer	No
31	Greeley CO	4	King Soopers	Yes
32	Jackson TN	4	Delta	Yes
33	Lafayette IN	4	Central	Yes
34	Lake Charles LA	4	Southwest	Yes
35	Lawrence KS	4	Dillon Stores	Yes
36	Parkersburg WV	4	Mid-Atlantic	Yes
37	Prescott AZ	4	Fry's	Yes
38	Sacramento CA	4	Food 4 Less	No
39	South Bend IN	4	Central	No
40	Spokane WA	4	Fred Meyer	No
41	Springfield MO	4	Dillon Stores	No
42	Terre Haute IN	4	Central	Yes
43	Anderson IN	3	Central	Yes
44	Bloomington IL	3	Central	Yes
45	Charlottesville VA	3	Mid-Atlantic	Yes
46	Columbia MO	3	Dillon Stores	Yes
47	Kokomo IN	3	Central	Yes
48	Mansfield OH	3	Columbus	Yes
49	Monroe MI	3	Michigan	Yes
	TOTAL	237		33

Kroger Operating Divisions (Year-End 2007)

KROGER DIVISIONS/ Major MSAs	# Strs	Total Sq. Feet (000)	Combos	Multi-Dept	Market-place	Price Impact
ATLANTA	215	12,141	215	-	-	-
Atlanta	131					
Knoxville	15					
Savannah	10					
CENTRAL	154	8,041	154	-	-	-
Indianapolis	45					
Fort Wayne	17					
Peoria	11					
CINCINNATI	109	6,722	105	-	4	-
Cincinnati	74					
Dayton	22					
COLUMBUS	125	7,271	119	-	6	-
Columbus	60					
Toledo	21					
DELTA	110	5,217	110	-	-	-
Memphis	36					
Little Rock	21					
Jackson	11					
DILLON STORES	100	4,679	99	-	1	-
Wichita	27					
Omaha	12					
FOOD 4 LESS	145	8,199	-	-	-	145
Los Angeles	57					
Riverside	25					
Las Vegas	15					
Chicago	12					
San Diego	11					
Oxnard	1					
FRED MEYER	128	19,416	5	123	-	-
Portland	35					
Seattle	32					
FRY'S	118	8,257	99	-	19	-
Phoenix	90					
Tucson	19					
JAY C	30	796	30	-	-	-
Louisville	6					

Kroger Operating Divisions (Year-End 2007)

KROGER DIVISIONS/ Major MSAs	# Strs	Total Sq. Feet (000)	Combos	Multi-Dept	Market-place	Price Impact
KING SOOPERS	141	8,150	141	-	-	-
Denver	71					
Boulder	10					
Colorado Springs	10					
MICHIGAN	136	6,985	136	-	-	-
Detroit	91					
Flint	13					
MID-ATLANTIC	128	6,221	128	-	-	-
Richmond	15					
Roanoke	14					
Charleston WV	12					
Raleigh	12					
Hampton Roads	9					
MID-SOUTH	162	8,504	162	-	-	-
Nashville	46					
Louisville	39					
Lexington	19					
QFC	75	2,643	75	-	-	-
Seattle	61					
Portland	6					
RALPHS	268	11,361	268	-	-	-
Los Angeles	189					
Riverside	33					
San Diego	27					
Oxnard	11					
SMITH'S	133	8,328	128	-	5	-
Las Vegas	32					
Salt Lake City	24					
Albuquerque	17					
Ogden	9					
SOUTHWEST	209	11,700	209	-	-	-
Houston	101					
Dallas	53					
Fort Worth	27					
TOTAL	2,486	144,631	2,183	123	35	145

ACQUISITION STRATEGY

As the supermarket industry continues to consolidate, Kroger reviews potential acquisition candidates and carefully analyzes their potential to enhance shareholder value.

Kroger's acquisition strategy focuses primarily on existing markets. Such "in-market" acquisitions have lower risk and generally produce a high incremental return because they require little investment in overhead, advertising, and distribution.

Mergers/Acquisitions	Date	# Stores (A)	Location	Banner Change?
Food Town	June 2003	13	Toledo OH	Yes
Eagle Food	Sept. 2003	6	Illinois	Yes
Cub Food	Oct. 2003	4	Denver CO	Yes
[Individual stores]	2003	7	[Various]	Yes
Winn-Dixie	June 2004	8	Cincinnati OH	Yes
Albertson's	Sept. 2004	3	Omaha NE	Yes
[Individual stores]	2004	7	[Various]	Yes
Winn-Dixie	Mar. 2005	1	Cincinnati OH	Yes
Buehler Food Markets	April 2006	1	Louisville KY	Yes
Scott's Food & Pharmacy	April 2007	18	Ft. Wayne, IN	No
Farmer Jack	June 2007	20	Detroit, MI	Yes
[Individual stores]	2007	2	[Various]	Yes

(A) Represents stores acquired. Kroger may not operate all.



CONVENIENCE STORES

OVERVIEW

Kroger operates five convenience store divisions under the following banners: Kwik Shop, Loaf 'N Jug, Quik Stop, Tom Thumb, and Turkey Hill Minit Markets. At year-end 2007, Kroger's 782 convenience stores spanned 15 states. Subsidiaries operated 691 of the convenience stores; 91 were operated through franchise agreements. In 2007, the convenience stores accounted for 4.8% of Kroger's total sales. The c-stores benefit from synergies with the Kroger supermarkets by offering a limited selection of private label products.

GROWTH

During 2007, we opened 11 convenience stores and closed 8. The new stores range from 2,900 square feet to 4,900 square feet in size, typically located on parcels of one to two acres. The new stores generally have a large gasoline offering with four to eight gasoline dispensers, covered by a large, well-lit canopy. The majority of our gasoline facilities offer pay-at-the-pump convenience for our customers. Over 300 of our convenience stores are tied into the Company's successful loyalty card program.

MARKETS

Kroger's convenience stores continue to concentrate on small to medium-sized towns located near interstate highways. Two-thirds of the stores are located in towns with fewer than 75,000 residents.

ASSET BASE

The majority of the locations occupy high-traffic corner sites. Of the 782 stores, 705 sell gasoline. During 2007, 84 stores received interior remodels and 25 received gasoline remodels.

STORE PROFILE

Average store size at year-end was 2,765 square feet. Average weekly customer count is approximately 4,500. The typical convenience store stocks approximately 2,800 items, with more than 70% of non-gasoline sales coming in five categories: soft drinks, beer, snacks, candy, and

tobacco products. Gasoline sales represented approximately 70% of the Company's total convenience store sales in 2007.

C-Store Division	States	# Stores			Square Feet (000)		
		2005	2006	2007	2005	2006	2007
Kwik Shop	IA KS NE	151	133	131	411	373	369
Quik Stop	CA NV	102	103	106	238	242	250
Loaf 'N Jug	CO MT ND NE NM OK SD WY	176	175	174	523	521	521
Tom Thumb	AL FL	126	127	126	360	365	368
Turkey Hill Minit Markets	PA	236	241	245	620	637	654
TOTAL		791	779	782	2,152	2,138	2,162



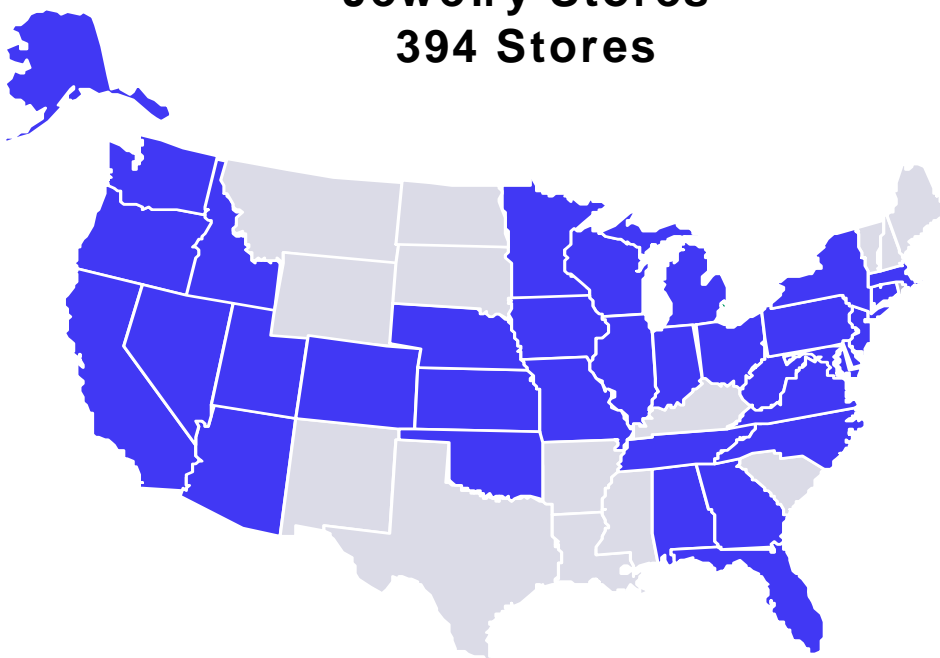
JEWELRY STORES

With 394 fine jewelry stores in 34 states at the end of 2007, The Kroger Co. ranked as the fourth largest fine jewelry retailer in the nation. There are 123 jewelry locations inside our supermarkets (primarily in the Fred Meyer multi-department stores) and 271 in shopping malls.

The jewelry locations operate primarily under the banners of Fred Meyer Jewelers and Littman Jewelers. In addition to store locations, Fred Meyer Jewelers welcomes customers at its own online storefront at fredmeyerjewelers.com and littmanjewelers.com. During 2007, the jewelry stores produced 0.6% of Kroger's total sales.

STATE	# STORES	STATE	# STORES	STATE	# STORES
Alabama	1	Iowa	4	North Carolina	1
Alaska	12	Kansas	1	Ohio	8
Arizona	10	Maryland	14	Oklahoma	1
California	32	Massachusetts	3	Oregon	52
Colorado	3	Michigan	16	Pennsylvania	37
Connecticut	5	Minnesota	4	Tennessee	7
Delaware	3	Missouri	1	Utah	10
Florida	16	Nebraska	1	Virginia	5
Georgia	1	Nevada	4	Washington	62
Idaho	12	New Jersey	19	West Virginia	3
Illinois	6	New York	26	Wisconsin	7
Indiana	7				

Jewelry Stores 394 Stores



CORPORATE BRANDS

Corporate brand products play a central role in Kroger's Customer 1st strategy and provide a key competitive advantage to Kroger. We are using our corporate brands to build and solidify customer loyalty. Our vision is to inspire customers to choose our stores because of their exclusive, preferred brands. Corporate brands such as "Private Selection[®]", "Everyday Living[®]", plus our new "Active Lifestyle[®]" and "Private Selection (PS) Organic[™]" brands are Kroger's ultimate loyalty program because customers can buy these brands only in our stores.

Our supermarket divisions typically stock approximately 14,400 private label items. Kroger's private label grocery items, in terms of dollars, represent approximately 26% of the Company's grocery sales. Our share in terms of units is approximately 32%. High-velocity, lower retail items – such as bread, canned tuna, and canned vegetables – explain a substantial portion of the difference between these two figures.

In addition to the grocery category, Kroger carries a wide selection of corporate brand products in other departments throughout our stores. We continue to expand and refine our offering in meat, seafood, deli, floral, produce, health & beauty care, and general merchandise in support of our corporate brands vision.

Corporate Brands: Product Quality

Consumer research, the finest ingredients, and our rigorous testing produce the quality behind our corporate brands. This is an important part of the everyday value that is found in all our products. All corporate brand items, whether manufactured or procured, are held to the same high standards. This consistent focus on quality provides the foundation of our corporate brands program.

Kroger's corporate brands strategy focuses on providing choices to our customers through a "three-tier" offering of price points and product experiences:

1. **Private Selection[®]** is our premium quality brand, made from only the finest ingredients to provide our customers with an extraordinary experience that makes bliss-filled moments out of everyday meals.

We now offer more than 800 unique Private Selection® items, including new items in our perishable departments.



2. Our **“banner brand”** (Kroger, Ralphs, King Soopers, etc.), which represents the majority of our corporate brand items, is designed to be equal to or better than the national brand or corresponding consumer product goods (CPG) item. Our banner brands carry the “Try it, like it, or get the national brand free” guarantee in most divisions. As with all of our corporate brands, quality is the key ingredient. Before Kroger will carry a banner brand product, the quality must be equal to or better than the national brand or corresponding CPG item.
3. Our **Value™** brand is designed to offer our price sensitive customers a choice of basic products that are priced to fit their budget. The Value™ brand offers practical, economical solutions for everyday needs.

Kroger’s three-tier corporate brands strategy generates enhanced profit margins. Our “good, better, best” approach enables us to serve a very broad and diverse customer base.

Corporate Brands: Product Innovation

Understanding our customers and responding to their needs through product innovation is a key part of our corporate brands strategy.

Today many customers are seeking functional food choices that help them take a proactive approach to their wellness. In June 2007, Kroger announced the official launch of Active Lifestyle®, our own brand of great tasting, better-for-you products that have functional benefits ranging from cholesterol reduction to joint support. More than 60 items are available under the Active Lifestyle® label, including milk, oatmeal, breakfast bars, yogurt, bread, cereal, and powdered drink mix.

Health & wellness and sustainability concerns are leading many of today's customers to look for more organic choices on their grocers' shelves, and Kroger is responding in a very big way to deliver "organics for everyone". In August 2007, we expanded the organic product offering sold under our exclusive Private Selection® brand. Our stores offer more than 140 Private Selection Organic™ items ranging from everyday staples like milk, ketchup, butter and eggs to new items like cereal, salads, and snacks. Every Private Selection Organic™ product contains at least 95% organic ingredients and is USDA certified, assuring our customers that these products are grown and processed without preservatives, artificial colors or flavors. We continue to add new items to this proprietary product line.



Kroger continues to see ample opportunity to grow the market share of our exclusive brands in health and beauty care (HBC) categories. Our successful over-the-counter introductions of banner-brand Cetirizine (ZYRTEC® equivalent) and Omeprazole (Prilosec® equivalent) are recent examples. All corporate brand items that we carry in the HBC category are procured products manufactured for Kroger to meet our product specifications. These products are held to the same high standards as our Kroger-manufactured products.

Kroger also carries a variety of general merchandise corporate brands, lead by "Everyday Living®". In 2007, we re-launched our Everyday Living® kitchen gadget offering, which delivers quality products that help our customers with their kitchen chores. Other important general merchandise brands include seasonal "Holiday Home®" items, upscale "HD Design®" products for home, "MotoTech®" products in the automotive category, and "Office Works®" in the office and school supplies category.

KROGER MANUFACTURING

Approximately 43% of the corporate brand units sold in our stores are produced in Kroger's manufacturing plants; the remaining corporate brand items are produced to the Company's strict specifications by outside manufacturers. The Company performs a "make or buy" analysis on corporate brand products and decisions are made based upon a comparison of market-based transfer prices adjusted for plant profit versus open market purchases. Kroger's manufacturing plants produce breads, dairy products, meat and thousands of other grocery items. By manufacturing our own products, we lower our costs and pass on savings to our customers.

Kroger's 15 dairies and three ice cream plants operate at nearly full capacity and 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, private label 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.

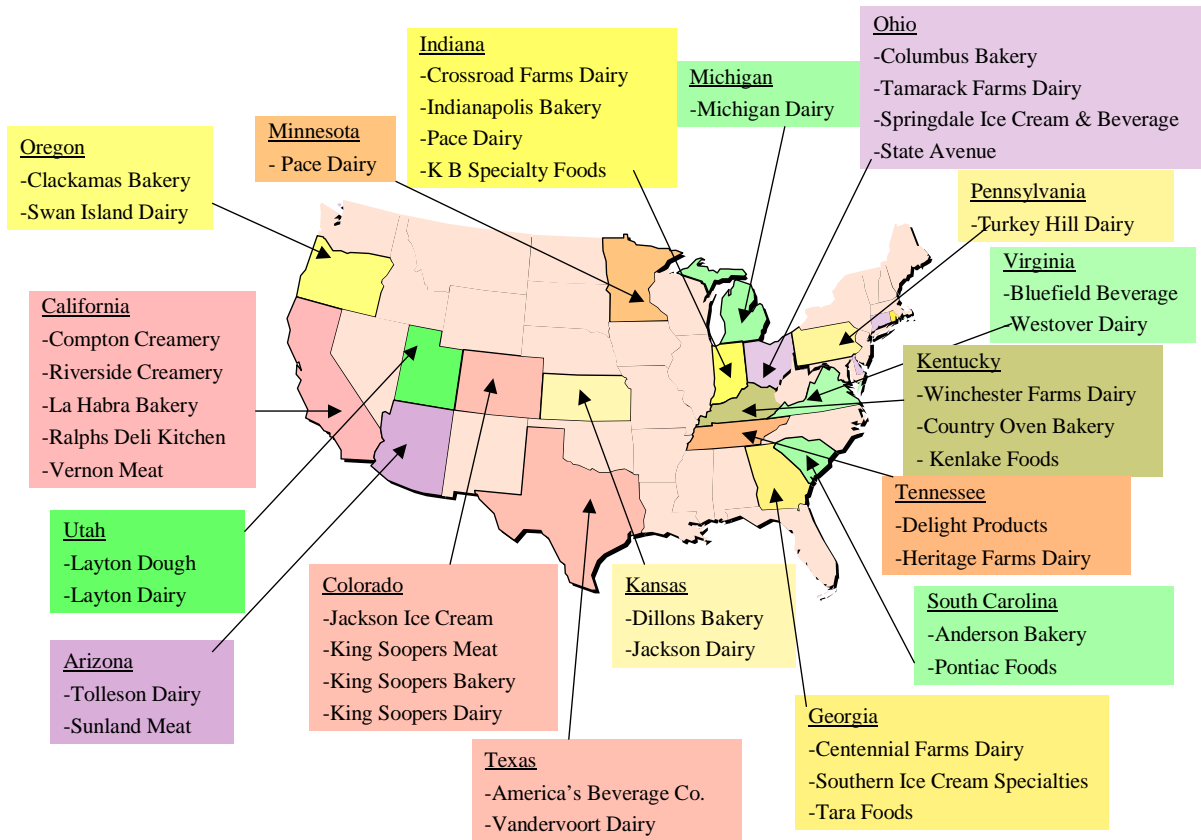
Kroger's three meat plants produce a variety of packaged meats, retail meats, sausages, and home meal replacements.

Kroger's seven bakeries supply cakes, donuts, cookies, bagels, muffins, crackers, snacks, and rolls to Kroger retail stores and outside customers. In addition, two frozen dough plants in Bowling Green (Kentucky) and Salt Lake City (Utah) supply frozen cakes and dough to our retail stores. KB Specialty Foods, a deli plant, manufactures a wide variety of deli salads, puddings, desserts, glazes, cakes, icings, etc.

Grocery products, beverages, and water are produced in the Company's five grocery and three beverage plants. Corporate brand 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[®] corporate brand soft drink line.

The quality of product carrying our banner brands is monitored by Kroger's in-house quality assurance group. All such product is sold in most divisions with the following guarantee: "Try it, like it, or get the national brand free."

Kroger Manufacturing Plants



DAIRY

- Centennial Farms Dairy
- Compton Creamery
- Crossroad Farms Dairy
- Heritage Farms Dairy
- Jackson Dairy
- Jackson Ice Cream
- King Soopers Dairy
- Layton Dairy
- Michigan Dairy
- Pace Dairy
- Pace Dairy of Indiana
- Riverside Creamery
- Southern Ice Cream Specialties
- Swan Island Dairy
- Tamarack Farms Dairy
- Tolleson Dairy
- Turkey Hill Dairy
- Vandervoort Dairy
- Westover Dairy
- Winchester Farm Dairy

MEAT

- King Soopers Meat
- Sunland Meat
- Vernon Meat

BAKERY

- Anderson Bakery
- Clackamas Bakery
- Columbus Bakery
- Country Oven Bakery
- Dillons Bakery
- Indianapolis Bakery
- KB Specialty Foods
- King Soopers Bakery
- La Habra Bakery
- Layton Dough
- Ralphs Deli Kitchen*

GROCERY

- America's Beverage
- Bluefield Beverage
- Delight Products
- Kenlake Foods
- Pontiac Foods
- Springdale Ice Cream & Beverage
- State Avenue
- Tara Foods

*Facility was closed subsequent to year-end 2007.

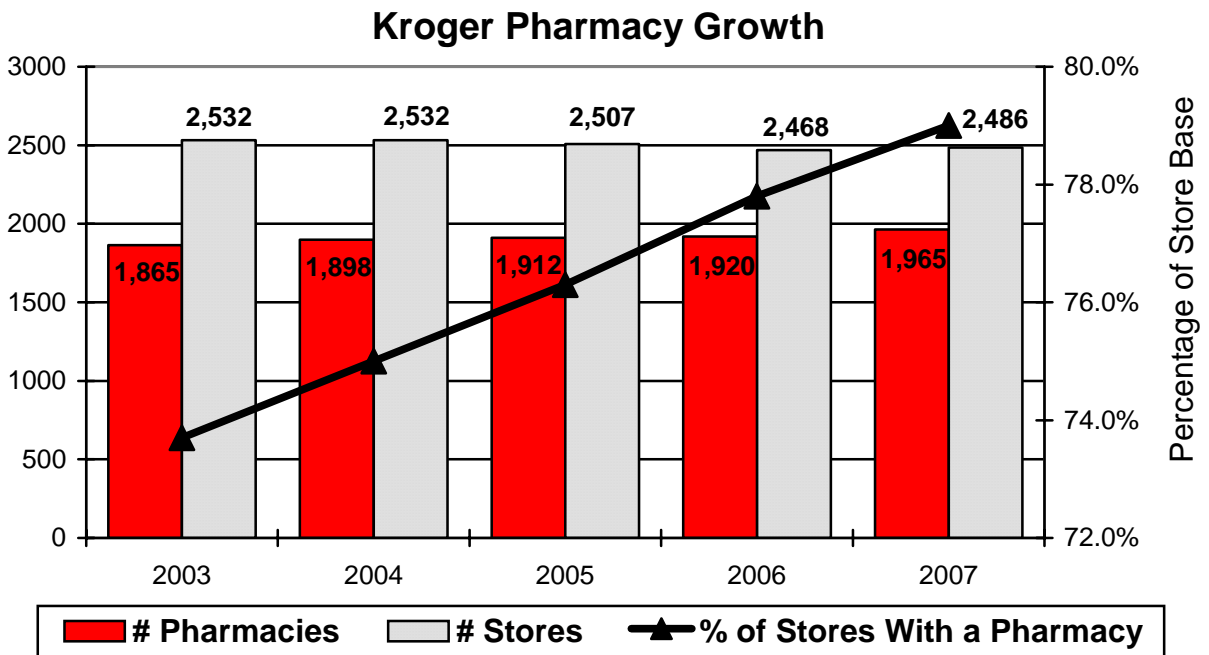
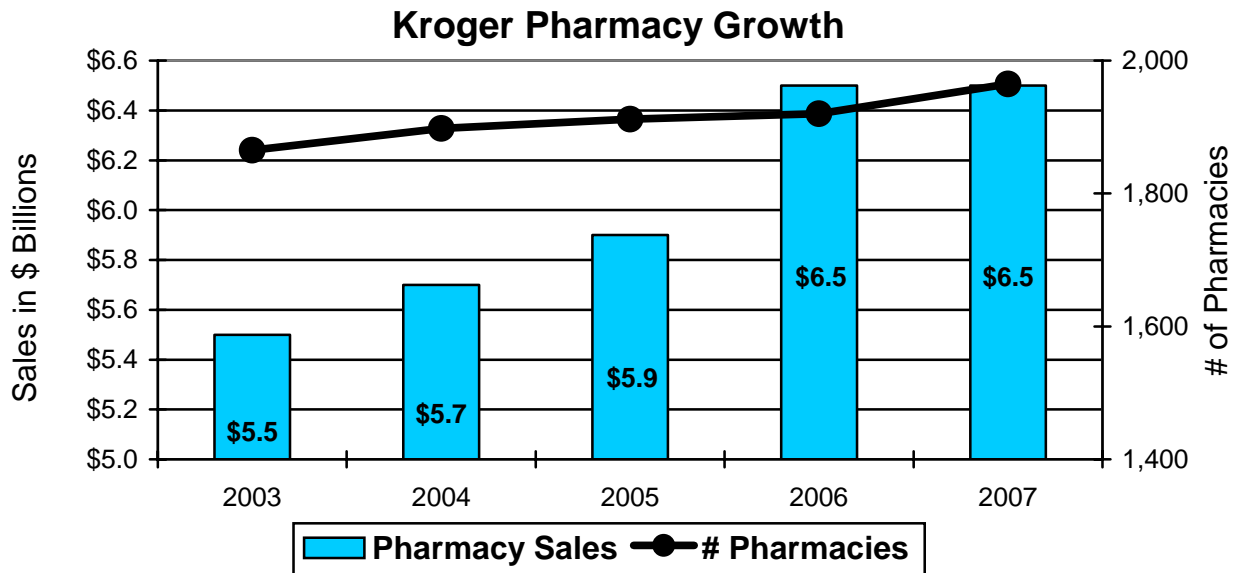
Corporate Brand Categories Made at Our Manufacturing Facilities

<p><u>DAIRY</u></p> <ul style="list-style-type: none"> ▪ Ice Cream ▪ Ice Cream Cakes ▪ Milk ▪ Yogurt ▪ Cottage Cheese ▪ Processed Cheese ▪ Natural Cheese ▪ Sour Cream ▪ Frozen Novelties ▪ Orange Juice ▪ Fruit Juices/Drinks ▪ Citrus Punch ▪ Bottled Water <p><u>BAKERY</u></p> <ul style="list-style-type: none"> ▪ Breads ▪ Buns ▪ Rolls ▪ English Muffins ▪ Bagels ▪ Donuts ▪ Cookies ▪ Crackers ▪ Cheese Curls ▪ Corn Snacks ▪ Tortilla Chips ▪ Popcorn ▪ Flour Tortillas 	<p><u>DELI</u></p> <ul style="list-style-type: none"> ▪ Bread & Rolls ▪ Spreads/Dips ▪ Icings/Glazes ▪ Danish ▪ Salads ▪ Dessert Salads ▪ Meat Salads ▪ Seafood Salads ▪ Salsa ▪ Cakes ▪ Pies ▪ Cupcakes ▪ Cookies ▪ Bagels ▪ Muffins <p><u>BEVERAGE</u></p> <ul style="list-style-type: none"> ▪ Soft Drinks (A) ▪ Spring Water ▪ Purified Water <p><u>MEAT</u></p> <ul style="list-style-type: none"> ▪ Packaged Meats ▪ Retail Meats ▪ Sausages 	<p><u>PET FOOD</u></p> <ul style="list-style-type: none"> ▪ Dry Dog Food ▪ Dry Cat Food <p><u>GROCERY</u></p> <ul style="list-style-type: none"> ▪ Peanut Butter ▪ Salad Dressing ▪ Red Sauces ▪ Steak Sauces ▪ Worcestershire Sauce ▪ Soy Sauce ▪ Lemon Juice ▪ Vinegars ▪ Coffee ▪ Powdered Drinks ▪ Salted Nuts ▪ Hot Cereal ▪ Jelly ▪ Preserves ▪ Syrups ▪ Broth ▪ Spices ▪ Food Coloring ▪ Flavorings (Processed)
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(A) Carbonated and Non-Carbonated

PHARMACY

Kroger is the fifth-largest pharmacy operator in the United States in number of locations, operating retail pharmacies in over 1,900 of our food stores. During fiscal 2007, Kroger pharmacists filled over 121 million prescriptions at a retail value of approximately \$6.5 billion, an increase of approximately 0.5% versus fiscal 2006. (Fiscal 2006 contained one additional week. Adjusting for the additional week in 2006, pharmacy sales increased 2.5%.)



Pharmacy continues to be an important part of Kroger's convenient "one-stop shopping" strategy, and we are focusing on improving our customers' pharmacy experience. Our drive-thru pharmacies offer convenience to customers and expand their access to our pharmacy services. Since 2000, we have installed over 510 new drive-thru windows. At year-end 2007, 676 of our stores offered this convenience to customers.



In addition to convenience, our pharmacies strive to provide good value to customers. During 2007 we began rolling out our \$4 generic pricing program. The program includes over 300 drugs priced at just \$4 for a typical 30-day supply. Drugs for heart, blood pressure, diabetes, infection, arthritis, cholesterol, and many other ailments are included. We also offer 90-day supplies of many of these prescriptions for \$10, and we have increased the number of women's health medications that we offer at discounted prices. Customers can access our drug list by visiting our stores, at www.kroger.com, or by calling (877) 4RX-LIST.



NATURAL AND ORGANIC FOODS

The natural and organic foods industry continues to experience explosive growth as more consumers focus on healthier lifestyles and better nutrition. Our customers can find a variety of natural and organic products throughout our stores, from our produce and meat departments to our grocery and HBC aisles. Additionally, Kroger caters to the natural and organic customer in varying department formats based on a particular store's size and customer segmentation:

- “Nature’s Markets” are located in most Kroger-bannered stores, as well as in Fry’s and Dillons;
- Nutrition Centers are located in Fred Meyer stores;
- Ralphs, King Soopers, Smith’s, QFC, and City Market use a variety of formats, including both segregated and integrated sets.

Our stores typically offer 3,000 SKUs of all-natural and organic foods, vitamins, energy bars, sports drinks, and herbs. The offering varies based on square footage dedicated to Natural Foods, which can expand to over 1,400 square feet in some stores.



In addition to over 2,500 SKUs of branded product, Kroger offers over 270 items under our “Naturally Preferred” corporate brand. Naturally Preferred® products are made from the finest quality, natural ingredients, but they are not always organic. Complementing our Naturally Preferred® brand is the expanded organic product offering sold under our exclusive Private Selection® brand. See the “Corporate Brands” section of this Fact Book for more information.



RETAIL FUEL OPERATIONS

Kroger believes that gasoline is a natural addition to our “one-stop” shopping strategy because it offers our customers tremendous convenience and value. Fuel centers also allow Kroger to build on our decades of experience in selling gasoline at our convenience stores. Despite low margins, fuel centers can deliver a high return on investment because of their extraordinary inventory turns and positive effect on overall store sales.

The typical supermarket fuel center consists of three to seven multi-product dispensers covered by a well-lit canopy, and an 8' x 12' kiosk from which cigarettes, soft drinks, snacks, candy, and miscellaneous automotive-related products are sold.

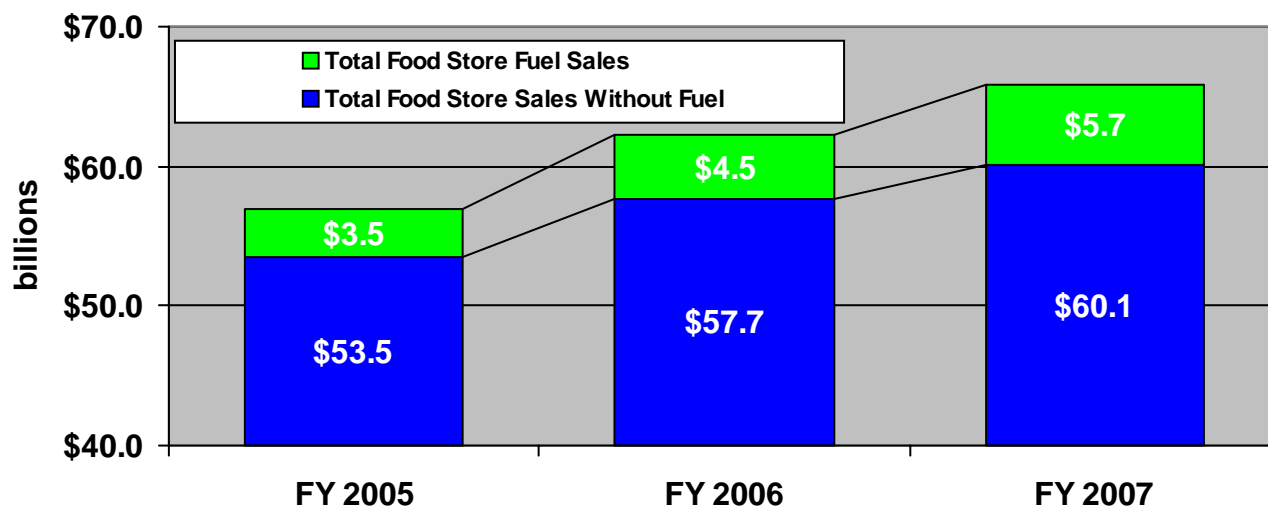
At year-end 2007, Kroger’s retail fuel operations included 696 supermarket fuel centers in 30 states and 705 convenience stores that sell fuel. (We operate 782 convenience stores in total. See the “Convenience Stores” section on Page 21 of this Fact Book.)



Financial Impact

Sales

Fuel sales affect certain financial indicators. They have a positive effect on the Company's overall sales results.



Fuel sales also affect identical and comparable supermarket sales:

Identical Supermarket Sales	FY 2005	FY 2006	FY 2007
Including Supermarket Fuel Centers	5.3%	6.4%	6.9%
Excluding Supermarket Fuel Centers	3.5%	5.6%	5.3%
Difference (<i>basis points</i>)	180 bp	80 bp	160 bp

Comparable Supermarket Sales	FY 2005	FY 2006	FY 2007
Including Supermarket Fuel Centers	5.9%	6.7%	7.2%
Excluding Supermarket Fuel Centers	3.9%	5.7%	5.5%
Difference (<i>basis points</i>)	200 bp	100 bp	170 bp

FIFO Gross Margin (Note A)

Retail fuel sales lower our FIFO gross margin rate due to the very low FIFO gross margin on retail fuel sales as compared to non-fuel sales. On a GAAP basis, our FIFO gross margin rates were 24.80%, 24.27%, and 23.65% in 2005, 2006, and 2007, respectively. A portion of the decrease in our FIFO gross margin rate is due to Kroger's growing retail fuel business. The decrease in our non-fuel FIFO gross margin rate reflects Kroger's continued reinvestment of operating cost savings into lower prices for our customers.

<Decrease> in FIFO Gross Margin Rate	FY 2005	FY 2006	FY 2007
GAAP Basis	<58 bp>	<53 bp>	<62 bp>
Excluding Retail Fuel Operations	<4 bp>	<26 bp>	<20 bp>

Note A: *FIFO gross margin is an important measure used by management to evaluate merchandising and operational effectiveness. We calculate First-In, First-Out (“FIFO”) gross margin as sales minus merchandise costs, including advertising, warehousing and transportation, but excluding the Last-In, First-Out (“LIFO”) charge. Merchandise costs exclude depreciation and rent expense.*

Operating, General, and Administrative Expenses (Note B)

Retail fuel sales also lower Kroger’s operating, general, and administrative (“OG&A”) rate due to the very low OG&A rate on retail fuel sales as compared to non-fuel sales. On a GAAP basis, Kroger’s OG&A rates were 18.21%, 17.91%, and 17.31% in 2005, 2006, and 2007, respectively. A portion of the decrease in our OG&A rate is due to the growth in Kroger’s retail fuel sales. The decrease in our non-fuel OG&A rate reflects Kroger’s strategy of producing operating cost leverage through strong identical sales growth, increased productivity, and cost control.

<Decrease> in OG&A Rate	FY 2005	FY 2006	FY 2007
GAAP Basis	<55 bp>	<30 bp>	<60 bp>
Excluding Retail Fuel Operations	<13 bp>	<9 bp>	<33 bp>

Note B: *Operating, general, and administrative expenses consist primarily of employee-related costs such as wages, health care benefit costs and retirement plan costs. Among other items, rent expense, depreciation and amortization expense, and interest expense are not included in OG&A.*

Kroger’s retail fuel business can increase the volatility of our quarterly financial results because it is not uncommon for us to experience quarter-to-quarter gross margin fluctuations in the fuel business. This is a function of our significant fuel volumes and the volatility of wholesale fuel prices. During a period of rising wholesale fuel costs, our gross margins typically contract. During a period of declining wholesale fuel costs, our gross margins typically expand. This is why we believe it is important to consider a longer view when analyzing fuel margins to account for these fluctuations.

LOYALTY DATA & CUSTOMER INSIGHT

Kroger's growth strategy is squarely focused on consistently meeting the needs of our customers. Our successful customer loyalty programs are one mechanism we are using to deliver value. Over several years, we have accumulated a substantial volume of consumer data through our loyalty cards. Approximately 40% of all U.S. households hold one of our shopper 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.

The key to unlocking that insight and creating value for our customers and our Company has been a partnership we formed in May 2003 with a firm called "dunnhumby". London-based dunnhumby is a global leader in the fields of data management, customer analysis, and insight-led planning.

This partnership ("dunnhumbyUSA") 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 segment. It also gives us the tools to target our promotional dollars and pricing investments toward our most profitable customers.

dunnhumbyUSA continues to grow and evolve. Each year this partnership helps us analyze our business in ways we may not have considered before. In addition to helping Kroger build customer loyalty and brand value, dunnhumbyUSA serves other manufacturing and non-grocery retail clients through offices in Atlanta, Chicago, and Cincinnati.



KROGER PERSONAL FINANCE

Another unique competitive advantage for Kroger is Kroger Personal Finance®. In June 2004, Kroger formed a joint venture with the Royal Bank of Scotland called “Kroger Personal Finance” or “KPF”. Through KPF, we offer personal finance products and services at a good value.

The first financial product launched by KPF was the 1-2-3 REWARDS® MasterCard®, a points-based reward program that provides the highest rewards for customers purchasing Kroger’s corporate brand products. Customers also receive up to 15 cents per gallon off their qualified gasoline purchases at Kroger fuel centers in certain markets.

KPF offers many other personal financial products – including various types of insurance (car, home, renters, life, pet, and specialty), mortgages, home equity lines, identity theft protection, and gift cards. We consider these services to be an extension of Kroger’s overall “Customer 1st” strategy.

The image displays five vertical promotional banners for Kroger Personal Finance products, each featuring a cartoon character and specific offers:

- 1-2-3 REWARDS MasterCard:** Features a character jumping joyfully. Offer: 0% APR on Balance Transfers for 12 months. Earn FREE groceries fast! Apply Today! 1-800-576-4376. www.kroger.com/finance
- Home Equity:** Features a character holding a stack of money. Offer: Line Rates as low as Prime minus 1%. Most term rates to close in as little as 5 days! Apply Today! 1-888-777-4311. Learn more, www.kroger.com/finance
- Mortgages:** Features a character standing in a doorway. Offer: Great rates, Great service. Plus, no application fee, saving you \$400*. Apply Today! 1-888-573-6688. Learn more, www.kroger.com/finance
- Identity Theft Protection:** Features a character with a padlock. Offer: Try 1 month of PrivacyGuard™ for only \$1. Plus, a \$20 Kroger Gift Card. Sign Up Today! 1-800-390-9810. www.kroger.com/finance
- Pet Insurance:** Features a character with a dog. Offer: Save up to 90% on your next vet bill. Save \$10 when you apply online. Apply Today! 1-866-710-7387 (PETS). www.kroger.com/finance

TECHNOLOGY & LOGISTICS

Technology and logistics are very important parts of our business. The Kroger Co. invests significant capital and expense dollars to ensure that our information systems and logistics network are operating as efficiently and cost-effectively as possible. We also know that such investments are critical in serving our customers better.

Investments during the past few years have included:

- Self-checkout technology
- In-store wireless improvements
- E-commerce upgrades
- Pharmacy systems
- Voice-pick technology for our distribution centers
- Real-time warehouse management & automation systems
- Internet-based inbound freight management
- Expanded handheld & mobile technologies
- New data center & network implementations
- Customer loyalty systems
- Supply chain & transportation management programs
- Manufacturing planning & control systems
- Web-based application focus & improvement in user interfaces

All of these investments are producing returns above projected hurdle rates. In addition, several of these investments – such as self-checkout technology, loyalty systems, and supply chain management – are contributing to improvements in Kroger’s “Customer 1st” strategy.



TECHNOLOGY

Kroger has refreshed a significant portion of our overall technology infrastructure – including data centers, core network and store communications – to improve the overall availability and sustainability of our technology platforms. The technology focus has shifted to accelerated delivery of solutions that affect the customer experience in our stores in several areas covering interaction with our associates, product delivery, and other services that we offer.

Research and Development

Kroger is committed to internally-driven innovation. We carefully consider opportunities that have the potential to redefine existing operating processes while materially improving the shopping experience of our customers. We are currently testing several retail innovations that we will validate in our stores. We are optimistic about our ability to create a superior shopping experience for our customers while delivering improved operating efficiencies for our business.

LOGISTICS

Kroger's logistics network includes 33 distribution centers and has been restructured to improve efficiency, lower costs, and improve product safety and quality. Since 1995, Kroger has closed 44 distribution centers and opened or significantly remodeled 20, for a net reduction of 24.

The new centers contain state-of-the-art racking and product handling systems, refrigeration, temperature and humidity controls, and space for cross-docking seasonal and promotional merchandise. Kroger has made significant investments in leading edge distribution technology, including warehouse, transportation, and advanced material automation management systems.

Many of Kroger's distribution centers and store delivery fleets have been outsourced to third-party logistics providers, giving the Company access to evolving approaches in distribution and more flexibility to implement them. The ongoing consolidation reduces the capital needed to maintain and modernize the network, reduces working capital, and lowers product acquisition costs since larger quantity purchases are possible.



Three-Tier Distribution Network

Kroger is the only major supermarket with a nationwide three-tier distribution system. The first tier consists of local dry grocery, perishables, and freezer buildings that service stores – generally within a 200-mile radius – with quick turn and perishable products. These distribution centers also serve as the Company’s cross-dock centers for palletized merchandise that is going directly to a retail store.

The second tier consists of consolidation centers that service retail stores – within a roughly 350-mile radius, for slower turn pharmaceuticals, health-and-beauty care items, and dry grocery merchandise. These regional consolidation centers allow Kroger to purchase in larger quantities at the lowest possible price bracket. The product is piece-picked, sleeve-picked, or case-picked depending on value and movement, and shipped directly to stores two or three times each week.

The third tier ships seasonal and promotional products to stores in an even larger geography than the consolidation centers.

This tiered network system is supported with new technology for improved operations and more cost-effective store delivery. “Demand Forecasting” technology utilizes certain store-specific and market data to enhance the Company’s store ordering system capabilities. This capability enhancement is a reality with the creation of Kroger’s data warehouse,

expanded corporate computing infrastructure, and current software systems. Voice-pick technology employed in our DCs uses wireless communication and voice instructions for picking product versus the previous paper label-based picking. Our real-time warehouse management system improves both the speed and accuracy of product assembly and shipping. The network is linked with a web-based freight management system to eliminate “empty” trucking miles and reduce freight expense through coordination with our suppliers and fleet operators. Advanced automation technology is being implemented for select case and piece picking operations, which dramatically improves store service and reduces cost.

Transportation Management

With rising fuel and operational costs, Kroger is further leveraging its investments in network-based transportation management systems to improve utilization of its store delivery and inbound fleets. Fleet capacity management across all markets and business units is being integrated into these tools to maximize coordination and utilization.



CUSTOMER 1st STRATEGY

Kroger delivered another year of strong financial results in 2007, thanks to the contributions of our associates in every area of our business as they continue to execute Kroger's Customer 1st strategy.

Listening closely to our customers is the foundation of our Customer 1st strategy. We focus intently on its four keys:

- Our people are great!
- I get the products I want, plus a little.
- The shopping experience makes me want to return.
- Our prices are good.

This is a journey that we began over six years ago. Since then, our strategy has helped us strengthen our connection with customers.

Our business model is straight-forward: increase annual earnings per share through strong and sustainable identical sales growth, slightly improved operating margins, and fewer shares outstanding. Investments in our customers' shopping experience help us drive strong and sustainable identical sales growth. These investments can take several forms – including improved customer service, better product quality and selection, and lower prices. We are able to fund these investments through operating cost reductions and productivity enhancements in several areas of our business.

A cornerstone of our business strategy is balance. We seek to consistently deliver strong financial results in the near-term while making meaningful investments for our future. We believe our Customer 1st strategy can serve customers, associates, and shareholders well in a variety of economic and competitive conditions.

This year, Kroger is honored to celebrate our 125th anniversary. Our longevity is a testament to our ability to change along with our customers. We have been fortunate as a company to welcome change – decade after decade – and use it to benefit our customers, associates, and shareholders.

MARKET SHARE

Kroger serves customers in 44 major markets, which we define as a metropolitan area in which we operate nine or more stores. Over 70% of our stores are located in these markets. The 2007 market share figures reported below are based on internal estimates. We include all retail outlets that sell merchandise comparable to our own – including supercenters and other non-traditional retail formats.

For 2007, Kroger held the #1 or #2 share in 39 of our 44 major markets. According to our estimates, Kroger's share increased in 37 of these 44 major markets in 2007, declined in six, and remained unchanged in one. On a volume-weighted basis, Kroger's overall market share rose approximately 65 basis points during 2007 in our 44 major markets.

Kroger competes against a total of 1,340 supercenters. There are 36 major markets where supercenters have achieved at least a #3 market share position. In 2007, Kroger's market share increased in 31 of those 36 markets, declined in four, and remained unchanged in one. On a volume-weighted basis, Kroger's market share expanded 95 basis points in those 36 markets during 2007.

Kroger competes against 1,065 Wal-Mart supercenters. This reflected an increase of 65 stores compared to the prior year. Wal-Mart supercenters have achieved at least a #3 share in 34 of the 36 major markets where we have significant supercenter competition. Kroger's market share increased in 30 of those markets, declined in three, and remained unchanged in one. On a volume-weighted basis, Kroger's market share grew over 80 basis points in those 34 markets during 2007.

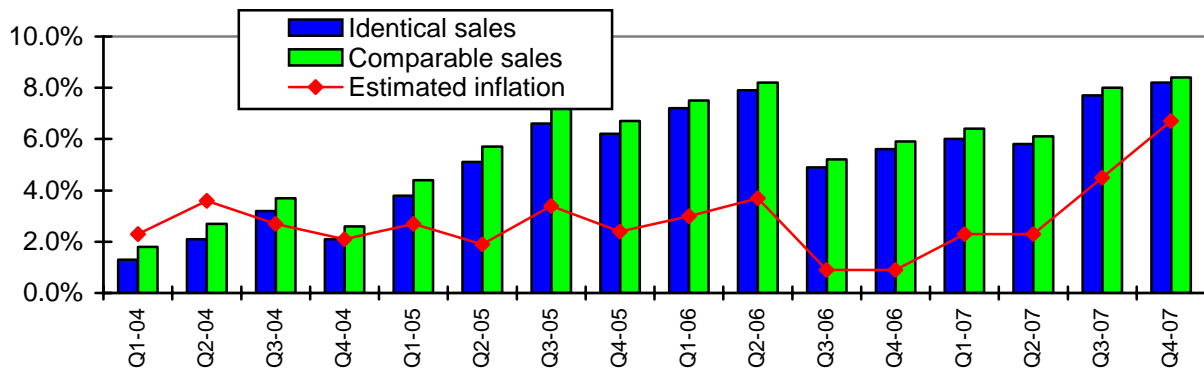
Despite the growing number of competitors in the grocery business, we have increased our market share on top of strong gains in 2005 and 2006. During the last three fiscal years combined, Kroger's share in our major markets has increased approximately 165 basis points. These consecutive year-over-year gains in market share are significant because they show that Kroger's long-term strategy is working as we continue to deliver value to both our customers and our shareholders.

IDENTICAL & COMPARABLE SUPERMARKET SALES

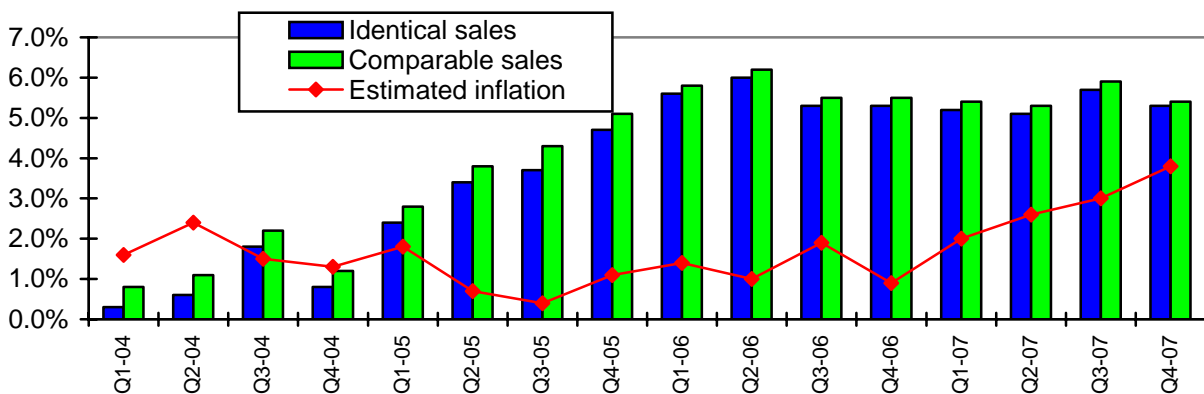
Identical (“ID”) and comparable (“comp”) supermarket sales are a key measure of health in the retail food industry. Kroger defines a supermarket as “identical” when it has been open without expansion or relocation for five full quarters. “Comparable” supermarket sales include expansions and relocations and more closely resemble industry-defined “same store sales”. Other companies in our industry may calculate identical or comparable sales differently than Kroger does, limiting the comparability of these measures.

Gasoline sales at our supermarket fuel centers have a measurable impact on our identical and comparable supermarket sales results. Therefore, the second chart depicts identical and comparable supermarket sales trends excluding supermarket fuel sales.

INCLUDING FUEL



EXCLUDING FUEL



CAPITAL EXPENDITURES

Total capital expenditures for 2007 were \$2.1 billion, excluding acquisitions. Approximately 67% of Kroger's 2007 capital dollars was used to build, acquire, expand, or remodel food stores. The balance was allocated among the Company's other operating and administrative segments, including convenience stores, jewelry stores, manufacturing facilities, as well as technology, logistics and distribution, and other miscellaneous projects.

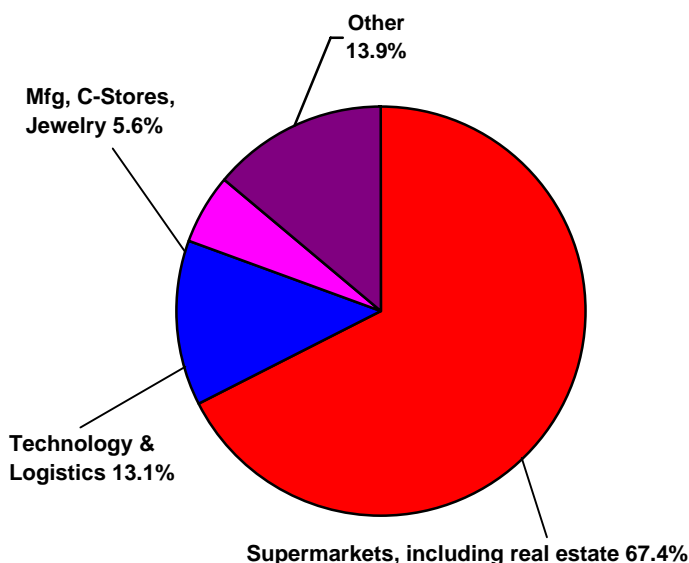
We allocate capital to projects that we expect to earn a rate of return in excess of our internal hurdle rate of 11.3% after-tax.

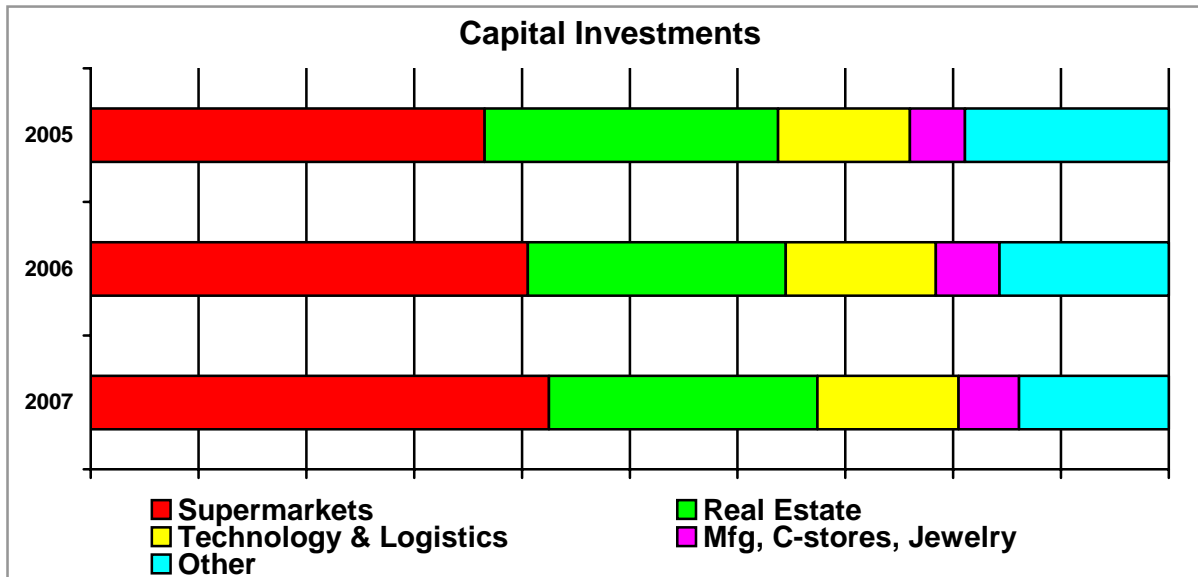
These projects include new stores, major remodels and expansions of existing stores, as well as distribution facilities, technology and manufacturing investments.

We primarily target existing markets for new combination stores. In our experience, such "in-market" growth generally produces higher returns, with a lower level of risk, by leveraging fixed expenses such as warehousing, transportation, advertising, and other overhead costs across an expanding store base.

Capital expenditures reflect our strategy of growth through expansion and acquisition, as well as our emphasis on self-development and ownership of real estate, and logistics and technology improvements. Since 1995, Kroger has been aggressively purchasing the real estate associated with our storing program. At year-end, approximately 43% of the Company's 2,486 supermarkets were owned by Kroger. Kroger estimates that it saves approximately \$1 per square foot per year when owning versus leasing stores.

2007 Capital Investment Allocation





We believe that long-term shareholder value is determined, in part, by the return on invested capital and therefore we use a disciplined approach to evaluate every capital investment:

- Capital investments are assessed versus our after-tax hurdle rate with consideration given to the risk of that specific investment.
- The projected incremental sales and EBITDA from each capital expenditure are added to divisional and corporate bonus bases in order to motivate the entire organization to achieve returns above our hurdle rate.
- A quarterly re-analysis of each major project is conducted to ensure we understand the return from major capital projects.
- Kroger continues to aggressively close underperforming stores. In fiscal 2007, we closed 52 stores – 43 of these were operational closures. The term “operational closure” describes a store location that has been closed without opening another store in the same vicinity to replace it.

The chart on the following page provides Kroger’s real estate activity by quarter for fiscal 2005, 2006, and 2007.

REAL ESTATE ACTIVITY BY QUARTER

FY 2005	Q1	Q2	Q3	Q4	YEAR
Beginning # Stores	2,532	2,524	2,515	2,510	2,532
New	10	8	4	6	28
Acquired – New	1	-	-	-	1
Acquired – Relocation	-	-	-	-	-
Relocations	3	3	5	1	12
Total Stores Opened	14	11	9	7	41
Expansions	2	3	1	5	11
Total Store Projects	16	14	10	12	52
Operational Closures	<19>	<17>	<9>	<9>	<54>
Ending # Stores	2,524	2,515	2,510	2,507	2,507
Remodels	34	21	43	49	147
Square Footage (millions)	141.5	141.5	141.6	141.9	
% Increase	0.9%	0.9%	0.6%	0.3%	
C-stores	793	791	792	791	
Jewelry Stores	432	431	431	428	
Fuel Centers	552	559	567	579	
Pharmacies	1,907	1,909	1,913	1,912	
FY 2006	Q1	Q2	Q3	Q4	YEAR
Beginning # Stores	2,507	2,483	2,477	2,473	2,507
New	6	4	5	5	20
Acquired – New	1	-	-	-	1
Acquired – Relocation	-	-	-	-	-
Relocations	5	3	3	6	17
Total Stores Opened	12	7	8	11	38
Expansions	4	4	2	5	15
Total Store Projects	16	11	10	16	53
Operational Closures	<31>	<10>	<9>	<10>	<60>
Ending # Stores	2,483	2,477	2,473	2,468	2,468
Remodels	39	34	39	46	158
Square Footage (millions)	141.2	141.3	141.4	141.6	
% Increase	<0.2%>	<0.2%>	<0.2%>	<0.2%>	
C-stores	783	773	774	779	
Jewelry Stores	423	418	418	412	
Fuel Centers	593	608	619	631	
Pharmacies	1,911	1,911	1,913	1,920	
FY 2007	Q1	Q2	Q3	Q4	YEAR
Beginning # Stores	2,468	2,458	2,491	2,487	2,468
New	9	7	1	6	23
Acquired – New	-	37	-	1	38
Acquired – Relocation	1	-	-	-	1
Relocations	4	-	2	3	9
Total Stores Opened	14	44	3	10	71
Expansions	6	6	10	9	31
Total Store Projects	20	50	13	19	102
Operational Closures	<19>	<11>	<5>	<8>	<43>
Ending # Stores	2,458	2,491	2,487	2,486	2,486
Remodels	71	30	54	45	200
Square Footage (millions)	142.0	141.3	144.2	144.6	
% Increase	0.6%	1.9%	2.0%	2.1%	
C-stores	779	780	782	782	
Jewelry Stores	408	406	405	394	
Fuel Centers	652	664	678	696	
Pharmacies	1,929	1,960	1,960	1,965	

DEBT OBLIGATIONS

DEBT RATING

Kroger's debt rating remains important to us as we execute our Customer 1st strategy. Management believes maintaining a solid investment grade rating provides the best cost of capital and the flexibility to execute our growth strategy in a competitive and consolidating industry.

Our current debt ratings are as follows:

Fitch	Moody's	S&P
BBB	Baa2	BBB -
<i>(stable outlook)</i>	<i>(stable outlook)</i>	<i>(positive outlook)</i>

FINANCIAL GOALS & STRATEGY

1. Increase shareholder value.
2. Earn a return on assets that exceeds our cost of capital.
3. Maintain a strong capital program.
4. Smooth debt maturities.
5. Use free cash flow to repurchase stock and pay a cash dividend while maintaining a solid investment grade rating.

DEBT ISSUES

At year-end 2007, Kroger had one credit facility:

- \$2.5 Billion Five-Year Credit Agreement maturing in 2011, unless earlier terminated by Kroger.

As of February 2, 2008, the Company had \$570 million outstanding under the credit agreement including borrowings totaling \$345 million under its P2/F2/A3 rated commercial paper program. Any borrowings under this program are backed by the Company's credit facility and reduce the amount available under the credit facility.

DEBT ISSUES (YE 2007) <i>\$ millions</i>	MATURITY DATE	PRINCIPAL
Credit Facility		\$570
7.450% Notes – FMY (A)	03/01/08	\$750
6.375% Senior Notes (A)	03/01/08	200
7.250% Senior Notes	06/01/09	350
8.050% Senior Notes	02/01/10	500
6.800% Senior Notes	04/01/11	478
6.750% Senior Notes	04/15/12	500
6.200% Senior Notes	06/15/12	350
5.500% Senior Notes	02/01/13	500
4.950% Senior Notes	01/15/15	300
6.400% Senior Notes	08/15/17	600
7.000% Senior Notes	05/01/18	200
9.200% Certificates – Smith’s	07/02/18	17
6.800% Senior Notes	12/15/18	300
6.150% Senior Notes	01/15/20	750
7.700% Senior Notes	06/01/29	281
8.000% Senior Notes	09/15/29	250
7.500% Senior Notes	04/01/31	440
Subtotal Senior Notes & Debentures		\$7,336
Mortgages	Through 2034	\$166
Other		\$137
Total Debt		\$7,639
Capital Leases		\$438
Total Debt Including Capital Leases (B)		\$8,077

(A) These notes were repaid during First Quarter 2008.

(B) Before SFAS No. 133 Adjustment.

Note: In March 2008, Kroger issued \$400 million in 5.000% Senior Notes and \$375 million in 6.900% Senior Notes, maturing in April 2013 and 2038, respectively.

FREE CASH FLOW

Kroger's long-term financial strategy is to manage free cash flow to repurchase shares and pay dividends, while maintaining a leverage ratio that supports our solid investment grade rating. Kroger believes maintaining a solid investment grade rating provides the best cost of capital and the flexibility to execute our Customer 1st strategy in a competitive and consolidating industry.

From January 2000 through the end of fiscal 2007, Kroger reduced its net total debt to EBITDA ratio from 2.8 to 2.0, a reduction of 0.8 times EBITDA. During the same time frame, Kroger invested \$5.0 billion to repurchase 237.3 million shares of stock at an average price of \$21.22 per share. The Company also paid \$342 million in cash dividends to shareholders since it initiated its dividend program in 2006.

Kroger's share repurchase and dividend programs deliver substantial value to shareholders. These programs reflect the Board of Directors' confidence in Kroger's Customer 1st strategic plan.

SHARE REPURCHASE

Board Repurchase Authorizations

We maintain stock repurchase programs that comply with Securities Exchange Act Rule 10b5-1 to allow for the orderly repurchase of our common stock, from time to time, even though we may be aware of material non-public information, as long as purchases are made in accordance with the plan. We made open market purchases totaling \$1,151 million, \$374 million, and \$239 million under Board-authorized repurchase programs during fiscal 2007, 2006, and 2005, respectively.

Stock Option Program

In addition to the Board-authorized repurchase programs, in December 1999, Kroger initiated a program to repurchase common stock to reduce dilution resulting from our employee stock option plans. This program is solely funded by proceeds from stock option exercises, including the tax benefit from these exercises. We repurchased approximately \$270 million, \$259 million, and \$13 million under the stock option program during 2007, 2006, and 2005, respectively.

\$ millions	FY 2005	FY 2006	FY 2007
Stock Option Program	\$13	\$259	\$270
Board Repurchase Authorizations	\$239	\$374	\$1,151
TOTAL COST	\$252	\$633	\$1,421

Fiscal Year	# Shares	Cost	Avg Cost Per Share
2005	15 million	\$252 million	\$16
2006	29 million	\$633 million	\$22
2007	53 million	\$1,421 million	\$27
TOTAL	97 million	\$2,306 million	\$24

DIVIDENDS

During fiscal 2006, Kroger's Board of Directors adopted a dividend policy and paid three quarterly dividends of \$0.065 per share. During fiscal 2007, the Company paid one and three quarterly dividends of \$0.065 and \$0.075 per share, respectively. On March 1, 2008, the Company paid its fourth quarterly dividend of \$0.075 per share. On March 13, 2008, Kroger announced that its Board had increased the quarterly dividend to \$0.090 per share, payable on June 1, 2008, to shareholders of record at the close of business on May 15, 2008. Kroger paid a total of \$202 million and \$140 million in cash dividends during fiscal 2007 and 2006, respectively.

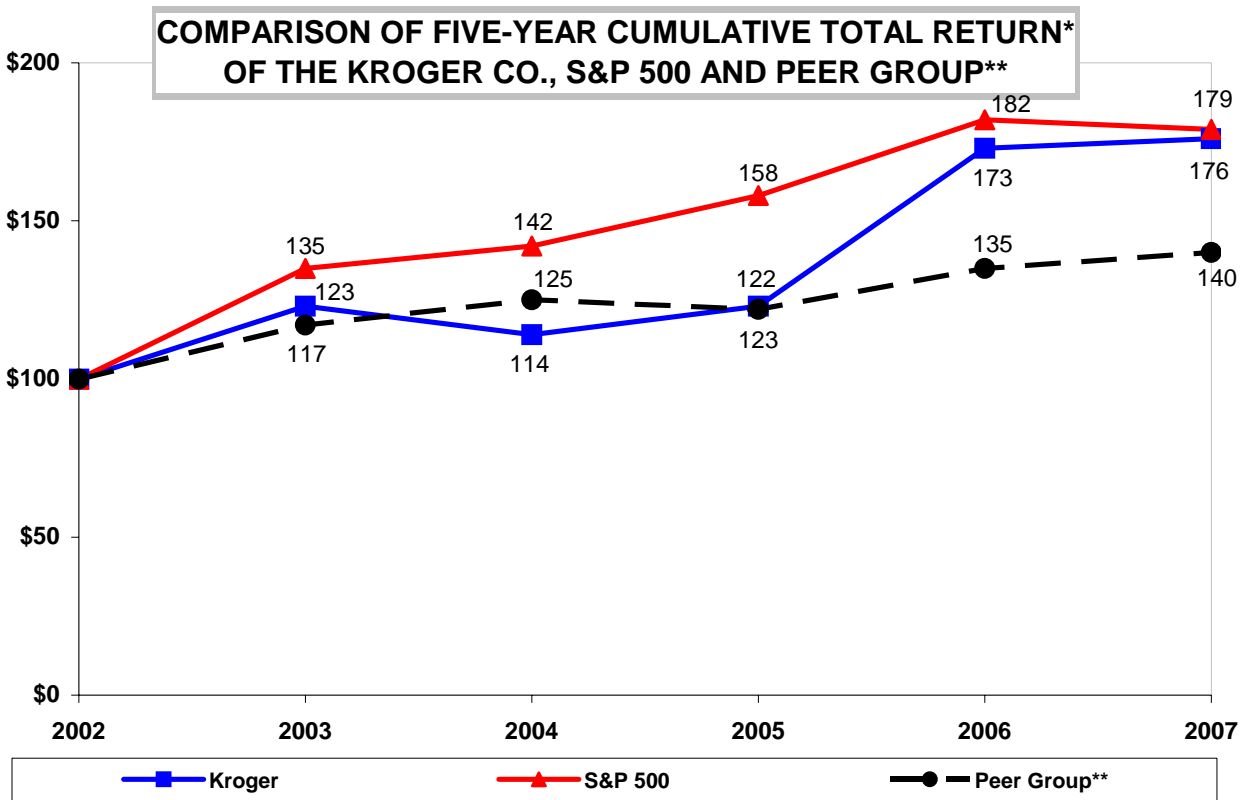
Kroger's Board of Directors reviews the dividend annually, with an objective of increasing the amount of the dividend. Any changes in the dividend amount are made after consideration of the needs of the business, the interests of shareholders, cash flow trends, and other factors.



PERFORMANCE GRAPH

Set forth below is a line graph comparing the five-year cumulative total shareholder return on the Company's common stock, based on the market price of the common stock and assuming reinvestment of dividends, with the cumulative total return of companies in the Standard & Poor's 500 Stock Index and the Peer Group composed of food and drug companies.

Historically, the Company's peer group has consisted of the major food store companies. In recent years there have been significant changes in the industry, including consolidation and increased competition from supercenters and drug chains. As a result, in 2003 the Company changed its peer group (the "Peer Group") to include companies operating supermarkets, supercenters and warehouse clubs in the United States as well as the major drug chains with which the Company competes.



	BASE PERIOD 2002	INDEXED RETURNS				
		Years Ending:				
		2003	2004	2005	2006	2007
THE KROGER CO.	100	122.80	114.25	123.06	172.87	175.61
S&P 500 INDEX	100	134.57	141.76	158.24	181.97	178.69
PEER GROUP**	100	116.66	124.90	122.44	134.83	139.96

Note: The Company's fiscal year ends on the Saturday closest to January 31.

* Total assumes \$100 invested on February 2, 2003, in The Kroger Co., S&P 500 Index, and the Peer Group, with reinvestment of dividends.

** The Peer Group consists of Albertson's, Inc., Costco Wholesale Corp., CVS Corp, Delhaize Group SA (ADR), Great Atlantic & Pacific Tea Company, Inc., Koninklijke Ahold NV (ADR), Marsh Supermarkets Inc. (Class A), Safeway Inc., Supervalu Inc., Target Corp., Wal-Mart Stores Inc., Walgreen Co., Whole Foods Market Inc., and Winn-Dixie Stores, Inc. Albertson's, Inc. was substantially acquired by Supervalu in July 2006, and is included through 2005. Marsh Supermarkets was acquired by Marsh Supermarkets Holding Corp. in September 2006, and is included through 2005. Winn-Dixie Stores emerged from bankruptcy in 2006 as a new issue and returns for the old and new issue were calculated then weighted to determine 2006 return.

Data supplied by Standard & Poor's.



FINANCIAL AND OPERATING STATISTICS

(in millions, except per share amounts)

	Q1	Q2	Q3	Q4	Year
	(16 weeks)	(12 weeks)	(12 weeks)	(12 weeks)	(52 weeks)
Sales					
2007	\$20,726	\$16,139	\$16,135	\$17,235	\$70,235
2006 (A)	\$19,415	\$15,138	\$14,699	\$16,859	\$66,111
2005	\$17,948	\$13,865	\$14,020	\$14,720	\$60,553
Merchandise Costs (B)					
2007	\$15,834	\$12,315	\$12,402	\$13,228	\$53,779
2006 (A)	\$14,659	\$11,598	\$11,131	\$12,727	\$50,115
2005	\$13,442	\$10,464	\$10,596	\$11,063	\$45,565
Operating, General & Administrative					
2007	\$3,609	\$2,827	\$2,823	\$2,896	\$12,155
2006 (A)	\$3,528	\$2,649	\$2,685	\$2,977	\$11,839
2005	\$3,296	\$2,528	\$2,556	\$2,647	\$11,027
Rent					
2007	\$189	\$149	\$150	\$156	\$644
2006 (A)	\$196	\$153	\$139	\$161	\$649
2005	\$203	\$145	\$166	\$147	\$661
Depreciation & Amortization					
2007	\$404	\$311	\$315	\$326	\$1,356
2006 (A)	\$388	\$290	\$295	\$299	\$1,272
2005	\$389	\$294	\$287	\$295	\$1,265
Interest Expense					
2007	\$146	\$104	\$110	\$114	\$474
2006 (A)	\$155	\$110	\$107	\$116	\$488
2005	\$159	\$121	\$114	\$116	\$510
Earnings/(Loss) Before Income Tax Expense					
2007	\$544	\$433	\$335	\$515	\$1,827
2006 (A)	\$489	\$338	\$342	\$579	\$1,748
2005	\$459	\$313	\$301	\$452	\$1,525

	Q1	Q2	Q3	Q4	Year
	(16 weeks)	(12 weeks)	(12 weeks)	(12 weeks)	(52 weeks)
Income Tax Expense					
2007	\$207	\$166	\$81	\$192	\$646
2006 (A)	\$183	\$129	\$127	\$194	\$633
2005	\$165	\$117	\$116	\$169	\$567
Net Earnings/(Loss)					
2007	\$337	\$267	\$254	\$323	\$1,181
2006 (A)	\$306	\$209	\$215	\$385	\$1,115
2005	\$294	\$196	\$185	\$283	\$958
Net Earnings/(Loss) Per Diluted Common Share (C)					
2007	\$0.47	\$0.38	\$0.37	\$0.48	\$1.69
2006 (A)	\$0.42	\$0.29	\$0.30	\$0.54	\$1.54
2005	\$0.40	\$0.27	\$0.25	\$0.39	\$1.31
Average Number of Common Shares Used in Diluted Calculation					
2007	715	709	685	676	698
2006 (A)	729	725	720	715	723
2005	732	730	732	730	731

- (A) 2006 was a 53-week fiscal year. The extra week fell in the Fourth Quarter.
- (B) Includes advertising, warehousing, and transportation.
- (C) Certain per share amounts may not sum accurately due to rounding.