

**THE KROGER CO.
CONSOLIDATED BALANCE SHEETS**

(In millions, except par amounts)	February 2, 2019	February 3, 2018
ASSETS		
Current assets		
Cash and temporary cash investments	\$ 429	\$ 347
Store deposits in-transit	1,181	1,161
Receivables	1,589	1,637
FIFO inventory	8,123	7,781
LIFO reserve	(1,277)	(1,248)
Assets held for sale	166	604
Prepaid and other current assets	592	835
Total current assets	<u>10,803</u>	<u>11,117</u>
Property, plant and equipment, net	21,635	21,071
Intangibles, net	1,258	1,100
Goodwill	3,087	2,925
Other assets	<u>1,335</u>	<u>984</u>
Total Assets	<u>\$ 38,118</u>	<u>\$ 37,197</u>
LIABILITIES		
Current liabilities		
Current portion of long-term debt including obligations under capital leases and financing obligations	\$ 3,157	\$ 3,560
Trade accounts payable	6,059	5,858
Accrued salaries and wages	1,227	1,099
Liabilities held for sale	51	259
Other current liabilities	3,780	3,421
Total current liabilities	<u>14,274</u>	<u>14,197</u>
Long-term debt including obligations under capital leases and financing obligations	12,072	12,029
Deferred income taxes	1,562	1,568
Pension and postretirement benefit obligations	494	792
Other long-term liabilities	<u>1,881</u>	<u>1,706</u>
Total Liabilities	30,283	30,292
Commitments and contingencies see Note 13		
SHAREHOLDERS' EQUITY		
Preferred shares, \$100 par per share, 5 shares authorized and unissued	—	—
Common shares, \$1 par per share, 2,000 shares authorized; 1,918 shares issued in 2018 and 2017	1,918	1,918
Additional paid-in capital	3,245	3,161
Accumulated other comprehensive loss	(346)	(471)
Accumulated earnings	19,681	17,007
Common shares in treasury, at cost, 1,120 shares in 2018 and 1,048 shares in 2017	<u>(16,612)</u>	<u>(14,684)</u>
Total Shareholders' Equity - The Kroger Co.	7,886	6,931
Noncontrolling interests	<u>(51)</u>	<u>(26)</u>
Total Equity	<u>7,835</u>	<u>6,905</u>
Total Liabilities and Equity	<u>\$ 38,118</u>	<u>\$ 37,197</u>

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

THE KROGER CO.
CONSOLIDATED STATEMENTS OF OPERATIONS

Years Ended February 2, 2019, February 3, 2018 and January 28, 2017

(In millions, except per share amounts)	<u>2018</u> <u>(52 weeks)</u>	<u>2017</u> <u>(53 weeks)</u>	<u>2016</u> <u>(52 weeks)</u>
Sales	\$ 121,162	\$ 122,662	\$ 115,337
Operating expenses			
Merchandise costs, including advertising, warehousing, and transportation, excluding items shown separately below	94,894	95,662	89,502
Operating, general and administrative	20,305	21,041	19,162
Rent	884	911	881
Depreciation and amortization	<u>2,465</u>	<u>2,436</u>	<u>2,340</u>
Operating profit	2,614	2,612	3,452
Other income (expense)			
Interest expense	(620)	(601)	(522)
Non-service component of company-sponsored pension plan costs	(26)	(527)	(16)
Mark to market gain on Ocado securities	228	—	—
Gain on sale of business	<u>1,782</u>	<u>—</u>	<u>—</u>
Net earnings before income tax (benefit) expense	3,978	1,484	2,914
Income tax (benefit) expense	<u>900</u>	<u>(405)</u>	<u>957</u>
Net earnings including noncontrolling interests	3,078	1,889	1,957
Net loss attributable to noncontrolling interests	<u>(32)</u>	<u>(18)</u>	<u>(18)</u>
Net earnings attributable to The Kroger Co.	<u>\$ 3,110</u>	<u>\$ 1,907</u>	<u>\$ 1,975</u>
Net earnings attributable to The Kroger Co. per basic common share	<u>\$ 3.80</u>	<u>\$ 2.11</u>	<u>\$ 2.08</u>
Average number of common shares used in basic calculation	810	895	942
Net earnings attributable to The Kroger Co. per diluted common share	<u>\$ 3.76</u>	<u>\$ 2.09</u>	<u>\$ 2.05</u>
Average number of common shares used in diluted calculation	818	904	958

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THE KROGER CO.
CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended February 2, 2019, February 3, 2018 and January 28, 2017

(In millions)	2018 (52 weeks)	2017 (53 weeks)	2016 (52 weeks)
Cash Flows from Operating Activities:			
Net earnings including noncontrolling interests	\$ 3,078	\$ 1,889	\$ 1,957
Adjustments to reconcile net earnings including noncontrolling interests to net cash provided by operating activities:			
Depreciation and amortization	2,465	2,436	2,340
LIFO (credit) charge	29	(8)	19
Stock-based employee compensation	154	151	141
Expense for company-sponsored pension plans	76	591	94
Goodwill impairment charge	—	110	—
Deferred income taxes	(45)	(694)	201
Gain on sale of business	(1,782)	—	—
Mark to market gain on Ocado securities	(228)	—	—
Other	116	79	(2)
Changes in operating assets and liabilities net of effects from mergers and disposals of businesses:			
Store deposits in-transit	(20)	(265)	13
Receivables	(208)	61	(110)
Inventories	(354)	(23)	(382)
Prepaid and other current assets	244	41	(172)
Trade accounts payable	213	158	16
Accrued expenses	416	(40)	(118)
Income taxes receivable and payable	289	(96)	261
Contribution to company-sponsored pension plans	(185)	(1,000)	—
Other	(94)	23	14
Net cash provided by operating activities	<u>4,164</u>	<u>3,413</u>	<u>4,272</u>
Cash Flows from Investing Activities:			
Payments for property and equipment, including payments for lease buyouts	(2,967)	(2,809)	(3,699)
Proceeds from sale of assets	85	138	132
Proceeds on settlement of financial instrument	235	—	—
Payments for acquisitions, net of cash acquired	(197)	(16)	(401)
Purchases of stores	(44)	—	—
Net proceeds from sale of business	2,169	—	—
Purchases of Ocado securities	(392)	—	—
Other	(75)	(20)	93
Net cash used by investing activities	<u>(1,186)</u>	<u>(2,707)</u>	<u>(3,875)</u>
Cash Flows from Financing Activities:			
Proceeds from issuance of long-term debt	2,236	1,523	2,781
Payments on long-term debt	(1,372)	(788)	(1,355)
Net (payments) borrowings on commercial paper	(1,321)	696	435
Dividends paid	(437)	(443)	(429)
Proceeds from issuance of capital stock	65	51	68
Treasury stock purchases	(2,010)	(1,633)	(1,766)
Other	(57)	(87)	(86)
Net cash used by financing activities	<u>(2,896)</u>	<u>(681)</u>	<u>(352)</u>
Net increase in cash and temporary cash investments	82	25	45
Cash and temporary cash investments:			
Beginning of year	347	322	277
End of year	<u>\$ 429</u>	<u>\$ 347</u>	<u>\$ 322</u>
Reconciliation of capital investments:			
Payments for property and equipment, including payments for lease buyouts	\$ (2,967)	\$ (2,809)	\$ (3,699)
Payments for lease buyouts	5	13	5
Changes in construction-in-progress payables	(56)	(188)	72
Total capital investments, excluding lease buyouts	<u>\$ (3,018)</u>	<u>\$ (2,984)</u>	<u>\$ (3,622)</u>
Disclosure of cash flow information:			
Cash paid during the year for interest	\$ 614	\$ 656	\$ 505
Cash paid during the year for income taxes	\$ 600	\$ 348	\$ 557

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