KROGER CO
Form DEF 14A
May 13, 2011

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant [X]
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Check the appropriate box:

[ ]	Preliminary Proxy Statement	[ ]	Soliciting Material Under Rule 14a-12
[ ]	Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))		
[X]	Definitive Proxy Statement		
[ ]	Definitive Additional Materials		

THE KROGER CO.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

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PROXY

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

PROXY STATEMENT

AND

2010 ANNUAL REPORT

FELLOW SHAREHOLDERS:

In 2010, the Kroger team continued to grow our business and reward our Shareholders in a difficult economic and operating environment. We also further strengthened our position as the leading traditional grocery retailer in the U.S. Kroger's competitive strengths include:

- Significant scale. Today we operate more than 2,400 retail grocery stores and multi-department stores in 31 states, plus over 1,000 supermarket fuel locations and more than 700 convenience stores. Total sales in 2010 were a record-breaking $82.2 billion;
- Strong and growing market share. Kroger holds the #1 or #2 share in 38 of our 42 major markets;
- Offering a personalized approach to each Customer, based on the proprietary consumer insights we gain from our partnership with dunnhumbyUSA. This unique advantage helped Kroger grow both our number of loyal households and total households that shop with us;
- Industry-leading identical supermarket sales growth. While many major grocery competitors experienced negative identical-sales trends in 2010 and recent years, Kroger has delivered positive identical sales, excluding fuel, for 29 consecutive quarters;
- A consistent record of rewarding Shareholders through dividends and share repurchases; and
- A strong balance sheet with significant financial flexibility.

2010 Highlights

Kroger's Customer 1st strategy focuses on people, prices, service, selection, and shopping experience. The 338,000 Associates who bring this strategy to life prove every day that this combination is winning with Customers. Total 2010 sales increased 7.1 percent to $82.2 billion, and net earnings were $1.12 billion, or $1.74 per diluted share. This compares with 2009 total sales of $76.7 billion and reported net earnings of $70.0 million, or $0.11 per diluted share in 2009. Excluding the effect of the non-cash impairment charges taken in the third quarter of 2009, net earnings in the prior year would have been $1.12 billion, or $1.71 per diluted share.

Significant scale.

One measure of the success of Kroger's Customer 1st strategy is our unparalleled reach within the regions in which we operate. Approximately one-half of all U.S. households have a Kroger loyalty card. Looking specifically at the markets where Kroger operates, nearly 85 percent of households hold a Kroger loyalty card and have shopped with us during the last year. Each and every one of our cardholders benefits from Kroger's unique combination of value, selection, service, and convenience just by being a Kroger shopper.

We believe in giving our Customers choices. Therefore, Kroger offers both a full complement of national brands and the most robust store-brand portfolio in the industry. Strong growth in Kroger's Corporate Brand products continued across all three categories in 2010: Private Selection, our premium brands; Banner Brands like Kroger, Ralphs and King Soopers, which represent the majority of our own Corporate Brands; and Value brand items, aimed at our most price-sensitive Customers. Kroger's 40 manufacturing plants supplied about 40 percent of the Corporate Brand units sold. During 2010, these Corporate Brands accounted for approximately one-third of Kroger's total grocery unit sales.

Strong and growing market share.

Our fundamental Customer 1st strategy continues to deliver positive market share results. We increased market share in 2010 by an estimated 80 basis points across 19 major marketing areas, according to Nielsen Homescan Data. More specifically, where Walmart supercenters are our primary competitor, we grew market share by 75 basis points in 17 of 19 major markets compared to the previous year. Our Associates' dedication to satisfying one Customer at a time helps the Kroger family of stores compete effectively with retailers who sell both consumables and groceries.

Kroger serves our Customers' everyday needs for groceries and so much more. We offer discounts on fuel, convenient pharmacies with $4 and $10 generic drugs, The Little Clinic locations for everyday illnesses and physicals, and an abundance of gift cards. We have special cell phone offerings through i-wireless, healthy restaurant-quality take-home meals, and outstanding selections of seasonal floral, home décor, and celebration items. Kroger also offers our unique 1-2-3 Rewards MasterCard. This is one of the many products from Kroger Personal Finance that give our customers even more savings and rewards for their purchases, including items bought outside Kroger with the 1-2-3 Rewards MasterCard.

We now have more than 1,000 supermarket fuel centers and over 1,900 pharmacies. By offering fuel savings and $4 and $10 generics – along with everyday savings and benefits from our loyalty program – we encourage our Customers to visit Kroger for all of their groceries, health and beauty products, prescriptions, other household items, and fuel.

Proprietary consumer insights are driving strong customer loyalty.

Kroger's strategic partnership with dunnhumbyUSA helps us to continue to build our loyal household base. dunnhumbyUSA is a global leader in data management, customer analysis, and insight-led planning. Through the unique customer insights Kroger gains from our loyalty data, we are able to offer unparalleled personalized marketing plans that reward our most loyal Customers with greater value for the products they like and buy regularly.

In 2010, our number of loyal households continued to increase, as did the number of their store visits. Total households shopping at our stores also increased year over year. As a result of the combination of higher household counts and more visits per household, we generated positive identical sales for both loyal and total households in 2010.

Industry leading identical sales growth.

Our strong 2010 results are the outcome of our consistent approach to managing Kroger's business and executing our Customer 1st strategy, which creates a powerful connection with a broad range of shoppers. We focus on identical sales growth, excluding fuel, because it powers our business model and generates earnings and free cash flow that reward our Shareholders. Identical supermarket sales increased in 2010 by 2.8 percent, excluding fuel. Quarter after quarter of positive identical sales growth distinguishes Kroger from many other retailers. In fact, Kroger has produced positive identical sales for 29 consecutive quarters. We continued to have positive tonnage growth in the fiscal year on top of strong results in the prior year. Our promotional and pricing strategies are designed to deliver sustainable results by building long-term customer loyalty and expanding our competitive advantage.

Consistent record of rewarding Shareholders.

In 2010, we achieved solid positive identical supermarket sales and market share growth, which demonstrates that we can strengthen our business and reward shareholders by placing our customers' needs first. Kroger's return to our Shareholders has been strong. Our total payout to Shareholders during the past five years (combining dividends and share repurchases) has averaged nearly 70 percent of net income. In fiscal 2010, for example, Kroger repurchased $545 million of our Common Shares, on top of share repurchases of $218 million in 2009 and $637 million in 2008. That's more than $1.1 billion of share repurchases during the last three years, and more than $6.4 billion since January 2000. And, on March 3, 2011, Kroger announced that our Board of Directors had authorized an additional $1 billion share repurchase program.

We also paid dividends of $250 million in fiscal 2010, increasing the dividends paid to Shareholders in each of the years since we began paying a dividend in 2006. During the last five years, Kroger has paid more than $1.0 billion in dividends to our Shareholders. We've been able to accomplish this while maintaining our investment-grade credit rating and reducing long-term debt and annual interest expense.

Strong balance sheet with significant flexibility.

Kroger's BBB investment-grade credit rating gives us significant financial flexibility. During 2010, Kroger reduced net total debt by $243.5 million, to $7.3 billion. In addition, at the end of fiscal 2010, our net total debt to EBITDA ratio, adjusted for the impairment charges in fiscal 2010 and 2009, was 1.89 compared with 1.97 at the end of fiscal 2009.

Living our Mission and Values

Safety

Safety is one of our core values. As a result of our Associates' engagement in our safety programs, Kroger has reduced the accident rates in stores and plants by 74 percent during the past 15 years. We continue to make steady progress toward our goal of zero accidents.

Partnering with our Customers and Associates to serve our communities.

We have the privilege of touching the lives of millions of Customers daily in our 2,458 supermarkets, 786 convenience stores and 361 jewelry stores. Kroger is proud to partner with our Associates and Customers to help improve the communities in which we live and work. We are especially focused on helping Feeding America and more than 80 community organizations that feed the hungry. During the past five years, Kroger has donated the equivalent of 560 million meals to local food banks.

The winners of The Kroger Co. Community Service Award for 2010 are listed after this letter. Their hard work and dedication are appreciated by us all, and we encourage all of our Associates to get involved in the communities where we work and live.

Sustainability is a major focus.

Kroger continues to make important progress on our sustainability agenda. We encourage you to read our latest sustainability report, which is available at www.thekrogerco.com.

Executive Changes

We note with deep sadness the unexpected passing on February 16, 2011 of our colleague, friend, and company executive, Donald E. Becker. Don was Kroger's Executive Vice President since 2004. In that role, he led merchandising, marketing, and procurement.

Don began his career with Kroger in 1969 as a clerk in the stores in Cincinnati where he met his future wife. In his 42 years with the Company, Don held many leadership positions including Vice President of the Cincinnati/Dayton division and President of Kroger's Central division.

Don was a "people person" who touched many lives. He was an avid promoter of diversity, and a mentor and friend to many.

On February 22, 2011, more than 1,600 associates and friends gathered at the Duke Energy Convention Center to celebrate Don's life in reflection, song, and meditation. Our Company's success has been -- and will continue to be -- deeply influenced by Don's unwavering focus on the Customer, his merchandising brilliance, and his abiding passion for people.

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In 2010, Kroger announced several retirements, promotions and appointments at the corporate and division levels.

Paul J. Scutt, Senior Vice President for Retail Operations, retired after 45 years with The Kroger Co. Paul began as a store clerk with Kroger in 1965. He left the Company to spend two years in the Army, serving in Vietnam for 15 months. Upon returning from the military and earning his college degree, Paul entered Kroger's management training program. Paul quickly rose through the Company's operations and merchandising positions, including Vice President of Dillon Companies (1997) and President of Kroger's Central division (2000) based in Indianapolis. In his role as Senior Vice President of Retail Operations, Kroger significantly reduced employee accidents, improved management of product shrink and operating costs, and instituted process changes that have allowed the Company to invest in our Customer 1st Strategy.

Della Wall, Group Vice President for Human Resources, retired after 39 years with Kroger. Kathleen S. Barclay was elected an officer of the Company and Senior Vice President for Human Resources in late 2009. Ms. Barclay joined Kroger after serving as the Global Human Resources executive for General Motors. Carver L. Johnson, who served as Kroger's first Chief Diversity Officer, retired from the Company. John E. Bays, President of the Dillon Stores division, retired after 42 with the Company. Joseph A. Grieshaber, Jr. was appointed President of the Dillon Stores division, replacing Mr. Bays. Phyllis J. Norris, President of City Market, retired after 36 years with the Company.

Jeffrey D. Burt was promoted to Group Vice President of Perishables. Geoffrey J. Covert, President of the Cincinnati/Dayton division, was elected an officer of the Company and was promoted to Senior Vice President, Retail Operations. Bryan H. Kaltenbach was promoted to President of the Food 4 Less division. Sukanya R. Madlinger was promoted to President of the Cincinnati/Dayton division.

These men and women helped make Kroger a better place to shop and work, and we greatly appreciate their contributions.

Best in Class Retailer – Long-Term Goals

Our objective is to create value for Shareholders at industry leadership levels. More specifically, our goals are to:

- Continue to grow sales and loyal households through execution of our Customer 1st strategy;
- Expand earnings through steady identical sales growth together with modest growth in operating margins, without fuel;
- Target annual earnings per share growth averaging 6 to 8 percent over a rolling 3- to 5-year horizon;
- Achieve a total shareholder return of 8 to 10 percent, including our dividend; and
- Generate an average annual return for Shareholders that matches or exceeds the S&P 500, with less volatility.

These are ambitious long-term goals. When I travel and visit our stores, Kroger Associates tell me they are inspired by what we can accomplish together. They believe in Customer 1st and see the results.

While we are encouraged by the Company's recent performance, I do not want to imply that we are satisfied. We still have significant opportunities for improvement. We need to continue our disciplined cost reductions and take more costs out of our business so we can invest more in areas that drive profitable growth.

We also know there are challenges ahead for 2011 and beyond, including, an economic recovery that is weaker and slower than we hoped; customers who are concerned about rising fuel and food costs; continued high unemployment that is holding back consumer confidence; and rising pension and healthcare costs that we all must address together.

Even with these challenges and others, I am confident in Kroger and our future. We have all the elements of success in place: outstanding Associates who are engaged in serving every Customer; a convenient and updated store base; passionate and seasoned leaders in stores, offices and facilities at every level of the company; a strong balance sheet and financial position; and a robust operating strategy that is working.

It is my privilege to be a part of our dedicated team that I believe is the best in the industry. On behalf of all of us, thank you for your continued support and interest in Kroger.

David B. Dillon
Chairman of the Board and
Chief Executive Officer

Congratulations to the winners of The Kroger Co. Community Service Award for 2010:

Division	Recipient
Atlanta	Jay Walker
Central	Chuck Kumler
Cincinnati	Store #829
City Market	Tommy Romero
Columbus	Don Rings
Delta	Scott Knight
Dillon Stores	Vernan L. Stout
Food 4 Less	Phoebe Sime
Fred Meyer	Kim Watson
Fry's	Terry A. Daane
Jay C Stores	Eva Hobson
King Soopers	Mary Goodson
Michigan	Crystal Fenrich
Mid-Atlantic	Fred Meredith
Mid-South	Devin Hayes
QFC	Scott Bergquist
Ralphs	Amanda Sims
Smith's	Debbie and Jim Dye
Southwest	Store #321 Cultural Council Team / District 1

Country Oven Bakery	Chris Montgomery
Delight Products	Alexis Smith
Winchester Farms	Winchester Farms Recreation Committee
Vandervoort Dairy	Joseph Wayne

General Office	Mayro Kanning

C-Stores (Quik Stop)	William Rankin
Turkey Hill Dairy	Tammy Hynes and Genise Wade
Logistics	Jack Hernandez, Jr.

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Cincinnati, Ohio, May 13, 2011

To All Shareholders of The Kroger Co.:

The annual meeting of shareholders of The Kroger Co. will be held at the MUSIC HALL BALLROOM, MUSIC HALL, 1241 Elm Street, Cincinnati, Ohio 45202, on June 23, 2011, at 11 a.m., eastern time, for the following purposes:

1. To elect the directors for the ensuing year;

2. To consider and act upon a proposal to approve the 2011 Long-Term Incentive and Cash Bonus Plan;

3. To consider and act upon an advisory vote on executive compensation;

4. To consider and act upon an advisory vote on the frequency of future advisory votes on executive compensation;

5. To consider and act upon a proposal to ratify the selection of independent public accountants for the year 2011;

6. To act upon a shareholder proposal, if properly presented at the annual meeting; and

7. To transact such other business as may properly be brought before the meeting;

all as set forth in the Proxy Statement accompanying this Notice. Holders of common shares of record at the close of business on April 25, 2011, will be entitled to vote at the meeting.

ATTENDANCE

Only shareholders and persons holding proxies from shareholders may attend the meeting. If you are attending the meeting, please bring the notice of the meeting that was separately mailed to you or the top portion of your proxy card, either of which will serve as your admission ticket.

YOUR MANAGEMENT DESIRES TO HAVE A LARGE NUMBER OF SHAREHOLDERS REPRESENTED AT THE MEETING, IN PERSON OR BY PROXY. PLEASE VOTE YOUR PROXY ELECTRONICALLY VIA THE INTERNET OR BY TELEPHONE. IF YOU HAVE ELECTED TO RECEIVE PRINTED MATERIALS, YOU MAY SIGN AND DATE THE PROXY AND MAIL IT IN THE SELF-ADDRESSED ENVELOPE PROVIDED. NO POSTAGE IS REQUIRED IF MAILED WITHIN THE UNITED STATES.

If you are unable to attend the annual meeting, you may listen to a live webcast of the meeting, which will be accessible through our website, www.thekrogerco.com, at 11 a.m., eastern time.

By order of the Board of Directors,
Paul W. Heldman, Secretary

PROXY STATEMENT

Cincinnati, Ohio, May 13, 2011

Your proxy is solicited by the Board of Directors of The Kroger Co., and the cost of solicitation will be borne by Kroger. We will reimburse banks, brokers, nominees, and other fiduciaries for postage and reasonable expenses incurred by them in forwarding the proxy material to their principals. Kroger has retained D.F. King & Co., Inc., 48 Wall Street, New York, New York, to assist in the solicitation of proxies and will pay that firm a fee estimated at present not to exceed $15,000. Proxies may be solicited personally, by telephone, electronically via the Internet, or by mail.

David B. Dillon, John T. LaMacchia, and Bobby S. Shackouls, all of whom are Kroger directors, have been named members of the Proxy Committee.

The principal executive offices of The Kroger Co. are located at 1014 Vine Street, Cincinnati, Ohio 45202-1100. Our telephone number is 513-762-4000. This Proxy Statement and Annual Report, and the accompanying proxy, were first furnished to shareholders on May 13, 2011.

As of the close of business on April 25, 2011, our outstanding voting securities consisted of 606,471,857 common shares, the holders of which will be entitled to one vote per share at the annual meeting. The shares represented by each proxy will be voted unless the proxy is revoked before it is exercised. Revocation may be in writing to Kroger's Secretary, or in person at the meeting, or by appointment of a subsequent proxy. Shareholders may not cumulate votes in the election of directors.

The effect of broker non-votes and abstentions on matters presented for shareholder vote is as follows:

Item No. 1, Election of Directors – An affirmative majority of the total number of votes cast "for" or "against" a director nominee is required for election. Accordingly, broker non-votes and abstentions will have no effect on this proposal.

Item No. 2, Approval of 2011 Long-Term Incentive and Cash Bonus Plan – Approval by shareholders of the Plan requires the affirmative vote of the majority of shares participating in the voting. Accordingly, broker non-votes and abstentions will have no effect on this proposal.

Item No. 3, Advisory vote on executive compensation – Approval by shareholders of executive compensation requires the affirmative vote of the majority of shares participating in the voting. Accordingly, broker non-votes and abstentions will have no effect on this proposal.

Item No. 4, Advisory vote on the frequency of the advisory vote on executive compensation – The option, be it every one, two, or three years, that receives the highest number of votes cast by shareholders will represent the vote on frequency of the advisory vote on executive compensation. Accordingly, broker non-votes and abstentions will have no effect on this proposal.

Item No. 5, Selection of Auditors – Ratification by shareholders of the selection of independent public accountants requires the affirmative vote of the majority of shares participating in the voting. Accordingly, abstentions will have no effect on this proposal.

Item No. 6, Shareholder Proposal – The affirmative vote of a majority of shares participating in the voting on a shareholder proposal is required for its adoption. Proxies will be voted AGAINST this proposal unless the Proxy Committee is otherwise instructed on a proxy properly executed and returned. Broker non-votes and abstentions will have no effect on this proposal.

PROPOSALS TO SHAREHOLDERS

ELECTION OF DIRECTORS
(ITEM NO. 1)

The Board of Directors, as now authorized, consists of fourteen members. All members are to be elected at the annual meeting to serve until the annual meeting in 2012, or until their successors have been elected by the shareholders or by the Board of Directors pursuant to Kroger's Regulations, and qualified. Kroger's Articles of Incorporation provide that the vote required for election of a director by the shareholders, except in a contested election or when cumulative voting is in effect, will be the affirmative vote of a majority of the votes cast for or against the election of a nominee.

The experience, qualifications, attributes, and skills that led the Corporate Governance Committee and the Board to conclude that the following individuals should serve as directors are set forth opposite each individual's name. The committee memberships stated below are those in effect as of the date of this proxy statement. It is intended that, except to the extent that authority is withheld, proxies will be voted for the election of the following persons:

Name	Professional Occupation (1)	Age	Director Since
NOMINEES FOR DIRECTOR FOR TERMS OF OFFICE CONTINUING UNTIL 2012			
Reuben V. Anderson	Mr. Anderson is a Senior Partner in the Jackson, Mississippi office of Phelps Dunbar, a regional law firm based in New Orleans. Prior to joining this law firm, he was a justice of the Supreme Court of Mississippi. Mr. Anderson is a director of AT&T Inc., and during the past five years was a director of BellSouth Corporation and Trustmark Corporation. He is a member of the Corporate Governance and Public Responsibilities Committees. Mr. Anderson has extensive litigation experience, and he served as the first African-American Justice on the Mississippi Supreme Court. His knowledge and judgment gained through years of legal practice are of great value to the Board. In addition, as former Chairman of the Board of Trustees of Tougaloo College and a resident of Mississippi, he brings to the Board his insights into the African-American community and the southern region of the United States. Mr. Anderson has served on numerous board committees, including audit, public policy, finance, executive, and nominating committees.	68	1991

Name	Professional Occupation (1)	Age	Director Since
Robert D. Beyer	Mr. Beyer is Chairman of Chaparal Investments LLC, a private investment firm and holding company that he founded in 2009. From 2005 to 2009, Mr. Beyer served as Chief Executive Officer of The TCW Group, Inc., a global investment management firm. From 2000 to 2005, he served as President and Chief Investment Officer of Trust Company of the West, the principal operating subsidiary of TCW. Mr. Beyer is a member of the Board of Directors of The Allstate Corporation. He is chair of the Financial Policy Committee and a member of the Compensation Committee. Mr. Beyer brings to Kroger his experience as CEO of TCW, a global investment management firm serving many of the largest institutional investors in the U.S. He has exceptional insight into Kroger's financial strategy, and his experience qualifies him to chair the Financial Policy Committee. While at TCW, he also conceived and developed the firm's risk management infrastructure, an experience that is useful to the Kroger Board in performing its risk management oversight functions. His experience in managing compensation programs makes him a valued member of the Compensation Committee. His abilities and service as a director were recognized by his peers, who selected Mr. Beyer as an Outstanding Director in 2008 as part of the Outstanding Directors Program of the Financial Times.	51	1999
David B. Dillon	Mr. Dillon was elected Chairman of the Board of Kroger in 2004, Chief Executive Officer in 2003, and President and Chief Operating Officer in 2000. He served as President in 1999, and as President and Chief Operating Officer from 1995 to 1999. Mr. Dillon was elected Executive Vice President of Kroger in 1990 and President of Dillon Companies, Inc. in 1986. He is a director of DIRECTV, and during the past five years was a director of Convergys Corporation. Mr. Dillon brings to Kroger his extensive knowledge of the supermarket business, having over 30 years of experience with Kroger and Dillon Companies. In addition to his depth of knowledge of Kroger and the fiercely competitive industry in which Kroger operates, he has gained a wealth of experience by serving on audit, compensation, finance, and governance committees of another board.	60	1995

Name	Professional Occupation (1)	Age	Director Since
Susan J. Kropf	Ms. Kropf was President and Chief Operating Officer of Avon Products Inc., a manufacturer and marketer of beauty care products, from 2001 until her retirement in January 2007. She joined Avon in 1970. Prior to her most recent assignment, Ms. Kropf had been Executive Vice President and Chief Operating Officer, Avon North America and Global Business Operations from 1998 to 2000. From 1997 to 1998 she was President, Avon U.S. Ms. Kropf was a member of Avon's Board of Directors from 1998 to 2006. She currently is a member of the Board of Directors of Coach, Inc., MeadWestvaco Corporation, and Sherwin Williams Company. She is a member of the Audit and Public Responsibilities Committees. Ms. Kropf has gained a unique consumer insight, having led a major beauty care company. She has extensive experience in manufacturing, marketing, supply chain operations, customer service, and product development, all of which assist her in her role as a member of Kroger's Board. Ms. Kropf has a strong financial background, and has served on compensation, audit, and corporate governance committees of other boards. She was inducted into the YWCA Academy of Women Achievers.	62	2007
John T. LaMacchia	Mr. LaMacchia served as Chairman of the Board of Tellme Networks, Inc., a provider of voice application networks, from September 2001 to May 2007. From September 2001 through December 2004 he was also Chief Executive Officer of Tellme Networks. From May 1999 to May 2000 Mr. LaMacchia was Chief Executive Officer of CellNet Data Systems, Inc., a provider of wireless data communications. From October 1993 through February 1999, he was President and Chief Executive Officer of Cincinnati Bell Inc. During the past five years, Mr. LaMacchia served on the board of Burlington Resources Inc. He is chair of the Compensation Committee and a member of the Corporate Governance Committee. Mr. LaMacchia brings to Kroger his tenure leading both large and small companies. He has developed expertise in compensation and governance issues through his experience on compensation and corporate governance committees of Kroger and other boards.	69	1990

Name	Professional Occupation (1)	Age	Director Since
David B. Lewis	Mr. Lewis is Chairman of Lewis & Munday, a Detroit based law firm with offices in Washington, D.C., Seattle, and New York City. He is a director of H&R Block and STERIS Corporation. Previously, Mr. Lewis has served on the Board of Directors of Conrail, Inc., LG&E Energy Corp., Lewis & Thompson Agency, Inc., M.A. Hanna, TRW, Inc., and Comerica, Inc. He is a member of the Financial Policy Committee and vice chair of the Public Responsibilities Committee. In addition to his background as a practicing attorney and expertise in bond financing, Mr. Lewis brings to Kroger's Board his financial background gained while earning his MBA in Finance as well as his service and leadership on Kroger's and other audit committees. He is a former chairman of the National Association of Securities Professionals.	66	2002
W. Rodney McMullen	Mr. McMullen was elected President and Chief Operating Officer of Kroger in August 2009. Prior to that he was elected Vice Chairman in 2003, Executive Vice President in 1999, and Senior Vice President in 1997. Mr. McMullen is a director of Cincinnati Financial Corporation. Mr. McMullen has broad experience in the supermarket business, having spent his career spanning over 30 years with Kroger. He has a strong financial background and played a major role as architect of Kroger's strategic plan. Mr. McMullen is actively involved in the day-to-day operations of Kroger. His service on the compensation, executive, and investment committees of Cincinnati Financial Corporation adds depth to his extensive retail experience.	50	2003

Name	Professional Occupation (1)	Age	Director Since
Jorge P. Montoya	Mr. Montoya was President of The Procter & Gamble Company's Global Snacks & Beverage division, and President of Procter & Gamble Latin America, from 1999 until his retirement in 2004. Prior to that, he was an Executive Vice President of Procter & Gamble, a provider of branded consumer packaged goods, from 1995 to 1999. Mr. Montoya is a director of The Gap, Inc., and served on the Board of Rohm & Haas Company during the past five years. He is chair of the Public Responsibilities Committee and a member of the Compensation Committee. Mr. Montoya brings to Kroger's Board over 30 years of leadership experience at a premier consumer products company. He has a deep knowledge of the Hispanic market, as well as consumer products and retail operations. Mr. Montoya has vast experience in marketing and general management, including international business. He was named among the 50 most important Hispanics in Business & Technology, in Hispanic Engineer & Information Technology Magazine.	64	2007
Clyde R. Moore	Mr. Moore is the Chairman and Chief Executive Officer of First Service Networks, a national provider of facility and maintenance repair services. He is a director of First Service Networks. Mr. Moore is a member of the Compensation and Corporate Governance Committees. Mr. Moore has over 25 years of general management experience in public and private companies. He has sound experience as a corporate leader overseeing all aspects of a facilities management firm and a manufacturing concern. Mr. Moore's expertise broadens the scope of the Board's experience to provide oversight to Kroger's facilities and manufacturing businesses.	57	1997

Name	Professional Occupation (1)	Age	Director Since
Susan M. Phillips	Dr. Phillips is Professor of Finance at The George Washington University School of Business, a position she has held since 1998. She retired as Dean of that School of Business as of June 30, 2010. She was a member of the Board of Governors of the Federal Reserve System from December 1991 through June 1998. Before her Federal Reserve appointment, Dr. Phillips served as Vice President for Finance and University Services and Professor of Finance in The College of Business Administration at the University of Iowa from 1987 through 1991. She is a director of CBOE Holdings, Inc., State Farm Mutual Automobile Insurance Company, State Farm Life Insurance Company, State Farm Companies Foundation, National Futures Association, and the Chicago Board Options Exchange. Dr. Phillips also was a trustee of the Financial Accounting Foundation until the end of 2010. She is a member of the Audit and Financial Policy Committees. Dr. Phillips brings to the Board strong financial acumen, along with a deep understanding of, and involvement with, the relationship between corporations and the government. Her experience in academia brings a unique and diverse viewpoint to the deliberations of the Board. Dr. Phillips has been designated an Audit Committee financial expert.	66	2003
Steven R. Rogel	Mr. Rogel was elected Chairman of the Board of Weyerhaeuser Company, a forest products company, in 1999 and was President and Chief Executive Officer and a director thereof from December 1997 to January 1, 2008 when he relinquished the role of President. He relinquished the CEO role in April of 2008 and retired as Chairman as of April 2009. Before that time Mr. Rogel was Chief Executive Officer, President and a director of Willamette Industries, Inc. He served as Chief Operating Officer of Willamette Industries, Inc. until October 1995 and, before that time, as an executive and group vice president for more than five years. Mr. Rogel is a director of Union Pacific Corporation and EnergySolutions, Inc. He is a member of the Corporate Governance and Financial Policy Committees. Mr. Rogel has extensive experience in management of large corporations at all levels. He brings to the Board a unique perspective, having led a national supplier of paper products prior to his retirement. Mr. Rogel previously served as Kroger's Lead Director, and has served on compensation, finance, audit, and governance committees of other corporations.	68	1999

Name	Professional Occupation (1)	Age	Director Since
James A. Runde	Mr. Runde is a special advisor and a former Vice Chairman of Morgan Stanley, a financial services provider, where he has been employed since 1974. He was a member of the Board of Directors of Burlington Resources Inc. prior to its acquisition by ConocoPhillips in 2006. Mr. Runde serves as a trustee of Marquette University and the Pierpont Morgan Library. He is a member of the Compensation and Financial Policy Committees. Mr. Runde brings to Kroger's Board a strong financial background, having led a major financial services provider. He has served on the compensation committee of a major corporation.	64	2006
Ronald L. Sargent	Mr. Sargent is Chairman and Chief Executive Officer of Staples, Inc., a consumer products retailer, where he has been employed since 1989. Prior to joining Staples, Mr. Sargent spent 10 years with Kroger in various positions. In addition to serving as a director of Staples, Mr. Sargent is a director of Mattel, Inc., but has announced that he will not stand for re-election at Mattel's 2011 annual meeting of shareholders. He has been nominated to stand for election to the Board of The Home Depot, Inc., at that company's annual meeting of shareholders to be held on June 2, 2011. Mr. Sargent is chair of the Audit Committee and a member of the Public Responsibilities Committee. Mr. Sargent has over 30 years of retail experience, first with Kroger and then with increasing levels of responsibility and leadership at Staples, Inc. His efforts helped carve out a new market niche for the international retailer that he leads. His understanding of retail operations and consumer insights are of particular value to the Board. Mr. Sargent has been designated an Audit Committee financial expert.	55	2006

Name	Professional Occupation (1)	Age	Director Since
Bobby S. Shackouls	Until the merger of Burlington Resources Inc. and ConocoPhillips, which became effective in 2006, Mr. Shackouls was Chairman of the Board of Burlington Resources Inc., a natural resources business, since July 1997 and its President and Chief Executive Officer since December 1995. He had been a director of that company since 1995 and President and Chief Executive Officer of Burlington Resources Oil and Gas Company (formerly known as Meridian Oil Inc.), a wholly-owned subsidiary of Burlington Resources, since 1994. Mr. Shackouls is a director of ConocoPhillips and of PNGS GP LLC, the general partner of PAA Natural Gas Storage, L.P. He has been appointed by Kroger's Board to serve as Lead Director. Mr. Shackouls is chair of the Corporate Governance Committee and a member of the Audit Committee. Mr. Shackouls brings to the Board the critical thinking that comes with a chemical engineering background. His guidance of a major natural resources company, coupled with his corporate governance expertise, forms the foundation of his leadership role on Kroger's Board.	60	1999

(1) Except as noted, each of the directors has been employed by his or her present employer (or a subsidiary) in an executive capacity for at least five years.

Information Concerning the Board of Directors

Committees of the Board

The Board of Directors has a number of standing committees including Audit, Compensation, and Corporate Governance Committees. All standing committees are composed exclusively of independent directors. All Board committees have charters that can be found on our corporate website at www.thekrogerco.com under Guidelines on Issues of Corporate Governance. During 2010, the Audit Committee met five times, the Compensation Committee met five times, and the Corporate Governance Committee met two times. Committee memberships are shown on pages 9 through 16 of this Proxy Statement. The Audit Committee reviews financial reporting and accounting matters pursuant to its charter and selects our independent accountants. The Compensation Committee recommends for determination by the independent members of our Board the compensation of the Chief Executive Officer, determines the compensation of Kroger's other senior management, and administers some of our incentive programs. Additional information on the Compensation Committee's processes and procedures for consideration of executive compensation are addressed in the Compensation Discussion and Analysis below. The Corporate Governance Committee develops criteria for selecting and retaining members of the Board, seeks out qualified candidates for the Board, and reviews the performance of Kroger, the Board, and along with the other independent board members, the CEO.

The Corporate Governance Committee will consider shareholder recommendations for nominees for membership on the Board of Directors. Recommendations relating to our annual meeting in June 2012, together with a description of the proposed nominee's qualifications, background and experience, must be submitted in writing to Paul W. Heldman, Secretary, and received at our executive offices not later than January 13, 2012. The shareholder also should indicate the number of shares beneficially owned by the shareholder. The Secretary will forward the information to the Corporate Governance Committee for its consideration. The Committee will use the same criteria in evaluating candidates submitted by shareholders as it uses in evaluating candidates identified by the Committee. These criteria are:

- Demonstrated ability in fields considered to be of value in the deliberations of the Board, including business management, public service, education, science, law, and government;
- Highest standards of personal character and conduct;
- Willingness to fulfill the obligations of directors and to make the contribution of which he or she is capable, including regular attendance and participation at Board and committee meetings, and preparation for all meetings, including review of all meeting materials provided in advance of the meeting; and
- Ability to understand the perspectives of Kroger's customers, taking into consideration the diversityof our customers, including regional and geographic differences.

Racial, ethnic, and gender diversity is an important element in promoting full, open, and balanced deliberations of issues presented to the Board, and is considered by the Corporate Governance Committee. Some consideration also is given to the geographic location of director candidates in order to provide a reasonable distribution of members from the operating areas of the Company.

The Corporate Governance Committee typically recruits candidates for Board membership through its own efforts and through suggestions from other directors and shareholders. The Committee on occasion has retained an outside search firm to assist in identifying and recruiting Board candidates who meet the criteria established by the Committee.

Corporate Governance

The Board of Directors has adopted Guidelines on Issues of Corporate Governance. These Guidelines, which include copies of the current charters for the Audit, Compensation, and Corporate Governance Committees, and the other committees of the Board of Directors, are available on our corporate website at www.thekrogerco.com. Shareholders may obtain a copy of the Guidelines by making a written request to Kroger's Secretary at our executive offices.

Independence

The Board of Directors has determined that all of the directors, with the exception of Messrs. Dillon and McMullen, have no material relationships with Kroger and therefore are independent for purposes of the New York Stock Exchange listing standards. The Board made its determination based on information furnished by all members regarding their relationships with Kroger. After reviewing the information, the Board determined that all of the non-employee directors were independent because (i) they all satisfied the independence standards set forth in Rule 10A-3 of the Securities Exchange Act of 1934, (ii) they all satisfied the criteria for independence set forth in Rule 303A.02 of the New York Stock Exchange Listed Company Manual, and (iii) other than business transactions between Kroger and entities with which the directors are affiliated, the value of which falls below the thresholds identified by the New York Stock Exchange listing standards, none had any material relationships with us except for those arising directly from their performance of services as a director for Kroger.

Lead Director

The Lead Director presides over all executive sessions of the non-management directors, serves as the principal liaison between the non-management directors and management, and consults with the Chairman regarding information to be sent to the Board, meeting agendas, and establishing meeting schedules. Unless otherwise determined by the Board, the chair of the Corporate Governance Committee is designated as the Lead Director.

Audit Committee Expertise

The Board of Directors has determined that Susan M. Phillips and Ronald L. Sargent, independent directors who are members of the Audit Committee, are "audit committee financial experts" as defined by applicable SEC regulations and that all members of the Audit Committee are "financially literate" as that term is used in the NYSE listing standards.

Code of Ethics

The Board of Directors has adopted The Kroger Co. Policy on Business Ethics, applicable to all officers, employees and members of the Board of Directors, including Kroger's principal executive, financial, and accounting officers. ThePolicy is available on our corporate website at www.thekrogerco.com. Shareholders may obtain a copy of the Policy by making a written request to Kroger's Secretary at our executive offices.

Communications with the Board

The Board has established two separate mechanisms for shareholders and interested parties to communicate with the Board. Any shareholder or interested party who has concerns regarding accounting, improper use of Kroger assets, or ethical improprieties may report these concerns via the toll-free hotline (800-689-4609) or email address (helpline@kroger.com) established by the Board's Audit Committee. The concerns are investigated by Kroger's Vice President of Auditing and reported to the Audit Committee as deemed appropriate by the Vice President of Auditing.

Shareholders or interested parties also may communicate with the Board in writing directed to Kroger's Secretary at our executive offices. The Secretary will consider the nature of the communication and determine whether to forward the communication to the chair of the Corporate Governance Committee. Communications relating to personnel issues or our ordinary business operations, or seeking to do business with us, will be forwarded to the business unit of Kroger that the Secretary deems appropriate. All other communications will be forwarded to the chair of the Corporate Governance Committee for further consideration. The chair of the Corporate Governance Committee will take such action as he or she deems appropriate, which may include referral to the Corporate Governance Committee or the entire Board.

Attendance

The Board of Directors met five times in 2010. During 2010, all incumbent directors attended at least 75% of the aggregate number of meetings of the Board and committees on which that director served. Members of the Board are expected to use their best efforts to attend all annual meetings of shareholders. All fourteen members of the Board attended last year's annual meeting.

Compensation Consultants

The Compensation Committee directly engages a compensation consultant from Mercer Human Resource Consulting to advise the Committee in the design of compensation for executive officers. In 2010, Kroger paid that consultant $230,156 for work performed for the Committee. Kroger, on management's recommendation, retained the parent and affiliated companies of Mercer Human Resource Consulting to provide other services for Kroger in 2010, for which Kroger paid $3,668,485. These other services primarily related to insurance claims (for which Kroger was reimbursed by insurance carriers as claims were adjusted), insurance brokerage and bonding commissions, and pension consulting. Kroger also made payments to affiliated companies for insurance premiums that were collected by the affiliated companies on behalf of insurance carriers, but these amounts are not included in the totals referenced above, as the amounts were paid over to insurance carriers for services provided by those carriers. Although neither the Committee nor the Board expressly approved the other services, the Committee determined that the consultant is independent because (a) he was first engaged by the Committee before he became associated with Mercer; (b) he works exclusively for the Committee and not for our management; (c) he does not benefit from the other work that Mercer's parent and affiliated companies perform for Kroger; and (d) neither the consultant nor the consultant's team perform any other services on behalf of Kroger.

Board Oversight of Enterprise Risk

While risk management is primarily the responsibility of Kroger's management team, the Board of Directors is responsible for the overall supervision of our risk management activities. The Board's oversight of the material risks faced by Kroger occurs at both the full Board level and at the committee level.

The Board's Audit Committee has oversight responsibility not only for financial reporting of Kroger's major financial exposures and the steps management has taken to monitor and control those exposures, but also for the effectiveness of management's processes that monitor and manage key business risks facing Kroger, as well as the major areas of risk exposure and management's efforts to monitor and control that exposure. The Audit Committee also discusses with management its policies with respect to risk assessment and risk management.

Management provides regular updates throughout the year to the respective committees regarding the management of the risks they oversee, and each of these committees reports on risk to the full Board at each regular meeting of the Board.

In addition to the reports from the committees, the Board receives presentations throughout the year from various department and business unit leaders that include discussion of significant risks as necessary. At each Board meeting, the Chairman and CEO addresses matters of particular importance or concern, including any significant areas of risk that require Board attention. Additionally, through dedicated sessions focusing entirely on corporate strategy, the full Board reviews in detail Kroger's short- and long-term strategies, including consideration of significant risks facing Kroger and their potential impact. The independent directors, in executive sessions led by the Lead Director, address matters of particular concern, including significant areas of risk, that warrant further discussion or consideration outside the presence of Kroger employees.

We believe that our approach to risk oversight, as described above, optimizes our ability to assess inter-relationships among the various risks, make informed cost-benefit decisions, and approach emerging risks in a proactive manner for Kroger. We also believe that our risk structure complements our current Board leadership structure, as it allows our independent directors, through the five fully independent Board committees, and in executive sessions of independent directors led by an independent Lead Director, to exercise effective oversight of the actions of management, led by Mr. Dillon as Chairman and CEO, in identifying risks and implementing effective risk management policies and controls.

Board Leadership Structure

Our Board is composed of twelve independent directors and two management directors, Mr. Dillon, the Chairman of the Board and Chief Executive Officer, and Mr. McMullen, President and Chief Operating Officer. In addition, as provided in our Guidelines on Issues of Corporate Governance, the Board has designated one of the independent directors as Lead Director. The Board has established five standing committees — audit, compensation, corporate governance, financial policy, and public responsibilities. Each of the Board committees is composed solely of independent directors, each with a different independent director serving as committee chair. We believe that the mix of experienced independent and management directors that make up our Board, along with the independent role of our Lead Director and our independent Board committees, benefits Kroger and its shareholders.

The Board believes that it is beneficial to Kroger and its shareholders to designate one of the directors as a Lead Director. The Lead Director serves a variety of roles, including reviewing and approving Board agendas, meeting materials and schedules to confirm the appropriate topics are reviewed and sufficient time is allocated to each; serving as liaison between the Chairman of the Board, management, and the non-management directors; presiding at the executive sessions of independent directors and at all other meetings of the Board of Directors at which the Chairman of the Board is not present; and calling an executive session of independent directors at any time. Bobby Shackouls, an independent director and the chair of the Corporate Governance Committee, is currently our Lead Director. Mr. Shackouls is an effective Lead Director for Kroger due to, among other things, his independence, his deep strategic and operational understanding of Kroger obtained while serving as a Kroger director, his corporate governance knowledge acquired during his tenure as a member of our Corporate Governance Committee, his previous experience on other boards, and his prior experience as a CEO of a Fortune 500 company.

With respect to the roles of Chairman and CEO, the Guidelines provide that the Board believes that it is in the best interests of Kroger and its shareholders for one person to serve as Chairman and CEO. The Board recognizes that there may be circumstances in which it is in the best interests of Kroger and its shareholders for the roles to be separated, and the Board exercises its discretion as it deems appropriate in light of prevailing circumstances. The Board believes that the combination or separation of these positions should continue to be considered as part of the succession planning process, as was the case in 2003 when the roles were separated. Since 2004, the roles have been combined.

Our Board and each of its committees conduct an annual evaluation to determine whether they are functioning effectively. As part of this annual self-evaluation, the Board assesses whether the current leadership structure continues to be appropriate for Kroger and its shareholders. Our Guidelines provide the flexibility for our Board to modify our leadership structure in the future as appropriate. We believe that Kroger, like many U.S. companies, has been well-served by this flexible leadership structure.

Compensation Discussion and Analysis

Executive Compensation – Overview

As the largest traditional food and drug retailer in the United States, our executive compensation philosophy is to attract and retain the best management talent and to motivate these employees to achieve business and financial goals that create value for shareholders in a manner consistent with our focus on our core values: honesty, integrity, respect, inclusion, diversity, and safety.

To achieve our objectives, our Compensation Committee seeks to ensure that compensation is competitive and that there is a direct link between pay and performance, using the following guiding principles:

- A significant portion of pay should be performance-based, with the proportion varying with an executive's level of responsibility;
- Compensation should include incentive-based pay to drive performance, providing superior pay for superior performance, with both a short- and long-term focus;
- Compensation policies should include an opportunity for and a requirement of equity ownership; and
- Components of compensation should be tied to an evaluation of business and individual performance measured against metrics that align with our business strategy.

Our 2010 fiscal year results compared against the compensation of senior executives demonstrated these principles, and illustrated how our compensation program responds to business challenges and the marketplace. While many companies have struggled unsuccessfully during this difficult economy, we have continued to deliver sales growth and positive earnings results.

- Our identical supermarket sales, excluding fuel, increased 2.8% compared to 2009. This result was substantially better than most of our competitors' sales growth but still fell short of our objectives.
- Our earnings per diluted share were $1.74, including an impairment charge that reduced earnings by approximately $0.02 per diluted share. Again, these results were laudable in the challenging operating environment of 2010 but below our objectives.
- Annual cash dividends declared per common share during the year increased 8% over 2009.
- As described below, short-term performance-based compensation, or annual cash bonus, of 53.868% of bonus potentials paid to the named executive officers, was substantially lower than the average of 74% over the prior nine years, but higher than the 38.450% paid in 2009. This reflects the extent to which Kroger was able to achieve increasingly more challenging targets for sales, earnings, our strategic plan, and our fuel program, as well as year-over-year improvement from 2009.
- Beginning in 2010, fifty percent of the time-based equity awards that otherwise would have been granted to the named executive officers as restricted stock have been replaced with performance units that are earned only to the extent that performance objectives are achieved.
- Equity compensation awards continued to play an important role in rewarding named executive officers for the achievement of long-term business objectives and providing incentives for the creation of shareholder value.

In sum, the Committee believes our management produced outstanding results in 2010, but we did not achieve our aggressive business plan objectives for sales, earnings, and our strategic plan. The compensation paid to our named executive officers reflected this fact as the performance-based cash bonus paid out at 53.868% of bonus potentials. Further, the equity-based portion, the value of which is tied to the return received by our shareholders in the stock market, grew in value only modestly during 2010. This is shown in the performance graph appearing at page A-3 of the accompanying annual report.

In keeping with our overall compensation philosophy, we endeavor to ensure that our compensation practices conform to best practices when identified. In particular, over the past several years we have:

- put in place significant stock ownership guideline levels to reinforce the link between the interests of our named executive officers and those of our shareholders;
- adopted claw-back policies under which the repayment of bonuses may be required in certain circumstances; and
- eliminated tax gross-ups.

The Compensation Committee of the Board has the primary responsibility for establishing the compensation of Kroger's executive officers, including the named executive officers, with the exception of the Chief Executive Officer. The Committee's role regarding the CEO's compensation is to make recommendations to the independent members of the Board; those independent Board members establish the CEO's compensation.

The following discussion and analysis addresses the compensation of the named executive officers, and the factors considered by the Committee in setting compensation for the named executive officers and making recommendations to the independent Board members in the case of the CEO's compensation. Additional detail is provided in the compensation tables and the accompanying narrative disclosures that follow this discussion and analysis.

Executive Compensation – Objectives

The Committee has several related objectives regarding compensation. First, the Committee believes that compensation must be designed to attract and retain those best suited to fulfill the challenging roles that executive officers play at Kroger. Second, some elements of compensation should help align the interests of the officers with your interests as shareholders. Third, compensation should create strong incentives for the officers (a) to achieve the annual business plan targets established by the Board, and (b) to ensure that the officers achieve Kroger's long-term strategic objectives. In developing compensation programs and amounts to meet these objectives, the Committee exercises judgment to ensure that executive officer compensation is appropriate and competitive in light of Kroger's performance and the needs of the business.

To meet these objectives, the Committee has taken a number of steps over the last several years, including the following:

- Consulted regularly with its independent advisor from Mercer Human Resource Consulting on the design of compensation plans and on the amount of compensation that is necessary and appropriate for Kroger's senior leaders in light of the Committee's objectives. In 2009, the Committee retained a second independent consultant to determine whether the compensation plans and amounts comport with the Committee's objectives and produce value for Kroger's shareholders.

- Conducted an annual review of all components of compensation, quantifying total compensation for the named executive officers on tally sheets. The review includes an assessment for each named executive officer, including the CEO, of salary; performance-based cash compensation, or bonus (both annual and long-term); equity; accumulated realized and unrealized stock option gains and restricted stock and performance unit values; the value of any perquisites; retirement benefits; severance benefits available under The Kroger Co. Employee Protection Plan; and earnings and payouts available under Kroger's nonqualified deferred compensation program.

- Considered internal pay equity at Kroger. The Committee is aware of reported concerns at other companies regarding disproportionate compensation awards to chief executive officers. The Committee has assured itself that the compensation of Kroger's CEO and that of the other named executive officers bears a reasonable relationship to the compensation levels of other executive positions at Kroger taking into consideration performance and differences in responsibilities.

- Recommended share ownership guidelines, adopted by the Board of Directors. These guidelines require directors, officers and some other key executives to acquire and hold a minimum dollar value of Kroger stock. The guidelines require the CEO to acquire and maintain ownership of Kroger shares equal to 5 times his base salary; the Chief Operating Officer at 4 times his base salary; Executive Vice Presidents, Senior Vice Presidents and non-employee directors at 3 times their base salaries or annual base cash retainers; and other officers and key executives at 2 times their base salaries.

Establishing Executive Compensation

The independent members of the Board have the exclusive authority to determine the amount of the CEO's salary; the bonus potential for the CEO; the nature and amount of any equity awards made to the CEO; and any other compensation questions related to the CEO. In setting the annual bonus potential for the CEO, the independent directors determine the dollar amount that will be multiplied by the percentage payout under the annual bonus plan generally applicable to all corporate management, including the named executive officers. The independent directors retain discretion to reduce the percentage payout the CEO would otherwise receive. The independent directors thus make a separate determination annually concerning both the CEO's bonus potential and the percentage of bonus paid.

The Committee performs the same function and exercises the same authority as to the other named executive officers. The Committee's annual review of compensation for the named executive officers includes the following:

- A detailed report, by officer, that describes current compensation, the value of equity compensation previously awarded, the value of retirement benefits earned, and any severance or other benefits payable upon a change of control.

- An internal equity comparison of compensation at various senior levels. This current and historical analysis is undertaken to ensure that the relationship of CEO compensation to other senior officer compensation, and senior officer compensation to other levels in the organization, is equitable.

- A report from the Committee's compensation consultants (described below) comparing namedexecutive officer and other senior executive compensation with that of other companies, primarily our competitors, to ensure that the Committee's objectives of competitiveness are met.

- A recommendation from the CEO (except in the case of his own compensation) for salary, bonus potential, and equity awards for each of the senior officers including the other named executive officers. The CEO's recommendation takes into consideration the objectives established by and the reports received by the Committee as well as his assessment of individual job performance and contribution to our management team.

- Historical information regarding salary, bonus and equity compensation for a 3-year period.

In considering each of the factors above, the Committee does not make use of a formula, but rather subjectively reviews each in making its compensation determination.

The Committee's Compensation Consultants and Benchmarking

As referenced earlier in this proxy statement, the Committee directly engages a compensation consultant from Mercer Human Resource Consulting to advise the Committee in the design of compensation for executive officers.

The Mercer consultant conducts an annual competitive assessment of executive positions at Kroger for the Committee. The assessment is one of several bases, as described above, on which the Committee determines compensation. The consultant assesses:

- Base salary;
- Target annual performance-based bonus;
- Target cash compensation (the sum of salary and bonus);
- Annualized long-term incentive awards, such as stock options, restricted shares, and performance-based long-term cash bonuses and performance-based equity awards; and
- Total direct compensation (the sum of all these elements).
- The consultant compares these elements against those of other companies in a group of publicly-traded food and drug retailers. For 2010, the group consisted of:

Costco Wholesale	Supervalu
CVS	Target
Great Atlantic & Pacific Tea	Walgreens
Rite Aid	Wal-Mart
Safeway	

This peer group is the same group as was used in 2009.

The make-up of the compensation peer group is reviewed annually and modified as circumstances warrant. Industry consolidation and other competitive forces will change the peer group used over time. The consultant also provides the Committee data from companies in "general industry," a representation of major publicly-traded companies. These data are reference points, particularly for senior staff positions where competition for talent extends beyond the retail sector.

In 2009, the Committee directly engaged an additional compensation consultant to conduct a review of Kroger's executive compensation. This consultant, from Frederic W. Cook & Co., Inc., examined the compensation philosophy, peer group composition, annual cash bonus, and long-term incentive compensation including equity awards. The consultant concluded that Kroger's executive compensation program met the Committee's objectives, and that it provides a strong linkage between pay and performance. The Committee expects to engage an additional compensation consultant from time to time as it deems advisable.

Kroger is the second-largest company as measured by annual revenues when compared with the peer group referenced above and is the largest traditional food and drug retailer. The Committee has therefore sought to ensure that salaries paid to our executive officers are at or above the median paid by competitors for comparable positions and to provide an annual bonus potential to our executive officers that, if annual business plan objectives are achieved, would cause their total cash compensation to be meaningfully above the median.

Components of Executive Compensation at Kroger

Compensation for our named executive officers is comprised of the following:

- Salary;
- Performance-Based Annual Cash Bonus (annual, non-equity incentive pay);
- Performance-Based Long-Term Cash Bonus (long-term, non-equity incentive pay);
- Equity, including performance-based equity;
- Retirement and other benefits; and
- Perquisites.

Salary

We provide our named executive officers and other employees a fixed amount of cash compensation – salary – for their work. Salaries for named executive officers (with the exception of the CEO) are established each year by the Committee. The CEO's salary is established by the independent directors. Salaries for the named executive officers were reviewed in June.

The amount of each executive's salary is influenced by numerous factors including:

- An assessment of individual contribution in the judgment of the CEO and the Committee (or, in the case of the CEO, of the Committee and the rest of the independent directors);
- Benchmarking with comparable positions at peer group companies;
- Tenure; and
- Relationship with the salaries of other executives at Kroger.

The assessment of individual contribution is based on a subjective determination, without the use of performance targets, in the following areas:

- Leadership;
- Contribution to the officer group;
- Achievement of established objectives, to the extent applicable;
- Decision-making abilities;
- Performance of the areas or groups directly reporting to the officer;
- Increased responsibilities;
- Strategic thinking; and
- Furtherance of Kroger's core values.

The amounts shown below reflect the salaries of the named executive officers in effect following the annual review of their compensation in June of each year.

	Salaries		
	2008	2009	2010
David B. Dillon	$ 1,220,000	$ 1,260,000	$ 1,260,000
J. Michael Schlotman	$ 545,000	$ 567,000	$ 610,000
W. Rodney McMullen	$ 860,000	$ 890,000	$ 890,000
Donald E. Becker	$ 620,000	$ 645,000	$ 660,000
Paul W. Heldman	$ 685,000	$ 710,000	$ 724,000

Performance-Based Annual Cash Bonus

A large percentage of our employees at all levels, including the named executive officers, are eligible to receive a performance-based annual cash bonus based on Kroger or unit performance. The Committee establishes bonus potentials for each executive officer, other than the CEO whose bonus potential is established by the independent directors. Actual payouts, which can exceed 100% of the potential amounts, represent the extent to which performance meets or exceeds the thresholds established by the Committee.

The Committee considers several factors in making its determination or recommendation as to bonus potentials. First, the individual's level within the organization is a factor in that the Committee believes that more senior executives should have a substantial part of their compensation dependent upon Kroger's performance. Second, the individual's salary is a factor so that a substantial portion of a named executive officer's total cash compensation is dependent upon Kroger's performance. Finally, the Committee considers the reports of its compensation consultants to assess the bonus potential of the named executive officers in light of total compensation paid to comparable executive positions in the industry.

The annual cash bonus potential in effect at the end of the year for each named executive officer is shown below. Actual bonus payouts are prorated to reflect changes, if any, to bonus potentials during the year.

	Annual Bonus Potential		
	2008	2009	2010
David B. Dillon	$ 1,500,000	$ 1,500,000	$ 1,500,000
J. Michael Schlotman	$ 500,000	$ 500,000	$ 525,000
W. Rodney McMullen	$ 1,000,000	$ 1,000,000	$ 1,000,000
Donald E. Becker	$ 550,000	$ 550,000	$ 550,000
Paul W. Heldman	$ 550,000	$ 550,000	$ 550,000

The amount of bonus that the named executive officers earn each year is determined by Kroger's performance compared to targets established by the Committee based on the business plan adopted by the Board of Directors. In 2010, thirty percent of bonus was earned based on an identical sales target for Kroger's supermarkets and other business operations; thirty percent was based on a target for EBITDA, excluding supermarket fuel; and forty percent was based on implementation and results of a set of measures under our strategic plan. An additional 5% would be earned if Kroger achieved three goals with respect to its supermarket fuel operations; achievement of at least 85% of the targeted fuel EBITDA as set forth in the business plan, increase of at least 3% in gallons sold at identical fuel centers, and achievement of the planned number of fuel centers placed in service.

Over time the Committee has placed an increased emphasis on the strategic plan by making the target more difficult to achieve. The bonus plan allows for minimal bonus to be earned at relatively low levels to provide incentive for achieving even higher levels of performance.

Following the close of the year, the Committee reviewed Kroger's performance against the identical sales, EBITDA, and strategic plan objectives and determined the extent to which Kroger achieved those objectives. Kroger's EBITDA for 2010 was $3.696 billion, and Kroger's identical retail sales for 2010, excluding supermarket fuel, were 2.9%. In 2010, Kroger's supermarket fuel EBITDA was $141.967 million, or 122.3% of the goal established at the beginning of the year, exceeding the 85% threshold necessary to earn a bonus for the fuel component. Kroger's sale of fuel in identical supermarket fuel centers was 2.972 billion gallons, or 5.0% over the prior year. We operated 1,014 supermarket fuel centers as of the end of 2010, exceeding our goal of 1,000 centers. As a result, the officers earned the additional 5% fuel bonus. As a result of the Company's performance when compared to the targets established by the Committee, and based on the business plan adopted by the Board of Directors, the named executive officers earned 53.868% of their bonus potentials, which percentage payout exceeds that of last year but is substantially lower than the bonus payouts over the previous several years. This principally reflects the degree to which Kroger achieved its aggressive EBITDA and sales goals.

The 2010 targets established by the Committee for annual bonus amounts based on identical sales and EBITDA results, the actual 2010 results, and the bonus percentage earned in each of the components of named executive officer bonus, were as follows:

	Targets			
Component	Minimum	100%	Result	Amount Earned
Identical Sales	1.0%	3.0%/4.0%*	2.9%	14.235%
EBITDA	$3.279 Billion	$3.858 Billion**	$3.696 Billion	12.989%
Strategic Plan***				21.644%
Fuel Bonus	[as described in the text above]			5.000%
				53.868%

* Identical sales of 3% pay at 100% if EBITDA and operating cost goals are achieved. If EBITDA and operating cost goals are not achieved, identical sales of 4% pay at 100%. Operating cost goals are not disclosed as they are competitively sensitive.

** Payout is at 135% if identical sales and operating cost goals are achieved. Operating cost goals are not disclosed as they are competitively sensitive.

*** The Strategic Plan component also was established by the Committee but is not disclosed as it is competitively sensitive.

In 2010, as in all years, the Committee retained discretion to reduce the bonus payout for all executive officers, including the named executive officers, if the Committee determined for any reason that the bonus payouts were not appropriate. The independent directors retained that discretion for the CEO's bonus. Those bodies also retained discretion to adjust the targets under the plan should unanticipated developments arise during the year. No adjustments were made to the targets. Participants under the corporate plan, with the exception of the named executive officers, received a total bonus percentage payout that was 1.128% greater than the payout to the named executive officers due to adjustments made to the non-officer payouts.

The percentage paid for 2010 represented and resulted from performance that, due to a weak economy and persistent deflation, did not meet our original business plan objectives. A comparison of bonus percentages for the named executive officers in prior years demonstrates the variability of incentive compensation:

Fiscal Year	Annual Cash Bonus Percentage
2010	53.868%
2009	38.450%
2008	104.948%
2007	128.104%
2006	141.118%
2005	132.094%
2004	55.174%
2003	24.100%
2002	9.900%
2001	31.760%

The actual amounts of annual performance-based cash bonuses paid to the named executive officers for 2010 are shown in the Summary Compensation Table under the heading "Non-Equity Incentive Plan Compensation." These amounts represent the bonus potentials for each named executive officer multiplied by the percentage earned in 2010. In no event can any participant receive a performance-based annual cash bonus in excess of $5,000,000. The maximum amount that a participant, including each named executive officer, can earn is further limited to 200% of the participant's potential amount.

PERFORMANCE-BASED LONG-TERM BONUS

After reviewing executive compensation with its consultant in 2005, the Committee determined that the long-term component, which was made up of equity awards, of Kroger's executive compensation was not competitive. The Committee developed a plan to provide an incentive to the named executive officers to achieve the long-term goals established by the Board of Directors by conditioning a portion of compensation on the achievement of those goals. Approximately 140 Kroger executives, including the named executive officers, are eligible to participate in a performance-based cash bonus plan designed to reward participants for improving the long-term performance of Kroger. Bonuses are earned based on the extent to which Kroger advances its strategic plan.

The Committee adopted a 2008 long-term bonus plan under which cash bonuses are earned based on the extent to which Kroger advances its strategic plan by:

- improving its performance in four key categories, based on results of customer surveys;
- reducing total operating costs as a percentage of sales, excluding fuel; and
- improving its performance in eleven key attributes designed to measure associate satisfaction and one key attribute designed to measure how Kroger's focus on its values supports how employees dobusiness, based on the results of associate surveys.

The 2008 plan measures improvements through fiscal year 2011. Participants receive a 1% payout for each point by which the performance in the key categories increases, a 0.25% payout for each percentage reduction in operating costs, and a 1% payout based on improvement in associate engagement measures.

Total operating costs as a percentage of sales, excluding fuel, at the commencement of the 2008 plan were 27.89%. Actual payouts are based on the degree to which improvements are achieved, and will be awarded based on the participant's salary at the end of fiscal year 2007. In no event can any participant receive a performance-based long-term cash bonus in excess of $5,000,000.

The Committee adopted a long-term plan in 2010, which measures improvements through fiscal year 2012. Participants receive a 1% payout for each point by which the performance in the key categories increases, a 0.25% payout for each percentage reduction in operating costs, and a 2% payout based on improvement in associate engagement measures. Total operating costs as a percentage of sales, excluding fuel, at the commencement of the 2010 plan were 27.62%. Cash bonus payouts are based on the degree to which improvements are achieved, and will be awarded based on the participant's salary at the end of fiscal year 2009. In no event can any participant receive a performance-based long-term cash bonus in excess of the lesser of $5,000,000 and the participant's salary at the end of fiscal year 2009. In addition to a cash bonus, under the 2010 plan participants also receive performance units, more particularly described under "Equity" below.

The Committee adopted a new long-term plan in 2011, which measures improvements through fiscal year 2013. Participants receive a 2% payout for each point by which the performance in the key categories increases, a 0.50% payout for each percentage reduction in operating costs, and a 2% payout based on improvement in associate engagement measures. Total operating costs as a percentage of sales, excluding fuel, at the commencement of the 2011 plan were 27.51%. Cash bonus payouts are based on the degree to which improvements are achieved, and will be awarded based on the participant's salary at the end of fiscal year 2010. In no event can any participant receive a performance-based long-term cash bonus in excess of the lesser of $5,000,000 and the participant's salary at the end of fiscal year 2010. In addition to a cash bonus, under the 2011 plan participants also receive performance units, more particularly described under "Equity" below.

The Committee anticipates adopting a new plan each year, measuring improvement over successive three-year periods.

EQUITY

Awards based on Kroger's common shares are granted periodically to the named executive officers and a large number of other employees. Equity participation aligns the interests of employees with your interest as shareholders, and Kroger historically has distributed equity awards widely. In 2010, Kroger granted 3,692,785 stock options to approximately 7,340 employees, including the named executive officers, under one of Kroger's long-term incentive plans. The options permit the holder to purchase Kroger common shares at an option price equal to the closing price of Kroger common shares on the date of the grant. The Committee adopted a policy of granting options only at one of the four Committee meetings conducted within a week following Kroger's public release of its quarterly earnings results.

Kroger's long-term incentive plans also provide for other equity-based awards, including restricted stock. During 2010, Kroger awarded 2,440,368 shares of restricted stock to approximately 18,450 employees, including the named executive officers. This amount is comparable to amounts awarded over the past few years as we began reducing the number of stock options granted and increasing the number of shares of restricted stock awards. The change in Kroger's broad-based equity program from predominantly stock options to a mixture of options and restricted shares was precipitated by (a) the perception of increased value that restricted shares offer, (b) the retention benefit to Kroger of restricted shares, and (c) changes in accounting conventions that permitted the change without added cost.

Beginning in 2010, as a part of the 2010 long-term plan, the Committee also awarded performance units to the same individuals that receive the long-term performance-based cash bonus described in the previous section. During 2010, Kroger awarded 355,525 performance units to 136 employees, including the named executive officers. The number of shares of restricted stock that participants otherwise would have received was reduced by 50% in order to make a larger share of the participants' equity compensation be tied to Kroger performance. Under the 2010 plan, participants receive a 1% payout for each point by which the performance in the key categories increases, a 0.25% payout for each percentage reduction in operating costs, and a 2% payout based on improvement in associate engagement measures. Total operating costs as a percentage of sales, excluding fuel, at the commencement of the 2010 plan were 27.62%. Actual payouts are based on the degree to which improvements are achieved, will be earned in Kroger common shares, and cannot exceed 100% of the number of performance units awarded. In addition to shares earned under performance units, participants receive a cash payment equal to the cash dividends that would have been earned on that number of shares had the participant owned the shares during the performance period.

The Committee considers several factors in determining the amount of options, restricted shares, and performance units awarded to the named executive officers or, in the case of the CEO, recommending to the independent directors the amount awarded. These factors include:

- The compensation consultant's benchmarking report regarding equity-based and other long-termcompensation awarded by our competitors;
- The officer's level in the organization and the internal relationship of equity-based awards withinKroger;
- Individual performance; and
- The recommendation of the CEO, for all named executive officers other than in the case of the CEO.

The Committee has long recognized that the amount of compensation provided to the named executive officers through equity-based pay is often below the amount paid by our competitors. Lower equity-based awards for the named executive officers and other senior management permit a broader base of Kroger employees to participate in equity awards.

Amounts of equity awards issued and outstanding for the named executive officers are set forth in the tables that follow this discussion and analysis.

RETIREMENT AND OTHER BENEFITS

Kroger maintains a defined benefit and several defined contribution retirement plans for its employees. The named executive officers participate in one or more of these plans, as well as one or more excess plans designed to make up the shortfall in retirement benefits created by limitations under the Internal Revenue Code on benefits to highly compensated individuals under qualified plans. Additional details regarding retirement benefits available to the named executive officers can be found in the 2010 Pension Benefits table and the accompanying narrative description that follows this discussion and analysis.

Kroger also maintains an executive deferred compensation plan in which some of the named executive officers participate. This plan is a nonqualified plan under which participants can elect to defer up to 100% of their cash compensation each year. Compensation deferred bears interest, until paid out, at the rate representing Kroger's cost of ten-year debt in the year the rate is set, as determined by Kroger's CEO prior to the beginning of each deferral year. In 2010, that rate was 6.32%. Deferred amounts are paid out only in cash, in accordance with a deferral option selected by the participant at the time the deferral election is made.

We adopted The Kroger Co. Employee Protection Plan, or KEPP, during fiscal year 1988. That plan was amended and restated in 2007. All of our management employees and administrative support personnel whose employment is not covered by a collective bargaining agreement, with at least one year of service, are covered. KEPP provides for severance benefits and extended Kroger-paid health care, as well as the continuation of other benefits as described in the plan, when an employee is actually or constructively terminated without cause within two years following a change in control of Kroger (as defined in the plan). Participants are entitled to severance pay of up to 24 months' salary and bonus. The actual amount is dependent upon pay level and years of service. KEPP can be amended or terminated by the Board at any time prior to a change in control.

Stock option and restricted stock agreements with participants in Kroger's long-term incentive plans provide that those awards "vest," with options becoming immediately exercisable and restrictions on restricted stock lapsing, upon a change in control as described in the agreements.

None of the named executive officers is party to an employment agreement.

PERQUISITES

The Committee does not believe that it is necessary for the attraction or retention of management talent to provide the named executive officers a substantial amount of compensation in the form of perquisites. In 2010, the only perquisites provided were payments of premiums of:

- life insurance,
- accidental death and dismemberment insurance; and
- long-term disability insurance policies.

The life insurance benefit was offered beginning several years ago to replace a split-dollar life insurance benefit that was substantially more costly to Kroger. Currently, 147 active executives, including the named executive officers, and 69 retired executives, receive this benefit.

In addition, the named executive officers are entitled to the following benefit that does not constitute a perk as defined by SEC rules:

- personal use of Kroger aircraft, which officers may lease from Kroger and pay the average variable cost of operating the aircraft, making officers more available and allowing for a more efficient use of their time.

The total amount of perquisites furnished to the named executive officers is shown in the Summary Compensation Table and described in more detail in footnote 4 to that table.

EXECUTIVE COMPENSATION RECOUPMENT POLICY

If a material error of facts results in the payment to an executive officer at the level of Group Vice President or higher of an annual bonus or a long-term bonus in an amount higher than otherwise would have been paid, as determined by the Committee, then the officer, upon demand from the Committee, will reimburse Kroger for the amounts that would not have been paid if the error had not occurred. This recoupment policy applies to those amounts paid by Kroger within 36 months prior to the detection and public disclosure of the error. In enforcing the policy, the Committee will take into consideration all factors that it deems appropriate, including:

- The materiality of the amount of payment involved;

- The extent to which other benefits were reduced in other years as a result of the achievement of performance levels based on the error;
- Individual officer culpability, if any; and
- Other factors that should offset the amount of overpayment.

SECTION 162(M) OF THE INTERNAL REVENUE CODE

Tax laws place a limit of $1,000,000 on the amount of some types of compensation for the CEO and the next four most highly compensated officers that is tax deductible by Kroger. Compensation that is deemed to be “performance-based” is excluded for purposes of the calculation and is tax deductible. Awards under Kroger’s long-term incentive plans, when payable upon achievement of stated performance criteria, should be considered performance-based and the compensation paid under those plans should be tax deductible. Generally, compensation expense related to stock options awarded to the CEO and the next four most highly compensated officers should be deductible. On the other hand, Kroger’s awards of restricted stock that vest solely upon the passage of time are not performance-based. As a result, compensation expense for those awards to the CEO and the next four most highly compensated officers is not deductible, to the extent that the related compensation expense, plus any other expense for compensation that is not performance-based, exceeds $1,000,000.

Kroger’s bonus plans rely on performance criteria, and have been approved by shareholders. As a result, bonuses paid under the plans to the CEO and the next four most highly compensated officers will be deductible by Kroger. In Kroger’s case, this group of individuals is not identical to the group of named executive officers.

Kroger’s policy is, primarily, to design and administer compensation plans that support the achievement of long-term strategic objectives and enhance shareholder value. Where it is material and supports Kroger’s compensation philosophy, the Committee also will attempt to maximize the amount of compensation expense that is deductible by Kroger.

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed with management of the Company the Compensation Discussion and Analysis contained in this proxy statement. Based on its review and discussions with management, the Compensation Committee has recommended to the Company’s Board of Directors that the Compensation Discussion and Analysis be included in the Company’s proxy statement and incorporated by reference into its annual report on Form 10-K.

Compensation Committee:

John T. LaMacchia, Chair
Robert D. Beyer
Jorge P. Montoya
Clyde R. Moore
James A. Runde

EXECUTIVE COMPENSATION

SUMMARY COMPENSATION TABLE

The following table shows the compensation of the Chief Executive Officer, Chief Financial Officer and each of the Company's three most highly compensated executive officers other than the CEO and CFO (the "named executive officers") during the fiscal years presented:

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($) (1)	Option Awards ($) (2)	Non-Equity Incentive Plan Compensation ($) (3)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($) (4)	All Other Compensation ($) (5)	Total ($)
David B. Dillon	2010	$ 1,256,548	—	$ 2,070,880	$ 1,201,240	$ 808,020	$ 2,156,625	$ 58,027	$ 7,551,340
Chairman and CEO	2009	$ 1,239,822	—	$ 2,569,100	$ 1,494,000	$ 1,234,000	$ 3,637,731	$ 172,430	$ 10,347,083
	2008	$ 1,204,758	—	$ 3,290,150	$ 2,015,123	$ 1,574,220	$ 2,198,683	$ 170,307	$ 10,453,241
J. Michael Schlotman	2010	$ 590,295	—	$ 225,096	$ 130,570	$ 277,368	$ 578,541	$ 13,815	$ 1,815,685
Senior Vice President	2009	$ 556,280	—	$ 223,400	$ 132,800	$ 461,125	$ 795,146	$ 42,609	$ 2,211,360
and CFO	2008	$ 537,124	—	$ 286,100	$ 179,122	$ 524,740	$ 292,491	$ 41,135	$ 1,860,712
W. Rodney McMullen	2010	$ 887,562	—	$ 630,268	$ 365,595	$ 538,680	$ 953,159	$ 20,875	$ 3,396,139
President and COO	2009	$ 875,062	—	$ 2,345,700	$ 431,600	$ 846,368	$ 1,335,103	$ 56,639	$ 5,890,472
	2008	$ 848,686	—	$ 1,001,350	$ 582,147	$ 1,049,480	$ 378,685	$ 59,900	$ 3,920,248
Donald E. Becker	2010	$ 651,901	—	$ 1,278,115	$ 156,684	$ 296,274	$ 1,120,094	$ 40,890	$ 3,543,958
Executive Vice	2009	$ 632,816	—	$ 279,250	$ 166,000	$ 534,125	$ 1,773,062	$ 127,165	$ 3,512,418
President	2008	$ 611,712	—	$ 1,215,925	$ 233,903	$ 577,214	$ 902,879	$ 120,668	$ 3,662,301
Paul W. Heldman(6)	2010	$ 716,044	—	$ 270,115	$ 156,684	$ 296,274	$ 875,646	$ 33,777	$ 2,348,540
Executive Vice President, Secretary and General Counsel	2009	$ 697,638	—	$ 279,250	$ 166,000	$ 580,730	$ 1,275,773	$ 99,199	$ 3,098,590

(1) The stock awards reflected in the table consist of both time-based and performance-based awards granted under the Company's long-term incentive plans. With respect to time-based awards, or restricted stock, the aggregate grant date fair value computed in accordance with FASB ASC Topic 718 is as follows: Mr. Dillon: $1,738,800; Mr. Schlotman: $189,000; Mr. McMullen: $529,200; Mr. Becker: $1,234,800; and Mr. Heldman: $226,800.

The value of the performance-based awards, or performance units, reflected in the table is as follows: Mr. Dillon: $332,080; Mr. Schlotman: $36,096; Mr. McMullen: $101,068; Mr. Becker: $43,315; and Mr. Heldman: $43,315. The reported amounts reflect the aggregate fair value at the grant date based on the probable outcome of the performance conditions. These amounts are consistent with the estimate of aggregate compensation cost to be recognized by the Company over the three-year service period of the award determined as of the grant date under FASB ASC Topic 718, excluding the effect of estimated forfeitures. In the case of Mr. Becker, the aggregate fair value at grant date based on probable outcome of the performance conditions reduces to $15,056, as of February 16, 2011, due to Mr. Becker's death on that date.

Assuming that the highest level of performance conditions are achieved, the value of the performance-based awards at the grant date is as follows: Mr. Dillon: $1,229,925; Mr. Schlotman: $133,688; Mr. McMullen: $374,325; Mr. Becker: $160,425; and Mr. Heldman: $160,425.These amounts are not reflected in the table.

(2) These amounts represent the aggregate grant date fair value of awards computed in accordance with FASB ASC Topic 718.

(3) Non-equity incentive plan compensation for 2010 consists of payments under an annual cash bonus program. In accordance with the terms of the 2010 performance-based annual cash bonus program, Kroger paid 53.868% of bonus potentials for the executive officers including the named executive officers.

(4) Amounts are attributable to change in pension value and preferential earnings on nonqualified deferred compensation. During 2010, pension values increased primarily due to: (i) a decrease in the discount rate for the plans, as determined by the plan actuary; (ii) increases in final average earnings used in determining pension benefits; (iii) an additional year of credited service; and (iv) an increase in present value due to participant aging. Since the benefits are based on final average earnings and service, the effect of the final average earnings increase is larger for those with longer service. Please refer to the 2010 Pension Benefits Table for further information regarding credited service.

Under the Company's deferred compensation plan, deferred compensation earns interest at the rate representing Kroger's cost of ten-year debt as determined by Kroger's CEO prior to the beginning of each deferral year. For each participant, a separate deferral account is created each year, and the interest rate established under the plan for that year is applied to that deferral account until the deferred compensation is paid out. If the interest rate established by the Company for a particular year exceeds 120% of the applicable federal long-term interest rate that corresponds most closely to the Company rate, the amount by which the Company rate exceeds 120% of the corresponding federal rate is deemed to be above-market or preferential. In ten of the seventeen years in which at least one named executive officer deferred compensation, the Company rate set under the plan for that year exceeds 120% of the corresponding federal rate. For each of the deferral accounts in which the Company rate is deemed to be above-market, the Company calculates the amount by which the actual annual earnings on the account exceed what the annual earnings would have been if the account earned interest at 120% of the corresponding federal rate, and discloses those amounts as preferential earnings.

The amount listed for Mr. Dillon includes change in pension value in the amount of $2,146,081 and preferential earnings on nonqualified deferred compensation in the amount of $10,544. The amount listed for Mr. McMullen includes change in pension value in the amount of $909,667 and preferential earnings on nonqualified deferred compensation in the amount of $43,492. The amount listed for Mr. Heldman includes change in pension value in the amount of $867,905 and preferential earnings on nonqualified deferred compensation in the amount of $7,741. The amounts listed for the remaining named executive officers represent only change in pension value.

(5) The following table provides the items and amounts included in All Other Compensation for 2010:

	Life Insurance Premium	Accidental Death and Dismemberment Insurance Premium	Long-Term Disability Insurance Premium
Mr. Dillon	$57,894	$ 133	—
Mr. Schlotman	$13,682	$ 133	—
Mr. McMullen	$17,964	$ 133	$2,778
Mr. Becker	$37,750	$ 133	$3,007
Mr. Heldman	$30,866	$ 133	$2,778

The life insurance premium payment by Kroger has been offered over the past several years to a large number of executives, including the named executive officers, in substitution for split-dollar life insurance coverage that was substantially more costly to Kroger. Excluded from the amounts shown in the table is income imputed to the named executive officer when accompanied on our aircraft during business travel by non-business travelers. These amounts for Mr. Dillon, Mr. Schlotman, and Mr. Becker, calculated using the applicable terminal charge and Standard Industry Fare Level (SIFL) mileage rates, were $3,634, $4,510, and $586, respectively. The other named executive officers had no such imputed income for 2010. Separately, we require that officers who make personal use of our aircraft reimburse us for the average variable cost associated with the operation of the aircraft on such flights in accordance with a time-sharing arrangement consistent with FAA regulations.

(6) Mr. Heldman was not a named executive officer in 2008. In accordance with applicable reporting requirements, compensation information is provided only for 2009 and 2010.

GRANTS OF PLAN-BASED AWARDS

The following table provides information about equity and non-equity awards granted to the named executive officers in 2010:

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards Target ($)	Maximum ($)	Estimated Future Payouts Under Equity Incentive Plan Awards Target (#)	Maximum (#)	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Stock and Option Awards
David B. Dillon		$ 1,500,000(1)	$ 3,000,000(1)				
		$ 1,260,000(2)	$ 1,260,000(2)				
	6/24/2010			86,250(3)			$ 1,738,800
	6/24/2010			230,000(4)		$ 20.16(4)	$ 1,201,240
	6/24/2010			15,525(5)	57,500(5)		$ 332,080(5)
J. Michael Schlotman		$ 525,000(1)	$ 1,050,000(1)				
		$ 567,000(2)	$ 567,000(2)				
	6/24/2010			9,375(3)			$ 189,000
	6/24/2010			25,000(4)		$ 20.16(4)	$ 130,570
	6/24/2010			1,688(5)	6,250(5)		$ 36,096(5)
W. Rodney McMullen		$ 1,000,000(1)	$ 2,000,000(1)				
		$ 890,000(2)	$ 890,000(2)				
	6/24/2010			26,250(3)			$ 529,200
	6/24/2010			70,000(4)		$ 20.16(4)	$ 365,595
	6/24/2010			4,725(5)	17,500(5)		$ 101,068(5)
Donald E. Becker		$ 550,000(1)	$ 1,100,000(1)				
		$ 645,000(2)	$ 645,000(2)				
	6/24/2010			61,250(3)			$ 1,234,800
	6/24/2010			30,000(4)		$ 20.16(4)	$ 156,684
	6/24/2010			2,025(5)	7,500(5)		$ 43,315(5)
Paul W. Heldman		$ 550,000(1)	$ 1,100,000(1)				
		$ 710,000(2)	$ 710,000(2)				
	6/24/2010			11,250(3)			$ 226,800
	6/24/2010			30,000(4)		$ 20.16(4)	$ 156,684
	6/24/2010			2,025(5)	7,500(5)		$ 43,315(5)

(1) The amount listed under "Target" for each named executive officer represents the bonus potential of the named executive officer under the Company's 2010 performance-based annual cash bonus program. By the terms of this plan, payouts are limited to no more than 200% of a participant's bonus potential; accordingly, the amount listed under "Maximum" equals two times that officer's bonus potential amount. The amount actually earned under this plan is shown in the Summary Compensation Table for 2010.

(2) This amount represents the bonus potential of the named executive officer under the Company's performance-based 2010 Long-Term Bonus Plan, a performance-based long-term cash bonus program. The "Target" amount equals the annual base salary of the named executive officer as of the last day

of fiscal year 2009. Bonuses are determined upon completion of the performance period as of fiscal year ending 2012. The “Target” amount is also the “Maximum” amount payable under this program, as participants can earn no more than 100% of their bonus potentials.

(3) This amount represents the number of restricted shares awarded under one of the Company’s long-term incentive plans.

(4) This amount represents the number of stock options granted under one of the Company’s long-term incentive plans. Options are granted at fair market value of Kroger common shares on the date of the grant. Fair market value is defined as the closing price of Kroger shares on the date of the grant.

(5) Performance units were granted under one of the Company’s long-term incentive plans. The “Maximum” amount represents the maximum number of common shares that can be earned by the named executive officer under the grant. Because the target amount of common shares is not determinable, the amount listed under “Target” reflects a representative amount based on the previous year’s performance. This performance unit award is subject to performance conditions; accordingly the dollar amount listed in the grant date fair value column is the value at the grant date based on the probable outcome of these conditions. This amount is consistent with the estimate of aggregate compensation cost to be recognized by the Company over the three-year service period determined as of the grant date under FASB ASC Topic 718, excluding the effect of estimated forfeitures.

The Compensation Committee of the Board of Directors, and the independent members of the Board in the case of the CEO, established bonus potentials, shown in this table as “target” amounts, for the performance-based annual and long-term cash bonus awards for the named executive officers. Amounts were payable to the extent that performance met specific objectives established at the beginning of the performance period. As described in the Compensation Discussion and Analysis, actual earnings under the annual cash bonus can exceed the target amounts if performance exceeds the thresholds. The Compensation Committee of the Board of Directors, and the independent members of the Board in the case of the CEO, also determined the number of performance units to be awarded to each named executive officer, under which common shares are earned to the extent performance meets objectives established at the beginning of the performance period. The performance units are more particularly described in the Compensation Discussion and Analysis.

Restrictions on restricted stock awards made to the named executive officers normally lapse, as long as the officer is then in our employ, in equal amounts on each of the five anniversaries of the date the award is made, except that: restrictions on 30,000 shares awarded to Mr. Becker in 2008 would have lapsed in 2011, and 50,000 shares awarded to Mr. Becker in 2010 would have lapsed as follows: 16,667 on 6/24/2011 and 33,333 on 6/24/2012. By the express terms of the restricted stock agreements, all of Mr. Becker’s restrictions lapsed on his death on February 16, 2011. 70,000 shares awarded to Mr. McMullen in 2009 vest as follows: 15,000 shares on 6/25/2012, 20,000 shares on 6/25/2013, and 35,000 shares on 6/25/2014; 8,000 shares awarded to Mr. Heldman in 2006 vest on 5/4/2011; and 30,000 shares awarded to Mr. Heldman in 2008 vest as follows: 6,000 shares on 6/26/2011, 12,000 shares on 6/26/2012, and 12,000 shares on 6/26/2013. Any dividends declared on Kroger common shares are payable on restricted stock. Nonqualified stock options granted to the named executive officers normally vest in equal amounts on each of the five anniversaries of the date of grant. Those options were granted at the fair market value of Kroger common shares on the date of the grant. By the express terms of the stock option agreement, all of Mr. Becker’s options vested on his death on February 16, 2011. Options are granted only on one of the four dates of regularly scheduled Compensation Committee meetings conducted shortly following Kroger’s public release of its quarterly earnings results.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

The following table discloses outstanding equity-based incentive compensation awards for the named executive officers as of the end of fiscal year 2010. Each outstanding award is shown separately. Option awards include performance-based nonqualified stock options. The vesting schedule for each award is described in the footnotes to this table.

	Option Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested
David B. Dillon	35,000			$24.43	5/10/2011	24,000(7)	$ 510,960		
	35,000			$24.43	5/10/2011	44,000(8)	$ 936,760		
	70,000			$23.00	5/9/2012	69,000(9)	$1,469,010		
			35,000(6)	$23.00	5/9/2012	92,000(10)	$1,958,680		
	210,000			$14.93	12/12/2012	86,250(11)	$1,836,263		
	300,000			$17.31	5/6/2014			57,500(18)	$330,527
	300,000			$16.39	5/5/2015				
	192,000	48,000(1)		$19.94	5/4/2016				
	132,000	88,000(2)		$28.27	6/28/2017				
	90,000	135,000(3)		$28.61	6/26/2018				
	45,000	180,000(4)		$22.34	6/25/2019				
		230,000(5)		$20.16	6/24/2020				
J. Michael Schlotman	10,000			$24.43	5/10/2011	2,000(7)	$ 42,580		
	10,000			$24.43	5/10/2011	4,000(8)	$ 85,160		
	20,000			$23.00	5/9/2012	6,000(9)	$ 127,740		
			10,000(6)	$23.00	5/9/2012	8,000(10)	$ 170,320		
	40,000			$17.31	5/6/2014	9,375(11)	$ 199,594		
	40,000			$16.39	5/5/2015			6,250(18)	$ 35,927
	16,000	4,000(1)		$19.94	5/4/2016				
	12,000	8,000(2)		$28.27	6/28/2017				
	8,000	12,000(3)							