

KROGER CO
Form 424B5
December 17, 2013

Use these links to rapidly review the document

[Table of Contents](#)

[Table of Contents](#)

Filed Pursuant to Rule 424(b)(5)
Registration No. 333-192842

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities To Be Registered	Maximum Offering Price	Amount of Registration Fee(1)
Floating Rate Senior Notes due 2016	\$500,000,000	\$64,400
1.200% Senior Notes due 2016	\$300,000,000	\$38,640
2.300% Senior Notes due 2019	\$500,000,000	\$64,400
3.300% Senior Notes due 2021	\$700,000,000	\$90,160
		\$257,600

(1) Pursuant to Rule 456(b), calculated in accordance with Rule 457(r) of the Securities Act of 1933.

Table of Contents

Prospectus Supplement to Prospectus dated December 13, 2013.

\$2,000,000,000

The Kroger Co.

\$500,000,000 Floating Rate Senior Notes due 2016

\$300,000,000 1.200% Senior Notes due 2016

\$500,000,000 2.300% Senior Notes due 2019

\$700,000,000 3.300% Senior Notes due 2021

Kroger is offering one series of floating rate notes due October 17, 2016 (the "floating rate notes") and three series of fixed rate notes due October 17, 2016 (the "2016 notes"), January 15, 2019 (the "2019 notes"), and January 15, 2021 (the "2021 notes," and together with the 2016 notes and the 2019 notes, the "fixed rate notes"). The floating rate notes and the fixed rate notes are referred to collectively as the "notes." Kroger will pay interest on the 2016 notes on April 17 and on October 17 of each year. The first interest payment on the 2016 notes will be made on April 17, 2014. Kroger will pay interest on the 2019 notes and the 2021 notes on January 15 and on July 15 of each year. The first interest payment on the 2019 notes and the 2021 notes will be made on July 15, 2014. Kroger will pay interest on the floating rate notes quarterly, on January 17, April 17, July 17, and October 17, of each year. The first interest payment on the floating rate notes will be made on April 17, 2014. The notes will be issued only in denominations of \$2,000 and integral multiples of \$1,000 in excess thereof.

Kroger has the right to redeem all or any portion of the fixed rate notes at any time at the applicable redemption prices described in this prospectus supplement, plus accrued and unpaid interest. The floating rate notes may not be redeemed prior to maturity. The fixed rate notes will be subject to a special mandatory redemption in the event that the merger among The Kroger Co., Hornet Acquisition, Inc. and Harris Teeter Supermarkets, Inc. (the "Merger") pursuant to the agreement dated July 8, 2013 (the "Merger Agreement") is not consummated on or prior to September 30, 2014, or the Merger Agreement is terminated other than in connection with the consummation of the Merger and is not otherwise amended or replaced. In such an event, the fixed rate notes will be redeemed at a price described in this prospectus supplement. If a change of control triggering event as described herein occurs, unless Kroger has exercised its option to redeem the notes, Kroger will be required to offer to repurchase the notes at the price described in this prospectus supplement.

See "Risk Factors" beginning on page S-2 of the prospectus supplement to read about certain factors you should consider before buying notes.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

	Initial Public Offering Price	Underwriting Discount	Proceeds, Before Expenses, to Kroger
Per floating rate note due 2016	100.000%	0.350%	99.650%
Total	\$ 500,000,000	\$ 1,750,000	\$ 498,250,000
Per 1.200% note due 2016	99.937%	0.350%	99.587%
Total	\$ 299,811,000	\$ 1,050,000	\$ 298,761,000
Per 2.300% note due 2019	99.852%	0.600%	99.252%
Total	\$ 499,260,000	\$ 3,000,000	\$ 496,260,000
Per 3.300% note due 2021	99.755%	0.625%	99.130%
Total	\$ 698,285,000	\$ 4,375,000	\$ 693,910,000

The initial public offering prices set forth above do not include accrued interest, if any. Interest on the notes will accrue from December 23, 2013 and must be paid by the purchaser if the notes are delivered after December 23, 2013.

Edgar Filing: KROGER CO - Form 424B5

The underwriters expect to deliver the notes in book-entry form only through the facilities of The Depository Trust Company for the accounts of its participants, including Clearstream Banking, *société anonyme*, and Euroclear Bank S.A./N.V., as operator of the Euroclear System, against payment in New York, New York on December 23, 2013.

Joint Book-Running Managers

BofA Merrill Lynch

US Bancorp

Wells Fargo Securities

Citigroup

RBS

Co-Managers

BNY Mellon Capital Markets, LLC

Fifth Third Securities, Inc.

Mitsubishi UFJ Securities

RBC Capital Markets

PNC Capital Markets LLC

CastleOak Securities, L.P.

The Williams Capital Group, L.P.

Prospectus Supplement dated December 16, 2013.

Table of Contents**Table of Contents**

Prospectus Supplement	Page
<u>Risk Factors</u>	<u>S-2</u>
<u>The Company</u>	<u>S-4</u>
<u>Use of Proceeds</u>	<u>S-4</u>
<u>Description of the Notes</u>	<u>S-5</u>
<u>United States Federal Tax Considerations</u>	<u>S-19</u>
<u>Underwriting</u>	<u>S-25</u>
<u>Conflicts of Interest</u>	<u>S-29</u>
<u>Validity of the Notes</u>	<u>S-29</u>
<u>Experts</u>	<u>S-29</u>
<u>Forward-Looking Statements</u>	<u>S-30</u>
<u>Incorporation by Reference</u>	<u>S-30</u>
Prospectus	
<u>About This Prospectus</u>	<u>2</u>
<u>Risk Factors</u>	<u>2</u>
<u>Forward Looking Statements</u>	<u>3</u>
<u>Where You Can Find More Information</u>	<u>3</u>
<u>Our Company</u>	<u>4</u>
<u>Consolidated Ratio of Earnings to Fixed Charges</u>	<u>5</u>
<u>Use of Proceeds</u>	<u>5</u>
<u>Plan of Distribution</u>	<u>6</u>
<u>Description of Debt Securities</u>	<u>7</u>
<u>Description of Capital Stock</u>	<u>10</u>
<u>Description of Depositary Shares</u>	<u>13</u>
<u>Description of Warrants</u>	<u>16</u>
<u>Experts</u>	<u>18</u>
<u>Legal Matters</u>	<u>18</u>
	S-1

Table of Contents

RISK FACTORS

You should carefully consider the risk factors included in our SEC filings as well as the following matters in deciding whether to purchase the notes.

Our indebtedness could adversely affect us by reducing our flexibility to respond to changing business and economic conditions and increasing our borrowing costs.

As of November 9, 2013, our total outstanding indebtedness, including capital leases and the current portion thereof, and excluding the market value adjustment required by GAAP for interest rate hedges, was approximately \$8.3 billion. As of November 9, 2013, we maintained a \$2.0 billion revolving credit facility that terminates on January 25, 2017. Outstanding borrowings under the credit facility and commercial paper borrowings, and some outstanding letters of credit, reduce funds available under the credit facility. In addition to the credit facility, as of November 9, 2013 we maintained two uncommitted money market lines totaling \$75 million in the aggregate. The money market lines allow us to borrow from banks at mutually agreed upon rates, usually at rates below the rates offered under the credit facility. As of November 9, 2013, we had \$425 million of outstanding commercial paper and no borrowings under the credit facility or money market lines. The outstanding letters of credit that reduced the funds available under our credit facility totaled \$13 million as of November 9, 2013.

This indebtedness could reduce our ability to obtain additional financing for working capital, acquisitions or other purposes and could make us more vulnerable to economic downturns and competitive pressures. Our needs for cash in the future will depend on many factors that are difficult to predict. These factors include results of operations, the timing and cost of acquisitions and efforts to expand existing operations.

We believe that we will have sufficient funds from all sources to meet our needs over the next several years. We cannot assure you, however, that our business will generate cash flow at or above current levels. If we are unable to generate sufficient cash flow from operations in the future to pay our debt and make necessary investments, we will be required to:

refinance all or a portion of our existing debt;

seek new borrowings;

forego strategic opportunities; or

delay, scale back or eliminate some aspects of our operations.

If necessary, any of these actions could have a material negative impact on our business, financial condition or results of operations.

The notes will effectively rank equal in right of payment with approximately \$8.3 billion of our other indebtedness as of November 9, 2013.

Our sources of liquidity are dependent upon our lenders honoring their commitments.

Our \$2.0 billion committed revolving credit facility, maturing on January 25, 2017, continues to remain available and we have drawn under predecessors to this facility, as necessary. Letters of credit totaling \$13 million as of November 9, 2013 reduce amounts available under the credit facility. Commercial paper borrowings also reduce amounts available under the credit facility. As of November 9, 2013, we had \$425 million of outstanding commercial paper. In addition, we maintain uncommitted money market lines totaling \$75 million. Our liquidity could be affected if our committed lenders are unable or unwilling to honor their contractual obligations to us.

Table of Contents

Our operations may be negatively impacted by a variety of factors.

We obtain sales growth from new square footage, as well as from increased productivity from existing stores. Our ability to generate sales and earnings could be adversely affected by the increasingly competitive environment in which we operate. In addition, a prolonged labor dispute, delays in opening new stores, changes in the economic climate, unexpected changes in product cost, weather conditions and natural disasters, government regulations, or other unanticipated events, could adversely affect our operations.

The amount of interest payable on the floating rate notes is set only once per period based on the three-month LIBOR on the interest determination date, which rate may fluctuate substantially.

In the past, the level of three-month LIBOR has experienced significant fluctuations. You should note that historical levels, fluctuations and trends of three-month LIBOR are not necessarily indicative of future levels. Any historical upward or downward trend in three-month LIBOR is not an indication that three-month LIBOR is more or less likely to increase or decrease at any time during a floating rate interest period, and you should not take the historical levels of three-month LIBOR as an indication of its future performance. You should further note that although actual three-month LIBOR on an interest payment date or at other times during an interest period may be higher than three-month LIBOR on the applicable interest determination date, you will not benefit from three-month LIBOR at any time other than on the interest determination date for such interest period. As a result, changes in three-month LIBOR may not result in a comparable change in the market value of the floating rate notes.

Uncertainty relating to the LIBOR calculation process may adversely affect the value of your floating rate notes.

Regulators and law enforcement agencies in the United Kingdom and elsewhere are conducting civil and criminal investigations into whether the banks that provide rates to the British Bankers' Association, or the BBA, in connection with the calculation of LIBOR may have been under-reporting or otherwise manipulating or attempting to manipulate LIBOR.

Actions by the BBA, regulators or law enforcement agencies may result in changes to the manner in which LIBOR is determined. At this time, it is not possible to predict the effect of any such changes and any other reforms to LIBOR that may be enacted in the United Kingdom or elsewhere. Uncertainty as to the nature of such potential changes may adversely affect the trading market for LIBOR-based securities, including the floating rate notes.

We may be unable to redeem any or all of the notes in the event of a special mandatory redemption.

If the Merger has not been completed by September 30, 2014, or if prior to September 30, 2014, the Merger Agreement is terminated other than in connection with the consummation of the Merger and is not otherwise amended or replaced, we will be obligated to redeem all of the fixed rate notes (but not the floating rate notes) at a redemption price equal to 101% of the aggregate principal amount of the notes, plus accrued and unpaid interest to, but excluding, the special mandatory redemption date (as defined herein). See "Description of the Notes Special Mandatory Redemption." We are not obligated to place the proceeds of the fixed rate notes in escrow prior to the completion of the Merger or to provide a security interest in those proceeds, and there are no other restrictions on our use of these proceeds during such time. Accordingly, we will need to fund any special mandatory redemption using proceeds that we have voluntarily

Table of Contents

retained or from other sources of liquidity. In the event of a special mandatory redemption, we may not have sufficient funds to purchase any or all of the fixed rate notes.

THE COMPANY

Kroger was founded in 1883 and was incorporated in 1902. We maintain our corporate offices in Cincinnati, Ohio, and as of November 9, 2013, we were one of the largest grocery retailers in the United States based on annual sales.

As of November 9, 2013, directly or through subsidiaries we operated approximately 2,414 supermarkets and multidepartment stores, 786 convenience stores, 1,218 supermarket fuel centers, and 327 fine jewelry stores. Some of the convenience stores were franchised to third parties. We also operated directly or through subsidiaries 37 manufacturing facilities that permit us to offer quality, low-cost private label products.

USE OF PROCEEDS

We estimate that the net proceeds from this offering will be approximately \$1.985 billion after deducting the underwriting discount and estimated offering expenses payable by us. We expect to use the proceeds of this offering, together with cash on hand and commercial paper borrowings, to fund the Merger and for general corporate purposes.

Table of Contents

DESCRIPTION OF THE NOTES

The following description of the particular terms of the notes (referred to in the accompanying prospectus as the "debt securities") supplements, and to the extent it is inconsistent with the description in the prospectus, it replaces the description of the general terms and provisions of the debt securities in the prospectus. We will issue the notes under an indenture dated June 25, 1999, as it may be amended and supplemented from time to time, between Kroger and Firstar Bank, National Association, now known as U.S. Bank National Association, as trustee. We have summarized select portions of the indenture below. The summary is not complete and is qualified by reference to the indenture.

General

The floating rate notes initially will be limited to \$500,000,000 aggregate principal amount, subject to our ability to issue additional notes that may be of the same series as the floating rate notes as described under "Further Issues." The 2016 notes initially will be limited to \$300,000,000 aggregate principal amount, subject to our ability to issue additional notes that may be of the same series as the 2016 notes as described under "Further Issues." The 2019 notes initially will be limited to \$500,000,000 aggregate principal amount, subject to our ability to issue additional notes that may be of the same series as the 2019 notes described under "Further Issues." The 2021 notes initially will be limited to \$700,000,000 aggregate principal amount, subject to our ability to issue additional notes that may be of the same series as the 2021 notes as described under "Further Issues." The floating rate notes will mature on October 17, 2016. The 2016 notes will mature on October 17, 2016. The 2019 notes will mature on January 15, 2019. The 2021 notes will mature on January 15, 2021.

The notes rank equally in right of payment with all of our existing and future unsecured senior debt. The notes rank senior to any future subordinated indebtedness.

The notes will effectively rank equal in right of payment with approximately \$8.3 billion of other indebtedness of the company as of November 9, 2013.

The notes are unsecured and not entitled to any sinking fund.

The notes will initially be issued only in registered, book-entry form, in denominations of \$2,000 and integral multiples of \$1,000 as described under "Book-Entry Procedures." We will issue global securities in denominations equal to the total principal amount of outstanding notes of the series represented by the global securities.

Interest on the Fixed Rate Notes

The fixed rate notes will bear interest from December 23, 2013 at the rates shown on the front cover of this prospectus supplement. Interest on the 2016 notes is payable semiannually on April 17 and October 17 of each year, commencing on April 17, 2014, to the person in whose name such note is registered at the close of business on April 2 or October 2, as the case may be, immediately preceding such interest payment dates. Interest on the 2019 notes and the 2021 notes is payable semiannually on January 15 and July 15 of each year, commencing on July 15, 2014, to the person in whose name such note is registered at the close of business on January 1 or July 1, as the case may be immediately preceding such payment dates. Interest on the fixed rate notes will be computed on the basis of a 360-day year of twelve 30-day months.

If any interest payment date or the maturity date of the fixed rate notes does not fall on a business day, payment of interest or principal otherwise payable on that day will be made on the

Table of Contents

next succeeding business day with the same effect as if made on the actual interest payment date or the maturity date of the fixed rate notes, as the case may be, and no interest will accrue for the period from and after such interest payment date or maturity date. "Business day" means any day other than a Saturday or Sunday or a day on which banking institutions in New York City or Cincinnati, Ohio are authorized or obligated by law or executive order to close.

Interest on the Floating Rate Notes

The floating rate notes will bear interest from December 23, 2013 at a variable rate. Interest on the floating rate notes is payable quarterly on January 17, April 17, July 17 and October 17 of each year, commencing on April 17, 2014, to the person in whose name such note is registered at the close of business on the 15th calendar day (whether or not a business day) preceding the respective interest payment date.

The floating rate notes will bear interest for each interest period at a rate per annum calculated by the calculation agent, which shall initially be the trustee, subject to the maximum interest rate permitted by New York law or other applicable state law, as such law may be modified by United States law of general application. The per annum rate at which interest on the floating rate notes will be payable during the initial interest period will be based on an interpolated LIBOR (between three-month and six-month LIBOR), determined two London business days before December 23, 2013, plus 0.53%. The per annum rate at which interest on the floating rate notes will be payable during each subsequent interest period will be equal to three-month LIBOR, determined on the interest determination date for that interest period, plus 0.53%. The rate of interest on each floating rate note will be reset on the interest reset date for each relevant interest period.

If any interest payment date or interest reset date or the maturity date for the floating rate notes would otherwise be a day that is not a LIBOR business day, such interest payment date or interest reset date shall be the next succeeding LIBOR business day, unless the next succeeding LIBOR business day is in the next succeeding calendar month, in which case such interest payment date or interest reset date or the maturity date shall be the immediately preceding LIBOR business day.

"business day" means any day other than a Saturday or Sunday or a day on which banking institutions in New York City or Cincinnati, Ohio are authorized or obligated by law or executive order to close.

"designated LIBOR page" means the display on Page LIBOR01 of Reuters (or any successor service) for the purpose of displaying the London interbank offered rates of major banks for U.S. dollars (or such other page as may replace that page on that service (or any successor service) for the purpose of displaying such rates).

"interest determination date" means the second London business day immediately preceding the first day of the relevant interest period.

"interest period" means the period commencing on any interest payment date for the floating rate notes (or, with respect to the initial interest period only, commencing on December 23, 2013) to, but excluding, the next succeeding interest payment date for the floating rate notes, and in the case of the last such period, from and including the interest payment date immediately preceding the maturity date to but not including such maturity date. If the maturity date is not a LIBOR business day, then the principal amount of the floating rate notes plus accrued and unpaid interest thereon shall be paid on the next succeeding LIBOR business day and no interest shall accrue for the maturity date, or any day thereafter.

Table of Contents

"interest reset date" means the first day of the relevant interest period.

"LIBOR business day" means any business day that is also a day on which dealings in deposits in U.S. dollars are transacted in the London interbank market.

"London business day" means any day on which dealings in U.S. dollars are transacted in the London interbank market.

"three-month LIBOR," for any interest determination date, will be the offered rate for deposits in the London interbank market in U.S. dollars having an index maturity of three months for a period commencing on the second London business day immediately following such interest determination date in amounts of not less than \$1,000,000, as such rate appears on the designated LIBOR page at approximately 11:00 a.m., London time, on such interest determination date; provided however, that if no rate appears on the designated LIBOR page on such interest determination date, the calculation agent will request the principal London offices of each of four major reference banks, as selected by the calculation agent, in the London interbank market, as selected by the calculation agent, to provide the calculation agent with its offered quotation for deposits in United States dollars for the period of three months, commencing on the second London business day immediately following such interest determination date, to prime banks in the London interbank market at approximately 11:00 a.m., London time, on that interest determination date and in a principal amount that is representative for a single transaction in United States dollars in that market at that time. If at least two quotations are provided, then LIBOR on that interest determination date will be the arithmetic mean of those quotations. If fewer than two quotations are provided, then LIBOR on the interest determination date will be the arithmetic mean of the rates quoted at approximately 11:00 a.m., in the City of New York, on the interest determination date by three major banks in the City of New York selected by the calculation agent for loans in United States dollars to leading European banks, having a three-month maturity and in a principal amount that is representative for a single transaction in United States dollars in that market at that time; provided that if the banks selected by the calculation agent are not providing quotations in the manner described by this sentence, LIBOR will be the same as the rate determined for the immediately preceding interest reset date or if there is no immediately preceding interest reset date, LIBOR will be the same as the rate determined for the initial interest period.

The amount of interest for each day that the floating rate notes are outstanding (the "daily interest amount") will be calculated by dividing the interest rate in effect for such day by 360 and multiplying the result by the principal amount of the floating rate notes. The amount of interest to be paid on the floating rate notes for any interest period will be calculated by adding the daily interest amounts for each day in such interest period.

The interest rate and amount of interest to be paid on the floating rate notes for each interest period will be calculated by the calculation agent. The calculation agent will, upon the request of any holder of floating rate notes, provide the interest rate then in effect with respect to the floating rate notes. All calculations made by the calculation agent shall, in the absence of manifest error, be conclusive for all purposes and binding on us and the holders of the floating rate notes. So long as three-month LIBOR is required to be determined with respect to the floating rate notes, there will at all times be a calculation agent. In the event that any then acting calculation agent shall be unable or unwilling to act, or that such calculation agent shall fail duly to establish LIBOR for any interest period, or that we propose to remove such calculation agent, we will act as calculation agent, or will appoint another person which is a bank, trust company, investment banking firm or other financial institution to act as the calculation agent.

Table of Contents

All percentages resulting from any of the above calculations will be rounded, if necessary, to the nearest one hundred thousandth of a percentage point, with five one-millionths of a percentage point (e.g., 8.986865% (or 0.08986865) being rounded to 8.98687% (or 0.0898687)), or more, being rounded upwards and all dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one-half cent, or more, being rounded upwards).

Optional Redemption

The floating rate notes may not be redeemed by us prior to maturity. The fixed rate notes will be redeemable, in whole or in part, at our option at any time. If the 2016 notes are redeemed before their maturity date, the 2019 notes are redeemed before December 15, 2018 (one month prior to their maturity date) or the 2021 notes are redeemed before December 15, 2020 (one month prior to their maturity date), the redemption price for the applicable fixed rate notes will equal the greater of:

100% of the principal amount of the applicable fixed rate notes; and

the sum of the present values of the remaining scheduled payments of principal and interest on the applicable fixed rate notes being redeemed, excluding accrued interest on the date of redemption, from the redemption date to the maturity date. The discount to the redemption date will be made on a semiannual basis based on a 360-day year, with each month consisting of 30 days. The discount rate will equal the equivalent yield to maturity of U.S. Treasury securities having a comparable maturity to the applicable fixed rate notes, plus 8 basis points with respect to the 2016 notes, 12 basis points with respect to the 2019 notes, and 16 basis points with respect to the 2021 notes. The determination of the rate will be made by an agent we appoint. Initially, that agent will be Merrill Lynch, Pierce, Fenner & Smith, Incorporated.

The redemption price for the fixed rate notes will include, in each case, accrued and unpaid interest on the fixed rate notes being redeemed to the date of redemption.

In addition, the 2019 notes on or after December 15, 2018 (one month prior to their maturity date) and the 2021 notes on or after December 15, 2020 (one month prior to their maturity date) will be redeemable, in whole or in part, at our option at any time, at a redemption price equal to 100% of the aggregate principal amount of the applicable fixed rate notes being redeemed plus in each case, accrued and unpaid interest on the notes being redeemed at the date of redemption.

Notice of any redemption will be mailed at least 30 days but not more than 60 days before the redemption date to each holder of the notes to be redeemed. Unless we default in payment of the redemption price, interest will cease to accrue on and after the redemption date on the fixed rate notes or portions of the fixed rate notes called for redemption.

Special Mandatory Redemption

We intend to use the net proceeds from this offering, together with cash on hand and commercial paper borrowings, to fund the Merger as described under the heading "Use of Proceeds." The closing of this offering is expected to occur prior to the consummation of the Merger. The fixed rate notes will be subject to a special mandatory redemption in the event that the Merger is not consummated on or prior to September 30, 2014, or if prior to September 30, 2014, the Merger Agreement is terminated other than in connection with the consummation of the Merger and is not otherwise amended or replaced (each such event, a "redemption event"). In such an event, the fixed rate notes will be redeemed at a redemption price (the "special mandatory redemption price") equal to 101% of the principal amount thereof plus accrued and

Table of Contents

unpaid interest from the date of initial issuance, or the most recent date to which interest has been paid or provided for, whichever is later, to, but excluding, the special mandatory redemption date, which we refer to as the "special mandatory redemption." The "special mandatory redemption date" means the date no later than the tenth business day following the earlier to occur of (a) September 30, 2014, if the Merger has not been completed on or prior to September 30, 2014 and (b) the date that the Merger Agreement is terminated other than in connection with the consummation of the Merger and is not otherwise amended or replaced (each such event, a "redemption event").

We, either directly or through the trustee on our behalf, will cause a notice of the special mandatory redemption to be sent, with a copy to the trustee, not later than five business days after the occurrence of the redemption event to each holder of fixed rate notes. Such notice will also specify the special mandatory redemption date. If funds sufficient to pay the special mandatory redemption price of all fixed rate notes to be redeemed on the special mandatory redemption date are deposited with the paying agent on or before such mandatory redemption date, and certain other conditions are satisfied, on and after such special mandatory redemption date, the fixed rate notes will cease to bear interest and all rights under the fixed rate notes shall terminate.

The special mandatory redemption applies only to the fixed rate notes offered hereby. The floating rate notes offered hereby are not subject to the special mandatory redemption.

Covenants

The indenture provides that the following covenants will apply to us:

Limitations on Liens. We covenant that, so long as any notes remain outstanding, neither we nor any of our restricted subsidiaries will issue, assume or guarantee any secured debt or other agreement comparable to secured debt upon any material real property or operating asset unless these notes and other debt ranking equally to these notes also is so secured on an equal basis. This restriction will not apply to the following:

- (1) liens on any property or assets of any corporation existing at the same time such corporation becomes a restricted subsidiary provided that the lien does not extend to any of our other property or that of any other restricted subsidiaries;
- (2) liens existing on assets acquired by us, to secure the purchase price of assets, or to obtain a release of liens from any of our other property, incurred no later than 18 months after the acquisition, assumption, guarantee, or, in the case of real estate, completion of construction and commencement of operations;
- (3) liens securing indebtedness owing by any restricted subsidiary to us or another restricted subsidiary;
- (4) liens on any assets existing upon acquisition of a corporation through merger or by acquisition of all or substantially all of the assets by us or a restricted subsidiary;
- (5) liens in favor of the U.S., a foreign country, or any political subdivision to secure payments of debt incurred to finance the purchase of assets;
- (6) liens existing on our or any of our restricted subsidiaries' properties or assets existing on the date of the supplemental indenture; provided that the liens secure only those obligations which they secure on the date of the supplemental indenture or any extension, renewal or replacement thereof;

Table of Contents

- (7) any extension, renewal or replacement (or successive extensions, renewals or replacements) in whole or in part, of any lien referred to in clauses (1) through (6);
- (8) some statutory liens or other similar liens arising in the ordinary course of our or any of our restricted subsidiaries' business, or some liens arising out of governmental contracts;
- (9) some pledges, deposits or liens made or arising under worker's compensation or similar legislation or in some other circumstances;
- (10) some liens in connection with legal proceedings, including some liens arising out of judgments or awards;
- (11) liens for some taxes or assessments, landlord's liens, mechanic's liens and liens and charges incidental to the conduct of the business, or the ownership of our or any of our restricted subsidiaries' property or assets that were not incurred in connection with the borrowing of money and that do not, in our opinion, materially impair the use of the property or assets in the operation of our business or that of a restricted subsidiary or the value of the property or assets for its purposes; or
- (12) any other liens not included above, which together with amounts included in clause (1) of the next section do not exceed 10% of our consolidated net tangible assets.

Limitation on Sale and Lease-Back Transactions. We and our restricted subsidiaries will not sell and leaseback for a term greater than three years under a capital lease any material real property or operating assets unless:

- (1) we could incur secured debt on that property equal to the present value of rentals under the lease without having to equally secure the note; or
- (2) the sale proceeds equal or exceed the fair market value of the property and the net proceeds are used within 180 days to acquire material real property or operating assets or to purchase or redeem notes offered hereby or long term debt, including capital leases, that are senior to or rank on parity with these notes.

This restriction does not apply to sale and lease-back transactions of material property or operating assets acquired or constructed after 18 months prior to the date of the indenture as long as a commitment for the sale and lease-back is made within 18 months of acquisition, in the case of operating assets, and of completion of construction and commencement of operations, in the case of material real property.

For purposes of these covenants, a "subsidiary" is an entity that we directly or indirectly control, including partnerships in which we or our subsidiaries own a greater than 50% interest. Restricted subsidiaries are all of our subsidiaries other than those our board of directors has determined are not material.

The covenants applicable to the notes would not necessarily afford holders protection in the event of a highly leveraged or other transaction involving us or in the event of a material adverse change in our financial condition or results of operation, and the notes do not contain any other provisions that are designed to afford protection in the event of a highly leveraged transaction involving us.

Table of Contents

Merger and Consolidation

The indenture provides that we will not merge or consolidate with any corporation, partnership or other entity and will not sell, lease or convey all or substantially all of our assets to any entity, unless:

we are the surviving entity, or the surviving or successor entity is a corporation or partnership organized under the laws of the United States or a State thereof or the District of Columbia and expressly assumes all our obligations under the indenture and the notes; and

immediately after the merger, consolidation, sale, lease or conveyance, we or the successor entity are not in default in the performance of the covenants and conditions of the indenture.

Change of Control

If a Change of Control Triggering Event occurs, unless we have exercised our right to redeem the notes as described above, holders of notes will have the right to require us to repurchase all or any part (equal to \$2,000 or an integral multiple of \$1,000 in excess thereof) of their notes pursuant to the offer described below (the "Change of Control Offer") on the terms set forth in the notes. In the Change of Control Offer, we will be required to offer payment in cash equal to 101% of the aggregate principal amount of notes repurchased plus accrued and unpaid interest, if any, on the notes repurchased, to the date of purchase (the "Change of Control Payment"). Within 30 days following any Change of Control Triggering Event, or, at our option, prior to any Change of Control, but after the public announcement of the Change of Control, we will be required to mail a notice to holders of notes describing the transaction or transactions that constitute or may constitute the Change of Control Triggering Event and offering to repurchase the notes on the date specified in the notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is mailed (the "Change of Control Payment Date"), pursuant to the procedures required by the notes and described in such notice. The notice shall, if mailed prior to the date of consummation of the Change of Control, state that the offer to purchase is conditioned on the Change of Control Triggering Event occurring on or prior to the payment date specified in the notice. We must comply with the requirements of Rule 14e-1 under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the notes as a result of a Change of Control Triggering Event. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control provisions of the notes, we will be required to comply with the applicable securities laws and regulations and will not be deemed to have breached our obligations under the Change of Control provisions of the notes by virtue of such conflicts.

On the Change of Control Payment Date, we will be required, to the extent lawful, to:

accept for payment all notes or portions of notes properly tendered pursuant to the Change of Control Offer;

deposit with the paying agent an amount equal to the Change of Control Payment in respect of all notes or portions of notes properly tendered; and

deliver or cause to be delivered to the Trustee the notes properly accepted together with an officers' certificate stating the aggregate principal amount of notes or portions of notes being purchased.

Table of Contents

The definition of Change of Control includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of "all or substantially all" of the properties or assets of Kroger and its subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of notes to require Kroger to repurchase its notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the assets of Kroger and its subsidiaries taken as a whole to another Person or group may be uncertain.

For purposes of the foregoing discussion of a repurchase at the option of holders, the following definitions are applicable:

"Below Investment Grade Rating Event" means the notes are rated below an Investment Grade Rating by any two of the three Rating Agencies (as defined below) on any date from the date of the public notice of an arrangement that could result in a Change of Control until the end of the 60-day period following public notice of the occurrence of the Change of Control (which 60-day period shall be extended so long as the rating of the notes is under publicly announced consideration for possible downgrade below investment grade by any of the Rating Agencies); provided that a Below Investment Grade Rating Event otherwise arising by virtue of a particular reduction in rating shall not be deemed to have occurred in respect of a particular Change of Control (and thus shall not be deemed a Below Investment Grade Rating Event for purposes of the definition of Change of Control Triggering Event) if the Rating Agencies making the reduction in rating to which this definition would otherwise apply do not announce or publicly confirm or inform the trustee in writing at our request that the reduction was the result, in whole or in part, of any event or circumstance comprised of or arising as a result of, or in respect of, the applicable Change of Control (whether or not the applicable Change of Control shall have occurred at the time of the Below Investment Grade Rating Event).

"Change of Control" means the occurrence of any of the following: (1) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of Kroger and its subsidiaries taken as a whole to any "person" (as that term is used in Section 13(d)(3) of the Exchange Act) other than Kroger or one of its subsidiaries; (2) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any "person" (as that term is used in Section 13(d)(3) of the Exchange Act) becomes the beneficial owner, directly or indirectly, of more than 50% of the then outstanding number of shares of Kroger's voting stock; or (3) the first day on which a majority of the members of Kroger's Board of Directors are not Continuing Directors. Notwithstanding the foregoing, a transaction will not be deemed to involve a Change of Control if (1) we become a wholly owned subsidiary of a holding company that has agreed to be bound by the terms of the notes and (2) the holders of the voting stock of such holding company immediately following that transaction are substantially the same as the holders of our voting stock immediately prior to that transaction.

"Change of Control Triggering Event" means the occurrence of both a Change of Control and a Below Investment Grade Rating Event.

"Continuing Directors" means, as of any date of determination, members of the Board of Directors of Kroger who (1) were members of such Board of Directors on the date of the issuance of the notes; or (2) were nominated for election or elected to such Board of Directors with the approval of a majority of the continuing directors under clause (1) or (2) of this definition who were members of such Board of Directors at the time of such nomination or election (either by a

Table of Contents

specific vote or by approval of Kroger's proxy statement in which such member was named as a nominee for election as a director, without objection to such nomination).

"Fitch" means Fitch, Inc.

"Investment Grade Rating" means a rating equal to or higher than Baa3 (or the equivalent) by Moody's and BBB (or the equivalent) by S&P and Fitch, and the equivalent investment grade credit rating from any replacement rating agency or rating agencies selected by us.

"Moody's" means Moody's Investors Service, Inc.

"Person" means any individual, partnership, corporation, limited liability company, joint stock company, business trust, trust, unincorporated association, joint venture or other entity, or a government or political subdivision or agency thereof.

"Rating Agencies" means (1) each of Fitch, Moody's and S&P; and (2) if Fitch, Moody's or S&P ceases to rate the notes or fails to make a rating of the notes publicly available for reasons outside of our control, a "nationally recognized statistical rating organization" as defined in Section 3(a)(62) of the Exchange Act, selected by us (as certified by a resolution of our Board of Directors) as a replacement agency for Fitch, Moody's or S&P, or any of them, as the case may be.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc.

Book-Entry Procedures

DTC. The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the notes. The notes will be issued as fully-registered securities registered in the name of Cede & Co., which is DTC's nominee. Fully-registered global notes will be issued with respect to each of the notes. See "Description of Debt Securities – Global Securities" in the accompanying prospectus for a description of DTC's procedures with respect to global notes.

Ownership of beneficial interests in a global note will be limited to DTC participants and to persons that may hold interests through institutions that have accounts with DTC, including Euroclear and Clearstream ("participants"). Beneficial interests in a global note will be shown on, and transfers of those ownership interests will be effected only through, records maintained by DTC and its participants for the global note. The conveyance of notices and other communications by DTC to its participants and by its participants to owners of beneficial interests in the notes will be governed by arrangements among them, subject to any statutory or regulatory requirements in effect.

Principal and interest payments on the global notes represented by a global security will be made to DTC or its nominee, as the case may be, as the sole registered owner and the sole holder of the global notes represented by the global security for all purposes under the indenture. Accordingly, we, the trustee and the paying agent under the indenture will have no responsibility or liability for:

any aspect of DTC's records relating to, or payments made on account of, beneficial ownership interests in a global note represented by a global security;

any other aspect of the relationship between DTC and its participants or the relationship between the participants and the owners of beneficial interests in a global note held through the participants; or

Table of Contents

the maintenance, supervision or review of any of DTC's records relating to the beneficial ownership interests.

DTC has advised us that upon receipt of any payment of principal of or interest on a global note, DTC will immediately credit, on its book-entry registration and transfer system, the accounts of participants with payments in amounts proportionate to their respective beneficial interests in the principal amount of the global note as shown on DTC's records. The applicable underwriter or underwriters will initially designate the accounts to be credited. Payments by participants to owners of beneficial interests in a global note will be governed by standing instructions and customary practices, as is the case with securities held for customer accounts in bearer form or registered in "street name," and will be the sole responsibility of those participants.

A global note can only be transferred:

as a whole by DTC to one of its nominees;

as a whole by a nominee of DTC to DTC or another nominee of DTC; or

as a whole by DTC or a nominee of DTC to a successor of DTC or a nominee of the successor.

Global notes represented by a global security can be exchanged for certificated notes in registered form only if:

DTC notifies us that it is unwilling or unable to continue as depository for the global note and we do not appoint a successor depository within 90 days after receiving the notice;

at any time DTC ceases to be a clearing agency registered under the Exchange Act and we do not appoint a successor depository within 90 days after becoming aware that DTC has ceased to be so registered as a clearing agency;

we in our sole discretion determine that a global note will be exchangeable for certificated notes in registered form and notify the trustee of our decision; or

an event of default with respect to the notes represented by a global note has occurred and is continuing.

A global note that can be exchanged under the previous paragraph will be exchanged for certificated notes that are issued in authorized denominations in registered form for the same aggregate amount. Those certificated notes will be registered in the names of the owners of the beneficial interests in the global note as directed by DTC.

Except as provided above, owners of beneficial interests in a note will not be entitled to receive physical delivery of notes in certificated form and will not be considered the holders of the notes for any purpose under the indenture and no global notes represented by a global security will be exchangeable. Each person owning a beneficial interest in a global note must rely on the procedures of DTC (and if the person is not a participant, on the procedures of the participant through which the person owns its interest) to exercise any rights of a holder under the indenture or the global note. The laws of some jurisdictions require that purchasers of securities take physical delivery of the securities in certificated form. Those laws may impair the ability to transfer beneficial interests in a global note.

DTC advises that it is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the

Table of Contents

provisions of Section 17A of the Exchange Act. DTC holds securities that its participants deposit with DTC. DTC also facilitates the settlement among participants of securities transactions, including transfers and pledges, in deposited securities through electronic computerized book-entry changes in participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct participants include securities brokers and dealers, including the underwriters, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its direct participants and by the NYSE Euronext and the Financial Industry Regulatory Authority. Access to DTC's system is also available to others, including securities brokers and dealers, banks and trust companies that clear transactions through or maintain a direct or indirect custodial relationship with a direct participant either directly, or indirectly. The rules applicable to DTC and its participants are on file with the SEC.

Redemption notices will be sent to DTC. If less than all of the notes within a series are being redeemed, DTC's practice is to determine by lot the amount of the interest of each direct participant in the series to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the notes. Under its usual procedures, DTC mails an omnibus proxy to us as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those direct participants to whose accounts the notes are credited on the record date, which are identified in a listing attached to the omnibus proxy.

We may, at any time, decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, certificates representing the notes will be printed and delivered.

Beneficial interests in the global note will be represented through book-entry accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in DTC. Investors may elect to hold interests in the global note through DTC either directly if they are participants in DTC or indirectly through organizations that are participants in DTC.

Clearstream. Clearstream is incorporated under the laws of Luxembourg as a professional depository. Clearstream holds securities for its participating organizations ("Clearstream Participants") and facilitates the clearance and settlement of securities transactions between Clearstream Participants through electronic book-entry changes in accounts of Clearstream Participants, thereby eliminating the need for physical movement of certificates. Clearstream provides Clearstream Participants with, among other things, services for safekeeping, administration, clearance and establishment of internationally traded securities and securities lending and borrowing. Clearstream interfaces with domestic markets in several countries. As a professional depository, Clearstream is subject to regulation by the Luxembourg Monetary Institute. Clearstream Participants are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations, and may include the Underwriters. Indirect access to Clearstream is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Clearstream Participant either directly or indirectly.

Distributions with respect to notes held beneficially through Clearstream will be credited to cash accounts of Clearstream Participants in accordance with its rules and procedures to the extent received by DTC for Clearstream.

Euroclear. Euroclear was created in 1968 to hold securities for participants of Euroclear ("Euroclear Participants") and to clear and settle transactions between Euroclear Participants

Table of Contents

through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Euroclear includes various other services, including securities lending and borrowing and interfaces with domestic markets in several markets in several countries. Euroclear is operated by Euroclear Bank S.A./N.V. (the "Euroclear Operator"), under contract with Euroclear Clearance System S.C., a Belgian cooperative corporation (the "Cooperative"). All operations are conducted by the Euroclear Operator, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear Operator, not the Cooperative. The Cooperative establishes a policy for Euroclear on behalf of Euroclear Participants. Euroclear Participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries and may include the Underwriters. Indirect access to Euroclear is also available to other firms that clear through or maintain a custodial relationship with a Euroclear Participant, either directly or indirectly.

The Euroclear Operation is regulated and examined by the Belgian Banking Commission.

Links have been established among DTC, Clearstream and Euroclear to facilitate the initial issuance of the notes sold outside of the United States and cross-market transfers of the notes associated with secondary market trading.

Although DTC, Clearstream and Euroclear have agreed to the procedures provided below in order to facilitate transfers, they are under no obligation to perform these procedures, and these procedures may be modified or discontinued at any time.

Clearstream and Euroclear will record the ownership interests of their participants in much the same way as DTC, and DTC will record the total ownership of each of the U.S. agents of Clearstream and Euroclear, as participants in DTC. When notes are to be transferred from the account of a DTC participant to the account of a Clearstream participant or a Euroclear participant, the purchaser must send instructions to Clearstream or Euroclear through a participant at least one day prior to settlement. Clearstream or Euroclear, as the case may be, will instruct its U.S. agent to receive notes against payment. After settlement, Clearstream or Euroclear will credit its participant's account. Credit for the notes will appear on the next day (European time).

Because settlement is taking place during New York business hours, DTC participants will be able to employ their usual procedures for sending notes to the relevant U.S. agent acting for the benefit of Clearstream or Euroclear participants. The sale proceeds will be available to the DTC seller on the settlement date. As a result, to the DTC participant, a cross-market transaction will settle no differently than a trade between two DTC participants.

When a Clearstream or Euroclear participant wishes to transfer notes to a DTC participant, the seller will be required to send instructions to Clearstream or Euroclear through a participant at least one business day prior to settlement. In these cases, Clearstream or Euroclear will instruct its U.S. agent to transfer these notes against payment for them. The payment will then be reflected in the account of the Clearstream or Euroclear participant the following day, with the proceeds back valued to the value date, which would be the preceding day, when settlement occurs in New York, if settlement is not completed on the intended value date, that is, if the trade fails, proceeds credited to the Clearstream or Euroclear participant's account will instead be valued as of the actual settlement date.

You should be aware that you will only be able to make and receive deliveries, payments and other communications involving the notes through Clearstream and Euroclear on the days when clearing systems are open for business. Those systems may not be open for business on days when

Table of Contents

banks, brokers and other institutions are open for business in the United States. In addition, because of time zone differences there may be problems with completing transactions involving Clearstream and Euroclear on the same business day as the United States.

The information in this section concerning DTC, its book-entry system, Clearstream and Euroclear and their respective systems has been obtained from sources that we believe to be reliable, but we have not attempted to verify the accuracy of this information.

Discharge, Defeasance and Covenant Defeasance

Under terms satisfactory to the trustee, we may discharge some obligations to holders of the notes which have not already been delivered to the trustee for cancellation and which have either become due and payable or are by their terms due and payable within one year (or are scheduled for redemption within one year) by irrevocably depositing with the trustee cash or U.S. Government Obligations (as defined in the indenture) as trust funds in an amount certified to be sufficient to pay at maturity (or upon redemption) the principal of and interest on the notes.

We may also discharge any and all of our obligations to holders of the notes at any time ("defeasance") or omit to comply with certain of the covenants contained in the indenture ("covenant defeasance"), but we may not avoid our duty to register the transfer or exchange of the notes, to replace any temporary, mutilated, destroyed, lost, or stolen notes or to maintain an office or agency for the notes. Defeasance or covenant defeasance may be effected only if, among other things:

- (1) we irrevocably deposit with the trustee cash or U.S. Government Obligations as trust funds in an amount certified to be sufficient to pay at maturity the principal of and interest on all outstanding notes; and
- (2) we deliver to the trustee an opinion of counsel to the effect that the holders of the notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of the defeasance or covenant defeasance and that defeasance or covenant defeasance wi