



Dear Valued Supplier,

I'm writing to inform you that as of August 1<sup>st</sup>, 2018, The Kroger Co. will standardize its payment terms to **Net 90** across all aspects of our business effective immediately.

We are making this change to (a) smooth our cash conversion cycle, (b) more efficiently manage our working capital in order to re-invest in our business, and (c) harmonize our terms with industry peers.

We appreciate our Supplier's support in honoring our new payment terms for both existing and forthcoming business – a key to our growth, competitiveness, and mutual success in today's environment.

In the meantime, please ensure that we do recognize it involves a modest extension of the average time Kroger will pay invoices. As such, we are partnering with Citibank, a core relationship bank of Kroger, to provide suppliers the option of receiving full payment on invoices before they are due, at a very small discount based on our strong credit profile. In many cases, the early payment option will save suppliers money in lieu of financing Kroger receivables through other means of capital.

The early payment option may reduce Days Sales Outstanding (DSO) and enable you to take advantage of:

- Early visibility of payment date, amount, invoice details and deductions or credit memos
- Payment within one day of Kroger invoice approval (10 days on average)
- A very competitive discount rate. For example, the discount rate of a \$1MM invoice paid on Day 10 would be less than 0.72%

To learn more about the early payment option, you may contact Citi or Kroger at:

**Michelle Yu**  
Vice President, Citibank  
Direct: 212-816-9275  
Email address: [csfacquisition.kroger@citi.com](mailto:csfacquisition.kroger@citi.com)

**Matt Hodge**  
The Kroger Co.  
Direct: 513-762-4501  
Email address: [Matthew.Hodge@Kroger.com](mailto:Matthew.Hodge@Kroger.com)

Use of the early payment tool is optional, and intended to help our long-term business partners with the migration to our new standard payment terms, which are not considered optional to Kroger.

We appreciate your support and hope that you will find our efforts mutually beneficial.

Sincerely,

**Robert Clark**  
Sr. Vice President, Merchandising  
The Kroger Co.

**Todd Foley**  
Vice President, Finance & Controller  
The Kroger Co.

**Carin Fike**  
Vice President & Treasurer  
The Kroger Co.

**Mark Purlilar**  
Vice President, Enterprise Sourcing  
The Kroger Co.