KROGER CO
Form 8-K
September 16, 2003

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the

Securities Exchange Act of 1934

Date of Report: September 16, 2003 (Date of earliest event reported)

THE KROGER CO.

(Exact name of registrant as specified in its charter)

An Ohio Corporation **(State or other** **jurisdiction of incorporation)**	**No. 1-303** **(Commission File Number)**	**31-0345740** **(IRS Employer Number)**

1014 Vine Street

Cincinnati, OH 45201

(Address of principal executive offices)

Registrant s telephone number: (513) 762-4000

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits

(c) Exhibits:

99.1 Earnings release for second quarter 2003.

Item 9. Regulation FD Disclosure

Updated 2003 Guidance:

Earnings per diluted share -	$1.50-1.58, including expense for systems conversion and consolidation of Michigan and Columbus divisions, resolution of Dynegy disputes related to energy supply arrangements, and power blackout in parts of Ohio and Michigan; could be as much as $0.05 below this range as a result of LIFO charge $0.02 above prior expectations, increasingly competitive environment that may require additional investment of gross profit rate, and a tough economy
FIFO gross profit -	Decrease 10-50 basis points depending on economic and competitive environment
LIFO -	$40 million charge
OG&A -	Increase 25-40 basis points, including the effect of the resolution of Dynegy disputes related to energy supply arrangements, and power blackout in parts of Ohio and Michigan
Capital expenditures -	$1.9 billion, excluding acquisitions and a synthetic lease buyout
New, relocated or expanded stores -	90-100, excluding acquisitions
Inflation estimate -	0.5-1.0%
Competitive environment -	Increasingly competitive

Labor:

Collective bargaining agreements between the Company and the UFCW have expired in Portland, Oregon; and will expire during the remainder of 2003 in Memphis; Ralphs in Southern California; Charleston, WV; Arizona; and Indianapolis; among other labor agreements expiring this year. An agreement has been ratified in Toledo, and a one year extension of the Peoria contract has been negotiated.

Unchanged 2003 Guidance:

Diluted shares outstanding -	Beginning of 2003	=	770 million
	End of 2003	=	740-745 million
	Average outstanding for the year	=	750-755 million
Economic environment -	Became more challenging during the first quarter and we are not projecting an improvement		
Square footage growth -	2.5-3.0%, excluding acquisitions and operational closings		
Identical store sales growth goal (including supermarket fuel sales) -	Positive for the year		
Depreciation -	$1,175-1,200 million		
Interest expense -	$575-595 million, based on the current interest rate environment		
Net operating working capital reduction -	$100 million		
Tax rate -	37.5%		
Remodels -	160-200		
Supermarket fuel stations -	100-110		
Pension discount rate -	6.75%		
Pension assumed rate of return -	8.50%		

Additional Guidance:

Based on current interest rates and our expected rate of return, we estimate that contributions to our Company-sponsored pension plans over fiscal years 2004-2006 will have the net effect of reducing Kroger s cash flow by approximately $110 million annually.

Our ability to achieve the expected increases in sales and earnings could be adversely affected by the competitive environment in which we operate. In addition any labor dispute, delays in opening new stores, or changes in the economic climate could cause us to fall short of our sales and earnings targets. Our EPS goals could be affected by sales performance; competitive actions; recessionary trends in the economy; our ability to achieve the cost reductions that we have identified, including those to reduce shrink and OG&A; continued increases in health care and pension costs; changes in utility costs; and the success of our capital investments. In addition, increases in sales of our corporate brand products and the sister store impact of our new store openings, could adversely affect identical store sales. Our ability to increase same store sales could be adversely affected by increased competition and sales shifts to other stores that we operate. Our capital expenditures could vary if we are unsuccessful in acquiring suitable sites for new stores, if development costs exceed those budgeted, or if our logistics and technology projects are not completed in the time frame expected or on budget. Our ability to meet working capital reduction targets could be adversely affected by increases in product costs, newly opened or consolidated distribution centers, our ability to achieve sales growth from new square footage, competitive activity in the markets in which we operate, changes in our product mix, and changes in laws and regulations. Square footage growth and the number of store projects completed during the year are dependent upon our ability to acquire desirable sites for construction of new facilities, as well as the timing of completion of projects. Depreciation and amortization may vary from our estimates due to the timing of new store openings. Interest expense will vary with changes in capital markets and the amount of debt that we have outstanding. LIFO will be affected by vendor promotions and changes in the cost of inventory. While we expect to achieve benefits through logistics and technology, development of new systems and integration of systems due to our merger with Fred Meyer carry inherent uncertainties, and we may not achieve the expected benefits. Unforeseen difficulties in integrating any acquired entity with Kroger could adversely affect our ability to meet our other expectations. The average diluted shares outstanding may vary based on the market price of our stock, the number of shares we repurchase and the number of stock awards made during the year. The amount and timing of future one-time, merger-related costs could be adversely affected by our ability to convert remaining systems as planned and on budget. The cost associated with implementation of our strategic growth plan, as well as the amount and timing of our expected cost reductions, could be affected by a worsening economy, increased competitive pressures, and any inability on our part to implement the strategic growth plan when expected. Any change in tax laws, the regulations related thereto, or the interpretation thereof by federal, state or local authorities could affect our expected tax rate. Contributions to our pension plans, and the extent to which they affect our cash flow may vary from our expectations due primarily to the performance of our investments in our pension plans and the interest rate used to discount our liabilities. We assume no obligation to update the information contained herein. Please refer to Kroger s reports and filings with the SEC for a further discussion of these risks and uncertainties.

Item 12. Results of Operations and Financial Condition

On September 16, 2003, the Company released its earnings for the second quarter of 2003. Attached hereto as Exhibit 99.1, and filed herewith, is the text of that release.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereto duly authorized.

	THE KROGER CO.	
September 16, 2003	By:	/s/ PAUL HELDMAN
		Paul Heldman
		Senior Vice President, Secretary
		and General Counsel

EXHIBIT INDEX

Exhibit No.	Exhibit
99.1	Earnings release for second quarter 2003.