

KROGER CO
Form 10-Q
June 30, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended May 23, 2015

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 1-303

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(Exact name of registrant as specified in its charter)

Ohio
(State or other jurisdiction of
incorporation or organization)

31-0345740
(I.R.S. Employer
Identification No.)

1014 Vine Street, Cincinnati, OH 45202

(Address of principal executive offices)

(Zip Code)

(513) 762-4000

(Registrant's telephone number, including area code)

Unchanged

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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Large accelerated filer X

Accelerated filer O

Non-accelerated filer O
(do not check if a smaller reporting company)

Smaller reporting company O

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No X.

There were 485,711,614 shares of Common Stock (\$1 par value) outstanding as of June 26, 2015.

PART I FINANCIAL INFORMATION**Item 1. Financial Statements.****THE KROGER CO.****CONSOLIDATED STATEMENTS OF OPERATIONS**

(in millions, except per share amounts)

(unaudited)

	First Quarter Ended	
	May 23, 2015	May 24, 2014
Sales	\$ 33,051	\$ 32,961
Merchandise costs, including advertising, warehousing, and transportation, excluding items shown separately below	25,760	26,065
Operating, general and administrative	5,354	5,168
Rent	215	217
Depreciation and amortization	620	581
Operating profit	1,102	930
Interest expense	148	147
Earnings before income tax expense	954	783
Income tax expense	330	274
Net earnings including noncontrolling interests	624	509
Net earnings attributable to noncontrolling interests	5	8
Net earnings attributable to The Kroger Co.	\$ 619	\$ 501
Net earnings attributable to The Kroger Co. per basic common share	\$ 1.27	\$ 0.99
Average number of common shares used in basic calculation	484	501
Net earnings attributable to The Kroger Co. per diluted common share	\$ 1.25	\$ 0.98
Average number of common shares used in diluted calculation	492	507
Dividends declared per common share	\$ 0.185	\$ 0.165

The accompanying notes are an integral part of the Consolidated Financial Statements.

THE KROGER CO.**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(in millions and unaudited)

	First Quarter Ended	
	May 23, 2015	May 24, 2014
Net earnings including noncontrolling interests	\$ 624	\$ 509
Other comprehensive income (loss)		
Unrealized gains and losses on available for sale securities, net of income tax(1)	3	(1)
Amortization of amounts included in net periodic pension expense, net of income tax(2)	16	8
Unrealized gains on cash flow hedging activities, net of income tax(3)	20	—
Total other comprehensive income	39	7
Comprehensive income	663	516
Comprehensive income attributable to noncontrolling interests	5	8
Comprehensive income attributable to The Kroger Co.	\$ 658	\$ 508

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- (1) Amount is net of tax of \$1 for the first quarter of 2015 and \$(1) for the first quarter of 2014.
- (2) Amount is net of tax of \$9 for the first quarter of 2015 and \$4 for the first quarter of 2014.
- (3) Amount is net of tax of \$12 for the first quarter of 2015.

The accompanying notes are an integral part of the Consolidated Financial Statements.

THE KROGER CO.**CONSOLIDATED BALANCE SHEETS**

(in millions, except per share amounts)

(unaudited)

	May 23, 2015	January 31, 2015
ASSETS		
Current assets		
Cash and temporary cash investments	\$ 252	\$ 268
Store deposits in-transit	962	988
Receivables	1,218	1,266
FIFO inventory	6,995	6,933
LIFO reserve	(1,273)	(1,245)
Prepaid and other current assets	429	701
Total current assets	8,583	8,911
Property, plant and equipment, net	18,212	17,912
Intangibles, net	743	757
Goodwill	2,304	2,304
Other assets	626	613
Total Assets	\$ 30,468	\$ 30,497
LIABILITIES		
Current liabilities		
Current portion of long-term debt including obligations under capital leases and financing obligations	\$ 1,591	\$ 1,885
Trade accounts payable	5,431	5,052
Accrued salaries and wages	1,146	1,291
Deferred income taxes	286	