SYSCO CORP
Form 10-Q
May 13, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 29, 2003

OR

[ ] 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 1-6544

SYSCO CORPORATION
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	74-1648137 (IRS employer identification number)

1390 Enclave Parkway
Houston, Texas 77077-2099
(Address of principal executive offices)
(Zip code)

Registrant's telephone number, including area code: (281) 584-1390

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 X No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act.)

Yes X No

649,630,544 shares of common stock were outstanding as of May 2, 2003.

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PART I - FINANCIAL INFORMATION
Item 1. Financial Statements

SYSCO CORPORATION and its Consolidated Subsidiaries
CONSOLIDATED BALANCE SHEETS
(In Thousands Except for Share Data)

	Mar. 29, 2003	June 29, 2002	Mar. 30, 2
	(unaudited)		(unaudite
ASSETS			
Current assets			
Cash and cash equivalents	$ 186,956	$ 198,439	$ 346,
Accounts and notes receivable, less allowances of $64,685, $30,338 and $73,289	1,946,819	1,760,827	1,625,
Inventories	1,256,397	1,117,869	1,089,
Deferred taxes	--	34,188	104,
Prepaid expenses	60,775	41,966	52,
Total current assets	3,450,947	3,153,289	3,217,
Plant and equipment at cost, less depreciation	1,829,021	1,697,782	1,646,
Goodwill and intangibles, less amortization	1,084,693	922,222	774,

Restricted cash	84,056	32,000	
Other assets	207,168	184,460	187,
Total other assets	1,375,917	1,138,682	962,
Total assets	$ 6,655,885	$ 5,989,753	$ 5,826,
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Notes payable	$ 81,492	$ 66,360	$ 271,
Accounts payable	1,522,670	1,349,330	1,305,
Accrued expenses	808,094	768,317	647,
Accrued income taxes	15,242	41,596	65,
Deferred taxes	250,383	--	
Current maturities of long-term debt	24,684	13,754	11,
Total current liabilities	2,702,565	2,239,357	2,300,
Long-term debt	1,279,657	1,176,307	877,
Deferred taxes	476,629	441,570	428,
Contingencies			
Shareholders' equity			
Preferred stock, par value $1 per share			
Authorized 1,500,000 shares, issued none	--	--	
Common stock, par value $1 per share			
Authorized 1,000,000,000 shares, issued 765,174,900 shares	765,175	765,175	765,
Paid-in capital	246,756	217,891	213,
Retained earnings	3,202,358	2,869,417	2,722,
Other comprehensive loss	(65,435)	(65,435)	(5,
	4,148,854	3,787,048	3,696,
Less cost of treasury stock, 119,159,737, 111,634,603 and 101,484,766 shares	1,951,820	1,654,529	1,475,
Total shareholders' equity	2,197,034	2,132,519	2,220,
Total liabilities and shareholders' equity	$ 6,655,885	$ 5,989,753	$ 5,826,

Note: The June 29, 2002 balance sheet has been derived from the audited financial statements at that date.

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SYSCO CORPORATION and its Consolidated Subsidiaries
CONSOLIDATED RESULTS OF OPERATIONS (Unaudited)
(In Thousands Except for Share and Per Share Data)

39-Week Period Ended		13-Week Period	
Mar. 29, 2003	Mar. 30, 2002	Mar. 29, 2003	Mar

Sales	$ 19,168,497	$ 17,039,968	$ 6,395,278	$
Costs and expenses				
Cost of sales	15,396,893	13,675,331	5,144,473	
Operating expenses	2,860,385	2,552,479	962,459	
Interest expense	52,607	46,695	18,276	
Other, net	(8,679)	(1,936)	(2,661)	
Total costs and expenses	18,301,206	16,272,569	6,122,547	
Earnings before income taxes	867,291	767,399	272,731	
Income taxes	331,739	293,530	104,320	
Net earnings	$ 535,552	$ 473,869	$ 168,411	$
Net earnings:				
Basic earnings per share	$ 0.82	$ 0.71	$ 0.26	$
Diluted earnings per share	$ 0.81	$ 0.70	$ 0.26	$
Average shares outstanding	652,148,645	663,289,299	649,267,210	6
Diluted shares outstanding	662,873,939	675,028,798	657,994,124	6
Dividends declared per common share	$ 0.31	$ 0.25	$ 0.11	$

SYSCO CORPORATION and its Consolidated Subsidiaries
CONSOLIDATED CASH FLOWS (Unaudited)
(In Thousands)

	39 - Week P
	Mar. 29, 2003
Operating activities:	
Net earnings	$ 535,552
Add non-cash items:	
Depreciation and amortization	204,155
Deferred tax provision	320,469
Provision for losses on accounts receivable	24,444
Additional investment in certain assets and liabilities, net of effect of businesses acquired:	
(Increase) decrease in receivables	(175,262)
(Increase) in inventories	(116,560)
(Increase) in prepaid expenses	(18,740)
Increase in accounts payable	152,606
(Decrease) in accrued expenses	(2,328)
(Decrease) in accrued income taxes	(20,158)
(Increase) in other assets	(19,683)

Net cash provided by operating activities	884,495
Investing activities:	
Additions to plant and equipment	(310,392)
Proceeds from sales of plant and equipment	9,528
Acquisition of businesses, net of cash acquired	(169,492)
Increase in restricted cash	(52,056)
Net cash used for investing activities	(522,412)
Financing activities:	
Bank and commercial paper borrowings	115,039
Other debt repayments	(7,432)
Common stock reissued from treasury	81,971
Treasury stock purchases	(372,808)
Dividends paid	(190,336)
Net cash used for financing activities	(373,566)
Net (decrease) increase in cash	(11,483)
Cash at beginning of period	198,439
Cash at end of period	$ 186,956
Supplemental disclosures of cash flow information:	
Cash paid during the period for:	
Interest	$ 44,451
Income taxes	36,734

SYSCO CORPORATION and its Consolidated Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. BASIS OF PRESENTATION

The consolidated financial statements have been prepared by the Company, without audit, with the exception of the June 29, 2002 consolidated balance sheet which was taken from the audited financial statements included in the Company's Fiscal 2002 Annual Report on Form 10-K. The financial statements include consolidated balance sheets, consolidated results of operations and consolidated cash flows. Certain amounts in the prior periods presented have been reclassified to conform to the fiscal 2003 presentation including the reflection of dividends on a declared versus paid basis. In the opinion of management, all adjustments, which consist of normal recurring adjustments, necessary to present fairly the financial position, results of operations and cash flows for all periods presented have been made.

These financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Company's Fiscal 2002 Annual Report on Form 10-K.

A review of the financial information herein has been made by Ernst & Young LLP, independent auditors, in accordance with established

professional standards and procedures for such a review. A report from Ernst & Young LLP concerning their review is included as Exhibit 15(a).

2. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share:

	39-Week Period Ended		13-Week P
	Mar. 29, 2003	Mar. 30, 2002	Mar. 29, 200
Numerator:			
Numerator for basic earnings per share -- income available to common shareholders	$ 535,552,000	$ 473,869,000	$ 168,411,00
Denominator:			
Denominator for basic earnings per share -- weighted-average shares	652,148,645	663,289,299	649,267,21
Effect of dilutive securities:			
Employee and director stock options	10,725,294	11,739,499	8,726,91
Denominator for diluted earnings per share -- adjusted for weighted-average shares	662,873,939	675,028,798	657,994,12
Basic earnings per share	$ 0.82	$ 0.71	$ 0.2
Diluted earnings per share	$ 0.81	$ 0.70	$ 0.2

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3. RESTRICTED CASH

SYSCO is required by its insurers to collateralize the self-insured portion of its workers' compensation and liability claims. Previously, the collateral requirements were met by issuing letters of credit. These letters of credit were replaced with funds deposited in an insurance trust. In addition, in certain acquisitions, SYSCO has placed funds into escrow to be dispersed to the sellers in the event that certain operating results are attained or certain contingencies are resolved. The increase in restricted cash from June 29, 2002 to March 29, 2003 was due to the timing of depositing funds to replace letters of credit as they expired and to the depositing of funds into escrow relating to recent acquisitions.

4. DEBT

As of March 29, 2003, SYSCO had uncommitted bank lines of credit which provide for unsecured borrowings for working capital of up to

$95,000,000, of which none was outstanding at March 29, 2003.

As of March 29, 2003, SYSCO's outstanding borrowings under its commercial paper programs were $181,350,000. During the thirty-nine week period ended March 29, 2003, commercial paper and short-term bank borrowings ranged from approximately $55,813,000 to $495,703,000.

In December 2002, SYSCO International, Co. completed a registered exchange offer for its $200,000,000 aggregate principal amount of 6.10% notes due June 1, 2012. In the exchange offer, all of the outstanding $200,000,000 aggregate principal amount of 6.10% notes due June 1, 2012 which had been issued in a private offering in June 2002 were exchanged for new notes which were identical in all respects to the outstanding notes except that the new notes were registered under the Securities Act of 1933. The new notes are fully and unconditionally guaranteed by Sysco Corporation.

5. VENDOR CONSIDERATION

SYSCO recognizes consideration received from vendors when the services performed in connection with the monies received are completed. There are several types of cash consideration received from vendors. In many instances, the vendor consideration is in the form of a specified amount per case or per pound. In these instances, SYSCO will recognize the vendor consideration as a reduction of the cost of goods sold when the product is sold. In the instances where the vendor consideration is structured as a volume-based incentive, SYSCO will recognize these as a reduction of cost of goods sold when the underlying milestones are attained and the consideration is received, as we believe that in most cases these types of incentives are not reasonably estimated. In the situations where the vendor consideration is not related directly to specific product purchases, SYSCO will recognize these as a reduction of the cost of goods sold when the earnings process is complete, the related service is performed and the amounts realized. In certain of these latter instances, the vendor consideration represents a reimbursement of a specific incremental identifiable cost incurred by SYSCO in selling the vendor's product. In these cases, SYSCO classifies the consideration as a reduction of those costs with any excess funds classified as a reduction of the cost of the goods sold and recognizes these in the period where the costs are incurred and related services performed.

In January 2003, the Emerging Issues Task Force (EITF) reached a final consensus on EITF Issue No. 02-16, "Accounting by a Customer (Including a Reseller) for Certain

Consideration Received from a Vendor." EITF No. 02-16 clarifies certain aspects for accounting and recording of consideration received from vendors. SYSCO's historical accounting for consideration received from vendors is consistent with the provisions of EITF 02-16; therefore, the adoption of EITF 02-16 did not have a material impact on SYSCO's consolidated financial statements.

6. ACQUISITIONS

In October 2002, SYSCO acquired Abbott Foods, Inc., an independently owned broadline foodservice distributor located in Columbus, Ohio.

In October 2002, SYSCO acquired the net assets of Pronamics, the quick-service distribution division of priszm brandz (priszm). Priszm

is the owner and operator of more than 750 quick-service restaurants in Canada. As part of the transaction, priszm and SYSCO entered into a distribution contract in which SYSCO will become priszm's national Canadian distributor of all food products, paper and other merchandise. Pronamics will be operated as a SYGMA distribution center.

In November 2002, SYSCO acquired Asian Foods, Inc., a specialty distributor of products and services to the Asian foodservice market located in St. Paul, Minnesota and Kansas City, Missouri.

In December 2002, a subsidiary of SYSCO acquired certain assets of the Denver operations of Marriott Distribution Services, Inc., a wholly owned subsidiary of Marriott International, Inc. The acquired customer base will be serviced by SYSCO's SYGMA subsidiary.

In April 2003, a subsidiary of SYSCO acquired the specialty meat cutting division of the Colorado Boxed Beef Company and its affiliated broadline foodservice operation, J&B Foodservice located in Auburndale, Florida.

In May 2003, a subsidiary of SYSCO acquired the paper and chemical products distributor Reed Distributors, Inc. located in Lewiston, Maine.

Acquisitions of businesses are accounted for using the purchase method of accounting and the financial statements of SYSCO include the results of the acquired companies from the respective dates they joined SYSCO. The acquisitions were immaterial, individually and in the aggregate, to the consolidated financial statements.

The cost of the acquired entities were allocated to the net assets acquired and liabilities assumed based on the estimated fair value at the date of acquisition with any excess of cost over the fair value of net assets (including intangibles) acquired recognized as goodwill.

Goodwill increased $162,471,000 from June 2002 to March 2003 primarily due to the acquisitions mentioned above. Goodwill also increased $29,422,000 from December 2002 to March 2003. During the third quarter of fiscal year 2003, SYSCO recorded as costs of the acquisition of a Canadian broadline foodservice operation and as accrued expenses certain amounts related to plans to exit activities of the acquired company. These amounts primarily relate to terminating leases on facilities and equipment and to involuntarily terminating employees of the acquired company. Total costs related to exiting activities treated as part of the acquisition cost of the Canadian broadline foodservice operations were approximately $16,300,000. The remainder of the

increase in goodwill was primarily due to increases in the Canadian dollar to U.S. dollar exchange rate, which causes the amount of goodwill recorded at our Canadian operations to be translated into U.S. dollars at a greater amount, and to the settlement of stock based contingent consideration related to prior acquisitions.

The balances included in the Consolidated Balance Sheets related to acquisitions made in the last twelve months are based upon preliminary information and are subject to change when final asset and liability valuations are obtained. Material changes to the preliminary allocations are not anticipated by management.

Certain acquisitions involve contingent consideration typically payable only in the event that certain operating results are attained.

Aggregate contingent consideration amounts outstanding as of March 29, 2003 included approximately 3,533,000 shares and $27,057,000 in cash, which, if distributed, could result in the Company recording up to $97,286,000 in additional goodwill. Such amounts typically are to be paid out over periods of up to five years from the date of acquisition.

7. DERIVATIVE FINANCIAL INSTRUMENTS

SYSCO has outstanding one interest rate swap agreement with a notional amount of $200,000,000 related to the $200,000,000 aggregate principal amount of 4.75% notes due July 30, 2005. Under the interest rate swap agreement, SYSCO receives a fixed rate equal to 4.75% per annum and pays a variable interest rate equal to six-month LIBOR in arrears less 84.5 basis points. The recorded value of the swap agreement and the related debt are carried at fair value. As a result, an asset of $14,244,000 is reflected in Other Assets on the Consolidated Balance Sheet as of March 29, 2003 and the carrying amount of the related debt has been increased by the same amount.

8. INCOME TAXES

The increase in net deferred tax liability balances from June 29, 2002 to March 29, 2003 was primarily due to the deferral of federal and state income tax payments resulting from the Company's reorganization of its supply chain. The increase in deferred tax liability balances related to this item was approximately $334,000,000 for the thirty-nine week period ended March 29, 2003. A portion of the deferral related to this item was classified as a current deferred tax liability as of March 29, 2003 due to the timing of when the related income tax payments will become payable.

9. STOCK BASED COMPENSATION

SYSCO accounts for its stock option plans and the employee stock purchase plan using the intrinsic value method of accounting provided under APB Opinion No. 25 and related interpretations under which no compensation cost has been recognized.

The following table provides comparative pro forma net earnings and earnings per share had compensation cost for these plans been determined using the fair value method of Statement Financial Accounting Standards (SFAS) No. 123 for all periods presented:

	39-Week Period Ended		
	Mar. 29, 2003	Mar. 30, 2002	Mar. 2
Net earnings:			
Reported net earnings	$ 535,552,000	$ 473,869,000	$ 168
Stock based compensation expense, net of taxes	(38,404,000)	(26,800,000)	(13
Adjusted net earnings	$ 497,148,000	$ 447,069,000	$ 154

Basic earnings per share:

Reported earnings per share	$ 0.82	$ 0.71	$
Stock based compensation expense, net of taxes	(0.06)	(0.04)	
Adjusted earnings per share	$ 0.76	$ 0.67	$
Diluted earnings per share:			
Reported earnings per share	$ 0.81	$ 0.70	$
Stock based compensation expense, net of taxes	(0.06)	(0.04)	
Adjusted earnings per share	$ 0.75	$ 0.66	$

The weighted average fair value of options granted was $7.18 and $8.81 during the thirty-nine weeks ended March 29, 2003 and March 30, 2002, respectively. The fair value was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for grants in the thirty-nine weeks ended March 29, 2003 and March 30, 2002, respectively: dividend yield of 1.45% and 1.24%; expected volatility of 25% and 22%; average risk-free interest rates of 2.7% and 4.8%; and expected lives of 5 years.

The weighted average fair value of employee stock purchase rights issued was $4.01 and $4.28 during the thirty-nine weeks ended March 29, 2003 and March 30, 2002, respectively. The fair value of the stock purchase rights was calculated as the difference between the stock price at date of issuance and the employee purchase price.

The disclosure requirements of SFAS No. 123 are applicable to options and employee stock purchase rights granted after 1995. The pro forma effects are not necessarily indicative of the pro forma effects in future years.

10. NEW ACCOUNTING STANDARDS

SYSCO adopted the provisions of SFAS No. 142, "Accounting for Goodwill and Other Intangible Assets" effective with the beginning of fiscal year 2003. As a result, the amortization of goodwill was discontinued. Management completed its assessment of the impact that the adoption of SFAS No. 142 had on the Company's consolidated financial statements and determined that there was no impairment to the carrying value of goodwill.

The following table provides comparative net earnings and earnings per share had the non-amortization provision been in effect for all periods presented:

	39-Week Period Ended		13-Week Peri	
	Mar. 29, 2003	Mar. 30, 2002	Mar. 29, 2003	M
Net Earnings:				
Reported net earnings	$ 535,552,000	$ 473,869,000	$ 168,411,000	$
Goodwill amortization, net of taxes	--	15,163,000	--	
Adjusted net earnings	$ 535,552,000	$ 489,032,000	$ 168,411,000	$

Basic earnings per share:				
Reported earnings per share	$ 0.82	$ 0.71	$ 0.26	$
Goodwill amortization, net of taxes	--	0.02	--	
Adjusted earnings per share	$ 0.82	$ 0.74	$ 0.26	$
Diluted earnings per share:				
Reported earnings per share	$ 0.81	$ 0.70	$ 0.26	$
Goodwill amortization, net of taxes	--	0.02	--	
Adjusted earnings per share	$ 0.81	$ 0.72	$ 0.26	$

SYSCO adopted the provisions of SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" effective with the beginning of fiscal year 2003. The adoption of SFAS No. 144 has not had a material effect on the Company's consolidated financial statements.

SYSCO adopted the provisions of FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." This Interpretation requires certain guarantees to be recorded at fair value and also requires a guarantor to make certain disclosures regarding guarantees. This Interpretation's initial recognition and initial measurement provisions are applicable on a prospective basis to guarantees issued or modified after December 31, 2002. The disclosure requirements are effective for SYSCO's financial statements for the third quarter of fiscal 2003. The adoption of this interpretation did not have a material impact on SYSCO's consolidated financial statements or disclosures.

SYSCO adopted the provisions of SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure." SFAS No. 148 provides alternative methods of transition to SFAS No. 123, "Accounting for Stock-Based Compensation" fair value method of accounting for stock-based employee compensation if a Company elects to adopt these provisions. SFAS No. 148 also specifies required disclosures of an entity's accounting policy with respect to stock-based employee compensation on reported net income and earnings per share in annual and interim financial statements. These disclosure requirements are effective for SYSCO's financial statements for the third quarter of fiscal 2003 and have been included in footnote 9.

SYSCO adopted the provisions of the EITF Issue No. 02-16 "Accounting by a Customer (including a Reseller) for Cash Consideration Received from a Vendor." The provisions of EITF No. 02-16 are effective for fiscal periods beginning after December 15, 2002 with certain provisions effective for arrangements entered into after November 21, 2002. SYSCO's historical accounting policies are consistent with the provisions of EITF No. 02-16 and thus SYSCO has chosen to adopt this accounting policy during the third quarter of fiscal 2003. EITF No. 02-16 provides guidance as to the recognition and classification of

monies received from vendors. The adoption of this consensus did not have an impact on SYSCO's consolidated financial statements.

SYSCO adopted the provisions of the EITF Issue 02-17 "Recognition of Customer Relationship Intangible Assets Acquired in a Business Combination" effective October 2002. EITF No. 02-17 addresses the intangible asset recognition criteria of SFAS No. 141 "Business Combinations" and provides that an intangible asset related to customer intangibles may exist even though the relationship is not evidenced by a contract. The adoption of this consensus did not have a material impact on SYSCO's consolidated financial statements.

In November 2002, the EITF reached a consensus on Issue No. 00-21 "Multiple-Deliverable Revenue Arrangements." EITF No. 00-21 addresses how to account for revenue arrangements with multiple deliverables and provides guidance relating to when such arrangements should be divided into components for revenue recognition purposes. The consensus will be effective for agreements entered into in fiscal year 2004 with early adoption permitted. The adoption of this consensus will not have a material impact on SYSCO's consolidated financial statements.

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities, an Interpretation of Accounting Research Bulletin (ARB) No. 51." FIN 46 introduces a new consolidation model, the variable interests model, which determines control (and consolidation) based on potential variability in gains and losses of the entity being evaluated for consolidation. The interpretation's consolidation provisions apply immediately to variable interests in variable interest entities (VIE's) created after January 31, 2003 and apply in the first fiscal year or interim period beginning after June 15, 2003 to VIE's acquired before February 1, 2003. The adoption of this interpretation will not have a material impact on SYSCO's consolidated financial statements.

11. SUPPLEMENTAL GUARANTOR INFORMATION

In May 2002, SYSCO International, Co., a wholly owned subsidiary of SYSCO, issued $200,000,000 of 6.10% notes due in 2012. The notes are fully and unconditionally guaranteed by SYSCO. These notes were exchanged for identical notes in an exchange offer registered under the Securities Act of 1933 in December 2002.

The following condensed consolidating financial statements present separately the financial position, results of operations and cash flows of the parent guarantor (SYSCO), the subsidiary issuer (SYSCO International) and all other non-guarantor subsidiaries of SYSCO (Other Non-Guarantor Subsidiaries) on a combined basis and eliminating entries. The financial information for SYSCO includes corporate activities as well as certain operating companies which are operated as divisions of SYSCO. Beginning with the third quarter of fiscal 2003, these divisions are operated as subsidiaries and their results are included in the Other Non-Guarantor Subsidiaries column.

CONDENSED CONSOLIDATING BALANCE SHEET -- MARCH 2

SYSCO	SYSCO INTERNATIONAL	OTHER NON-GUARANTOR SUBSIDIARIES	ELIMINATIO
		(IN THOUSANDS)	

Current assets	$ 215,110	$ 3	$ 3,235,834	$
Investment in subsidiaries	7,192,974	221,311	198,586	(7,612,
Plant and equipment, net	47,796	--	1,781,225	
Other assets	292,880	2,017	1,081,020	
Total assets	$ 7,748,760	$ 223,331	$ 6,296,665	$ (7,612,
Current liabilities	$ 534,273	$ 103,325	$ 2,064,967	$
Intercompany payables (receivables)	3,874,701	(73,140)	(3,801,561)	
Long-term debt	1,039,400	199,415	40,842	
Other liabilities	103,352	--	373,277	
Shareholders' equity (deficit)	2,197,034	(6,269)	7,619,140	(7,612,
Total liabilities and shareholders' equity	$ 7,748,760	$ 223,331	$ 6,296,665	$ (7,612,

CONDENSED CONSOLIDATING BALANCE SHEET -- JUNE 2

	SYSCO	SYSCO INTERNATIONAL	OTHER NON-GUARANTOR SUBSIDIARIES	ELIMINATIO
		(IN THOUSANDS)		
Current assets	$ 526,259	$ 10,010	$ 2,617,020	$
Investment in subsidiaries	5,279,299	204,064	194,854	(5,678,
Plant and equipment, net	271,971	--	1,425,811	
Other assets	228,320	1,418	908,944	
Total assets	$ 6,305,849	$ 215,492	$ 5,146,629	$ (5,678,
Current liabilities	$ 790,631	$ 64,554	$ 1,384,172	$
Intercompany payables (receivables)	2,353,921	(47,508)	(2,306,413)	
Long-term debt	933,028	199,366	43,913	
Other liabilities	95,750	--	345,820	
Shareholders' equity (deficit)	2,132,519	(920)	5,679,137	(5,678,
Total liabilities and shareholders' equity	$ 6,305,849	$ 215,492	$ 5,146,629	$ (5,678,

CONDENSED CONSOLIDATING BALANCE SHEET --MARCH 3

	SYSCO	SYSCO INTERNATIONAL	OTHER NON-GUARANTOR SUBSIDIARIES	ELIMINATIO
		(IN THOUSANDS)		
Current assets	$ 518,649	$ 15,675	$ 2,683,533	$
Investment in subsidiaries ...	5,070,868	203,449	--	(5,274,
Plant and equipment, net	254,545	--	1,391,920	
Other assets	208,860	8	753,796	

Total assets	$ 6,052,922	$ 219,132	$ 4,829,249	$ (5,274,
Current liabilities	$ 381,161	$ 243,310	$ 1,676,501	$
Intercompany payables (receivables)	2,542,458	(24,154)	(2,518,304)	
Long-term debt	830,822	--	46,213	
Other liabilities	77,671	--	350,498	
Shareholders' equity (deficit)	2,220,810	(24)	5,274,341	(5,274,
Total liabilities and shareholders' equity	$ 6,052,922	$ 219,132	$ 4,829,249	$ (5,274,

CONDENSED CONSOLIDATING RESULTS OF
FOR THE 39-WEEK PERIOD ENDED MARC

	SYSCO	SYSCO INTERNATIONAL	OTHER NON-GUARANTOR SUBSIDIARIES
			(IN THOUSANDS)
Sales	$ 1,651,729	$ --	$ 17,516,768
Cost of sales	1,278,537	--	14,118,356
Operating expenses	348,012	865	2,511,508
Interest expense (income)	250,693	7,798	(205,884)
Other, net	161	--	(8,840)
Total costs and expenses	1,877,403	8,663	16,415,140
Earnings (losses) before income taxes	(225,674)	(8,663)	1,101,628
Income tax (benefit) provision	(86,320)	(3,314)	421,373
Equity in earnings of Subsidiaries	674,906	--	--
Net earnings (loss)	$ 535,552	$ (5,349)	$ 680,255

CONDENSED CONSOLIDATING RESULTS O
FOR THE 39-WEEK PERIOD ENDED MAR

	SYSCO	SYSCO INTERNATIONAL	OTHER NON-GUARANTOR SUBSIDIARIES
			(IN THOUSANDS)
Sales	$ 2,313,384	$ --	$ 14,726,584
Cost of sales	1,806,806	--	11,868,525
Operating expenses	410,462	--	2,142,017
Interest expense (income)	202,477	38	(155,820)
Other, net	33		(1,969)

Total costs and expenses	2,419,778	38	13,852,753
Earnings (losses) before income taxes	(106,394)	(38)	873,831
Income tax (benefit) provision	(40,696)	(14)	334,240
Equity in earnings of Subsidiaries	539,567	--	--
Net earnings	$ 473,869	$ (24)	$ 539,591

CONDENSED CONSOLIDATING RESULTS OF O
FOR THE 13-WEEK PERIOD ENDED MARCH

	SYSCO	SYSCO INTERNATIONAL	OTHER NON-GUARANTOR SUBSIDIARIES
			(IN THOUSANDS)
Sales	$ --	$ --	$ 6,395,278
Cost of sales	--	--	5,144,473
Operating expenses	34,685	259	927,515
Interest expense (income)	98,929	2,697	(83,350)
Other, net	34		(2,695)
Total costs and expenses	133,648	2,956	5,985,943
Earnings (losses) before income taxes	(133,648)	(2,956)	409,335
Income tax (benefit) provision	(51,120)	(1,131)	156,571
Equity in earnings of Subsidiaries	250,939	--	--
Net earnings (loss)	$ 168,411	$ (1,825)	$ 252,764

CONDENSED CONSOLIDATING RESULTS OF
FOR THE 13-WEEK PERIOD ENDED MAR

	SYSCO	SYSCO INTERNATIONAL	OTHER NON-GUARANTOR SUBSIDIARIES
		(IN THOUSANDS)	
Sales	$ 725,392	$ --	$ 4,894,932
Cost of sales	567,743	--	3,942,316
Operating expenses	135,626		716,042
Interest expense (income)	71,814	38	(57,534)
Other, net	39		(916)
Total costs and expenses	775,222	38	4,599,908
Earnings (losses) before income taxes	(49,830)	(38)	295,024
Income tax (benefit) provision	(19,060)	(14)	112,846
Equity in earnings of Subsidiaries	182,154	--	--
Net earnings	$ 151,384	$ (24)	$ 182,178

CONDENSED CONSOLIDATING CASH FLOW
FOR THE 39-WEEK PERIOD ENDED MARCH 29,

	SYSCO	SYSCO INTERNATIONAL	OTHER NON-GUARA SUBSIDIARIE
	(IN THOUSANDS)		
Net cash provided by (used for):			
Operating activities	$ (87,029)	$ 14,625	$ 956,8
Investing activities	(247,725)	--	(274,6
Financing activities	(383,658)	18,232	(8,1
Intercompany activity	746,144	(42,863)	(703,2
Net increase (decrease) in cash	27,732	(10,006)	(29,2
Cash at the beginning of the period	155,461	10,006	32,9
Cash at the end of the period	$ 183,193	$ --	$ 3,7

CONDENSED CONSOLIDATING CASH FLOWS
FOR THE 39-WEEK PERIOD ENDED MARCH 30, 2002

	SYSCO	SYSCO INTERNATIONAL	OTHER NON-GUARANTOR SUBSIDIARIES	
	(IN THOUSANDS)			
Net cash provided by (used for):				
Operating activities	$ (306,067)	$ (32)	$ 1,050,415	$
Investing activities	(47,854)	--	(265,663)	
Financing activities	(427,850)	243,311	(35,920)	
Intercompany activity	854,148	(227,603)	(626,545)	
Net increase in cash	72,377	15,676	122,287	
Cash at the beginning of the period	39,832	--	95,911	
Cash at the end of the period	$ 112,209	$ 15,676	$ 218,198	$

12. BUSINESS SEGMENT INFORMATION

The accounting policies for the segments are the same as those disclosed in the Company's Fiscal 2002 Annual Report on Form 10-K. The Company has aggregated its operating companies into a number of segments, of which only Broadline and SYGMA are reportable segments as defined in SFAS No. 131. Broadline operating companies distribute a

full line of food products and a wide variety of non-food products to both our traditional and chain restaurant customers. SYGMA operating companies distribute a full line of food products and a wide variety of non-food products to some of our chain restaurant customer locations. "Other" financial information is attributable to the Company's other segments, including the Company's specialty produce, meat and lodging industry products segments. The Company's Canadian operations are not significant for geographical disclosure purposes. Intersegment sales represent specialty produce and meat company products distributed by the Broadline and SYGMA operating companies. The segment results include allocation of centrally incurred costs for shared services that eliminate upon consolidation. Centrally incurred costs are allocated based upon the relative level of service used by each operating company.

	39-Weeks Ended		13-Weeks End	
	Mar. 29, 2003	Mar. 30, 2002	Mar. 29, 2003	Ma
Sales (in thousands):				
Broadline	$ 15,796,806	$ 13,967,699	$ 5,247,872	$
SYGMA	2,133,252	1,956,650	713,334	
Other	1,429,382	1,251,424	502,378	
Intersegment sales	(190,943)	(135,805)	(68,306)	
Total	$ 19,168,497	$ 17,039,968	$ 6,395,278	$

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	39-Weeks Ended		13-
	Mar. 29, 2003	Mar. 30, 2002	Mar. 29, 20
Earnings before income taxes (in thousands):			
Broadline	$ 884,738	$ 790,219	$ 281,1
SYGMA	15,789	15,026	5,1
Other	34,200	34,564	9,9
Total segments	934,727	839,809	296,2
Unallocated corporate expenses	(67,436)	(72,410)	(23,4
Total	$ 867,291	$ 767,399	$ 272,7

Mar. 29, 2003	June 29, 2002	Mar. 30, 2002

Assets (in thousands):			
Broadline	$ 4,376,676	$ 3,983,216	$ 3,593,751
SYGMA	193,914	176,093	175,453
Other	469,618	424,982	425,351
Total segments	5,040,208	4,584,291	4,194,555
Corporate	1,615,677	1,405,462	1,632,431
Total	$ 6,655,885	$ 5,989,753	$ 5,826,986

13. CONTINGENCIES

SYSCO is engaged in various legal proceedings which have arisen but have not been fully adjudicated. These proceedings, in the opinion of management, will not have a material adverse effect upon the consolidated financial statements of the Company when ultimately concluded.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Liquidity and Capital Resources

SYSCO provides marketing and distribution services to foodservice customers and suppliers throughout the United States and Canada. The Company intends to continue to expand its market share through profitable sales growth, foldouts, acquisitions, and constant emphasis on the development of its consolidated buying programs. The Company also strives to increase the effectiveness of its marketing associates and the productivity of its warehousing and distribution activities. These objectives require continuing investment. SYSCO's resources include cash provided by operations and access to capital from financial markets.

The Company generated $884,495,000 in net cash from operations for the thirty-nine week period ended March 29, 2003, compared with $744,316,000 for the comparable period in fiscal 2002. The increase in the deferred tax provision was primarily due to the deferral of federal and state income tax payments resulting from the Company's reorganization of its supply chain. The deferred tax provision related to this item was approximately $334,000,000 for the thirty-nine week period ended March 29, 2003 compared to $150,000,000 for the comparable period in fiscal 2002.

A federal tax payment of $75,000,000 normally due in the fourth quarter of fiscal 2001 was deferred until the first quarter of fiscal 2002 as allowed by the Internal Revenue Service due to the Texas tropical storm Allison disaster.

Cash flow from operations for the thirty-nine week period ended March 29, 2003 was negatively impacted by increases in accounts receivable balances of $175,262,000 and inventory balances of $116,560,000 offset by increases in accounts payable balances of $152,606,000. The increases in accounts receivable balances are primarily due to increased sales volumes for the month of March 2003 as compared to June 2002. In addition, SYSCO normally experiences higher volumes with

national contract customers during this period as compared to the month of June which results in these customers having a greater percentage of SYSCO's overall sales for this period as compared to the month of June. The national contract customers' payment terms are traditionally greater than the SYSCO average. The increased sales volumes also contributed to the increase in inventory balances and accounts payable balances.

Cash used for investing activities was $522,412,000 for the thirty-nine week period ended March 29, 2003, compared with $313,517,000 used in the comparable period in fiscal 2002. Expenditures for facilities, fleet and other equipment were $310,392,000 for the thirty-nine week period ended March 29, 2003, compared with $309,343,000 for the comparable period in fiscal 2002. Total capital expenditures in fiscal 2003 are expected to be in the range of $425,000,000 to $450,000,000. Projected capital expenditures include the continuation of the fold-out program; facility, fleet and other equipment replacements and expansions; and the National Supply Chain project.

The National Supply Chain project is expected to create a more efficient and effective supply chain infrastructure for SYSCO, its suppliers and its customers. The project entails the implementation of regional distribution centers, which will aggregate inventory demand to optimize the supply chain activities for certain products from all SYSCO operating companies in the region. The project is expected to achieve lower costs of inventory, transportation, product handling, transaction processing in addition to lowering working capital requirements and facility expansion at the operating companies.

The Northeast Redistribution Center facility is expected to be operational in the summer of 2004 and will receive and redistribute food and food-related products to 14 SYSCO operating companies in the Northeast. Total cash expended for the National Supply Chain project has been $59,600,000 since the initiative began in fiscal 2002. Of that figure, $29,600,000 has been expensed and the remainder has been capitalized. When the Northeast Redistribution Center is completed, total cash expenditures for this phase of the National Supply Chain project are expected to be in the range of $275,000,000 to $325,000,000 which includes developmental costs and information technology systems which will benefit a nation wide rollout. It is estimated that approximately 75% of these costs will be capitalized and the remainder expensed in the period incurred. Capitalized costs for additional redistribution centers in other regions are expected to be in the range of $65,000,000 to $75,000,000.

In October 2002, SYSCO acquired Abbott Foods, Inc., an independently owned broadline foodservice distributor located in Columbus, Ohio, and the net assets of Pronamics, the quick-service distribution division of prizm brandz located in Canada. In November 2002, SYSCO acquired Asian Foods, Inc., a specialty distributor of products and services to the Asian foodservice market located in St. Paul, Minnesota and Kansas City, Missouri and a subsidiary of SYSCO acquired certain assets of the Denver operations of Marriott Distribution Services, Inc., a wholly owned subsidiary of Marriott International, Inc. SYSCO expended approximately $169,492,000 in cash related to acquisitions during the first thirty-nine weeks of fiscal 2003.

In April 2003, a subsidiary of SYSCO acquired the specialty meat cutting division of the Colorado Boxed Beef Company and its affiliated broadline foodservice operation, J&B Foodservice located in Auburndale,

Florida. In May 2003, a subsidiary of SYSCO acquired the paper and chemical products distributor Reed Distributors, Inc. located in Lewiston, Maine.

Cash used for financing activities was $373,566,000 for the thirty-nine week period ended March 29, 2003, compared with $220,459,000 for the comparable period in fiscal 2002. Stock repurchases in the thirty-nine week period ended March 29, 2003 totaled 12,963,700 shares at a cost of $372,808,000 as compared to 11,149,100 shares at a cost of $282,904,000 for the comparable period in fiscal 2002. The remaining number of shares available for repurchase as of March 29, 2003 as authorized by the Board was 12,599,500.

Dividends paid in the thirty-nine week period ended March 29, 2003 were $190,336,000, or $0.29 per share, as compared to $153,469,000, or $0.23 per share, in the comparable period of fiscal 2002. In February 2003, SYSCO declared its regular quarterly dividend for the fourth quarter of fiscal 2003, at $0.11 per share, payable in April 2003. In May 2003, SYSCO also declared its regular quarterly dividend for the first quarter of fiscal 2004, at $0.11 per share, payable in July 2003.

As of March 29, 2003, SYSCO had uncommitted bank lines of credit, which provide for unsecured borrowings for working capital of up to $95,000,000, of which none was outstanding at March 29, 2003.

As of March 29, 2003, SYSCO's borrowings under its commercial paper programs were $181,350,000. Such borrowings were $226,214,000 as of May 2, 2003. During the thirty-nine week period ended March 29, 2003, commercial paper and short-term bank borrowings ranged from approximately $55,813,000 to $495,703,000.

Long-term debt to capitalization ratio was 36.8% at March 29, 2003, within the 35% to 40% target ratio.

Cash generated from operations is first allocated to working capital requirements. Any remaining cash generated from operations, as supplemented by commercial paper and other bank borrowings, may, at the discretion of management, be applied towards investments in facilities, fleet and other equipment; cash dividends; acquisitions fitting within the Company's overall growth strategy; and the share repurchase program. Management believes that the Company's cash flows from operations, as well as the availability of additional capital under its existing commercial paper programs, debt shelf registration and its ability to access capital from financial markets in the future, will be sufficient to meet its cash requirements while maintaining proper liquidity for normal operating purposes.

Results of Operations

Sales increased 12.5% during the thirty-nine weeks and 13.8% in the third quarter of fiscal 2003 over the comparable periods of the prior year. After adjusting for internally estimated product cost decreases (deflation) and acquisitions, real sales growth was approximately 6.8% for the first thirty-nine weeks of fiscal 2003. Acquisitions represented 6.5% of sales increases and deflation was 0.8%. This compared to real sales growth of 1.7% for the first thirty-nine weeks of fiscal 2002, after adjusting the 6.5% in overall sales growth by 2.6% for acquisitions and 2.2% for internally estimated product cost increases (inflation). After adjusting the 13.8% in overall sales growth for internally estimated inflation and acquisitions, real sales growth was approximately 5.7% for the third quarter of fiscal 2003.

Acquisitions represented 7.3% of sales increases and inflation was 0.8%. This compared to real sales growth of 2.7% for the third quarter of fiscal 2002, after adjusting the 5.2% in overall sales growth by 1.5% for acquisitions and 1.0% for inflation. Management believes that the presentation of real sales growth information is useful to investors as an indicator of the Company's organic growth without regard to inflation and acquisitions.

Cost of sales was 80.3% for the first thirty-nine weeks and 80.4% for the third quarter of fiscal 2003, respectively, as compared to 80.3% and 80.2%, respectively, for the comparable periods in the prior year. The increase in cost of sales for the third quarter of fiscal 2003 was mainly attributed to the higher cost of sales at SERCA whose results are not reflected in the prior period as it was acquired at the end of March 2002.

Operating expenses were 14.9% of sales for the first thirty-nine weeks of fiscal 2003 and 15.0% for the third quarter of fiscal 2003, as compared to 15.0% and 15.2%, respectively, for the comparable periods in the prior year. The reduction in operating expenses as a percentage to sales was primarily attributable to increases in operating efficiencies driven by our investments in technology systems including the SYSCO Order Selector (SOS) and our delivery vehicle routing systems as well as the lower expenses as a percent to sales at SERCA whose results are not reflected in the prior period as it was acquired at the end of March 2002.

In fiscal 2003, SYSCO adopted Statement of Financial Accounting Standards (SFAS) No. 142, "Accounting for Goodwill and Other Intangible Assets." Goodwill amortization for the thirty-nine weeks and the third quarter of fiscal 2002 was $18,346,000 and $6,123,000, respectively. The elimination of this expense item in fiscal 2003 was offset by other corporate expenses incurred including expenses incurred related to the National Supply Chain project of approximately $14,255,000 for the first thirty-nine weeks of fiscal 2003 and $4,454,000 for the third quarter of fiscal 2003, as well as charges taken to adjust the carrying value of life insurance assets to their cash surrender value of approximately $13,156,000 for the first thirty-nine weeks of fiscal 2003 and $3,271,000 for the third quarter of fiscal 2003.

Expenses recognized for these items in the comparable periods of fiscal 2002 were not significant.

Management expects that its net pension cost related to its defined benefit obligations for fiscal 2003 will be approximately $20,000,000 higher than fiscal 2002, or approximately $5,000,000 higher per quarter primarily due to a previous change in management's assumptions including those related to the discount rate and expected return on plan assets.

Interest expense increased 12.7% during the first thirty-nine weeks and 27.6% for the third quarter of fiscal 2003, respectively, over the comparable periods of the prior year, primarily due to increased borrowing levels.

Other net income increased to $8,679,000 in the first thirty-nine weeks of fiscal 2003. The increase includes a gain on the sale of a facility and other miscellaneous items.

Income taxes for the periods presented reflect an effective rate of

38.25%.

Pretax earnings and net earnings increased 13.0% for the first thirty-nine weeks and 11.2% for the third quarter of fiscal 2003 over the comparable periods of the prior year. The increases were due to the factors discussed above.

Basic earnings per share increased 15.4% for the first thirty-nine weeks and 13.0% for the third quarter of fiscal 2003 over the comparable periods of the prior year. Diluted earnings per share increased 15.7% for the first thirty-nine weeks and 13.0% for the third quarter of fiscal 2003 over the comparable periods of the prior year. The increases were the result of factors discussed above as well as a reduction of shares outstanding due to share repurchases.

Broadline Segment

The Broadline segment had sales increases of 13.1% and 14.4% for the thirty-nine weeks and thirteen weeks ended March 29, 2003, respectively, as compared to the comparable prior year periods. This increase was due primarily to the acquisition of SERCA and Abbott, increased sales to marketing associate-served customers including increased sales of SYSCO Brand products and increased sales to multi-unit customers. These increases were reflected in increased sales to the Company's existing customer base and to new customers. Excluding Canadian operations, marketing associate-served sales as a percentage of broadline sales increased to 55.3% and 53.9%, respectively, for the thirty-nine weeks and thirteen weeks ended March 29, 2003, respectively, as compared to 54.8% and 54.0%, respectively, for the comparable prior year periods. Excluding Canadian operations, SYSCO Brand sales as a percentage of broadline sales, increased to 48.6% and 48.2%, respectively, for the thirty-nine weeks and thirteen weeks ended March 29, 2003 as compared to 48.1%, respectively, for the comparable prior year periods.

Pretax earnings for the Broadline segment increased by 12.0% and 12.3% for the thirty-nine weeks and thirteen weeks ended March 29, 2003, respectively, over the comparable prior year periods. The increases in pretax earnings were primarily due to increases in sales to marketing associate served customers and in sales of SYSCO Brand products, both of which generate higher gross margins, increased operating efficiencies resulting in lower expenses as a percentage to sales and the acquisition of SERCA and Abbott.

SYGMA Segment

SYGMA segment sales increased by 9.0% and 9.9% for the thirty-nine weeks and thirteen weeks ended March 29, 2003, respectively, over the comparable prior year periods. The increases were due primarily to sales growth in SYGMA's existing customer base and the acquisition of Pronamics and the Denver operations of Marriott Distribution Services, Inc.

Pretax earnings for the SYGMA segment increased by 5.1% and decreased by 1.6% for the thirty-nine weeks and thirteen weeks ended March 29, 2003, respectively, over the comparable prior year periods. The increase for the thirty-nine week period was primarily a result of increased sales and operating efficiencies. The decrease for the thirteen week period was primarily a result of initially increased operating expenses related to the integration of the acquired operations.

Other Segment

Other segment sales increased by 14.2% and 16.6% for the thirty-nine weeks and thirteen weeks ended March 29, 2003, respectively, over the comparable prior year periods. The increases were due to increased sales to the existing customer base, sales to new customers, the acquisition of Asian Foods, Inc. and increased sales to SYSCO broadline companies.

Pretax earnings for the Other segment decreased by 1.1% and 24.6% for the thirty-nine weeks and thirteen weeks ended March 29, 2003, respectively, over the comparable prior year periods. The decreases were primarily a result of expenses incurred on a start-up operation supplying the health care industry, decreased profits at our operations servicing the lodging industry which has been impacted by the reduced activity in the tourism industry and reduced profits at our specialty meat cutting operations. The decreased profits at the specialty meat cutting operations are primarily attributable to initially decreased gross margins as costs increase in an inflationary period (as compared to a deflationary period in the prior year) and increased costs associated with entering new markets. In the third quarter, two new specialty meat cutting operations were opened in Chicago, Illinois and South Plainfield, New Jersey.

New Accounting Standards

SYSCO adopted the provisions of SFAS No. 142, "Accounting for Goodwill and Other Intangible Assets" effective with the beginning of fiscal year 2003. As a result, the amortization of goodwill was discontinued. Management has completed its preliminary assessment of the impact that the adoption of SFAS No. 142 had on the Company's consolidated financial statements and has concluded that there was no impairment to the carrying value of goodwill. Goodwill amortization, net of tax, for the first thirty-nine weeks of fiscal 2002 was $15,163,000, or $.02 earnings per share and $.02 diluted earnings per share.

SYSCO adopted the provisions of SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" effective with the beginning of fiscal year 2003. The adoption of SFAS No. 144 has not had a material effect on the Company's consolidated financial statements.

SYSCO adopted the provisions of FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." This interpretation requires certain guarantees to be recorded at fair value and also requires a guarantor to make certain disclosures regarding guarantees. This interpretation's initial recognition and initial measurement provisions are applicable on a prospective basis to

guarantees issued or modified after December 31, 2002. The disclosure requirements are effective for SYSCO's financial statements for the third quarter of fiscal 2003. The adoption of this interpretation did not have a material impact on SYSCO's consolidated financial statements or disclosures.

SYSCO adopted the provisions of SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure." SFAS No. 148 provides alternative methods of transition to SFAS No. 123, "Accounting for Stock-Based Compensation" fair value method of accounting for stock-based employee compensation if a Company elects to adopt these provisions. SFAS No. 148 also specifies required disclosures of an

entity's accounting policy with respect to stock-based employee compensation on reported net income and earnings per share in annual and interim financial statements. These disclosure requirements are effective for SYSCO's financial statements for the third quarter of fiscal 2003 and have been included in footnote 9.

SYSCO adopted the provisions of the EITF Issue No. 02-16 "Accounting by a Customer (including a Reseller) for Cash Consideration Received from a Vendor." The provisions of EITF No. 02-16 are effective for fiscal periods beginning after December 15, 2002 with certain provisions effective for arrangements entered into after November 21, 2002. SYSCO's historical accounting policies are consistent with the provisions of EITF No. 02-16 and thus SYSCO has chosen to adopt this accounting policy at the current date. EITF No. 02-16 provides guidance as to the recognition and classification of monies received from vendors. The adoption of this consensus did not have an impact on SYSCO's consolidated financial statements.

SYSCO adopted the provisions of the EITF Issue 02-17 "Recognition of Customer Relationship Intangible Assets Acquired in a Business Combination" effective October 2002. EITF No. 02-17 addresses the intangible asset recognition criteria of SFAS No. 141 "Business Combinations" and provides that an intangible asset related to customer intangibles may exist even though the relationship is not evidenced by a contract. The adoption of this consensus did not have a material impact on SYSCO's consolidated financial statements.

In November 2002, the EITF reached a consensus on Issue No. 00-21 "Multiple-Deliverable Revenue Arrangements." EITF No. 00-21 addresses how to account for revenue arrangements with multiple deliverables and provides guidance relating to when such arrangements should be divided into components for revenue recognition purposes. The consensus will be effective for agreements entered into in fiscal year 2004 with early adoption permitted. The adoption of this consensus will not have a material impact on SYSCO's consolidated financial statements.

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities, an Interpretation of Accounting Research Bulletin (ARB) No. 51." FIN 46 introduces a new consolidation model, the variable interests model, which determines control (and consolidation) based on potential variability in gains and losses of the entity being evaluated for consolidation. The interpretation's consolidation provisions apply immediately to variable interests in variable interest entities (VIE's) created after January 31, 2003 and apply in the first fiscal year or interim period beginning after June 15, 2003 to VIE's acquired before February 1, 2003. The adoption of this interpretation will not have a material impact on SYSCO's consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

SYSCO does not utilize financial instruments for trading purposes. SYSCO's use of debt directly exposes the Company to interest rate risk. Floating rate debt, where the interest rate fluctuates periodically, exposes the Company to short-term changes in market interest rates. Fixed rate debt, where the interest rate is fixed over the life of the instrument, exposes the Company to changes in market interest rates reflected in the fair value of the debt and to the risk the Company may

need to refinance maturing debt with new debt at a higher rate.

SYSCO manages its debt portfolio to achieve an overall desired position of fixed and floating rates and may employ interest rate swaps as a tool to achieve that goal. The major risks from interest rate derivatives include changes in interest rates affecting the fair value of such instruments, potential increases in interest expense due to market increases in floating interest rates and the creditworthiness of the counterparties in such transactions. At March 29, 2003, the Company had outstanding one interest rate swap agreement whereby SYSCO exchanged the fixed interest payments on the $200,000,000 principal amount of 4.75% notes for floating interest rates. At March 29, 2003 the Company had outstanding $181,350,000 of commercial paper at variable rates of interest with maturities through June 27, 2003. The Company's remaining debt obligations of $1,204,483,000 were primarily at fixed rates of interest except for $200,000,000 in fixed rate debt swapped to a floating rate of interest as discussed above.

Item 4. Controls and Procedures

Within the 90-day period prior to the date of this report, an evaluation was performed under the supervision and with the participation of the Company's management, including the CEO and CFO, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that evaluation, the Company's management, including the CEO and CFO, concluded that the Company's disclosure controls and procedures were effective as of the evaluation date. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect internal controls subsequent to the date the Company carried out its evaluation.

Forward-Looking Statements

Certain statements made herein are forward-looking statements under the Private Securities Litigation Reform Act of 1995. They include statements regarding potential future repurchases under the share repurchase program, market risks, the impact of ongoing legal proceedings, the timing, expected operating efficiencies, cost savings and other benefits of the National Supply Chain project, including the Northeast Redistribution Center, anticipated capital expenditures, the ability to increase market share, sales growth, and SYSCO's ability to meet cash requirements while maintaining proper liquidity. These statements involve risks and uncertainties and are based on management's current expectations and estimates; actual results may differ materially. Those risks and uncertainties that could impact these statements include the risks relating to the foodservice distribution industry's relatively low profit margins and sensitivity to general economic conditions, including the current economic environment; SYSCO's leverage and debt risks; the ultimate outcome of litigation; risks relating to the successful completion and operation of the National Supply Chain project including the Northeast Redistribution Center, and internal factors such as the ability to control expenses.

In addition, share repurchases could be affected by market prices for the Company's securities as well as management's decision to utilize its capital for other purposes. The effect of market risks could be impacted by future borrowing levels and certain economic factors such as interest rates. For a more detailed discussion of these and other factors that could cause actual results to differ from those

contained in the forward-looking statements, see the Company's Annual Report on Form 10-K for the fiscal year ended June 29, 2002.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

SYSCO is engaged in various legal proceedings which have arisen but have not been fully adjudicated. These proceedings, in the opinion of management, will not have a material adverse effect upon the consolidated financial statements of the Company when ultimately concluded.

Item 2. Changes in Securities and Use of Proceeds.

None

Item 3. Defaults upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits.

3(a) Restated Certificate of Incorporation, incorporated by reference to Exhibit 3(a) to Form 10-K for the year ended June 28, 1997 (File No. 1-6544).

3(b) Bylaws, as amended and restated February 8, 2002, incorporated by reference to 3(b) Exhibit 3(b) to Form 10-Q for the quarter ended December 29, 2001 (File No. 1-6544).

3(c) Form of Amended Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock, incorporated by reference to Exhibit 3(c) to Form 10-K for the year ended June 29, 1996 (File No. 1-6544).

3(d) Certificate of Amendment of Certificate of Incorporation increasing authorized shares, incorporated by reference to Exhibit 3(d) to Form 10-Q for the quarter ended January 1, 2000 (File No. 1-6544).

4(a) Senior Debt Indenture, dated as of June 15, 1995, between Sysco Corporation and First Union National Bank of North Carolina, Trustee, incorporated by reference to Exhibit 4(a) to Registration Statement on Form S-3 filed June 6, 1995 (File No. 33-60023).

4(b)	First Supplemental Indenture, dated June 27, 1995, between Sysco Corporation and First Union National Bank of North Carolina, Trustee, as amended, incorporated by reference to Exhibit 4(e) to Form 10-K for the year ended June 29, 1996 (File No. 1-6544).
4(c)	Second Supplemental Indenture, dated as of May 1, 1996, between Sysco Corporation and First Union National Bank of North Carolina, Trustee, as amended, incorporated by reference to Exhibit 4(f) to Form 10-K for the year ended June 29, 1996 (File No. 1-6544).
4(d)	Third Supplemental Indenture, dated as of April 25, 1997, between Sysco Corporation and First Union National Bank of North Carolina, Trustee, incorporated by reference to Exhibit 4(g) to Form 10-K for the year ended June 28, 1997 (File No. 1-6544).
4(e)	Fourth Supplemental Indenture, dated as of April 25, 1997, between Sysco Corporation and First Union National Bank of North Carolina, Trustee, incorporated by reference to Exhibit 4(h) to Form 10-K for the year ended June 28, 1997 (File No. 1-6544).
4(f)	Fifth Supplemental Indenture, dated as of July 27, 1998, between Sysco Corporation and First Union National Bank, Trustee, incorporated by reference to Exhibit 4 (h) to Form 10-K for the year ended June 27, 1998 (File No. 1-6554).
4(g)	Sixth Supplemental Indenture, including form of Note, dated April 5, 2002 between SYSCO Corporation, as Issuer, and Wachovia Bank, National Association (formerly First Union National Bank of North Carolina), as Trustee, incorporated by reference to Exhibit 4.1 to Form 8-K dated April 5, 2002 (File No. 1-6544).
4(h)	Indenture dated May 23, 2002 between SYSCO International, Co., SYSCO Corporation and Wachovia Bank, National Association, incorporated by reference to Exhibit 4.1 to Registration Statement on Form S-4 filed August 21, 2002 (File No. 333-98489).
4(i)	Credit Agreement dated September 13, 2002 by and among SYSCO Corporation, JPMorgan Chase Bank, individually and as Administrative Agent, the Co-Syndication Agents named therein and the other financial institutions party thereto, incorporated by reference to Exhibit 4(i) to Form 10-Q for the quarter ended September 28, 2002 (File No. 1-6544).
*15(a)	Report from Ernst & Young LLP dated May 12, 2003, re: unaudited financial statements.

*15(b) Acknowledgment letter from Ernst & Young LLP.

*99(a) CEO Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

*99(b) CFO Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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* Filed herewith.

(b) Reports on Form 8-K:

On January 27, 2003, the Company filed a current report on Form 8-K announcing the results of its second quarter ended December 28, 2002.

SIGNATURES

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 thereunto duly authorized.

SYSCO CORPORATION
(Registrant)

By /s/ RICHARD J. SCHNIEDERS

Richard J. Schnieders
Chairman and Chief Executive Officer

Date: May 12, 2003

By /s/ JOHN K. STUBBLEFIELD, JR.

John K. Stubblefield, Jr.
Executive Vice President,
Finance & Administration

Date: May 12, 2003

CERTIFICATION

I, Richard J. Schnieders, Chairman and Chief Executive Officer of Sysco Corporation (the "Company"), certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sysco Corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ RICHARD J. SCHNIEDERS

Richard J. Schnieders
Chairman and Chief Executive Officer

Date: May 12, 2003

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CERTIFICATION

I, John K. Stubblefield Jr., Executive Vice President, Finance and Administration of Sysco Corporation (the "Company"), certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sysco Corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report; 4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the

registrant's internal controls;

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ JOHN K. STUBBLEFIELD, JR.

John K. Stubblefield, Jr.
Executive Vice President,
Finance and Administration

Date: May 12, 2003

EXHIBIT INDEX

NO.	DESCRIPTION
3(a)	Restated Certificate of Incorporation, incorporated by reference to Exhibit 3(a) to Form 10-K for the year ended June 28, 1997 (File No. 1-6544).
3(b)	Bylaws, as amended and restated February 8, 2002, incorporated by reference to Exhibit 3(b) to Form 10-Q for the quarter ended December 29, 2001 (File No. 1-6544).
3(c)	Form of Amended Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock, incorporated by reference to Exhibit 3(c) to Form 10-K for the year ended June 29, 1996 (File No. 1-6544).
3(d)	Certificate of Amendment of Certificate of Incorporation increasing authorized shares,

	incorporated by reference to Exhibit 3(d) to Form 10-Q for the quarter ended January 1, 2000 (File No. 1-6544).
4(a)	Senior Debt Indenture, dated as of June 15, 1995, between Sysco Corporation and First Union National Bank of North Carolina, Trustee, incorporated by reference to Exhibit 4(a) to Registration Statement on Form S-3 filed June 6, 1995 (File No. 33-60023).
4(b)	First Supplemental Indenture, dated June 27, 1995, between Sysco Corporation and First Union National Bank of North Carolina, Trustee, as amended, incorporated by reference to Exhibit 4(e) to Form 10-K for the year ended June 29, 1996 (File No. 1-6544).
4(c)	Second Supplemental Indenture, dated as of May 1, 1996, between Sysco Corporation and First Union National Bank of North Carolina, Trustee, as amended, incorporated by reference to Exhibit 4(f) to Form 10-K for the year ended June 29, 1996 (File No. 1-6544).
4(d)	Third Supplemental Indenture, dated as of April 25, 1997, between Sysco Corporation and First Union National Bank of North Carolina, Trustee, incorporated by reference to Exhibit 4(g) to Form 10-K for the year ended June 28, 1997 (File No. 1-6544).
4(e)	Fourth Supplemental Indenture, dated as of April 25, 1997, between Sysco Corporation and First Union National Bank of North Carolina, Trustee, incorporated by reference to Exhibit 4(h) to Form 10-K for the year ended June 28, 1997 (File No. 1-6544).
4(f)	Fifth Supplemental Indenture, dated as of July 27, 1998, between Sysco Corporation and First Union National Bank, Trustee, incorporated by reference to Exhibit 4(h) to Form 10-K for the year ended June 27, 1998 (File No. 1-6554).
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* Filed herewith.