

Table 3.
THE KROGER CO.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)
(unaudited)

	YEAR TO DATE	
	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings	\$ 336.6	\$ 306.4
Adjustment to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	403.7	387.4
LIFO charge	20.3	10.2
Stock option expense	22.3	21.8
Expense for Company-sponsored pension plans	18.9	49.4
Deferred income taxes	(12.2)	(19.4)
Other	7.9	50.9
Changes in operating assets and liabilities, net of effects of acquisitions:		
Store deposits in-transit	42.6	(34.3)
Receivables	50.4	(16.3)
Inventories	(109.0)	32.0
Prepaid expenses	286.1	224.5
Accounts payable	89.7	67.5
Accrued expenses	(161.9)	(116.9)
Income tax payables and receivables	158.3	167.7
Contribution to Company-sponsored pension plan	(50.1)	(150.0)
Other long-term liabilities	5.4	3.0
Net cash provided by operating activities	<u>1,109.0</u>	<u>983.9</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property and equipment	(607.6)	(420.0)
Proceeds from sale of assets	13.7	53.0
Other	(6.6)	(2.8)
Net cash used by investing activities	<u>(600.5)</u>	<u>(369.8)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from lease-financing transactions	3.2	-
Payments for long-term debt	(213.8)	(24.9)
Payments on bank revolver	(241.9)	-
Dividends paid	(46.0)	-
Proceeds from issuance of common stock	150.8	48.9
Treasury stock purchases	(132.1)	(133.5)
Decrease in book overdrafts	(29.5)	(54.4)
Other	-	(0.7)
Net cash used by financing activities	<u>(509.3)</u>	<u>(164.6)</u>
NET INCREASE (DECREASE) IN CASH	(0.8)	449.5
CASH AT BEGINNING OF YEAR	189.3	210.0
CASH AT END OF QUARTER	<u>\$ 188.5</u>	<u>\$ 659.5</u>
Reconciliation of capital expenditures		
Payments for property and equipment	\$ (607.6)	\$ (420.0)
Changes in construction-in-progress payables	51.8	(29.9)
Total capital expenditures	<u>\$ (555.8)</u>	<u>\$ (449.9)</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 139.4	\$ 178.6
Cash paid during the year for income taxes	\$ 19.5	\$ 24.1

Note: Certain prior-year amounts have been reclassified to conform to current-year presentation.