

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	\$ 603.8	\$ 515.4
Adjustment to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	714.6	677.7
LIFO charge	60.0	22.6
Stock option expense	48.1	38.9
Expense for Company-sponsored pension plans	33.1	78.1
Deferred income taxes	(13.0)	(63.7)
Other	23.6	54.9
Changes in operating assets and liabilities, net of effects of acquisitions:		
Store deposits in-transit	50.0	(53.1)
Receivables	90.1	(29.2)
Inventories	(10.9)	35.1
Prepaid expenses	303.2	256.7
Accounts payable	26.1	116.6
Accrued expenses	(54.2)	47.6
Income tax payables and receivables	305.5	290.4
Contribution to Company-sponsored pension plan	(50.2)	(150.0)
Other long-term liabilities	25.1	7.9
Net cash provided by operating activities	<u>2,154.9</u>	<u>1,845.9</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for capital expenditures	(1,074.6)	(763.3)
Payments for acquisitions	(85.5)	-
Proceeds from sale of assets	22.8	75.1
Other	(32.3)	(13.6)
Net cash used by investing activities	<u>(1,169.6)</u>	<u>(701.8)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from lease-financing transactions	3.2	-
Proceeds from issuance of long-term debt	300.0	-
Payments for long-term debt	(534.0)	(267.3)
Payments on bank revolver	(152.1)	-
Dividends paid	(99.1)	(47.0)
Proceeds from issuance of common stock	181.5	76.5
Treasury stock purchases	(710.2)	(295.2)
Decrease in book overdrafts	4.1	(38.1)
Other	(3.7)	20.1
Net cash used by financing activities	<u>(1,010.3)</u>	<u>(551.0)</u>
NET INCREASE (DECREASE) IN CASH	(25.0)	593.1
CASH AT BEGINNING OF YEAR	<u>189.3</u>	<u>210.0</u>
CASH AT END OF QUARTER	<u>\$ 164.3</u>	<u>\$ 803.1</u>
Reconciliation of capital expenditures		
Payments for capital expenditures	\$ (1,074.6)	\$ (763.3)
Changes in construction-in-progress payables	37.9	(47.8)
Total capital expenditures	<u>\$ (1,036.7)</u>	<u>\$ (811.1)</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 245.5	\$ 274.6
Cash paid during the year for income taxes	\$ 26.1	\$ 44.6

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