

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

	YEAR-TO-DATE	
	2007	2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net earnings	\$ 857.6	\$ 730.1
Adjustment to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	1,030.1	972.7
LIFO charge	100.0	52.7
Stock option expense	68.0	54.7
Expense for Company-sponsored pension plans	47.3	122.5
Gain on sale of property	(7.2)	(35.5)
Deferred income taxes	(102.1)	(91.2)
Other	40.5	35.0
Changes in operating assets and liabilities, net of effects of acquisitions:		
Store deposits in-transit	34.3	(107.6)
Receivables	34.4	(38.3)
Inventories	(659.1)	(534.7)
Prepaid expenses	321.8	276.9
Accounts payable	348.5	331.8
Accrued expenses	88.1	50.8
Income tax payables and receivables	121.0	188.3
Contribution to Company-sponsored pension plan	(51.5)	(150.0)
Other long-term liabilities	4.8	(27.5)
Net cash provided by operating activities	2,276.5	1,830.7
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for capital expenditures	(1,627.7)	(1,177.8)
Payments for acquisitions	(85.5)	-
Proceeds from sale of assets	46.4	126.0
Other	(46.3)	(40.2)
Net cash used by investing activities	(1,713.1)	(1,092.0)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from lease-financing transactions	7.6	15.0
Proceeds from issuance of long-term debt	624.9	-
Payments for long-term debt	(545.3)	(542.9)
Borrowings on bank revolver	341.0	264.9
Dividends paid	(151.1)	(93.7)
Proceeds from issuance of common stock	214.9	89.0
Treasury stock purchases	(1,152.3)	(527.2)
Increase (decrease) in book overdrafts	78.5	(35.5)
Other	(4.6)	23.0
Net cash used by financing activities	(586.4)	(807.4)
<b>NET DECREASE IN CASH</b>	(23.0)	(68.7)
<b>CASH AT BEGINNING OF YEAR</b>	189.3	210.0
<b>CASH AT END OF QUARTER</b>	\$ 166.3	\$ 141.3
<b>Reconciliation of capital expenditures</b>		
Payments for capital expenditures	\$ (1,627.7)	\$ (1,177.8)
Changes in construction-in-progress payables	35.7	(48.2)
Total capital expenditures	\$ (1,592.0)	\$ (1,226.0)
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid during the year for interest	\$ 386.5	\$ 412.3
Cash paid during the year for income taxes	\$ 326.8	\$ 291.7

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