

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

	YEAR-TO-DATE	
	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net earnings	\$ 662.5	\$ 603.8
Adjustment to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	759.9	714.6
LIFO charge	86.2	60.0
Stock-based employee compensation	47.9	48.1
Expense for Company-sponsored pension plans	16.3	33.1
Deferred income taxes	106.0	(13.0)
Other	16.8	23.6
Changes in operating assets and liabilities, net of effects from acquisitions of businesses:		
Store deposits in-transit	14.1	50.0
Receivables	16.3	90.1
Inventories	40.0	(10.9)
Prepaid expenses	282.9	303.2
Accounts payable	19.7	26.0
Accrued expenses	(2.5)	(54.2)
Income taxes receivable (payable)	49.8	305.5
Contribution to Company-sponsored pension plan	(0.3)	(50.2)
Other long-term liabilities	10.5	25.1
Net cash provided by operating activities	2,126.1	2,154.8
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for capital expenditures	(1,053.0)	(1,074.6)
Payments for acquisitions	(79.5)	(85.5)
Proceeds from sale of assets	48.5	22.8
Other	-	(32.3)
Net cash used by investing activities	(1,084.0)	(1,169.6)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from lease-financing transactions	2.6	3.2
Proceeds from issuance of long-term debt	775.0	300.0
Payments for long-term debt	(987.4)	(534.0)
Payments on bank revolver	(287.9)	(152.1)
Dividends paid	(108.9)	(99.1)
Excess tax benefits on stock-based awards	8.6	30.5
Proceeds from issuance of common stock	157.3	151.0
Treasury stock purchases	(538.9)	(710.2)
Increase (decrease) in book overdrafts	(92.2)	4.1
Other	(7.2)	(3.7)
Net cash used by financing activities	(1,079.0)	(1,010.3)
NET DECREASE IN CASH	(36.9)	(25.1)
CASH FROM CONSOLIDATED VIE	65.0	-
CASH AT BEGINNING OF YEAR	241.6	189.3
CASH AT END OF QUARTER	\$ 269.7	\$ 164.2
Reconciliation of capital expenditures		
Payments for capital expenditures	\$ (1,053.0)	\$ (1,074.6)
Changes in construction-in-progress payables	(61.9)	37.9
Total capital expenditures	\$ (1,114.9)	\$ (1,036.7)
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 294.4	\$ 245.5
Cash paid during the year for income taxes	\$ 282.6	\$ 26.1

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