

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

	YEAR-TO-DATE	
	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings	\$ 900.2	\$ 857.6
Adjustment to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	1,094.5	1,030.1
LIFO charge	155.0	100.0
Stock-based employee compensation	69.3	68.0
Expense for Company-sponsored pension plans	24.3	47.3
Deferred income taxes	147.2	(102.1)
Other	28.1	33.3
Changes in operating assets and liabilities, net of effects from acquisitions of businesses:		
Store deposits in-transit	65.9	34.3
Receivables	(20.1)	34.4
Inventories	(667.3)	(659.1)
Prepaid expenses	301.5	321.8
Accounts payable	306.9	348.5
Accrued expenses	0.2	88.1
Income taxes receivable (payable)	(24.8)	121.0
Contribution to Company-sponsored pension plan	(20.3)	(51.5)
Other long-term liabilities	(4.8)	4.8
Net cash provided by operating activities	<u>2,355.8</u>	<u>2,276.5</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for capital expenditures	(1,612.6)	(1,627.7)
Payments for acquisitions	(79.5)	(85.5)
Proceeds from sale of assets	50.7	46.4
Other	(10.2)	(46.3)
Net cash used by investing activities	<u>(1,651.6)</u>	<u>(1,713.1)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from lease-financing transactions	10.2	7.6
Proceeds from issuance of long-term debt	777.7	624.9
Payments for long-term debt	(1,017.2)	(545.3)
Payments on bank revolver	133.0	341.0
Dividends paid	(167.8)	(151.1)
Excess tax benefits on stock-based awards	13.4	34.1
Proceeds from issuance of common stock	164.3	180.8
Treasury stock purchases	(625.5)	(1,152.3)
Increase (decrease) in book overdrafts	(18.7)	78.5
Other	(0.6)	(4.6)
Net cash used by financing activities	<u>(731.2)</u>	<u>(586.4)</u>
NET DECREASE IN CASH	(27.0)	(23.0)
CASH FROM CONSOLIDATED VARIABLE INTEREST ENTITY	65.0	-
CASH AT BEGINNING OF YEAR	241.6	189.3
CASH AT END OF QUARTER	<u>\$ 279.6</u>	<u>\$ 166.3</u>
Reconciliation of capital expenditures		
Payments for capital expenditures	\$ (1,612.6)	\$ (1,627.7)
Changes in construction-in-progress payables	(106.1)	35.7
Total capital expenditures	<u>\$ (1,718.7)</u>	<u>\$ (1,592.0)</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 404.1	\$ 386.5
Cash paid during the year for income taxes	\$ 444.1	\$ 326.8

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