

Table 3.

THE KROGER CO.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)

(unaudited)

	YEAR TO DATE	
	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings	\$ 730.1	\$ 676.0
Adjustment to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	972.6	969.6
LIFO charge	52.7	26.9
Stock option expense	54.7	-
Pension expense for Company-sponsored pension plans	122.5	98.2
Deferred income taxes	(91.2)	(61.7)
Other	(0.4)	34.1
Changes in operating assets and liabilities, net of effects of acquisitions:		
Store deposits in-transit	(107.6)	(55.7)
Receivables	(38.3)	(3.2)
Inventories	(534.7)	(456.6)
Prepaid expenses	276.9	321.2
Accounts payable	331.8	344.0
Accrued expenses	50.8	122.2
Income tax payables and receivables	188.3	345.6
Contribution to company sponsored pension plan	(150.0)	(300.0)
Other long-term liabilities	(27.5)	(11.6)
Net cash provided by operating activities	1,830.7	2,049.0
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property and equipment	(1,177.8)	(1,010.9)
Proceeds from sale of assets	126.0	60.5
Other	(40.2)	(21.4)
Net cash used by investing activities	(1,092.0)	(971.8)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt	-	13.4
Proceeds from lease-financing transactions	15.0	-
Payments for long-term debt	(542.9)	(61.3)
Borrowings (payments) on bank revolver	264.9	(629.4)
Dividends paid	(93.7)	-
Proceeds from issuance of common stock	89.0	75.9
Treasury stock purchases	(527.2)	(202.4)
Decrease in book overdrafts	(35.5)	(180.8)
Other	23.0	0.2
Net cash used by financing activities	(807.4)	(984.4)
NET INCREASE (DECREASE) IN CASH	(68.7)	92.8
CASH AT BEGINNING OF YEAR	210.0	144.1
CASH AT END OF QUARTER	\$ 141.3	\$ 236.9
Reconciliation of capital expenditures		
Payments for property and equipment	\$ (1,177.8)	\$ (1,010.9)
Changes in construction-in-progress payables	(48.2)	1.6
Total capital expenditures	\$ (1,226.0)	\$ (1,009.3)
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 412.3	\$ 442.5
Cash paid during the year for income taxes	\$ 291.7	\$ 112.3

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