

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	\$ 515.4	\$ 490.7
Adjustment to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	677.7	682.4
LIFO charge	22.6	18.8
Stock option expense	38.9	0.0
Pension expense for Company-sponsored pension plans	78.1	68.6
Deferred income taxes	(63.7)	(28.4)
Other	54.9	30.9
Changes in operating assets and liabilities, net of effects of acquisitions:		
Store deposits in-transit	(53.1)	(3.3)
Receivables	(29.2)	20.4
Inventories	35.1	87.7
Prepaid expenses	256.7	299.9
Accounts payable	116.6	(135.0)
Accrued expenses	47.6	10.8
Income tax payables and receivables	290.4	302.5
Contribution to company sponsored pension plan	(150.0)	(106.5)
Other long-term liabilities	7.9	52.2
	1,845.9	1,791.7
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property and equipment	(763.3)	(672.5)
Proceeds from sale of assets	75.1	41.9
Other	(13.6)	(15.8)
	(701.8)	(646.4)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt	0.0	5.6
Payments for long-term debt	(267.3)	(737.1)
Dividends paid	(47.0)	0.0
Proceeds from issuance of common stock	76.5	55.5
Treasury stock purchases	(295.2)	(190.6)
Decrease in book overdrafts	(38.1)	(43.9)
Other	20.1	(0.1)
	(551.0)	(910.6)
NET INCREASE IN CASH	593.1	234.7
CASH AT BEGINNING OF YEAR	210.0	144.1
CASH AT END OF QUARTER	\$ 803.1	\$ 378.8
Reconciliation of capital expenditures		
Payments for property and equipment	\$ (763.3)	\$ (672.5)
Changes in construction-in-progress payables	(47.8)	0.0
Total capital expenditures	\$ (811.1)	\$ (672.5)
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 274.6	\$ 297.6
Cash paid during the year for income taxes	\$ 44.6	\$ 5.1

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