

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 | \$ 1,249.4 | \$ 1,180.5 |
| Adjustment to reconcile net earnings to net cash provided by operating activities: | | |
| Depreciation and amortization | 1,441.6 | 1,355.5 |
| LIFO charge | 195.9 | 154.2 |
| Stock-based employee compensation | 91.0 | 86.9 |
| Expense for Company-sponsored pension plans | 44.1 | 67.4 |
| Deferred income taxes | 341.2 | (85.8) |
| Other | (36.3) | 37.0 |
| Changes in operating assets and liabilities, net of effects from acquisitions of businesses: | | |
| Store deposits in-transit | 44.8 | (61.8) |
| Receivables | (28.4) | (16.6) |
| Inventories | (193.2) | (381.2) |
| Prepaid expenses | 47.1 | 2.5 |
| Accounts payable | (53.2) | 165.4 |
| Accrued expenses | (33.2) | 173.7 |
| Income taxes receivable (payable) | (205.8) | 42.9 |
| Contribution to Company-sponsored pension plan | (20.3) | (51.5) |
| Other long-term liabilities | 11.4 | (88.5) |
| Net cash provided by operating activities | <u>2,896.1</u> | <u>2,580.6</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Payments for capital expenditures | (2,148.9) | (2,126.2) |
| Payments for acquisitions | (79.5) | (90.2) |
| Proceeds from sale of assets | 58.8 | 49.5 |
| Other | (9.0) | (51.4) |
| Net cash used by investing activities | <u>(2,178.6)</u> | <u>(2,218.3)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from lease-financing transactions | 10.2 | 7.6 |
| Proceeds from issuance of long-term debt | 1,376.6 | 1,372.0 |
| Payments for long-term debt | (1,048.1) | (559.7) |
| Borrowings (payments) on bank revolver | (440.9) | 218.1 |
| Dividends paid | (226.5) | (201.7) |
| Excess tax benefits on stock-based awards | 14.5 | 35.7 |
| Proceeds from issuance of common stock | 172.4 | 188.2 |
| Treasury stock purchases | (637.0) | (1,421.4) |
| Increase in book overdrafts | 2.2 | 60.8 |
| Other | 7.6 | (9.6) |
| Net cash used by financing activities | <u>(769.0)</u> | <u>(310.0)</u> |
| NET INCREASE (DECREASE) IN CASH | (51.5) | 52.3 |
| CASH FROM CONSOLIDATED VARIABLE INTEREST ENTITY | 73.0 | - |
| CASH AT BEGINNING OF YEAR | 241.6 | 189.3 |
| CASH AT END OF YEAR | <u>\$ 263.1</u> | <u>\$ 241.6</u> |
| Reconciliation of capital expenditures | | |
| Payments for capital expenditures | \$ (2,148.9) | \$ (2,126.2) |
| Changes in construction-in-progress payables | (3.9) | 65.6 |
| Total capital expenditures | <u>\$ (2,152.8)</u> | <u>\$ (2,060.6)</u> |
| Supplemental disclosure of cash flow information: | | |
| Cash paid during the year for interest | \$ 485.3 | \$ 477.2 |
| Cash paid during the year for income taxes | \$ 640.5 | \$ 639.9 |

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