

FEDERAL EXPRESS CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR REPORTING ON DEPARTMENT OF TRANSPORTATION FORM 41 SCHEDULE B-12\*  
FOR THE THREE MONTHS ENDED DECEMBER 31, 2006  
(\$000's)

Operating activities	
Net income (Loss)	\$289,874
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	207,403
Provision for uncollectible accounts	19,914
Deferred tax benefit and other	(33,226)
Gain on property and equipment disposal	(3,341)
Changes in operating assets and liabilities:	
Decrease in receivables	85,882
Increase in other current assets	(168,565)
Increase in accounts payable, accrued expenses and other liabilities	292,812
Other, net	893
	<u>691,646</u>
Investing activities	
Purchases of property and equipment	(402,381)
Proceeds from disposition of property and equipment	382
	<u>(401,999)</u>
Financing activities	
Principal payments on debt	(739)
Payments to parent company	(326,046)
	<u>(326,785)</u>
Net decrease in cash and equivalents	(37,138)
Cash and equivalents at beginning of period	206,825
Cash and equivalents at end of period	<u>\$169,687</u>

\* This form is submitted in lieu of DOT Form 41 Schedule B-12.