

**FREDDIE MAC**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Year Ended December 31,		
	2007	Adjusted	
		2006	2005
	(in millions)		
<b>Cash flows from operating activities</b>			
Net income (loss)	\$ (3,094)	\$ 2,327	\$ 2,113
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Cumulative effect of change in accounting principle, net	-	-	59
Hedge accounting gains	-	(2)	(22)
Derivative losses	2,231	1,262	977
Asset related amortization -- premiums, discounts and basis adjustments	(91)	128	871
Debt related amortization -- premiums and discounts on certain debt securities and basis adjustments	10,894	11,176	9,149
Net discounts paid on retirements of debt	(8,405)	(7,429)	(5,206)
Gains on debt retirement	(345)	(466)	(206)
Provision for credit losses	2,854	296	311
Low-income housing tax credit partnerships	469	407	320
Losses on loans purchased	1,865	148	-
(Gains) losses on investment activity	(305)	538	267
Foreign-currency (gains) losses, net	2,348	(96)	6
Deferred income taxes	(3,943)	(1,012)	(1,462)
Purchases of held-for-sale mortgages	(21,678)	(18,352)	(26,763)
Sales of held-for-sale mortgages	19,545	18,710	23,669
Repayments of held-for-sale mortgages	138	104	118
Due to PCs and Structured Securities Trust	946	-	-
Change in trading securities	(1,922)	1,085	2,594
Change in accounts and other receivables, net	(711)	(763)	28
Change in amounts due to Participation Certificate investors, net	(10,624)	302	(3,121)
Change in accrued interest payable	(263)	718	331
Change in income taxes payable	134	(282)	607
Change in Guarantee asset, at fair value	(2,203)	(1,125)	(726)
Change in Guarantee obligation	4,245	1,536	1,779
Other, net	565	(473)	449
<i>Net cash provided by (used for) operating activities</i>	<u>(7,350)</u>	<u>8,737</u>	<u>6,142</u>
<b>Cash flows from investing activities</b>			
Purchases of available-for-sale securities	(319,213)	(386,407)	(414,062)
Proceeds from sales of available-for-sale securities	109,973	86,737	95,029
Proceeds from maturities of available-for-sale securities	219,047	305,329	249,875
Purchases of held-for-investment mortgages	(25,059)	(15,382)	(12,826)
Repayments of held-for-investment mortgages	9,177	10,466	11,893
Proceeds from mortgage insurance and sales of real estate owned	1,798	1,486	1,679
Net (increase) decrease in securities purchased under agreements to resell and Federal funds sold	16,466	(7,869)	17,038
Derivative premiums and terminations and swap collateral, net	(2,484)	910	(6,859)
Investments in low-income housing tax credit partnerships	(158)	(161)	(127)
<i>Net cash provided by (used for) investing activities</i>	<u>9,547</u>	<u>(4,891)</u>	<u>(58,360)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issuance of short-term debt	1,016,933	750,201	857,364
Repayments of short-term debt	(986,489)	(767,427)	(854,665)
Proceeds from issuance of long-term debt	183,161	177,361	153,504
Repayments of long-term debt	(222,541)	(159,204)	(125,959)
Repayments of minority interest in consolidated subsidiaries	-	(468)	(435)
Repurchase of Real Estate Investment Trust preferred stock	(320)	(27)	(142)
Proceeds from the issuance of preferred stock	8,484	1,485	-
Redemption of preferred stock	(600)	-	-
Proceeds from issuance of common stock	14	36	59
Repurchases of common stock	(1,000)	(2,000)	-
Payment of cash dividends on preferred stock and common stock	(1,553)	(1,579)	(1,299)
Excess tax benefits associated with stock-based awards	5	14	-
Payments of low-income housing tax credit partnerships notes payable	(1,068)	(1,382)	(940)
Increase (decrease) in cash overdraft	(8)	35	(54)
<i>Net cash provided by (used for) financing activities</i>	<u>(4,982)</u>	<u>(2,955)</u>	<u>27,433</u>
Net increase (decrease) in cash and cash equivalents	(2,785)	891	(24,785)
Cash and cash equivalents at beginning of year	11,359	10,468	35,253
<i>Cash and cash equivalents at end of year</i>	<u>\$ 8,574</u>	<u>\$ 11,359</u>	<u>\$ 10,468</u>
<b>Supplemental cash flow information</b>			
Cash paid (received) for:			
Debt Interest	\$ 37,473	\$ 33,973	\$ 27,186
Swap Collateral Interest	445	479	322
Derivative interest carry, net	(1,070)	325	(590)
Income taxes	927	1,250	1,212
Non-cash investing and financing activities:			
Held-for-sale mortgages securitized and retained as available-for-sale securities	169	13	175
Transfers from mortgage loans to real estate owned	3,130	1,603	1,517
Investments in low-income housing tax credit partnerships financed by notes payable	286	324	1,095
Transfers from held-for-sale mortgages to held-for-investment mortgages	41	123	291
Transfers from held-for-investment mortgages to held-for-sale mortgages	-	950	-
Transfers from retained portfolio Participation Certificates to held-for-investment mortgages	2,229	1,304	1,354

The Notes to Consolidated Financial Statements included in our Registration Statement on Form 10 dated July 18, 2008 are an integral part of these consolidated financial statements.