



FedEx Corp. Reports Fourth Quarter Earnings

MEMPHIS, Tenn., June 28, 2001 ... FedEx Corporation (NYSE: FDX) today reported earnings of \$0.38 per diluted share for the quarter ended May 31, down 55% from \$0.85 per diluted share last year. The quarter's results included charges associated with curtailing certain aircraft modification and development programs and reorganizing operations at FedEx Supply Chain Services. Excluding these expenses, earnings for the quarter were \$0.64 per diluted share.

Fourth Quarter Results

FedEx Corp. reported the following consolidated results for the fourth quarter:

- Revenue of \$5.12 billion, up 6% from \$4.85 billion the previous year
- Operating income of \$223 million, down 48% from \$426 million a year ago
- Net income of \$113 million, down 54% from last year's \$245 million

These results include \$124 million of primarily non-cash charges that reduced operating income. Of the total, \$102 million was incurred at FedEx Express to scale back the MD10 aircraft conversion program (\$93 million) and write-off the Ayres Loadmaster development program deposits and other costs (\$9 million), while \$22 million was incurred in connection with reorganizing the operations of FedEx Supply Chain Services. Curtailment of the aircraft programs will reduce planned capital expenditures and improve cash flow.

Full Year Results

For the full fiscal year, FedEx Corp. reported earnings of \$1.99 per diluted share, down 14% from \$2.32 per share last year. Excluding the fourth quarter charges of \$124 million, earnings for the year were \$2.26 per diluted share. Additional consolidated results for the fiscal year were:

- Revenue of \$19.6 billion, up 8% from \$18.3 billion the previous year
- Operating income of \$1.07 billion, down 12% from \$1.22 billion a year ago
- Net income of \$584 million, down 15% from last year's \$688 million

"Continuing weak economic conditions, particularly in the high-tech and durable goods sectors sharply reduced demand for our express services," said Alan B. Graf, Jr., executive vice president and chief financial officer. "U.S. domestic average daily volume at FedEx Express declined 6% year over year for the fourth quarter. Additionally, the growth rate of FedEx International Priority^(R) shipments slowed to 2%. FedEx Express composite package yield for the quarter increased 3% year over year, despite a 7% decline in average weight per package."

FedEx Ground average daily package volume grew 7%, largely due to growth in FedEx Home Delivery and to shippers shifting some of their packages from FedEx Express to FedEx Ground. Yields at FedEx Ground increased 6% for the quarter due to effective yield management efforts.

The company is implementing a number of revenue enhancement initiatives and cost reduction programs designed to provide long-term revenue and profit growth and to lower costs to match near-term revenue levels. These revenue initiatives include the nationwide placement of up to 10,000 FedEx Drop Boxes outside U.S. Post Offices, which began the week of June 18. In addition, FedEx Express is on schedule to begin airport-to-airport transportation of Priority, Express and First-Class Mail for the U.S. Postal Service on August 27.

As part of prioritizing the company's resources, FedEx Express is reconfiguring its network and will no longer offer a Sunday delivery option for FedEx Priority Overnight^(R) service, effective August 27. FedEx customers seeking weekend delivery options can continue to rely on FedEx Saturday delivery and FedEx SameDay^(R) service.

On the expense side, the company has implemented several cost reduction programs, including substantially reducing bonus incentive compensation related to profitability, a freeze on most hiring and a reduction in discretionary expenses at all operating companies. Furthermore, capital spending has been reduced by deferring aircraft deliveries and by reducing, deferring or eliminating various other projects. These actions enabled FedEx to be cash flow positive for fiscal 2001, excluding the acquisition of American Freightways.

"Fourth quarter fiscal 2001 volume trends are continuing, and we expect first quarter earnings to be considerably below last year, around the low end of the current range of analysts' estimates," said Graf. "The steps that we are taking to reduce expenses and capital spending, including the actions we announced today, will help match capacity with future volume. Most importantly, we expect to be cash flow positive in fiscal 2002, depending upon our ability to further cancel, defer or sell aircraft delivery and modification commitments. Our revenue initiatives, cost control programs and strong emphasis on penetrating the small- to medium-sized customer segment give us great operating leverage, positioning FedEx to significantly increase growth, profitability, returns and cash flow when the economy improves."

FedEx Express

For the fourth quarter, FedEx Express reported:

- Revenue of \$3.85 billion, down 3% from last year's \$3.99 billion
- Operating income of \$159 million, down 53% from \$336 million a year ago

"FedEx Express performance in the quarter was hindered by excess network capacity during a period of declining demand, particularly from existing customers," said David J. Bronczek, president and chief executive officer. "As evidenced by our reduction of future aircraft commitments, we are aggressively working to match capacity to volume, while continuing to reduce controllable expenses and improve package yield."

The primarily non-cash \$102 million charge to other operating expense is to write off aircraft, aircraft engines, related parts, deposits and related costs.

FedEx Ground

For the fourth quarter, FedEx Ground reported:

- Revenue of \$583 million, up 6% from last year's \$549 million
- Operating income of \$56 million, down 20% from \$70 million a year ago

Revenue grew 13% on a per-day basis, as year-over-year comparisons were negatively affected by four fewer operating days in this year's fourth quarter. FedEx Home Delivery average daily package volume increased more than 50% from the third quarter, as additional shippers signed up for this unique service. The year-over-year operating income comparison was impacted by an incremental \$10 million of losses from the operation and expansion of the company's FedEx Home Delivery service and rebranding expenses. FedEx Home Delivery incurred a loss of \$52 million in fiscal 2001, as coverage was expanded to about 70% of the U.S. population.

FedEx Freight

For the fourth quarter, FedEx Freight reported:

- Revenue of \$499 million
- Operating income of \$37 million

FedEx Freight demand has been affected by the weaker economy, as fourth quarter shipment levels slowed to essentially flat growth year over year. However, revenue grew due to continued yield improvement, as customers recognize the value of its high quality next- and second-day service offerings.

Corporate Overview

With annual revenues of \$20 billion, FedEx Corp. is the premier global provider of transportation, e-commerce and supply chain management services. The company offers integrated business solutions through a network of subsidiaries operating independently, including: FedEx Express, the world's largest express transportation company; FedEx Ground, North America's second largest provider of small-package ground delivery service; FedEx Freight, a leading provider of regional less-than-truckload freight services; FedEx Custom Critical, the world's largest provider of expedited time-critical shipments; and FedEx Trade Networks, a provider of customs brokerage, consulting, information technology and trade facilitation solutions.

Additional information and operating data are contained in the company's annual report, Form 10-K, Form 10-Qs and fourth quarter FY2001 Statistical Book. These materials, as well as a Webcast of the earnings release conference call to be held at 10:30 a.m. EDT on June 28, are available on the company's Web site at www.fedex.com/us/investorrelations. A replay of the conference call Webcast will be posted on our Web site following the call and will remain available for approximately two weeks.

Certain statements in this press release may be considered forward-looking statements, such as statements relating to management's views with respect to future events and financial performance. Such forward-looking statements are subject to risks, uncertainties and other factors which could cause actual results to differ materially from historical experience or from future results expressed or implied by such forward-looking statements. Potential risks and uncertainties include, but are not limited to, economic and competitive conditions in the markets we serve, matching capacity to volume levels and other factors which can be found in FedEx Corp.'s and its subsidiaries' press releases and filings with the SEC.

FEDEX CORP. FINANCIAL HIGHLIGHTS
(Unaudited)

Fourth Quarter Fiscal 2001
(In millions, except earnings per share)

	Three Months Ended		Twelve Months Ended	
	May 31		May 31	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
Revenue:				
FedEx Express	\$3,852	\$3,988	\$15,534	\$15,068
FedEx Ground	583	549	2,237	2,033
FedEx Freight ¹	499	--	835	--
Other	<u>183</u>	<u>312</u>	<u>1,023</u>	<u>1,156</u>
Total Revenue	5,117	4,849	19,629	18,257
Operating Expenses:				
Salaries and employee benefits	2,171	1,967	8,263	7,598
Purchased transportation	427	430	1,713	1,675
Rentals and landing fees	434	392	1,650	1,539
Depreciation and amortization	338	299	1,276	1,155
Fuel	277	252	1,143	919
Maintenance and repairs	312	297	1,170	1,101
Other ²	<u>935</u>	<u>786</u>	<u>3,343</u>	<u>3,049</u>
Total Operating Expenses	<u>4,894</u>	<u>4,423</u>	<u>18,558</u>	<u>17,036</u>
Operating Income (Loss)^{1,2}:				
FedEx Express	159	336	847	900
FedEx Ground	56	70	175	226
FedEx Freight	37	--	55	--
Other	<u>(29)</u>	<u>20</u>	<u>(6)</u>	<u>95</u>
Total Operating Income	223	426	1,071	1,221
Other Income (Expense):				
Interest, net	(41)	(28)	(144)	(106)
Other, net	<u>(2)</u>	<u>7</u>	--	<u>23</u>
Total Other Income (Expense)	<u>(43)</u>	<u>(21)</u>	<u>(144)</u>	<u>(83)</u>
Pretax Income	180	405	927	1,138
Provision for Income Taxes	<u>67</u>	<u>160</u>	<u>343</u>	<u>449</u>

Net Income	<u>\$113</u>	<u>\$245</u>	<u>\$584</u>	<u>\$688</u>
Basic Earnings Per Share	<u>\$0.38</u>	<u>\$0.86</u>	<u>\$2.02</u>	<u>\$2.36</u>
Weighted Average Common Shares	297	286	289	292
Diluted Earnings Per Share	<u>\$0.38</u>	<u>\$0.85</u>	<u>\$1.99</u>	<u>\$2.32</u>
Weighted Average Common and Common Equivalent Shares	302	290	293	296
Cash Earnings Per Share ³	\$1.50	\$1.88	\$6.34	\$6.22
EBITDA ⁴	\$559	\$732	\$2,347	\$2,399
Capital Expenditures, Incl. Equivalent Capital ⁵	\$621	\$399	\$1,893	\$1,992

1 - The FedEx Freight segment includes the operations of Viking Freight from December 1, 2000 and American Freightways from January 1, 2001. Prior period Viking results are included in Other.

2 - Includes \$124 million charge associated with curtailing certain aircraft modification and development programs and reorganizing operations at FedEx Supply Chain Services. Of the total, \$102 million was incurred at FedEx Express and \$22 million was incurred at Supply Chain Services in the other portion of operating income.

3 - Cash earnings per share is net income plus depreciation and amortization per diluted share.

4 - EBITDA is earnings before interest, taxes, depreciation and amortization.

5 - Equivalent capital represents the amount of capital the company would have expended to purchase certain assets, principally aircraft, had their use not been obtained through operating leases.

FEDEX CORP. OPERATING HIGHLIGHTS

(Unaudited)

Fourth Quarter Fiscal 2001

(In thousands, except yield, weight and operating weekdays)

	Three Months Ended		Twelve Months Ended	
	May 31		May 31	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
<u>FEDEX EXPRESS</u>				
Operating Weekdays	65	65	255	257
<u>AVERAGE DAILY VOLUME / POUNDS</u>				
Average Daily Package Volume:				
U.S. Overnight Box	1,222	1,275	1,264	1,249
U.S. Overnight Envelope	764	800	757	771
U.S. Deferred	<u>837</u>	<u>921</u>	<u>899</u>	<u>916</u>
Total U.S. Domestic Package	2,823	2,996	2,920	2,936
International Priority	<u>346</u>	<u>338</u>	<u>346</u>	<u>319</u>
Total Average Daily Packages	<u>3,169</u>	<u>3,333</u>	<u>3,266</u>	<u>3,255</u>

Average Daily Freight Pounds:

U.S.	4,032	4,548	4,337	4,693
International	<u>2,121</u>	<u>2,337</u>	<u>2,208</u>	<u>2,420</u>
Total Average Daily Freight Pounds	<u>6,153</u>	<u>6,885</u>	<u>6,545</u>	<u>7,113</u>

YIELD

Revenue Per Package:

U.S. Overnight Box	\$18.15	\$17.98	\$18.09	\$17.70
U.S. Overnight Envelope	9.91	9.54	9.69	9.36
U.S. Deferred	<u>11.06</u>	<u>10.67</u>	<u>10.87</u>	<u>10.31</u>
Total U.S. Domestic Package	13.82	13.48	13.69	13.21
International Priority	<u>43.87</u>	<u>43.99</u>	<u>44.70</u>	<u>43.36</u>
Composite Package Yield	<u>\$17.10</u>	<u>\$16.57</u>	<u>\$16.97</u>	<u>\$16.16</u>

Revenue Per Freight Pound:

U.S.	\$0.59	\$0.51	\$0.59	\$0.47
International	<u>0.75</u>	<u>0.80</u>	<u>0.75</u>	<u>0.79</u>
Composite Freight Yield	<u>\$0.64</u>	<u>\$0.61</u>	<u>\$0.64</u>	<u>\$0.58</u>

FEDEX GROUND

Operating Weekdays	63	67	254	254
Average Daily Package Volume	1,545	1,448	1,520	1,442
Yield	\$5.99	\$5.66	\$5.79	\$5.55

FEDEX FREIGHT¹

Operating Weekdays	65	--	107	--
Shipments Per Day	57	--	56	--
Weight Per Shipment (lbs)	1,133	--	1,132	--
Revenue/CWT	\$11.84	--	\$11.83	--

FEDEX CORP.

Average Full-Time Equivalents (FTEs) ²	185	167	177	163
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1 - FedEx Freight statistics for the full year are based on the portion of the year including both American Freightways and Viking Freight (January-May, 2001).

2 - Fourth quarter fiscal 2001 average FTEs include approximately 16 thousand employees associated with the acquisition of American Freightways.

FEDEX CORP. CONSOLIDATED BALANCE SHEET

Fourth Quarter Fiscal 2001
(In millions)

May 31, 2001

(Unaudited) May 31, 2000

ASSETS

Current Assets:

Cash and cash equivalents	\$ 121	\$ 68
Other current assets	<u>3,328</u>	<u>3,217</u>
Total Current Assets	3,449	3,285
Net Property and Equipment	8,100	7,083
Other Assets	<u>1,791</u>	<u>1,159</u>
	<u>\$13,340</u>	<u>\$11,527</u>

LIABILITIES AND STOCKHOLDERS' INVESTMENT

Current Liabilities:

Current portion of long-term debt	\$ 221	\$ 7
Other current liabilities	<u>3,029</u>	<u>2,884</u>
Total Current Liabilities	3,250	2,891
Long-Term Debt, Less Current Portion	1,900	1,776
Deferred Income Taxes and Other Liabilities	2,290	2,075
Total Common Stockholders' Investment	<u>5,900</u>	<u>4,785</u>
	<u>\$13,340</u>	<u>\$11,527</u>

FEDEX EXPRESS FINANCIAL HIGHLIGHTS
(Unaudited)

Fourth Quarter Fiscal 2001
(In millions, except FTEs)

	Three Months Ended	Twelve Months Ended
	<u>May 31, 2001</u>	<u>May 31, 2001</u>
Revenue	\$3,852	\$15,534
Operating Expenses:		
Salaries and employee benefits	1,549	6,301
Purchased transportation	142	584
Rentals and landing fees	366	1,419
Depreciation and amortization	200	797
Fuel	247	1,063
Maintenance and repairs	247	968
Intercompany charges	323	1,317
Other ¹	<u>619</u>	<u>2,238</u>
Total Operating Expenses	<u>3,693</u>	<u>14,687</u>
Operating Income	<u>\$159</u>	<u>\$847</u>
EBITDA	\$357	\$1,641
Average Full-Time Equivalents (000s)	121	123

1 - Includes \$102 million charge associated with curtailing certain aircraft modification and development programs.

FEDEX GROUND FINANCIAL HIGHLIGHTS

(Unaudited)

Fourth Quarter Fiscal 2001

(In millions)

	Three Months Ended	Twelve Months Ended
	<u>May 31, 2001</u>	<u>May 31, 2001</u>
Revenue	\$583	\$2,237
Operating Expenses:		
Salaries and employee benefits	114	450
Purchased transportation	224	881
Rentals and landing fees	18	67
Depreciation and amortization	30	111
Fuel	3	8
Maintenance and repairs	15	63
Intercompany charges	54	215
Other	<u>69</u>	<u>267</u>
Total Operating Expenses	<u>527</u>	<u>2,062</u>
Operating Income	<u>\$56</u>	<u>\$175</u>
EBITDA	\$87	\$283

FEDEX FREIGHT FINANCIAL HIGHLIGHTS

(Unaudited)

Fourth Quarter Fiscal 2001

(In millions)

	Three Months Ended	Twelve Months Ended¹
	<u>May 31, 2001</u>	<u>May 31, 2001</u>
Revenue	\$499	\$835
Operating Expenses:		
Salaries and employee benefits	291	489
Purchased transportation	14	23
Rentals and landing fees	16	27
Depreciation and amortization	26	43
Fuel	23	41
Maintenance and repairs	24	39
Intercompany charges	--	1
Other	<u>68</u>	<u>117</u>
Total Operating Expenses	<u>462</u>	<u>780</u>
Operating Income	<u>\$37</u>	<u>\$55</u>
EBITDA	\$63	\$99

1 - FedEx Freight results for the full year include the operations of Viking Freight from December 1, 2000 and American Freightways from January 1, 2001.