



FOR IMMEDIATE RELEASE

FedEx Corp. Reports Second Quarter Earnings

MEMPHIS, Tenn., December 19, 2012 ... FedEx Corp. (NYSE: FDX) today reported earnings of \$1.39 per diluted share for the second quarter ended November 30, compared to \$1.57 per share last year. Superstorm Sandy impacted the quarter's results by \$0.11 per diluted share due to reduced shipment volumes and incremental operating costs.

"Operating income for the quarter improved at FedEx Freight and FedEx Ground due to increased volumes and higher yields, while persistent weakness in the global economy and increased demand for lower-yielding international services limited profits at FedEx Express," said Frederick W. Smith, FedEx Corp. chairman, president and chief executive officer. "Earnings also were negatively impacted by disruptions caused by Superstorm Sandy. We are hard at work on another record-setting holiday shipping season, driven by the continued growth of e-commerce. I would like to thank all of our team members for their hard work and dedication during our peak season."

Second Quarter Results

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

- Revenue of \$11.1 billion, up 5% from \$10.6 billion the previous year
- Operating income of \$718 million, down 8% from \$780 million last year
- Operating margin of 6.5%, down from 7.4% the previous year
- Net income of \$438 million, down 12% from last year's \$497 million

The results of the quarter also reflect, primarily at FedEx Express, the net year-over-year negative impact from the timing lag that exists between when fuel prices change and indexed fuel surcharges automatically adjust.

Outlook

FedEx projects earnings to be \$1.25 to \$1.45 per diluted share in the third quarter and reaffirms its forecast of \$6.20 to \$6.60 per diluted share for fiscal

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2013 before charges related to the company's previously announced voluntary buyout program. Costs of the benefits provided under the voluntary program are expected to be recognized in the fourth fiscal quarter. The company expects the pretax cost of the voluntary buyout program to range from approximately \$550 to \$650 million, or \$1.09 to \$1.29 per diluted share, but actual costs will depend on employee acceptance rates. This guidance assumes the current market outlook for fuel prices. The company reported earnings of \$1.65 per diluted share in last year's third quarter, which included a \$0.10 per share reversal of a reserve associated with a legal matter at FedEx Express. The capital spending forecast for fiscal 2013 remains \$3.9 billion.

"We are steadfastly committed to the \$1.7 billion of annual profit improvement actions, primarily at FedEx Express, which we announced in October," said Alan B. Graf, Jr., FedEx Corp. executive vice president and chief financial officer. "We expect to begin to see the benefits of these actions in fiscal 2014, with a significant portion of the profit improvement achieved by the end of fiscal 2015. Meanwhile, the mounting uncertainty in the U.S. related to fiscal policies and their potential to impact earnings by further restraining economic growth is a concern."

FedEx Express Segment

For the second quarter, the FedEx Express segment reported:

- Revenue of \$6.86 billion, up 4% from last year's \$6.58 billion
- Operating income of \$230 million, down 33% from \$342 million a year ago
- Operating margin of 3.4%, down from 5.2% the previous year

Revenue increased primarily due to this year's business acquisitions and growth at FedEx Trade Networks, as core express revenue growth was constrained by global economic conditions and the impact of Superstorm Sandy.

U.S. domestic revenue per package grew 1% as higher rate per pound was partially offset by lower fuel surcharges. U.S. domestic average daily package volume declined 2%. FedEx international export average daily package volume grew 6% driven by increases in FedEx International Economy[®] (IE) from Europe and Asia and by increases in FedEx International Priority[®] (IP) from Asia. Higher growth in international deferred services continued, with IE volume growing 14%, while IP volume increased 3% during the quarter. International export revenue per package fell 4% due to the demand shift toward lower-yielding international services and lower fuel surcharges.

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Operating income and margin were lower due to the demand shift toward lower-yielding international services, the negative year-over-year impact of net fuel changes, increased depreciation expense, the effects of Superstorm Sandy and higher pension costs. These were partially offset by the favorable impact of cost containment actions.

FedEx Express has entered into an agreement to purchase four additional 767-300 freighters as part of the company's continued fleet modernization efforts. This brings the total 767-300 orders to 50, with deliveries beginning in fiscal 2014. In concert with this commitment, two 777 freighter deliveries were deferred from fiscal 2015 to fiscal 2016 in order to better match capacity timing to global demand.

FedEx Ground Segment

For the second quarter, the FedEx Ground segment reported:

- Revenue of \$2.59 billion, up 11% from last year's \$2.34 billion
- Operating income of \$412 million, up 4% from \$398 million a year ago
- Operating margin of 15.9%, down from 17.0% the previous year

FedEx Ground average daily volume grew 8% in the second quarter driven by increases in both FedEx Home Delivery and business-to-business services. Revenue per package increased 2% due to increased rates and higher extra service revenue. FedEx SmartPost average daily volume increased 17% primarily due to growth in e-commerce. FedEx SmartPost net revenue per package increased 2% due to a change in service mix and to rate increases, partially offset by higher postage rates.

Operating income increased due to higher volume and revenue per package, partially offset by higher contractor rates, increased network expansion costs and the effects of Superstorm Sandy. Operating margin decreased primarily due to lower fuel surcharges paired with higher purchased transportation expenses related to increased fuel costs.

FedEx Freight Segment

For the second quarter, the FedEx Freight segment reported:

- Revenue of \$1.38 billion, up 4% from last year's \$1.33 billion
- Operating income of \$76 million, up 90% from \$40 million a year ago
- Operating margin of 5.5%, up from 3.0% the previous year

Less-than-truckload (LTL) yield increased 2% due to FedEx Freight Economy base yield improvement. LTL average daily shipments increased 2% due to

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higher customer demand for the FedEx Freight Economy service offering in all lengths of haul.

Operating income and margin increased primarily due to higher yield, volume growth and operational efficiencies within the company's integrated network.

Corporate Overview

FedEx Corp. (NYSE: FDX) provides customers and businesses worldwide with a broad portfolio of transportation, e-commerce and business services. With annual revenues of \$43 billion, the company offers integrated business applications through operating companies competing collectively and managed collaboratively, under the respected FedEx brand. Consistently ranked among the world's most admired and trusted employers, FedEx inspires its more than 300,000 team members to remain "absolutely, positively" focused on safety, the highest ethical and professional standards and the needs of their customers and communities. For more information, visit news.fedex.com.

Additional information and operating data are contained in the company's annual report, Form 10-K, Form 10-Qs and second quarter fiscal 2013 Statistical Book. These materials, as well as a webcast of the earnings release conference call to be held at 8:30 a.m. EST on December 19 are available on the company's website at investors.fedex.com. A replay of the conference call webcast will be posted on our website following the call.

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 conditions in the global markets in which we operate, legal challenges or changes related to FedEx Ground's owner-operators, new U.S. domestic or international government regulation, the impact from any terrorist activities or international conflicts, our ability to effectively operate, integrate and leverage acquired businesses, changes in fuel prices and currency exchange rates, our ability to match capacity to shifting volume levels and other factors which can be found in FedEx Corp.'s and its subsidiaries' press releases and filings with the SEC.

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RECONCILIATION OF NON-GAAP FINANCIAL MEASURES TO GAAP FINANCIAL MEASURES

The company believes that meaningful analysis of our expected financial performance requires an understanding of the factors underlying that expected performance and our judgments about the likelihood that particular factors will repeat. Excluding the costs associated with the company's voluntary cash buyouts will allow for more accurate comparisons of our expected operating performance. As required by SEC rules, the table below presents a reconciliation of our presented non-GAAP measure to the most directly comparable GAAP measure.

| | <u>FY 2013 Diluted EPS Guidance</u> |
|--------------------------|--|
| Non-GAAP Measure | \$6.20 to \$6.60 |
| Voluntary Buyout Program | <u>1.29 to 1.09</u> |
| GAAP Measure | <u>\$4.91 to \$5.51</u> |

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FEDEX CORP. FINANCIAL HIGHLIGHTS

Second Quarter Fiscal 2013 (In millions, except earnings per share) (Unaudited)

| | Three Months Ended November 30 | | | Six Months Ended November 30 | | |
|---|-----------------------------------|---------------|-------|---------------------------------|---------------|-------|
| | 2012 | 2011 | % | 2012 | 2011 | % |
| Revenue: | | | | | | |
| FedEx Express segment | \$6,858 | \$6,583 | 4% | \$13,490 | \$13,175 | 2% |
| FedEx Ground segment | 2,593 | 2,339 | 11% | 5,055 | 4,617 | 9% |
| FedEx Freight segment | 1,377 | 1,325 | 4% | 2,776 | 2,653 | 5% |
| FedEx Services segment | 405 | 427 | (5%) | 794 | 838 | (5%) |
| Other & eliminations | <u>(126)</u> | <u>(87)</u> | NM | <u>(216)</u> | <u>(175)</u> | NM |
| Total Revenue | 11,107 | 10,587 | 5% | 21,899 | 21,108 | 4% |
| Operating Expenses: | | | | | | |
| Salaries and employee benefits | 4,133 | 3,982 | 4% | 8,236 | 7,986 | 3% |
| Purchased transportation | 1,860 | 1,576 | 18% | 3,540 | 3,094 | 14% |
| Rentals and landing fees | 630 | 623 | 1% | 1,248 | 1,243 | — |
| Depreciation and amortization | 592 | 518 | 14% | 1,165 | 1,027 | 13% |
| Fuel | 1,235 | 1,200 | 3% | 2,373 | 2,444 | (3%) |
| Maintenance and repairs | 511 | 511 | — | 1,053 | 1,062 | (1%) |
| Other | <u>1,428</u> | <u>1,397</u> | 2% | <u>2,824</u> | <u>2,735</u> | 3% |
| Total Operating Expenses | 10,389 | 9,807 | 6% | 20,439 | 19,591 | 4% |
| Operating Income: | | | | | | |
| FedEx Express segment | 230 | 342 | (33%) | 437 | 630 | (31%) |
| FedEx Ground segment | 412 | 398 | 4% | 857 | 805 | 6% |
| FedEx Freight segment | <u>76</u> | <u>40</u> | 90% | <u>166</u> | <u>82</u> | NM |
| Total Operating Income | 718 | 780 | (8%) | 1,460 | 1,517 | (4%) |
| Other Expense: | | | | | | |
| Interest, net | (18) | (7) | NM | (28) | (18) | NM |
| Other, net | <u>(8)</u> | <u>4</u> | NM | <u>(13)</u> | <u>2</u> | NM |
| Total Other Expense | (26) | (3) | NM | (41) | (16) | NM |
| Pretax Income | 692 | 777 | (11%) | 1,419 | 1,501 | (5%) |
| Provision for Income Taxes | <u>254</u> | <u>280</u> | (9%) | <u>522</u> | <u>540</u> | (3%) |
| Net Income | <u>\$438</u> | <u>\$497</u> | (12%) | <u>\$897</u> | <u>\$961</u> | (7%) |
| Diluted Earnings Per Share | <u>\$1.39</u> | <u>\$1.57</u> | (11%) | <u>\$2.84</u> | <u>\$3.02</u> | (6%) |
| Weighted Average Common and Common Equivalent Shares | 315 | 316 | — | 316 | 317 | — |
| Capital Expenditures | \$916 | \$1,107 | (17%) | \$1,888 | \$2,217 | (15%) |

FEDEX CORP. CONDENSED CONSOLIDATED BALANCE SHEETS

Second Quarter Fiscal 2013

(In millions)

| <u>ASSETS</u> | Nov. 30, 2012 <u>(Unaudited)</u> | <u>May 31, 2012</u> |
|--|---|----------------------------|
| Current Assets | | |
| Cash and cash equivalents | \$ 2,517 | \$ 2,843 |
| Receivables, less allowances | 5,202 | 4,704 |
| Spare parts, supplies and fuel, less allowances | 456 | 440 |
| Deferred income taxes | 510 | 533 |
| Prepaid expenses and other | <u>474</u> | <u>536</u> |
| Total current assets | 9,159 | 9,056 |
| Property and Equipment, at Cost | | |
| Less accumulated depreciation and amortization | <u>19,400</u> | <u>18,916</u> |
| Net property and equipment | 18,349 | 17,248 |
| Other Long-Term Assets | | |
| Goodwill | 2,757 | 2,387 |
| Other assets | <u>1,047</u> | <u>1,212</u> |
| Total other long-term assets | <u>3,804</u> | <u>3,599</u> |
| | <u>\$31,312</u> | <u>\$29,903</u> |
| <u>LIABILITIES AND STOCKHOLDERS' INVESTMENT</u> | | |
| Current Liabilities | | |
| Current portion of long-term debt | \$ 1 | \$ 417 |
| Accrued salaries and employee benefits | 1,297 | 1,635 |
| Accounts payable | 1,730 | 1,613 |
| Accrued expenses | <u>1,800</u> | <u>1,709</u> |
| Total current liabilities | 4,828 | 5,374 |
| Long-Term Debt, Less Current Portion | | |
| | 2,241 | 1,250 |
| Other Long-Term Liabilities | | |
| Deferred income taxes | 973 | 836 |
| Pension, postretirement healthcare and other benefit obligations | 5,447 | 5,582 |
| Self-insurance accruals | 985 | 963 |
| Deferred lease obligations | 910 | 784 |
| Deferred gains, principally related to aircraft transactions | 239 | 251 |
| Other liabilities | <u>146</u> | <u>136</u> |
| Total other long-term liabilities | 8,700 | 8,552 |
| Commitments and Contingencies | | |
| Common Stockholders' Investment | | |
| Common stock, \$0.10 par value, 800 million shares authorized | 32 | 32 |
| Additional paid-in capital | 2,635 | 2,595 |
| Retained earnings | 17,899 | 17,134 |
| Accumulated other comprehensive loss | (4,770) | (4,953) |
| Treasury stock, at cost | <u>(253)</u> | <u>(81)</u> |
| Total common stockholders' investment | <u>15,543</u> | <u>14,727</u> |
| | <u>\$31,312</u> | <u>\$29,903</u> |

FEDEX CORP. CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Second Quarter Fiscal 2013

(In millions)
(Unaudited)

| | Six Months Ended November 30 | |
|--|---------------------------------|---------------------|
| | <u>2012</u> | <u>2011</u> |
| Operating Activities: | | |
| Net income | \$ 897 | \$ 961 |
| Noncash charges: | | |
| Depreciation and amortization | 1,165 | 1,027 |
| Other, net | 424 | 422 |
| Changes in operating assets and liabilities, net | <u>(768)</u> | <u>(242)</u> |
| Net cash provided by operating activities | 1,718 | 2,168 |
| Investing Activities: | | |
| Capital expenditures | (1,888) | (2,217) |
| Business acquisitions, net of cash acquired | (483) | (114) |
| Proceeds from asset dispositions and other | <u>20</u> | <u>15</u> |
| Net cash used in investing activities | (2,351) | (2,316) |
| Financing Activities: | | |
| Principal payments on debt | (417) | (18) |
| Proceeds from debt issuance | 991 | — |
| Dividends paid | (88) | (82) |
| Purchase of treasury stock | (246) | (197) |
| Other, net | <u>50</u> | <u>37</u> |
| Net cash provided by (used in) financing activities | <u>290</u> | <u>(260)</u> |
| Effect of exchange rate changes on cash | <u>17</u> | <u>(24)</u> |
| Net decrease in cash and cash equivalents | (326) | (432) |
| Cash and cash equivalents at beginning of period | <u>2,843</u> | <u>2,328</u> |
| Cash and cash equivalents at end of period | <u>\$2,517</u> | <u>\$1,896</u> |

FEDEX EXPRESS SEGMENT FINANCIAL HIGHLIGHTS

Second Quarter Fiscal 2013

(Dollars in millions)

(Unaudited)

| | Three Months Ended November 30 | | | Six Months Ended November 30 | | |
|-------------------------------------|-----------------------------------|---------------|-----------|---------------------------------|---------------|-----------|
| | 2012 | 2011 | % | 2012 | 2011 | % |
| Revenues: | | | | | | |
| Package Revenue: | | | | | | |
| U.S. Overnight Box | \$1,609 | \$1,623 | (1%) | \$3,213 | \$3,263 | (2%) |
| U.S. Overnight Envelope | <u>409</u> | <u>421</u> | (3%) | <u>839</u> | <u>872</u> | (4%) |
| Total U.S. Overnight | 2,018 | 2,044 | (1%) | 4,052 | 4,135 | (2%) |
| U.S. Deferred | <u>732</u> | <u>731</u> | — | <u>1,434</u> | <u>1,462</u> | (2%) |
| Total U.S. Package Revenue | <u>2,750</u> | <u>2,775</u> | (1%) | <u>5,486</u> | <u>5,597</u> | (2%) |
| International Priority | 1,678 | 1,711 | (2%) | 3,339 | 3,468 | (4%) |
| International Economy | <u>514</u> | <u>460</u> | 12% | <u>1,001</u> | <u>901</u> | 11% |
| Total International Export Package | 2,192 | 2,171 | 1% | 4,340 | 4,369 | (1%) |
| International Domestic ¹ | <u>384</u> | <u>217</u> | 77% | <u>693</u> | <u>424</u> | 63% |
| Total Package Revenue | 5,326 | 5,163 | 3% | 10,519 | 10,390 | 1% |
| Freight Revenue: | | | | | | |
| U.S. | 645 | 628 | 3% | 1,255 | 1,219 | 3% |
| International Priority | 446 | 470 | (5%) | 885 | 919 | (4%) |
| International Airfreight | <u>77</u> | <u>74</u> | 4% | <u>151</u> | <u>151</u> | — |
| Total Freight Revenue | 1,168 | 1,172 | — | 2,291 | 2,289 | — |
| Other Revenue | <u>364</u> | <u>248</u> | 47% | <u>680</u> | <u>496</u> | 37% |
| Total Express Revenue | \$6,858 | \$6,583 | 4% | \$13,490 | \$13,175 | 2% |
| Operating Expenses: | | | | | | |
| Salaries and employee benefits | 2,488 | 2,377 | 5% | 4,961 | 4,790 | 4% |
| Purchased transportation | 608 | 448 | 36% | 1,145 | 897 | 28% |
| Rentals and landing fees | 418 | 421 | (1%) | 833 | 844 | (1%) |
| Depreciation and amortization | 336 | 288 | 17% | 659 | 570 | 16% |
| Fuel | 1,074 | 1,039 | 3% | 2,060 | 2,116 | (3%) |
| Maintenance and repairs | 349 | 354 | (1%) | 721 | 734 | (2%) |
| Intercompany charges | 535 | 548 | (2%) | 1,072 | 1,096 | (2%) |
| Other | <u>820</u> | <u>766</u> | 7% | <u>1,602</u> | <u>1,498</u> | 7% |
| Total Operating Expenses | <u>6,628</u> | <u>6,241</u> | 6% | <u>13,053</u> | <u>12,545</u> | 4% |
| Operating Income | <u>\$ 230</u> | <u>\$ 342</u> | (33%) | <u>\$ 437</u> | <u>\$ 630</u> | (31%) |
| Operating Margin | 3.4% | 5.2% | (1.8 pts) | 3.2% | 4.8% | (1.6 pts) |

1 - International Domestic includes international intra-country express operations, including recent acquisitions in Mexico (July 2011), Poland (June 2012), France (July 2012) and Brazil (July 2012).

FEDEX EXPRESS SEGMENT OPERATING HIGHLIGHTS

Second Quarter Fiscal 2013

(Unaudited)

| | Three Months Ended November 30 | | | Six Months Ended November 30 | | |
|--------------------------------------|-----------------------------------|----------------|------|---------------------------------|----------------|------|
| | <u>2012</u> | <u>2011</u> | % | <u>2012</u> | <u>2011</u> | % |
| <u>PACKAGE STATISTICS</u> | | | | | | |
| Average Daily Package Volume (000s): | | | | | | |
| U.S. Overnight Box | 1,141 | 1,168 | (2%) | 1,116 | 1,151 | (3%) |
| U.S. Overnight Envelope | <u>564</u> | <u>582</u> | (3%) | <u>570</u> | <u>589</u> | (3%) |
| Total U.S. Overnight Package | 1,705 | 1,750 | (3%) | 1,686 | 1,740 | (3%) |
| U.S. Deferred | <u>828</u> | <u>838</u> | (1%) | <u>794</u> | <u>834</u> | (5%) |
| Total U.S. Domestic Package | <u>2,533</u> | <u>2,588</u> | (2%) | <u>2,480</u> | <u>2,574</u> | (4%) |
| International Priority | 445 | 431 | 3% | 426 | 424 | — |
| International Economy | <u>157</u> | <u>138</u> | 14% | <u>150</u> | <u>132</u> | 14% |
| Total International Export Package | 602 | 569 | 6% | 576 | 556 | 4% |
| International Domestic ¹ | <u>884</u> | <u>529</u> | 67% | <u>781</u> | <u>486</u> | 61% |
| Total Average Daily Packages | <u>4,019</u> | <u>3,686</u> | 9% | <u>3,837</u> | <u>3,616</u> | 6% |
| Yield (Revenue Per Package): | | | | | | |
| U.S. Overnight Box | \$22.39 | \$22.05 | 2% | \$22.49 | \$22.15 | 2% |
| U.S. Overnight Envelope | <u>11.51</u> | <u>11.48</u> | — | <u>11.51</u> | <u>11.56</u> | — |
| U.S. Overnight Composite | 18.79 | 18.54 | 1% | 18.78 | 18.57 | 1% |
| U.S. Deferred | <u>14.04</u> | <u>13.84</u> | 1% | <u>14.10</u> | <u>13.70</u> | 3% |
| U.S. Domestic Composite | <u>17.24</u> | <u>17.01</u> | 1% | <u>17.28</u> | <u>16.99</u> | 2% |
| International Priority | 59.91 | 62.98 | (5%) | 61.26 | 63.90 | (4%) |
| International Economy | <u>51.97</u> | <u>52.99</u> | (2%) | <u>52.07</u> | <u>53.43</u> | (3%) |
| Total International Export Composite | 57.84 | 60.56 | (4%) | 58.86 | 61.42 | (4%) |
| International Domestic ¹ | <u>6.88</u> | <u>6.51</u> | 6% | <u>6.93</u> | <u>6.81</u> | 2% |
| Composite Package Yield | <u>\$21.04</u> | <u>\$22.23</u> | (5%) | <u>\$21.42</u> | <u>\$22.45</u> | (5%) |
| <u>FREIGHT STATISTICS</u> | | | | | | |
| Average Daily Freight Pounds (000s): | | | | | | |
| U.S. | 7,719 | 7,630 | 1% | 7,393 | 7,295 | 1% |
| International Priority | 3,212 | 3,451 | (7%) | 3,197 | 3,289 | (3%) |
| International Airfreight | <u>1,166</u> | <u>1,213</u> | (4%) | <u>1,135</u> | <u>1,188</u> | (4%) |
| Total Avg Daily Freight Pounds | <u>12,097</u> | <u>12,294</u> | (2%) | <u>11,725</u> | <u>11,772</u> | — |
| Revenue Per Freight Pound: | | | | | | |
| U.S. | \$ 1.32 | \$ 1.31 | 1% | \$ 1.33 | \$ 1.31 | 2% |
| International Priority | 2.21 | 2.16 | 2% | 2.16 | 2.18 | (1%) |
| International Airfreight | <u>1.05</u> | <u>0.97</u> | 8% | <u>1.04</u> | <u>0.99</u> | 5% |
| Composite Freight Yield | <u>\$ 1.53</u> | <u>\$ 1.51</u> | 1% | <u>\$ 1.53</u> | <u>\$ 1.52</u> | 1% |
| Operating Weekdays | 63 | 63 | — | 128 | 128 | — |

1 - International Domestic includes international intra-country express operations, including recent acquisitions in Mexico (July 2011), Poland (June 2012), France (July 2012) and Brazil (July 2012).

FEDEX GROUND SEGMENT FINANCIAL AND OPERATING HIGHLIGHTS

Second Quarter Fiscal 2013

(Dollars in millions)

(Unaudited)

| | Three Months Ended November 30 | | | Six Months Ended November 30 | | |
|-------------------------------------|-----------------------------------|---------------|-----------|---------------------------------|---------------|-----------|
| | 2012 | 2011 | % | 2012 | 2011 | % |
| <u>FINANCIAL HIGHLIGHTS</u> | | | | | | |
| Revenues: | | | | | | |
| FedEx Ground | \$2,359 | \$2,143 | 10% | \$4,632 | \$4,259 | 9% |
| FedEx SmartPost | <u>234</u> | <u>196</u> | 19% | <u>423</u> | <u>358</u> | 18% |
| Total Revenues | 2,593 | 2,339 | 11% | 5,055 | 4,617 | 9% |
| Operating Expenses: | | | | | | |
| Salaries and employee benefits | 396 | 362 | 9% | 773 | 713 | 8% |
| Purchased transportation | 1,057 | 933 | 13% | 2,003 | 1,819 | 10% |
| Rentals | 85 | 72 | 18% | 159 | 138 | 15% |
| Depreciation and amortization | 110 | 94 | 17% | 213 | 187 | 14% |
| Fuel | 4 | 5 | (20%) | 7 | 7 | — |
| Maintenance and repairs | 46 | 43 | 7% | 92 | 87 | 6% |
| Intercompany charges | 262 | 245 | 7% | 524 | 486 | 8% |
| Other | <u>221</u> | <u>187</u> | 18% | <u>427</u> | <u>375</u> | 14% |
| Total Operating Expenses | <u>2,181</u> | <u>1,941</u> | 12% | <u>4,198</u> | <u>3,812</u> | 10% |
| Operating Income | <u>\$ 412</u> | <u>\$ 398</u> | 4% | <u>\$ 857</u> | <u>\$ 805</u> | 6% |
| Operating Margin | 15.9% | 17.0% | (1.1 pts) | 17.0% | 17.4% | (0.4 pts) |
| <u>OPERATING STATISTICS</u> | | | | | | |
| Operating Weekdays | 63 | 63 | — | 128 | 128 | — |
| Average Daily Package Volume (000s) | | | | | | |
| FedEx Ground | 4,283 | 3,979 | 8% | 4,087 | 3,849 | 6% |
| FedEx SmartPost | 2,038 | 1,737 | 17% | 1,848 | 1,573 | 17% |
| Yield (Revenue Per Package) | | | | | | |
| FedEx Ground | \$8.72 | \$8.53 | 2% | \$8.83 | \$8.62 | 2% |
| FedEx SmartPost | \$1.82 | \$1.79 | 2% | \$1.79 | \$1.78 | 1% |

FEDEX FREIGHT SEGMENT FINANCIAL AND OPERATING HIGHLIGHTS

Second Quarter Fiscal 2013

(Dollars in millions)

(Unaudited)

| | Three Months Ended November 30 | | | Six Months Ended November 30 | | |
|------------------------------------|-----------------------------------|--------------|---------|---------------------------------|--------------|---------|
| | <u>2012</u> | <u>2011</u> | % | <u>2012</u> | <u>2011</u> | % |
| <u>FINANCIAL HIGHLIGHTS</u> | | | | | | |
| Revenue | \$1,377 | \$1,325 | 4% | \$2,776 | \$2,653 | 5% |
| Operating Expenses: | | | | | | |
| Salaries and employee benefits | 589 | 577 | 2% | 1,188 | 1,155 | 3% |
| Purchased transportation | 224 | 221 | 1% | 450 | 428 | 5% |
| Rentals | 29 | 29 | — | 58 | 57 | 2% |
| Depreciation and amortization | 52 | 44 | 18% | 105 | 88 | 19% |
| Fuel | 157 | 156 | 1% | 305 | 321 | (5%) |
| Maintenance and repairs | 49 | 48 | 2% | 97 | 98 | (1%) |
| Intercompany charges | 110 | 108 | 2% | 221 | 217 | 2% |
| Other | 91 | 102 | (11%) | 186 | 207 | (10%) |
| Total Operating Expenses | <u>1,301</u> | <u>1,285</u> | 1% | <u>2,610</u> | <u>2,571</u> | 2% |
| Operating Income | <u>\$ 76</u> | <u>\$ 40</u> | 90% | <u>\$ 166</u> | <u>\$ 82</u> | NM |
| Operating Margin | 5.5% | 3.0% | 2.5 pts | 6.0% | 3.1% | 2.9 pts |
| <u>OPERATING STATISTICS</u> | | | | | | |
| LTL Operating Weekdays | 62 | 62 | — | 127 | 127 | — |
| Average Daily LTL Shipments (000s) | | | | | | |
| Priority | 61.6 | 62.1 | (1%) | 61.5 | 61.6 | — |
| Economy | <u>26.8</u> | <u>24.7</u> | 9% | <u>26.7</u> | <u>24.2</u> | 10% |
| Total Average Daily LTL Shipments | 88.4 | 86.8 | 2% | 88.2 | 85.8 | 3% |
| Weight Per LTL Shipment (lbs) | | | | | | |
| Priority | 1,215 | 1,184 | 3% | 1,215 | 1,185 | 3% |
| Economy | <u>989</u> | <u>1,057</u> | (6%) | <u>994</u> | <u>1,069</u> | (7%) |
| Composite Weight Per LTL Shipment | 1,146 | 1,147 | — | 1,148 | 1,152 | — |
| LTL Yield (Revenue/CWT) | | | | | | |
| Priority | \$18.15 | \$18.39 | (1%) | \$17.93 | \$18.16 | (1%) |
| Economy | <u>26.29</u> | <u>23.75</u> | 11% | <u>25.80</u> | <u>23.43</u> | 10% |
| Composite LTL Yield | \$20.28 | \$19.79 | 2% | \$19.99 | \$19.54 | 2% |