



FOR IMMEDIATE RELEASE

## **FedEx Corp. Reports Higher Fourth Quarter and Full Year Earnings**

*FedEx International Priority Package Q4 Volume Grows 23 Percent*

MEMPHIS, Tenn., June 16, 2010 ... FedEx Corp. (NYSE: FDX) today reported earnings of \$1.33 per diluted share for the fourth quarter ended May 31. Last year, the company reported a fourth quarter loss of \$2.82 per diluted share, including \$3.46 per diluted share of charges resulting primarily from the impairment of goodwill and aircraft. Excluding these charges, fourth quarter earnings were \$0.64 per diluted share a year ago.

"FedEx delivered strong results in our fourth quarter, thanks to sequential growth in package volume and our ability to leverage our unique global networks to take advantage of a recovering economy," said Frederick W. Smith, FedEx Corp. chairman, president and chief executive officer. "We ended our fiscal year a stronger company, and I am confident FedEx is very well positioned for future revenue and earnings growth."

### **Fourth Quarter Results**

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

- Revenue of \$9.43 billion, up 20% from \$7.85 billion the previous year
- Operating income of \$696 million, up from an operating loss of \$849 million last year
- Operating margin of 7.4%, up from (10.8%) the previous year
- Net income of \$419 million, up from last year's net loss of \$876 million

Earnings increased as a result of stronger shipment growth in international express and continued growth at FedEx Ground. An operating loss at FedEx

- more -

Freight, the reinstatement of certain employee compensation programs and higher aircraft maintenance expenses impacted the quarter's results.

### **Full Year Results**

FedEx Corp. reported the following consolidated results for the full year:

- Revenue of \$34.7 billion, down 2% from \$35.5 billion the previous year
- Operating income of \$2.0 billion, up from \$747 million last year
- Net income of \$1.18 billion, up from last year's \$98 million
- Earnings per share of \$3.76, up from \$0.31 per share a year ago (\$3.76 per share excluding the impact of impairment and other charges—see table)

Capital spending for fiscal 2010 was \$2.8 billion, with \$1.5 billion of investments largely related to more fuel-efficient aircraft, including the delivery of six Boeing 777Fs for use in the international network and 12 Boeing 757s.

### **Outlook**

FedEx projects earnings to be \$0.85 to \$1.05 per diluted share in the first quarter and \$4.40 to \$5.00 per diluted share for fiscal 2011. This guidance assumes the current market outlook for fuel prices and a continued moderate recovery in the global economy. The company reported earnings of \$0.58 per diluted share in last year's first quarter. The capital spending forecast for fiscal 2011 is \$3.2 billion, which includes the expected delivery of six Boeing 777Fs and 16 Boeing 757s, along with investments in information technology, vehicles and facilities in support of the company's global growth strategy.

"We expect continued improvement in both revenue and earnings in fiscal 2011," said Alan B. Graf, Jr., FedEx Corp. executive vice president and chief financial officer. "Resumed growth in industrial production and global trade is increasing demand for our transportation services, and yield management remains a top priority across all of our operating companies. However, we expect the growth in earnings in fiscal 2011 to be constrained by significant increases in fixed pension and volume-related aircraft maintenance expenses, along with higher anticipated healthcare costs. In addition, our earnings guidance includes increased costs related to the planned reinstatement of various employee compensation programs."

- more -

The company expects pension and retiree medical expenses to increase approximately \$260 million year over year due to a lower discount rate. However, cash contributions to U.S. pension plans are expected to decline from approximately \$850 million in fiscal 2010 to approximately \$500 million in fiscal 2011.

“We remain fully focused on improving yields, margins, returns and cash flow. Our cash flow from operations was sufficient to fund our fiscal 2010 capital investments and we expect this to be the case again in fiscal 2011,” said Graf.

### **FedEx Express Segment**

For the fourth quarter, the FedEx Express segment reported:

- Revenue of \$5.88 billion, up 23% from last year’s \$4.80 billion
- Operating income of \$413 million, up from an operating loss of \$136 million a year ago
- Operating margin of 7.0%, up from (2.8%) the previous year

FedEx International Priority® (IP) average daily package volume increased 23%, led by exports from Asia. IP revenue per package grew 6% due to higher weight per package, higher fuel surcharges and a favorable exchange rate impact. U.S. domestic revenue per package grew 8% due to higher fuel surcharges and improved weight per package, while average daily package volume increased 1%.

Operating profit and margin improvements were driven by volume and revenue growth, particularly in higher-margin IP package and freight services. Results also include the partial reinstatement of certain employee compensation programs and higher aircraft maintenance expenses, primarily due to increased utilization. Last year’s fourth quarter operating income and margin were negatively impacted by one-time costs of \$260 million associated with aircraft-related charges and severance programs.

FedEx Express added a ninth scheduled daily transpacific frequency in April, utilizing the capabilities of Boeing 777F aircraft. This additional frequency provides needed capacity from Asia to the U.S, and allows best-in-market cut-off times. Also in April, a third scheduled daily flight was added from Asia to Europe, providing the first-in-market next-day service from Hong Kong to all of Europe.

- more -

## **FedEx Ground Segment**

For the fourth quarter, the FedEx Ground segment reported:

- Revenue of \$1.96 billion, up 15% from last year's \$1.70 billion
- Operating income of \$319 million, up 57% from \$203 million a year ago
- Operating margin of 16.3%, up from 11.9% the previous year

FedEx Ground average daily package volume grew 7% in the fourth quarter driven by increases in the business-to-business market and the FedEx Home Delivery service. Yield increased 5% primarily due to higher fuel surcharges. FedEx SmartPost average daily volume increased 23%, with yield increasing 6%.

Operating income and margin increased due to higher package yield and volume, as well as lower self-insurance expenses and improved productivity.

## **FedEx Freight Segment**

For the fourth quarter, the FedEx Freight segment reported:

- Revenue of \$1.23 billion, up 30% from last year's \$948 million
- Operating loss of \$36 million, compared with an operating loss of \$106 million a year ago
- Operating margin of (2.9%), compared with (11.2%) the previous year

Less-than-truckload (LTL) average daily shipments increased 34% and LTL yield declined 6% year over year due to the effects of discounted pricing.

Operating losses in the quarter were driven by lower yields and higher volume-related costs, as significantly higher shipment levels required increased purchased transportation and other expenses. The quarter's operating loss also reflects an \$18 million impairment charge related to the goodwill associated with the acquisition of Watkins Motor Lines (now FedEx National LTL). Last year's results included \$100 million of charges, mostly related to impairment of goodwill associated with the acquisition of Watkins Motor Lines.

- more -

## **FedEx Services Segment**

FedEx Services segment revenue for the fourth quarter, which included the operations of FedEx Office, was down 6% year over year, due to the September 1, 2009 realignment of FedEx SupplyChain Systems to the FedEx Express reporting segment and declines in copy product revenues.

Last year's fourth quarter results for FedEx Services included an \$810 million goodwill impairment charge related to the acquisition of Kinko's (now FedEx Office).

## **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 \$35 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 280,000 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](http://news.fedex.com).

Additional information and operating data are contained in the company's annual report, Form 10-K, Form 10-Qs and fourth quarter fiscal 2010 Statistical Book. These materials, as well as a Webcast of the earnings release conference call to be held at 8:30 a.m. EDT on June 16 are available on the company's Web site at [www.fedex.com/us/investorrelations](http://www.fedex.com/us/investorrelations). A replay of the conference call Webcast will be posted on our Web site 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

- more -

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.

Media Contact: Jess Bunn 901-818-7463

Investor Contact: Mickey Foster 901-818-7468

Home Page: [fedex.com](http://fedex.com)

\* \* \*

- more -

## RECONCILIATION OF NON-GAAP FINANCIAL MEASURES TO GAAP FINANCIAL MEASURES

The company believes that meaningful analysis of our financial performance requires an understanding of the factors underlying that performance and our judgments about the likelihood that particular factors will repeat. Excluding the impact of the fiscal 2009 fourth quarter impairment and other charges from that quarter's and full year's results will allow more accurate comparisons to those periods of our operating performance during fiscal 2010. The tables below present a reconciliation of our presented non-GAAP measures to the most directly comparable GAAP measures.

|   | <b><u>2009</u></b><br><b><u>Full Year</u></b><br><b><u>EPS</u></b> | <b><u>2009</u></b><br><b><u>Fourth Qtr.</u></b><br><b><u>EPS</u></b> |
|---|--|--|
| Non-GAAP Measure                            | \$3.76   | \$0.64   |
| 2009 Fourth Quarter Charges <sup>1, 2</sup> | <u>(3.45)</u>  | <u>(3.46)</u>  |
| GAAP Measure                                | <u>\$0.31</u>  | <u>(\$2.82)</u>  |

1 - Impact differs for fourth quarter and full year due to weighted-average number of shares outstanding.

2 - \$1.2 billion, or \$1.1 billion net of tax, including noncash impairment charges associated with goodwill and aircraft-related asset impairments and other charges primarily associated with aircraft-related lease and contract termination costs, and employee severance.

# FEDEX CORP. FINANCIAL HIGHLIGHTS

## Fourth Quarter Fiscal 2010

(In millions, except earnings per share and FTEs)  
(Unaudited)

|   | Three Months Ended<br>May 31 |                 |          | Twelve Months Ended<br>May 31 |               |          |
|---|------------------------------|-----------------|----------|-------------------------------|---------------|----------|
|   | <u>2010</u>                  | <u>2009</u>     | <u>%</u> | <u>2010</u>                   | <u>2009</u>   | <u>%</u> |
| Revenue:  |                              |                 |          |                               |               |          |
| FedEx Express segment   | \$5,877                      | \$4,797         | 23%      | \$21,555                      | \$22,364      | (4%)     |
| FedEx Ground segment  | 1,962                        | 1,704           | 15%      | 7,439                         | 7,047         | 6%       |
| FedEx Freight segment   | 1,231                        | 948             | 30%      | 4,321                         | 4,415         | (2%)     |
| FedEx Services segment  | 448                          | 478             | (6%)     | 1,770                         | 1,977         | (10%)    |
| Other & eliminations  | <u>(90)</u>                  | <u>(75)</u>     | (20%)    | <u>(351)</u>                  | <u>(306)</u>  | (15%)    |
| Total Revenue   | 9,428                        | 7,852           | 20%      | 34,734                        | 35,497        | (2%)     |
| Operating Expenses:   |                              |                 |          |                               |               |          |
| Salaries and employee benefits                                  | 3,677                        | 3,265           | 13%      | 14,027                        | 13,767        | 2%       |
| Purchased transportation  | 1,299                        | 1,015           | 28%      | 4,728                         | 4,534         | 4%       |
| Rentals and landing fees  | 595                          | 591             | 1%       | 2,359                         | 2,429         | (3%)     |
| Depreciation and amortization                                   | 488                          | 496             | (2%)     | 1,958                         | 1,975         | (1%)     |
| Fuel  | 886                          | 541             | 64%      | 3,106                         | 3,811         | (18%)    |
| Maintenance and repairs   | 500                          | 391             | 28%      | 1,715                         | 1,898         | (10%)    |
| Impairment and other charges                                    | 18                           | 1,204           | NM       | 18                            | 1,204         | NM       |
| Other   | <u>1,269</u>                 | <u>1,198</u>    | 6%       | <u>4,825</u>                  | <u>5,132</u>  | (6%)     |
| Total Operating Expenses  | 8,732                        | 8,701           | 0%       | 32,736                        | 34,750        | (6%)     |
| Operating Income (Loss):  |                              |                 |          |                               |               |          |
| FedEx Express segment   | 413                          | (136)           | NM       | 1,127                         | 794           | 42%      |
| FedEx Ground segment  | 319                          | 203             | 57%      | 1,024                         | 807           | 27%      |
| FedEx Freight segment   | (36)                         | (106)           | 66%      | (153)                         | (44)          | NM       |
| FedEx Services segment  | <u>—</u>                     | <u>(810)</u>    | NM       | <u>—</u>                      | <u>(810)</u>  | NM       |
| Total Operating Income (Loss)                                   | 696                          | (849)           | NM       | 1,998                         | 747           | NM       |
| Other Income (Expense):   |                              |                 |          |                               |               |          |
| Interest, net   | (19)                         | (21)            | (10%)    | (71)                          | (59)          | 20%      |
| Other, net  | <u>(5)</u>                   | <u>(4)</u>      | 25%      | <u>(33)</u>                   | <u>(11)</u>   | NM       |
| Total Other Income (Expense)                                    | (24)                         | (25)            | (4%)     | (104)                         | (70)          | 49%      |
| Pretax Income   | 672                          | (874)           | NM       | 1,894                         | 677           | NM       |
| Provision for Income Taxes                                      | <u>253</u>                   | <u>2</u>        | NM       | <u>710</u>                    | <u>579</u>    | 23%      |
| Net Income  | <u>\$419</u>                 | <u>(\$876)</u>  | NM       | <u>\$1,184</u>                | <u>\$98</u>   | NM       |
| Diluted Earnings Per Share                                      | <u>\$1.33</u>                | <u>(\$2.82)</u> | NM       | <u>\$3.76</u>                 | <u>\$0.31</u> | NM       |
| Weighted Average Diluted Common and<br>Common Equivalent Shares | 316                          | 311             | 2%       | 314                           | 312           | 1%       |
| Capital Expenditures  | \$835                        | \$472           | 77%      | \$2,816                       | \$2,459       | 15%      |
| Average Full-Time Equivalents (000s)                            | 248                          | 239             | 4%       | 245                           | 248           | (1%)     |



# FEDEX CORP. CONDENSED CONSOLIDATED BALANCE SHEETS

## Fourth Quarter Fiscal 2010

(In millions)

(Unaudited)

|  | Year Ended<br>May 31 |                 |
|--|----------------------|-----------------|
|  | 2010                 | 2009            |
| <b>ASSETS</b>  |                      |                 |
| <b>Current Assets</b>  |                      |                 |
| Cash and cash equivalents  | \$ 1,952             | \$ 2,292        |
| Receivables, less allowances                                     | 4,163                | 3,391           |
| Spare parts, supplies and fuel, less allowances                  | 389                  | 367             |
| Deferred income taxes  | 529                  | 511             |
| Prepaid expenses and other                                       | <u>251</u>           | <u>555</u>      |
| Total current assets   | 7,284                | 7,116           |
| <b>Property and Equipment, at Cost</b>                           | 31,302               | 29,260          |
| Less accumulated depreciation and amortization                   | <u>16,917</u>        | <u>15,843</u>   |
| Net property and equipment                                       | 14,385               | 13,417          |
| <b>Other Long-Term Assets</b>                                    |                      |                 |
| Goodwill   | 2,200                | 2,229           |
| Pension assets   | —                    | 311             |
| Other assets   | <u>1,033</u>         | <u>1,171</u>    |
| Total other long-term assets                                     | <u>3,233</u>         | <u>3,711</u>    |
|  | <u>\$24.902</u>      | <u>\$24.244</u> |
| <b>LIABILITIES AND STOCKHOLDERS' INVESTMENT</b>                  |                      |                 |
| <b>Current Liabilities</b>                                       |                      |                 |
| Current portion of long-term debt                                | \$ 262               | \$ 653          |
| Accrued salaries and employee benefits                           | 1,146                | 861             |
| Accounts payable   | 1,522                | 1,372           |
| Accrued expenses   | <u>1,715</u>         | <u>1,638</u>    |
| Total current liabilities  | 4,645                | 4,524           |
| <b>Long-Term Debt, Less Current Portion</b>                      | 1,668                | 1,930           |
| <b>Other Long-Term Liabilities</b>                               |                      |                 |
| Deferred income taxes  | 891                  | 1,071           |
| Pension, postretirement healthcare and other benefit obligations | 1,705                | 934             |
| Self-insurance accruals  | 960                  | 904             |
| Deferred lease obligations                                       | 804                  | 802             |
| Deferred gains, principally related to aircraft transactions     | 267                  | 289             |
| Other liabilities  | <u>151</u>           | <u>164</u>      |
| Total other long-term liabilities                                | 4,778                | 4,164           |
| <b>Commitments and Contingencies</b>                             |                      |                 |
| <b>Common Stockholders' Investment</b>                           |                      |                 |
| Common stock, \$0.10 par value, 800 million shares authorized    | 31                   | 31              |
| Additional paid-in capital                                       | 2,261                | 2,053           |
| Retained earnings  | 13,966               | 12,919          |
| Accumulated other comprehensive loss                             | (2,440)              | (1,373)         |
| Treasury stock, at cost  | <u>(7)</u>           | <u>(4)</u>      |
| Total common stockholders' investment                            | <u>13,811</u>        | <u>13,626</u>   |
|  | <u>\$24.902</u>      | <u>\$24.244</u> |

# FEDEX CORP. CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

## Fourth Quarter Fiscal 2010

(In millions)

(Unaudited)

|   | Year Ended<br>May 31  |                       |
|---|-----------------------|-----------------------|
|   | <u>2010</u>           | <u>2009</u>           |
| Operating Activities:                                       |                       |                       |
| Net income  | \$1,184               | \$98                  |
| Noncash charges:  |                       |                       |
| Depreciation and amortization                               | 1,958                 | 1,975                 |
| Impairment and other charges                                | 18                    | 1,103                 |
| Other, net  | 556                   | 579                   |
| Changes in operating assets and liabilities, net            | <u>(578)</u>          | <u>(1,002)</u>        |
| <b>Net cash provided by operating activities</b>            | <b>3,138</b>          | <b>2,753</b>          |
| Investing Activities:                                       |                       |                       |
| Capital expenditures  | (2,816)               | (2,459)               |
| Proceeds from asset dispositions and other                  | <u>35</u>             | <u>76</u>             |
| <b>Net cash used in investing activities</b>                | <b>(2,781)</b>        | <b>(2,383)</b>        |
| Financing Activities:                                       |                       |                       |
| Proceeds from debt issuance                                 | —                     | 1,000                 |
| Principal payments on debt                                  | (653)                 | (501)                 |
| Dividends paid  | (138)                 | (137)                 |
| Other, net  | <u>99</u>             | <u>38</u>             |
| <b>Net cash (used in) provided by financing activities</b>  | <b><u>(692)</u></b>   | <b><u>400</u></b>     |
| <b>Effect of exchange rate changes on cash</b>              | <b><u>(5)</u></b>     | <b><u>(17)</u></b>    |
| <b>Net (decrease) increase in cash and cash equivalents</b> | <b>(340)</b>          | <b>753</b>            |
| Cash and cash equivalents at beginning of period            | <u>2,292</u>          | <u>1,539</u>          |
| Cash and cash equivalents at end of period                  | <u><u>\$1,952</u></u> | <u><u>\$2,292</u></u> |

# FEDEX EXPRESS SEGMENT FINANCIAL AND OPERATING HIGHLIGHTS

## Fourth Quarter Fiscal 2010

(Dollars in millions)

(Unaudited)

|   | Three Months Ended<br>May 31 |                    |                 | Twelve Months Ended<br>May 31 |                    |                 |
|---|------------------------------|--------------------|-----------------|-------------------------------|--------------------|-----------------|
| <b><u>FINANCIAL HIGHLIGHTS</u></b>      | <b><u>2010</u></b>           | <b><u>2009</u></b> | <b><u>%</u></b> | <b><u>2010</u></b>            | <b><u>2009</u></b> | <b><u>%</u></b> |
| Revenue                                 | \$5,877                      | \$4,797            | 23%             | \$21,555                      | \$22,364           | (4%)            |
| Operating Expenses:                     |                              |                    |                 |                               |                    |                 |
| Salaries and employee benefits          | 2,187                        | 1,965              | 11%             | 8,402                         | 8,217              | 2%              |
| Purchased transportation                | 347                          | 241                | 44%             | 1,177                         | 1,112              | 6%              |
| Rentals and landing fees                | 399                          | 393                | 2%              | 1,577                         | 1,613              | (2%)            |
| Depreciation and amortization           | 259                          | 240                | 8%              | 1,016                         | 961                | 6%              |
| Fuel                                    | 748                          | 458                | 63%             | 2,651                         | 3,281              | (19%)           |
| Maintenance and repairs                 | 342                          | 258                | 33%             | 1,131                         | 1,351              | (16%)           |
| Impairment and other charges            | —                            | 260                | NM              | —                             | 260                | NM              |
| Intercompany charges                    | 504                          | 508                | (1%)            | 1,940                         | 2,103              | (8%)            |
| Other                                   | <u>678</u>                   | <u>610</u>         | 11%             | <u>2,534</u>                  | <u>2,672</u>       | (5%)            |
| Total Operating Expenses                | <u>5,464</u>                 | <u>4,933</u>       | 11%             | <u>20,428</u>                 | <u>21,570</u>      | (5%)            |
| Operating Income/(Loss)                 | <u>\$413</u>                 | <u>(\$136)</u>     | NM              | <u>\$1,127</u>                | <u>\$794</u>       | 42%             |
| Operating Margin                        | 7.0%                         | (2.8%)             | 9.8 pts         | 5.2%                          | 3.6%               | 1.6 pts         |
| <b><u>OPERATING STATISTICS</u></b>      |                              |                    |                 |                               |                    |                 |
| Operating Weekdays                      | 65                           | 64                 | 2%              | 255                           | 254                | 0%              |
| <b><u>AVG DAILY VOLUME / POUNDS</u></b> |                              |                    |                 |                               |                    |                 |
| Average Daily Package Volume (000s):    |                              |                    |                 |                               |                    |                 |
| U.S. Overnight Box                      | 1,156                        | 1,144              | 1%              | 1,157                         | 1,127              | 3%              |
| U.S. Overnight Envelope                 | 632                          | 644                | (2%)            | 614                           | 627                | (2%)            |
| U.S. Deferred                           | <u>843</u>                   | <u>829</u>         | 2%              | <u>867</u>                    | <u>849</u>         | 2%              |
| Total U.S. Domestic Package             | 2,631                        | 2,617              | 1%              | 2,638                         | 2,603              | 1%              |
| International Priority                  | 560                          | 456                | 23%             | 523                           | 475                | 10%             |
| International Domestic                  | <u>323</u>                   | <u>289</u>         | 12%             | <u>318</u>                    | <u>298</u>         | 7%              |
| Total Average Daily Packages            | <u>3,514</u>                 | <u>3,362</u>       | 5%              | <u>3,479</u>                  | <u>3,376</u>       | 3%              |
| Average Daily Freight Pounds (000s):    |                              |                    |                 |                               |                    |                 |
| U.S.                                    | 6,916                        | 6,859              | 1%              | 7,141                         | 7,287              | (2%)            |
| International Priority                  | 2,889                        | 1,715              | 68%             | 2,544                         | 1,959              | 30%             |
| International Airfreight                | <u>1,198</u>                 | <u>1,178</u>       | 2%              | <u>1,222</u>                  | <u>1,475</u>       | (17%)           |
| Total Avg Daily Freight Pounds          | <u>11,003</u>                | <u>9,752</u>       | 13%             | <u>10,907</u>                 | <u>10,721</u>      | 2%              |
| <b><u>YIELD</u></b>                     |                              |                    |                 |                               |                    |                 |
| Revenue Per Package:                    |                              |                    |                 |                               |                    |                 |
| U.S. Overnight Box                      | \$19.77                      | \$18.22            | 9%              | \$19.00                       | \$21.21            | (10%)           |
| U.S. Overnight Envelope                 | 10.64                        | 10.15              | 5%              | 10.47                         | 11.65              | (10%)           |
| U.S. Deferred                           | <u>12.23</u>                 | <u>11.39</u>       | 7%              | <u>11.70</u>                  | <u>12.94</u>       | (10%)           |
| Total U.S. Domestic Package             | 15.16                        | 14.07              | 8%              | 14.61                         | 16.21              | (10%)           |
| International Priority                  | 54.45                        | 51.29              | 6%              | 53.10                         | 57.81              | (8%)            |
| International Domestic                  | <u>7.22</u>                  | <u>6.52</u>        | 11%             | <u>7.14</u>                   | <u>7.50</u>        | (5%)            |
| Composite Package Yield                 | <u>\$20.69</u>               | <u>\$18.47</u>     | 12%             | <u>\$19.72</u>                | <u>\$21.30</u>     | (7%)            |
| Revenue Per Freight Pound:              |                              |                    |                 |                               |                    |                 |
| U.S.                                    | \$1.15                       | \$1.02             | 13%             | \$1.09                        | \$1.17             | (7%)            |
| International Priority                  | 2.09                         | 2.01               | 4%              | 2.01                          | 2.22               | (9%)            |
| International Airfreight                | <u>0.85</u>                  | <u>0.78</u>        | 9%              | <u>0.81</u>                   | <u>0.99</u>        | (18%)           |
| Composite Freight Yield                 | <u>\$1.36</u>                | <u>\$1.17</u>      | 16%             | <u>\$1.27</u>                 | <u>\$1.34</u>      | (5%)            |
| Average Full-Time Equivalents (000s)    | 129                          | 125                | 3%              | 128                           | 128                | —               |

# FEDEX GROUND SEGMENT FINANCIAL AND OPERATING HIGHLIGHTS

## Fourth Quarter Fiscal 2010

(Dollars in millions)

(Unaudited)

|                                     | Three Months Ended<br>May 31 |              |          | Twelve Months Ended<br>May 31 |              |          |
|-------------------------------------|------------------------------|--------------|----------|-------------------------------|--------------|----------|
|                                     | <u>2010</u>                  | <u>2009</u>  | <u>%</u> | <u>2010</u>                   | <u>2009</u>  | <u>%</u> |
| <b><u>FINANCIAL HIGHLIGHTS</u></b>  |                              |              |          |                               |              |          |
| Revenue                             | \$1,962                      | \$1,704      | 15%      | \$7,439                       | \$7,047      | 6%       |
| Operating Expenses:                 |                              |              |          |                               |              |          |
| Salaries and employee benefits      | 299                          | 278          | 8%       | 1,158                         | 1,102        | 5%       |
| Purchased transportation            | 769                          | 677          | 14%      | 2,966                         | 2,918        | 2%       |
| Rentals                             | 60                           | 55           | 9%       | 244                           | 222          | 10%      |
| Depreciation and amortization       | 83                           | 91           | (9%)     | 334                           | 337          | (1%)     |
| Fuel                                | 2                            | 1            | 100%     | 8                             | 9            | (11%)    |
| Maintenance and repairs             | 47                           | 38           | 24%      | 166                           | 147          | 13%      |
| Intercompany charges                | 208                          | 172          | 21%      | 795                           | 710          | 12%      |
| Other                               | <u>175</u>                   | <u>189</u>   | (7%)     | <u>744</u>                    | <u>795</u>   | (6%)     |
| Total Operating Expenses            | <u>1,643</u>                 | <u>1,501</u> | 9%       | <u>6,415</u>                  | <u>6,240</u> | 3%       |
| Operating Income                    | <u>\$319</u>                 | <u>\$203</u> | 57%      | <u>\$1,024</u>                | <u>\$807</u> | 27%      |
| Operating Margin                    | 16.3%                        | 11.9%        | 4.4 pts  | 13.8%                         | 11.5%        | 2.3 pts  |
| <b><u>OPERATING STATISTICS</u></b>  |                              |              |          |                               |              |          |
| Operating Weekdays                  | 65                           | 64           | 2%       | 255                           | 254          | 0%       |
| Average Daily Package Volume (000s) |                              |              |          |                               |              |          |
| FedEx Ground                        | 3,516                        | 3,297        | 7%       | 3,523                         | 3,404        | 3%       |
| FedEx SmartPost                     | 1,150                        | 934          | 23%      | 1,222                         | 827          | 48%      |
| Yield (Revenue Per Package)         |                              |              |          |                               |              |          |
| FedEx Ground                        | \$8.04                       | \$7.63       | 5%       | \$7.73                        | \$7.70       | 0%       |
| FedEx SmartPost                     | \$1.63                       | \$1.54       | 6%       | \$1.56                        | \$1.81       | (14%)    |

# FEDEX FREIGHT SEGMENT FINANCIAL AND OPERATING HIGHLIGHTS

## Fourth Quarter Fiscal 2010

(Dollars in millions)

(Unaudited)

|                                    | Three Months Ended<br>May 31 |                |          | Twelve Months Ended<br>May 31 |               |           |
|------------------------------------|------------------------------|----------------|----------|-------------------------------|---------------|-----------|
|                                    | <u>2010</u>                  | <u>2009</u>    | <u>%</u> | <u>2010</u>                   | <u>2009</u>   | <u>%</u>  |
| <b><u>FINANCIAL HIGHLIGHTS</u></b> |                              |                |          |                               |               |           |
| Revenue                            | \$1,231                      | \$948          | 30%      | \$4,321                       | \$4,415       | (2%)      |
| Operating Expenses:                |                              |                |          |                               |               |           |
| Salaries and employee benefits     | 576                          | 512            | 13%      | 2,128                         | 2,247         | (5%)      |
| Purchased transportation           | 213                          | 105            | 103%     | 690                           | 540           | 28%       |
| Rentals                            | 31                           | 37             | (16%)    | 116                           | 139           | (17%)     |
| Depreciation and amortization      | 48                           | 58             | (17%)    | 198                           | 224           | (12%)     |
| Fuel                               | 135                          | 81             | 67%      | 445                           | 520           | (14%)     |
| Maintenance and repairs            | 43                           | 36             | 19%      | 148                           | 153           | (3%)      |
| Impairment and other charges       | 18                           | 100            | (82%)    | 18                            | 100           | (82%)     |
| Intercompany charges <sup>1</sup>  | 102                          | 29             | NM       | 351                           | 109           | NM        |
| Other                              | <u>101</u>                   | <u>96</u>      | 5%       | <u>380</u>                    | <u>427</u>    | (11%)     |
| Total Operating Expenses           | <u>1,267</u>                 | <u>1,054</u>   | 20%      | <u>4,474</u>                  | <u>4,459</u>  | 0%        |
| Operating Loss                     | <u>(\$36)</u>                | <u>(\$106)</u> | 66%      | <u>(\$153)</u>                | <u>(\$44)</u> | NM        |
| Operating Margin                   | (2.9%)                       | (11.2%)        | 8.3 pts  | (3.5%)                        | (1.0%)        | (2.5 pts) |
| <b><u>OPERATING STATISTICS</u></b> |                              |                |          |                               |               |           |
| LTL Operating Weekdays             | 65                           | 64             | 2%       | 253                           | 252           | 0%        |
| LTL Shipments Per Day (000s)       | 91.5                         | 68.4           | 34%      | 82.3                          | 74.4          | 11%       |
| Weight Per LTL Shipment (lbs)      | 1,160                        | 1,119          | 4%       | 1,134                         | 1,126         | 1%        |
| LTL Revenue/CWT                    | \$16.69                      | \$17.78        | (6%)     | \$17.07                       | \$19.07       | (10%)     |

1 - During the first quarter of fiscal 2010, approximately 2,700 FedEx Freight segment employees were transferred to the FedEx Services segment. These employees represented the sales, marketing, IT, pricing, customer service, claims and credit and collection functions of the FedEx Freight segment. For 2010, the costs of these functions were allocated to the FedEx Freight segment through intercompany charges. There is no net impact to the FedEx Freight segment operating income and margin.