



FOR IMMEDIATE RELEASE

FedEx Corp. Reports Second Quarter Earnings

Improving Global Economy Drives Shipment Growth

FedEx International Priority Package Volume Increases Six Percent

MEMPHIS, Tenn., December 17, 2009 ... FedEx Corp. (NYSE: FDX) today reported earnings of \$1.10 per diluted share for the second quarter ended November 30, compared to \$1.58 per diluted share a year ago.

“Positive momentum in the global economy and continued execution of our business strategy drove volume growth across all FedEx transportation segments, highlighted by increased international shipments,” said Frederick W. Smith, FedEx Corp. chairman, president and chief executive officer. “We have taken decisive actions during the economic downturn to reduce expenses while expanding our networks in growth markets. We are providing outstanding service levels during our busiest shipping season thanks to the dedication of our more than 275,000 team members.”

Second Quarter Results

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

- Revenue of \$8.60 billion, down 10% from \$9.54 billion a year ago
- Operating income of \$571 million, down 27% from \$784 million last year
- Operating margin of 6.6%, down from 8.2% the previous year
- Net income of \$345 million, down 30% from last year's \$493 million

Revenue and earnings declined as a result of lower yields, primarily due to a substantial decline in fuel surcharges year over year. Shipment growth, particularly in international express and at FedEx Ground, and strict cost controls benefited results.

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Outlook

FedEx expects earnings per share of \$0.50 to \$0.70 per diluted share in the third quarter, and \$3.45 to \$3.75 for fiscal 2010, which reflects the current market outlook for fuel prices and a continued modest recovery in the global economy. The company earned \$0.31 per share in last year's third quarter. The company's capital spending forecast remains \$2.6 billion.

"Our balance sheet is strong, volumes are growing, and we are encouraged by our performance as we emerge from the worst economic downturn in FedEx history," said Alan B. Graf Jr., FedEx Corp. executive vice president and chief financial officer. "While there is some uncertainty regarding the sustainability of current demand trends after our peak shipping season, we expect our strong operating leverage to provide improved year-over-year profitability in the second half of our fiscal year. Effective cost management remains a priority and should continue to benefit results."

With an outlook for modestly improving economic conditions and business performance, FedEx will resume merit salary increases for calendar 2010 as well as a 50% resumption of the 401(k) company match for most U.S. employees. These programs were suspended a year ago. In addition, second quarter results reflect expenses to accrue for expected payouts under the company's variable incentive compensation programs, which are designed to pay base incentives to most hourly, professional and manager-level employees prior to paying any amounts to senior management. These expected costs are included in the company's earnings guidance.

FedEx Express Segment

For the second quarter, the FedEx Express segment reported:

- Revenue of \$5.31 billion, down 13% from \$6.10 billion a year ago
- Operating income of \$345 million, down 36% from \$540 million last year
- Operating margin of 6.5%, down from 8.9% the previous year

U.S. domestic average daily package volume increased 4%, while revenue per package dropped 19% due to lower fuel surcharges, rate per pound and weight per package. FedEx International Priority[®] (IP) average daily package volume increased 6%. IP revenue per package declined 14% primarily due to lower fuel surcharges.

Operating income and margin declined year over year, as last year's results significantly benefited from falling fuel prices and the related fuel surcharge timing lag. Continued reductions in network operating costs driven by fewer flight hours and improved route efficiencies, along with other aggressive actions to control spending, partially offset the negative impact of fuel price. A one-time adjustment to a self-insurance program also benefited the quarter, but was largely offset by incremental variable compensation accruals.

FedEx Ground Segment

For the second quarter, the FedEx Ground segment reported:

- Revenue of \$1.84 billion, up 3% from last year's \$1.79 billion
- Operating income of \$238 million, up 12% from \$212 million a year ago
- Operating margin of 13.0%, up from 11.9% the previous year

FedEx Ground average daily package volume was up 4%. Yield decreased 2% primarily due to lower fuel surcharges. FedEx SmartPost average daily volume grew 63%, aided by gains from DHL's exit from the U.S. domestic package market. Operating income and margin grew primarily due to increased volume and improved productivity.

Earlier this month, FedEx Ground announced that it will be increasing FedEx Ground and FedEx Home Delivery[®] rates by an average of 4.9%, effective January 4, 2010. FedEx Ground is also making various changes to surcharges, including modifications to its fuel surcharge table.

FedEx Freight Segment

For the second quarter, the FedEx Freight segment reported:

- Revenue of \$1.07 billion, down 11% from last year's \$1.20 billion
- Operating loss of \$12 million, down from operating income of \$32 million a year ago
- Operating margin of (1.1%), down from 2.7% the previous year

Less-than-truckload (LTL) yield decreased 12% due to the continuing effects of a competitive pricing environment and lower fuel surcharges. Average daily LTL shipments increased 3% year over year and growth rates improved month over month throughout the quarter. Operating income and margin decreased in the quarter due to the competitive pricing environment, partially offset by higher shipments.

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FedEx Services Segment

FedEx Services segment revenue for the second quarter, which included the operations of FedEx Office, was down 12% year over year, due to declines in copy product revenues and the realignment of FedEx SupplyChain Systems to the FedEx Express reporting segment, effective September 1, 2009. The financial impact of this realignment was immaterial.

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 \$33 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 275,000 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 2010 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 17 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.

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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FEDEX CORP. FINANCIAL HIGHLIGHTS

Second Quarter Fiscal 2010

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

| | Three Months Ended November 30 | | | Six Months Ended November 30 | | |
|---|-----------------------------------|---------------|--------|---------------------------------|---------------|--------|
| | 2009 | 2008 | % | 2009 | 2008 | % |
| Revenue: | | | | | | |
| FedEx Express segment | \$5,314 | \$6,098 | (13%) | \$10,238 | \$12,517 | (18%) |
| FedEx Ground segment | 1,837 | 1,789 | 3% | 3,567 | 3,550 | 0% |
| FedEx Freight segment | 1,068 | 1,200 | (11%) | 2,050 | 2,553 | (20%) |
| FedEx Services segment | 465 | 528 | (12%) | 916 | 1,041 | (12%) |
| Other & eliminations | <u>(88)</u> | <u>(77)</u> | NM | <u>(166)</u> | <u>(153)</u> | NM |
| Total Revenue | 8,596 | 9,538 | (10%) | 16,605 | 19,508 | (15%) |
| Operating Expenses: | | | | | | |
| Salaries and employee benefits | 3,424 | 3,503 | (2%) | 6,801 | 7,088 | (4%) |
| Purchased transportation | 1,155 | 1,181 | (2%) | 2,209 | 2,459 | (10%) |
| Rentals and landing fees | 593 | 612 | (3%) | 1,171 | 1,229 | (5%) |
| Depreciation and amortization | 487 | 491 | (1%) | 982 | 983 | (0%) |
| Fuel | 744 | 1,106 | (33%) | 1,410 | 2,634 | (46%) |
| Maintenance and repairs | 410 | 521 | (21%) | 811 | 1,058 | (23%) |
| Other | <u>1,212</u> | <u>1,340</u> | (10%) | <u>2,335</u> | <u>2,643</u> | (12%) |
| Total Operating Expenses | 8,025 | 8,754 | (8%) | 15,719 | 18,094 | (13%) |
| Operating Income (Loss): | | | | | | |
| FedEx Express segment | 345 | 540 | (36%) | 449 | 885 | (49%) |
| FedEx Ground segment | 238 | 212 | 12% | 447 | 408 | 10% |
| FedEx Freight segment | <u>(12)</u> | <u>32</u> | (138%) | <u>(10)</u> | <u>121</u> | (108%) |
| Total Operating Income | 571 | 784 | (27%) | 886 | 1,414 | (37%) |
| Other Income (Expense): | | | | | | |
| Interest, net | (15) | (10) | 50% | (33) | (19) | 74% |
| Other, net | <u>(9)</u> | <u>—</u> | NM | <u>(12)</u> | <u>(3)</u> | NM |
| Total Other Income (Expense) | (24) | (10) | 140% | (45) | (22) | 105% |
| Pretax Income | 547 | 774 | (29%) | 841 | 1,392 | (40%) |
| Provision for Income Taxes | <u>202</u> | <u>281</u> | (28%) | <u>315</u> | <u>515</u> | (39%) |
| Net Income | <u>\$345</u> | <u>\$493</u> | (30%) | <u>\$526</u> | <u>\$877</u> | (40%) |
| Diluted Earnings Per Share | <u>\$1.10</u> | <u>\$1.58</u> | (30%) | <u>\$1.68</u> | <u>\$2.81</u> | (40%) |
| Weighted Average Common and Common Equivalent Shares | 314 | 312 | 1% | 313 | 313 | — |
| Capital Expenditures | \$668 | \$750 | (11%) | \$1,549 | \$1,387 | 12% |
| Average Full-Time Equivalent (000s) | 244 | 252 | (3%) | 241 | 252 | (4%) |

FEDEX CORP. CONDENSED CONSOLIDATED BALANCE SHEETS

Second Quarter Fiscal 2010

(In millions)

| | Nov. 30, 2009 | |
|--|--------------------|---------------------|
| | <u>(Unaudited)</u> | <u>May 31, 2009</u> |
| <u>ASSETS</u> | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 1,465 | \$ 2,292 |
| Other current assets | <u>4,969</u> | <u>4,824</u> |
| Total Current Assets | 6,434 | 7,116 |
| Net Property and Equipment | 13,937 | 13,417 |
| Other Long-Term Assets | <u>4,223</u> | <u>3,711</u> |
| | <u>\$24,594</u> | <u>\$24,244</u> |
| <u>LIABILITIES AND STOCKHOLDERS' INVESTMENT</u> | | |
| Current Liabilities: | | |
| Current portion of long-term debt | \$ 40 | \$ 653 |
| Other current liabilities | <u>4,079</u> | <u>3,871</u> |
| Total Current Liabilities | 4,119 | 4,524 |
| Long-Term Debt, Less Current Portion | 1,918 | 1,930 |
| Other Long-Term Liabilities | 4,389 | 4,164 |
| Total Common Stockholders' Investment | <u>14,168</u> | <u>13,626</u> |
| | <u>\$24,594</u> | <u>\$24,244</u> |

FEDEX CORP. CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Second Quarter Fiscal 2010

(In millions)

(Unaudited)

| | Six Months Ended November 30 | |
|---|---------------------------------|--------------------|
| | <u>2009</u> | <u>2008</u> |
| Operating Activities: | | |
| Net income | \$526 | \$877 |
| Noncash charges: | | |
| Depreciation and amortization | 982 | 983 |
| Other, net | 176 | 213 |
| Changes in operating assets and liabilities, net | <u>(327)</u> | <u>(618)</u> |
| Net cash provided by operating activities | 1,357 | 1,455 |
| Investing Activities: | | |
| Capital expenditures | (1,549) | (1,387) |
| Proceeds from asset dispositions and other | <u>33</u> | <u>30</u> |
| Net cash used in investing activities | (1,516) | (1,357) |
| Financing Activities: | | |
| Principal payments on debt | (625) | (1) |
| Dividends paid | (69) | (68) |
| Other, net | <u>13</u> | <u>9</u> |
| Net cash used in financing activities | (681) | (60) |
| Effect of exchange rate changes on cash | <u>13</u> | <u>(35)</u> |
| Net (decrease) increase in cash and cash equivalents | (827) | 3 |
| 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>\$1,465</u> | <u>\$1,542</u> |

FEDEX EXPRESS SEGMENT FINANCIAL AND OPERATING HIGHLIGHTS

Second Quarter Fiscal 2010

(Dollars in millions)
(Unaudited)

| FINANCIAL HIGHLIGHTS | Three Months Ended November 30 | | | Six Months Ended November 30 | | |
|---|---|----------------|-----------|---|----------------|-----------|
| | 2009 | 2008 | % | 2009 | 2008 | % |
| Revenue | \$5,314 | \$6,098 | (13%) | \$10,238 | \$12,517 | (18%) |
| Operating Expenses: | | | | | | |
| Salaries and employee benefits | 2,036 | 2,059 | (1%) | 4,079 | 4,188 | (3%) |
| Purchased transportation | 283 | 294 | (4%) | 538 | 630 | (15%) |
| Rentals and landing fees | 396 | 403 | (2%) | 781 | 820 | (5%) |
| Depreciation and amortization | 251 | 241 | 4% | 503 | 480 | 5% |
| Fuel | 638 | 953 | (33%) | 1,209 | 2,272 | (47%) |
| Maintenance and repairs | 267 | 381 | (30%) | 528 | 775 | (32%) |
| Intercompany charges | 470 | 532 | (12%) | 939 | 1,065 | (12%) |
| Other | <u>628</u> | <u>695</u> | (10%) | <u>1,212</u> | <u>1,402</u> | (14%) |
| Total Operating Expenses | <u>4,969</u> | <u>5,558</u> | (11%) | <u>9,789</u> | <u>11,632</u> | (16%) |
| Operating Income | <u>\$345</u> | <u>\$540</u> | (36%) | <u>\$449</u> | <u>\$885</u> | (49%) |
| Operating Margin | 6.5% | 8.9% | (2.4 pts) | 4.4% | 7.1% | (2.7 pts) |
| <u>OPERATING STATISTICS</u> | | | | | | |
| Operating Weekdays | 63 | 63 | — | 128 | 127 | 1% |
| <u>AVG DAILY VOLUME / POUNDS</u> | | | | | | |
| Average Daily Package Volume (000s): | | | | | | |
| U.S. Overnight Box | 1,154 | 1,086 | 6% | 1,141 | 1,094 | 4% |
| U.S. Overnight Envelope | 606 | 611 | (1%) | 611 | 621 | (2%) |
| U.S. Deferred | <u>858</u> | <u>832</u> | 3% | <u>840</u> | <u>830</u> | 1% |
| Total U.S. Domestic Package | 2,618 | 2,529 | 4% | 2,592 | 2,545 | 2% |
| International Priority | 529 | 500 | 6% | 502 | 497 | 1% |
| International Domestic | <u>338</u> | <u>311</u> | 9% | <u>315</u> | <u>309</u> | 2% |
| Total Average Daily Packages | <u>3,485</u> | <u>3,340</u> | 4% | <u>3,409</u> | <u>3,351</u> | 2% |
| Average Daily Freight Pounds (000s): | | | | | | |
| U.S. | 7,193 | 7,335 | (2%) | 6,883 | 7,315 | (6%) |
| International Priority | 2,571 | 2,216 | 16% | 2,353 | 2,264 | 4% |
| International Airfreight | <u>1,207</u> | <u>1,605</u> | (25%) | <u>1,253</u> | <u>1,737</u> | (28%) |
| Total Avg Daily Freight Pounds | <u>10,971</u> | <u>11,156</u> | (2%) | <u>10,489</u> | <u>11,316</u> | (7%) |
| <u>YIELD</u> | | | | | | |
| Revenue Per Package: | | | | | | |
| U.S. Overnight Box | \$18.87 | \$23.66 | (20%) | \$18.51 | \$23.96 | (23%) |
| U.S. Overnight Envelope | 10.36 | 12.62 | (18%) | 10.27 | 12.84 | (20%) |
| U.S. Deferred | <u>11.58</u> | <u>14.13</u> | (18%) | <u>11.40</u> | <u>14.25</u> | (20%) |
| Total U.S. Domestic Package | 14.51 | 17.86 | (19%) | 14.26 | 18.08 | (21%) |
| International Priority | 52.88 | 61.30 | (14%) | 52.27 | 62.93 | (17%) |
| International Domestic | <u>7.09</u> | <u>8.06</u> | (12%) | <u>7.07</u> | <u>8.34</u> | (15%) |
| Composite Package Yield | <u>\$19.62</u> | <u>\$23.44</u> | (16%) | <u>\$19.19</u> | <u>\$23.84</u> | (20%) |
| Revenue Per Freight Pound: | | | | | | |
| U.S. | \$1.08 | \$1.29 | (16%) | \$1.07 | \$1.28 | (16%) |
| International Priority | 1.98 | 2.32 | (15%) | 1.93 | 2.31 | (16%) |
| International Airfreight | <u>0.83</u> | <u>1.09</u> | (24%) | <u>0.77</u> | <u>1.10</u> | (30%) |
| Composite Freight Yield | <u>\$1.26</u> | <u>\$1.46</u> | (14%) | <u>\$1.22</u> | <u>\$1.46</u> | (16%) |
| Average Full-Time Equivalents (000s) | 126 | 128 | (2%) | 126 | 129 | (2%) |

FEDEX GROUND SEGMENT FINANCIAL AND OPERATING HIGHLIGHTS

Second Quarter Fiscal 2010

(Dollars in millions)

(Unaudited)

| | Three Months Ended November 30 | | | Six Months Ended November 30 | | |
|-------------------------------------|-----------------------------------|--------------|----------|---------------------------------|--------------|----------|
| | <u>2009</u> | <u>2008</u> | <u>%</u> | <u>2009</u> | <u>2008</u> | <u>%</u> |
| <u>FINANCIAL HIGHLIGHTS</u> | | | | | | |
| Revenue | \$1,837 | \$1,789 | 3% | \$3,567 | \$3,550 | 0% |
| Operating Expenses: | | | | | | |
| Salaries and employee benefits | 288 | 279 | 3% | 570 | 546 | 4% |
| Purchased transportation | 733 | 745 | (2%) | 1,426 | 1,516 | (6%) |
| Rentals | 63 | 58 | 9% | 121 | 109 | 11% |
| Depreciation and amortization | 83 | 81 | 2% | 168 | 161 | 4% |
| Fuel | 2 | 3 | (33%) | 3 | 5 | (40%) |
| Maintenance and repairs | 40 | 37 | 8% | 78 | 74 | 5% |
| Intercompany charges | 196 | 180 | 9% | 380 | 358 | 6% |
| Other | <u>194</u> | <u>194</u> | — | <u>374</u> | <u>373</u> | 0% |
| Total Operating Expenses | <u>1,599</u> | <u>1,577</u> | 1% | <u>3,120</u> | <u>3,142</u> | (1%) |
| Operating Income | <u>\$238</u> | <u>\$212</u> | 12% | <u>\$447</u> | <u>\$408</u> | 10% |
| Operating Margin | 13.0% | 11.9% | 1.1 pts | 12.5% | 11.5% | 1.0 pts |
| <u>OPERATING STATISTICS</u> | | | | | | |
| Operating Weekdays | 63 | 63 | — | 128 | 127 | 1% |
| Average Daily Package Volume (000s) | | | | | | |
| FedEx Ground | 3,602 | 3,473 | 4% | 3,454 | 3,405 | 1% |
| FedEx SmartPost | 1,265 | 777 | 63% | 1,135 | 680 | 67% |
| Yield (Revenue Per Package) | | | | | | |
| FedEx Ground | \$7.54 | \$7.70 | (2%) | \$7.56 | \$7.78 | (3%) |
| FedEx SmartPost | \$1.57 | \$2.07 | (24%) | \$1.50 | \$2.10 | (29%) |

FEDEX FREIGHT SEGMENT FINANCIAL AND OPERATING HIGHLIGHTS

Second Quarter Fiscal 2010

(Dollars in millions)

(Unaudited)

| | Three Months Ended November 30 | | | Six Months Ended November 30 | | |
|------------------------------------|-----------------------------------|--------------|-----------|---------------------------------|--------------|-----------|
| | <u>2009</u> | <u>2008</u> | <u>%</u> | <u>2009</u> | <u>2008</u> | <u>%</u> |
| <u>FINANCIAL HIGHLIGHTS</u> | | | | | | |
| Revenue | \$1,068 | \$1,200 | (11%) | \$2,050 | \$2,553 | (20%) |
| Operating Expenses: | | | | | | |
| Salaries and employee benefits | 513 | 592 | (13%) | 1,020 | 1,206 | (15%) |
| Purchased transportation | 168 | 151 | 11% | 286 | 331 | (14%) |
| Rentals | 27 | 35 | (23%) | 56 | 68 | (18%) |
| Depreciation and amortization | 46 | 53 | (13%) | 101 | 107 | (6%) |
| Fuel | 104 | 150 | (31%) | 198 | 356 | (44%) |
| Maintenance and repairs | 35 | 41 | (15%) | 69 | 84 | (18%) |
| Intercompany charges ¹ | 98 | 29 | NM | 150 | 51 | NM |
| Other | <u>89</u> | <u>117</u> | (24%) | <u>180</u> | <u>229</u> | (21%) |
| Total Operating Expenses | <u>1,080</u> | <u>1,168</u> | (8%) | <u>2,060</u> | <u>2,432</u> | (15%) |
| Operating (Loss) Income | <u>(\$12)</u> | <u>\$32</u> | NM | <u>(\$10)</u> | <u>\$121</u> | NM |
| Operating Margin | (1.1%) | 2.7% | (3.8 pts) | (0.5%) | 4.7% | (5.2 pts) |
| <u>OPERATING STATISTICS</u> | | | | | | |
| LTL Operating Weekdays | 62 | 62 | — | 127 | 126 | 1% |
| LTL Shipments Per Day (000s) | 82.9 | 80.3 | 3% | 77.0 | 81.5 | (6%) |
| Weight Per LTL Shipment (lbs) | 1,128 | 1,122 | 1% | 1,119 | 1,131 | (1%) |
| LTL Revenue/CWT | \$17.09 | \$19.44 | (12%) | \$17.45 | \$19.96 | (13%) |

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 will be allocated to the FedEx Freight segment through intercompany charges. There is no net impact to the FedEx Freight segment operating income and margin.