



## FedEx Corp. Reports Higher First Quarter Earnings

### Earnings Per Share Increases 12%, IP Revenue up 20%

MEMPHIS, Tenn., Sept. 19, 2000 ... FedEx Corporation (NYSE: FDX) today reported earnings increased to \$0.58 per diluted share for the quarter ended August 31, up 12% from \$0.52 per share last year.

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

- Revenue of \$4.8 billion, up 11% from \$4.3 billion the previous year
- Operating income of \$311 million, up 10% from \$284 million a year ago
- Net income of \$169 million, up 6% from last year's \$159 million

"Our solid first quarter financial results can be attributed to three very positive trends: first, increased volume growth in most areas of our business; second, improved revenue per package at FedEx Express; and, third, a continued focus on reducing costs and increasing workforce productivity while providing convenient customer solutions," said Executive Vice President and Chief Financial Officer Alan B. Graf, Jr.

Revenue from FedEx International Priority<sup>(R)</sup> (IP) shipments continued to grow at the fastest pace, exceeding 20% for the third consecutive quarter. "We have recently made further enhancements to our unparalleled international network, due to increased demand from customers for reduced transit times, later customer pickups and earlier deliveries," said Graf. "These enhancements, which include improved connectivity between Europe and Asia, connection of the Scandinavian countries to the FedEx EuroOne network and two additional flights between the U.S. and our hub at Charles de Gaulle airport in Paris, France, significantly improve service to our customers without materially increasing costs.

"U.S. domestic revenue increased in part due to our new bundling and branding strategies gaining traction," said Graf. "Average daily volume growth rates for FedEx Express' U.S. domestic overnight box and U.S. domestic deferred services increased more than 4% each, while FedEx Ground's growth rate of over 6% was the best in over a year. In addition to the volume growth in these services, our yield strategy continues to be effective. Our total yield or revenue per package at FedEx Express increased a strong 6%.

"Our consolidated FedEx sales force received additional training to cross-sell express and ground services during the quarter," said Graf. "This 'customer-solutions' approach was evident when FedEx Home Delivery and FedEx Express successfully delivered 250,000 Harry Potter books for Amazon.com on the first day of release with a 99.97% service level. The introduction of new e-commerce services--including FedEx eCommerce Builder, Global Trade Manager and FedEx Ship Manager--has also given our sales force new tools to help all customers, particularly small- and medium-sized companies, access new markets and manage their businesses more efficiently."

"Fuel remains a concern, as higher fuel prices increased fuel expense by approximately \$55 million compared to last year's first quarter," said Graf. "However, we believe that fuel surcharges and hedging activity will continue to mitigate fuel risk. Management continues to scrutinize the capital and expense needs of each operation, and we maintain our belief that fiscal 2001 will be a record year for sales, profit and cash flow."

### **FedEx Express**

For the first quarter, FedEx Express reported:

- Revenue of \$3.9 billion, up 9% from last year's \$3.6 billion
- Operating income of \$258 million, up 23% from \$209 million a year ago

Operating income from the sale of aircraft noise reduction kits was less than \$1 million compared to \$15 million in last year's first quarter.

### **FedEx Ground**

For the first quarter, FedEx Ground reported:

- Revenue of \$543 million, up 14% from last year's \$476 million
- Operating income of \$43 million, down 15% from \$51 million a year ago

FedEx Ground's results benefited from three additional shipping days in this year's first quarter. Operating income included \$12 million of losses associated with the operation and expansion of the company's FedEx Home Delivery service as well as additional expenses associated with rebranding.

### **Tax Rate**

The company's effective tax rate of 38.5% in the quarter compares with a rate of 39.5% during last year's first quarter. The company does not anticipate significant changes to this rate for the foreseeable future.

### **Corporate Overview**

With annual revenues of \$19 billion, FedEx Corp. is the premier global provider of transportation, logistics, 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 Logistics, an integrated logistics, technology and transportation-solution company; 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. More than 2.5 million customers are connected electronically through the FedEx information network and approximately two-thirds of its U.S. domestic transactions are now handled on-line.

Additional information and operating data is contained in the company's FY2000 annual report and Form 10-K and first 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 September 19, 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 and will remain available for approximately two weeks.

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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)

**First Quarter Fiscal 2001**

(In millions, except earnings per share)

### **Three Months Ended**

**August 31**

**2000      1999**

Revenue:

FedEx Express	\$3,916	\$3,587
FedEx Ground	543	476
Other	<u>320</u>	<u>257</u>
Total Revenue	4,779	4,320

Operating Expenses:

Salaries and employee benefits	1,995	1,831
Purchased transportation	435	390
Rentals and landing fees	390	367

Depreciation and amortization	303	277
Fuel	250	185
Maintenance and repairs	310	255
Other	<u>785</u>	<u>731</u>
Total Operating Expenses	4,468	4,036
Operating Income :		
FedEx Express	258	209
FedEx Ground	43	51
Other	<u>10</u>	<u>24</u>
Total Operating Income	311	284
Other Income (Expense):		
Interest, net	(33)	(21)
Other, net	<u>(4)</u>	<u>--</u>
Total Other Income (Expense)	<u>(37)</u>	<u>(21)</u>
Pretax Income	274	263
Provision for Income Taxes	<u>105</u>	<u>104</u>
Net Income	<u>\$169</u>	<u>\$159</u>
Basic Earnings Per Share	<u>\$0.59</u>	<u>\$0.53</u>
Weighted Avg. Common Shares	285	298
Diluted Earnings Per Share	<u>\$0.58</u>	<u>\$0.52</u>
Weighted Avg. Common and Common Equivalent Shares	289	304
Cash Earnings Per Share <sup>1</sup>	\$1.63	\$1.44
EBITDA <sup>2</sup>	\$610	\$561
Capital Expenditures, Incl. Equivalent Capital <sup>3</sup>	\$341	\$601

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

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

3 - 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.

## Three Months Ended

August 31

**FEDEX EXPRESS**

	<u>2000</u>	<u>1999</u>
Operating Weekdays	65	65

**AVG DAILY VOLUME / POUNDS**

Average Daily Package Volume:

U.S. Overnight Box <sup>1</sup>	1,254,158	1,204,800
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U.S. Overnight Envelope <sup>2</sup>	757,751	748,265
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U.S. Deferred	876,381	839,140
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International Priority	<u>337,720</u>	<u>296,866</u>
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Total Average Daily Packages	<u>3,226,010</u>	<u>3,089,071</u>
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Average Daily Freight Pounds (000s):

U.S.	4,369	4,555
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International	<u>2,312</u>	<u>2,505</u>
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Total Avg Daily Freight Pounds	<u>6,681</u>	<u>7,060</u>
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**YIELD**

Revenue Per Package:

U.S. Overnight Box <sup>1</sup>	\$18.15	\$17.62
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U.S. Overnight Envelope <sup>2</sup>	9.59	9.31
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U.S. Deferred	10.85	10.25
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International Priority	<u>44.80</u>	<u>42.42</u>
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Composite Package Yield	<u>\$16.95</u>	<u>\$15.99</u>
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Revenue Per Freight Pound:

U.S.	\$0.57	\$0.44
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International	<u>0.76</u>	<u>0.78</u>
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Composite Freight Yield	<u>\$0.64</u>	<u>\$0.56</u>
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**FEDEX GROUND**

Operating Weekdays	66	63
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Average Daily Package Volume	1,451,518	1,365,138
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Yield	\$5.67	\$5.53
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**FEDEX CORP.**

Average Full-Time Equivalents (FTEs)	168,651	157,781
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1 - The U.S. Overnight Box category includes packages exceeding 8 ounces in weight.

2 - The U.S. Overnight Envelope category includes envelopes weighing 8 ounces or less.

**Aug. 31, 2000**  
**(Unaudited)    May 31, 2000**

**ASSETS**

Current Assets:

Cash and cash equivalents	\$ 177	\$ 68
Other current assets	<u>3,232</u>	<u>3,217</u>
Total Current Assets	3,409	3,285
Net Property and Equipment	7,117	7,083
Other Assets	<u>1,232</u>	<u>1,159</u>
	<u>\$11,758</u>	<u>\$11,527</u>

**LIABILITIES AND STOCKHOLDERS'**  
**INVESTMENT**

Current Liabilities:

Short-term debt plus the current portion of long-term debt	\$ 23	\$ 7
Other current liabilities	<u>2,814</u>	<u>2,884</u>
Total Current Liabilities	2,837	2,891
Long-Term Debt, Less Current Portion	1,895	1,776
Deferred Income Taxes and Other Liabilities	2,064	2,075
Total Common Stockholders' Investment	<u>4,962</u>	<u>4,785</u>
	<u>\$11,758</u>	<u>\$11,527</u>

**FEDEX EXPRESS FINANCIAL HIGHLIGHTS**  
(Unaudited)

**First Quarter Fiscal 2001**  
(In millions, except FTEs)

**Three Months Ended**  
**August 31, 2000**

Revenue	\$3,916
Operating Expenses:	
Salaries and employee benefits	1,595
Purchased transportation	150
Rentals and landing fees	344
Depreciation and amortization	197
Fuel	241
Maintenance and repairs	268
Intercompany charges	327
Other	<u>536</u>
Total Operating Expenses	<u>3,658</u>
Operating Income	\$258

EBITDA	\$453
Average Full-Time Equivalents (000s)	124

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**FEDEX GROUND FINANCIAL HIGHLIGHTS**  
(Unaudited)

**First Quarter Fiscal 2001**  
(In millions)

**Three Months Ended**  
**August 31, 2000**

Revenue	\$543
Operating Expenses:	
Salaries and employee benefits	108
Purchased transportation	218
Rentals and landing fees	14
Depreciation and amortization	24
Fuel	1
Maintenance and repairs	16
Intercompany charges	53
Other	<u>66</u>
Total Operating Expenses	<u>500</u>
Operating Income	\$43
EBITDA	\$67