



FedEx Corp. Reports Third Quarter Earnings

New FedEx Freight Category Unveiled

MEMPHIS, Tenn., March 21, 2001 ... FedEx Corporation (NYSE: FDX) today reported earnings of \$0.37 per diluted share for the quarter ended February 28, down 5% from \$0.39 per share last year (\$0.37 per share excluding a gain from the sale of securities). This year's results included a \$0.04 per share benefit resulting from a tax rate change.

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

- Revenue of \$4.8 billion, up 7% from \$4.5 billion the previous year
- Operating income of \$191 million, down 7% from \$206 million a year ago
- Net income of \$109 million, down 4% from last year's \$113 million

"Our third quarter was challenging, as economic conditions worsened throughout the quarter. Nonetheless, FedEx management met the challenge with a superb effort of reducing costs, improving productivity and deferring capital spending," said Executive Vice President and Chief Financial Officer Alan B. Graf, Jr. "As we indicated in December, our original forecast for the third and fourth quarters assumed a soft economic landing. However, market conditions have deteriorated more than we anticipated, as reflected by numerous news accounts of earnings warnings and layoffs, particularly in the auto and high-tech sectors. Volume growth, yield growth and weights for February dropped noticeably for all of our operating units.

"FedEx International Priority^(R) (IP) shipments continued to be the fastest growing portion of the business, with IP volume increasing 7% and IP yield improving 3% in the third quarter. However, this is below recent growth rates. Asian growth rates have significantly slowed year-over-year from 26% in the first quarter to 7% in the third quarter, offsetting strong 25% European growth. In the U.S., average daily domestic express package volume declined 1% year-over-year, despite slight growth in U.S. Overnight Box and modest growth in FedEx 2Day^(R) volume. Total package yield at FedEx Express increased more than 5% for the quarter."

In February, FedEx Ground opened 85 Home Delivery facilities, expanding Home Delivery coverage to 70% of the U.S. population to meet increasing customer demand for the industry's only guaranteed residential service. Including Home Delivery, average daily volume at FedEx Ground grew 2%, while average yield increased 5% compared to last year's third quarter.

"Our earnings outlook is \$0.85 to \$0.90 per share for the fourth quarter versus \$0.85 per share last year," said Graf. "Our forecast is for U.S. domestic express package volume to decline 1% to 2%, and IP and ground volumes to each grow 5% to 7% in the fourth quarter. We expect yields for both Express and Ground to increase about 5%. The economic uncertainty, however, makes it difficult to forecast future financial results.

"We remain confident and optimistic about our long-term growth strategies. Our strategies are being successfully executed, as evidenced by recent initiatives such as the acquisition of American Freightways, our alliance with the U.S. Postal Service, the launch of FedEx Extra HoursSM and the expansion of our Home Delivery service. We are fully dedicated to improving shareowner returns and believe that our diverse, unparalleled global network, portfolio management strategy and world-class information and technology systems uniquely position FedEx to succeed in the global marketplace."

FedEx Express

For the third quarter, FedEx Express reported:

- Revenue of \$3.79 billion, up 1% from last year's \$3.76 billion
- Operating income of \$160 million, up 12% from \$143 million a year ago

Year-over-year comparisons were negatively affected by two fewer operating days in this year's third quarter. Operating margin improved 0.4 percentage points despite the slowdown in revenue growth, as stringent cost controls held the quarter's expenses relatively flat compared to last year.

FedEx Ground

For the third quarter, FedEx Ground reported:

- Revenue of \$529 million, up 9% from last year's \$487 million
- Operating income of \$18 million, down 54% from \$39 million a year ago

Year-over-year comparisons benefited from an additional operating day in this year's third quarter. Operating income was impacted by an incremental \$11 million of losses from the operation and expansion of the company's FedEx Home Delivery service and rebranding expenses. Higher support costs, utilities expenses and depreciation from investments in systems further hampered the quarter.

FedEx Freight

The FedEx Freight segment, formed in the third quarter of fiscal 2001, represents the company's regional less-than-truckload (LTL) operations, focusing on one and two day deliveries. FedEx Freight includes Viking Freight, Inc. and American Freightways, Inc. On a combined basis, these companies comprise one of the largest regional LTL networks in the U.S., with 8,700 tractors, 24,000 trailers and 54,000 freight shipments each day.

For the third quarter, FedEx Freight reported:

- Revenue of \$337 million
- Operating income of \$18 million

FedEx Freight results included Viking Freight from the beginning of the quarter and two months of results from American Freightways. The operating margin for this segment in the third quarter reflects the seasonally slow nature of this business.

Tax Rate

The company's effective tax rates of 31.4% for the quarter and 37.0% for the year-to-date period compare with rates of 39.5% for the same respective periods in the prior year. The reduction in the fiscal 2001 effective tax rate is primarily attributable to the utilization of excess foreign tax credits. The company expects its effective tax rate for the fourth quarter to be 37% and for periods after fiscal 2001 to be in the approximate range of 38.0% to 38.5%.

Corporate Overview

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

Additional information and operating data is contained in the company's annual report, Form 10-K, Form 10-Qs and third 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. EST on March 21, are available on the company's Web site at www.fedex.com/us/investorrelations. A replay of the conference call Webcast will be posted on our Web site following the call and will remain available for approximately two weeks.

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

FEDEX CORP. FINANCIAL HIGHLIGHTS

(Unaudited)

Third Quarter Fiscal 2001

(In millions, except earnings per share)

| Three Months Ended | | Nine Months Ended | |
|---------------------------|------------------------|--------------------------|------------------------|
| <u>Feb. 28,</u> | <u>Feb. 29,</u> | <u>Feb. 28,</u> | <u>Feb. 29,</u> |
| <u>2001</u> | <u>2000</u> | <u>2001</u> | <u>2000</u> |

| | | | | |
|------------------------------------------------------|---------------|---------------|---------------|---------------|
| Revenue: | | | | |
| FedEx Express | \$3,785 | \$3,758 | \$11,682 | \$11,081 |
| FedEx Ground | 529 | 487 | 1,653 | 1,483 |
| FedEx Freight ¹ | 337 | -- | 337 | -- |
| Other | <u>188</u> | <u>273</u> | <u>840</u> | <u>844</u> |
| Total Revenue | 4,839 | 4,518 | 14,512 | 13,408 |
| Operating Expenses: | | | | |
| Salaries and employee benefits | 2,098 | 1,927 | 6,093 | 5,631 |
| Purchased transportation | 412 | 417 | 1,286 | 1,245 |
| Rentals and landing fees | 418 | 386 | 1,215 | 1,147 |
| Depreciation and amortization | 326 | 294 | 938 | 856 |
| Fuel | 302 | 257 | 865 | 666 |
| Maintenance and repairs | 270 | 271 | 859 | 804 |
| Other | <u>822</u> | <u>760</u> | <u>2,408</u> | <u>2,264</u> |
| Total Operating Expenses | <u>4,648</u> | <u>4,312</u> | <u>13,664</u> | <u>12,613</u> |
| Operating Income: | | | | |
| FedEx Express | 160 | 143 | 689 | 564 |
| FedEx Ground | 18 | 39 | 119 | 156 |
| FedEx Freight ¹ | 18 | -- | 18 | -- |
| Other | <u>(5)</u> | <u>24</u> | <u>22</u> | <u>75</u> |
| Total Operating Income | 191 | 206 | 848 | 795 |
| Other Income (Expense): | | | | |
| Interest, net | (34) | (30) | (102) | (77) |
| Other, net | <u>2</u> | <u>11</u> | <u>2</u> | <u>15</u> |
| Total Other Income (Expense) | <u>(32)</u> | <u>(19)</u> | <u>(100)</u> | <u>(62)</u> |
| Pretax Income | 159 | 187 | 748 | 733 |
| Provision for Income Taxes | <u>50</u> | <u>74</u> | <u>277</u> | <u>290</u> |
| Net Income | <u>\$109</u> | <u>\$113</u> | <u>\$471</u> | <u>\$443</u> |
| Basic Earnings Per Share | <u>\$0.38</u> | <u>\$0.39</u> | <u>\$1.65</u> | <u>\$1.51</u> |
| Weighted Average Common Shares | 288 | 289 | 286 | 294 |
| Diluted Earnings Per Share | <u>\$0.37</u> | <u>\$0.39</u> | <u>\$1.62</u> | <u>\$1.49</u> |
| Weighted Average Common and Common Equivalent Shares | 293 | 294 | 290 | 299 |
| Cash Earnings Per Share ² | \$1.49 | \$1.39 | \$4.85 | \$4.35 |
| EBITDA ³ | \$519 | \$511 | \$1,788 | \$1,667 |

| | | | | |
|----------------------------------------------------------------|-------|-------|---------|---------|
| Capital Expenditures, Incl. Equivalent Capital ⁴ | \$453 | \$394 | \$1,272 | \$1,589 |
|----------------------------------------------------------------|-------|-------|---------|---------|

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

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

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

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

FEDEX CORP. OPERATING HIGHLIGHTS
(Unaudited)

Third Quarter Fiscal 2001
(In thousands, except yield, weight and operating weekdays)

| | Three Months Ended | | Nine Months Ended | |
|---------------------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | <u>Feb. 28,</u> <u>2001</u> | <u>Feb. 29,</u> <u>2000</u> | <u>Feb. 28,</u> <u>2001</u> | <u>Feb. 29,</u> <u>2000</u> |
| <u>FEDEX EXPRESS</u> | | | | |
| Operating Weekdays | 62 | 64 | 190 | 192 |
| <u>AVERAGE DAILY VOLUME / POUNDS</u> | | | | |
| Average Daily Package Volume: | | | | |
| U.S. Overnight Box | 1,288 | 1,277 | 1,278 | 1,241 |
| U.S. Overnight Envelope | 749 | 765 | 755 | 761 |
| U.S. Deferred | 962 | 991 | 920 | 914 |
| International Priority | <u>340</u> | <u>318</u> | <u>345</u> | <u>312</u> |
| Total Average Daily Packages | <u>3,339</u> | <u>3,351</u> | <u>3,298</u> | <u>3,228</u> |
| Average Daily Freight Pounds: | | | | |
| U.S. | 4,204 | 4,607 | 4,441 | 4,742 |
| International | <u>2,164</u> | <u>2,265</u> | <u>2,238</u> | <u>2,448</u> |
| Total Average Daily Freight Pounds | <u>6,368</u> | <u>6,872</u> | <u>6,679</u> | <u>7,190</u> |
| <u>YIELD</u> | | | | |
| Revenue Per Package: | | | | |
| U.S. Overnight Box | \$17.84 | \$17.38 | \$18.08 | \$17.60 |
| U.S. Overnight Envelope | 9.70 | 9.29 | 9.62 | 9.30 |
| U.S. Deferred | 10.71 | 10.12 | 10.81 | 10.19 |
| International Priority | <u>44.89</u> | <u>43.60</u> | <u>44.99</u> | <u>43.12</u> |
| Composite Package Yield | <u>\$16.71</u> | <u>\$15.87</u> | <u>\$16.93</u> | <u>\$16.02</u> |
| Revenue Per Freight Pound: | | | | |
| U.S. | \$0.60 | \$0.48 | \$0.59 | \$0.46 |
| International | <u>0.77</u> | <u>0.81</u> | <u>0.75</u> | <u>0.79</u> |
| Composite Freight Yield | <u>\$0.66</u> | <u>\$0.59</u> | <u>\$0.64</u> | <u>\$0.57</u> |

FEDEX GROUND

| | | | | |
|------------------------------|--------|--------|--------|--------|
| Operating Weekdays | 63 | 62 | 191 | 187 |
| Average Daily Package Volume | 1,441 | 1,415 | 1,512 | 1,440 |
| Yield | \$5.82 | \$5.54 | \$5.72 | \$5.51 |

FEDEX FREIGHT¹

| | | | | |
|---------------------------|---------|----|---------|----|
| Operating Weekdays | 42 | -- | 42 | -- |
| Shipments Per Day | 54 | -- | 54 | -- |
| Weight Per Shipment (lbs) | 1,132 | -- | 1,132 | -- |
| Revenue/CWT | \$11.80 | -- | \$11.80 | -- |

FEDEX CORP.

| | | | | |
|--------------------------------------|-----|-----|-----|-----|
| Average Full-Time Equivalents (FTEs) | 182 | 165 | 174 | 162 |
|--------------------------------------|-----|-----|-----|-----|

1 - Based on the portion of the quarter including both American Freightways and Viking Freight (January and February).

FEDEX CORP. CONSOLIDATED BALANCE SHEET

Third Quarter Fiscal 2001
(In millions)

Feb. 28, 2001
(Unaudited) May 31, 2000

ASSETS

Current Assets:

| | | |
|----------------------------|-----------------|-----------------|
| Cash and cash equivalents | \$ 140 | \$ 68 |
| Other current assets | <u>3,509</u> | <u>3,217</u> |
| Total Current Assets | 3,649 | 3,285 |
| Net Property and Equipment | 7,994 | 7,083 |
| Other Assets | <u>1,877</u> | <u>1,159</u> |
| | <u>\$13,520</u> | <u>\$11,527</u> |

LIABILITIES AND STOCKHOLDERS' INVESTMENT

Current Liabilities:

| | | |
|---------------------------------------------|-----------------|-----------------|
| Current portion of long-term debt | \$ 43 | \$ 7 |
| Other current liabilities | <u>2,823</u> | <u>2,884</u> |
| Total Current Liabilities | 2,866 | 2,891 |
| Long-Term Debt, Less Current Portion | 2,658 | 1,776 |
| Deferred Income Taxes and Other Liabilities | 2,217 | 2,075 |
| Total Common Stockholders' Investment | <u>5,779</u> | <u>4,785</u> |
| | <u>\$13,520</u> | <u>\$11,527</u> |

FEDEX EXPRESS FINANCIAL HIGHLIGHTS

(Unaudited)

Third Quarter Fiscal 2001

(In millions, except FTEs)

| | Three Months Ended | Nine Months Ended |
|-----------------------------------------|-----------------------------|-----------------------------|
| | <u>Feb. 28, 2001</u> | <u>Feb. 28, 2001</u> |
| Revenue | \$3,785 | \$11,682 |
| Operating Expenses: | | |
| Salaries and employee benefits | 1,574 | 4,752 |
| Purchased transportation | 144 | 441 |
| Rentals and landing fees | 356 | 1,053 |
| Depreciation and amortization | 199 | 596 |
| Fuel | 275 | 817 |
| Maintenance and repairs | 216 | 722 |
| Intercompany charges | 321 | 993 |
| Other | <u>540</u> | <u>1,619</u> |
| Total Operating Expenses | <u>3,625</u> | <u>10,993</u> |
| Operating Income | <u>\$160</u> | <u>\$689</u> |
| EBITDA | \$359 | \$1,284 |
| Average Full-Time Equivalents (000s) | 125 | 124 |

FEDEX GROUND FINANCIAL HIGHLIGHTS

(Unaudited)

Third Quarter Fiscal 2001

(In millions)

| | Three Months Ended | Nine Months Ended |
|--------------------------------|-----------------------------|-----------------------------|
| | <u>Feb. 28, 2001</u> | <u>Feb. 28, 2001</u> |
| Revenue | \$529 | \$1,653 |
| Operating Expenses: | | |
| Salaries and employee benefits | 112 | 337 |
| Purchased transportation | 213 | 657 |
| Rentals and landing fees | 17 | 49 |
| Depreciation and amortization | 29 | 80 |
| Fuel | 3 | 5 |
| Maintenance and repairs | 16 | 47 |
| Intercompany charges | 52 | 161 |
| Other | <u>69</u> | <u>198</u> |
| Total Operating Expenses | <u>511</u> | <u>1,534</u> |
| Operating Income | <u>\$18</u> | <u>\$119</u> |

EBITDA

\$48

\$196

FEDEX FREIGHT FINANCIAL HIGHLIGHTS

(Unaudited)

Third Quarter Fiscal 2001

(In millions)

Three Months Ended

Feb. 28, 2001

| | |
|--------------------------------|-------------|
| Revenue | \$337 |
| Operating Expenses: | |
| Salaries and employee benefits | 198 |
| Purchased transportation | 9 |
| Rentals and landing fees | 11 |
| Depreciation and amortization | 18 |
| Fuel | 18 |
| Maintenance and repairs | 15 |
| Intercompany charges | 1 |
| Other | <u>49</u> |
| Total Operating Expenses | <u>319</u> |
| Operating Income | <u>\$18</u> |
| EBITDA | \$37 |