



FedEx Corp. Reports Higher Second Quarter Earnings

Earnings Per Share Increases 18%

MEMPHIS, Tenn., Dec. 20, 2000 ... FedEx Corporation (NYSE: FDX) today reported earnings increased to \$0.67 per diluted share for the quarter ended November 30, up 18% from \$0.57 per share last year.

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

- Revenue of \$4.9 billion, up 7% from \$4.6 billion the previous year
- Operating income of \$345 million, up 13% from \$305 million a year ago
- Net income of \$194 million, up 13% from last year's \$171 million

"As we disclosed last week, our second quarter results reflect solid operations, led by strong yield growth, good volume growth at FedEx Ground and exceptional cost control throughout the company," said Executive Vice President and Chief Financial Officer Alan B. Graf, Jr. "While fuel costs remain historically high, our fuel surcharges and hedging activity programs are offsetting these higher fuel expenses. Including the benefits from hedging, fuel expenditures increased approximately \$78 million compared to last year's second quarter due to higher prices."

The fastest growing portion of the business remains FedEx International Priority^(R) (IP) shipments--IP revenue increased more than 16% compared to last year's strong second quarter, as FedEx experienced double-digit volume growth of 11% and a solid yield increase of 5%. "In the U.S., average daily volume growth rates for FedEx Express' U.S. domestic overnight box service increased 4% over last year," said Graf. "Meanwhile, growth in U.S. domestic deferred services continues to be slow, as expected, as we proceed with the repositioning of our FedEx Express Saver^(R) service. Total package yield at FedEx Express increased 6%, continuing the strong upward trend resulting from our yield management strategy."

Average daily volume from the new FedEx Home Delivery service doubled from the end of the first quarter to the end of the second quarter, as previously forecast. The continued expansion of Home Delivery, in conjunction with FedEx's new bundling and rebranding strategies, helped increase FedEx Ground's average daily volume growth rate to 7%, the best in more than two years. FedEx Ground's yield also improved, increasing more than 4%.

"As for fiscal 2001 earnings estimates, we now believe that earnings will be between \$0.35 and \$0.40 per share in the third quarter, \$0.90 and \$1.00 per share in the fourth quarter and \$2.50 and 2.65 per share for the full year. This outlook depends on a soft landing for the economy. FedEx will continue to impose strong cost controls as well as defer some capital expenditures until business conditions warrant further expansion," Graf concluded.

During the quarter, FedEx Corp. and regional freight carrier American Freightways Corp. jointly announced an agreement for FedEx to acquire American Freightways for \$28.13 per share, or approximately \$1.2 billion, including assumed debt, payable in cash and FedEx stock. The acquisition will allow FedEx Corp., also the parent company of Viking Freight, to extend its reach by expanding its reliable, next-day regional less-than-truckload (LTL) freight service with all-points coverage in 48 states. FedEx has received Hart-Scott-Rodino clearance for the transaction. The tender offer expires at midnight on December 21, and the transaction is expected to be finalized during the first calendar quarter of 2001.

FedEx Express

For the second quarter, FedEx Express reported:

- Revenue of \$4.0 billion, up 7% from last year's \$3.7 billion
- Operating income of \$271 million, up 28% from \$211 million a year ago

Operating income benefited from a 6% increase in package yield and effective cost controls. Operating income from the sale of aircraft noise reduction kits was \$6 million compared to \$14 million in last year's second quarter.

FedEx Ground

For the second quarter, FedEx Ground reported:

- Revenue of \$582 million, up 12% from last year's \$521 million
- Operating income of \$57 million, down 13% from \$66 million a year ago

Operating income included an incremental \$13 million of losses associated with the operation and expansion of the company's FedEx Home Delivery service and expenses associated with rebranding.

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, first quarter Form 10-Q and second 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 December 20, 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)

Second Quarter Fiscal 2001
(In millions, except earnings per share)

	Three Months Ended		Six Months Ended	
	November 30		November 30	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
Revenue:				
FedEx Express	\$3,981	\$3,736	\$7,897	\$7,323
FedEx Ground	582	521	1,125	997
Other	<u>332</u>	<u>313</u>	<u>652</u>	<u>570</u>
Total Revenue	4,895	4,570	9,674	8,890
Operating Expenses:				
Salaries and employee benefits	2,000	1,874	3,995	3,705
Purchased transportation	439	438	874	828
Rentals and landing fees	407	394	798	760
Depreciation and amortization	310	285	612	563
Fuel	313	225	563	410
Maintenance and repairs	278	278	588	533
Other	<u>803</u>	<u>772</u>	<u>1,587</u>	<u>1,503</u>

Total Operating Expenses	<u>4,550</u>	<u>4,266</u>	<u>9,017</u>	<u>8,302</u>
Operating Income:				
FedEx Express	271	211	528	420
FedEx Ground	57	66	100	116
Other	<u>17</u>	<u>28</u>	<u>28</u>	<u>52</u>
Total Operating Income	345	305	656	588
Other Income (Expense):				
Interest, net	(35)	(27)	(68)	(47)
Other, net	<u>5</u>	<u>5</u>	<u>1</u>	<u>5</u>
Total Other Income (Expense)	<u>(30)</u>	<u>(22)</u>	<u>(67)</u>	<u>(42)</u>
Pretax Income	315	283	589	546
Provision for Income Taxes	<u>121</u>	<u>112</u>	<u>227</u>	<u>216</u>
Net Income	<u>\$194</u>	<u>\$171</u>	<u>\$362</u>	<u>\$330</u>
Basic Earnings Per Share	<u>\$0.68</u>	<u>\$0.58</u>	<u>\$1.27</u>	<u>\$1.12</u>
Weighted Average Common Shares	285	293	285	296
Diluted Earnings Per Share	<u>\$0.67</u>	<u>\$0.57</u>	<u>\$1.25</u>	<u>\$1.10</u>
Weighted Average Common and Common Equivalent Shares	290	298	289	301
Cash Earnings Per Share ¹	\$1.74	\$1.53	\$3.37	\$2.97
EBITDA ²	\$660	\$595	\$1,270	\$1,156
Capital Expenditures, Incl. Equivalent Capital ³	\$479	\$594	\$819	\$1,195

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.

FEDEX CORP. OPERATING HIGHLIGHTS
(Unaudited)

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

Three Months Ended		Six Months Ended	
November 30		November 30	
<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>

FEDEX EXPRESS

Operating Weekdays	63	63	128	128
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AVERAGE DAILY VOLUME / POUNDS

Average Daily Package Volume:

U.S. Overnight Box ¹	1,292	1,241	1,273	1,222
U.S. Overnight Envelope ²	757	770	757	759
U.S. Deferred	924	913	900	876
International Priority	<u>359</u>	<u>323</u>	<u>348</u>	<u>310</u>
Total Average Daily Packages	<u>3,332</u>	<u>3,247</u>	<u>3,278</u>	<u>3,167</u>

Average Daily Freight Pounds:

U.S.	4,749	5,072	4,556	4,810
International	<u>2,234</u>	<u>2,574</u>	<u>2,273</u>	<u>2,539</u>
Total Average Daily Freight Pounds	<u>6,983</u>	<u>7,646</u>	<u>6,829</u>	<u>7,349</u>

YIELD

Revenue Per Package:

U.S. Overnight Box ¹	\$18.23	\$17.82	\$18.19	\$17.72
U.S. Overnight Envelope ²	9.56	9.29	9.58	9.30
U.S. Deferred	10.88	10.22	10.87	10.24
International Priority	<u>45.27</u>	<u>43.31</u>	<u>45.04</u>	<u>42.88</u>
Composite Package Yield	<u>\$17.13</u>	<u>\$16.20</u>	<u>\$17.04</u>	<u>\$16.09</u>

Revenue Per Freight Pound:

U.S.	\$0.59	\$0.45	\$0.58	\$0.45
International	<u>0.73</u>	<u>0.78</u>	<u>0.75</u>	<u>0.78</u>
Composite Freight Yield	<u>\$0.63</u>	<u>\$0.56</u>	<u>\$0.64</u>	<u>\$0.56</u>

FEDEX GROUND

Operating Weekdays	62	62	128	125
Average Daily Package Volume	1,648	1,541	1,547	1,453
Yield	\$5.69	\$5.45	\$5.68	\$5.49

FEDEX CORP.Average Full-Time Equivalents
(FTEs)

172	163	170	161
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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.

FEDEX CORP. CONSOLIDATED BALANCE SHEET

Second Quarter Fiscal 2001
(In millions)

Nov. 30, 2000

(Unaudited) May 31, 2000

ASSETS

Current Assets:

Cash and cash equivalents	\$ 655	\$ 68
Other current assets	<u>3,394</u>	<u>3,217</u>
Total Current Assets	4,049	3,285
Net Property and Equipment	7,210	7,083
Other Assets	<u>1,228</u>	<u>1,159</u>
	<u>\$12,487</u>	<u>\$11,527</u>

LIABILITIES AND STOCKHOLDERS' INVESTMENT

Current Liabilities:

Current portion of long-term debt	\$ 23	\$ 7
Other current liabilities	<u>2,995</u>	<u>2,884</u>
Total Current Liabilities	3,018	2,891
Long-Term Debt, Less Current Portion	2,230	1,776
Deferred Income Taxes and Other Liabilities	2,092	2,075
Total Common Stockholders' Investment	<u>5,147</u>	<u>4,785</u>
	<u>\$12,487</u>	<u>\$11,527</u>

FEDEX EXPRESS FINANCIAL HIGHLIGHTS
(Unaudited)

Second Quarter Fiscal 2001
(In millions, except FTEs)

	Three Months Ended	Six Months Ended
	Nov. 30, 2000	Nov. 30, 2000
Revenue	\$3,981	\$7,897
Operating Expenses:		
Salaries and employee benefits	1,582	3,178
Purchased transportation	147	297
Rentals and landing fees	354	698
Depreciation and amortization	201	398
Fuel	300	541
Maintenance and repairs	238	506
Intercompany charges	346	673
Other	<u>542</u>	<u>1,078</u>
Total Operating Expenses	<u>3,710</u>	<u>7,369</u>
Operating Income	<u>\$271</u>	<u>\$528</u>
EBITDA	\$472	\$925
Average Full-Time Equivalents (000s)	124	124

FEDEX GROUND FINANCIAL HIGHLIGHTS
(Unaudited)

Second Quarter Fiscal 2001
(In millions)

	Three Months Ended	Six Months Ended
	<u>Nov. 30, 2000</u>	<u>Nov. 30, 2000</u>
Revenue	\$582	\$1,125
Operating Expenses:		
Salaries and employee benefits	117	225
Purchased transportation	227	444
Rentals and landing fees	18	32
Depreciation and amortization	27	52
Fuel	1	2
Maintenance and repairs	15	31
Intercompany charges	56	109
Other	<u>64</u>	<u>130</u>
Total Operating Expenses	<u>525</u>	<u>1,025</u>
Operating Income	<u>\$57</u>	<u>\$100</u>
EBITDA	\$82	\$148