FedEx Corporation 2000 Annual Report

FedEx Corporation

FedEx Corporation

FedEx Express	Time-definite, global express transportation
FedEx Ground	Small-package ground delivery (formerly RPS)
FedEx Logistics	Integrated logistics and supply chain solutions (formerly FDX Logistics)
FedEx Custom Critical	Expedited, door-to-door, super-critical delivery (formerly Roberts Express)
FedEx Trade Networks	Customs brokerage and trade facilitation solutions

After two years as FDX Corporation, we have adopted a new name that, we believe, more accurately reflects our corporate identity: FedEx Corporation, the parent company for the FedEx family of services worldwide.

Changes have occurred quickly, including new names for our major operating companies, new logos and new colors. And we are already beginning to see the benefits of a more focused, more efficient FedEx family of companies.

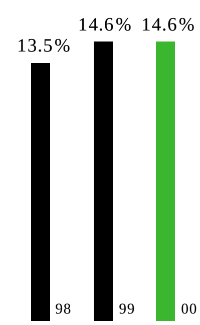
But what has not changed is our fundamental business philosophy – to operate independently yet compete collectively. And what will never change is our mission – to produce superior financial returns for our shareowners as we serve our customers with the highest quality transportation, logistics and e-commerce solutions.

In thousands, except earnings per share	2000	1999	Percent Change
OPERATING RESULTS			
Revenues	**$18,256,945**	$16,773,470	+ 9
Operating income	**1,221,074**	1,163,086	+ 5
Operating margin	**6.7%**	6.9%	
Net income	**688,336**	631,333	+ 9
Earnings per share, assuming dilution	**$ 2.32**	$ 2.10	+10
Cash earnings per share, assuming dilution(1)	**$ 6.22**	$ 5.54	+12
Average common and common equivalent shares	**296,326**	300,643	– 1
EBITDA(2)	**$ 2,398,663**	$ 2,194,373	+ 9
Capital expenditures, including equivalent capital(3)	**$ 1,991,600**	$ 2,330,613	–15
FINANCIAL POSITION			
Total assets	**$11,527,111**	$10,648,211	+ 8
Long-term debt	**1,782,790**	1,374,606	+30
Common stockholders' investment	**4,785,243**	4,663,692	+ 3

(1) Net income plus depreciation and amortization divided by average common and common equivalent shares.
(2) Earnings before interest, taxes, depreciation and amortization.
(3) Represents actual cash expenditures plus the equivalent amount of cash that would have been expended for the acquisition of assets (principally aircraft), whose use was obtained through long-term operating leases entered into during the period.

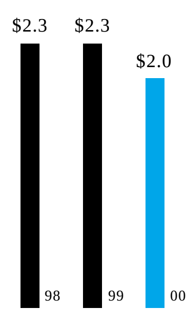
REVENUES
(in billions)

EARNINGS
PER SHARE

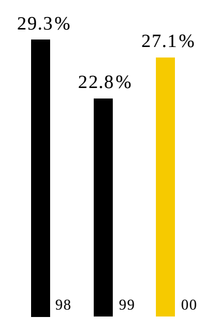


RETURN ON
AVERAGE EQUITY

EBITDA(2)
(in billions)



CAPITAL EXPENDITURES
AND EQUIVALENTS
(in billions)(3)



DEBT TO TOTAL
CAPITALIZATION

DEAR FELLOW SHAREOWNERS,

Just as we did in FY99 – when we overcame significant challenges to post record revenues, record earnings per share and record service levels – FedEx Corporation has closed FY00 with the strong financial results that our shareowners have come to expect.

For the 12 months ended May 31, 2000:

> *Revenue rose 9% to $18.3 billion*
> *Net income increased 9% to $688 million*
> *Earnings per share rose to $2.32 versus $2.10 per diluted share a year ago, for a 10% gain.*

Continued economic strength – particularly in the high-tech and high-value-added sectors – led to improved growth rates in the largest segment of our business, express transportation. Our international express business continued to grow at the fastest pace, with revenues rising 18%, led by increases in Asia-Pacific and Europe. Combine our improved growth rates with our demonstrated fiscal responsibility – for example, holding capital spending to less than $2 billion – and it's evident that, for FY00, FedEx Corporation turned challenge into opportunity.

FEDEX STRATEGIC PLAN

"Challenge" was also the operative word for an increasingly competitive environment. To turn that challenge into our competitive advantage, FedEx Corporation conducted extensive research to develop a new strategic plan, which we unveiled in January and called "Project ARISE."

This new strategic plan is based on three sound principles:

> *To leverage a significant point of competitive differentiation,* we strengthened our superior business philosophy – to operate independently yet compete collectively. Independently, each company is free to focus on the distinct needs of its market segment, without compromising networks or service. Collectively, the entire FedEx family works together to cross-sell services and choreograph customer solutions.

> *To extend the strength of the powerful FedEx brand name,* we rebranded our major operating companies to include FedEx Express, FedEx Ground, FedEx Custom Critical, FedEx Logistics and FedEx Trade Networks.

> *To provide a single point of access for our customers,* we reorganized and created the new FedEx Corporate Services company, which integrates customer-related activities such as sales, marketing and information technology. Through FedEx Services, our customers now have one "touch point" to connect with the full range of FedEx services – one sales rep, one toll-free customer service line, one Web site, one customer automation platform and, soon, one account number and one invoice.

It's really very simple. Our strategic plan is good for customers, good for shareowners and good for FedEx. Customers benefit from convenient, one-stop shopping for the full range of FedEx transportation, logistics and e-commerce solutions. Shareowners benefit from tangible, strategic opportunities for continued profitable growth. And, in the process, more than 200,000 employees and contractors of FedEx Corporation benefit from increased opportunities at a company widely regarded as one of America's great places to work.

STRATEGIC GROWTH OPPORTUNITIES

Although our strategic initiatives will require additional spending over the next three years, we plan to mitigate those costs as we consolidate support functions, rationalize services, and reduce administrative costs. More importantly, we expect our new strategic plan to generate substantial incremental revenues and profits beginning in FY01 as we focus on the following growth opportunities:

> *Generate incremental volume in our core transportation businesses by cross-selling all FedEx services.*

An estimated 1.7 million businesses ship both express and ground packages, accounting for nearly 14 million shipments every day. These "multi-mode" shippers need one convenient, bundled solution, which is why our integrated sales force has been trained to cross-sell both FedEx Express and FedEx Ground services.

Since we consolidated our sales teams on April 1, we've already begun to see results. Many companies that have looked to FedEx only for reliable express transportation are now expanding to use our other services as well. In fact, our bundling strategy brought immediate – and high-profile – business as Amazon.com tapped FedEx Express and our new FedEx Home Delivery service to participate in the largest e-commerce distribution event to date: the delivery of 250,000 Harry Potter books, with guaranteed Saturday delivery.

For our customers, our diversified portfolio strategy is the right approach, offering the right FedEx service at the right time and the right price.

> *Attract new business from small and medium-sized customers.*

Our sales integration plan also calls for more dedicated attention to small and medium-sized customers. We plan to add more than 250 account executives – most dedicated to our smaller customers – and increase prospecting for new accounts by up to 35%.

Why the special attention to small and medium-sized customers? First, these smaller accounts generate nearly half of total FedEx revenue. Second, in today's "start-up" business environment, smaller accounts have unique needs for transportation, logistics, and information services. Whether it's a new Internet-based company or a traditional brick-and-mortar firm, smaller companies are sourcing and selling worldwide, and they need a reliable business ally to help them navigate this global economy.

> *Create new revenue streams.*

Since we announced our new strategic plan last January, we have already taken two decisive steps to create entirely new revenue streams that complement our core businesses.

In February, we created the new FedEx Trade Networks subsidiary to offer customs brokerage and trade facilitation solutions for our global customers. This new operating company includes customs broker Tower Group International and World Tariff, Limited, the premier source of customs duty and tax information around the globe.

In March, we launched the innovative new FedEx Home Delivery service to major metropolitan areas – and just three months later, as we issued FY00 earnings, we took advantage of our financial strength to accelerate plans for expansion. With options for delivery by appointment, at night, or on Saturdays, we believe that FedEx Home Delivery truly fits the way we live, work and shop today. It's a perfect solution for online merchants, many of whom have learned the hard way that timely, accurate fulfillment of orders is a virtual necessity.

> *Expand the high-margin international business.*

The fastest growth during FY00 continued to be the FedEx Express international business, with revenue increasing 18% year over year and gaining over 20% in the fourth quarter alone.

But the global economy is also the rising tide for *all* FedEx companies – including the expedited service of FedEx Custom Critical throughout North America and Europe and the worldwide operations of FedEx Logistics. Our newest operating company, FedEx Trade Networks, is truly a global player, providing electronic customs clearance to speed an international shipment on to its final destination.

Although ground transportation may be constrained by geographic boundaries, FedEx Ground is uniquely positioned to take advantage of the surge in U.S. imports and exports as a member of the global FedEx family. In addition, its trucks can be an important source of cross-border transportation throughout the NAFTA region.

We believe that international growth must remain a high priority as manufacturing becomes even more focused on high-tech and high-value-added items that are sold globally.

> *Capitalize on e-commerce.*

As the global economy continues at its robust pace, the evolution of e-commerce is having a profound effect. While total e-commerce is projected to generate about $450 billion in sales this year, it's the business-to-business segment that will account for over 90% of those transactions.

No matter what the ultimate destination – business *or* consumer – e-commerce start-ups and traditional firms alike need one seamless, integrated system for Internet-based ordering and procurement, linked to the physical transportation and logistics solutions that ensure timely order fulfillment. And FedEx is positioned right at the heart of this trend. With our unmatched global physical network and our state-of-the-art information network, FedEx helps our customers bridge the e-world with the real world.

> *Provide meaningful supply chain solutions.*

In addition to these e-commerce solutions, FedEx enables companies of all sizes – whether they do business online or through traditional means – to streamline their supply chains.

The best way to explain the supply-chain concept is by example. One semiconductor company was sourcing components from 17 different countries. It took about three weeks to get the components from suppliers in those countries through the company's North American warehouses and on to the end customers. But three weeks is a lifetime in an industry with high obsolescence rates. With a FedEx solution, the company cut its order-to-delivery time from three weeks to under five days, while increasing its ability to track goods in transit. Plus, $8 million of inventory was converted into usable product.

That's the true power – and the bottom-line impact – of innovative transportation, logistics and information solutions. In today's business environment, it's simply the smart way to work. And that's why we view these integrated supply chain solutions as a major growth opportunity for all FedEx companies.

FEDEX STRENGTH

As we close FY00, I am pleased to report that the state of FedEx Corporation is very strong indeed – with strong financial results, strong growth prospects and a strong business philosophy to guide our operations.

As we move forward with our corporate repositioning, we must recognize that change is nothing new for FedEx. We've been changing since day one and, in the process, helping to change the way the world works. To stay ahead of today's high-tech, high-speed global economy, FedEx is changing in a very positive way – becoming more collaborative, more innovative and more efficient, with an absolute focus on continued growth in earnings and cash flow.

Over a quarter-century ago, Federal Express invented the modern air/ground express industry and changed the business world dramatically. Now, we're ready to reinvent ourselves – and our industry – for the 21st century.

On a final note, I would like to express my personal gratitude for three of our distinguished Board members: Charles Manatt, who resigned in December 1999 to become U.S. ambassador to the Dominican Republic; Robert Allen, who reaches our Board retirement age in September 2000; and Jackson Smart, who passed away in June. We will miss their keen intelligence, quick insight and business acumen, which have helped shape FedEx Corporation.

Frederick W. Smith
Chairman, President
and Chief Executive Officer

CONTINUED GROWTH, IMPROVED CASH FLOWS

FedEx Corporation posted solid financial performance in FY00 as we continued to successfully implement our portfolio management strategy of operating our subsidiaries independently while competing collectively. Nevertheless, it was a year of challenge and change as we experienced some of the highest fuel prices of the past decade and bore the initial costs of our new strategic plan. While undertaking these repositioning actions, we remained focused on our near-term commitment to our shareowners and achieved the following results in FY00:

> *Solid EPS growth of 10%*

Strong cost reductions, productivity gains and service level improvements, combined with fuel surcharges and fuel hedging, partially offset the $273 million increase in fuel costs due to higher prices and the initial costs of our new go-to-market strategies. EPS growth also benefited as we returned cash to shareowners through the repurchase of 15 million shares of FedEx common stock.

> *Accelerated revenue growth of 9%*

With continued strong growth in our international express business and modest growth in our domestic express and ground business, FedEx Corporation achieved record revenues of $18.3 billion. Our international express business continued to benefit from our decision several years ago to aggressively develop the unparalleled route authorities that make up our international network – route authorities that are now the envy of our competitors.

> *Becoming less capital intensive*

With the FedEx Express core global network in place, we were able to reduce capital expenditures compared to last year as a percentage of revenues and on an absolute basis. Also, we continued to reallocate funds to other growth opportunities like FedEx Ground, which significantly expanded the capacity of its primary business-to-business ground service, and began the FedEx Home Delivery rollout.

> *Improved cash flow*

With EBITDA increasing 9% to $2.4 billion, we continued to make significant progress in FY00 to becoming cash flow positive, which we will achieve no later than FY03.

Looking ahead, FY01 promises to be a pivotal year for our company as our new go-to-market strategies begin to gain traction. While the costs of these initiatives will cause some drag on our earnings growth, especially in the first half of the year, our growth and profitability should improve substantially as these efforts come to fruition and add to our base of business in the latter part of the year. For the full year, we expect our results will show a continuation of solid growth with improving earnings, returns and cash flows.

Alan B. Graf, Jr.

Alan B. Graf, Jr.
Executive Vice President
and Chief Financial Officer

RESULTS OF OPERATIONS

Consolidated Results

FedEx Corporation (also referred to herein as "FedEx" or the "Company") results for 2000 reflect strong international package volume growth, particularly in Asia and Europe, and improved revenue per package (yield), which lessened the effect of higher fuel prices. U.S. domestic package volume growth during 2000 was below that experienced over the past two years. However, the Company's execution of cost containment and productivity enhancement programs helped mitigate the impact of a decrease in U.S. domestic volume growth in 2000.

Increased prices caused fuel expense to increase by $273 million in 2000. In response to higher fuel costs, several of our subsidiaries implemented fuel surcharges during 2000. At Federal Express Corporation ("FedEx Express"), the Company's largest business segment, a 3% fuel surcharge on most U.S. domestic and international services was implemented effective February 1, 2000. Effective April 1, 2000, this surcharge was increased to 4%. The surcharge applies to all shipments tendered within the United States and all U.S. export shipments, where legally and contractually possible. We have also entered into jet fuel hedging contracts designed to limit our exposure to fluctuations in fuel prices. In 2000, we received approximately $18 million under these contracts, principally in the fourth quarter. FedEx Ground Package System, Inc. ("FedEx Ground") also implemented a 1.25% fuel surcharge on all of its services, effective August 7, 2000, in response to continued high fuel costs.

During 2000, we began a major rebranding and reorganization initiative that management believes will enable our operating subsidiaries to compete collectively while retaining the independent operating structure of their business units. The new branding strategy extended the FedEx brand name to three subsidiaries and the Company, formerly FDX Corporation. The reorganization is designed to enhance revenue growth and improve financial returns by centralizing the sales, marketing, customer service and most of the information technology functions of our two largest subsidiaries. Most of these functions were moved into a new corporate services company called FedEx Corporate Services, Inc. ("FedEx Services") effective June 1, 2000. We also launched our FedEx Home Delivery service in March 2000. This service was initially offered to approximately 50% of the U.S. population. The rebranding and reorganization actions and FedEx Home Delivery negatively affected 2000 operating income by approximately $40 million.

As expected, operating profit from the sale of engine noise reduction kits ("hushkits") declined by $50 million in 2000, following a $30 million decline in 1999.

Operating results for 1999 included $81 million in operating expenses associated with strike contingency planning during contract negotiations between FedEx Express and the Fedex Pilots Association ("FPA"). To avoid service interruptions related to a threatened strike, FedEx began strike contingency planning, including entering into agreements for additional third-party air and ground transportation and establishing special financing arrangements. Negotiations with the FPA ultimately resulted in a five-year collective bargaining agreement that took effect on May 31, 1999.

Operating results in 1998 included $88 million of expenses related to the acquisition of Caliber System, Inc. ("Caliber") and the formation of FedEx. These expenses were primarily investment banking fees and payments to members of Caliber's management in accordance with preexisting management retention agreements. Excluding these expenses, consolidated net income for 1998 was $583 million.

Another significant item impacting 1998's results of operations was the Teamsters strike against United Parcel Service ("UPS") in August 1997. FedEx analytically calculated that the volume not retained at the end of the first quarter of 1998 contributed approximately $170 million in revenues and approximately $.12 additional earnings per share.

Other Income and Expense and Income Taxes

Net interest expense increased 8% for 2000, due to higher average debt levels, primarily incurred as a result of FedEx's stock repurchase program, acquisitions and bond redemptions. For 1999, net interest expense decreased 21% primarily due to lower debt levels.

Other, net in 2000 included gains of approximately $12 million from an insurance settlement for a destroyed MD11 aircraft and approximately $11 million from the sale of securities held. In 1999 this category included approximately $10 million of expenses related to the Company's strike contingency plans described above, primarily costs associated with a business interruption credit facility.

FedEx's effective tax rate was 39.5% in 2000, 40.5% in 1999 and 44.6% in 1998. Excluding nonrecurring items from the Caliber acquisition in 1998, the effective rate would have been 41.5% in 1998. The 39.5% effective tax rate in 2000 was lower than the 1999 effective rate primarily due to stronger results from international operations. Generally, the effective tax rate exceeds the statutory U.S. federal tax rate because of state income taxes and other factors as identified in Note 10 of Notes to Consolidated Financial Statements. For 2001, we expect the effective tax rate will not exceed, and could possibly be lower than, the 2000 rate. The actual rate, however, will depend on a number of factors, including the amount and source of operating income.

Outlook

In 2001, we expect FedEx will realize increased volumes and yields as a result of the rebranding and reorganization initiative begun in 2000. Training of the combined sales force was completed in the fourth quarter of 2000 and sales and marketing efforts to cross-sell express and ground services have begun. While there will be continued front-end costs associated with increasing the sales force and emphasizing marketing efforts on small and medium-sized customers, we expect the Company may begin to realize benefits from this initiative starting as early as the second quarter of 2001. Full integration of the customer service function, expected to be completed in the second half of 2001, will provide customers with one FedEx account number and a single point of contact for all express and ground services. However, there are certain risks and uncertainties associated with this initiative that could affect its success and FedEx's future financial performance. Those risks and uncertainties include, but are not limited to, the complexities and costs associated with integrating the sales and marketing functions, including the technologies supporting those functions; market acceptance of the new branding strategy and the combined sales force; competitive responses to our actions, including those affecting pricing, and general U.S. and international economic conditions.

We will continue to invest in the expansion of FedEx Home Delivery and have announced plans to accelerate the rollout of this service to achieve service coverage of approximately 80% of the U.S. population by September 2001. We believe this service will allow the Company to capture an increased share of the business-to-consumer shipping market, particularly in retail sales generated through the Internet. FedEx Home Delivery operating losses are expected to approximate $50 million in 2001. Actual results for 2001 will depend upon a number of factors such as consumer demand for and satisfaction with the FedEx Home Delivery product, competitive responses to the product, the extent of our ability to penetrate the business-to-consumer electronic commerce market, and the ability to attract and retain qualified contractors for the delivery network.

For 2001, fuel costs are expected to remain at levels approaching those experienced in the second half of 2000. FedEx currently has jet fuel hedges in place to fix the price of approximately one-third of the anticipated jet fuel usage for 2001 and anticipates retaining its fuel surcharge until such time as fuel costs have declined for a sustained period. The actual effect of the cost of fuel and our ability to mitigate price fluctuations through fuel surcharges and the use of jet fuel hedging contracts is subject to a number of uncertainties, including variability in the spot price of jet fuel, actions taken by foreign producers of crude oil, the actions of competitors and others within the transportation industry regarding fuel surcharges, and general U.S. and international economic conditions.

FedEx Express

The following table compares revenues and operating income (in millions) and selected statistics (in thousands, except dollar amounts) for the years ended May 31:

	2000	1999	1998	Percent Change **2000/1999**	Percent Change 1999/1998
Revenues:					
Package:					
U.S. overnight	**$ 7,538**	$ 7,185	$ 6,810	**+ 5**	+ 6
U.S. deferred	**2,428**	2,271	2,179	**+ 7**	+ 4
International Priority (IP)	**3,552**	3,019	2,731	**+18**	+11
Total package revenue	**13,518**	12,475	11,720	**+ 8**	+ 6
Freight:					
U.S.	**566**	440	337	**+29**	+ 30
International	**492**	531	598	**– 7**	–11
Total freight revenue	**1,058**	971	935	**+ 9**	+ 4
Other	**492**	533	600	**– 8**	–11
Total revenues	**$15,068**	$13,979	$13,255	**+ 8**	+ 5
Operating income	**$ 900**	$ 871	$ 837	**+ 3**	+ 4
Package:					
Average daily packages:					
U.S. overnight	**2,020**	1,957	1,886	**+ 3**	+ 4
U.S. deferred	**916**	894	872	**+ 3**	+ 3
IP	**319**	282	259	**+13**	+ 9
Total packages	**3,255**	3,133	3,017	**+ 4**	+ 4
Revenue per package (yield):					
U.S. overnight	**$ 14.52**	$ 14.34	$ 14.22	**+ 1**	+ 1
U.S. deferred	**10.31**	9.93	9.84	**+ 4**	+ 1
IP	**43.36**	41.87	41.45	**+ 4**	+ 1
Composite	**16.16**	15.56	15.30	**+ 4**	+ 2
Freight:					
Average daily pounds:					
U.S.	**4,693**	4,332	3,356	**+ 8**	+29
International	**2,420**	2,633	2,770	**– 8**	– 5
Total freight	**7,113**	6,965	6,126	**+ 2**	+14
Revenue per pound (yield):					
U.S.	**$ .47**	$ .40	$ .40	**+18**	–
International	**.79**	.79	.85	**–**	– 7
Composite	**.58**	.54	.60	**+ 7**	–10

Revenues

In 2000, total package revenue for FedEx Express increased 8%, principally due to increases in international package volume and yield. List price increases, including an average 2.8% domestic rate increase in March 1999, the fuel surcharges implemented in the second half of the year, an ongoing yield management program and a slight increase in average weight per package, all contributed to the increases in yields in 2000. While growth in U.S. domestic package volume was lower than anticipated, the higher-yielding IP services experienced strong growth, particularly in Asia and Europe.

Total freight revenue increased in 2000 due to higher average daily pounds and improved yields in U.S. freight, offset by declines in international freight pounds.

In 1999, FedEx Express experienced increased volume and slightly improved yields in its U.S. overnight, U.S. deferred and IP services. Growth in higher-priced U.S. overnight and IP services and higher average weight per package were the primary factors in revenue growth. List price increases and other yield-management actions contributed to the yield improvement in 1999.

The U.S. deferred package growth rate declined in 1999 in large part due to specific management actions to restrict growth of these lower-yielding services. IP package volume and international freight pounds and yield were negatively affected by weakness in Asian markets, especially in U.S. outbound traffic destined for that region.

Other revenue included Canadian domestic revenue, charter services, logistics services, sales of hushkits and other. Revenue from hushkit sales has continued to decline over the past three years and is expected to be negligible hereafter.

Operating Income

Operating income increased 3% in 2000 despite higher fuel costs and costs associated with the corporate realignment and reorganization of the sales, marketing and information technology functions. A 48% increase in average fuel price per gallon had a negative impact of approximately $260 million on 2000 fuel costs, including the results of jet fuel hedging contracts entered into to mitigate some of the increased jet fuel costs. Fuel surcharges implemented during 2000 offset the increase in fuel costs in the fourth quarter. As anticipated, maintenance and repairs increased in 2000 due to the timing of scheduled maintenance and a greater number of routine cycle checks resulting from fleet usage and certain Federal Aviation Administration directives.

Operating income increased in 1999 compared to 1998 in spite of $81 million in strike contingency costs in 1999 and continued weakness in Asian markets. Lower fuel prices and cost controls, including adjustments in network expansion and aircraft deployment plans, contributed to improved results. A decline in average jet fuel price per gallon of 23% was partially offset by an increase in gallons consumed of 6%. Although international freight pounds and revenue per pound continued to decline in 1999, higher yielding IP volume continued to grow, utilizing capacity otherwise occupied by freight.

In 1998, operating income improved as package yield increased at a higher rate than costs. An increase in average daily packages also contributed to the improvement in operating income. In 1998, fuel expense included amounts paid by FedEx Express under jet fuel hedging contracts that were designed to mitigate some of the increased jet fuel costs. Lower international freight yield, rising expenses associated with international expansion and foreign currency fluctuations along with expenses of $14 million related to the acquisition of Caliber negatively affected 1998 results. Operating income for 1998 increased approximately $50 million related to the UPS strike. Proceeds from a 2% temporary fuel surcharge on U.S. domestic shipments through August 1, 1997 also had a favorable impact.

Year-over-year comparisons were also affected by fluctuations in the contribution from sales of hushkits. Operating profit from these sales declined $50 million in 2000 and $30 million in 1999.

Outlook

We believe U.S. overnight package volumes for FedEx Express will grow in 2001 at rates higher than those experienced in 2000, with second half growth rates exceeding those in the first half of 2001. We believe U.S. deferred package volume growth rates at FedEx Express will be lower in 2001 as we implement the strategy of shifting a portion of these shipments to FedEx Ground. Improved domestic yields associated with the new sales initiatives are also expected in 2001. We expect IP package volume growth rates to remain strong in 2001. Freight pounds are expected to continue to increase in 2001, with increases in the U.S. partially offset by continued declines in international freight, as it is replaced by higher-yielding priority packages.

FedEx Express also plans to continue cost containment and productivity enhancement programs in 2001. By lowering discretionary spending and limiting staffing additions, we expect to align controllable costs with business growth; however, these actions will not affect plans for strategic spending in support of long-term growth goals.

FedEx Express will continue to use the flexibility of its global network infrastructure by reconfiguring its system and flights to meet market demands. While long-term profitability is expected to improve, incremental costs incurred during periods of strategic expansion and varying economic conditions can affect short-term operating results.

Actual results may vary depending on the successful implementation of our reorganization and rebranding initiative, the impact of competitive pricing changes, customer responses to yield management initiatives, the timing and extent of network refinement, actions by our competitors, including capacity fluctuations, jet fuel prices, regulatory conditions for aviation rights and the rate of domestic and international economic growth.

In the past three years, the FedEx Express worldwide aircraft fleet has increased, resulting in a corresponding rise in maintenance expense. While we expect a predictable pattern of aircraft maintenance and repairs expense, unanticipated maintenance events will occasionally disrupt this pattern, resulting in periodic fluctuations in maintenance and repairs expense.

FedEx Express's operating income from the sales of hushkits, which peaked in 1998 and declined in 1999 and 2000, is expected to become insignificant in 2001.

FedEx Ground

The following table compares revenues and operating income (in millions) and selected package statistics (in thousands, except dollar amounts) for the years ended May 31:

				Percent Change	
	2000	1999	1998	**2000/1999**	1999/1998
Revenues	**$2,033**	$1,878	$1,711	**+8**	+10
Operating income	**$ 226**	$ 231	$ 171	**–2**	+35
Average daily packages	**1,442**	1,385	1,326	**+4**	+ 4
Revenue per package (yield)	**$ 5.55**	$ 5.36	$ 5.04	**+4**	+ 6

Revenues

Revenues for FedEx Ground increased 8% in 2000, while average daily packages increased 4% and yields increased 4%. The increase in yields is due to a 2.3% price increase, which was effective in February 1999 and a slight increase in the mix of higher yielding packages.

In 1999, FedEx Ground's revenue increased due to improving yields and steady volume growth. Yields were positively impacted by rate increases of 2.3% and 3.7% in February 1999 and 1998, respectively. During 1999, FedEx Ground recognized a year-to-date, one-time benefit of approximately $6 million to align its estimation methodology for in-transit revenue with that of our other operating subsidiaries. Year-to-date package yield was increased by $.02 because of this one-time adjustment.

Results for 1998 included incremental volume associated with the UPS strike. Excluding this incremental volume, average daily packages increased 6% for 1999.

Operating Income

Operating income for 2000 reflects higher operating costs, due primarily to increases in capacity and technology, as well as the effects of FedEx Home Delivery and the rebranding and reorganization initiatives. Depreciation expense increased 20% in 2000 as new terminal facilities were opened late in 1999 and throughout the first half of 2000. In March 2000, FedEx Ground launched its new service, FedEx Home Delivery. This new service is dedicated to meeting the needs of business-to-consumer shippers. Currently, this service is available for approximately 50% of the U.S. population. An operating loss of $19 million was incurred by the home delivery service in 2000.

Operating income increased in 1999 due to increased volume and yield-management actions. Results for 1998 contained approximately $6 million of incremental operating income associated with the UPS strike.

Outlook

FedEx Ground continues to expand capacity in order to accommodate volume growth, while maintaining or improving yields. FedEx Ground opened two additional hub facilities in 2000 and will continue to expand package processing capacity to meet its growth plans. Package volume and yields are expected to increase in 2001 as the results of the new rebranding and reorganization effort are realized.

FedEx Ground plans to accelerate its expansion of the home delivery service to reach approximately 80% of the U.S. population by September 2001 and full U.S. coverage by September 2002. We expect to incur operating losses on the FedEx Ground home delivery service of approximately $50 million in 2001, including costs associated with the acceleration of the expansion of the service.

Actual results may vary depending on a number of factors, such as consumer demand for and satisfaction with the FedEx Ground product, the service coverage and brand awareness of the FedEx Ground product, competitive responses including pricing and capacity fluctuations, the rate of U.S. domestic economic growth, the extent of FedEx Ground's ability to penetrate the business-to-consumer electronic commerce market, and the ability to attract and retain qualified contractors for the delivery network.

Other Operations

Other operations include FedEx Global Logistics, Inc. ("FedEx Logistics"), a contract logistics provider; FedEx Custom Critical, Inc. ("FedEx Custom Critical"), a critical-shipment carrier; FedEx Trade Networks, Inc. ("FedEx Trade Networks"), a trade services provider; Viking Freight, Inc. ("Viking"), a regional less-than-truckload freight carrier operating in the western United States, and certain unallocated corporate items.

Revenues

Revenues from other operations increased 26% in 2000. Excluding the effects of businesses acquired in 2000, the increase was 15% compared with 1% in 1999, due to substantially higher revenues at FedEx Custom Critical combined with double-digit revenue growth at Viking. Revenue growth for 1999 reflects an increase at FedEx Custom Critical, offset by modest decreases at Viking and FedEx Logistics.

Operating Income

Increased operating income for 2000 is due to strong earnings at Viking and continued earnings growth at FedEx Custom Critical. Results for 2000 also include a $10 million favorable adjustment related to estimated future lease costs from the Viking restructuring. Operating income for 1999 reflected improved performances at FedEx Custom Critical, offset by a decline at FedEx Logistics.

Operating income in 1998 includes $74 million in expenses, which were not allocated to operating segments, for merger costs associated with the acquisition of Caliber. These expenses were primarily investment banking fees and payments to members of Caliber's management in accordance with pre-existing management retention agreements.

FINANCIAL CONDITION

Liquidity

Cash and cash equivalents totaled $68 million at May 31, 2000, compared with $325 million at May 31, 1999. Cash flows from operating activities during 2000 totaled $1.6 billion, compared with $1.8 billion for 1999 and $1.6 billion for 1998.

FedEx's operations have generated increased cash earnings over the past three years. The following table compares cash earnings (in billions, except per share amounts) for the years ended May 31:

	2000	1999	1998
EBITDA (earnings before interest, taxes, depreciation and amortization)	**$ 2.4**	$ 2.2	$ 2.0
Cash earnings per share (net income plus depreciation and amortization divided by average common and common equivalent shares)	**$6.22**	$5.54	$4.92

The Company currently has a $1.0 billion revolving credit facility that is generally used to finance temporary operating cash requirements and to provide support for the issuance of commercial paper. As of May 31, 2000, approximately

$478 million of the credit facility remains available. For more information regarding the credit facility, see Note 5 of Notes to Consolidated Financial Statements.

During 2000, FedEx acquired three businesses for approximately $264 million, primarily in cash. These purchases were funded from operations and borrowings under our commercial paper program.

On September 27, 1999, the Company's Board of Directors approved a plan that authorized the purchase of up to 15 million, or approximately 5%, of FedEx's outstanding shares of common stock. We completed the purchase of 15 million shares at an average cost of $39.75 per share. The purchase of these shares was funded principally through the issuance of commercial paper. Shares held in treasury will be used for general corporate purposes.

FedEx Express redeemed $100 million of 9.625% unsecured sinking fund debentures on March 1, 2000. The bond redemption was financed with commercial paper borrowings.

In 1999, FedEx filed a $1 billion shelf registration statement with the Securities and Exchange Commission ("SEC"), indicating that we may issue up to that amount in one or more offerings of either unsecured debt securities, preferred stock or common stock, or a combination of such instruments. The Company may, at its option, direct FedEx Express to issue guarantees of the debt securities.

We believe that cash flow from operations, our commercial paper program and revolving bank credit facility will adequately meet the Company's working capital needs for the foreseeable future.

Capital Resources

FedEx's operations are capital intensive, characterized by significant investments in aircraft, vehicles, computer and telecommunications equipment, package handling facilities and sort equipment. The amount and timing of capital additions depend on various factors including volume growth, domestic and international economic conditions, new or enhanced services, geographical expansion of services, competition, availability of satisfactory financing and actions of regulatory authorities.

The following table compares capital expenditures (including equivalent capital, which is defined below) for the years ended May 31 (in millions):

	2000	1999
Aircraft and related equipment	**$ 469**	$ 606
Facilities and sort equipment	**437**	466
Information and technology equipment	**378**	366
Other equipment	**343**	332
Total capital expenditures	**1,627**	1,770
Equivalent capital, principally aircraft-related	**365**	561
Total	**$1,992**	$2,331

FedEx finances a significant amount of its aircraft and certain other equipment needs using long-term operating leases. We believe the determination to lease versus buy equipment is a financing decision, and both forms of financing are considered when evaluating the resources committed for capital. The amount that the Company would have expended to purchase these assets had it not chosen to obtain their use through operating leases is considered equivalent capital in the table above. While capital expenditures over the past two years have been reduced based on lower than expected U.S. domestic volume growth at FedEx Express, we plan to continue to make strategic capital investments in support of our long-term growth goals. For 2001, we expect capital spending, including equivalent capital, to approximate $2.3 billion. For information on the Company's purchase commitments, see Note 14 of Notes to Consolidated Financial Statements.

We have historically financed our capital investments through the use of lease, debt and equity financing in addition to the use of internally generated cash from operations. Generally, our practice in recent years with respect to funding new wide-bodied aircraft acquisitions has been to finance such aircraft through long-term lease transactions that qualify as off-balance sheet operating leases under applicable accounting rules. We have determined that these operating leases have provided economic benefits favorable to ownership with respect to market values, liquidity and after-tax cash flows. In the future, other forms of secured financing may be pursued to finance FedEx Express's aircraft acquisitions when we determine that it best meets FedEx Express's needs. FedEx Express has been successful in obtaining investment capital, both domestic and international, for long-term leases on terms acceptable to it although the marketplace for such capital can become restricted depending on a variety of economic factors beyond its control. See Note 5 of Notes to Consolidated Financial Statements for additional information concerning the Company's debt facilities.

In July 1999, approximately $231 million of pass-through certificates were issued to finance or refinance the debt portion of leveraged operating leases related to four A300 aircraft, which were delivered in 2000. In June 1998, approximately $833 million of pass-through certificates were issued to finance or refinance the debt portion of FedEx Express's leveraged operating leases related to eight A300 and five MD11 aircraft, which were delivered in 2000. The pass-through certificates are not direct obligations of, or guaranteed by, the Company or FedEx Express, but amounts payable by FedEx Express under the leveraged operating leases are sufficient to pay the principal of and interest on the certificates. In June 2000, FedEx Express filed a shelf registration with the SEC, indicating that it may issue up to $450 million in pass-through certificates in one or more offerings to finance or refinance leveraged operating aircraft leases.

We believe that the capital resources available to us provide flexibility to access the most efficient markets for financing its capital acquisitions, including aircraft, and are adequate for FedEx's future capital needs.

Market Risk Sensitive Instruments and Positions

FedEx currently has market risk sensitive instruments related to interest rates; however, there is no significant exposure to changing interest rates on our long-term debt because the interest rates are fixed. As disclosed in Note 5 of Notes to Consolidated Financial Statements, FedEx has outstanding unsecured long-term debt exclusive of capital leases of $1.1 billion and $1.2 billion at May 31, 2000 and 1999, respectively. Market risk for fixed-rate long-term debt is estimated as the potential decrease in fair value resulting from a hypothetical 10% increase in interest rates and amounts to approximately $54 million as of May 31, 2000 ($45 million as of May 31, 1999). The underlying fair values of our long-term debt were estimated based on quoted market prices or on the current rates offered for debt with similar terms and maturities. FedEx does not use derivative financial instruments to manage interest rate risk.

FedEx's earnings are affected by fluctuations in the value of the U.S. dollar, as compared with foreign currencies, as a result of transactions in foreign markets. At May 31, 2000, the result of a uniform 10% strengthening in the value of the dollar relative to the currencies in which the Company's transactions are denominated would result in a decrease in operating income of approximately $52 million for the year ending May 31, 2001 (the comparable amount in the prior year was $25 million). This calculation assumes that each exchange rate would change in the same direction relative to the U.S. dollar. In addition to the direct effects of changes in exchange rates, which are a changed dollar value of the resulting reported operating results, changes in exchange rates also affect the volume of sales or the foreign currency sales price as competitors' services become more or less attractive. FedEx's sensitivity analysis of the effects of changes in foreign currency exchange rates does not factor in a potential change in sales levels or local currency prices.

FedEx has entered into jet fuel hedging contracts on behalf of its subsidiary FedEx Express, which are designed to limit its exposure to fluctuations in jet fuel prices. Under these contracts, FedEx makes (or receives) payments based on the difference between a fixed price and the market price of jet fuel, as determined by an index of spot market prices representing various geographic regions. The difference is recorded as an increase or decrease in fuel expense. Market risk for jet fuel is estimated as the potential decrease in earnings resulting from a hypothetical 10% increase in jet fuel prices applied to projected 2001 usage and amounts to approximately $49 million, net of hedging settlements, as of May 31, 2000. There were no such jet fuel hedging contracts at May 31, 1999. As of May 31, 2000, jet fuel hedging contracts cover approximately one-third of the estimated usage in 2001. See Notes 2 and 14 of Notes to Consolidated Financial Statements for accounting policy and additional information regarding jet fuel hedging contracts.

FedEx does not purchase or hold any derivative financial instruments for trading purposes.

Deferred Tax Assets

At May 31, 2000, the Company had a net cumulative deferred tax liability of $27 million, consisting of $884 million of deferred tax assets and $911 million of deferred tax liabilities. The reversals of deferred tax assets in future periods will be offset by similar amounts of deferred tax liabilities.

Euro Currency Conversion

Since the beginning of the European Union's transition to the euro on January 1, 1999, our subsidiaries have been prepared to quote rates to customers, generate billings and accept payments, in both euro and legacy currencies. The legacy currencies will remain legal tender through December 31, 2001. FedEx believes that the introduction of the euro, any price transparency brought about by its introduction and the phasing out of the legacy currencies will not have a material impact on our consolidated financial position, results of operations or cash flows. Costs associated with the euro project are being expensed as incurred and are being funded entirely by internal cash flows.

Year 2000 Compliance

FedEx's operating subsidiaries rely heavily on sophisticated information technology for their business operations. Our Year 2000 ("Y2K") computer compliance issues were, therefore, broad and complex. Nothing has come to the Company's attention that would cause it to believe that its Y2K compliance effort was not successful.

Since 1996, FedEx has incurred approximately $115 million on Y2K compliance ($22 million in 2000), which was funded by internal cash flows. We do not expect to incur any material additional Y2K-related costs. We classified costs as Y2K for reporting purposes if they remedied only Y2K risks or resulted in the formulation of contingency plans and would otherwise have been unnecessary in the normal course of business. For 2000, Y2K expenditures were less than 10% of the Company's total information technology expense budget. We believe that no significant information technology projects were deferred due to our Y2K compliance effort.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this report are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, 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 that 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 where FedEx operates, matching capacity to volume levels and other uncertainties detailed from time to time in FedEx's Securities and Exchange Commission filings.

CONSOLIDATED STATEMENTS OF INCOME

Years ended May 31 In thousands, except per share amounts	2000	1999	1998
REVENUES	**$18,256,945**	$16,773,470	$15,872,810
OPERATING EXPENSES			
Salaries and employee benefits	**7,597,964**	7,087,728	6,647,140
Purchased transportation	**1,674,854**	1,537,785	1,481,590
Rentals and landing fees	**1,538,713**	1,396,694	1,304,296
Depreciation and amortization	**1,154,863**	1,035,118	963,732
Maintenance and repairs	**1,101,424**	958,873	874,400
Fuel	**918,513**	604,929	726,776
Other	**3,049,540**	2,989,257	2,864,216
	17,035,871	15,610,384	14,862,150
OPERATING INCOME	**1,221,074**	1,163,086	1,010,660
OTHER INCOME (EXPENSE)			
Interest, net	**(106,060)**	(98,191)	(124,413)
Other, net	**22,726**	(3,831)	13,271
	(83,334)	(102,022)	(111,142)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	**1,137,740**	1,061,064	899,518
PROVISION FOR INCOME TAXES	**449,404**	429,731	401,363
INCOME FROM CONTINUING OPERATIONS	**688,336**	631,333	498,155
INCOME FROM DISCONTINUED OPERATIONS, NET OF INCOME TAXES	**–**	–	4,875
NET INCOME	**$ 688,336**	$ 631,333	$ 503,030
EARNINGS PER COMMON SHARE			
Continuing operations	**$ 2.36**	$ 2.13	$ 1.70
Discontinued operations	**–**	–	.02
	$ 2.36	$ 2.13	$ 1.72
EARNINGS PER COMMON SHARE – ASSUMING DILUTION			
Continuing operations	**$ 2.32**	$ 2.10	$ 1.67
Discontinued operations	**–**	–	.02
	$ 2.32	$ 2.10	$ 1.69

The accompanying notes are an integral part of these consolidated financial statements.

May 31 In thousands	2000	1999
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 67,959	$ 325,323
Receivables, less allowances of $85,972 and $68,305	2,547,043	2,153,166
Spare parts, supplies and fuel	255,291	291,922
Deferred income taxes	317,784	290,721
Prepaid expenses and other	96,667	79,896
Total current assets	3,284,744	3,141,028
PROPERTY AND EQUIPMENT, AT COST		
Flight equipment	4,960,204	4,556,747
Package handling and ground support equipment and vehicles	4,270,596	3,858,788
Computer and electronic equipment	2,416,666	2,363,637
Other	3,095,077	2,940,735
	14,742,543	13,719,907
Less accumulated depreciation and amortization	7,659,016	7,160,690
Net property and equipment	7,083,527	6,559,217
OTHER ASSETS		
Goodwill	500,547	344,002
Equipment deposits and other assets	658,293	603,964
Total other assets	1,158,840	947,966
	$11,527,111	$10,648,211
LIABILITIES AND STOCKHOLDERS' INVESTMENT		
CURRENT LIABILITIES		
Current portion of long-term debt	$ 6,537	$ 14,938
Accrued salaries and employee benefits	755,747	740,492
Accounts payable	1,120,855	1,133,952
Accrued expenses	1,007,887	895,375
Total current liabilities	2,891,026	2,784,757
LONG-TERM DEBT, LESS CURRENT PORTION	1,776,253	1,359,668
DEFERRED INCOME TAXES	344,613	293,462
OTHER LIABILITIES	1,729,976	1,546,632
COMMITMENTS AND CONTINGENCIES (Notes 6, 14 and 15)		
COMMON STOCKHOLDERS' INVESTMENT		
Common stock, $.10 par value; 800,000 shares authorized; 298,573 and 297,987 shares issued	29,857	29,799
Additional paid-in capital	1,079,462	1,061,312
Retained earnings	4,295,041	3,615,797
Accumulated other comprehensive income	(36,074)	(24,688)
	5,368,286	4,682,220
Less treasury stock, at cost and deferred compensation	583,043	18,528
Total common stockholders' investment	4,785,243	4,663,692
	$11,527,111	$10,648,211

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended May 31 In thousands	**2000**	1999	1998
OPERATING ACTIVITIES			
Income from continuing operations	**$ 688,336**	$ 631,333	$ 498,155
Adjustments to reconcile income from continuing operations to cash provided by operating activities:			
Depreciation and amortization	**1,154,863**	1,035,118	963,732
Provision for uncollectible accounts	**71,107**	55,649	72,700
Deferred income taxes and other noncash items	**(7,363)**	(34,037)	29,570
Gain from disposals of property and equipment	**(17,068)**	(2,330)	(7,188)
Changes in operating assets and liabilities, net of businesses acquired:			
Increase in receivables	**(404,511)**	(294,121)	(267,367)
Decrease (increase) in other current assets	**70,720**	(155,720)	(102,203)
Increase in accounts payable and other operating liabilities	**107,543**	555,565	450,836
Other, net	**(38,385)**	(19,337)	(32,963)
Cash provided by operating activities	**1,625,242**	1,772,120	1,605,272
INVESTING ACTIVITIES			
Purchases of property and equipment, including deposits on aircraft of $1,500, $1,200 and $70,359	**(1,627,418)**	(1,769,946)	(1,880,173)
Proceeds from dispositions of property and equipment:			
Sale-leaseback transactions	**–**	80,995	322,852
Reimbursements of A300 and MD11 deposits	**24,377**	67,269	106,991
Other dispositions	**165,397**	195,641	162,672
Acquisitions of businesses	**(257,095)**	–	–
Other, net	**(13,378)**	(22,716)	(471)
Cash used in investing activities	**(1,708,117)**	(1,448,757)	(1,288,129)
FINANCING ACTIVITIES			
Principal payments on debt	**(115,090)**	(269,367)	(533,502)
Proceeds from debt issuances	**517,664**	–	267,105
Proceeds from stock issuances	**15,523**	49,932	33,925
Dividends paid	**–**	–	(7,793)
Purchase of treasury stock	**(606,506)**	(8,168)	(7,049)
Other, net	**13,920**	(2)	110
Cash used in financing activities	**(174,489)**	(227,605)	(247,204)
CASH AND CASH EQUIVALENTS			
Cash (used in) provided by continuing operations	**(257,364)**	95,758	69,939
Cash used in discontinued operations	**–**	–	(1,735)
Balance at beginning of year	**325,323**	229,565	161,361
Balance at end of year	**$ 67,959**	$ 325,323	$ 229,565

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' INVESTMENT AND COMPREHENSIVE INCOME

In thousands, except shares	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Deferred Compensation	Total
BALANCE AT MAY 31, 1997	$14,762	$ 937,978	$2,618,492	$ 3,019	$ (55,482)	$(17,608)	$3,501,161
Net income	–	–	503,030	–	–	–	503,030
Foreign currency translation adjustment, net of deferred tax benefit of $2,793	–	–	–	(30,296)	–	–	(30,296)
Total comprehensive income							**472,734**
Adjustment to conform Caliber System, Inc.'s fiscal year	–	492	(51,795)	–	(1,765)	–	(53,068)
Cash dividends declared by Caliber System, Inc.	–	–	(3,899)	–	–	–	(3,899)
Purchase of treasury stock	–	–	–	–	(7,049)	–	(7,049)
Forfeiture of restricted stock	–	–	–	–	(979)	586	(393)
Issuance of stock under employee incentive plans (1,466,895 shares)	135	54,195	–	–	7,918	(7,204)	55,044
Cancellation of Caliber System, Inc. treasury stock	(156)	156	(66,474)	–	57,357	–	(9,117)
Amortization of deferred compensation	–	–	–	–	–	5,817	5,817
BALANCE AT MAY 31, 1998	14,741	992,821	2,999,354	(27,277)	–	(18,409)	3,961,230
Net income	–	–	631,333	–	–	–	631,333
Foreign currency translation adjustment, net of deferred tax benefit of $959	–	–	–	(611)	–	–	(611)
Unrealized gain on available-for-sale securities, net of deferred taxes of $2,100	–	–	–	3,200	–	–	3,200
Total comprehensive income							**633,922**
Purchase of treasury stock	–	–	–	–	(8,168)	–	(8,168)
Forfeiture of restricted stock	–	–	–	–	(1,196)	507	(689)
Two-for-one stock split by FedEx Corporation in the form of a 100% stock dividend (148,931,996 shares)	14,890	–	(14,890)	–	–	–	–
Issuance of stock under employee incentive plans (1,770,626 shares)	168	68,491	–	–	8,083	(8,273)	68,469
Amortization of deferred compensation	–	–	–	–	–	8,928	8,928
BALANCE AT MAY 31, 1999	29,799	1,061,312	3,615,797	(24,688)	(1,281)	(17,247)	4,663,692
Net income	–	–	688,336	–	–	–	688,336
Foreign currency translation adjustment, net of deferred tax benefit of $1,881	–	–	–	(9,021)	–	–	(9,021)
Unrealized loss on available-for-sale securities, net of deferred tax benefit of $1,513	–	–	–	(2,365)	–	–	(2,365)
Total comprehensive income							**676,950**
Purchase of treasury stock	–	–	–	–	(606,506)	–	(606,506)
Forfeiture of restricted stock	–	–	–	–	(790)	845	55
Issuance of stock under employee incentive plans and other (1,715,585 shares)	58	18,150	(9,092)	–	44,483	(14,725)	38,874
Amortization of deferred compensation	–	–	–	–	–	12,178	12,178
BALANCE AT MAY 31, 2000	**$29,857**	**$1,079,462**	**$4,295,041**	**$(36,074)**	**$(564,094)**	**$(18,949)**	**$4,785,243**

The accompanying notes are an integral part of these consolidated financial statements.

NOTE 1: BASIS OF PRESENTATION

On January 19, 2000, a new branding strategy was announced that resulted in name changes of the holding company and certain operating companies to include the FedEx brand name. The name of the holding company was changed from FDX Corporation to FedEx Corporation ("FedEx") and the following operating subsidiaries' names were changed:

Former Name	New Name	Brand Name
RPS, Inc.	FedEx Ground Package System, Inc.	FedEx Ground
FDX Logistics	FedEx Global Logistics, Inc.	FedEx Logistics
Roberts Express	FedEx Custom Critical, Inc.	FedEx Custom Critical

The names of Federal Express Corporation ("FedEx Express") and Viking Freight, Inc. ("Viking") did not change.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION. The consolidated financial statements include the accounts of FedEx Corporation and its subsidiaries. All significant intercompany accounts and transactions have been eliminated.

PROPERTY AND EQUIPMENT. Expenditures for major additions, improvements, flight equipment modifications and certain equipment overhaul costs are capitalized. Maintenance and repairs are charged to expense as incurred. The cost and accumulated depreciation of property and equipment disposed of are removed from the related accounts, and any gain or loss is reflected in the results of operations.

For financial reporting purposes, depreciation and amortization of property and equipment is provided on a straight-line basis over the asset's service life or related lease term as follows:

Flight equipment	5 to 20 years
Package handling and ground support equipment and vehicles	3 to 30 years
Computer and electronic equipment	3 to 10 years
Other	2 to 30 years

Aircraft airframes and engines are assigned residual values ranging from 10% to 20% of asset cost. All other property and equipment have no material residual values. Vehicles are depreciated on a straight-line basis over five to 10 years.

For income tax purposes, depreciation is generally computed using accelerated methods.

DEFERRED GAINS. Gains on the sale and leaseback of aircraft and other property and equipment are deferred and amortized over the life of the lease as a reduction of rent expense. Included in other liabilities at May 31, 2000 and 1999, were deferred gains of $533,371,000 and $429,488,000, respectively.

DEFERRED LEASE OBLIGATIONS. While certain of FedEx's aircraft and facility leases contain fluctuating or escalating payments, the related rent expense is recorded on a straight-line basis over the lease term. Included in other liabilities at May 31, 2000 and 1999, were $354,566,000 and $321,248,000, respectively, representing the cumulative difference between rent expense and rent payments.

SELF-INSURANCE ACCRUALS. FedEx is self-insured up to certain levels for workers' compensation, employee health care and vehicle liabilities. Accruals are based on the actuarially estimated undiscounted cost of claims. Included in other liabilities at May 31, 2000 and 1999, were $324,869,000 and $282,889,000, respectively, representing the long-term portion of self-insurance accruals for FedEx's workers' compensation and vehicle liabilities.

CAPITALIZED INTEREST. Interest on funds used to finance the acquisition and modification of aircraft, construction of certain facilities, and development of certain software up to the date the asset is placed in service is capitalized and included in the cost of the asset. Capitalized interest was $34,823,000, $38,880,000 and $33,009,000 for 2000, 1999 and 1998, respectively.

ADVERTISING. Advertising costs are generally expensed as incurred and are included in other operating expenses. Advertising expenses were $221,511,000, $202,104,000 and $183,253,000 in 2000, 1999 and 1998, respectively.

CASH EQUIVALENTS. Cash equivalents in excess of current operating requirements are invested in short-term, interest-bearing instruments with maturities of three months or less at the date of purchase and are stated at cost, which approximates market value. Interest income was $15,116,000, $12,399,000 and $11,283,000 in 2000, 1999 and 1998, respectively.

MARKETABLE SECURITIES. FedEx's marketable securities are available-for-sale securities and are reported at fair value. Unrealized gains and losses are reported, net of related deferred income taxes, as a component of accumulated other comprehensive income within common stockholders' investment.

SPARE PARTS, SUPPLIES AND FUEL. Spare parts are stated principally at weighted-average cost; supplies and fuel are stated principally at standard cost, which approximates actual cost on a first-in, first-out basis. Neither method values inventory in excess of current replacement cost.

GOODWILL. Goodwill is the excess of the purchase price over the fair value of net assets of businesses acquired. It is amortized on a straight-line basis over periods generally ranging from 15 to 40 years. Accumulated amortization was $165,624,000 and $157,106,000 at May 31, 2000 and 1999, respectively.

IMPAIRMENT OF LONG-LIVED ASSETS. FedEx reviews long-lived assets for impairment when circumstances indicate the carrying value of an asset may not be recoverable. If an impairment exists, an adjustment is made to write the asset down to its fair value, and a loss is recorded as the difference between the carrying value and fair value.

FOREIGN CURRENCY TRANSLATION. Translation gains and losses of FedEx's foreign operations that use local currencies as the functional currency are accumulated and reported, net of related deferred income taxes, as a component of accumulated other comprehensive income within common stockholders' investment. Transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the local functional currency are included in the results of operations.

INCOME TAXES. Deferred income taxes are provided for the tax effect of temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements. FedEx uses the liability method to account for income taxes, which requires deferred taxes to be recorded at the statutory rate expected to be in effect when the taxes are paid.

FedEx has not provided for U.S. federal income taxes on its foreign subsidiaries' earnings deemed to be permanently reinvested. Quantification of the deferred tax liability, if any, associated with permanently reinvested earnings is not practicable.

REVENUE RECOGNITION. Revenue is recorded based on the percentage of service completed at the balance sheet date.

RECENT PRONOUNCEMENTS. Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," was issued in June 1998, was subsequently amended by SFAS No. 137, and is now effective for fiscal years beginning after June 15, 2000 (2002 for FedEx). The Statement requires an entity to recognize all derivatives as either assets or liabilities in the balance sheet and to measure those instruments at fair value. The impact of the adoption of SFAS No. 133, if any, on earnings, comprehensive income and financial position will depend on the amount, timing and nature of any agreements entered into by FedEx. As of May 31, 2000, FedEx has not adopted the provisions of SFAS No. 133.

SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities," was issued in June 2000, and amends SFAS No. 133. SFAS No. 138 must be adopted concurrently with FedEx's adoption of SFAS No. 133. FedEx does not believe the amendment will affect its implementation of SFAS No. 133.

RECLASSIFICATIONS. Certain prior year amounts have been reclassified to conform to the 2000 presentation.

USE OF ESTIMATES. The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3: BUSINESS COMBINATION AND ACQUISITIONS

On January 27, 1998, FedEx Express became a wholly-owned subsidiary of FedEx Corporation in connection with the acquisition of Caliber System, Inc. ("Caliber"). The acquisition was accounted for as a pooling of interests. FedEx Corporation exchanged 0.8 shares of its common stock for each share of Caliber common stock. Each share of FedEx Express's common stock was automatically converted into one share of FedEx Corporation common stock.

On September 10, 1999, FedEx Logistics acquired the assets of GeoLogistics Air Services, Inc., an airfreight forwarder servicing freight shipments between the United States and Puerto Rico, for approximately $116,000,000 in cash. This business operates under the name Caribbean Transportation Services, Inc. The excess of purchase price over the estimated fair value of the net assets acquired ($103,000,000) has been recorded as goodwill and is being amortized ratably over 15 years.

On February 29, 2000, FedEx acquired the common stock of Tower Group International, a leader in the business of providing international customs clearance services, for approximately $140,000,000 in cash. This business is operating as a subsidiary of FedEx Trade Networks, Inc. ("FedEx Trade Networks"). The excess of purchase price over the estimated fair value of the net assets acquired ($30,000,000) has been recorded as goodwill and is being amortized ratably over 25 years.

On March 31, 2000, FedEx acquired the common stock of World Tariff, Limited, a premier source of customs duty and tax information around the globe, for approximately $8,400,000 in cash and stock. This business is operating as a subsidiary of FedEx Trade Networks. The excess of purchase price over the estimated fair value of the net assets acquired ($8,300,000) has been recorded as goodwill and is being amortized ratably over 25 years.

The operating results of these acquired companies are included in the operations of FedEx from the date of acquisition. Pro forma results including these acquisitions would not differ materially from reported results in any of the periods presented.

NOTE 4: ACCRUED SALARIES AND EMPLOYEE BENEFITS AND ACCRUED EXPENSES

The components of accrued salaries and employee benefits and accrued expenses were as follows:

May 31 In thousands	**2000**	1999
Salaries	**$ 216,705**	$216,647
Employee benefits	**225,192**	236,741
Compensated absences	**313,850**	287,104
Total accrued salaries and employee benefits	**$ 755,747**	$740,492
Insurance	**$ 363,899**	$345,804
Taxes other than income taxes	**237,342**	225,378
Other	**406,646**	324,193
Total accrued expenses	**$1,007,887**	$895,375

NOTE 5: LONG-TERM DEBT AND OTHER FINANCING ARRANGEMENTS

May 31 In thousands	**2000**	1999
Unsecured debt, interest rates of 7.60% to 10.57%, due through 2098	**$ 975,862**	$ 988,120
Unsecured sinking fund debentures, interest rate of 9.63%, originally due through 2020, called during 2000	**–**	98,598
Commercial paper, effective interest rate of 6.73%	**521,031**	–
Capital lease obligations and tax exempt bonds, interest rates of 5.35% to 7.88%, due through 2017	**253,569**	253,425
Less bond reserves	**9,024**	9,024
	244,545	244,401
Other debt, interest rates of 9.68% to 11.12%	**41,352**	43,487
	1,782,790	1,374,606
Less current portion	**6,537**	14,938
	$1,776,253	$1,359,668

FedEx has a $1,000,000,000 revolving credit agreement with domestic and foreign banks. The revolving credit agreement comprises two parts. The first part provides for a commitment of $800,000,000 through January 27, 2003. The second part provides for a 364-day commitment for $200,000,000 through October 13, 2000. Interest rates on borrowings under this agreement are generally determined by maturities selected and prevailing market conditions. The agreement contains certain covenants and restrictions, none of which are expected to significantly affect FedEx's operations or its ability to pay dividends. As of May 31, 2000, approximately

$2,093,000,000 was available for the payment of dividends under the restrictive covenant of the agreement. Commercial paper borrowings are backed by unused commitments under this revolving credit agreement and reduce the amount available under the agreement. Borrowings under this credit agreement and commercial paper borrowings are classified as long-term based on FedEx's ability and intent to refinance such borrowings. At May 31, 2000, $478,000,000 of the $1,000,000,000 commitment amount was available.

Unsecured sinking fund debentures in the amount of $100,000,000, originally due through 2020, were redeemed by FedEx Express on March 1, 2000. Other income (expense) includes a charge of approximately $6,000,000, which represents premiums paid to the holders of the bonds retired and the write-off of the related unamortized deferred finance charges and discount.

The components of unsecured debt were as follows:

May 31 In thousands	2000	1999
Senior debt, interest rates of 7.80% to 9.88%, due through 2013	**$673,970**	$673,779
Bonds, interest rate of 7.60%, due in 2098	**239,382**	239,376
Medium term notes, interest rates of 9.95% to 10.57%, due through 2007	**62,510**	74,965
	$975,862	$988,120

Of the senior debt outstanding at May 31, 2000 and 1999, $200,000,000 was issued by Caliber. On April 28, 2000, FedEx assumed all obligations relating to the notes, including restrictive covenants limiting the ability of FedEx and its subsidiaries to incur liens on assets and enter into leasing transactions. These notes mature on August 1, 2006 and bear interest at 7.80%.

Tax exempt bonds were issued by the Memphis-Shelby County Airport Authority ("MSCAA") and the City of Indianapolis. Lease agreements with the MSCAA and a loan agreement with the City of Indianapolis covering the facilities and equipment financed with the bond proceeds obligate FedEx Express to pay rentals and loan payments, respectively, equal to the principal and interest due on the bonds.

Scheduled annual principal maturities of long-term debt for the five years subsequent to May 31, 2000, are as follows: $6,500,000 in 2001; $202,600,000 in 2002; $6,100,000 in 2003; $25,100,000 in 2004; and $5,500,000 in 2005.

FedEx's long-term debt, exclusive of capital leases, had carrying values of $1,063,000,000 and $1,178,000,000 at May 31, 2000 and 1999, respectively, compared with fair values of approximately $1,055,000,000 and $1,250,000,000 at those dates. The estimated fair values were determined based on quoted market prices or on the current rates offered for debt with similar terms and maturities.

NOTE 6: LEASE COMMITMENTS

FedEx utilizes certain aircraft, land, facilities and equipment under capital and operating leases that expire at various dates through 2027. In addition, supplemental aircraft are leased under agreements that generally provide for cancellation upon 30 days' notice.

The components of property and equipment recorded under capital leases were as follows:

May 31, In thousands	2000	1999
Package handling and ground support equipment and vehicles	**$226,580**	$245,041
Facilities	**134,442**	134,442
Computer and electronic equipment and other	**6,852**	6,496
	367,874	385,979
Less accumulated amortization	**260,526**	268,696
	$107,348	$117,283

Rent expense under operating leases for the years ended May 31 was as follows:

In thousands	2000	1999	1998
Minimum rentals	**$1,298,821**	$1,246,259	$1,135,567
Contingent rentals	**98,755**	59,839	60,925
	$1,397,576	$1,306,098	$1,196,492

Contingent rentals are based on hours flown under supplemental aircraft leases.

A summary of future minimum lease payments under capital leases and noncancellable operating leases (principally aircraft and facilities) with an initial or remaining term in excess of one year at May 31, 2000 is as follows:

In thousands	Capital Leases	Operating Leases
2001	$ 15,195	$ 1,258,109
2002	15,174	1,087,035
2003	15,024	990,125
2004	14,894	926,290
2005	14,828	877,701
Thereafter	287,673	9,263,996
	$362,788	$14,403,256

At May 31, 2000, the present value of future minimum lease payments for capital lease obligations, including certain tax exempt bonds, was $200,259,000.

FedEx Express makes payments under certain leveraged operating leases that are sufficient to pay principal and interest on certain pass-through certificates. The pass-through certificates are not direct obligations of, or guaranteed by, FedEx or FedEx Express.

NOTE 7: PREFERRED STOCK

The Certificate of Incorporation authorizes the Board of Directors, at its discretion, to issue up to 4,000,000 shares of Series Preferred Stock. The stock is issuable in series, which may vary as to certain rights and preferences, and has no par value. As of May 31, 2000, none of these shares had been issued.

NOTE 8: COMMON STOCKHOLDERS' INVESTMENT

Stock Compensation Plans

At May 31, 2000, FedEx had options and awards outstanding under stock-based compensation plans described below. As of May 31, 2000, there were 25,210,811 shares of common stock reserved for issuance under these plans. The Board of Directors has authorized repurchase of FedEx's common stock necessary for grants under its restricted stock plans. As of May 31, 2000, 13,418,185 of the 27,688,302 total shares repurchased by FedEx at an average cost of $27.42 (including the 15,000,000 shares repurchased under the current year stock repurchase program, see Note 9) had been reissued under the above-mentioned plans.

FedEx applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations to measure compensation expense for its plans. Compensation cost for the restricted stock plans was $12,178,000, $8,928,000 and $5,817,000 for 2000, 1999 and 1998, respectively. If compensation cost for FedEx's stock-based compensation plans had been determined under SFAS No. 123, "Accounting for Stock-Based Compensation," FedEx's net income and earnings per share would have been the pro forma amounts indicated below:

In thousands, except per share data	**2000**	1999	1998
Net income:			
As reported	**$688,336**	$631,333	$503,030
Pro forma	**659,601**	609,960	489,556
Earnings per share, assuming dilution:			
As reported	**$ 2.32**	$ 2.10	$ 1.69
Pro forma	**2.23**	2.03	1.64

The pro forma disclosures, applying SFAS No. 123, are not likely to be representative of pro forma disclosures for future years. The pro forma effect is not expected to be fully reflected until 2002, since SFAS No. 123 is applicable to options granted by FedEx after May 31, 1995, and because options vest over several years and additional grants could be made.

Fixed Stock Option Plans

Under the provisions of FedEx's stock incentive plans, options may be granted to certain key employees (and, under the 1997 plan, to directors who are not employees of FedEx) to purchase shares of common stock of FedEx at a price not less than its fair market value at the date of grant. Options granted have a maximum term of 10 years. Vesting requirements are determined at the discretion of the Compensation Committee of the Board of Directors. Presently, option vesting periods range from one to eight years. At May 31, 2000, there were 9,714,810 shares available for future grants under these plans.

Beginning with the grants made on or after June 1, 1995, the fair value of each option grant was estimated on the grant date using the Black-Scholes option-pricing model with the following assumptions for each option grant:

	2000	1999	1998
Dividend yield	**0%**	0%	0%
Expected volatility	**30%**	25%	25%
Risk-free interest rate	**5.6%–6.8%**	4.2%–5.6%	5.4%–6.5%
Expected lives	**2.5–9.5 years**	2.5–5.5 years	2.5–6.5 years

The following table summarizes information about FedEx's fixed stock option plans for the years ended May 31:

	2000		1999		1998	
	Shares	**Weighted-Average Exercise Price**	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding at beginning of year	**13,399,532**	**$23.11**	13,388,452	$19.74	13,523,460	$17.09
Granted	**3,218,450**	**50.79**	3,377,500	31.80	2,485,544	28.20
Exercised	**(1,232,699)**	**18.81**	(3,135,640)	17.86	(2,336,984)	13.45
Forfeited	**(374,632)**	**33.81**	(230,780)	26.59	(283,568)	19.51
Outstanding at end of year	**15,010,651**	**29.12**	13,399,532	23.11	13,388,452	19.74
Exercisable at end of year	**5,781,855**	**21.44**	4,404,146	18.57	5,349,626	16.92

The weighted-average fair value of options granted during the year was $16.63, $9.12 and $8.25 for the years ended May 31, 2000, 1999 and 1998, respectively.

The following table summarizes information about fixed stock options outstanding at May 31, 2000:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable	Weighted-Average Exercise Price
$ 8.63–$10.91	281,246	1.2 years	$ 9.73	281,246	$ 9.73
12.00– 16.50	2,095,522	3.9 years	15.48	1,649,622	15.51
17.50– 25.19	4,523,806	5.7 years	20.16	2,139,188	20.65
26.44– 37.25	5,068,127	7.7 years	30.61	1,655,299	29.73
38.69– 55.94	3,041,950	9.2 years	51.15	56,500	40.07
8.63– 55.94	15,010,651	6.7 years	29.12	5,781,855	21.44

Restricted Stock Plans

Under the terms of FedEx's Restricted Stock Plans, shares of FedEx's common stock are awarded to key employees. All restrictions on the shares expire over periods varying from two to five years from their date of award. Shares are valued at the market price of FedEx's common stock at the date of award. Compensation related to these plans is recorded as a reduction of common stockholders' investment and is being amortized to expense as restrictions on such shares expire. The following table summarizes information about restricted stock awards for the years ended May 31:

	2000		1999		1998	
	Shares	**Weighted-Average Fair Value**	Shares	Weighted-Average Fair Value	Shares	Weighted-Average Fair Value
Awarded	**283,750**	**$51.90**	252,000	$32.71	240,000	$32.99
Forfeited	**20,000**	**37.71**	16,900	44.38	28,000	34.94

At May 31, 2000, there were 485,350 shares available for future awards under these plans.

NOTE 9: COMPUTATION OF EARNINGS PER SHARE

The calculation of basic earnings per share and earnings per share, assuming dilution, for the years ended May 31 was as follows:

In thousands, except per share amounts	**2000**	1999	1998
Income from continuing operations	**$688,336**	$631,333	$498,155
Income from discontinued operations	**–**	–	4,875
Net income applicable to common stockholders	**$688,336**	$631,333	$503,030
Average shares of common stock outstanding	**291,727**	295,983	293,401
Basic earnings per share:			
Continuing operations	**$ 2.36**	$ 2.13	$ 1.70
Discontinued operations	**–**	–	.02
	$ 2.36	$ 2.13	$ 1.72
Average shares of common stock outstanding	**291,727**	295,983	293,401
Common equivalent shares:			
Assumed exercise of outstanding dilutive options	**12,735**	13,090	13,849
Less shares repurchased from proceeds of assumed exercise of options	**(8,136)**	(8,430)	(8,842)
Average common and common equivalent shares	**296,326**	300,643	298,408
Earnings per share, assuming dilution:			
Continuing operations	**$ 2.32**	$ 2.10	$ 1.67
Discontinued operations	**–**	–	.02
	$ 2.32	$ 2.10	$ 1.69

In September 1999, FedEx's Board of Directors approved a plan that authorized the purchase of up to 15,000,000, or approximately 5%, of FedEx's outstanding shares of common stock. FedEx completed its purchases under the plan in 2000 at an average cost of $39.75 per share. As of May 31, 2000, FedEx had 14,128,998 shares in treasury for general corporate purposes.

NOTE 10: INCOME TAXES

The components of the provision for income taxes for the years ended May 31 were as follows:

In thousands	**2000**	1999	1998
Current provision:			
Domestic			
Federal	**$365,137**	$385,164	$267,471
State and local	**48,837**	49,918	32,839
Foreign	**39,844**	22,730	36,543
	453,818	457,812	336,853
Deferred provision (credit):			
Domestic			
Federal	**(3,444)**	(21,773)	56,408
State and local	**469**	(4,437)	7,860
Foreign	**(1,439)**	(1,871)	242
	(4,414)	(28,081)	64,510
	$449,404	$429,731	$401,363

Income taxes have been provided for foreign operations based upon the various tax laws and rates of the countries in which FedEx's operations are conducted. There is no direct relationship between FedEx's overall foreign income tax provision and foreign pretax book income due to the different methods of taxation used by countries throughout the world. In 1998, FedEx entities in foreign locations reported a net foreign pretax loss of $98,000,000, comprising foreign pretax income of $208,000,000 and foreign pretax losses of $306,000,000.

A reconciliation of the statutory federal income tax rate to FedEx's effective income tax rate for the years ended May 31 is as follows:

	2000	1999	1998
Statutory U.S. income tax rate	**35.0%**	35.0%	35.0%
Increase resulting from:			
State and local income taxes, net of federal benefit	**2.8**	2.8	2.7
Nonrecurring items (1998 Caliber acquisition)	**–**	–	3.1
Other, net	**1.7**	2.7	3.8
Effective tax rate	**39.5%**	40.5%	44.6%
Effective tax rate (excluding nonrecurring item)	**39.5%**	40.5%	41.5%

The significant components of deferred tax assets and liabilities as of May 31 were as follows:

In thousands	**2000**		1999	
	Deferred Tax Assets	**Deferred Tax Liabilities**	Deferred Tax Assets	Deferred Tax Liabilities
Property, equipment and leases	**$206,239**	**$686,547**	$122,515	$608,719
Employee benefits	**207,297**	**127,784**	198,750	79,374
Self-insurance accruals	**245,923**	**–**	228,020	–
Other	**224,615**	**96,572**	233,331	97,264
	$884,074	**$910,903**	$782,616	$785,357

NOTE 11: EMPLOYEE BENEFIT PLANS

PENSION PLANS. FedEx sponsors defined benefit pension plans covering a majority of all employees. The largest plans cover certain U.S. employees age 21 and over, with at least one year of service, and provide benefits based on average earnings and years of service. Plan funding is actuarially determined, and is also subject to certain tax law limitations. International defined benefit pension plans provide benefits primarily based on final earnings and years of service and are funded in accordance with local laws and income tax regulations. Plan assets consist primarily of marketable equity securities and fixed income instruments. During 1999, benefits provided under certain of FedEx's pension plans were enhanced, principally in connection with the ratification on February 4, 1999, of a collective bargaining agreement between FedEx Express and the Fedex Pilots Association ("FPA"). These benefit enhancements are reflected in the funded status of the plans at May 31, 2000 and 1999, but did not materially affect pension cost in either year.

POSTRETIREMENT HEALTH CARE PLANS. FedEx Express offers medical and dental coverage to eligible U.S. retirees and their eligible dependents. Vision coverage is provided for retirees, but not their dependents. Substantially all FedEx Express U.S. employees become eligible for these benefits at age 55 and older, if they have permanent, continuous service with FedEx Express of at least 10 years after attainment of age 45 if hired prior to January 1, 1988, or at least 20 years after attainment of age 35 if hired on or after January 1, 1988. Life insurance benefits are provided only to retirees of the former Tiger International, Inc. who retired prior to acquisition. FedEx Ground offers similar benefits to its eligible retirees.

The following table provides a reconciliation of the changes in the pension and postretirement health care plans' benefit obligations and fair value of assets over the two-year period ended May 31, 2000 and a statement of the funded status as of May 31, 2000 and 1999:

In thousands	Pension Plans 2000	Pension Plans 1999	Postretirement Health Care Plans 2000	Postretirement Health Care Plans 1999
CHANGE IN BENEFIT OBLIGATION				
Benefit obligation at beginning of year	**$ 4,385,519**	$4,121,795	**$ 246,186**	$ 217,027
Service cost	**337,780**	331,005	**26,450**	23,676
Interest cost	**336,143**	288,221	**19,579**	16,962
Amendments, benefit enhancements and acquisitions	**12,853**	125,145	**1,420**	1,681
Actuarial gain	**(510,132)**	(427,179)	**(28,607)**	(7,402)
Plan participant contributions	**–**	–	**1,112**	679
Foreign currency exchange rate changes	**(618)**	3,112	**–**	–
Benefits paid	**(67,800)**	(56,580)	**(9,133)**	(6,437)
Benefit obligation at end of year	**$ 4,493,745**	$4,385,519	**$ 257,007**	$ 246,186
CHANGE IN PLAN ASSETS				
Fair value of plan assets at beginning of year	**$ 4,952,431**	$4,434,870	**$ –**	$ –
Actual return on plan assets	**630,706**	451,738	**–**	–
Foreign currency exchange rate changes	**(5,192)**	(1,283)	**–**	–
Company contributions	**217,271**	123,686	**8,021**	5,758
Plan participant contributions	**–**	–	**1,112**	679
Benefits paid	**(67,800)**	(56,580)	**(9,133)**	(6,437)
Fair value of plan assets at end of year	**$ 5,727,416**	$4,952,431	**$ –**	$ –
FUNDED STATUS OF THE PLANS	**$ 1,233,671**	$ 566,912	**$(257,007)**	$(246,186)
Unrecognized actuarial gain	**(1,173,903)**	(595,238)	**(49,286)**	(20,809)
Unrecognized prior service cost	**121,697**	132,116	**254**	291
Unrecognized transition amount	**(10,529)**	(11,852)	**–**	–
Prepaid (accrued) benefit cost	**$ 170,936**	$ 91,938	**$(306,039)**	$(266,704)
AMOUNTS RECOGNIZED IN THE BALANCE SHEET AT MAY 31:				
Prepaid benefit cost	**$ 302,935**	$ 188,423	**$ –**	$ –
Accrued benefit liability	**(131,999)**	(96,485)	**(306,039)**	(266,704)
Minimum pension liability	**(12,662)**	(86,000)	**–**	–
Intangible asset	**12,662**	86,000	**–**	–
Prepaid (accrued) benefit cost	**$ 170,936**	$ 91,938	**$(306,039)**	$(266,704)

Net periodic benefit cost for the years ended May 31 was as follows:

In thousands	Pension Plans 2000	Pension Plans 1999	Pension Plans 1998	Postretirement Health Care Plans 2000	Postretirement Health Care Plans 1999	Postretirement Health Care Plans 1998
Service cost	**$ 337,780**	$ 331,005	$ 250,753	**$26,450**	$23,676	$18,385
Interest cost	**336,143**	288,221	245,697	**19,579**	16,962	14,767
Expected return on plan assets	**(546,169)**	(483,709)	(377,421)	**–**	–	–
Net amortization and deferral	**5,977**	(1,948)	(2,304)	**(93)**	(211)	(709)
	$ 133,731	$ 133,569	$ 116,725	**$45,936**	$40,427	$32,443

WEIGHTED-AVERAGE ACTUARIAL ASSUMPTIONS	2000	1999	1998	2000	1999	1998
Discount rate	**8.5%**	7.5%	7.0%	**8.3%**	7.3%	7.2%
Rate of increase in future compensation levels	**5.0**	4.6	4.6	**–**	–	–
Expected long-term rate of return on assets	**10.9**	10.9	10.3	**–**	–	–

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for the pension plans with accumulated benefit obligations in excess of plan assets were $177,900,000, $126,300,000 and $2,700,000, respectively, as of May 31, 2000, and $201,700,000, $172,800,000 and $2,600,000, respectively, as of May 31, 1999. The minimum pension liability and corresponding intangible asset recognized in the balance sheet at May 31, 1999, relate principally to the collective bargaining agreement between FedEx Express and the FPA. During 2000, FedEx obtained the necessary approvals to fund a substantial portion of these benefits in the qualified pension plan, and the minimum liability and related intangible asset have been reduced accordingly.

FedEx Express's future medical benefit costs were estimated to increase at an annual rate of 8.5% during 2001, decreasing to an annual growth rate of 6.3% in 2006 and thereafter. Future dental benefit costs were estimated to increase at an annual rate of 7.5% during 2001, decreasing to an annual growth rate of 6.3% in 2006 and thereafter. FedEx Express's cost is capped at 150% of the 1993 employer cost and, therefore, will not be subject to medical and dental trends after the capped cost is attained, projected to be in 2001. A 1% change in these annual trend rates would not have a significant impact on the accumulated postretirement benefit obligation at May 31, 2000, or 2000 benefit expense. Claims are paid as incurred.

PROFIT SHARING PLANS. The profit sharing plans cover a majority of U.S. employees age 21 and over, with at least one year of service with FedEx as of the contribution date. The plans provide for discretionary employer contributions, which are determined annually by the Board of Directors. Profit sharing expense was $125,300,000 in 2000, $137,500,000 in 1999 and $124,700,000 in 1998. Included in these expense amounts are cash distributions made directly to employees of $39,100,000, $46,800,000 and $43,100,000 in 2000, 1999 and 1998, respectively.

NOTE 12: BUSINESS SEGMENT INFORMATION

FedEx Corporation is a global transportation and logistics provider primarily composed of FedEx Express, the world's largest express transportation company, and FedEx Ground, a ground small-package carrier. Other operating companies included in the FedEx Corporation portfolio are FedEx Logistics, a contract logistics provider; FedEx Custom Critical, a critical-shipment carrier; FedEx Trade Networks, a global trade services company; and Viking, a regional less-than-truckload freight carrier operating principally in the western United States. Other also includes certain unallocated corporate items.

FedEx has determined its reportable operating segments to be FedEx Express and FedEx Ground, both of which operate in single lines of business. FedEx evaluates financial performance based on operating income.

The following table provides a reconciliation of reportable segment revenues, depreciation and amortization, operating income and segment assets to FedEx's consolidated financial statement totals:

In thousands	FedEx Express	FedEx Ground	Other	Consolidated Total
Revenues				
2000	**$15,068,338**	**$2,032,570**	**$1,156,037**	**$18,256,945**
1999	13,979,277	1,878,107	916,086	16,773,470
1998	13,254,841	1,710,882	907,087	15,872,810
Depreciation and amortization				
2000	**$ 997,735**	**$ 99,140**	**$ 57,988**	**$ 1,154,863**
1999	912,002	82,640	40,476	1,035,118
1998	844,606	79,835	39,291	963,732
Operating income				
2000	**$ 899,610**	**$ 225,812**	**$ 95,652**	**$ 1,221,074**
1999	871,476(1)	231,010	60,600	1,163,086
1998	836,733	171,203	2,724(2)	1,010,660
Segment assets				
2000	**$ 9,740,539**	**$1,057,519**	**$ 729,053**	**$11,527,111**
1999	9,115,975	896,723	635,513	10,648,211

(1) Includes $81,000,000 of strike contingency costs. See Note 16.

(2) Includes $74,000,000 of merger expenses.

The following table provides a reconciliation of reportable segment capital expenditures to FedEx's consolidated totals for the years ended May 31:

In thousands	FedEx Express	FedEx Ground	Other	Consolidated Total
2000	**$1,330,904**	**$244,073**	**$52,441**	**$1,627,418**
1999	1,550,161	179,969	39,816	1,769,946
1998	1,761,963	78,041	40,169	1,880,173

The following table presents FedEx's revenue by service type and geographic information for the years ended or as of May 31:

In thousands	**2000**	1999	1998
REVENUE BY SERVICE TYPE			
FedEx Express:			
Package:			
U.S. overnight	**$ 7,537,844**	$ 7,185,462	$ 6,810,211
U.S. deferred	**2,428,002**	2,271,151	2,179,188
International priority	**3,551,593**	3,018,828	2,731,140
Freight:			
U.S.	**566,259**	439,855	337,098
International	**492,280**	530,759	597,861
Other	**492,360**	533,222	599,343
Total FedEx Express	**15,068,338**	13,979,277	13,254,841
FedEx Ground	**2,032,570**	1,878,107	1,710,882
Other	**1,156,037**	916,086	907,087
	$18,256,945	$16,773,470	$15,872,810
GEOGRAPHIC INFORMATION (1)			
Revenues:			
U.S.	**$13,804,849**	$12,910,107	$12,231,537
International	**4,452,096**	3,863,363	3,641,273
	$18,256,945	$16,773,470	$15,872,810
Long-lived assets:			
U.S.	**$ 7,224,219**	$ 6,506,424	
International	**1,018,148**	1,000,759	
	$ 8,242,367	$ 7,507,183	

(1) Generally, international revenue includes shipments that either originate in or are destined to locations outside the United States. Long-lived assets include property and equipment, goodwill and other long-term assets. Flight equipment is allocated between geographic areas based on usage.

NOTE 13: SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for interest expense and income taxes for the years ended May 31 was as follows:

In thousands	**2000**	1999	1998
Interest (net of capitalized interest)	**$124,964**	$114,326	$130,250
Income taxes	**354,614**	437,340	355,563

Noncash investing and financing activities for the years ended May 31 were as follows:

In thousands	**2000**	1999	1998
Fair value of assets surrendered under exchange agreements (with two airlines)	**$19,450**	$48,248	$90,428
Fair value of assets acquired under exchange agreements	**28,018**	34,580	78,148
Fair value of assets surrendered (under) over fair value of assets acquired	**$ (8,568)**	$13,668	$12,280
Fair value of treasury stock issued in business acquisition	**$ 6,817**	$ –	$ –

NOTE 14: COMMITMENTS AND CONTINGENCIES

FedEx's annual purchase commitments under various contracts as of May 31, 2000, were as follows:

In thousands	Aircraft	Aircraft-Related(1)	Other(2)	Total
2001	$222,500	$427,600	$376,300	$1,026,400
2002	252,000	381,300	18,300	651,600
2003	441,700	456,900	7,600	906,200
2004	235,000	446,500	7,600	689,100
2005	165,400	452,200	7,600	625,200

(1) Primarily aircraft modifications, rotables, spare parts and spare engines.
(2) Primarily facilities, vehicles, computer and other equipment.

At May 31, 2000, FedEx Express was committed to purchase 28 MD11s, 13 DC10s (in addition to those discussed in the following paragraph) and 75 Ayres ALM 200s to be delivered through 2007. Deposits and progress payments of $7,100,000 have been made toward these purchases.

FedEx Express has agreements with two airlines to acquire 53 DC10 aircraft (49 of which had been received as of May 31, 2000), spare parts, aircraft engines and other equipment, and maintenance services in exchange for a combination of aircraft engine noise reduction kits and cash. Delivery of these aircraft began in 1997 and will continue through 2001. Additionally, these airlines may exercise put options through December 31, 2003, requiring FedEx Express to purchase up to 11 additional DC10s along with additional aircraft engines and equipment.

In April 2000, put options were exercised by an airline requiring FedEx Express to purchase six DC10s (in addition to those discussed in the preceding paragraph) for a total purchase price of $26,400,000. Delivery of the aircraft is expected to be completed by April 2001.

In January 1999, put options were exercised by an airline requiring FedEx Express to purchase six DC10s (in addition to those discussed above) for a total purchase price of $21,150,000. Delivery of five of the aircraft was completed by August 1999, and the commitment to purchase the sixth aircraft has been cancelled.

FedEx has entered into jet fuel hedging contracts on behalf of its subsidiary FedEx Express, which are designed to limit its exposure to fluctuations in jet fuel prices. Under these jet fuel hedging contracts, FedEx makes (or receives) payments based on the difference between a fixed price and the market price of jet fuel, as determined by an index of spot market prices representing various geographic regions. The difference is recorded as an increase or decrease in fuel expense. Under jet fuel hedging contracts, FedEx received $18,512,000 in 2000 and made payments of $28,764,000 in 1998. There was no jet fuel hedging activity in 1999. As of May 31, 2000, contracts in place to fix the price of jet fuel cover a total notional volume of 352,822,000 gallons, or approximately one-third of the estimated usage in 2001. Based on current market prices, the fair value of these jet fuel hedging contracts, which have no carrying value, was an asset of approximately $51,060,000 at May 31, 2000. There were no such jet fuel hedging contracts in place at May 31, 1999.

NOTE 15: LEGAL PROCEEDINGS

FedEx and its subsidiaries are subject to legal proceedings and claims that arise in the ordinary course of their business. In the opinion of management, the aggregate liability, if any, with respect to these actions will not materially adversely affect FedEx's financial position or results of operations.

NOTE 16: OTHER EVENTS

In 2000, FedEx Express recorded nonoperating gains of approximately $11,000,000 from the sale of securities and approximately $12,000,000 from the insurance settlement for a leased MD11 destroyed in October 1999.

To avoid service interruptions related to a threatened strike by the FPA in November 1998, FedEx and FedEx Express implemented strike contingency plans including entering into agreements for additional third-party air and ground transportation and establishing special financing arrangements. Subsequently, a five-year collective bargaining agreement was ratified by the FPA membership in February 1999 and became effective May 31, 1999. Costs associated with these contingency plans were approximately $91,000,000. Of these costs, approximately $81,000,000, primarily the cost of contracts for supplemental airlift and ground transportation, was included in operating expenses. The remaining $10,000,000 was included in nonoperating expenses and represents the costs associated with obtaining additional short-term financing capabilities.

In 1998, FedEx Express realized a net gain of $17,000,000 from the insurance settlement and the release from certain related liabilities on a leased MD11 aircraft destroyed in an accident in July 1997. The gain was recorded in operating and non-operating income in substantially equal amounts.

FedEx incurred $88,000,000 of merger expenses related to the acquisition of Caliber and the formation of FedEx in 1998, primarily investment banking fees and payments to members of Caliber's management in accordance with pre-existing management retention agreements. There are no remaining accrued costs at May 31, 2000 related to the merger.

On March 27, 1997, Caliber announced a major restructuring of its Viking subsidiary. In connection with the restructuring, Viking recorded a pretax restructuring charge of $85,000,000 ($56,400,000 net of tax) in the period from January 1, 1997 to May 24, 1997. This restructuring charge is included in the adjustment to conform Caliber's fiscal year in the accompanying Consolidated Statements of Changes in Stockholders' Investment and Comprehensive Income and, therefore, is excluded from the Consolidated Statements of Income. Components of the $85,000,000 restructuring charge included asset impairment charges, future lease costs and other contractual obligations, employee severance and other benefits and other exit costs. Gains on assets sold in the restructuring of $16,000,000 were recognized in the third quarter of 1998 and estimates, primarily for future lease costs, were revised in 2000 resulting in a favorable adjustment of approximately $10,000,000. There are no remaining accrued restructuring costs at May 31, 2000.

On November 6, 1995, Caliber announced plans to exit the airfreight business served by its wholly-owned subsidiary, Roadway Global Air, Inc. Income from discontinuance of $4,875,000, net of tax, in 1998 included the favorable settlement of leases and other contractual obligations.

NOTE 17: SUMMARY OF QUARTERLY OPERATING RESULTS (UNAUDITED)

In thousands, except earnings per share	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2000				
Revenues	**$4,319,977**	**$4,570,104**	**$4,518,057**	**$4,848,807**
Operating income	**283,807**	**304,535**	**206,472**	**426,260**
Income before income taxes	**262,880**	**282,928**	**186,998**	**404,934**
Net income	**159,034**	**171,183**	**113,128**	**244,991**
Earnings per common share	**$ .53**	**$ .58**	**$ .39**	**$ .86**
Earnings per common share – assuming dilution	**$ .52**	**$ .57**	**$ .39**	**$ .85**
1999(1)				
Revenues	$4,082,302	$4,209,237	$4,098,418	$4,383,513
Operating income	283,843	336,987	152,038	390,218
Income before income taxes	255,348	312,404	121,269	372,043
Net income	149,379	182,756	77,833	221,365
Earnings per common share	$ .51	$ .62	$ .26	$ .74
Earnings per common share – assuming dilution	$ .50	$ .61	$ .26	$ .73

(1) Third quarter 1999 results included approximately $91,000,000 of expenses ($54,100,000 net of tax or $.18 per share, assuming dilution) for contingency plans made by FedEx related to the threatened strike by the FPA.

To the Stockholders of FedEx Corporation:

We have audited the accompanying consolidated balance sheets of FedEx Corporation (a Delaware corporation) and subsidiaries as of May 31, 2000 and 1999, and the related consolidated statements of income, changes in stockholders' investment and comprehensive income and cash flows for each of the three years in the period ended May 31, 2000. These financial statements are the responsibility of FedEx's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of FedEx Corporation as of May 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended May 31, 2000, in conformity with accounting principles generally accepted in the United States.

Arthur Andersen LLP

Memphis, Tennessee
June 27, 2000

Years ended May 31, In thousands, except per share amounts and Other Operating Data	**2000**	1999	1998	1997	1996
OPERATING RESULTS					
Revenues	**$18,256,945**	$16,773,470	$15,872,810	$14,237,892	$12,721,791
Operating income(1)	**1,221,074**	1,163,086	1,010,660	507,002	779,552
Income from continuing operations before income taxes	**1,137,740**	1,061,064	899,518	425,865	702,094
Income from continuing operations	**688,336**	631,333	498,155	196,104	400,186
Income (loss) from discontinued operations(2)	**–**	–	4,875	–	(119,614)
Net income(1)	**$ 688,336**	$ 631,333	$ 503,030	$ 196,104	$ 280,572
PER SHARE DATA					
Earnings (loss) per share:					
Basic:					
Continuing operations	**$ 2.36**	$ 2.13	$ 1.70	$ .67	$ 1.38
Discontinued operations(2)	**–**	–	.02	–	(.41)
	$ 2.36	$ 2.13	$ 1.72	$ .67	$ .97
Assuming dilution:					
Continuing operations	**$ 2.32**	$ 2.10	$ 1.67	$ .67	$ 1.37
Discontinued operations(2)	**–**	–	.02	–	(.41)
	$ 2.32	$ 2.10	$ 1.69	$ .67	$ .96
Average shares of common stock	**291,727**	295,983	293,401	291,426	289,390
Average common and common equivalent shares	**296,326**	300,643	298,408	294,456	291,686
Cash dividends(3)	**–**	–	–	–	–
FINANCIAL POSITION					
Property and equipment, net	**$ 7,083,527**	$ 6,559,217	$ 5,935,050	$ 5,470,399	$ 4,973,948
Total assets	**11,527,111**	10,648,211	9,686,060	9,044,316	8,088,241
Long-term debt, less current portion	**1,776,253**	1,359,668	1,385,180	1,597,954	1,325,277
Common stockholders' investment	**4,785,243**	4,663,692	3,961,230	3,501,161	3,312,440
OTHER OPERATING DATA					
FedEx Express:					
Operating weekdays	**257**	256	254	254	256
Aircraft fleet	**663**	634	613	584	557
FedEx Ground:					
Operating weekdays	**254**	253	256	254	252
Average full-time equivalent employees	**163,324**	156,386	150,823	145,995	

(1) In connection with its restructuring, Viking recorded a pretax asset impairment charge of $225,000,000 ($175,000,000, net of tax) in 1997.

(2) Discontinued operations include the operations of Roadway Express, Inc., a wholly-owned subsidiary of Caliber, whose shares were distributed to Caliber stockholders on January 2, 1996, and Roadway Global Air, Inc., a wholly-owned subsidiary of Caliber, which exited the airfreight business in calendar 1995.

(3) Caliber declared dividends of $3,899,000, $28,184,000, and $54,706,000, for 1998, 1997, and 1996, respectively. Caliber declared additional dividends of $10,833,000 from January 1, 1997 to May 25, 1997 that are not included in the preceding amounts. FedEx has never paid cash dividends on its common stock.

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President and Chief Executive Officer

FedEx Custom Critical

R. BRUCE SIMPSON
President and Chief Executive Officer

Viking Freight

DOUGLAS G. DUNCAN
President and Chief Executive Officer

STOCK LISTING: FedEx Corporation's common stock is listed on The New York Stock Exchange under the ticker symbol FDX.

STOCKHOLDERS: At July 15, 2000, there were 16,293 stockholders of record.

MARKET INFORMATION: Following are high and low sale prices, by quarter, for FedEx Corporation common stock in 2000 and 1999 adjusting for a two-for-one stock split in the form of a 100% stock dividend that was paid on May 6, 1999, to stockholders of record on April 15, 1999. No cash dividends have been declared by the Company.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
FY 2000				
High	**$57 1/8**	**$47 5/16**	**$47 15/16**	**$42 7/16**
Low	**38 1/2**	**34 7/8**	**33 3/16**	**30 9/16**
FY 1999				
High	$33 29/32	$33 23/32	$49	$61 7/8
Low	24 11/32	21 13/16	33 9/32	44 9/16

CORPORATE HEADQUARTERS: 942 South Shady Grove Road, Memphis, Tennessee 38120, (901) 369-3600.

ANNUAL MEETING: The annual meeting of stockholders will be held at the Westin William Penn Hotel, 530 William Penn Place, Pittsburgh, Pennsylvania on Monday, September 25, 2000, at 10:00 a.m. EDT.

GENERAL AND MEDIA INQUIRIES: Contact Shirlee M. Clark, Director, Public Relations, FedEx Corporation, 942 South Shady Grove Road, Memphis, Tennessee 38120, (901) 395-3460.

SHAREOWNER ACCOUNT INQUIRIES: Contact Equiserve – First Chicago Trust Division, Shareholder Services, P.O. Box 2500, Jersey City, New Jersey 07303-2500, (800) 446-2617 / John H. Ruocco (312) 407-5153. For information on the DirectService™ Investment Program for Shareowners of FedEx Corporation, call (800) 524-3120. This program provides an alternative to traditional retail brokerage methods of purchasing, holding and selling FedEx common stock.

FINANCIAL INFORMATION, INCLUDING FORM 10-K: Copies of FedEx Corporation's Annual Report on Form 10-K (excluding exhibits), other FedEx documents filed with the Securities and Exchange Commission (SEC) and other FedEx financial and statistical information are available on FedEx's Web site at www.fedex.com. You will be mailed a copy of the Form 10-K upon request to Investor Relations, FedEx Corporation, 942 South Shady Grove Road, Memphis, Tennessee 38120, (901) 818-7200. FedEx documents filed electronically with the SEC can also be found on the Internet at the SEC's Web site at www.sec.gov.

INSTITUTIONAL INVESTOR INQUIRIES: Contact J.H. Clippard, Jr., Vice President, Investor Relations, FedEx Corporation, 942 South Shady Grove Road, Memphis, Tennessee 38120, (901) 818-7200, or visit FedEx's Web site at www.fedex.com.

AUDITORS: Arthur Andersen LLP, Memphis, Tennessee.

EQUAL EMPLOYMENT OPPORTUNITY: FedEx Corporation is firmly committed to afford Equal Employment Opportunity to all individuals regardless of age, sex, race, color, religion, national origin, citizenship, disability, or status as a Vietnam era or special disabled veteran. We are strongly bound to this commitment because adherence to Equal Employment Opportunity principles is the only acceptable way of life. We adhere to those principles not just because they're the law, but because it's the right thing to do.

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