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DELTA REPORT

10-Q

FDX - FEDEX CORP

10-Q - FEBRUARY 29, 2024 COMPARED TO 10-Q - NOVEMBER 30, 2023

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TOTAL DELTAS 2487

 CHANGES 306

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED November 30, February 29, 2023 2024

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM TO _____

Commission File Number: 1-15829

FedEx Corporation

(Exact name of registrant as specified in its charter)

Delaware

62-1721435

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

942 South Shady Grove Road, Memphis, Tennessee

38120

(Address of principal executive offices)

(ZIP Code)

Registrant's telephone number, including area code: (901) 818-7500

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value \$0.10 per share	FDX	New York Stock Exchange
0.450% Notes due 2025	FDX 25A	New York Stock Exchange
1.625% Notes due 2027	FDX 27	New York Stock Exchange
0.450% Notes due 2029	FDX 29A	New York Stock Exchange
1.300% Notes due 2031	FDX 31	New York Stock Exchange
0.950% Notes due 2033	FDX 33	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock	Outstanding Shares at December 18, 2023 March 19, 2024
Common Stock, par value \$0.10 per share	249,892,548 246,080,750

FEDEX CORPORATION

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FEDEX CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(IN MILLIONS)

	November 30,		February 29, 2024		May 31,	
	2023 (Unaudited)	May 31, 2023	February 29, 2024 (Unaudited)	May 31, 2023	2023	2023
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	\$ 6,729	\$ 6,856	\$ 5,644	\$ 6,856		
Receivables, less allowances of \$767 and \$800	10,665	10,188				
Spare parts, supplies, and fuel, less allowances of \$286 and \$276	632	604				
Receivables, less allowances of \$775 and \$800			9,904	10,188		
Spare parts, supplies, and fuel, less allowances of \$291 and \$276			640	604		
Prepaid expenses and other	1,091	962	1,236	962		
Total current assets	19,117	18,610	17,424	18,610		
PROPERTY AND EQUIPMENT, AT COST	83,281	80,624	84,145	80,624		
Less accumulated depreciation and amortization	41,749	39,926	42,616	39,926		
Net property and equipment	41,532	40,698	41,529	40,698		

OTHER LONG-TERM ASSETS

Operating lease right-of-use assets, net	17,243	17,347	16,935	17,347
Goodwill	6,468	6,435	6,425	6,435
Other assets	3,691	4,053	3,801	4,053
Total other long-term assets	27,402	27,835	27,161	27,835
	\$ 88,051	\$ 87,143	\$ 86,114	\$ 87,143

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

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FEDEX CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(IN MILLIONS, EXCEPT SHARE DATA)

	November		February 29, 2024		May 31,	
	30,		February 29, 2024		May 31,	
	2023	(Unaudited)	2023	(Unaudited)	2023	(Unaudited)
LIABILITIES AND COMMON STOCKHOLDERS' INVESTMENT						
CURRENT LIABILITIES						
Current portion of long-term debt	\$ 334	\$ 126	\$ 67	\$ 126		
Accrued salaries and employee benefits	2,732	2,475	2,541	2,475		
Accounts payable	4,002	3,848	3,780	3,848		
Operating lease liabilities	2,433	2,390	2,447	2,390		
Accrued expenses	4,747	4,747	4,473	4,747		
Total current liabilities	14,248	13,586	13,308	13,586		
LONG-TERM DEBT, LESS CURRENT PORTION	20,193	20,453	20,122	20,453		
OTHER LONG-TERM LIABILITIES						
Deferred income taxes	4,386	4,489	4,378	4,489		
Pension, postretirement healthcare, and other benefit obligations	2,854	3,130	2,527	3,130		
Self-insurance accruals	3,688	3,339	3,836	3,339		
Operating lease liabilities	15,222	15,363	14,878	15,363		
Other liabilities	694	695	690	695		
Total other long-term liabilities	26,844	27,016	26,309	27,016		
COMMITMENTS AND CONTINGENCIES						
COMMON STOCKHOLDERS' INVESTMENT						
Common stock, \$0.10 par value; 800 million shares authorized; 318 million shares						
issued as of November 30, 2023 and May 31, 2023	32	32				
Common stock, \$0.10 par value; 800 million shares authorized; 318 million shares						
issued as of February 29, 2024 and May 31, 2023	32	32				

Additional paid-in capital	3,849	3,769	3,898	3,769
Retained earnings	36,605	35,259	37,174	35,259
Accumulated other comprehensive loss	(1,294)	(1,327)	(1,335)	(1,327)
Treasury stock, at cost	(12,426)	(11,645)	(13,394)	(11,645)
Total common stockholders' investment	26,766	26,088	26,375	26,088
	<u>\$ 88,051</u>	<u>\$ 87,143</u>	<u>\$ 86,114</u>	<u>\$ 87,143</u>

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

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FEDEX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)
(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
	November 30,		November 30,		February 29, 2024		February 29, 2024	
	2023	2022	2023	2022	February 28, 2023	February 28, 2023	February 29, 2024	February 28, 2023
REVENUE	\$ 22,165	\$ 22,814	\$ 43,846	\$ 46,056	\$ 21,738	\$ 22,169	\$ 65,584	\$ 68,225
OPERATING EXPENSES:								
Salaries and employee benefits	7,833	7,792	15,618	15,651	7,693	7,817	23,311	23,468
Purchased transportation	5,395	5,665	10,431	11,432	5,345	5,402	15,776	16,834
Rentals and landing fees	1,138	1,195	2,289	2,354	1,145	1,205	3,434	3,559
Depreciation and amortization	1,040	1,046	2,111	2,070	1,072	1,031	3,183	3,101
Fuel	1,328	1,593	2,429	3,415	1,140	1,350	3,569	4,765
Maintenance and repairs	854	882	1,678	1,786	804	789	2,482	2,575
Business optimization and realignment costs	145	36	250	74	114	123	364	197
Other	3,156	3,429	6,279	6,907	3,182	3,410	9,461	10,317
	<u>20,889</u>	<u>21,638</u>	<u>41,085</u>	<u>43,689</u>	<u>20,495</u>	<u>21,127</u>	<u>61,580</u>	<u>64,816</u>
OPERATING INCOME	1,276	1,176	2,761	2,367	1,243	1,042	4,004	3,409
OTHER (EXPENSE) INCOME:								
Interest, net	(97)	(127)	(188)	(269)	(91)	(122)	(279)	(391)
Other retirement plans, net	41	101	80	202	40	102	120	304
Other, net	(18)	(91)	(28)	(87)	(9)	—	(37)	(87)
	<u>(74)</u>	<u>(117)</u>	<u>(136)</u>	<u>(154)</u>	<u>(60)</u>	<u>(20)</u>	<u>(196)</u>	<u>(174)</u>
INCOME BEFORE INCOME TAXES	1,202	1,059	2,625	2,213	1,183	1,022	3,808	3,235
PROVISION FOR INCOME TAXES	302	271	647	550	304	251	951	801
NET INCOME	\$ 900	\$ 788	\$ 1,978	\$ 1,663	\$ 879	\$ 771	\$ 2,857	\$ 2,434
EARNINGS PER COMMON SHARE:								

Basic	\$ 3.59	\$ 3.08	\$ 7.88	\$ 6.46	\$ 3.55	\$ 3.07	\$ 11.43	\$ 9.52
Diluted	\$ 3.55	\$ 3.07	\$ 7.79	\$ 6.41	\$ 3.51	\$ 3.05	\$ 11.31	\$ 9.46
DIVIDENDS DECLARED PER COMMON SHARE	\$ 1.26	\$ 1.15	\$ 2.52	\$ 3.45	\$ 1.26	\$ 1.15	\$ 3.78	\$ 4.60
	<u><u>\$ 1.26</u></u>	<u><u>\$ 1.15</u></u>	<u><u>\$ 2.52</u></u>	<u><u>\$ 3.45</u></u>	<u><u>\$ 1.26</u></u>	<u><u>\$ 1.15</u></u>	<u><u>\$ 3.78</u></u>	<u><u>\$ 4.60</u></u>

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

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FEDEX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)
(IN MILLIONS)

	Three Months Ended				Six Months Ended			
	November 30,		November 30,		2023		2022	
	2023	2022	2023	2022	2023	2022	2023	2022
NET INCOME	\$ 900	\$ 788	\$ 1,978	\$ 1,663				
OTHER COMPREHENSIVE INCOME (LOSS):								
Foreign currency translation adjustments, net of tax (expense) benefit of (\$3) and \$1 in 2023 and \$9 and \$27 in 2022	28	(70)	—	(279)				
Prior service credit arising during period, net of tax (expense) of (\$11) and (\$11) in 2023 and \$0 and \$0 in 2022	36	—	36	—				
Amortization of prior service credit, net of benefit of \$0 and \$0 in 2023 and \$1 and \$1 in 2022	(2)	(1)	(3)	(3)				
	62	(71)	33	(282)				
COMPREHENSIVE INCOME	\$ 962	\$ 717	\$ 2,011	\$ 1,381				
	<u><u>\$ 962</u></u>	<u><u>\$ 717</u></u>	<u><u>\$ 2,011</u></u>	<u><u>\$ 1,381</u></u>				

	Three Months Ended				Nine Months Ended			
	February 29, 2024		February 28, 2023		February 29, 2024		February 28, 2023	
	2024	2023	2024	2023	2024	2023	2024	2023
NET INCOME	\$ 879	\$ 771	\$ 2,857	\$ 2,434				
OTHER COMPREHENSIVE (LOSS) INCOME:								
Foreign currency translation adjustments, net of tax benefit (expense) of \$2 and \$3 in 2024 and \$(5) and \$22 in 2023	(39)	80	(39)	(199)				
Prior service credit arising during period, net of tax (expense) of \$0 and (\$11) in 2024 and \$0 and \$0 in 2023	—	—	36	—				
Amortization of prior service credit, net of tax benefit of \$0 and \$0 in 2024 and \$0 and \$1 in 2023	(2)	(3)	(5)	(6)				
	(41)	77	(8)	(205)				
COMPREHENSIVE INCOME	\$ 838	\$ 848	\$ 2,849	\$ 2,229				
	<u><u>\$ 838</u></u>	<u><u>\$ 848</u></u>	<u><u>\$ 2,849</u></u>	<u><u>\$ 2,229</u></u>				

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

FEDEX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(IN MILLIONS)

	Six Months Ended		Nine Months Ended			
	November 30,		February 29, 2024			
	2023	2022	February 28, 2023			
Operating Activities:						
Net income	\$ 1,978	\$ 1,663	\$ 2,857	\$ 2,434		
Adjustments to reconcile net income to cash provided by operating activities:						
Depreciation and amortization	2,111	2,070	3,183	3,101		
Provision for uncollectible accounts	216	425	323	536		
Stock-based compensation	96	108	130	142		
Other noncash items including leases and deferred income taxes	1,427	1,589	2,141	2,425		
Business optimization and realignment costs, net of payments	(28)	(40)	(50)	20		
Changes in assets and liabilities:						
Receivables	(687)	(512)	(110)	373		
Other assets	(110)	(214)	(119)	(110)		
Accounts payable and other liabilities	(975)	(1,994)	(2,711)	(3,534)		
Other, net	(24)	30	(30)	14		
Cash provided by operating activities	<u>4,004</u>	<u>3,125</u>	<u>5,614</u>	<u>5,401</u>		
Investing Activities:						
Capital expenditures	(2,595)	(3,142)	(3,974)	(4,420)		
Purchase of investments	(75)	(78)	(110)	(82)		
Proceeds from sale of investments			24	—		
Proceeds from asset dispositions and other	62	20	94	72		
Cash used in investing activities	<u>(2,608)</u>	<u>(3,200)</u>	<u>(3,966)</u>	<u>(4,430)</u>		
Financing Activities:						
Principal payments on debt	(94)	(32)	(143)	(123)		
Proceeds from stock issuances	211	89	265	114		
Dividends paid	(635)	(598)	(949)	(888)		
Purchase of treasury stock	(1,000)	(1,500)	(2,000)	(1,500)		
Other, net	—	1	(7)	1		
Cash used in financing activities	<u>(1,518)</u>	<u>(2,040)</u>	<u>(2,834)</u>	<u>(2,396)</u>		
Effect of exchange rate changes on cash	(5)	(136)	(26)	(99)		
Net decrease in cash and cash equivalents	(127)	(2,251)	(1,212)	(1,524)		
Cash and cash equivalents at beginning of period	6,856	6,897	6,856	6,897		
Cash and cash equivalents at end of period	<u>\$ 6,729</u>	<u>\$ 4,646</u>	<u>\$ 5,644</u>	<u>\$ 5,373</u>		

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

FEDEX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN COMMON STOCKHOLDERS' INVESTMENT
(UNAUDITED)
(IN MILLIONS, EXCEPT SHARE DATA)

	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
	November 30,		November 30,		February 29,	February 28,	February 29,	February 28,
	2023	2022	2023	2022	2024	2023	2024	2023
Common Stock								
Beginning Balance	\$ 32	\$ 32	\$ 32	\$ 32	\$ 32	\$ 32	\$ 32	\$ 32
Ending Balance	32	32	32	32	32	32	32	32
Additional Paid-in Capital								
Beginning Balance	3,800	3,751	3,769	3,712	3,849	3,487	3,769	3,712
Purchase of treasury stock	2	(300)	(34)	(300)	4	218	(30)	(82)
Employee incentive plans and other	47	36	114	75	45	30	159	105
Ending Balance	3,849	3,487	3,849	3,487	3,898	3,735	3,898	3,735
Retained Earnings								
Beginning Balance	36,021	33,060	35,259	32,782	36,605	33,557	35,259	32,782
Net Income	900	788	1,978	1,663	879	771	2,857	2,434
Cash dividends declared (\$1.26, \$1.15, \$2.52, and \$3.45 per share)	(316)	(291)	(632)	(888)				
Cash dividends declared (\$1.26, \$1.15, \$3.78, and \$4.60 per share)					(310)	(288)	(942)	(1,176)
Ending Balance	36,605	33,557	36,605	33,557	37,174	34,040	37,174	34,040
Accumulated Other Comprehensive Loss								
Beginning Balance	(1,356)	(1,314)	(1,327)	(1,103)	(1,294)	(1,385)	(1,327)	(1,103)
Other comprehensive income (loss), net of tax (expense) benefit of (\$14), \$10, (\$10), and \$28	62	(71)	33	(282)				
Other comprehensive (loss) income, net of tax benefit (expense) of \$2, (\$5), (\$8), and \$23					(41)	77	(8)	(205)
Ending Balance	(1,294)	(1,385)	(1,294)	(1,385)	(1,335)	(1,308)	(1,335)	(1,308)
Treasury Stock								
Beginning Balance	(11,963)	(10,389)	(11,645)	(10,484)	(12,426)	(11,576)	(11,645)	(10,484)
Purchase of treasury stock (2.0, 7.9, 3.9, and 7.9 million shares)	(509)	(1,200)	(974)	(1,200)				
Employee incentive plans and other (0.4, 0.1, 1.5, and 0.8 million shares)	46	13	193	108				
Purchase of treasury stock (4.1, 1.3, 8.0, and 9.2 million shares)					(1,011)	(218)	(1,985)	(1,418)

Employee incentive plans and other (0.3, 0.2, 1.8, and 1.0 million shares)					43	28	236	136
Ending Balance	(12,426)	(11,576)	(12,426)	(11,576)	(13,394)	(11,766)	(13,394)	(11,766)
Total Common Stockholders' Investment Balance	\$ 26,766	\$ 24,115	\$ 26,766	\$ 24,115	\$ 26,375	\$ 24,733	\$ 26,375	\$ 24,733

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

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FEDEX CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

(1) General

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES. These interim financial statements of FedEx Corporation ("FedEx") have been prepared in accordance with accounting principles generally accepted in the United States and Securities and Exchange Commission ("SEC") instructions for interim financial information, and should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended May 31, 2023 ("Annual Report"). Significant accounting policies and other disclosures normally provided have been omitted since such items are disclosed in our Annual Report.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments (including normal recurring adjustments) necessary to present fairly our financial position as of November 30, 2023 February 29, 2024, and the results of our operations for the three- and six-month nine-month periods ended November 30, 2023 February 29, 2024 and 2022, February 28, 2023, cash flows for the six-month nine-month periods ended November 30, 2023 February 29, 2024 and 2022, February 28, 2023, and changes in common stockholders' investment for the three- and six-month nine-month periods ended November 30, 2023 February 29, 2024 and 2022, February 28, 2023. Operating results for the three- and six-month period nine-month periods ended November 30, 2023 February 29, 2024 are not necessarily indicative of the results that may be expected for the year ending May 31, 2024.

Except as otherwise specified, references to years indicate our fiscal year ending May 31, 2024 or ended May 31 of the year referenced and comparisons are to the corresponding period of the prior year.

REVENUE RECOGNITION.

Contract Assets and Liabilities

Contract assets include billed and unbilled amounts resulting from in-transit shipments, as we have an unconditional right to payment only once all performance obligations have been completed (e.g., packages have been delivered). Contract assets are generally classified as current, and the full balance is converted each quarter based on the short-term nature of the transactions. Our contract liabilities consist of advance payments and billings in excess of revenue. The full balance of deferred revenue is converted each quarter based on the short-term nature of the transactions.

Gross contract assets related to in-transit shipments totaled \$828,663 million and \$686 million at November 30, 2023 February 29, 2024 and May 31, 2023, respectively. Contract assets net of deferred unearned revenue were \$591,455 million and \$484 million at November 30, 2023 February 29, 2024 and May 31, 2023, respectively. Contract assets are included within current assets in the accompanying unaudited condensed consolidated balance sheets. Contract liabilities related to advance payments from customers were \$21,23 million and \$19 million at November 30, 2023 February 29, 2024 and May 31, 2023, respectively. Contract liabilities are included within current liabilities in the accompanying unaudited condensed consolidated balance sheets.

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Disaggregation of Revenue

The following table provides revenue by service type (in millions) for the periods ended **November 30, February 29, 2024 and February 28, 2023**. This presentation is consistent with how we organize our segments internally for making operating decisions and measuring performance.

REVENUE BY SERVICE TYPE	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
	2023		2022		2024		2023	
	2023	2022	2023	2022	2024	2023	2024	2023
FedEx Express segment:								
Package:								
U.S. overnight box	\$ 2,158	\$ 2,237	\$ 4,346	\$ 4,553	\$ 2,145	\$ 2,165	\$ 6,491	\$ 6,718
U.S. overnight envelope	447	474	932	999	450	478	1,382	1,477
U.S. deferred	1,208	1,253	2,395	2,540	1,317	1,346	3,712	3,886
Total U.S. domestic package revenue	3,813	3,964	7,673	8,092	3,912	3,989	11,585	12,081
International priority	2,390	2,823	4,717	5,720	2,318	2,566	7,035	8,286
International economy	1,088	711	2,109	1,418	1,014	698	3,123	2,116
Total international export package revenue	3,478	3,534	6,826	7,138	3,332	3,264	10,158	10,402
International domestic ⁽¹⁾	1,086	1,036	2,110	2,010	1,016	1,003	3,126	3,013
Total package revenue	8,377	8,534	16,609	17,240	8,260	8,256	24,869	25,496
Freight:								
U.S.	584	784	1,166	1,580	648	719	1,814	2,299
International priority	569	811	1,122	1,699	520	687	1,642	2,387
International economy	422	388	847	765	389	358	1,236	1,123
International airfreight	29	39	61	80	31	47	92	126
Total freight revenue	1,604	2,022	3,196	4,124	1,588	1,811	4,784	5,935
Other	273	308	534	627	253	278	787	905
Total FedEx Express segment	10,254	10,864	20,339	21,991	10,101	10,345	30,440	32,336
FedEx Ground segment	8,639	8,393	17,059	16,553	8,703	8,658	25,762	25,211
FedEx Freight segment	2,360	2,454	4,651	5,177	2,125	2,186	6,776	7,363
FedEx Services segment	65	68	137	138	64	87	201	225
Other and eliminations ⁽²⁾	847	1,035	1,660	2,197	745	893	2,405	3,090
	\$ 22,165	\$ 22,814	\$ 43,846	\$ 46,056	\$ 21,738	\$ 22,169	\$ 65,584	\$ 68,225

⁽¹⁾ International domestic revenue relates to our international intra-country operations.

⁽²⁾ Includes the FedEx Office and Print Services, Inc. ("FedEx Office"), FedEx Logistics, Inc. ("FedEx Logistics"), and FedEx Dataworks, Inc. ("FedEx Dataworks") operating segments.

EMPLOYEES UNDER COLLECTIVE BARGAINING ARRANGEMENTS. The pilots of Federal Express Corporation ("FedEx Express"), who are a small number of its total employees, are represented by the Air Line Pilots Association, International ("ALPA") and are employed under a collective bargaining agreement that took effect on November 2, 2015. The agreement became amendable in November 2021. Bargaining for a successor agreement began in May 2021, and in November 2022 the National Mediation Board ("NMB"), which is the U.S. governmental agency that oversees labor agreements for entities covered by the Railway Labor Act of 1926, as amended, began actively mediating the negotiations. In July 2023, FedEx Express's pilots failed to ratify the tentative successor agreement that was approved by ALPA's FedEx Express Master Executive Council the prior month. Bargaining for a successor agreement continues. **In March 2024, ALPA requested that the NMB release it from mediation.** The conduct of mediated negotiations has no effect on our operations. A small number of our other employees are members of unions.

STOCK-BASED COMPENSATION. We have three types of equity-based compensation: stock options, restricted stock, and, for outside directors, restricted stock units. The key terms of the stock option and restricted stock awards granted under our outstanding incentive stock plans and financial disclosures about these programs are set forth in our Annual Report. The key terms of the restricted stock units granted to our outside directors are set forth in our Current Report on Form 8-K dated September 21, 2023 and filed with the SEC on September 22, 2023.

Our stock-based compensation expense was \$40.34 million for the three-month period ended November 30, 2023 February 29, 2024 and \$96.130 million for the six-month nine-month period ended November 30, 2023 February 29, 2024. Our stock-based compensation expense was \$40.34 million for the three-month period ended November 30, 2022 February 28, 2023 and \$108.142 million for the six-month nine-month period ended November 30, 2022 February 28, 2023. Due to its immateriality, additional disclosures related to stock-based compensation have been excluded from this quarterly report.

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BUSINESS OPTIMIZATION AND REALIGNMENT COSTS. In the second quarter of 2023, FedEx announced DRIVE, a comprehensive program to improve the company's long-term profitability. This program includes a business optimization plan to drive efficiency among our transportation segments, lower our overhead and support costs, and transform our digital capabilities. We plan to consolidate our sortation facilities and equipment, reduce pickup-and-delivery routes, and optimize our enterprise linehaul network by moving beyond discrete collaboration to an end-to-end optimized network through Network 2.0.2.0, the multi-year effort to improve the efficiency with which FedEx picks up, transports, and delivers packages in the U.S. and Canada.

In the fourth quarter of 2023, we announced one FedEx, a consolidation plan to ultimately bring FedEx Express, FedEx Ground Package System, Inc. ("FedEx Ground"), and FedEx Corporate Services, Inc. ("FedEx Services"), and other FedEx operating companies into Federal Express Corporation, becoming a single company operating a unified, fully integrated air-ground express network under the respected FedEx brand. FedEx Freight, Inc., a wholly owned subsidiary of FedEx Freight Corporation ("FedEx Freight"), will continue to provide less-than-truckload ("LTL") freight transportation services as a stand-alone and separate company under Federal Express Corporation. The organizational redesign will be implemented in phases with the new legal structure complete by June 2024. One FedEx will help facilitate our DRIVE transformation program to improve long-term profitability, including Network 2.0, the multi-year effort to improve the efficiency with which FedEx picks up, transports, and delivers packages in the U.S. and Canada.2.0.

We have announced FedEx is making progress with Network 2.0, as the implementation of company has implemented Network 2.0 optimization in more than 20.50 locations in the U.S. In some markets, including contracted service providers will handle the phased transition pickup and delivery of all FedEx Ground operations and personnel in Canada to FedEx Express beginning in April 2024. Under Network 2.0, FedEx packages. In others, pickup and delivery will continue to utilize both be handled exclusively by employee couriers and contracted service providers. couriers.

We incurred costs associated with our business optimization activities of \$145.114 million (\$110.87 million, net of tax, or \$0.44.0.35 per diluted share) in the second quarter three-month period ended February 29, 2024 and \$250.364 million (\$191.278 million, net of tax, or \$0.75.1.10 per diluted share) in the first half of 2024, nine-month period ended February 29, 2024. These costs were primarily related to professional services and severance. We recognized \$36.120 million (\$27.92 million, net of tax, or \$0.11.0.36 per diluted share) of costs under this program including idling our operations in Russia, in the second quarter three-month period ended February 28, 2023 and \$60.180 million (\$46.138 million, net of tax, or \$0.18.0.53 per diluted share) in the first half of 2023, nine-month period ended February 28, 2023. These costs were primarily related to consulting services. services, severance and related costs associated with organizational changes announced in the third quarter of 2023, and idling our operations in Russia. Business optimization costs are included in Corporate, other, and eliminations, FedEx Express, Ground, and FedEx Ground. Express.

In 2021, FedEx Express announced a workforce reduction plan in Europe related to the network integration of TNT Express. The plan affected approximately 5,000 employees in Europe across operational teams and back-office functions and was completed in 2023. No business realignment costs were incurred in the second quarter of 2023.

We incurred costs associated with our business realignment activities of \$14.3 million (\$11.2 million, net of tax, or \$0.04.0.01 per diluted share) in the first half three-month period ended February 28, 2023 and \$17 million (\$13 million, net of 2023 tax, or \$0.05 per diluted share) in the nine-month period ended February 28, 2023.

These costs were related to certain employee severance arrangements. The pre-tax cost of our business realignment activities through 2023 was approximately \$430 million.

DERIVATIVE FINANCIAL INSTRUMENTS. Our risk management strategy includes the select use of derivative instruments to reduce the effects of volatility in foreign currency exchange exposure on operating results and cash flows. In accordance with our risk management policies, we do not hold or issue derivative instruments for trading or speculative purposes. All derivative instruments are recognized in the financial statements at fair value, regardless of the purpose or intent for holding them.

When we become a party to a derivative instrument and intend to apply hedge accounting, we formally document the hedge relationship and the risk management objective for undertaking the hedge, which includes designating the instrument for financial reporting purposes as a fair value hedge, a cash flow hedge, or a net investment hedge.

If a derivative is designated as a cash flow hedge, the entire change in the fair value of the hedging instrument included in the assessment of hedge effectiveness is recorded in other comprehensive income. For net investment hedges, the entire change in the fair value is recorded in other comprehensive income. Any portion of a change in the fair value of a derivative that is considered to be ineffective, along with the change in fair value of any derivatives not designated in a hedging relationship, is immediately recognized in the income statement. We do not have any derivatives designated as a cash flow hedge for any period presented. As of November 30, 2023 February 29, 2024, we had €165.153 million of debt designated as a net investment hedge to reduce the volatility of the U.S. dollar value of a portion of our net investment in a euro-denominated consolidated subsidiary. As of November 30, 2023 February 29, 2024, the hedge remains effective.

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SUPPLIER FINANCE PROGRAM. We offer a voluntary Supply Chain Finance ("SCF") program through one of our financial institutions to certain of our suppliers. We agree to commercial terms with our suppliers, including prices, quantities, and payment terms, and they issue invoices to us based on the agreed-upon contractual terms. If our suppliers choose to participate in the SCF program, they determine which invoices, if any, to sell to the financial institution to receive an early discounted payment, while we settle the net payment amount with our financial institution on the payment due dates. We guarantee these payments with the financial institution.

Amounts due to our suppliers that participate in the SCF program are included in accounts payable in our consolidated balance sheets. We have been informed by the participating financial institutions that as of November 30, 2023 February 29, 2024 and May 31, 2023, suppliers have been approved to sell to them \$76.64 million and \$76 million, respectively, of our outstanding payment obligations.

RECENT ACCOUNTING GUIDANCE. New accounting rules and disclosure requirements can significantly affect our reported results and the comparability of our financial statements. We believe the following new accounting guidance is relevant to the readers of our financial statements.

Recently Adopted Accounting Standards

In September 2022, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2022-04, Liabilities-Supplier Finance Programs (Topic 405-50): Disclosure of Supplier Finance Program Obligations, which requires a buyer in a supplier finance program (e.g., reverse factoring) to disclose sufficient information about the program to allow a user of financial statements to understand the program's nature, activity during the period, changes from period to period, and potential magnitude. The amendments do not affect the recognition, measurement, or financial statement presentation of obligations covered by supplier finance programs. We adopted this standard effective June 1, 2023. The adoption of this standard did not have a material effect on our consolidated financial statements and related disclosures.

Accounting Standards Not Yet Adopted

In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform (Topic 848), and in December 2022 subsequently issued ASU 2022-06, to temporarily ease the potential burden in accounting for reference rate reform. The standards provide optional expedients and exceptions for applying accounting principles generally accepted in the United States to existing contracts, hedging relationships, and other transactions affected by reference rate reform. The standards apply only to contracts and hedging relationships that reference the London Interbank Offered Rate ("LIBOR") or another reference rate to be discontinued because of reference rate reform. The standards were effective upon issuance and can generally be applied through December 31, 2024. While there has been no material effect to our

financial condition, results of operations, or cash flows from reference rate reform as of **November 30, 2023** **February 29, 2024**, we continue to monitor our contracts and transactions for potential application of these ASUs.

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, which expands disclosures about a public entity's reportable segments and requires more enhanced information about a reportable segment's expenses, interim segment profit or loss, and how a public entity's chief operating decision maker uses reported segment profit or loss information in assessing segment performance and allocating resources. The update will be effective for annual periods beginning after December 15, 2023 (fiscal 2025). We are assessing the effect of this update on our consolidated financial statements and related disclosures.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which expands disclosures in an entity's income tax rate reconciliation table and regarding cash taxes paid both in the U.S. and foreign jurisdictions. The update will be effective for annual periods beginning after December 15, 2024 (fiscal 2026). We are assessing the effect of this update on our consolidated financial statements and related disclosures.

In March 2024, the SEC adopted final rules requiring public entities to provide certain climate-related information in their registration statements and annual reports. As part of the disclosures, entities will be required to quantify certain effects of severe weather events and other natural conditions in a note to their audited financial statements. The rules will be effective for annual periods beginning in calendar 2025 (fiscal 2026). We are assessing the effect of the new rules on our consolidated financial statements and related disclosures.

EQUITY AND OTHER INVESTMENTS. Equity investments in private companies for which we do not have the ability to exercise significant influence are accounted for at cost, with adjustments for observable changes in prices or impairments, and are classified as "Other assets" on our consolidated balance sheets with adjustments recognized in "Other (expense) income, net" on our consolidated statements of income. Each reporting period, we perform a qualitative assessment to evaluate whether the investment is impaired. Our assessment includes a review of available recent operating results and trends, recent sales/acquisitions of the investee securities, and other publicly available data. If the investment is impaired, we write it down to its estimated fair value.

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Equity investments that have readily determinable fair values, including investments for which we have elected the fair value option, are included in "Other assets" on our consolidated balance sheets and measured at fair value with changes recognized in "Other (expense) income, net" on our consolidated statements of income.

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During the **second quarter of 2024**, **nine-month period ended February 29, 2024**, we purchased \$100 million of debt securities with effective maturities ranging from less than one year to approximately three years. **We did not purchase any debt securities during the three-month period ended February 29, 2024.** These investments have been recognized in "Cash and cash equivalents" and "**Other assets**" "**Prepaid expenses and other**" on our consolidated balance sheets.

As of **November 30, 2023** **February 29, 2024**, these investments are not material to our financial position or results of operations.

TREASURY SHARES. In December 2021, our Board of Directors authorized a stock repurchase program of up to \$5 billion of FedEx common stock. As part of the **repurchase 2021** program, we completed an accelerated share repurchase ("ASR") agreement with a bank during the **second** **third** quarter of 2024 to repurchase an aggregate of **\$500.1 million** **billion** of our common stock.

During the **second quarter of 2024**, **three-month period ended February 29, 2024**, **2.04.1** million shares were repurchased under the ASR agreement at an average price of **\$256.24** **245.80** per share for a total of **\$500.1 million** **billion**. The final number of shares delivered upon settlement of the ASR agreement was determined based on a discount to the volume-weighted average price of our stock during the term of the transaction. The repurchased shares were accounted for as a reduction to common stockholders' investment in the accompanying consolidated balance sheet and resulted in a reduction of the outstanding shares used to calculate the weighted-average common shares outstanding for basic and diluted earnings per share.

During the **six months** **nine-month period ended November 30, 2023** **February 29, 2024**, we repurchased **3.98.0** million shares of FedEx common stock under ASR agreements **under the 2021 program** at an average price of **\$256.33** **250.95** per share for a total of **\$1.02.0** billion. During the **six months** **nine-month period ended November 30, 2022** **February 28, 2023**, we repurchased **7.99.2** million shares of FedEx common stock under **an ASR agreement** **agreements under the 2021**

program at an average price of \$151.46 163.39 per share for a total of \$1.2 1.5 billion. As of November 30, 2023 February 29, 2024, approximately \$1.6 564 billion remained available to use for repurchases under the program. 2021 stock repurchase authorization. In March 2024, our Board of Directors authorized a new stock repurchase program for additional repurchases of up to \$5 billion.

Shares under the 2021 and 2024 repurchase program programs may be repurchased from time to time in the open market or in privately negotiated transactions. The timing and volume of repurchases are at the discretion of management, based on the capital needs of the business, the market price of FedEx common stock, and general market conditions. No time limits were set for the completion of the program, programs, and the program programs may be suspended or discontinued at any time.

DIVIDENDS DECLARED PER COMMON SHARE. On November 17, 2023 February 16, 2024, our Board of Directors declared a quarterly dividend of \$1.26 per share of common stock. The dividend will be paid on January 2, April 1, 2024 to stockholders of record as of the close of business on December March 11, 2023 2024. Each quarterly dividend payment is subject to review and approval by our Board of Directors, and we evaluate our dividend payment amount on an annual basis. There are no material restrictions on our ability to declare dividends, nor are there any material restrictions on the ability of our subsidiaries to transfer funds to us in the form of cash dividends, loans, or advances.

(2) Credit Losses

We are exposed to credit losses primarily through our trade receivables. We assess ability to pay for certain customers by conducting a credit review, which considers the customer's established credit rating and our assessment of creditworthiness. We determine the allowance for credit losses on accounts receivable using a combination of specific reserves for accounts that are deemed to exhibit credit loss indicators and general reserves that are determined using loss rates based on historical write-offs by geography and recent forecast information, including underlying economic expectations. We update our estimate of credit loss reserves quarterly, considering recent write-offs, collections information, and underlying economic expectations.

Credit losses were \$113 106 million for the three-month period ended November 30, 2023 February 29, 2024 and \$216 323 million for the six-month nine-month period ended November 30, 2023 February 29, 2024. Credit losses were \$180 111 million for the three-month period ended November 30, 2022 February 28, 2023 and \$425 536 million for the six-month nine-month period ended November 30, 2022 February 28, 2023. Our allowance for credit losses was \$426 441 million at November 30, 2023 February 29, 2024 and \$472 million at May 31, 2023.

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(3) Accumulated Other Comprehensive Loss

The following table provides changes in accumulated other comprehensive income ("AOCI"), net of tax, reported in our unaudited condensed consolidated financial statements for the three-month periods ended November 30 February 29, 2024 and February 28, 2023 (in millions; amounts in parentheses indicate debits to AOCI):

	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
	2023	2022	2023	2022	2024	2023	2024	2023
Foreign currency translation loss:								
Balance at beginning of period	\$ (1,390)	\$ (1,357)	\$ (1,362)	\$ (1,148)	\$ (1,362)	\$ (1,427)	\$ (1,362)	\$ (1,148)
Translation adjustments	28	(70)	—	(279)	(39)	80	(39)	(199)
Balance at end of period	(1,362)	(1,427)	(1,362)	(1,427)	(1,401)	(1,347)	(1,401)	(1,347)
Retirement plans adjustments:								
Balance at beginning of period	34	43	35	45	68	42	35	45
Prior service credit arising during period	36	—	36	—	—	—	36	—
Reclassifications from AOCI	(2)	(1)	(3)	(3)	(2)	(3)	(5)	(6)
Balance at end of period	68	42	68	42	66	39	66	39

Accumulated other comprehensive (loss) at end of period	\$ (1,294)	\$ (1,385)	\$ (1,294)	\$ (1,385)	\$ (1,335)	\$ (1,308)	\$ (1,335)	\$ (1,308)
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The following table presents details of the reclassifications from AOCI for the periods ended November 30 February 29, 2024 and February 28, 2023 (in millions; amounts in parentheses indicate debits to earnings):

	Affected		Amount Reclassified from AOCI	Affected		Affected Line Item in the Income Statement		
	Line Item in the			Amount Reclassified from AOCI				
	Amount Reclassified from	Income		Amount Reclassified from	Income			
	AOCI	Statement		AOCI	Statement			
Amortization of retirement plans prior service credits, before tax	Three Months Ended 2023	Six Months Ended 2022		Three Months Ended 2024	Nine Months Ended 2023			
	\$ 2	\$ 2	\$ 3	\$ 3	\$ 5	\$ 7	Other retirement plans, net	
Income tax expense (benefit)	—	(1)	—	(1)	—	—	Provision for income taxes	
Income tax benefit	—	—	—	—	—	(1)	Provision for income taxes	
AOCI reclassifications, net of tax	Net income						Net income	
	\$ 2	\$ 1	\$ 3	\$ 3	\$ 5	\$ 6		

(4) Financing Arrangements

We have a shelf registration statement filed with the SEC that allows us to sell, in one or more future offerings, any combination of our unsecured debt securities and common stock and allows pass-through trusts formed by FedEx Express to sell, in one or more future offerings, pass-through certificates.

FedEx Express has issued \$970 million of Pass-Through Certificates, Series 2020-1AA (the "Certificates") with a fixed interest rate of 1.875% due in February 2034 utilizing pass-through trusts. The Certificates are secured by 19 Boeing aircraft with a net book value of \$1.7 billion at November 30, 2023 February 29, 2024. The payment obligations of FedEx Express in respect of the Certificates are fully and unconditionally guaranteed by FedEx.

We have During the third quarter of 2024, we had in place a \$2.0 billion five-year credit agreement (the "Five-Year Old Five-Year Credit Agreement") and a \$1.5 billion three-year credit agreement (the "Three-Year Old Three-Year Credit Agreement" and together with the Old Five-Year Credit Agreement, the "Credit Old Credit Agreements"). The Old Five-Year Credit Agreement expires in March 2026 and includes included a \$250 million letter of credit sublimit. The Three-Year Credit Agreement expires in March 2025. The Credit Agreements are available to finance our operations and other cash flow needs. As of November 30, 2023 February 29, 2024, no amounts were outstanding under the Old Credit Agreements, no commercial paper was outstanding, and \$250 million of the letter of credit sublimit was unused under the Old Five-Year Credit Agreement. Outstanding commercial paper reduces the amount available to borrow under the Credit Agreements.

Our The Old Credit Agreements contain contained a financial covenant requiring us to maintain a ratio of debt to consolidated earnings (excluding noncash retirement plans mark-to-market adjustments, noncash pension service costs, and noncash asset impairment charges) before interest, taxes, depreciation, and amortization ("adjusted EBITDA") of not more than 3.5 to 1.0, calculated as of the last day of each fiscal quarter on a rolling four-quarters basis. The ratio of our debt to adjusted EBITDA was 2.01.9 to 1.0 at November 30, 2023 February 29, 2024. We were in compliance with all other covenants in the Old Credit Agreements during the third quarter of fiscal 2024.

On March 15, 2024, we replaced the Old Credit Agreements with a \$1.75 billion three-year credit agreement (the "New Three-Year Credit Agreement") and a \$1.75 billion five-year credit agreement (the "New Five-Year Credit Agreement" and together with the New Three-Year Credit Agreement, the "New Credit Agreements").

The New Three-Year Credit Agreement and the New Five-Year Credit Agreement expire in March 2027 and March 2029, respectively. Each of the New Credit Agreements has a \$125 million letter of credit sublimit. The New Credit Agreements are available to finance our operations and other cash flow needs.

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The New Credit Agreements amended the financial covenant included in the Old Credit Agreements to (i) net unrestricted cash and cash equivalents up to \$500 million from the definition of debt and (ii) add back business optimization and restructuring expenses and pro forma cost savings and synergies associated with an acquisition to adjusted EBITDA. The aggregate amount of adjustments for business optimization and restructuring expenses and pro forma cost savings and synergies associated with an acquisition may not exceed 10% of adjusted EBITDA (calculated after giving effect to any such addback and such cap and all other permitted addbacks and adjustments) in any period. Additionally, following the consummation of an acquisition for which the aggregate cash consideration is at least \$250 million, FedEx may elect to increase the ratio to 4.0 to 1.0 with respect to the last day of the fiscal quarter during which such acquisition is consummated and the last day of each of the immediately following three consecutive fiscal quarters, provided that there must be at least two consecutive fiscal quarters between such elections during which the ratio is 3.5 to 1.0.

The financial covenant discussed above is the only significant restrictive covenant in the New Credit Agreements. The New Credit Agreements contain other customary covenants that do not, individually or in the aggregate, materially restrict the conduct of our business. We are in compliance with the financial covenant and all other covenants in the Credit Agreements and do not expect the covenants contained in the New Credit Agreements to affect our operations, including our liquidity or expected funding needs. If we failed to comply with the financial covenant or any other covenants in the New Credit Agreements, our access to financing could become limited.

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Our commercial paper program is backed by unused commitments under the New Credit Agreements, and borrowings under the program reduce the amount available under the New Credit Agreements.

Long-term debt, including current maturities and exclusive of finance leases, had carrying values of \$19.8 billion at November 30, 2023 February 29, 2024 and \$19.8 billion at May 31, 2023, compared with estimated fair values of \$17.6 17.7 billion at November 30, 2023 February 29, 2024 and \$17.5 billion at May 31, 2023. The annualized weighted-average interest rate on long-term debt was 3.5% at November 30, 2023 February 29, 2024. The estimated fair values were determined based on quoted market prices and the current rates offered for debt with similar terms and maturities. The fair value of our long-term debt is classified as Level 2 within the fair value hierarchy. This classification is defined as a fair value determined using market-based inputs other than quoted prices that are observable for the liability, either directly or indirectly.

(5) Computation of Earnings Per Share

The calculation of basic and diluted earnings per common share for the periods ended November 30 February 29, 2024 and February 28, 2023 was as follows (in millions, except per share amounts):

	Three Months				Three Months Ended				Nine Months Ended			
	Ended		Six Months Ended		2024		2023		2024		2023	
	2023	2022	2023	2022								
Basic earnings per common share:												
Net earnings allocable to common shares ⁽¹⁾	\$ 898	\$ 786	\$ 1,975	\$ 1,660	\$	878	\$	770	\$	2,853	\$	2,430
Weighted-average common shares	250	255	251	257		247		251		249		255
Basic earnings per common share	\$ 3.59	\$ 3.08	\$ 7.88	\$ 6.46	\$	3.55	\$	3.07	\$	11.43	\$	9.52
Diluted earnings per common share:												
Net earnings allocable to common shares ⁽¹⁾	\$ 898	\$ 786	\$ 1,975	\$ 1,660	\$	878	\$	770	\$	2,853	\$	2,430
Weighted-average common shares	250	255	251	257		247		251		249		255
Dilutive effect of share-based awards	3	1	3	2		3		2		3		2
Weighted-average diluted shares	253	256	254	259		250		253		252		257

Diluted earnings per common share	\$ 3.55	\$ 3.07	\$ 7.79	\$ 6.41	\$ 3.51	\$ 3.05	\$ 11.31	\$ 9.46
Anti-dilutive options excluded from diluted earnings per common share	6.3	9.5	6.3	7.6	6.3	7.8	6.3	7.7

⁽¹⁾ Net earnings available to participating securities were immaterial in all periods presented.

(6) Retirement Plans

We sponsor programs that provide retirement benefits to most of our employees. These programs include defined benefit pension plans, defined contribution plans, and postretirement healthcare plans. Key terms of our retirement plans are provided in our Annual Report.

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Our retirement plans costs for the periods ended November 30 February 29, 2024 and February 28, 2023 were as follows (in millions):

	Three Months Ended				Six Months Ended				Three Months Ended				Nine Months Ended			
	2023		2022		2023		2022		2024		2023		2024		2023	
	\$ 91	\$ 58	\$ 182	\$ 117	\$ 92	\$ 59	\$ 274	\$ 176	242	228	482	472	240	242	722	714
Defined benefit pension plans, net																
Defined contribution plans	21	23	44	46	20	24	64	70								
Postretirement healthcare plans	\$ 354	\$ 309	\$ 708	\$ 635	\$ 352	\$ 325	\$ 1,060	\$ 960								

Net periodic benefit cost of the pension and postretirement healthcare plans for the periods ended November 30 February 29, 2024 and February 28, 2023 included the following components (in millions):

	Three Months Ended						Three Months Ended					
	U.S. Pension		International		Postretirement		U.S. Pension		International		Postretirement	
	Plans	Plans	Pension	Plans	Healthcare	Plans	Plans	Plans	2024	2023	2024	2023
	2023	2022	2023	2022	2023	2022	2024	2023	2024	2023	2024	2023
Service cost	\$ 136	\$ 163	\$ 10	\$ 10	\$ 7	\$ 9	\$ 136	\$ 162	\$ 9	\$ 13	\$ 7	\$ 10
Other retirement plans expense (income):												
Interest cost	340	305	12	8	14	14	341	304	10	8	15	14
Expected return on plan assets	(399)	(422)	(7)	(4)	—	—	(400)	(422)	(2)	(3)	—	—
Amortization of prior service credit and other	(1)	(2)	—	—	—	—	(2)	(1)	—	(2)	(2)	—
	(60)	(119)	5	4	14	14	(61)	(119)	8	3	13	14
	\$ 76	\$ 44	\$ 15	\$ 14	\$ 21	\$ 23	\$ 75	\$ 43	\$ 17	\$ 16	\$ 20	\$ 24

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Six Months Ended			Nine Months Ended		
U.S. Pension		International	Postretirement		U.S. Pension
Plans	Plans	Pension	Healthcare	Plans	Plans

	2023	2022	2023	2022	2023	2022	2024	2023	2024	2023	2024	2023
Service cost	\$ 272	\$ 326	\$ 20	\$ 21	\$ 14	\$ 18	\$ 408	\$ 488	\$ 29	\$ 34	\$ 21	\$ 28
Other retirement plans expense (income):												
Interest cost	681	609	22	17	30	28	1,022	913	32	25	45	42
Expected return on plan assets	(799)	(844)	(11)	(8)	—	—	(1,199)	(1,266)	(13)	(11)	—	—
Amortization of prior service credit and other	(3)	(4)	—	—	—	—	(5)	(5)	—	(2)	(2)	—
	(121)	(239)	11	9	30	28	(182)	(358)	19	12	43	42
	<u>\$ 151</u>	<u>\$ 87</u>	<u>\$ 31</u>	<u>\$ 30</u>	<u>\$ 44</u>	<u>\$ 46</u>	<u>\$ 226</u>	<u>\$ 130</u>	<u>\$ 48</u>	<u>\$ 46</u>	<u>\$ 64</u>	<u>\$ 70</u>

For 2024, no pension contributions are required for our tax-qualified U.S. domestic pension plan ("U.S. Pension Plan") as it is fully funded under the Employee Retirement Income Security Act. We made voluntary contributions of \$400.800 million to our U.S. Pension Plan during the first half of 2024 and anticipate making \$400 million of additional voluntary contributions during the remainder of 2024, nine-month period ended February 29, 2024.

(7) Business Segment Information

We provide a broad portfolio of transportation, e-commerce, and business services through companies competing collectively, operating collaboratively, and innovating digitally as one FedEx. Our primary operating companies are FedEx Express, the world's largest express transportation company; FedEx Ground, a leading North American provider of small-package ground delivery services; and FedEx Freight, Corporation ("FedEx Freight"), a leading North American provider of LTL freight transportation services. These companies represent our major service lines and, along with FedEx Services, constitute our reportable segments.

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Our reportable segments include the following businesses:

FedEx Express Segment	FedEx Express (express transportation, small-package ground delivery, and freight transportation) FedEx Custom Critical, Inc. (time-critical transportation)
FedEx Ground Segment	FedEx Ground (small-package ground delivery)
FedEx Freight Segment	FedEx Freight (LTL freight transportation)
FedEx Services Segment	FedEx Services (sales, marketing, information technology, communications, customer service, technical support, billing and collection services, and back-office functions)

In the fourth quarter of 2023, FedEx announced one FedEx, a consolidation plan to ultimately bring FedEx Express, FedEx Ground, and FedEx Services and other FedEx operating companies into Federal Express Corporation, becoming a single company operating a unified, fully integrated air-ground express network under the respected FedEx brand. The organizational redesign will be implemented in phases with the new legal structure complete by June 2024. During the implementation process in 2024, each of our current reportable segments will continue to have discrete financial information that will be regularly reviewed when evaluating performance and making resource allocation decisions, and aligns with our management reporting structure and our internal financial reporting. In the first quarter of 2025 when the consolidation plan has been completed, we expect to begin reporting a new segment structure that will align with an updated management reporting structure and how management will evaluate performance and make resource allocation decisions under one FedEx.

References to our transportation segments include, collectively, the FedEx Express segment, the FedEx Ground segment, and the FedEx Freight segment.

FedEx Services Segment

The FedEx Services segment operates combined sales, marketing, administrative, and information-technology functions in shared services operations for U.S. customers of our major business units and certain back-office support to our operating segments which allows us to obtain synergies from the combination of these functions. For the international regions of FedEx Express, some of these functions are performed on a regional basis and reported by FedEx Express in their natural expense line items.

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The FedEx Services segment provides direct and indirect support to our operating segments, and we allocate all of the net operating costs of the FedEx Services segment to reflect the full cost of operating our businesses in the results of those segments. We review and evaluate the performance of our transportation segments based on operating income (inclusive of FedEx Services segment allocations). For the FedEx Services segment, performance is evaluated based on the effect of its total allocated net operating costs on our operating segments.

Operating expenses for each of our transportation segments include the allocations from the FedEx Services segment to the respective transportation segments. These allocations also include charges and credits for administrative services provided between operating companies. The allocations of net operating costs are based on metrics such as relative revenue or estimated services provided. We believe these allocations approximate the net cost of providing these functions. Our allocation methodologies are refined periodically, as necessary, to reflect changes in our businesses.

Corporate, Other, and Eliminations

Corporate and other includes corporate headquarters costs for executive officers and certain legal and finance functions, including certain other costs and credits not attributed to our core business, as well as and certain costs associated with developing our "innovate digitally" strategic pillar through our FedEx Dataworks operating segment. FedEx Dataworks is focused on creating solutions to transform the digital and physical experiences of our customers and team members.

Also included in Corporate and other is the FedEx Office operating segment, which provides an array of document and business services and retail access to our customers for our package transportation businesses, and the FedEx Logistics operating segment, which provides integrated supply chain management solutions, specialty transportation, customs brokerage, and global ocean and air freight forwarding.

The results of Corporate, other, and eliminations are not allocated to the other business segments.

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Certain FedEx operating companies provide transportation and related services for other FedEx companies outside their reportable segment in order to optimize our resources. Billings for such services are based on negotiated rates, which we believe approximate fair value, and are reflected as revenue of the billing segment. These rates are adjusted from time to time based on market conditions. Such intersegment revenue and expenses are eliminated in our consolidated results and are not separately identified in the following segment information because the amounts are not material.

The following table provides a reconciliation of reportable segment revenue and operating income (loss) to our unaudited condensed consolidated financial statement totals for the periods ended November 30 February 29, 2024 and February 28, 2023 (in millions):

	Three Months Ended		Six Months Ended	
	2023	2022	2023	2022
Revenue:				
FedEx Express segment	\$ 10,254	\$ 10,864	\$ 20,339	\$ 21,991
FedEx Ground segment	8,639	8,393	17,059	16,553
FedEx Freight segment	2,360	2,454	4,651	5,177
FedEx Services segment	65	68	137	138
Other and eliminations	847	1,035	1,660	2,197
	\$ 22,165	\$ 22,814	\$ 43,846	\$ 46,056

Operating income (loss):							
FedEx Express segment	\$ 137	\$ 341	\$ 342	\$ 515			
FedEx Ground segment	900	598	2,003	1,292			
FedEx Freight segment	487	440	968	1,091			
Corporate, other, and eliminations	(248)	(203)	(552)	(531)			
	<u>\$ 1,276</u>	<u>\$ 1,176</u>	<u>\$ 2,761</u>	<u>\$ 2,367</u>			

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	Three Months Ended		Nine Months Ended	
	2024	2023	2024	2023
Revenue:				
FedEx Express segment	\$ 10,101	\$ 10,345	\$ 30,440	\$ 32,336
FedEx Ground segment	8,703	8,658	25,762	25,211
FedEx Freight segment	2,125	2,186	6,776	7,363
FedEx Services segment	64	87	201	225
Other and eliminations	745	893	2,405	3,090
	<u>\$ 21,738</u>	<u>\$ 22,169</u>	<u>\$ 65,584</u>	<u>\$ 68,225</u>
Operating income (loss):				
FedEx Express segment	\$ 233	\$ 119	\$ 575	\$ 634
FedEx Ground segment	942	844	2,945	2,136
FedEx Freight segment	340	386	1,308	1,477
Corporate, other, and eliminations	(272)	(307)	(824)	(838)
	<u>\$ 1,243</u>	<u>\$ 1,042</u>	<u>\$ 4,004</u>	<u>\$ 3,409</u>

(8) Commitments

As of **November 30, 2023** **February 29, 2024**, our purchase commitments under various contracts for the remainder of 2024 and annually thereafter were as follows (in millions):

	Aircraft and Aircraft Related	Other ⁽¹⁾	Total	Aircraft and Aircraft Related	Other ⁽¹⁾	Total
2024 (remainder)	\$ 485	\$ 333	\$ 818	\$ 92	\$ 158	\$ 250
2025	1,626	659	2,285	1,596	654	2,250
2026	591	498	1,089	540	464	1,004
2027	290	226	516	269	234	503
2028	264	138	402	341	147	488
Thereafter	1,646	85	1,731	1,654	92	1,746
Total	<u>\$ 4,902</u>	<u>\$ 1,939</u>	<u>\$ 6,841</u>	<u>\$ 4,492</u>	<u>\$ 1,749</u>	<u>\$ 6,241</u>

⁽¹⁾ Primarily information technology and advertising.

The amounts reflected in the table above for purchase commitments represent noncancelable agreements to purchase goods or services. Open purchase orders that are cancelable are not considered unconditional purchase obligations for financial reporting purposes and are not included in the table above.

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As of November 30, 2023 February 29, 2024, we had \$576.648 million in deposits and progress payments on aircraft purchases and other planned aircraft-related transactions. These deposits are classified in the "Other assets" caption of our accompanying unaudited condensed consolidated balance sheets. Aircraft and related contracts are subject to price escalations. The following table is a summary of the key aircraft we are committed to purchase as of November 30, 2023 February 29, 2024 with the year of expected delivery:

	Cessna SkyCourier ATR 72-					Cessna SkyCourier 408 ATR 72-600F				
	408	600F	B767F	B777F	Total			B767F	B777F	Total
2024 (remainder)	9	5	5	—	19		5	2	3	— 10
2025	12	8	10	2	32		13	8	10	2 33
2026	14	1	2	—	17		14	1	2	— 17
2027	—	—	—	—	—		—	—	—	—
2028	—	—	—	—	—		—	—	—	—
Thereafter	—	—	—	—	—		—	—	—	—
Total	35	14	17	2	68	32	11	15	2	60

A summary of future minimum lease payments under noncancelable operating and finance leases with an initial or remaining term in excess of one year as of November 30, 2023 February 29, 2024 is as follows (in millions):

	Aircraft and Total					Aircraft and Related Total				
	Related Equipment	Facilities and Other	Operating Leases	Finance Leases	Total Leases	Equipment	Facilities and Other	Operating Leases	Finance Leases	Total Leases
2024 (remainder)	\$ 64	\$ 1,364	\$ 1,428	\$ 278	\$ 1,706	\$ 30	\$ 579	\$ 609	\$ 5	\$ 614
2025	118	2,912	3,030	38	3,068	121	2,995	3,116	34	3,150
2026	115	2,607	2,722	30	2,752	117	2,666	2,783	30	2,813
2027	114	2,306	2,420	22	2,442	117	2,363	2,480	22	2,502
2028	114	1,983	2,097	21	2,118	117	2,036	2,153	21	2,174
Thereafter	243	8,867	9,110	649	9,759	246	9,031	9,277	648	9,925
Total lease payments	768	20,039	20,807	1,038	21,845	748	19,670	20,418	760	21,178
Less imputed interest	(96)	(3,056)	(3,152)	(332)	(3,484)	(92)	(3,001)	(3,093)	(328)	(3,421)
Present value of lease liability	\$ 672	\$ 16,983	\$ 17,655	\$ 706	\$ 18,361	\$ 656	\$ 16,669	\$ 17,325	\$ 432	\$ 17,757

While certain of our lease agreements contain covenants governing the use of the leased assets or require us to maintain certain levels of insurance, none of our lease agreements include material financial covenants or limitations.

As of November 30, 2023 February 29, 2024, FedEx has entered into additional leases which have not yet commenced and are therefore not part of the right-of-use asset and liability. These leases are generally for build-to-suit facilities and have undiscounted future payments of approximately \$1.7 1.8 billion that will commence when FedEx gains beneficial access to the leased asset. Commencement dates are expected to be from 2024 to 2027.

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(9) Contingencies

Service Provider Lawsuits. FedEx Ground is defending lawsuits in which it is alleged that FedEx Ground should be treated as a joint employer of drivers employed by service providers engaged by FedEx Ground. These cases are in varying stages of litigation, and we are not currently able to estimate an amount or range of potential loss in all of these matters. However, we do not expect to incur, individually or in the aggregate, a material loss in these matters. Nevertheless, adverse determinations in these matters could, among other things, entitle service providers' drivers to certain payments, including wages and penalties, from the service

providers and FedEx Ground and result in employment and withholding tax and benefit liability for FedEx Ground. We continue to believe that FedEx Ground is not an employer or joint employer of the drivers of these independent businesses.

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FedEx Services Employment Lawsuit. In May 2021, FedEx Services was named as a defendant in a lawsuit filed in the U.S. District Court for the Southern District of Texas related to the termination of a former FedEx Services employee. The complaint alleged race discrimination and retaliation for complaints of discrimination under Section 1981 of the Civil Rights Act of 1866 and Title VII of the Civil Rights Act of 1964. After trial, in October 2022, the jury found in favor of FedEx Services on the race discrimination claims but awarded the plaintiff compensatory damages of approximately \$1.0 million for emotional distress and punitive damages of \$365 million for the retaliation claims. The court entered final judgment in the amount of approximately \$366 million. FedEx Services **has** appealed the verdict to the U.S. Court of Appeals for the Fifth Circuit. FedEx Services argued on appeal that FedEx Services is entitled to judgment as a matter of law on the retaliation claims, plaintiff's claims were not timely filed, punitive damages are not available as a matter of law and, if allowed, must be reduced to no greater than a single-digit multiple of the award for compensatory damages based on the United States Supreme Court's ruling in *State Farm v. Campbell*, and the compensatory damages award must be reduced to conform with the evidence and the Fifth Circuit's maximum recovery rule. FedEx Services argued in the alternative that a new trial should be granted.

FedEx **believes** ultimate compensatory and punitive damages and pre- and post-judgment interest up to **In February 2024, a three-judge panel of the U.S. Court of Appeals for the Fifth Circuit reduced the \$75,366 million **will be covered by insurance, subject** judgment to a retention approximately \$250,000. In March 2024, the U.S. Court of \$5 million.** Appeals for the Fifth Circuit unanimously denied plaintiff's petition for rehearing. An immaterial loss accrual **below the retention** has been recorded in FedEx's consolidated financial statements.

FedEx Ground Negligence Lawsuit. In December 2022, FedEx Ground was named as a defendant in a lawsuit filed in Texas state court related to the alleged kidnapping and first-degree murder of a minor by a driver employed by a service provider engaged by FedEx Ground. The complaint alleges compensatory and punitive damages against FedEx Ground for negligent and gross negligent hiring and retention, as well as negligent entrustment. The service provider and driver are also named as defendants in the lawsuit. An immaterial loss accrual has been recorded in FedEx's consolidated financial statements. It is reasonably possible that an additional material loss could be incurred. Given the early stage of the litigation, we cannot estimate the amount or range of such additional loss, if any.

Other Matters. FedEx and its subsidiaries are subject to other legal proceedings that arise in the ordinary course of business, including certain lawsuits containing various class-action allegations of wage-and-hour violations in which plaintiffs claim, among other things, that they were forced to work "off the clock," were not paid overtime, or were not provided work breaks or other benefits, as well as other lawsuits containing allegations that FedEx and its subsidiaries are responsible for third-party losses related to vehicle accidents that could exceed our insurance coverage for such losses. In the opinion of management, the aggregate liability, if any, with respect to these other actions will not have a material adverse effect on our financial position, results of operations, or cash flows.

Environmental Matters. SEC regulations require us to disclose certain information about proceedings arising under federal, state, or local environmental provisions if we reasonably believe that such proceedings may result in monetary sanctions above a stated threshold. Pursuant to the SEC regulations, FedEx uses a threshold of \$1 million or more for purposes of determining whether disclosure of any such proceedings is required. Applying this threshold, there are no environmental matters required to be disclosed for this period.

(10) Supplemental Cash Flow Information

Cash paid for interest expense and income taxes for the **six-month** **nine-month** periods ended November 30 February 29, 2024 and February 28, 2023 was as follows (in millions):

	2023	2022	2024	2023
Cash payments for:				
Interest (net of capitalized interest)	\$ 357	\$ 333	\$ 538	\$ 497
Income taxes	\$ 843	\$ 638	\$ 1,265	\$ 823
Income tax refunds received	(82)	(48)	(97)	(50)

Cash tax (refunds)/payments, net	\$ 761	\$ 590	\$ 1,168	\$ 773
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REPORT OF INDEPENDENT REGISTERED
PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors of
FedEx Corporation

Results of Review of Interim Financial Statements

We have reviewed the accompanying condensed consolidated balance sheet of FedEx Corporation (the Company) as of November 30, 2023 February 29, 2024, the related condensed consolidated statements of income, comprehensive income, and changes in common stockholders' investment for the three- and six-month nine-month periods ended November 30, 2023 February 29, 2024 and 2022, February 28, 2023, the condensed consolidated statements of cash flows for the six-month nine-month periods ended November 30, 2023 February 29, 2024 and 2022, February 28, 2023, and the related notes (collectively referred to as the "condensed consolidated interim financial statements"). Based on our reviews, we are not aware of any material modifications that should be made to the condensed consolidated interim financial statements for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheet of the Company as of May 31, 2023, the related consolidated statements of income, comprehensive income, cash flows, and changes in common stockholders' investment for the year then ended, and the related notes (not presented herein); and in our report dated July 17, 2023, we expressed an unqualified audit opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of May 31, 2023, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Basis for Review Results

These financial statements are the responsibility of the Company's management. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the SEC and the PCAOB. We conducted our review in accordance with the standards of the PCAOB. A review of interim financial statements consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the PCAOB, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

/s/ Ernst & Young LLP

Memphis, Tennessee

December 19, 2023 March 21, 2024

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Item 2. Management's Discussion and Analysis of Results of Operations and Financial Condition

GENERAL

The following Management's Discussion and Analysis of Results of Operations and Financial Condition ("MD&A") describes the principal factors affecting the results of operations, liquidity, capital resources, and critical accounting estimates of FedEx Corporation ("FedEx"). This discussion should be read in conjunction with the accompanying quarterly unaudited condensed consolidated financial statements and our Annual Report on Form 10-K for the year ended May 31, 2023 ("Annual Report"). Our Annual Report includes additional information about our significant accounting policies, practices, and the transactions that underlie our financial results, as well as a detailed discussion of the most significant risks and uncertainties associated with our financial condition and operating results.

We provide a broad portfolio of transportation, e-commerce, and business services, offering integrated business solutions through operating companies competing collectively, operating collaboratively, and innovating digitally as one FedEx. Our primary operating companies are Federal Express Corporation ("FedEx Express"), the world's largest express transportation company; FedEx Ground Package System, Inc. ("FedEx Ground"), a leading North American provider of small-package ground delivery services; and FedEx Freight Corporation ("FedEx Freight"), a leading North American provider of less-than-truckload ("LTL") freight transportation services. These companies represent our major service lines and, along with FedEx Corporate Services, Inc. ("FedEx Services"), constitute our reportable segments.

Our FedEx Services segment provides sales, marketing, information technology, communications, customer service, technical support, billing and collection services, and certain back-office functions that support our operating segments. For the international regions of FedEx Express, some of these functions are performed on a regional basis and reported by FedEx Express in their natural expense line items. See "Reportable Segments" for further discussion. Additional information on our businesses can be found in our Annual Report.

Except as otherwise specified, references to years indicate our fiscal year ending May 31, 2024 or ended May 31 of the year referenced, and comparisons are to the corresponding period of the prior year. References to our transportation segments include, collectively, the FedEx Express segment, the FedEx Ground segment, and the FedEx Freight segment.

The key indicators necessary to understand our operating results include:

- the overall customer demand for our various services based on macroeconomic factors and the global economy;
- the volumes of transportation services provided through our networks, primarily measured by our average daily volume and shipment weight and size;
- the mix of services purchased by our customers;
- the prices we obtain for our services, primarily measured by yield (revenue per package or pound or revenue per shipment or hundredweight for LTL freight shipments);
- our ability to manage our cost structure (capital expenditures and operating expenses) to match shifting volume levels; and
- the timing and amount of fluctuations in fuel prices and our ability to recover incremental fuel costs through our fuel surcharges.

Trends Affecting Our Business

The following trends significantly affect the indicators discussed above, as well as our business and operating results. See the risk factors identified under Part I, Item 1A. "Risk Factors" in our Annual Report, as updated by our quarterly reports on Form 10-Q, for more information. Additionally, see "Results of Operations – Consolidated Results – Business Optimization and Realignment Costs and – Outlook" and "Financial Condition – Liquidity Outlook" below for additional information on efforts we are taking to mitigate adverse trends.

Macroeconomic Conditions

While macroeconomic risks apply to most companies, we are particularly vulnerable. The transportation industry is highly cyclical and especially susceptible to trends in economic activity. Our primary business is to transport goods, so our business levels are directly tied to the purchase and production of goods and the rate of global trade growth. Our results The decline in U.S. imports of consumer goods that started in late 2022, along with slowed global industrial production, has contributed to weakened economic conditions for the second transportation industry. Consequently, this environment has led to lower package and freight volumes at FedEx Express and FedEx Freight, negatively affecting our results in the third quarter and first half nine months of 2024 were negatively affected by continued weak global economic conditions. 2024.

Inflation and Interest Rates

During the **second** **third** quarter and **first half** **nine months** of 2024, global inflation decelerated year over year but continues to be above historical levels. Additionally, global interest rates **continued to rise** **remained elevated** in an effort to curb inflation. We are experiencing a decline in demand for our transportation services as elevated inflation and interest rates are negatively affecting consumer and business spending. We expect inflation and high interest rates to continue to negatively affect our results of operations for the remainder of 2024.

Fuel

We must purchase large quantities of fuel to operate our aircraft and vehicles, and the price and availability of fuel is beyond our control and can be highly volatile. The timing and amount of fluctuations in fuel prices and our ability to recover incremental fuel costs through our fuel surcharges can significantly affect our operating results either positively or negatively in the **short-term**. **short term**. Lower fuel prices negatively affected yields through lower fuel surcharges and drove a decrease in fuel expense during the **second** **third** quarter and **first half** **nine months** of 2024 at all of our transportation segments.

Geopolitical Conflicts

Given the nature of our global operations, geopolitical conflicts may adversely affect our business and results of operations. While we do not expect ongoing geopolitical conflicts to have a direct material effect on our business or results of operations, the broader consequences are adversely affecting the global economy and may also have the effect of heightening other risks disclosed in our Annual Report.

RESULTS OF OPERATIONS

Many of our operating expenses are directly affected by revenue and volume levels, and we expect these operating expenses to fluctuate on a year-over-year basis consistent with changes in revenue and volumes. Therefore, the discussion of operating expense captions focuses on the key drivers and trends affecting expenses other than those factors strictly related to changes in revenue and volumes. The line item "Other operating expense" includes costs associated with outside service contracts (such as **information technology services**, **temporary labor**, **security**, and **facility facilities** services, and **cargo handling**) **security**), insurance, professional fees, and operational supplies.

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CONSOLIDATED RESULTS

The following tables compare summary operating results and changes in revenue and operating results (dollars in millions, except per share amounts) for the periods ended **November 30**: **February 29**, 2024 and **February 28**, 2023:

	Three Months Ended		Percent	Six Months Ended		Percent	Three Months Ended		Percent	Nine Months Ended		Percent
	2023	2022		2023	2022		2024	2023		2024	2023	
	\$ 22,165	\$ 22,814	(3)	\$ 43,846	\$ 46,056	(5)	\$ 21,738	\$ 22,169	(2)	\$ 65,584	\$ 68,225	(4)
Revenue												
Operating income (loss):												
FedEx Express segment	137	341	(60)	342	515	(34)	233	119	96	575	634	(9)

FedEx												
Ground												
segment	900	598	51	2,003	1,292	55	942	844	12	2,945	2,136	38
FedEx												
Freight												
segment	487	440	11	968	1,091	(11)	340	386	(12)	1,308	1,477	(11)
Corporate,												
other, and												
eliminations	(248)	(203)	(22)	(552)	(531)	(4)	(272)	(307)	11	(824)	(838)	2
Consolidated												
operating												
income	1,276	1,176	9	2,761	2,367	17	1,243	1,042	19	4,004	3,409	17
Operating												
margin:												
FedEx												
Express												
segment	1.3%	3.1%	(180) bp	1.7%	2.3%	(60) bp	2.3%	1.2%	110 bp	1.9%	2.0%	(10) bp
FedEx												
Ground												
segment	10.4%	7.1%	330 bp	11.7%	7.8%	390 bp	10.8%	9.7%	110 bp	11.4%	8.5%	290 bp
FedEx												
Freight												
segment	20.6%	17.9%	270 bp	20.8%	21.1%	(30) bp	16.0%	17.7%	(170) bp	19.3%	20.1%	(80) bp
Consolidated												
operating												
margin	5.8%	5.2%	60 bp	6.3%	5.1%	120 bp	5.7%	4.7%	100 bp	6.1%	5.0%	110 bp
Consolidated												
net income	\$ 900	\$ 788	14	\$ 1,978	\$ 1,663	19	\$ 879	\$ 771	14	\$ 2,857	\$ 2,434	17
Diluted												
earnings per												
share	\$ 3.55	\$ 3.07	16	\$ 7.79	\$ 6.41	22	\$ 3.51	\$ 3.05	15	\$ 11.31	\$ 9.46	20

	Year-over-Year Changes				Year-over-Year Changes			
	Revenue		Operating Results		Revenue		Operating Results	
	Three	Six	Three	Six	Three Months	Three Months	Three Months	Three Months
	Months	Months	Months	Months	Ended	Ended	Ended	Ended
FedEx Express segment	\$ (610)	\$ (1,652)	\$ (204)	\$ (173)	\$ (244)	\$ (1,896)	\$ 114	\$ (59)
FedEx Ground segment	246	506	302	711	45	551	98	809
FedEx Freight segment	(94)	(526)	47	(123)	(61)	(587)	(46)	(169)
FedEx Services segment	(3)	(1)	—	—	(23)	(24)	—	—
Corporate, other, and								
eliminations	(188)	(537)	(45)	(21)	(148)	(685)	35	14
	\$ (649)	\$ (2,210)	\$ 100	\$ 394	\$ (431)	\$ (2,641)	\$ 201	\$ 595

Overview

Operating income improved 9% 19% in the second third quarter and 17% in the first half nine months of 2024 due to the execution of our DRIVE program initiatives and our continued focus on revenue quality, partially offset by reduced demand and lower fuel surcharges, driven by challenging macroeconomic conditions, and lower fuel surcharges, conditions. Our DRIVE initiatives in the third quarter of 2024 included continued benefits from increasing linehaul efficiencies and improving

dock productivity at FedEx Ground, as well as optimizing the air network rationalization at FedEx Express, through including structural flight takedowns improving and route optimization, and improvements in hub sort efficiency, efficiency. Operating income was also positively impacted by one additional operating day at FedEx Express and international route optimization. FedEx Freight in the third quarter of 2024.

Operating income includes expenses of \$145 million \$114 million (\$110.87 million, net of tax, or \$0.44 \$0.35 per diluted share) in the second third quarter and \$250 million \$364 million (\$191.278 million, net of tax, or \$0.75 \$1.10 per diluted share) in the first half nine months of 2024 associated with our business optimization strategy announced in 2023. We recognized \$36 million \$120 million (\$27.92 million, net of tax, or \$0.11 \$0.36 per diluted share) of expenses in the second third quarter and \$60 million \$180 million (\$46.138 million, net of tax, or \$0.18 \$0.53 per diluted share) of expenses in the first half nine months of 2023 under this program. Operating income includes business realignment costs of \$14 million \$3 million (\$11.2 million, net of tax, or \$0.04 \$0.01 per diluted share) in the first half third quarter and \$17 million (\$13 million, net of tax, or \$0.05 per diluted share) in the nine months of 2023 associated with our workforce reduction plan in Europe previously announced in 2021. No business realignment costs were incurred in the second quarter of 2023. See the "Business Optimization and Realignment Costs" section of this MD&A for more information.

In December 2021, our Board of Directors authorized a stock repurchase program of up to \$5 billion of FedEx common stock. As part of the repurchase program, we completed an accelerated share repurchase ("ASR") agreement with a bank during the second third quarter of 2024 to repurchase an aggregate of \$500 million \$1 billion of our common stock. During the six nine months ended November 30, 2023 February 29, 2024, we repurchased 3.9 million 8.0 million shares of FedEx common stock under ASR agreements at an average price of \$256.33 \$250.95 per share for a total of \$1.0 billion \$2.0 billion. Share repurchases had a benefit of \$0.05 \$0.09 per diluted share for the second third quarter and \$0.07 \$0.16 per diluted share for the first half nine months of 2024. As of February 29, 2024, \$564 million remained available for repurchases under the 2021 stock repurchase authorization. In March 2024, our Board of Directors authorized a new stock repurchase program for additional repurchases of up to \$5 billion. See Note 1 of the accompanying unaudited condensed consolidated financial statements, "Financial Condition – Liquidity and – Liquidity Outlook" below, and Part II, Item 2. "Unregistered Sales of Equity Securities and Use of Proceeds" of this Form 10-Q for additional information on our repurchase program.

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The following graphs for FedEx Express, FedEx Ground, and FedEx Freight show selected volume trends (in thousands) over the five most recent quarters:



- (1) International domestic average daily package volume relates to our international intra-country operations. International export average daily package volume relates to our international priority and economy services.
- (2) Ground commercial average daily package volume is calculated on a 5-day-per-week basis, while home delivery and economy average daily package volume are calculated on a 7-day-per-week basis.
- (3) International average daily freight pounds relate to our international priority, economy, and airfreight services.

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The following graphs for FedEx Express, FedEx Ground, and FedEx Freight show selected yield trends over the five most recent quarters:



- (1) International export revenue per package relates to our international priority and economy services. International domestic revenue per package relates to international intra-country operations.

(2) International freight revenue per pound relates to our international priority, economy, and airfreight services.

Revenue

Revenue decreased 3% 2% in the second third quarter and 5% 4% in the first half nine months of 2024 primarily due to lower fuel surcharges at all of our transportation segments and volume declines decreased volumes at FedEx Express and FedEx Freight, partially offset by base yield improvement at FedEx Ground and FedEx Freight. In addition, one additional operating day at FedEx Express and FedEx Freight positively impacted revenue in the third quarter of 2024.

FedEx Express revenue decreased 2% in the third quarter and 6% in the second quarter and 8% in the first half nine months of 2024 primarily due to lower volume declines, lower fuel surcharges, reduced demand surcharges, and unfavorable international service mix mix, partially offset by improved U.S. domestic base yields. Revenue at Corporate, other, and eliminations decreased during the second third quarter and first half nine months of 2024 primarily due to lower yields and reduced volume at FedEx Logistics, Inc. ("FedEx Logistics"). FedEx Freight revenue decreased 4% 3% in the second third quarter and 10% 8% in the first half nine months of 2024 primarily due to lower shipments, fuel surcharges, and weight per shipment, partially offset by base yield improvement. FedEx Ground revenue increased 3% 1% during the second third quarter and first half 2% in the nine months of 2024 primarily due to base yield improvement and improvement. The nine-month increase in FedEx Ground revenue was also due to higher volumes, partially offset by lower fuel surcharges. volumes.

Operating Expenses

The following table compares operating expenses expressed as dollar amounts (in millions) and as a percent of revenue for the periods ended November 30: February 29, 2024 and February 28, 2023:

	Three Months Ended		Percent Change	Six Months Ended		Percent Change	Three Months Ended		Percent Change	Nine Months Ended		Percent Change
	2023	2022		2023	2022		2024	2023		2024	2023	
Operating expenses:												
Salaries and employee benefits	\$ 7,833	\$ 7,792	1	\$ 15,618	\$ 15,651	—	\$ 7,693	\$ 7,817	(2)	\$ 23,311	\$ 23,468	(1)
Purchased transportation	5,395	5,665	(5)	10,431	11,432	(9)	5,345	5,402	(1)	15,776	16,834	(6)
Rentals and landing fees	1,138	1,195	(5)	2,289	2,354	(3)	1,145	1,205	(5)	3,434	3,559	(4)
Depreciation and amortization	1,040	1,046	(1)	2,111	2,070	2	1,072	1,031	4	3,183	3,101	3
Fuel	1,328	1,593	(17)	2,429	3,415	(29)	1,140	1,350	(16)	3,569	4,765	(25)
Maintenance and repairs	854	882	(3)	1,678	1,786	(6)	804	789	2	2,482	2,575	(4)
Business optimization and realignment costs	145	36	303	250	74	238	114	123	(7)	364	197	85
Other	3,156	3,429	(8)	6,279	6,907	(9)	3,182	3,410	(7)	9,461	10,317	(8)
Total operating expenses	<u>20,889</u>	<u>21,638</u>	<u>(3)</u>	<u>41,085</u>	<u>43,689</u>	<u>(6)</u>	<u>20,495</u>	<u>21,127</u>	<u>(3)</u>	<u>61,580</u>	<u>64,816</u>	<u>(5)</u>
Operating income	<u>\$ 1,276</u>	<u>\$ 1,176</u>	<u>9</u>	<u>\$ 2,761</u>	<u>\$ 2,367</u>	<u>\$ 17</u>	<u>\$ 1,243</u>	<u>\$ 1,042</u>	<u>19</u>	<u>\$ 4,004</u>	<u>\$ 3,409</u>	<u>17</u>

Percent of Revenue	Percent of Revenue
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	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
	2023		2022		2024		2023	
	2023	2022	2023	2022	2024	2023	2024	2023
Operating expenses:								
Salaries and employee benefits	35.3%	34.1%	35.6%	34.0%	35.4%	35.3%	35.5%	34.4%
Purchased transportation	24.3	24.8	23.8	24.8	24.6	24.4	24.1	24.7
Rentals and landing fees	5.1	5.2	5.2	5.1	5.3	5.4	5.2	5.2
Depreciation and amortization	4.7	4.6	4.8	4.5	4.9	4.6	4.9	4.5
Fuel	6.0	7.0	5.6	7.4	5.3	6.1	5.4	7.0
Maintenance and repairs	3.9	3.9	3.8	3.9	3.7	3.6	3.8	3.8
Business optimization and realignment costs	0.7	0.2	0.6	0.2	0.5	0.5	0.6	0.3
Other	14.2	15.0	14.3	15.0	14.6	15.4	14.4	15.1
Total operating expenses	94.2	94.8	93.7	94.9	94.3	95.3	93.9	95.0
Operating margin	5.8%	5.2%	6.3%	5.1%	5.7%	4.7%	6.1%	5.0%

Operating income increased 9% in the second quarter and 17% in the first half of 2024 primarily due to our Our DRIVE program initiatives, and as well as base yield improvements at FedEx Ground and FedEx Freight, partially more than offset by lower volumes volume declines at FedEx Freight and FedEx Express, driven which led to an increase in operating income of 19% in the third quarter and 17% in the nine months of 2024. Operating income was also positively impacted by one additional operating day at FedEx Express and FedEx Freight in the third quarter of 2024.

Fuel expense decreased 16% in the third quarter and 25% in the nine months of 2024 primarily by challenging macroeconomic conditions, and due to lower fuel surcharges.

prices and usage. Purchased transportation decreased 5% 1% in the second third quarter and 9% 6% in the first half nine months of 2024 primarily due to lower volumes and fuel prices and a shift from third-party over-the-road transportation to rail usage. Fuel expense usage, partially offset by unfavorable currency exchange rates. Other operating expenses decreased 17% 7% in the second third quarter and 29% 8% in the first half nine months of 2024 primarily due to lower fuel prices professional fees and usage. Other self-insurance accruals. Additionally, other operating expenses decreased 8% in for the second quarter and 9% in the first half nine months of 2024 primarily due to were positively impacted by lower bad debt expense and outside service contracts expense. Maintenance and repairs decreased 3% in the second quarter and 6% in the first half of 2024 primarily due to lower aircraft maintenance resulting from an increase in temporarily parked aircraft.

Business Optimization and Realignment Costs

In the second quarter of 2023, FedEx announced DRIVE, a comprehensive program to improve the company's long-term profitability. This program includes a business optimization plan to drive efficiency among our transportation segments, lower our overhead and support costs, and transform our digital capabilities. We plan to consolidate our sortation facilities and equipment, reduce pickup-and-delivery routes, and optimize our enterprise linehaul network by moving beyond discrete collaboration to an end-to-end optimized network through Network 2.0.2.0, the multi-year effort to improve the efficiency with which FedEx picks up, transports, and delivers packages in the U.S. and Canada.

In the fourth quarter of 2023, we announced one FedEx, a consolidation plan to ultimately bring FedEx Express, FedEx Ground, and FedEx Services and other FedEx operating companies into Federal Express Corporation, becoming a single company operating a unified, fully integrated air-ground express network under the respected FedEx brand. FedEx Freight, Inc., a wholly owned subsidiary of FedEx Freight Corporation, will continue to provide LTL freight transportation services as a stand-alone and separate company under Federal Express Corporation. The organizational redesign will be implemented in phases with the new legal structure complete by June 2024. One FedEx will help facilitate our DRIVE transformation program to improve long-term profitability, including Network 2.0.

FedEx is making progress with Network 2.0, as the multi-year effort to improve the efficiency with which FedEx picks up, transports, and delivers packages company has implemented Network 2.0 optimization in more than 50 locations in the U.S. In some markets, contracted service providers will handle the pickup and Canada.

We have announced the implementation delivery of Network 2.0 in more than 20 markets, including the phased transition of all FedEx Ground operations and personnel in Canada to FedEx Express beginning in April 2024. Under Network 2.0, FedEx packages. In others, pickup and delivery will continue to utilize both be handled exclusively by employee couriers and contracted service providers. couriers.

We incurred costs associated with our business optimization activities of \$145 million \$114 million (\$110.87 million, net of tax, or \$0.44 \$0.35 per diluted share) in the second third quarter and \$250 million \$364 million (\$191.278 million, net of tax, or \$0.75 \$1.10 per diluted share) in the first half nine months of 2024. These costs were primarily related to professional services and severance. We recognized \$36 million \$120 million (\$27.92 million, net of tax, or \$0.11 \$0.36 per diluted share) of expenses in the second third quarter including idling our operations in Russia, and \$60 million \$180 million (\$46.138 million, net of tax, or \$0.18 \$0.53 per diluted share) of expenses in the first half nine months of 2023 under this program. These costs were primarily related to consulting services. services, severance and related costs associated with organizational changes announced in the third quarter of 2023, and idling our operations in Russia. Business optimization costs are included in Corporate, other, and eliminations, FedEx Ground, and FedEx Express. The identification of these costs as business optimization-related expenditures is subject to our disclosure controls and procedures. We expect the pre-tax cost of our business optimization activities to be approximately \$550 million \$530 million in 2024 and approximately \$2.0 billion through 2025. The timing and amount of our business optimization expenses may change as we revise and implement our plans.

In 2021, FedEx Express announced a workforce reduction plan in Europe related to the network integration of TNT Express. The plan affected approximately 5,000 employees in Europe across operational teams and back-office functions and was completed during 2023. No business realignment costs were incurred in the second quarter of 2023. We incurred costs associated with our business realignment activities of \$14 million \$3 million (\$11.2 million, net of tax, or \$0.04 \$0.01 per diluted share) in the first half third quarter and \$17 million (\$13 million, net of tax, or \$0.05 per diluted share) in the nine months of 2023. These costs were related to certain employee severance arrangements. The pre-tax cost of our business realignment activities through 2023 was approximately \$430 million.

Income Taxes

Our effective tax rate was 25.1% 25.7% for the second third quarter and 24.6% 25.0% for the first half nine months of 2024, compared to 25.6% 24.6% for the second third quarter and 24.9% 24.8% for the first half nine months of 2023. The 2024 tax rates were favorably unfavorably affected by an increase in consolidated earnings, primarily in the U.S. revisions of prior-year tax estimates for actual tax return results.

We are subject to taxation in the U.S. and various U.S. state, local, and foreign jurisdictions. We are currently under examination by the Internal Revenue Service for the 2016 through 2019 tax years. It is reasonably possible that certain income tax return proceedings will be completed during the next 12 months and could result in a change in our balance of unrecognized tax benefits. However, we believe we have recorded adequate amounts of tax, including interest and penalties, for any adjustments expected to occur.

During 2021, we filed suit in U.S. District Court for the Western District of Tennessee challenging the validity of a tax regulation related to the one-time transition tax on unrepatriated foreign earnings not repatriated, which was enacted as part of the Tax Cuts and Jobs Act ("TCJA"). Our lawsuit seeks to have the court declare this regulation invalid and order the refund of overpayments of U.S. federal income taxes for 2018 and 2019 attributable to the denial of foreign tax credits under the regulation. We have recorded a cumulative benefit of \$226 million through the second third quarter of 2024 attributable to our interpretation of the TCJA and the Internal Revenue Code. In March 2023, the District Court ruled that the regulation is invalid and contradicts the plain terms of the tax code. We continue to work towards obtaining a final judgment for the applicable refund amounts due to the regulation being invalid. Once the District Court enters a final judgment, the U.S. government could file an appeal with the U.S. Court of Appeals for the Sixth Circuit. If we are ultimately unsuccessful in defending our position, we may be required to reverse the benefit previously recorded.

Outlook

In the remainder of 2024, we expect revenue will continue to be pressured by volatile macroeconomic conditions negatively affecting customer demand for our services ~~across our transportation companies~~, and ~~constraining yield growth~~. At FedEx Express, we expect a continued shift in service mix ~~and lower international demand surcharges~~ to negatively affect revenue and operating income in 2024.

~~Operating income is expected~~ We will continue to ~~improve in the remainder of the year as a result of~~ execute on our DRIVE program initiatives focused on aligning our cost base with demand, reducing our permanent cost structure, and increasing the flexibility of our network. We will also continue to execute on our revenue quality strategy to mitigate yield pressures through surcharge management and optimizing our customer and service mix. We expect the benefits from DRIVE and revenue quality initiatives to be partially offset by the effect of macroeconomic pressures on revenue, as well as expense headwinds related to higher global ~~inflation~~ and ~~variable incentive compensation~~, ~~inflation~~.

See the "Business Optimization and Realignment Costs" section of this MD&A for additional information.

Our capital expenditures for 2024 are expected to be approximately ~~\$5.7 billion~~ \$5.4 billion, a decrease of ~~\$0.5 billion~~ \$0.7 billion from 2023, as we continue to reduce our capital intensity relative to revenue. We expect lower aircraft spend and reduced investments in capacity projects to be partially offset by investments to optimize our networks and modernize our facilities.

We will continue to evaluate our investments in critical long-term strategic projects to ensure our capital expenditures are expected to generate high returns on investment and are balanced with our outlook for global economic conditions. For additional details on key 2024 capital projects, refer to the "Financial Condition – Capital Resources" and "Financial Condition – Liquidity Outlook" sections of this MD&A.

The ~~current contract for FedEx Express to provide the U.S. Postal Service ("USPS") transportation services within the United States expires on September 29, 2024. The parties are in negotiations for a new multi-year agreement for FedEx Express to provide airport-to-airport transportation services for the USPS within the United States. See "Item 1A. Risk Factors" for more information.~~

The uncertainty of a slowdown in the global economy, global inflation, geopolitical challenges, and the ~~effect~~ effects these factors will have on the rate of growth of global trade, supply chains, fuel prices, and our business in particular, make any expectations for the remainder of 2024 inherently less certain. See "Item 1A. Risk Factors" for more information.

See the "Trends Affecting Our Business," "Critical Accounting Estimates," and "Forward-Looking Statements" sections of this MD&A for additional information.

RECENT ACCOUNTING GUIDANCE

See Note 1 of the accompanying unaudited condensed consolidated financial statements for a discussion of recent accounting guidance.

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REPORTABLE SEGMENTS

FedEx Express, FedEx Ground, and FedEx Freight represent our major service lines and, along with FedEx Services, constitute our reportable segments. Our reportable segments include the following businesses:

FedEx Express Segment FedEx Express (express transportation, small-package ground delivery, and freight transportation)
FedEx Custom Critical, Inc. (time-critical transportation)

FedEx Ground Segment FedEx Ground (small-package ground delivery)

FedEx Freight Segment FedEx Freight (LTL freight transportation)

FedEx Services Segment FedEx Services (sales, marketing, information technology, communications, customer service, technical support, billing and collection services, and back-office functions)

In the fourth quarter of 2023, FedEx announced one FedEx, a consolidation plan to ultimately bring FedEx Express, FedEx Ground, and FedEx Services and other FedEx operating companies into Federal Express Corporation, becoming a single company operating a unified, fully integrated air-ground express network under the respected FedEx brand. The organizational redesign will be implemented in phases with the new legal structure complete by June 2024. During the implementation process in 2024, each of our current reportable segments will continue to have discrete financial information that will be regularly reviewed when evaluating performance and making resource allocation decisions, and aligns with our management reporting structure and our internal financial reporting. In the first quarter of 2025, when the consolidation plan has been completed, we expect to begin reporting a new segment structure that will align with an updated management reporting structure and how management will evaluate performance and make resource allocation decisions under one FedEx.

FEDEX SERVICES SEGMENT

The FedEx Services segment provides direct and indirect support to our operating segments, and we allocate all of the net operating costs of the FedEx Services segment to reflect the full cost of operating our businesses in the results of those segments. We review and evaluate the performance of our transportation segments based on operating income (inclusive of FedEx Services segment allocations). For the FedEx Services segment, performance is evaluated based on the effect of its total allocated net operating costs on our operating segments.

Operating expenses for each of our transportation segments include the allocations from the FedEx Services segment to the respective transportation segments. These allocations include charges and credits for administrative services provided between operating companies. The allocations of net operating costs are based on metrics such as relative revenue or estimated services provided. We believe these allocations approximate the net cost of providing these functions. Our allocation methodologies are refined periodically, as necessary, to reflect changes in our businesses.

CORPORATE, OTHER, AND ELIMINATIONS

Corporate and other includes corporate headquarters costs for executive officers and certain legal and finance functions, including certain other costs and credits not attributed to our core business, as well as and certain costs associated with developing our "innovate digitally" strategic pillar through our FedEx Dataworks, Inc. ("FedEx Dataworks") operating segment. FedEx Dataworks is focused on creating solutions to transform the digital and physical experiences of our customers and team members.

Also included in Corporate and other are the FedEx Office and Print Services, Inc. ("FedEx Office") operating segment, which provides an array of document and business services and retail access to our customers for our package transportation businesses, and the FedEx Logistics operating segment, which provides integrated supply chain management solutions, specialty transportation, customs brokerage, and global ocean and air freight forwarding.

The results of Corporate, other, and eliminations are not allocated to the other business segments.

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Operating results in Corporate, other, and eliminations declined improved in the second third quarter and first half nine months of 2024. The decline improvement in operating results in the second third quarter of 2024 was primarily due to increased decreased business optimization expenses at FedEx Corporate and a decline Corporate. The improvement in operating results in the nine months of 2024 was primarily due to improved operating results at FedEx Office and FedEx Logistics, primarily driven by decreased revenue partially offset by lower an increase in salaries and employee benefits expense at FedEx Corporate. The improved operating expenses. The lower operating expenses results at FedEx Office and FedEx Logistics were primarily due to lower purchased transportation, salaries and employee benefits, and outside service contracts expense. The decrease in volume-related operating results in the first half of 2024 was primarily due to increased business optimization expenses, at FedEx Corporate, partially offset by improved operating results at FedEx Logistics and FedEx Office. The improved operating results at FedEx Logistics were primarily due to lower purchased transportation, bad debt, outside service contracts, and salaries and employee benefits expense, which more than offset decreased revenue. The improved operating results at FedEx Office were primarily due to lower salaries and employee benefits expense, which more than offset decreased revenue.

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Certain FedEx operating companies provide transportation and related services for other FedEx companies outside their reportable segment in order to optimize our resources. For example, during the second third quarter and first half nine months of 2024 FedEx Ground provided delivery support for certain FedEx Express

packages as part of our last-mile optimization efforts, and FedEx Freight provided road and intermodal support for both FedEx Ground and FedEx Express. In addition, FedEx Express is working with FedEx Logistics to secure air charters and other cargo space for U.S. customers. Billings for such services are based on negotiated rates, which we believe approximate fair value, and are reflected as revenue of the billing segment. These rates are adjusted from time to time based on market conditions. Such intersegment revenue and expenses are eliminated in our consolidated results and are not separately identified in the following segment information because the amounts are not material.

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FEDEX EXPRESS SEGMENT

FedEx Express offers a wide range of U.S. domestic and international shipping services for delivery of packages and freight including priority, deferred, and economy services, which provide delivery on a time-definite or day-definite basis. The following table compares revenue, operating expenses, operating income (dollars in millions), operating margin, and operating expenses as a percent of revenue for the periods ended November 30, February 29, 2024 and February 28, 2023:

	Three Months Ended		Percent	Six Months Ended		Percent	Three Months Ended		Percent	Nine Months Ended		Percent
	2023	2022		2023	2022		2024	2023		2024	2023	
	2023	2022	Change	2023	2022	Change	2024	2023	Change	2024	2023	Change
Revenue:												
Package:												
U.S. overnight box	\$ 2,158	\$ 2,237	(4)	\$ 4,346	4,553	(5)	\$ 2,145	\$ 2,165	(1)	\$ 6,491	\$ 6,718	(3)
U.S. overnight envelope	447	474	(6)	932	999	(7)	450	478	(6)	1,382	1,477	(6)
U.S. deferred	1,208	1,253	(4)	2,395	2,540	(6)	1,317	1,346	(2)	3,712	3,886	(4)
Total U.S. domestic package revenue	3,813	3,964	(4)	7,673	8,092	(5)	3,912	3,989	(2)	11,585	12,081	(4)
International priority	2,390	2,823	(15)	4,717	5,720	(18)	2,318	2,566	(10)	7,035	8,286	(15)
International economy	1,088	711	53	2,109	1,418	49	1,014	698	45	3,123	2,116	48
Total international export package revenue	3,478	3,534	(2)	6,826	7,138	(4)	3,332	3,264	2	10,158	10,402	(2)
International domestic ⁽¹⁾	1,086	1,036	5	2,110	2,010	5	1,016	1,003	1	3,126	3,013	4
Total package revenue	8,377	8,534	(2)	16,609	17,240	(4)	8,260	8,256	—	24,869	25,496	(2)
Freight:												
U.S.	584	784	(26)	1,166	1,580	(26)	648	719	(10)	1,814	2,299	(21)
International priority	569	811	(30)	1,122	1,699	(34)	520	687	(24)	1,642	2,387	(31)
International economy	422	388	9	847	765	11	389	358	9	1,236	1,123	10
International airfreight	29	39	(26)	61	80	(24)	31	47	(34)	92	126	(27)

Total freight revenue	1,604	2,022	(21)	3,196	4,124	(23)	1,588	1,811	(12)	4,784	5,935	(19)
Other	273	308	(11)	534	627	(15)	253	278	(9)	787	905	(13)
Total revenue	10,254	10,864	(6)	20,339	21,991	(8)	10,101	10,345	(2)	30,440	32,336	(6)
Operating expenses:												
Salaries and employee benefits	3,964	3,938	1	7,947	7,988	(1)	3,911	4,015	(3)	11,858	12,003	(1)
Purchased transportation	1,458	1,432	2	2,832	2,910	(3)	1,459	1,373	6	4,291	4,283	—
Rentals and landing fees	515	586	(12)	1,051	1,163	(10)	511	588	(13)	1,562	1,751	(11)
Depreciation and amortization	542	520	4	1,080	1,033	5	537	533	1	1,617	1,566	3
Fuel	1,155	1,372	(16)	2,109	2,956	(29)	996	1,177	(15)	3,105	4,133	(25)
Maintenance and repairs	494	534	(7)	990	1,096	(10)	459	456	1	1,449	1,552	(7)
Business optimization and realignment costs	41	11	273	51	25	104	23	3	667	74	28	164
Intercompany charges	469	477	(2)	961	961	0	464	459	1	1,425	1,420	0
Other	1,479	1,653	(11)	2,976	3,344	(11)	1,508	1,622	(7)	4,484	4,966	(10)
Total operating expenses	10,117	10,523	(4)	19,997	21,476	(7)	9,868	10,226	(4)	29,865	31,702	(6)
Operating income	\$ 137	\$ 341	(60)	\$ 342	\$ 515	(34)	\$ 233	\$ 119	96	\$ 575	\$ 634	(9)
Operating margin	1.3%	3.1%	(180) bp	1.7%	2.3%	(60) bp	2.3%	1.2%	110 bp	1.9%	2.0%	(10) bp

⁽¹⁾ International domestic revenue relates to our international intra-country operations.

Operating expenses:	Percent of Revenue			
	Three Months Ended		Six Months Ended	
	2023	2022	2023	2022
Salaries and employee benefits	38.7%	36.3%	39.1%	36.3%
Purchased transportation	14.2	13.2	13.9	13.2
Rentals and landing fees	5.0	5.4	5.2	5.3
Depreciation and amortization	5.3	4.8	5.3	4.7
Fuel	11.3	12.6	10.4	13.5
Maintenance and repairs	4.8	4.9	4.9	5.0
Business optimization and realignment costs	0.4	0.1	0.2	0.1
Intercompany charges	4.6	4.4	4.7	4.4
Other	14.4	15.2	14.6	15.2
Total operating expenses	98.7	96.9	98.3	97.7

Operating margin	1.3 %	3.1 %	1.7 %	2.3 %
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	Percent of Revenue			
	Three Months Ended		Nine Months Ended	
	2024	2023	2024	2023
Operating expenses:				
Salaries and employee benefits	38.7 %	38.8 %	39.0 %	37.1 %
Purchased transportation	14.5	13.3	14.1	13.2
Rentals and landing fees	5.1	5.7	5.1	5.4
Depreciation and amortization	5.3	5.1	5.3	4.8
Fuel	9.9	11.4	10.2	12.8
Maintenance and repairs	4.5	4.4	4.8	4.8
Business optimization and realignment costs	0.2	—	0.2	0.1
Intercompany charges	4.6	4.4	4.7	4.4
Other	14.9	15.7	14.7	15.4
Total operating expenses	97.7	98.8	98.1	98.0
Operating margin	2.3 %	1.2 %	1.9 %	2.0 %

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The following table compares selected statistics (in thousands, except yield amounts) for the periods ended November 30, February 29, 2024 and February 28, 2023:

Package Statistics	Three Months Ended		Percent	Six Months Ended		Percent	Three Months Ended		Percent	Nine Months Ended		Percent
	2023	2022	Change	2023	2022	Change	2024	2023	Change	2024	2023	Change
	Average daily package volume (ADV):											
U.S. overnight box	1,245	1,283	(3)	1,236	1,284	(4)	1,219	1,255	(3)	1,230	1,275	(4)
U.S. overnight envelope	431	458	(6)	442	471	(6)	415	454	(9)	433	466	(7)
U.S. deferred	1,009	1,042	(3)	989	1,057	(6)	1,104	1,141	(3)	1,027	1,084	(5)
Total U.S. domestic ADV	2,685	2,783	(4)	2,667	2,812	(5)	2,738	2,850	(4)	2,690	2,825	(5)
International priority	673	736	(9)	666	718	(7)	663	701	(5)	665	712	(7)
International economy	373	285	31	353	272	30	362	280	29	356	275	29

Total international												
export ADV	1,046	1,021	2	1,019	990	3	1,025	981	4	1,021	987	3
International												
domestic ⁽¹⁾	1,907	1,950	(2)	1,823	1,826	—	1,710	1,805	(5)	1,786	1,819	(2)
Total ADV	5,638	5,754	(2)	5,509	5,628	(2)	5,473	5,636	(3)	5,497	5,631	(2)
Revenue per package												
(yield):												
U.S. overnight box	\$ 27.50	\$ 27.69	(1)	\$ 27.47	\$ 27.71	(1)	\$ 27.92	\$ 27.81	—	\$ 27.62	\$ 27.74	—
U.S. overnight envelope	16.48	16.44	—	16.49	16.55	—	17.22	17.01	1	16.72	16.69	—
U.S. deferred	19.02	19.06	—	18.92	18.77	1	18.93	19.02	—	18.92	18.86	—
U.S. domestic composite	22.55	22.61	—	22.48	22.48	—	22.68	22.57	—	22.54	22.51	—
International priority	56.36	60.87	(7)	55.37	62.28	(11)	55.43	59.05	(6)	55.39	61.24	(10)
International economy	46.27	39.58	17	46.69	40.66	15	44.51	40.20	11	45.96	40.51	13
International export composite	52.76	54.93	(4)	52.36	56.33	(7)	51.58	53.67	(4)	52.10	55.47	(6)
International domestic ⁽¹⁾	9.03	8.43	7	9.04	8.60	5	9.44	8.96	5	9.17	8.72	5
Composite package yield	\$ 23.58	\$ 23.54	—	\$ 23.56	\$ 23.93	(2)	\$ 23.96	\$ 23.63	1	\$ 23.69	\$ 23.83	(1)
Freight Statistics												
Average daily freight pounds:												
U.S.	5,681	7,503	(24)	5,497	7,406	(26)	6,092	6,681	(9)	5,693	7,170	(21)
International priority	4,472	5,757	(22)	4,431	5,902	(25)	4,352	5,290	(18)	4,405	5,702	(23)
International economy	10,350	11,668	(11)	10,001	10,928	(8)	9,598	10,345	(7)	9,868	10,738	(8)
International airfreight	698	948	(26)	701	952	(26)	804	1,142	(30)	735	1,014	(28)
Total average daily freight pounds	21,201	25,876	(18)	20,630	25,188	(18)	20,846	23,458	(11)	20,701	24,624	(16)
Revenue per pound												
(yield):												
U.S.	\$ 1.63	\$ 1.66	(2)	\$ 1.66	\$ 1.67	(1)	\$ 1.69	\$ 1.74	(3)	\$ 1.67	\$ 1.69	(1)
International priority	2.02	2.24	(10)	1.98	2.25	(12)	1.89	2.10	(10)	1.95	2.20	(11)
International economy	0.65	0.53	23	0.66	0.55	20	0.64	0.56	14	0.66	0.55	20
International airfreight	0.65	0.65	—	0.68	0.66	3	0.62	0.66	(6)	0.66	0.66	—
Composite freight yield	\$ 1.20	\$ 1.24	(3)	\$ 1.21	\$ 1.28	(5)	\$ 1.21	\$ 1.25	(3)	\$ 1.21	\$ 1.27	(5)

⁽¹⁾ International domestic statistics relate to our international intra-country operations.

FedEx Express Segment Revenue

FedEx Express segment revenue decreased 2% in the third quarter and 6% in the second quarter and 8% in the first half nine months of 2024 primarily due to volume declines, lower fuel surcharges, reduced demand surcharges, and a decline in international package and freight priority base yields, partially offset by improved U.S. domestic and international economy base yields and favorable currency exchange rates. Revenue also benefited from one additional operating day in the third quarter of 2024.

Global average daily freight pounds decreased 18% 11% in the second third quarter and 16% in the first half nine months of 2024 primarily as a result of weak macroeconomic global economic conditions as well as lower volume from the U.S. Postal Service, USPS. U.S. domestic average daily package volumes declined 4% in the second third quarter and 5% in the first half nine months of 2024 as macroeconomic global economic factors led to reduced demand for our services. These declines were partially offset by an increase in international export package volume of 2% 4% in the second third quarter and 3% in the first half nine months of 2024.

Lower fuel surcharges had a significant negative effect on yield across all package and freight services during the second third quarter and first half nine months of 2024. In addition, international export composite package yield decreased 4% in the second third quarter and 7% 6% in the first half nine months of 2024 driven by reduced demand surcharges, a larger mix of e-commerce volume, and an increase in lower-yielding deferred volume related to the full reopening of the international economy service. Composite freight yield decreased 3% in the second third quarter and 5% in the first half nine months of 2024 due to reduced demand surcharges and an increased mix of deferred freight, also driven by the reopening of international economy service. Favorable currency exchange rates positively affected all international package and freight yields. yields during the nine months of 2024.

FedEx Express Segment Operating Income

FedEx Express segment operating income decreased 60% increased 96% in the second third quarter and 34% of 2024 due to lower operating expenses, partially offset by reduced revenue. FedEx Express operating income decreased 9% in the first half nine months of 2024 due to reduced revenue, partially offset by lower operating expense improvements resulting from expenses. The reduction in operating expenses during the third quarter and nine months of 2024 was a result of lower volumes, as well as continued benefits from DRIVE initiatives which that drove a reduction in our permanent cost structure. These initiatives include optimizing the air network rationalization through structural flight takedowns and improving route optimization, along with improvements in hub sort efficiency efficiency. Operating income was also positively impacted by one additional operating day in the third quarter of 2024. Currency exchange rates had a positive effect on revenue and international pickup-and-delivery route optimization, a negative effect on expenses and operating income in the third quarter and nine months of 2024.

Fuel expense decreased 16% 15% in the second third quarter and 29% 25% in the first half nine months of 2024 due to decreases in fuel prices and total fuel gallons. usage. Other operating expense decreased 11% 7% in the second third quarter and 10% in the first half nine months of 2024 primarily due to lower bad debt expense and lower outside service contracts expense resulting from a decrease in temporary labor usage, partially offset by unfavorable currency exchange rates. usage. Rentals Fewer aircraft leases as a result of lower volumes drove a decrease in rentals and landing fees decreased 12% of 13% in the second third quarter and 10% 11% in the first half nine months of 2024. Salaries and employee benefits decreased 3% in the third quarter and 1% in the nine months of 2024 primarily due to fewer aircraft leases. Maintenance and repairs decreased 7% in the second quarter and 10% in the first half of 2024 primarily due to lower aircraft maintenance resulting from an increase in aircraft temporarily parked. Purchased transportation increased 2% in the second quarter primarily due to unfavorable currency exchange rates. Purchased transportation decreased 3% in the first half of 2024 primarily due to lower volume, partially offset by unfavorable currency exchange rates. Salaries and employee benefits expense increased 1% in the second quarter primarily due to higher wage rates, increased variable incentive compensation, and unfavorable currency exchange rates, partially offset by decreased staffing to align with lower volume. volume, partially offset by higher wage rates. Additionally, salaries and employee benefits were negatively affected by increased variable incentive compensation in the nine months of 2024. Purchased transportation increased 6% in the third quarter of 2024 primarily due to an increase in commercial linehaul driven by the reopening of the international economy service.

FedEx Express segment results include business optimization costs of \$41 million \$23 million in the second third quarter and \$51 million \$74 million in the first half nine months of 2024 associated with our plan to drive efficiency and lower our overhead and support costs. Additionally, No business optimization costs were incurred in the third quarter of 2023 at FedEx Express. FedEx Express segment results include business optimization costs of \$11 million in the second quarter and first half nine months of 2023, which includes costs associated with idling our business in Russia.

We incurred FedEx Express segment results include costs associated with our business realignment activities of \$14 million \$3 million in the first half third quarter and \$17 million in the nine months of 2023 associated with our workforce reduction plan in Europe. No business realignment costs were incurred in the second quarter of 2023.

During the first quarter of 2024, In July 2023, FedEx Express's pilots failed to ratify the tentative successor agreement that was approved by the Air Line Pilots Association, International's FedEx Express Master Executive Council in June 2023. Bargaining Ongoing mediated negotiations for a successor agreement continues. The conduct of mediated negotiations has continue and have no effect on our operations. See Note 1 of the accompanying unaudited condensed consolidated financial statements for additional information.

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FEDEX GROUND SEGMENT

FedEx Ground service offerings include day-certain delivery to businesses in the U.S. and Canada and to 100% of U.S. residences. The following table compares revenue, operating expenses, operating income (dollars in millions), operating margin, selected package statistics (in thousands, except yield amounts), and operating expenses as a percent of revenue for the periods ended November 30, February 29, 2024 and February 28, 2023:

	Three Months Ended		Percent Change	Six Months Ended		Percent Change	Three Months Ended		Percent Change	Nine Months Ended		Percent Change
	2023	2022		2023	2022		2024	2023		2024	2023	
Revenue	\$ 8,639	\$ 8,393	3	\$ 17,059	\$ 16,553	3	\$ 8,703	\$ 8,658	1	\$ 25,762	\$ 25,211	2
Operating expenses:												
Salaries and employee benefits	1,739	1,727	1	3,406	3,364	1	1,755	1,759	—	5,161	5,123	1
Purchased transportation	3,682	3,828	(4)	7,109	7,541	(6)	3,666	3,722	(2)	10,775	11,263	(4)
Rentals	433	414	5	856	804	6	442	426	4	1,298	1,230	6
Depreciation and amortization	279	249	12	552	495	12	284	258	10	836	753	11
Fuel	9	10	(10)	16	19	(16)	9	9	—	25	28	(11)
Maintenance and repairs	173	162	7	332	317	5	180	155	16	512	472	8
Business optimization and realignment costs	36	—	NM	53	—	NM						
Business optimization costs							22	—	NM	75	—	NM
Intercompany charges	489	493	(1)	997	983	1	486	483	1	1,483	1,466	1
Other	899	912	(1)	1,735	1,738	—	917	1,002	(8)	2,652	2,740	(3)
Total operating expenses	7,739	7,795	(1)	15,056	15,261	(1)	7,761	7,814	(1)	22,817	23,075	(1)
Operating income	\$ 900	\$ 598	51	\$ 2,003	\$ 1,292	55	\$ 942	\$ 844	12	\$ 2,945	\$ 2,136	38
Operating margin	10.4%	7.1%	330 bp	11.7%	7.8%	390 bp	10.8%	9.7%	110 bp	11.4%	8.5%	290 bp
Average daily package volume (ADV):												

Ground commercial	4,609	4,523	2	4,543	4,445	2	4,398	4,226	4	4,495	4,372	3
Home delivery	4,076	4,084	—	3,960	3,997	(1)	4,150	4,359	(5)	4,023	4,115	(2)
Economy	874	828	6	804	778	3	872	843	3	827	800	3
Total ADV	<u>9,559</u>	<u>9,435</u>	1	<u>9,307</u>	<u>9,220</u>	1	<u>9,420</u>	<u>9,428</u>	—	<u>9,345</u>	<u>9,287</u>	1
Revenue per package (yield)	\$ 11.69	\$ 11.55	1	\$ 11.74	\$ 11.52	2	\$ 11.87	\$ 11.80	1	\$ 11.78	\$ 11.61	1

⁽¹⁾ Ground commercial ADV is calculated on a 5-day-per-week basis, while home delivery and economy ADV are calculated on a 7-day-per-week basis.

	Percent of Revenue				Percent of Revenue			
	Three Months		Six Months		Three Months Ended		Nine Months Ended	
	Ended		Ended		2024		2023	
	2023	2022	2023	2022	2024	2023	2024	2023
Operating expenses:								
Salaries and employee benefits	20.2%	20.6%	20.0%	20.3%	20.2%	20.3%	20.0%	20.3%
Purchased transportation	42.6	45.6	41.7	45.6	42.1	43.0	41.8	44.7
Rentals	5.0	4.9	5.0	4.9	5.1	4.9	5.0	4.9
Depreciation and amortization	3.2	3.0	3.2	3.0	3.3	3.0	3.3	3.0
Fuel	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Maintenance and repairs	2.0	1.9	2.0	1.9	2.1	1.8	2.0	1.9
Business optimization and realignment costs	0.4	—	0.3	—				
Business optimization costs					0.2	—	0.3	—
Intercompany charges	5.7	5.9	5.8	5.9	5.6	5.6	5.8	5.8
Other	10.4	10.9	10.2	10.5	10.5	11.6	10.3	10.8
Total operating expenses	<u>89.6</u>	<u>92.9</u>	<u>88.3</u>	<u>92.2</u>	<u>89.2</u>	<u>90.3</u>	<u>88.6</u>	<u>91.5</u>
Operating margin	<u>10.4%</u>	<u>7.1%</u>	<u>11.7%</u>	<u>7.8%</u>	<u>10.8%</u>	<u>9.7%</u>	<u>11.4%</u>	<u>8.5%</u>

FedEx Ground Segment Revenue

FedEx Ground segment revenue increased 3% in the second quarter and 2% in the first half of 2024 primarily due to yield improvement and improvement. The nine-month increase was also due to higher volumes. FedEx Ground yield increased 1% in the second quarter and 2% in the first half of 2024 primarily due to base yield improvement, partially offset by lower fuel surcharges. Total average daily volume increased 1% in the second quarter and the first half of 2024 primarily due to increased demand for our commercial services related to changing market conditions.

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FedEx Ground Segment Operating Income

FedEx Ground segment operating income increased 51% in the second quarter and 55% in the first half of 2024. The third quarter increase was primarily due to lower self-insurance accruals and yield improvement. The nine-month increase was primarily due to yield improvement, lower purchased transportation expense, higher volume, and higher volumes. We lowered self-insurance accruals. FedEx Ground lowered our costs in the second quarter and the first half of 2024 through continued benefits from DRIVE initiatives focused on increasing linehaul efficiencies and improving dock productivity. In addition, we FedEx Ground also continued to realize benefits from consolidated sort operations and reduced Sunday deliveries during the first half of 2024.

Purchased transportation expense decreased 2% in the third quarter and 4% in the second quarter and 6% in the first half nine months of 2024 primarily due to lower fuel prices and a shift to increased third-party rail usage, partially offset by higher volume, base rates. Other operating expense decreased 8% in the third quarter and 3% in the nine months of 2024 primarily due to lower self-insurance accruals, partially offset by higher bad debt expense. Depreciation and rentals expense increased 12% 10% and 5% 4%, respectively, in the second third quarter and 12% 11% and 6%, respectively, in the first half nine months of 2024 primarily due to the completion of previously committed multi-year expansion projects. Salaries Maintenance and employee benefits repairs expense increased 1% 16% in the second third quarter and 8% in the first half nine months of 2024 primarily due to higher wage rates, increased variable incentive compensation, costs associated with vehicle parts, outside vendor labor, and increased staffing to align with volume levels, partially offset by an increase in productivity, facility maintenance.

FedEx Ground segment results include business optimization costs of \$36 million \$22 million in the second third quarter and \$53 million \$75 million in the first half nine months of 2024 associated with our its plan to drive efficiency and lower our overhead and support costs.

FEDEX FREIGHT SEGMENT

FedEx Freight LTL service offerings include priority services when speed is critical and economy services when time can be traded for savings. The following table compares revenue, operating expenses, operating income (dollars in millions), operating margin, selected statistics, and operating expenses as a percent of revenue for the periods ended November 30, February 29, 2024 and February 28, 2023:

	Three Months Ended		Percent Change	Six Months Ended		Percent Change	Three Months Ended		Percent Change	Nine Months Ended		Percent Change
	2023	2022		2023	2022		2024	2023		2024	2023	
	\$ 2,360	\$ 2,454	(4)	\$ 4,651	\$ 5,177	(10)	\$ 2,125	\$ 2,186	(3)	\$ 6,776	\$ 7,363	(8)
Revenue												
Operating expenses:												
Salaries and employee benefits	1,007	1,039	(3)	1,980	2,098	(6)	949	946	—	2,929	3,044	(4)
Purchased transportation	163	187	(13)	312	408	(24)	158	172	(8)	470	580	(19)
Rentals	68	66	3	136	131	4	69	67	3	205	198	4
Depreciation and amortization	81	103	(21)	188	209	(10)	107	74	45	295	283	4
Fuel	165	211	(22)	303	439	(31)	133	162	(18)	436	601	(27)
Maintenance and repairs	93	88	6	168	168	—	78	76	3	246	244	1
Intercompany charges	130	130	—	265	262	1	129	131	(2)	394	393	—
Other	166	190	(13)	331	371	(11)	162	172	(6)	493	543	(9)
Total operating expenses	1,873	2,014	(7)	3,683	4,086	(10)	1,785	1,800	(1)	5,468	5,886	(7)
Operating income	\$ 487	\$ 440	11	\$ 968	\$ 1,091	(11)	\$ 340	\$ 386	(12)	\$ 1,308	\$ 1,477	(11)
Operating margin	20.6%	17.9%	270 bp	20.8%	21.1%	(30) bp	16.0%	17.7%	(170) bp	19.3%	20.1%	(80) bp
Average daily shipments (in thousands):												
Priority	68.5	73.3	(7)	67.3	74.8	(10)	61.5	65.4	(6)	65.4	71.7	(9)
Economy	30.5	31.0	(2)	29.5	31.6	(7)	27.7	27.7	—	28.9	30.3	(5)
Total average daily shipments	99.0	104.3	(5)	96.8	106.4	(9)	89.2	93.1	(4)	94.3	102.0	(8)
Weight per shipment (lbs):												

Priority	975	1,029	(5)	982	1,042	(6)	974	1,014	(4)	979	1,034	(5)
Economy	880	940	(6)	878	939	(6)	885	890	(1)	880	924	(5)
Composite weight per shipment	946	1,002	(6)	950	1,011	(6)	946	977	(3)	949	1,001	(5)
Revenue per shipment:												
Priority	\$ 365.55	\$ 361.57	1	\$ 359.24	\$ 365.76	(2)	\$ 363.21	\$ 366.17	(1)	\$ 360.47	\$ 365.88	(1)
Economy	415.82	415.35	—	411.95	419.64	(2)	414.79	418.65	(1)	412.84	419.35	(2)
Composite revenue per shipment	\$ 381.05	\$ 377.53	1	\$ 375.30	\$ 381.74	(2)	\$ 379.26	\$ 381.77	(1)	\$ 376.53	\$ 381.75	(1)
Revenue per hundredweight:												
Priority	\$ 37.48	\$ 35.14	7	\$ 36.58	\$ 35.10	4	\$ 37.31	\$ 36.12	3	\$ 36.80	\$ 35.40	4
Economy	47.26	44.21	7	46.93	44.70	5	46.89	47.06	—	46.92	45.37	3
Composite revenue per hundredweight	\$ 40.29	\$ 37.66	7	\$ 39.49	\$ 37.74	5	\$ 40.10	\$ 39.08	3	\$ 39.68	\$ 38.13	4

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	Percent of Revenue			
	Three Months Ended		Six Months Ended	
	2023	2022	2023	2022
Operating expenses:				
Salaries and employee benefits	42.7 %	42.3 %	42.6 %	40.5 %
Purchased transportation	6.9	7.6	6.7	7.9
Rentals	2.9	2.7	2.9	2.5
Depreciation and amortization	3.4	4.2	4.1	4.0
Fuel	7.0	8.6	6.5	8.5
Maintenance and repairs	4.0	3.6	3.6	3.2
Intercompany charges	5.5	5.3	5.7	5.1
Other	7.0	7.8	7.1	7.2
Total operating expenses	79.4	82.1	79.2	78.9
Operating margin	20.6 %	17.9 %	20.8 %	21.1 %
Percent of Revenue				
Three Months Ended				
2024	2023	2024	2023	
Operating expenses:				
Salaries and employee benefits	44.7 %	43.3 %	43.2 %	41.3 %
Purchased transportation	7.4	7.8	7.0	7.9

Rentals	3.2	3.0	3.0	2.7
Depreciation and amortization	5.0	3.4	4.4	3.8
Fuel	6.3	7.4	6.4	8.2
Maintenance and repairs	3.7	3.5	3.6	3.3
Intercompany charges	6.1	6.0	5.8	5.3
Other	7.6	7.9	7.3	7.4
Total operating expenses	84.0	82.3	80.7	79.9
Operating margin	16.0 %	17.7 %	19.3 %	20.1 %

FedEx Freight Segment Revenue

FedEx Freight segment revenue decreased 4% 3% in the second third quarter and 10% 8% in the first half nine months of 2024 primarily due to lower shipments, fuel surcharges, and weight per shipment, partially offset by base yield improvement. Revenue also benefited from one additional operating day in the third quarter of 2024.

Average daily shipments decreased 5% 4% in the second third quarter and 9% 8% in the first half nine months of 2024 due to reduced demand for our services, primarily resulting from macroeconomic conditions. Revenue per shipment increased decreased 1% in the second third quarter primarily due to base yield improvement resulting from our continued focus on revenue quality, partially offset by lower fuel surcharges. Revenue per shipment decreased 2% in the first half and nine months of 2024 primarily due to lower fuel surcharges, partially offset by base yield improvement. improvement resulting from our continued focus on revenue quality.

FedEx Freight Segment Operating Income

FedEx Freight segment operating income increased decreased 12% in the third quarter and 11% in the second quarter nine months of 2024 primarily due to lower shipments and decreased 11% in the first half of 2024. The second quarter increase was driven primarily by base yield improvement, partially offset by lower fuel surcharges, and shipments. The first half decrease was driven primarily by lower fuel surcharges and shipments, partially offset by base yield improvement. Operating income was also positively impacted by one additional operating day in the third quarter of 2024.

Fuel expense decreased 22% 18% in the second third quarter and 31% 27% in the first half nine months of 2024 due to lower fuel prices and decreased shipments. Salaries and benefits decreased 3% 4% in the second quarter and 6% in the first half nine months of 2024 primarily due to lower staffing to align with decreased shipments and an increase in productivity, partially offset by higher wage rates and variable incentive compensation. rates. Purchased transportation expense decreased 13% 8% in the second third quarter and 24% 19% in the first half nine months of 2024 primarily due to decreased shipments and lower fuel prices. Other operating expense decreased 13% 6% in the second third quarter and 11% 9% in the first half nine months of 2024 primarily due to lower self-insurance accruals. Depreciation expense increased 45% in the second third quarter and lower self-insurance accruals, bad debt expense, and outside service contracts expense in the first half of 2024. Depreciation expense decreased 21% in the second quarter and 10% in the first half of 2024 primarily due to a gain on the sale of certain a facility in the third quarter of our facilities during 2023. Depreciation expense increased 4% in the first half nine months of 2024 2024 primarily due to investments in information technology and transportation equipment.

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FINANCIAL CONDITION

LIQUIDITY

Cash and cash equivalents totaled \$6.7 billion \$5.6 billion at November 30, 2023 February 29, 2024, compared to \$6.9 billion at May 31, 2023. The following table provides a summary of our cash flows for the six-month nine-month periods ended November 30 February 29, 2024 and February 28, 2023 (in millions):

2023	2022	2024	2023
------	------	------	------

Operating activities:						
Net income	\$ 1,978	\$ 1,663	\$ 2,857	\$ 2,434		
Business optimization and realignment costs, net of payments	(28)	(40)	(50)	20		
Other noncash charges and credits	3,850	4,192	5,777	6,204		
Changes in assets and liabilities	(1,796)	(2,690)	(2,970)	(3,257)		
Cash provided by operating activities	4,004	3,125	5,614	5,401		
Investing activities:						
Capital expenditures	(2,595)	(3,142)	(3,974)	(4,420)		
Purchase of investments	(75)	(78)	(110)	(82)		
Proceeds from sale of investments			24	—		
Proceeds from asset dispositions and other	62	20	94	72		
Cash used in investing activities	(2,608)	(3,200)	(3,966)	(4,430)		
Financing activities:						
Principal payments on debt	(94)	(32)	(143)	(123)		
Proceeds from stock issuances	211	89	265	114		
Dividends paid	(635)	(598)	(949)	(888)		
Purchase of treasury stock	(1,000)	(1,500)	(2,000)	(1,500)		
Other, net	—	1	(7)	1		
Cash used in financing activities	(1,518)	(2,040)	(2,834)	(2,396)		
Effect of exchange rate changes on cash	(5)	(136)	(26)	(99)		
Net decrease in cash and cash equivalents	\$ (127)	\$ (2,251)	\$ (1,212)	\$ (1,524)		
Cash and cash equivalents at the end of period	\$ 6,729	\$ 4,646	\$ 5,644	\$ 5,373		

Cash flows from operating activities increased \$879 million \$213 million in the first half nine months of 2024 primarily due to working capital changes, driven by an increase in accounts payable, accrued incentive compensation, and other liabilities, and accounts payable, partially offset by a decrease in accounts receivable from the first half nine months of 2023. Capital expenditures decreased during the first half nine months of 2024 primarily due to decreased spending on package handling and ground support equipment at FedEx Ground, information technology at FedEx Services and FedEx Express, facilities and other at FedEx Ground and FedEx Express, and vehicles and trailers information technology at FedEx Freight. These decreases were Services, partially offset by increased spending on facilities and other and aircraft and related equipment at FedEx Express. See "Capital Resources" for a discussion of capital expenditures during 2024 and 2023.

In December 2021, our Board of Directors authorized a stock repurchase program of up to \$5 billion of FedEx common stock. As part of the repurchase program, we completed an ASR transaction during the second quarter of 2024 with a bank to repurchase an aggregate of \$500 million \$1 billion of our common stock. During the six nine months ended November 30, 2023, of 2024, we repurchased 3.9 million 8.0 million shares of FedEx common stock under ASR agreements at an average price of \$256.33 \$250.95 per share for a total of \$1.0 billion \$2.0 billion. See Note 1 of the accompanying unaudited condensed consolidated financial statements, "Liquidity Outlook" below, and Part II, Item 22. "Unregistered Sales of Equity Securities and Use of Proceeds" for additional information. As of November 30, 2023 February 29, 2024, \$1.6 billion \$564 million remained available for repurchases under the current 2021 repurchase program.

In March 2024, our Board of Directors authorized a new stock repurchase program program for additional repurchases of up to \$5 billion. Shares under the current 2021 and 2024 repurchase program programs may be repurchased from time to time in the open market or in privately negotiated transactions. The timing and volume of repurchases are at the discretion of management based on the capital needs of the business, the market price of FedEx common stock, and general market conditions. No time limits were set for the completion of the program, programs, and the program programs may be suspended or discontinued at any time.

CAPITAL RESOURCES

Our operations are capital intensive, characterized by significant investments in aircraft, package handling and sort equipment, vehicles and trailers, technology, and facilities. The amount and timing of capital investments depend on various factors, including pre-existing contractual commitments, anticipated volume growth, domestic and international economic conditions, new or enhanced services, geographical expansion of services, availability of satisfactory financing, and actions of regulatory authorities.

The following table compares capital expenditures by asset category and reportable segment for the periods ended **November 30** February 29, 2024 and February 28, 2023 (in millions):

	Percent Change								Percent Change								Three Months		Nine Months	
	Three Months				Six Months				Three Months Ended				Nine Months Ended				Three Months		Nine Months	
	Ended		Six Months Ended		Months Ended		Six Months Ended		2024		2023		2024		2023		Ended	Ended	Ended	Ended
	2023	2022	2023	2022	Ended	Ended	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	Ended	Ended	Ended	Ended
Aircraft and related equipment	\$ 601	\$ 671	\$ 1,155	\$ 874	(10)	32	\$ 329	\$ 389	\$ 1,484	\$ 1,263							(15)	17		
Package handling and ground support equipment	209	505	427	941	(59)	(55)	217	383	644	1,324							(43)	(51)		
Vehicles and trailers	129	132	296	349	(2)	(15)	243	154	539	503							58	7		
Information technology	142	248	295	449	(43)	(34)	142	111	437	560							28	(22)		
Facilities and other	224	302	422	529	(26)	(20)	448	241	870	770							86	13		
Total capital expenditures	<u>\$ 1,305</u>	<u>\$ 1,858</u>	<u>\$ 2,595</u>	<u>\$ 3,142</u>	(30)	(17)	<u>\$ 1,379</u>	<u>\$ 1,278</u>	<u>\$ 3,974</u>	<u>\$ 4,420</u>							8	(10)		
FedEx Express segment	\$ 871	\$ 994	\$ 1,753	\$ 1,524	(12)	15	\$ 934	\$ 653	2,687	\$ 2,177							43	23		
FedEx Ground segment	286	572	478	1,013	(50)	(53)	224	456	702	1,469							(51)	(52)		
FedEx Freight segment	50	90	141	240	(44)	(41)	139	104	280	344							34	(19)		
FedEx Services segment	77	168	175	297	(54)	(41)	58	37	233	334							57	(30)		
Other	21	34	48	68	(38)	(29)	24	28	72	96							(14)	(25)		
Total capital expenditures	<u>\$ 1,305</u>	<u>\$ 1,858</u>	<u>\$ 2,595</u>	<u>\$ 3,142</u>	(30)	(17)	<u>\$ 1,379</u>	<u>\$ 1,278</u>	<u>\$ 3,974</u>	<u>\$ 4,420</u>							8	(10)		

Capital expenditures increased in the third quarter of 2024 primarily due to increased spending on facilities and other and vehicles and trailers at FedEx Express, partially offset by decreased spending on package handling and ground support equipment at FedEx Ground. Capital expenditures decreased in the second quarter nine months of 2024 primarily due to decreased spending on package handling and ground support equipment at FedEx Ground, information technology at FedEx Services and FedEx Express, facilities and other at FedEx Express and FedEx Ground, and aircraft and related equipment at FedEx Express. Capital expenditures decreased in the first half of 2024 primarily due to decreased spending on package handling equipment at FedEx Ground, information technology at FedEx Services and FedEx Express, facilities and other at FedEx Ground and FedEx Express, and vehicles and trailers information technology at FedEx Freight. These decreases were Services, partially offset by increased spending on facilities and other and aircraft and related equipment at FedEx Express.

GUARANTOR FINANCIAL INFORMATION

We are providing the following information in compliance with Rule 13-01 of Regulation S-X, "Financial Disclosures about Guarantors and Issuers of Guaranteed Securities" with respect to our senior unsecured debt securities and Pass-Through Certificates, Series 2020-1AA (the "Certificates").

The \$19.2 billion principal amount of the senior unsecured notes were issued by FedEx under a shelf registration statement and are guaranteed by certain direct and indirect subsidiaries of FedEx ("Guarantor Subsidiaries"). FedEx owns, directly or indirectly, 100% of each Guarantor Subsidiary. The guarantees are (1) unsecured obligations of the respective Guarantor Subsidiary, (2) rank equally with all of their other unsecured and unsubordinated indebtedness, and (3) are full and unconditional and joint and several. If we sell, transfer, or otherwise dispose of all of the capital stock or all or substantially all of the assets of a Guarantor Subsidiary to any person that is not an affiliate of FedEx, the guaranteee of that Guarantor Subsidiary will terminate, and holders of debt securities will no longer have a direct claim against such subsidiary under the guarantee.

Additionally, FedEx fully and unconditionally guarantees the payment obligation of FedEx Express in respect of the **\$814 million** **\$788 million** principal amount of the Certificates. See Note 4 of the accompanying unaudited condensed consolidated financial statements and Note 6 to the financial statements included in our Annual Report for additional information regarding the terms of the Certificates.

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The following tables present summarized financial information for FedEx (as Parent) and the Guarantor Subsidiaries on a combined basis after transactions and balances within the combined entities have been eliminated.

Parent and Guarantor Subsidiaries

The following table presents the summarized balance sheet information as of **November 30, 2023** **February 29, 2024** and May 31, 2023 (in millions):

	November 30,		May 31,		February 29, 2024		May 31,	
	2023	2023	2023	2023	2023	2023	2023	2023
Current Assets	\$ 10,856	\$ 10,758	\$ 9,216	\$ 10,758				
Intercompany Receivable	3,739	3,566	4,197	3,566				
Total Assets	84,757	89,947	82,752	89,947				
Current Liabilities	10,475	9,933	9,698	9,933				
Intercompany Payable	—	—	—	—				
Total Liabilities	54,365	59,837	53,076	59,837				

The following table presents the summarized statement of income information for the **six-month period ended November 30, 2023** **nine months of 2024** (in millions):

Revenue	\$ 32,867	\$ 49,350
Intercompany Charges, net	(1,881)	(2,864)
Operating Income	2,280	3,441
Intercompany Charges, net	101	155
Income Before Income Taxes	2,041	3,036
Net Income	\$ 1,586	\$ 2,282

The following tables present summarized financial information for FedEx (as Parent Guarantor) and FedEx Express (as Subsidiary Issuer) on a combined basis after transactions and balances within the combined entities have been eliminated.

Parent Guarantor and Subsidiary Issuer

The following table presents the summarized balance sheet information as of **November 30, 2023** **February 29, 2024** and May 31, 2023 (in millions):

	November 30,	May 31,	May 31,	
	2023	2023	February 29, 2024	2023

Current Assets	\$ 4,052	\$ 4,408	\$ 2,980	\$ 4,408
Intercompany Receivable	—	—	—	—
Total Assets	72,231	70,016	72,140	70,016
Current Liabilities	6,476	5,100	5,953	5,100
Intercompany Payable	10,570	11,011	11,354	11,011
Total Liabilities	50,224	48,246	50,151	48,246

The following table presents the summarized statement of income information for the **six-month period ended November 30, 2023** **nine months of 2024** (in millions):

Revenue	\$ 11,103	\$ 16,761
Intercompany Charges, net	(1,132)	(1,739)
Operating Income	(361)	(332)
Intercompany Charges, net	14	11
Income Before Income Taxes	588	998
Net Income	\$ 669	\$ 1,078

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LIQUIDITY OUTLOOK

In response to current business and economic conditions as referenced above in the "Outlook" section of this MD&A, we are continuing to actively manage and optimize our capital allocation in response to the slowdown in the economy, inflationary pressures, **rising** **changing** fuel prices, and geopolitical conflicts. We **have** **\$6.7 billion** **had \$5.6 billion** in cash at **November 30, 2023** **February 29, 2024**, and **\$3.5 billion** in available liquidity under our **\$1.5 billion** **three-year credit agreement** (the "Three-Year Credit Agreement") and **\$2.0 billion** **five-year credit agreement** (the "Five-Year Credit Agreement" and together with the Three-Year Credit Agreement, the "Credit Agreements"), **agreements**, and we believe that our cash and cash equivalents, cash from operations, and available financing sources will be adequate to meet our liquidity needs, which include operational requirements, expected capital expenditures, and dividend payments.

The On March 15, 2024, we replaced our previously existing \$1.5 billion three-year credit agreement and \$2.0 billion five-year credit agreement with a \$1.75 billion three-year credit agreement (the "New Three-Year Credit Agreement") and a \$1.75 billion five-year credit agreement (the "New Five-Year Credit Agreement" and together with the New Three-Year Credit Agreement, **expires in March 2025**, the "New Credit Agreements"). The New Three-Year Credit Agreement and the New Five-Year Credit Agreement **expires** **expire in March 2026** **2027** and **includes** **March 2029**, respectively. Each of the New Credit Agreements has a **\$250 million** **\$125 million** letter of credit sublimit. The New Credit Agreements are available to finance our operations and other cash flow needs. See Note 4 of the accompanying unaudited condensed consolidated financial statements, as well as Part II, Item 5. "Other Information," for additional information on the New Credit Agreements.

We executed an ASR agreement in **September** **December 2023** to repurchase an aggregate of **\$500 million** **\$1 billion** of our common stock that was completed in **October 2023**, **February 2024**, resulting in repurchases totaling **\$2.0 billion** for the nine months of 2024. We expect to repurchase an additional **\$500 million** of our common stock in 2024. In March 2024, our Board of Directors authorized **\$5 billion** of additional repurchases. See Note 1 of the accompanying unaudited condensed consolidated financial statements for more information. **We expect to repurchase an additional \$1.0 billion of our common stock in 2024.**

Our cash and cash equivalents balance at **November 30, 2023** **February 29, 2024** includes **\$3.1 billion** **\$3.2 billion** of cash in foreign jurisdictions associated with our permanent reinvestment strategy. We are able to access the majority of this cash without a material tax cost and do not believe that the indefinite reinvestment of these funds impairs our ability to meet our U.S. domestic debt or working capital obligations.

Our capital expenditures for 2024 are expected to be approximately **\$5.7 billion** **\$5.4 billion**, a decrease of **\$0.5 billion** **\$0.7 billion** from 2023, as we continue to reduce our capital intensity relative to revenue. We expect lower aircraft spend and reduced capacity investment to be partially offset by investments to optimize our networks and modernize our facilities.

There have been no material changes to the contractual commitments described in Part II, Item 7 in our Annual Report. We do not have any guarantees or other off-balance sheet financing arrangements, including variable interest entities, which we believe could have a material effect on our financial condition or liquidity.

We have several aircraft modernization programs under way that are supported by the purchase of Boeing 777 Freighter and Boeing 767-300 Freighter aircraft. These aircraft are significantly more fuel-efficient per unit than the aircraft types previously utilized, and these expenditures are necessary to achieve significant long-term operating savings and to replace older aircraft. Our ability to delay the timing of these aircraft-related expenditures is limited without incurring significant costs to modify existing purchase agreements.

We have a shelf registration statement filed with the Securities and Exchange Commission ("SEC") that allows us to sell, in one or more future offerings, any combination of our unsecured debt securities and common stock and allows pass-through trusts formed by FedEx Express to sell, in one or more future offerings, pass-through certificates.

During the **first half** **nine months** of 2024, we made voluntary contributions totaling **\$400 million** **\$800 million** to our tax-qualified U.S. domestic pension plan ("U.S. Pension Plan"). We **do not** anticipate making **\$400 million** of additional voluntary contributions during the remainder of 2024. There are currently no required minimum contributions to our U.S. Pension Plan, and we maintain a credit balance related to our cumulative excess voluntary pension contributions over those required that exceeds \$3.0 billion. The credit balance is subtracted from plan assets to determine the minimum funding requirements. Therefore, we have the flexibility to eliminate all required contributions to our principal U.S. Pension Plan for several years. Our U.S. Pension Plan has ample funds to meet expected benefit payments.

Standard & Poor's has assigned us a senior unsecured debt credit rating of BBB, a Certificates rating of AA-, a commercial paper rating of A-2, and a ratings outlook of "stable." Moody's Investors Service has assigned us an unsecured debt credit rating of Baa2, a Certificates rating of Aa3, a commercial paper rating of P-2, and a ratings outlook of "stable." Our interest expense may increase in the event of a reduction in our credit rating. If our unsecured debt or commercial paper ratings are reduced to below investment grade, our access to the capital markets may become limited.

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CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make significant judgments and estimates to develop amounts reflected and disclosed in the financial statements. In many cases, there are alternative policies or estimation techniques that could be used. We maintain a thorough process to review the application of our accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the financial statements of a complex, global corporation. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and new or better information.

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GOODWILL. Goodwill is tested for impairment between annual tests whenever events or circumstances make it more likely than not that the fair value of a reporting unit has fallen below its carrying value. We do not believe there has been any change of events or circumstances that would indicate that a reevaluation of the goodwill of our reporting units is required as of **November 30, 2023** **February 29, 2024**, nor do we believe the goodwill of our reporting units is at risk of failing impairment testing. For additional details on goodwill impairment testing, refer to Note 1 to the financial statements included in our Annual Report.

Information regarding our critical accounting estimates can be found in our Annual Report, including Note 1 to the financial statements therein. Management has discussed the development and selection of these critical accounting estimates with the Audit and Finance Committee of our Board of Directors and with our independent registered public accounting firm.

FORWARD-LOOKING STATEMENTS

Certain statements in this report, including (but not limited to) those contained in "Trends Affecting Our Business," "Business Optimization and Realignment Costs," "Income Taxes," "Outlook," "Liquidity Outlook," "Critical Accounting Estimates," and "Legal Proceedings," and "Risk Factors" and the "General," "Financing Arrangements," "Retirement Plans," "Commitments," and "Contingencies" notes to our unaudited condensed consolidated financial statements, are "forward-looking"

statements within the meaning of the Private Securities Litigation Reform Act of 1995 with respect to our financial condition, results of operations, cash flows, plans, objectives, future performance, and business and the assumptions underlying such statements. Forward-looking statements include those preceded by, followed by, or that include the words "will," "may," "could," "would," "should," "believes," "expects," "anticipates," "plans," "estimates," "targets," "forecasts," "projects," "intends," or similar expressions. These forward-looking statements involve risks and uncertainties. Actual results may differ materially from those contemplated (expressed or implied) by such forward-looking statements because of, among other things, potential risks and uncertainties, such as:

- economic conditions in the global markets in which we operate;
- significant changes in the volumes of shipments transported through our networks, customer demand for our various services, or the prices we obtain for services;
- geopolitical developments and additional changes in international trade policies and relations;
- the price and availability of jet and vehicle fuel;
- failure to successfully implement our business strategy and effectively respond to changes in market dynamics and customer preferences;
- our ability to execute our DRIVE transformation program, including Network 2.0, and one FedEx consolidation plan in the expected time frame and at the expected cost and achieve the expected operational efficiencies and network flexibility, alignment of our cost base with demand, cost savings and reduction to our permanent cost structure, and other benefits while managing the potential risks associated with DRIVE and the one FedEx consolidation plan;
- a significant data breach or other disruption to our technology infrastructure; infrastructure, and our ability to mitigate the technological, operational, legal, regulatory, and reputational risks related to emerging technologies such as autonomous technology and artificial intelligence;
- our relationship with the USPS or changes in its business or financial soundness, including strategic changes to its operations to reduce its reliance on air network of FedEx Express;
- the future rate of e-commerce growth and our ability to successfully expand our e-commerce services portfolio;
- increased insurance and claims expenses related to vehicle accidents, workers' compensation claims, property and cargo loss, general business liability and benefits paid under employee disability programs;
- failure to receive or collect expected insurance coverage;
- the effect of any international conflicts or terrorist activities on the United States and global economies in general, the transportation industry, or FedEx in particular;

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- widespread outbreak of an illness or any other communicable disease or any other public health crisis, including the continuing impact of the COVID-19 pandemic;
- our ability to manage our network capacity and cost structure for capital expenditures and operating expenses, and match it to shifting and future customer volume levels;
- damage to our reputation or loss of brand equity;
- changes in the business or financial soundness of the USPS, including strategic changes to its operations to reduce its reliance on the air network of FedEx Express, or our relationship with the USPS;
- the effect of intense competition on our ability to maintain or increase our prices (including our fuel surcharges) or to maintain or grow our revenue and market share;

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- our ability to execute and effectively operate, integrate, leverage, and grow acquired businesses, and to continue to support the value we allocate to the acquired businesses;
- noncash impairment charges related to our goodwill and certain deferred tax assets;
- failure to attract and retain employee talent and our ability to meet our labor and purchased transportation needs while controlling related costs and maintaining our company culture;
- our ability to maintain good relationships with our employees and avoid attempts by labor organizations to organize groups of our employees, which could significantly increase our operating costs and reduce our operational flexibility, as well as the outcome of negotiations to reach new collective bargaining agreements (including with the pilots of FedEx Express);

- the effect of costs related to lawsuits in which it is alleged that FedEx Ground should be treated as an employer of drivers employed by service provider engaged by FedEx Ground;
- increasing costs, the volatility of costs and funding requirements, and other legal mandates for employee benefits, especially pension and healthcare benefits;
- the effects of global climate change;
- our ability to achieve or demonstrate progress on our goal of carbon neutrality for our global operations by calendar 2040;
- our ability to quickly and effectively restore operations following adverse weather or a localized disaster or disturbance in a key geography;
- any effects on our businesses resulting from evolving or new U.S. domestic or international government regulations, laws, policies, and actions, which could be unfavorable to our business, including labor (such as joint employment standards or changes to the Railway Labor Act of 1926, as amended, affecting FedEx Express employees); regulatory or other actions affecting data protection; global aviation or other transportation rights; increased air cargo, pilot and duty time, and other security or safety requirements; import and export controls; the use of new technology and accounting; trade (such as protective measures or restrictions on free trade); foreign exchange intervention in response to currency volatility; labor (such as joint employment standards or changes to the Railway Labor Act of 1926, as amended, affecting FedEx Express employees); environmental (such as global climate change legislation or postal rules);
- adverse changes in tax laws, regulations, and interpretations or challenges to our tax positions;
- increasing costs related to changing and heightened regulations and enforcement related to data protection;
- our ability to mitigate the technological, operational, legal and regulatory, and reputational risks related to autonomous technology and artificial intelligence;
- the increasing costs of compliance with federal, state, and foreign governmental agency mandates (including the Foreign Corrupt Practices Act and the Bribery Act) and defending against inappropriate or unjustified enforcement or other actions by such agencies;
- changes in foreign currency exchange rates, especially in the euro, Chinese yuan, British pound, Canadian dollar, Hong Kong dollar, Australian dollar, Japanese yen, and Mexican peso, which can affect our sales levels and foreign currency sales prices;
- loss or delay in the collection of accounts receivable;
- any liability resulting from and the costs of defending against class-action, derivative, and other litigation, such as wage-and-hour, joint employment, securities, vehicle accident, and discrimination and retaliation claims, claims related to our reporting and disclosure of climate change and other environmental, social, and governance topics, and any other legal or governmental proceedings, including the matters discussed in Note 9 of the accompanying unaudited condensed consolidated financial statements;
- adverse rulings on appeals and in other future judicial decisions, subsequent adverse jury findings, and changes in judicial precedent;

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- the sufficiency of insurance coverage we purchase;
- contract disputes with third-party vendors;
- the effect of technology developments on our operations and on demand for our services, and our ability to continue to identify and eliminate unnecessary information-technology redundancy and complexity throughout the organization;
- disruptions in global supply chains, which can limit the access of FedEx and our service providers to vehicles and other key capital resources and increase our costs;

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- difficulties experienced by the companies with which we contract to fly smaller regional “feeder” aircraft in attracting and retaining pilots, which could cause a reduction of service offered to certain locations, service disruptions, increased costs of operations, and other difficulties;
- the United Kingdom's exit from the EU (“Brexit”), including the economic, operational, regulatory, and financial impacts of any post-Brexit trade deal between the United Kingdom and EU;
- governmental underinvestment in transportation infrastructure, which could increase our costs and adversely affect our service levels due to traffic congestion, prolonged closure of key thoroughfares, or sub-optimal routing of our vehicles and aircraft;
- successful completion of our planned stock repurchases;
- constraints, volatility, or disruption in the capital markets, our ability to maintain our current credit ratings, commercial paper ratings, and senior unsecured debt and pass-through certificate credit ratings, and our ability to meet Credit Agreement credit agreement financial covenants; and

- other risks and uncertainties you can find in our press releases and SEC filings, including the risk factors identified under Part I, Item IA. "Risk Factors" Annual Report, as updated by our quarterly reports on Form 10-Q and current reports on Form 8-K.

As a result of these and other factors, no assurance can be given as to our future results and achievements. Accordingly, a forward-looking statement is neither a prediction nor a guarantee of future events or circumstances and those future events or circumstances may not occur. You should not place undue reliance on the forward-looking statements, which speak only as of the date of this report. We are under no obligation, and we expressly disclaim any obligation, to update or alter any forward-looking statements, whether as a result of new information, future events, or otherwise.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As of **November 30, 2023** **February 29, 2024**, there were no material changes in our market risk sensitive instruments and positions since our disclosures in our Annual Report.

The principal foreign currency exchange rate risks to which we are exposed relate to the euro, Chinese yuan, British pound, Canadian dollar, Hong Kong dollar, Australian dollar, Japanese yen, and Mexican peso. Historically, our exposure to foreign currency fluctuations is more significant with respect to our revenue than our expenses, as a significant portion of our expenses are denominated in U.S. dollars, such as aircraft and fuel expenses. During the **first half** **nine months** of 2024, the U.S. dollar **fluctuations strengthened** relative to the currencies of the foreign countries in which we operate, **did not have an** and this strengthening had a slightly **negative** effect on our results.

While we have market risk for changes in the price of vehicle and jet fuel, this risk is largely mitigated by our indexed fuel surcharges. For additional discussion of our indexed fuel surcharges, see the "Results of Operations and Outlook — Consolidated Results —Fuel" section of "Item 7. Management's Discussion and Analysis of Results of Operations and Financial Condition" included in our Annual Report.

Item 4. Controls and Procedures

The management of FedEx, with the participation of our principal executive and financial officers, has evaluated the effectiveness of our disclosure controls and procedures in ensuring that the information required to be disclosed in our filings under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, including ensuring that such information is accumulated and communicated to FedEx management as appropriate to allow timely decisions regarding required disclosure. Based on such evaluation, our principal executive and financial officers have concluded that such disclosure controls and procedures were effective as of **November 30, 2023** **February 29, 2024** (the end of the period covered by this Quarterly Report on Form 10-Q).

During our fiscal quarter ended **November 30, 2023** **February 29, 2024**, no change occurred in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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For a description of all material pending legal proceedings, see Note 9 of the accompanying unaudited condensed consolidated financial statements, which is incorporated by reference herein.

Item 1A. Risk Factors

There Other than the risk factor set forth below, there have been no material changes from the risk factors disclosed in our Annual Report in response to Part I, Item 1A of Form 10-K. Additional risks not currently known to us or that we currently deem to be immaterial also may materially affect our business, results of operations, financial condition, and the price of our common stock.

The contract between FedEx Express and the U.S. Postal Service ("USPS") for U.S. domestic services expires in September 2024 and we may not enter into a new agreement with the USPS, which could adversely affect our profitability. The contract for FedEx Express to provide the USPS transportation services within the United States expires on September 29, 2024. The parties are currently in negotiations for a new multi-year agreement for FedEx Express to provide airport-to-airport transportation services for the USPS within the United States. There is no assurance that the parties will execute a definitive agreement prior to September 29, 2024, or at all. Additionally, there is no assurance that FedEx Express will realize the expected benefits from such definitive agreement if executed. If a new agreement is not reached and we are unable to adjust the FedEx Express network to remove costs related to the services currently provided to the USPS following expiration of the existing contract, our profitability could be negatively affected. Further, a decision by the USPS to terminate the existing contract early could negatively affect our profitability.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table provides information on FedEx's repurchases of our common stock during the **second** **third** quarter of 2024:

Period	ISSUER PURCHASES OF EQUITY SECURITIES				Approximate	
	Total Number of Shares Purchased	Average Price Paid per Share	Announced Program	Total Number of Shares Purchased	Dollar Value of Shares That May Yet Be Purchased	
				as Part of Publicly Under the Program	(\$ in millions)	
Sep. 1-30, 2023	1,532,039	\$ 256.24	1,532,039	\$ 1,564		
Oct. 1-31, 2023	419,231	256.24	419,231		1,564	
Nov. 1-30, 2023	—	—	—		—	
Total	1,951,270			1,951,270		1,564

Period	ISSUER PURCHASES OF EQUITY SECURITIES				Approximate	
	Total Number of Shares Purchased	Average Price Paid per Share	Announced Program	Total Number of Shares Purchased	Dollar Value of Shares That May Yet Be Purchased	
				as Part of Publicly Under the Program	(\$ in millions)	
Dec. 1-31, 2023	3,225,416	\$ 245.80	3,225,416	\$ 564		
Jan. 1-31, 2024	—	—	—		564	
Feb. 1-29, 2024	842,955	245.80	842,955		564	
Total	4,068,371			4,068,371		564

In December 2021, our Board of Directors approved a stock repurchase program of up to \$5 billion of FedEx common stock. Shares under the program may be repurchased from time to time in the open market or in privately negotiated transactions. **As of December 19, 2023, \$1.6 billion remains available to be used for repurchases under the program, which is the only such program that currently exists. The program does not have an expiration date and may be suspended or discontinued at any time.**

As part of the repurchase program, we entered into an ASR transaction with a bank in **September** **December** 2023 to repurchase **\$500 million** **\$1 billion** of our common stock. During the **second** **third** quarter of 2024, the ASR transaction was completed, and **2.0 million** **4.1 million** shares were delivered under the ASR agreement. The shares delivered under the ASR agreement were the only shares of FedEx common stock we repurchased during the **second** **third** quarter of 2024. **As of March 21, 2024, \$564 million remains available to be used for repurchases under the program. The program does not have an expiration date and may be suspended or discontinued at any time.**

See Note 1 of the accompanying unaudited condensed consolidated financial statements for additional information regarding the ASR transaction and "Item 2. Management's Discussion and Analysis of Results of Operations and Financial Condition – Financial Condition – Liquidity Outlook" for information regarding our **expected new \$5 billion stock repurchases during the remainder of repurchase program authorized in March 2024.**

Item 5. Other Information

During the quarter ended **November 30, 2023** **February 29, 2024**, no director or officer of FedEx adopted, modified, or terminated any Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement, as such terms are defined in Item 408(a) of Regulation S-K.

Entry into a Material Definitive Agreement, Termination of a Material Definitive Agreement, and Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant. On March 15, 2024, FedEx, as borrower, entered into a \$1.75 billion three-year credit agreement (the "New Three-Year Credit Agreement") and a \$1.75 billion five-year credit

- 4445 -

agreement (the "New Five-Year Credit Agreement" and together with the New Three-Year Credit Agreement, the "New Credit Agreements"). FedEx entered into each of the New Credit Agreements with a syndicate of banks and other financial institutions (the "Three-Year Lenders" and "Five-Year Lenders," respectively), including JPMorgan Chase Bank, N.A., individually and as administrative agent; Bank of America, N.A., individually and as syndication agent; and Citibank, N.A., The Bank of Nova Scotia, Wells Fargo Bank, National Association, and Truist Bank, each individually and as a co-documentation agent. The syndicate of lenders for each of the New Credit Agreements was arranged by JPMorgan Chase Bank, N.A., BofA Securities, Inc., Citibank, N.A., The Bank of Nova Scotia, Wells Fargo Securities, LLC, and Truist Securities, Inc., as joint lead arrangers and joint bookrunners.

The New Three-Year Credit Agreement replaces the \$1.5 billion 364-day credit agreement dated as of March 15, 2022, among FedEx, JPMorgan Chase Bank, N.A., individually and as administrative agent, and certain lenders (the "Old Three-Year Credit Agreement"). The New Five-Year Credit Agreement replaces the \$2.0 billion five-year credit agreement dated as of March 16, 2021 and amended as of March 15, 2022, among FedEx, JPMorgan Chase Bank, N.A., individually and as administrative agent, and certain lenders (the "Old Five-Year Credit Agreement" and together with the Old Three-Year Credit Agreement, the "Old Credit Agreements"). The Old Credit Agreements were terminated effective March 15, 2024. The terms of the Old Credit Agreements are summarized in FedEx's Form 10-Q filed with the SEC on March 17, 2022.

The New Three-Year Credit Agreement provides the terms under which the Three-Year Lenders will make available to FedEx an unsecured multi-currency revolving credit facility in an aggregate amount of up to \$1.75 billion, including a \$125 million sub-limit for letters of credit. With lender approval, FedEx may elect to increase the aggregate amount available under the New Three-Year Credit Agreement to up to a total of \$2.25 billion. The New Five-Year Credit Agreement provides the terms under which the Five-Year Lenders will make available to FedEx an unsecured multi-currency revolving credit facility in an aggregate amount of up to \$1.75 billion, including a \$125 million sub-limit for letters of credit. With lender approval, FedEx may elect to increase the aggregate amount available under the New Five-Year Credit Agreement to up to a total of \$2.25 billion.

Borrowings under the New Credit Agreements may be used for FedEx's general corporate purposes, including acquisitions.

The Three-Year Lenders' and the Five-Year Lenders' commitments under the New Credit Agreements will terminate on March 15, 2027 and March 15, 2029, respectively, unless terminated earlier by FedEx or by the administrative agent upon an event of default. FedEx may request up to two one-year extensions of the Three-Year Lenders' commitments under the New Three-Year Credit Agreement and the Five-Year Lenders' commitments under the New Five-Year Credit Agreement, respectively. FedEx's obligations under the New Credit Agreements are guaranteed by the same FedEx subsidiaries that guarantee FedEx's outstanding public debt securities.

Loans under the New Credit Agreements denominated in U.S. dollars will bear interest at a rate per year generally equal to, at FedEx's election, either:

- the highest of (a) the interest rate quoted by the Wall Street Journal as the prime rate in the United States; (b) 0.5% plus the greater of (i) the federal funds effective rate and (ii) the overnight bank funding rate, each as determined by the Federal Reserve Bank of New York; and (c) the Secured Overnight Financing Rate ("SOFR") for a one-month interest period plus 1.0%, plus the applicable margin for such loans ("ABR Loans");
- SOFR for the selected term, plus the applicable margin for such loans ("Term Benchmark Loans"); or
- daily SOFR, plus the applicable margin for such loans ("RFR Loans").

Loans under the New Credit Agreements denominated in pounds sterling will be classified as RFR Loans and bear interest at a rate per year equal to the sterling overnight index average plus 0.0326% plus the applicable margin, while loans denominated in euros will be classified as Term Benchmark Loans and bear interest at a rate per year equal to the euro interbank offered rate for the relevant period determined by the European Money Markets Institute displayed on the page EURIBOR01 of the Reuters Service, subject to a statutory reserve adjustment, plus the applicable margin.

Letters of credit issued under the New Credit Agreements will be assessed a fee based upon the applicable margin charged for Term Benchmark Loans. In addition, FedEx will pay the issuing banks a fronting fee of 0.125% per year on the undrawn and unexpired amount of each issued letter of credit.

FedEx will also pay commitment fees on the average daily undrawn amount of the New Credit Agreements. The applicable margin for loans and the applicable commitment fees will vary depending upon FedEx's senior unsecured non-credit-enhanced long-term debt ratings. For example, based upon FedEx's current ratings of BBB (Standard & Poor's) and Baa2 (Moody's Investors Service), the applicable margin for ABR Loans would be 0.25%, the applicable margin for RFR or Term Benchmark Loans would be 1.25%, and the applicable commitment fee rate would be 0.11% per year on undrawn commitments under the New Credit Agreements.

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The New Credit Agreements contain customary affirmative and negative covenants, as well as customary events of default. The financial covenants in the New Credit Agreements require FedEx to maintain a ratio of debt (net of unrestricted cash and cash equivalents up to \$500 million) to consolidated earnings (excluding noncash retirement plans mark-to-market adjustments, noncash pension service costs, noncash asset impairment charges, business optimization and restructuring expenses, and pro forma cost savings and synergies associated with an acquisition) before interest, taxes, depreciation, and amortization ("adjusted EBITDA") of not more than 3.5 to 1.0, calculated as of the last day of each fiscal quarter on a rolling four-quarters basis (the "Consolidated Total Debt Ratio"). The aggregate amount of adjustments for business optimization and restructuring expenses and pro forma cost savings and synergies associated with an acquisition may not exceed 10% of adjusted EBITDA (calculated after giving effect to any such addback and such cap and all other permitted addbacks and adjustments) in any period. Following the consummation of an acquisition for which the aggregate cash consideration is at least \$250 million, FedEx may elect to increase the Consolidated Total Debt Ratio to 4.0 to 1.0 with respect to the last day of the fiscal quarter during which such acquisition is consummated and the last day of each of the immediately following three consecutive fiscal quarters, provided that there must be at least two consecutive fiscal quarters between such elections during which no increase to the Consolidated Total Debt Ratio is in effect.

Certain of the Three-Year Lenders and Five-Year Lenders, as well as certain of the lenders under the Old Credit Agreements, and their affiliates engage in transactions with, and perform services for, FedEx and its affiliates in the ordinary course of business and have engaged, and may in the future engage, in other commercial banking transactions and investment banking, financial advisory, and other financial services transactions with FedEx and its affiliates.

The New Credit Agreements will be filed as exhibits to FedEx's annual report on Form 10-K for the fiscal year ending May 31, 2024.

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Item 6. Exhibits

Exhibit Number	Description of Exhibit
^10.1	Letter Agreement, dated as of September 20, 2023, amending the Boeing 767-3S2F Freighter Purchase Agreement dated as of December 14, 2011 between The Boeing Company and FedEx Express (the "Boeing 767-3S2 Freighter Purchase Agreement").
^10.2	Letter Agreement, dated as of September 29, 2023, amending the Boeing 777 Freighter Purchase Agreement, dated as of November 7, 2006 between The Boeing Company and FedEx Express (the "Boeing 777 Freighter Purchase Agreement").
^10.3	Letter Agreement, dated as of September 29, 2023, amending the Boeing 767-3S2F Freighter Purchase Agreement.
^10.4	Letter Agreement, dated as of November 2, 2023, amending the Boeing 777 Freighter Purchase Agreement.
^*10.5	Supplemental Agreement No. 37 (and related side letters), dated as of November 9, 2023, amending the Boeing 777 Freighter Purchase Agreement.
**10.6	Second Amendment to the FedEx Retirement Parity Pension Plan, effective September 30, 2023. (Filed as Exhibit 10.4 to FedEx's FY24 First Quarter Report on Form 10-Q, and incorporated herein by reference).
**10.7	Form of Restricted Stock Unit Agreement for Non-Management Directors pursuant to the 2019 Omnibus Stock Incentive Plan (Filed as Exhibit 10.1 to FedEx's Current Report on Form 8-K dated September 21, 2023 and filed with the SEC on September 22, 2023).

15.1 [Letter re: Unaudited Interim Financial Statements.](#)

22 [List of Guarantor Subsidiaries and Subsidiary Issuers of Guaranteed Securities.](#)

31.1 [Certification of Principal Executive Officer Pursuant to Rules 13a-14\(a\) and 15d-14\(a\) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)

31.2 [Certification of Principal Financial Officer Pursuant to Rules 13a-14\(a\) and 15d-14\(a\) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)

32.1 [Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)

32.2 [Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)

101.1 Interactive Data Files pursuant to Rule 405 of Regulation S-T formatted in Inline Extensible Business Reporting Language ("Inline XBRL").

104.1 Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101.1).

[^] Information in this exhibit identified by brackets is confidential and has been excluded pursuant to Item 601(b)(10)(iv) of Regulation S-K because it (i) is not material and (ii) would likely cause competitive harm to FedEx if publicly disclosed.

*Certain attachments have been omitted pursuant to Item 601(a)(5) of Regulation S-K because the information contained therein is not material and is not otherwise publicly disclosed. FedEx will furnish supplementally a copy of such attachments to the SEC or its staff upon request.

**Management contracts/compensatory plans or arrangements.

- 4548 -

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FedEx Corporation

Date: December 19, 2023 March 21, 2024

/s/ Guy M. Erwin II

Guy M. Erwin II

Staff Vice President, Corporate Controller
and Interim Principal Accounting Officer

Exhibit 10.1

INFORMATION IN THIS EXHIBIT IDENTIFIED BY BRACKETS IS CONFIDENTIAL AND HAS BEEN EXCLUDED PURSUANT TO ITEM 601(B)(10)(IV) OF REGULATION S-K BECAUSE IT IS BOTH (I) NOT MATERIAL AND (II) THE TYPE THAT FEDEX TREATS AS PRIVATE OR CONFIDENTIAL.



The Boeing Company

P.O. Box 3707

Seattle, WA 98124-2207

FED-PA-3712-LA-2303063 R1

Federal Express Corporation

3131 Democrat Road

Memphis, TN 38118

Attention: Mr. Guy See

Managing Director – Aircraft Acquisitions & Sales

Subject: [*]

Reference: (a) Purchase Agreement No. 3712 between The Boeing Company (**Boeing**) and Federal Express Corporation (**Customer**) dated December 14, 2011 relating to Model 767-3S2F Aircraft (**767 Purchase Agreement**)
(b) Letter Agreement No. FED-PA-03712-LA-1106156R6; Option Aircraft, between Boeing and Customer dated June 22, 2021 (**Option Aircraft Letter Agreement**)
(c) Notice No. FED-PA-3712-NM-2300246; 767-3S2F Delivery Month Change Notification, from Boeing to Customer dated January 31, 2023 (**Option Aircraft Notice**)

This letter agreement (**Letter Agreement**) amends and supplements the 767 Purchase Agreement. **In addition, this Letter Agreement cancels and supersedes letter agreement no. FED-FED-PA-3712-LA-2303063 in its entirety.** All terms used but not defined in this Letter Agreement shall have the same meaning as in the referenced 767 Purchase Agreement.

1. Background.

1.1 Pursuant to (i) paragraph 6.1 of the Option Aircraft Letter Agreement, (ii) the Revised Contract Delivery Months provided in the Option Aircraft Notice, and (iii) letter agreement no. FED-FED-PA-3712-LA-2303063, [*].

1.2 [*].

FED-PA-3712-LA-2303063R1

[*]

Page 1

BOEING PROPRIETARY

* Blank spaces contained confidential information that has been excluded pursuant to Item 601(b)(10)(iv) of Regulation S-K because it is both (i) not material and (ii) the type that FedEx treats as private or confidential.



2. Agreement.

[*]as listed in Table 2.1 below.

Table 2.1

3. Confidentiality.

Customer understands and agrees that the information contained herein represents confidential business information and has value precisely because it is not available generally or to other parties. Customer agrees to limit the disclosure of its contents to employees of Customer with a need to know the contents for purposes of helping Customer perform its obligations under the Purchase Agreement and who understand they are not to disclose its contents to any other person or entity without the prior written consent of Boeing.

FED-PA-3712-LA-2303063R1

[*]

Page 2

BOEING PROPRIETARY

* Blank spaces contained confidential information that has been excluded pursuant to Item 601(b)(10)(iv) of Regulation S-K because it is both (i) not material and (ii) the type that FedEx treats as private or confidential.



Very truly yours,

THE BOEING COMPANY

By /s/ McKenzie Kuckhahn

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: September 20 . 2023

FEDERAL EXPRESS CORPORATION

By /s/ Kevin A. Burkhart

EDD-PA-07104-A-00

[+]

1

Page 3

BOEING PROPRIETARY

* Blank spaces contained confidential information that has been excluded pursuant to Item 601(b)(10)(iv) of Regulation S-K because it is both (i) not material and (ii) the type that FedEx treats as private or confidential.

Exhibit 10.2

INFORMATION IN THIS EXHIBIT IDENTIFIED BY BRACKETS IS CONFIDENTIAL AND HAS BEEN EXCLUDED PURSUANT TO ITEM 601(B)(10)(IV) OF REGULATION S-K BECAUSE IT IS BOTH (I) NOT MATERIAL AND (II) THE TYPE THAT FEDEX TREATS AS

PRIVATE OR CONFIDENTIAL.



The Boeing Company

P.O. Box 3707

Seattle, WA 98124-2207

6-1162-RCN-1792R1

Federal Express Corporation

3610 Hacks Cross Road

Memphis TN 38125

Subject: Liquidated Damages – Non-Excusable Delay

Reference: Purchase Agreement No. 3157 (the **Purchase Agreement**) between The Boeing Company (**Boeing**) and Federal Express Corporation (**Customer**) relating to Model 777-FREIGHTER aircraft (the **Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. In addition, this Letter Agreement cancels and supersedes letter agreement no. 6-1162-RCN-1792 in its entirety. All terms used but not defined in this Letter Agreement will have the same meaning as in the Purchase Agreement.

Definition of Terms:

Non-Excusable Delay: Delay in delivery of any Aircraft beyond the last day of the delivery month (**Scheduled Delivery**) established in the Purchase Agreement by any cause that is not an **Excusable Delay** pursuant to Article 7 of the AGTA and for which Customer is otherwise entitled to a remedy from Boeing pursuant to applicable law.

1. Liquidated Damages.

Boeing agrees to pay Customer liquidated damages for each day of Non-Excusable Delay in excess of [*] (collectively the **Non-Excusable Delay Payment Period**) at a rate of [*] per day per Aircraft not to exceed an aggregate sum of [*] per Aircraft (**Liquidated Damages**).

2. Interest [*].

In addition to the Liquidated Damages in paragraph 1, for each day of Non-Excusable Delay commencing [*] after the Scheduled Delivery, Boeing will pay Customer interest calculated as follows (**Interest**) [*].

P.A. No. 3157

Liquidated Damages Non-Excusable Delay

Page 1

BOEING PROPRIETARY

* Blank spaces contained confidential information that has been excluded pursuant to Item 601(b)(10)(iv) of Regulation S-K because it is both (i) not material and (ii) the type that FedEx treats as private or confidential.

6-1162-RCN-1792R1

2.1 [*]

2.2 [*]

3. Escalation Adjustment.

The escalation adjustment as defined in AGTA Article 2.1.4, will be based on the scheduled delivery month as set forth in Table 1.

4. Right of Termination.

Customer will not have the right to refuse to accept delivery of any Aircraft because of a Non-Excusable Delay unless (i) the actual aggregate duration of the Non-Excusable Delay for such Aircraft exceeds [*] (**Non-Excusable Delay Period**) or (ii) if Boeing provides notice that it expects the aggregate duration of the Non-Excusable Delay for such Aircraft to exceed [*] in which case Customer may terminate the Purchase Agreement as to such Aircraft by written or telegraphic notice given to the other. For clarification, nothing in this paragraph 4 will affect the parties rights and obligations contained in section 7.5, Aircraft Damaged Beyond Repair, in the AGTA.

5. Termination.



If the Purchase Agreement is terminated with respect to any Aircraft for a Non-Excusable Delay, Boeing will, in addition to paying Liquidated Damages and Interest as described above, promptly repay to Customer the entire principal amount of the advance payments received by Boeing for such Aircraft.

6. Exclusive Remedies

The Liquidated Damages and Interest payable in accordance with Paragraphs 1 and 2 of this Letter Agreement, and Customer's right to terminate pursuant to this Letter Agreement are Customer's exclusive remedies for a Non-Excusable Delay and are in lieu of all other damages, claims, and remedies of Customer arising at law or otherwise for any Non-Excusable Delay in the Aircraft delivery. Customer hereby waives and renounces all other claims and remedies arising at law or otherwise for any such Non-Excusable Delay.

7. Confidential Treatment

Customer understands that certain commercial and financial information contained in this Letter Agreement is considered by Boeing as confidential. Customer agrees that it will treat this Letter Agreement and the information contained herein as confidential and will not, without the prior written consent of Boeing, disclose this Letter Agreement or any information contained herein to any other person or entity.

P.A. No. 3157

Liquidated Damages Non-Excusable Delay

Page 2

BOEING PROPRIETARY

* Blank spaces contained confidential information that has been excluded pursuant to Item 601(b)(10)(iv) of Regulation S-K because it is both (i) not material and (ii) the type that FedEx treats as private or confidential.

6-1162-RCN-1792R1

Very truly yours,

THE BOEING COMPANY

By /s/ McKenzie Kuckhahn

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: September 29, 2023

FEDERAL EXPRESS CORPORATION

By /s/ Kevin A. Burkhart

Its Vice President

P.A. No. 3157

Liquidated Damages Non-Excusable Delay

Page 3

BOEING PROPRIETARY

Exhibit 10.3

INFORMATION IN THIS EXHIBIT IDENTIFIED BY BRACKETS IS CONFIDENTIAL AND HAS BEEN EXCLUDED PURSUANT TO ITEM 601(B)(10)(IV) OF REGULATION S-K BECAUSE IT IS BOTH (I) NOT MATERIAL AND (II) THE TYPE THAT FEDEX TREATS AS PRIVATE OR CONFIDENTIAL.



The Boeing Company

P.O. Box 3707

Seattle, WA 98124-2207

FED-PA-03712-LA-1106153R1



Federal Express Corporation

3610 Hacks Cross Road

Memphis TN 38125

Subject: Liquidated Damages – Non-Excusable Delay

Reference: Purchase Agreement No. 3712 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and Federal Express Corporation (**Customer**) relating to Model 767-3S2F aircraft (**Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. In addition, this Letter Agreement cancels and supersedes letter agreement no. FED-PA-03712-LA-1106153 in its entirety. All terms used but not defined in this Letter Agreement shall have the same meaning as in the Purchase Agreement.

Definition of Terms:

Non-Excusable Delay: Delay in delivery of any Aircraft beyond the last day of the delivery month (**Scheduled Delivery**) established in the Purchase Agreement by any cause that is not an Excusable Delay pursuant to Article 7 of the AGTA and for which Customer is otherwise entitled to a remedy from Boeing pursuant to applicable law.

1. Liquidated Damages.

Boeing agrees to pay Customer liquidated damages for each day of Non-Excusable Delay in excess of [*] (collectively the **Non-Excusable Delay Payment Period**) at a rate of [*] per day per Aircraft not to exceed an aggregate sum of [*] per Aircraft (**Liquidated Damages**).

2. Interest [*].

In addition to the Liquidated Damages in paragraph 1, for each day of Non-Excusable Delay commencing [*] after the Scheduled Delivery, Boeing will pay Customer interest calculated as follows (**Interest**):

2.1 [*]

2.2 [*]

FED-PA-03712-LA-1106153R1

Liquidated Damages Non-Excusable Delay

Page 1

BOEING PROPRIETARY

* Blank spaces contained confidential information that has been excluded pursuant to Item 601(b)(10)(iv) of Regulation S-K because it is both (i) not material and (ii) the type that FedEx treats as private or confidential.



3. Escalation Adjustment.

The Escalation Adjustment as defined in AGTA Article 2.1.5, as amended, will be based on the scheduled delivery month as set forth in Table 1.

4. Right of Termination.

Customer will not have the right to refuse to accept delivery of any Aircraft because of a Non-Excusable Delay unless (i) the actual aggregate duration of the Non-Excusable Delay for such Aircraft exceeds [*] (**Non-Excusable Delay Period**) or (ii) if Boeing provides notice that it expects the aggregate duration of the Non-Excusable Delay for such Aircraft to exceed [*], in which case Customer may terminate the Purchase Agreement as to such Aircraft by written or telegraphic notice given to the other. For clarification, nothing in this paragraph 4 will affect the parties rights and obligations contained in section 7.5, Aircraft Damaged Beyond Repair, in the AGTA.

5. Termination.

If the Purchase Agreement is terminated with respect to any Aircraft for a Non-Excusable Delay, Boeing will, in addition to paying Liquidated Damages and Interest as described above, promptly repay to Customer the entire principal amount of the advance payments including deposits received by Boeing for such Aircraft.

6. Exclusive Remedies.

The Liquidated Damages and Interest payable in accordance with paragraphs 1 and 2 of this Letter Agreement, and Customer's right to terminate pursuant to this Letter Agreement are Customer's exclusive remedies for a Non-Excusable Delay and are in lieu of all other damages, claims, and remedies of Customer arising at law or otherwise for any Non-Excusable Delay in the Aircraft delivery. Customer hereby waives and renounces all other claims and remedies arising at law or otherwise for any such Non-Excusable Delay.

7. Confidential Treatment.

Customer understands that Boeing considers certain commercial and financial information contained in this Letter Agreement as confidential. Each of Customer and Boeing agree that it will treat this Letter Agreement and the information contained herein as confidential. Customer agrees to limit the disclosure of the contents of this Letter Agreement to employees of Customer with a need to know and who understand that they are not to disclose its content to any other person or entity without the prior written consent of Boeing. Notwithstanding the forgoing, Customer may disclose this Letter Agreement and the terms and conditions herein to its parent company, FedEx Corporation, to the Board of Directors of its parent corporation, FedEx Corporation, to its professional advisors under a duty of confidentiality with respect hereto, and as required by law.

FED-PA-03712-LA-1106153R1

Liquidated Damages Non-Excusable Delay

Page 2

BOEING PROPRIETARY

* Blank spaces contained confidential information that has been excluded pursuant to Item 601(b)(10)(iv) of Regulation S-K because it is both (i) not material and (ii) the type that FedEx treats as private or confidential.



Very truly yours,

THE BOEING COMPANY

By /s/ McKenzie Kuckhahn

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: September 29, 2023

Federal Express Corporation

By /s/ Kevin A. Burkhart

Its Vice President

FED-PA-03712-LA-1106153R1

Liquidated Damages Non-Excusable Delay

Page 3

BOEING PROPRIETARY

Exhibit 10.4

INFORMATION IN THIS EXHIBIT IDENTIFIED BY BRACKETS IS CONFIDENTIAL AND HAS BEEN EXCLUDED PURSUANT TO ITEM 601(B)(10)(IV) OF REGULATION S-K BECAUSE IT IS BOTH (I) NOT MATERIAL AND (II) THE TYPE THAT FEDEX TREATS AS PRIVATE OR CONFIDENTIAL.



The Boeing Company

P.O. Box 3707

Seattle, WA 98124-2207

FED-PA-3157-LA-2305810

Federal Express Corporation
3610 Hacks Cross Road
Memphis, Tennessee, USA 38125

Attention: Mr. Guy See
Managing Director – Aircraft Acquisitions & Sales

Subject: Revision to the Option Deposit Terms for Option Aircraft and SA-30 Option Aircraft

Reference:

- (a) Purchase Agreement No. 3157 between The Boeing Company (**Boeing**) and Federal Express Corporation (**Customer**) dated November 7, 2006 relating to Model 777-FREIGHTER aircraft (**777 Purchase Agreement**)
- (b) Letter Agreement No. 6-1162-RRO-1062R3; Option Aircraft, between Boeing and Customer dated June 1, 2022, as amended most recently by Supplemental Agreement No. 36 (**Option Aircraft Letter Agreement**)
- (c) Letter Agreement No. 6-1169-LKJ-0776; SA-30 Option Aircraft, between Boeing and Customer dated June 18, 2018 (**SA-30 Option Aircraft Letter Agreement**)
- (d) Letter Agreement No. FED-PA-3157-LA-2302761; [*], between Boeing and Customer dated May 23, 2023 (**[*] Letter Agreement**)

This letter agreement (**Letter Agreement**) amends and supplements the 777 Purchase Agreement. All terms used but not defined in this Letter Agreement shall have the same meaning as in the referenced 777 Purchase Agreement.

1. Background.

1.1 Pursuant to the terms of the (i) Option Aircraft Letter Agreement, (ii) SA-30 Option Aircraft Letter Agreement, and (iii) [*] Letter Agreement, [*].

1.2 [*].

FED-PA-3157-LA-2305810

Revision to the Option Deposit Terms for Option Aircraft and SA-30 Option Aircraft

Page 1

BOEING PROPRIETARY

■ Blank spaces contained confidential information that has been excluded pursuant to Item 601(b)(10)(iv) of Regulation S-K because it is both (i) not material and (ii) the type that FedEx treats as private or confidential.



1.2.1 The option deposits paid by Customer and originally associated with the [*] 777 Option Aircraft total [*] (**Option Deposits for [*] 777 Options**).

1.3 Customer has [*] SA-30 Option Aircraft remaining in the 777 Purchase Agreement, with Option Exercise Dates occurring in [*].

1.3.1 The Option Deposits paid by Customer and associated with the [*] SA-30 Option Aircraft total [*] (**Option Deposits for SA-30 Option Aircraft**).

1.4 Customer and Boeing mutually desire to revise the terms related to the (i) Option Deposits for [*] 777 Options, and (ii) Option Deposits for SA-30 Option Aircraft, as set forth below.

2. Agreement. Boeing and Customer agree to revise the terms related to the (i) Option Deposits for [*] 777 Options, and (ii) Option Deposits for SA-30 Option Aircraft, as follows:

2.1 [*].

2.1.1 [*].

2.1.2 [*].

2.1.3 [*].

2.1.4 [*].

2.2 Termination Due to Mutual Agreement.

2.2.1 If Boeing and Customer mutually agree to terminate this Letter Agreement, [*].
2.2.2 If (i) Boeing and Customer mutually agree to terminate this Letter Agreement, and [*].

2.3 Termination Due to [*]. [*].

2.4 [*]. [*].

2.5 [*]. [*].

FED-PA-3157-LA-2305810

Revision to the Option Deposit Terms for Option Aircraft and SA-30 Option Aircraft

Page 2

BOEING PROPRIETARY

* Blank spaces contained confidential information that has been excluded pursuant to Item 601(b)(10)(iv) of Regulation S-K because it is both (i) not material and (ii) the type that FedEx treats as private or confidential.



3. Supplemental Agreement.

Within thirty (30) calendar days of execution of this Letter Agreement, the parties will use their best efforts to sign a supplemental agreement to the 777 Purchase Agreement to administratively incorporate the changes agreed to in this Letter Agreement (**Supplemental Agreement**). The Supplemental Agreement will include the provisions of the 777 Purchase Agreement as modified to reflect the provisions of this Letter Agreement.

4. Confidentiality.

Customer understands and agrees that the information contained herein represents confidential business information and has value precisely because it is not available generally or to other parties. Customer agrees to limit the disclosure of its contents to employees of Customer with a need to know the contents for purposes of helping Customer perform its obligations under the 777 Purchase Agreement and who understand they are not to disclose its contents to any other person or entity without the prior written consent of Boeing.

Very truly yours,

THE BOEING COMPANY

By /s/ McKenzie Kuckhahn

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: November 2 , 2023

FEDERAL EXPRESS CORPORATION

By /s/ Ray Carroll

Its Vice President

FED-PA-3157-LA-2305810

Revision to the Option Deposit Terms for Option Aircraft and SA-30 Option Aircraft

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BOEING PROPRIETARY

Exhibit 10.5

INFORMATION IN THIS EXHIBIT IDENTIFIED BY BRACKETS IS CONFIDENTIAL AND HAS BEEN EXCLUDED PURSUANT TO ITEM 601(B)(10)(IV) OF REGULATION S-K BECAUSE IT IS BOTH (I) NOT MATERIAL AND (II) THE TYPE THAT FEDEX TREATS AS PRIVATE OR CONFIDENTIAL.



Supplemental Agreement No. 37

to

between

The Boeing Company

And

Federal Express Corporation

Relating to Boeing Model 777-FREIGHTER Aircraft

THIS SUPPLEMENTAL AGREEMENT No. 37 (SA-37), entered into as of November 9, 2023 by and between THE BOEING COMPANY (Boeing) and FEDERAL EXPRESS CORPORATION (Customer):

WITNESSETH:

A. WHEREAS, the parties entered into Purchase Agreement No. 3157, dated November 7, 2006 (Purchase Agreement), relating to the purchase and sale of certain Boeing Model 777-FREIGHTER Aircraft (Aircraft);

B. WHEREAS, [*] (collectively, SA-37 [*] Option Aircraft), as such rights are defined in the letter agreements identified in the table below. [*]

#	Existing	Delivery	Revised	
	Aircraft Block	Date	Existing Letter Agreement Number	Aircraft Block
1	Option Aircraft	[*]	6-1162-RRO-1062R4	[*]
2	SA-30 Option Aircraft	[*]	6-1169-LKJ-0776R1	[*]
3	SA-30 Option Aircraft	[*]	6-1169-LKJ-0776R1	[*]
P.A. No. 3157			1	SA-37

BOEING PROPRIETARY

* Blank spaces contained confidential information that has been excluded pursuant to Item 601(b)(10)(iv) of Regulation S-K because it is both (i) not material and (ii) the type that FedEx treats as private or confidential.



4	Option Aircraft	[*]	6-1162-RRO-1062R4	[*]
5	Option Aircraft	[*]	6-1162-RRO-1062R4	[*]
6	SA-30 Option Aircraft	[*]	6-1169-LKJ-0776R1	[*]
7	Option Aircraft	[*]	6-1162-RRO-1062R4	[*]
8	Option Aircraft	[*]	6-1162-RRO-1062R4	[*]
9	Option Aircraft	[*]	6-1162-RRO-1062R4	[*]
10	Option Aircraft	[*]	6-1162-RRO-1062R4	[*]
11	Option Aircraft	[*]	6-1162-RRO-1062R4	[*]
12	Option Aircraft	[*]	6-1162-RRO-1062R4	[*]

C. WHEREAS, Customer and Boeing desire to administratively update the Purchase agreement to document previously agreed to changes to certain terms related to the option deposits for the (i) SA-37 [*] Option Aircraft, and (ii) SA-30 Option Aircraft.

D. WHEREAS, Boeing and Customer desire to administratively update the Purchase Agreement to document that two (2) Block E2 Aircraft, became firm Block E2 Aircraft on the Determination Dates set forth in the table below, and in accordance with the terms of Letter Agreement No. 6-1162-RRO-1068R1, entitled Special Provision – Block B and Block E2 Aircraft:

#	Aircraft Block	Delivery Date	MSN ¹	Determination Date	Table

1	Block E2	[*]	66266	[*]	1-E2
2	Block E2	[*]	66267	[*]	1-E2

NOW THEREFORE, in consideration of the mutual covenants herein contained, the parties hereto agree to supplement the Purchase Agreement as follows:

All terms used herein and in the Purchase Agreement, and not defined herein, shall have the same meaning as in the Purchase Agreement.

1 Manufacture Serial Number(s) (MSNs) identified are for informational purposes only and subject to change.

P.A. No. 3157

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BOEING PROPRIETARY

* Blank spaces contained confidential information that has been excluded pursuant to Item 601(b)(10)(iv) of Regulation S-K because it is both (i) not material and (ii) the type that FedEx treats as private or confidential.



1. Boeing and Customer acknowledge and agree that upon execution of this SA-37, [*].
2. Letter Agreement No. 6-1162-RRO-1062R3, entitled Option Aircraft, is hereby deleted in its entirety and replaced with Letter Agreement No. 6-1162-RRO-1062R4, entitled Option Aircraft, including the associated attachment, attached hereto, to reflect [*].
3. Letter Agreement No. 6-1169-LKJ-0776, entitled SA-30 Option Aircraft, is hereby deleted in its entirety and replaced with Letter Agreement 6-1169-LKJ-0776R1, entitled SA-30 Option Aircraft, including the associated attachment, attached hereto, to reflect [*].
4. Letter Agreement No. FED-PA-3157-LA-2305810, entitled Revision to the Option Deposit Terms for Option Aircraft and SA-30 Option Aircraft, dated November 2, 2023, attached hereto, is hereby incorporated into the Purchase Agreement which provided certain business considerations to Customer related to the option deposits for the (i) SA-37 [*] Option Aircraft, and (ii) SA-30 Option Aircraft as described in Recital Paragraph C above.
5. Table 1-E2 is hereby deleted in its entirety and replaced with the revised Table 1-E2, attached hereto and incorporated into the Purchase Agreement, to confirm the nature of two (2) Block E2 Aircraft as firm as described in Recital Paragraph D above.
6. The Table of Contents is hereby deleted in its entirety and replaced with the revised Table of Contents, attached hereto, and incorporated into the Purchase Agreement to reflect the changes made by this SA-37.

7. References in the Purchase Agreement and any supplemental agreements and associated letter agreements to letter agreements listed in the left column of the below table shall be deemed to refer to the corresponding letter agreement listed in the right column of the below table.

Reference	Replacement Reference
6-1162-RRO-1062R3	6-1162-RRO-1062R4
6-1169-LKJ-0776	6-1169-LKJ-0776R1

P.A. No. 3157

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BOEING PROPRIETARY

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EXECUTED as of the day and year first above written.

FEDERAL EXPRESS CORPORATION

THE BOEING COMPANY

By: /s/ Kevin A. Burkhart
Name: Kevin A. Burkhart

By: /s/ McKenzie Kuckhahn
Name: McKenzie Kuckhahn

BOEING PROPRIETARY



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B. Aircraft Delivery Requirements and Responsibilities	

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CS1. Customer Support Variables	
EE1. Engine Escalation/Engine Warranty and Patent Indemnity	
SLP1. Service Life Policy Components	

BOEING PROPRIETARY



LETTER AGREEMENT

3157-01	777 Spare Parts Initial Provisioning
3157-02	Demonstration Flight Waiver
6-1162-RCN-1785	Demonstrated Compliance

6-1162-RCN-1789	Option Aircraft Attachment to Letter 6-1162-RCN-1789	Exercised in SA # 4
6-1162-RCN-1790	Special Matters	
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6-1162-RCN-1793	Open Configuration Matters	
6-1162-RCN-1795	AGTA Amended Articles	
6-1162-RCN-1796	777 First-Look Inspection Program	
6-1162-RCN-1797	Licensing and Customer Supplemental Type Certificates	
6-1162-RCN-1798	777 Boeing Converted Freighter	Deleted in SA # 4
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6-1162-SCR-154	[*] Letter	22
6-1162-SCR-155	[*] Engine Hard Mount Letter	22
6-1162-SCR-186	[*], Non-Isolated Engine Mounts Letter	23
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BOEING PROPRIETARY

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SA

NUMBER

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6-1169-LKJ-0777	Special Matters – SA-30 Option Aircraft	30
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FED-PA-3157-NM-2304101	Boeing 777-Freighter [*]	July 13, 2023
FED-PA-3157-LA-2305810	Revision to the Option Deposit Terms for Option Aircraft and SA-30 Option Aircraft	November 2, 2023
P.A. No. 3157		SA-37

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BOEING PROPRIETARY

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SUPPLEMENTAL AGREEMENTS

DATED AS OF:

Supplemental Agreement No. 1	May 12, 2008
Supplemental Agreement No. 2	July 14, 2008
Supplemental Agreement No. 3	December 15, 2008
Supplemental Agreement No. 4	January 9, 2009
Supplemental Agreement No. 5	January 11, 2010
Supplemental Agreement No. 6	March 17, 2010
Supplemental Agreement No. 7	March 17, 2010
Supplemental Agreement No. 8	April 30, 2010
Supplemental Agreement No. 9	June 18, 2010
Supplemental Agreement No. 10	June 18, 2010
Supplemental Agreement No. 11	August 19, 2010
Supplemental Agreement No. 12	September 3, 2010
Supplemental Agreement No. 13	August 27, 2010
Supplemental Agreement No. 14	October 25, 2010
Supplemental Agreement No. 15	October 29, 2010
Supplemental Agreement No. 16	January 31, 2011
Supplemental Agreement No. 17	February 14, 2011
Supplemental Agreement No. 18	March 31, 2011
Supplemental Agreement No. 19	October 27, 2011
Supplemental Agreement No. 20	December 14, 2011
Supplemental Agreement No. 21	June 29, 2012

Supplemental Agreement No. 22	December 11, 2012
Supplemental Agreement No. 23	December 10, 2013
Supplemental Agreement No. 24	May 4, 2016
Supplemental Agreement No. 25	June 10, 2016
P.A. No. 3157	SA-37



SUPPLEMENTAL AGREEMENTS (Con't)

DATED AS OF:

Supplemental Agreement No. 26	February 10, 2017
Supplemental Agreement No. 27	October 12, 2017
Supplemental Agreement No. 28	January 28, 2018
Supplemental Agreement No. 29	February 2, 2018
Supplemental Agreement No. 30	June 18, 2018
Supplemental Agreement No. 31	September 14, 2018
Supplemental Agreement No. 32	February 28, 2020
Supplemental Agreement No. 33	December 30, 2020
Supplemental Agreement No. 34	October 13, 2021
Supplemental Agreement No. 35	December 10, 2021
Supplemental Agreement No. 36	June 1, 2022
Supplemental Agreement No. 37	P.A. No. 3157
P.A. No. 3157	SA-37



The Boeing Company

P.O. Box 3707

Seattle, WA 98124-2207

6-1162-RRO-1062R4

Federal Express Corporation

3610 Hacks Cross

Memphis TN 38125

Subject: Option Aircraft

Reference: Purchase Agreement No. 3157 (the **Purchase Agreement**) between The Boeing Company (**Boeing**) and Federal Express Corporation (**Customer**) relating to Model 777-FREIGHTER aircraft (the **Aircraft**)

This letter agreement (**Letter Agreement**) cancels and supersedes Letter Agreement No. 6-1162-RRO-1062R3 and amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement have the same meaning as in the Purchase Agreement.

Subject to the terms and conditions contained in this Letter Agreement, in addition to the Aircraft described in the Tables to the Purchase Agreement as of the date of execution of this Letter Agreement, Customer will have the option to purchase additional Model 777-FREIGHTER aircraft as option aircraft (**Option Aircraft**). The delivery months, number of aircraft, Advance Payment Base Price per



Option Aircraft and advance payment schedule are listed in the Attachment to this Letter Agreement. The Airframe Price shown includes the Engine Price.

1. Aircraft Description and Changes

1.1 Option Aircraft Description: The Option Aircraft are described by the Detail Specification listed in the Attachment.

1.2 Changes: The Detail Specification of the Option Aircraft will be D019W007FED7F-1, Rev NEW, as revised to reflect:

- (i) Changes that have been made to the Detail Specification of Customer's Aircraft under the Purchase Agreement between the date of this letter and the time of Customer's exercise of each option;
- (ii) Changes required to obtain required regulatory certificates; and
- (iii) Changes mutually agreed upon.

1.3 [*]

LA No. 6-1162-RRO-1062R4

P.A. No. 3157 (SA-37)

Option Aircraft

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BOEING PROPRIETARY

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2. Price

2.1 The pricing elements of the Option Aircraft are listed in the Attachment.

2.2 Price Adjustments.

2.2.1 Changes. The price of the Option Aircraft will be adjusted to reflect changes discussed in paragraph 1.2 above, provided that the price for changes in 1.2 (ii) are subject to the terms of Section 3.2.2 of the AGTA [*].

2.2.2 Optional Features. Unless otherwise agreed by the parties, the Option Aircraft will contain the same Optional Features shown in Exhibit A2 to the Purchase Agreement, and the price of such Optional Features is shown in the Attachment hereto.

2.2.3 Escalation Adjustments. The Airframe Price and the price of Optional Features for Option Aircraft will be escalated on the same basis as the Aircraft.

3. Payment.

3.1 [*]

3.1.1 [*]

3.1.2. Notwithstanding Section 3.1 above, Customer and Boeing agreed to revise the terms related to the Deposits for the Option Aircraft, pursuant to Letter Agreement No. FED-PA-3157-LA-2305810, entitled Revision to the Option Deposit Terms for Option Aircraft and SA-30 Option Aircraft, dated November 2, 2023.

3.2 Following option exercise, advance payments in the amounts and at the dates pursuant to the appropriate advance payment schedule as set forth in the Attachment will be payable for the Option Aircraft. The remainder of the Aircraft Price for the Option Aircraft will be paid at the time of delivery.

4. Option Exercise.

4.1 Customer may exercise an option by giving written notice to Boeing on or before the date [*] prior to the delivery dates listed in the Attachment (**Option Exercise Date**). Upon option exercise, Boeing will have the right to adjust the scheduled delivery by [*].



BOEING PROPRIETARY

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4.2 [*]

5. Contract Terms.

Boeing and Customer will use their best efforts to amend the definitive agreement to add the exercised Option Aircraft as an Aircraft within 30 days following option exercise.

6. Confidential Treatment.

Customer understands that certain commercial and financial information contained in this Letter Agreement is considered by Boeing as confidential. Customer agrees that it will treat this Letter Agreement and the information contained herein as confidential and will not, without the prior written consent of Boeing, disclose this Letter Agreement or any information contained herein to any other person or entity.

Very truly yours,

THE BOEING COMPANY

By /s/ McKenzie KuckhahnIts Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: November 9, 2023

FEDERAL EXPRESS CORPORATION

By /s/ Kevin A. BurkhartIts Vice President

Attachment

LA No. 6-1162-RRO-1062R4

Option Aircraft

P.A. No. 3157 (SA-37)

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The Boeing Company

P.O. Box 3707

Seattle, WA 98124 2207

6-1169-LKJ-0776R1

Federal Express Corporation

3131 Democrat Road

Memphis, TN 38125

Subject: SA-30 Option Aircraft

Reference: (a) Purchase Agreement No. 3157 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and Federal Express Corporation (**Customer**) relating to Model 777-FREIGHTER aircraft (Aircraft)

(b) Letter Agreement 6-1162-RRO-1066R1, Special Matters for Block B Aircraft

(c) Letter Agreement FED-PA-03712-LA-1106157, Aircraft General Terms Agreement—Amended Terms

This letter agreement (**Letter Agreement**) cancels and supersedes Letter Agreement No. 6-1169-LKJ-0776 and amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement will have the same meaning as in the Purchase Agreement.

1. Right to Purchase Option Aircraft.

Subject to the terms and conditions contained in this Letter Agreement, in addition to the Aircraft described in the Tables to the Purchase Agreement as of the date of execution of this Letter Agreement, Customer will have the option to purchase additional Model 777-FREIGHTER aircraft as option aircraft (**SA-30 Option Aircraft**).

2. Delivery.

The number of aircraft, delivery months, and the pricing elements of the SA-30 Option Aircraft are listed in the Attachment to this Letter Agreement.

3. Configuration.

3.1 Subject to the provisions of Article 3.2, below, the configuration for the Option Aircraft will be the Detail Specification for Customer's model 777-FREIGHTER aircraft, D019W007FED7F-1, Rev J dated October 17, 2017. Such Detail Specification will be revised to reflect (i) changes that have been made to the Detail Specification of Customer's 777-FREIGHTER Aircraft pursuant to the Purchase Agreement between the date of this letter and the signing of the Definitive Agreement for the exercise of the SA-30 Option Aircraft, (ii) changes required to obtain required regulatory certificates, and (iii) other changes as mutually agreed.

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BOEING PROPRIETARY



3.2 Boeing reserves the right to configure the Option Aircraft starting from a different configuration specification, provided that it can achieve the same configuration which would result pursuant to the provisions of Article 3.1.

3.3 [*]

4. Price.

4.1 The pricing elements of the Option Aircraft are listed in the Attachment.

4.2 Price Adjustments.

4.2.1 Changes. The price of the SA-30 Option Aircraft will be adjusted to reflect changes discussed in paragraph 3.1 above, provided that the price for changes in 3.1 (ii) are subject to the terms of paragraph 3.2.2 of the AGTA, as amended by the reference (c) letter agreement.

4.2.2 Optional Features. Unless otherwise agreed by the parties, the Option Aircraft will contain the same Optional Features shown in Exhibit A-5 to the Purchase Agreement, and the price of such Optional Features is shown in the Attachment hereto.

4.2.3 Escalation Adjustments. The Airframe Price and the price of Optional Features for Option Aircraft will be escalated on the same basis as the Block E Aircraft.

5. Payment.

5.1 [*]

5.1.1 Notwithstanding Section 5.1 above, Customer and Boeing agree to revise the terms related to the Option Deposit for the SA-30 Option Aircraft, pursuant to Letter Agreement No. FED-PA-3157-LA-2305810, entitled Revision to the Option Deposit Terms for Option Aircraft and SA-30 Option Aircraft, dated November 2, 2023.

5.2 Following option exercise, at Definitive Agreement for the SA-30 Option Aircraft, advance payments will be payable as specified in the Purchase Agreement. The remainder of the Aircraft Price for the SA-30 Option Aircraft will be paid at the time of delivery.

6. Option Exercise.

6.1 Customer may exercise an option by giving written notice to Boeing on or before the date [*] prior to the first day of the delivery month listed in the Attachment (**Option Exercise Date**). Upon option exercise, Boeing will have the right to adjust the scheduled delivery by [*].

6.2 [*]

6.2.1 [*]

6.2.2 [*]

6.2.3 [*]

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SA-30 Option Aircraft

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6.2.4 [*]

6.2.5 [*]

6.2.6. [*]

7. Definitive Agreement.

Following Customer's exercise of an option, the parties will use their best efforts to sign a definitive agreement for the purchase of such SA-30 Option Aircraft (**Definitive Agreement**) within thirty (30) calendar days of such exercise. The Definitive Agreement will include the provisions of the Purchase Agreement as modified to reflect the provisions of this Letter Agreement and other terms and conditions as may be agreed upon.

8. Confidentiality.

The information contained herein represents confidential business information and has value precisely because it is not available generally or to other parties. Customer will limit the disclosure of its contents to employees of Customer with a need to know the contents for purposes of helping Customer perform its obligations under the Purchase Agreement and who understand they are not to disclose its contents to any other person or entity without the prior written consent of Boeing.

6-1169-LKJ-0776R1
SA-30 Option Aircraft

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BOEING PROPRIETARY

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Very truly yours,

THE BOEING COMPANY

By /s/ McKenzie Kuckhahn
Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: November 9, 2023

FEDERAL EXPRESS CORPORATION

By /s/ Kevin A. Burkhart
Its Vice President
6-1169-LKJ-0776R1
SA-30 Option Aircraft

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BOEING PROPRIETARY

Omitted Attachments

Certain attachments to this exhibit regarding delivery and pricing of certain B777F aircraft manufactured by The Boeing Company for FedEx have been omitted pursuant to Item 601(a)(5) of Regulation S-K because the information contained therein is not material and is not otherwise publicly disclosed. FedEx will furnish supplementally copies of these attachments to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 15.1

To the Stockholders and Board of Directors of
FedEx Corporation

We are aware of the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-8 No. 333-267559) pertaining to the FedEx Corporation 2019 Omnibus Stock Incentive Plan,
- (2) Registration Statement (Form S-8 No. 333-234010) pertaining to the FedEx Corporation 2019 Omnibus Stock Incentive Plan,
- (3) Registration Statement (Form S-8 No. 333-222198) pertaining to the FedEx Corporation 2010 Omnibus Stock Incentive Plan, as amended, and the FedEx Corporation 2019 Omnibus Stock Incentive Plan,
- (4) Registration Statement (Form S-8 No. 333-192957) pertaining to the FedEx Corporation 2010 Omnibus Stock Incentive Plan,
- (5) Registration Statement (Form S-8 No. 333-171232) pertaining to the FedEx Corporation 2010 Omnibus Stock Incentive Plan,
- (6) Registration Statement (Form S-8 No. 333-45037) pertaining to the FDX Corporation Adjustment Program,
- (7) Registration Statement (Form S-8 No. 333-111399) pertaining to the FedEx Corporation Incentive Stock Plan,
- (8) Registration Statement (Form S-8 No. 333-121418) pertaining to the FedEx Corporation Incentive Stock Plan,
- (9) Registration Statement (Form S-8 No. 333-130619) pertaining to the FedEx Corporation Incentive Stock Plan,
- (10) Registration Statement (Form S-8 No. 333-156333) pertaining to the FedEx Corporation Incentive Stock Plan, and
- (11) Registration Statement (Form S-3 No. 333-273320) of FedEx Corporation and Federal Express Corporation;

of our report dated **December 19, 2023** **March 21, 2024**, relating to the unaudited condensed consolidated interim financial statements of FedEx Corporation that are included in its Form 10-Q for the quarter ended **November 30, 2023** **February 29, 2024**.

/s/ Ernst & Young LLP

Memphis, Tennessee

December 19, 2023 **March 21, 2024**

Exhibit 22

LIST OF SUBSIDIARY GUARANTORS

As of **November 30, 2023** **February 29, 2024**, each of the following subsidiaries of FedEx Corporation ("FedEx") has guaranteed each of the senior unsecured debt securities issued by FedEx listed below. FedEx owns, directly or indirectly, 100% of each guarantor subsidiary. The guarantees are (1) unsecured obligations of the respective guarantor subsidiary, (2) rank equally with all of their other unsecured and unsubordinated indebtedness, and (3) are full and unconditional and joint and several.

NAME OF GUARANTOR SUBSIDIARY	JURISDICTION OF INCORPORATION OR ORGANIZATION
Federal Express Corporation	Delaware
FedEx Ground Package System, Inc.	Delaware
FedEx Freight Corporation	Delaware
FedEx Freight, Inc.	Arkansas
FedEx Corporate Services, Inc.	Delaware
FedEx Office and Print Services, Inc.	Texas
Federal Express Europe, Inc.	Delaware
Federal Express Holdings S.A., LLC	Delaware
Federal Express International, Inc.	Delaware

SENIOR UNSECURED DEBT SECURITIES OF FEDEX GUARANTEED BY THE GUARANTOR SUBSIDIARIES⁽¹⁾

- 0.450% Notes due 2025
- 3.250% Notes due 2026
- 1.625% Notes due 2027
- 3.400% Notes due 2028
- 4.200% Notes due 2028
- 0.450% Notes due 2029
- 3.100% Notes due 2029
- 4.250% Notes due 2030
- 1.300% Notes due 2031
- 2.400% Notes due 2031
- 0.950% Notes due 2033

4.900% Notes due 2034
3.900% Notes due 2035
3.250% Notes due 2041
3.875% Notes due 2042
4.100% Notes due 2043
5.100% Notes due 2044
4.100% Notes due 2045
4.750% Notes due 2045
4.550% Notes due 2046
4.400% Notes due 2047
4.050% Notes due 2048
4.950% Notes due 2048
5.250% Notes due 2050
4.500% Notes due 2065

(1) References are to calendar years.

SUBSIDIARY ISSUERS OF GUARANTEED SECURITIES

Pass-through trusts formed by Federal Express Corporation ("FedEx Express"), a Delaware corporation and wholly owned subsidiary of FedEx, offer for sale pass-through certificates of FedEx Express. Each pass-through certificate represents an interest in a pass-through trust. The property of the pass-through trust includes equipment notes issued by FedEx Express. FedEx fully and unconditionally guarantees the payment obligations due on the equipment notes underlying the pass-through certificates offered for sale by FedEx Express.

FedEx Express issued Pass-Through Certificates, Series 2020-1AA with a fixed interest rate of 1.875% due February 2034 utilizing pass-through trusts.

EXHIBIT 31.1

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Rajesh Subramaniam, certify that:

1. I have reviewed this quarterly report on Form 10-Q of FedEx Corporation (the "Registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act R 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **December 19, 2023** **March 21, 2024**

/s/ Rajesh Subramaniam

Rajesh Subramaniam

President and Chief Executive Officer

EXHIBIT 31.2

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, John W. Dietrich, certify that:

1. I have reviewed this quarterly report on Form 10-Q of FedEx Corporation (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act R 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to

provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **December 19, 2023** **March 21, 2024**

/s/ John W. Dietrich

John W. Dietrich

Executive Vice President and

Chief Financial Officer

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EXHIBIT 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of FedEx Corporation ("FedEx") on Form 10-Q for the period ended **November 30, 2023** **February 29, 2024** as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Rajesh Subramaniam, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of FedEx.

Date: **December 19, 2023** **March 21, 2024**

/s/ Rajesh Subramaniam

Rajesh Subramaniam

President and Chief Executive Officer

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**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of FedEx Corporation ("FedEx") on Form 10-Q for the period ended **November 30, 2023** **February 29, 2024** as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John W. Dietrich, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of FedEx.

Date: **December 19, 2023** **March 21, 2024**

/s/ John W. Dietrich

John W. Dietrich

Executive Vice President and

Chief Financial Officer

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