

**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, 2022

☐ **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

*(State or other jurisdiction of
incorporation or organization)*

942 South Shady Grove Road, Memphis, Tennessee

(Address of principal executive offices)

62-1721435

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

38120

(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
Common Stock, par value \$0.10 per share

Outstanding Shares at December 16, 2022
252,397,140

FEDEX CORPORATION

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FEDEX CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(IN MILLIONS)

	November 30, 2022 (Unaudited)	May 31, 2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,646	\$ 6,897
Receivables, less allowances of \$766 and \$692	11,644	11,863
Spare parts, supplies, and fuel, less allowances of \$365 and \$360	655	637
Prepaid expenses and other	1,272	968
Total current assets	18,217	20,365
PROPERTY AND EQUIPMENT, AT COST		
Less accumulated depreciation and amortization	78,532	75,275
Net property and equipment	38,811	37,184
OTHER LONG-TERM ASSETS		
Operating lease right-of-use assets, net	39,721	38,091
Goodwill	17,373	16,613
Other assets	6,377	6,544
Total other long-term assets	3,903	4,381
	27,653	27,538
	<u>\$ 85,591</u>	<u>\$ 85,994</u>

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

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

	November 30, 2022 (Unaudited)	May 31, 2022
LIABILITIES AND COMMON STOCKHOLDERS' INVESTMENT		
CURRENT LIABILITIES		
Current portion of long-term debt	\$ 172	\$ 82
Accrued salaries and employee benefits	2,420	2,531
Accounts payable	3,989	4,030
Operating lease liabilities	2,498	2,443
Accrued expenses	4,960	5,188
Total current liabilities	14,039	14,274
LONG-TERM DEBT, LESS CURRENT PORTION	20,076	20,182
OTHER LONG-TERM LIABILITIES		
Deferred income taxes	4,188	4,093
Pension, postretirement healthcare, and other benefit obligations	4,115	4,448
Self-insurance accruals	3,106	2,889
Operating lease liabilities	15,290	14,487
Other liabilities	662	682
Total other long-term liabilities	27,361	26,599
COMMITMENTS AND CONTINGENCIES		
COMMON STOCKHOLDERS' INVESTMENT		
Common stock, \$0.10 par value; 800 million shares authorized; 318 million shares issued as of November 30, 2022 and May 31, 2022	32	32
Additional paid-in capital	3,487	3,712
Retained earnings	33,557	32,782
Accumulated other comprehensive loss	(1,385)	(1,103)
Treasury stock, at cost	(11,576)	(10,484)
Total common stockholders' investment	24,115	24,939
	<u>\$ 85,591</u>	<u>\$ 85,994</u>

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

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

	Three Months Ended November 30,		Six Months Ended November 30,	
	2022	2021	2022	2021
REVENUE	\$ 22,814	\$ 23,474	\$ 46,056	\$ 45,477
OPERATING EXPENSES:				
Salaries and employee benefits	7,792	8,135	15,651	15,911
Purchased transportation	5,665	6,241	11,432	11,900
Rentals and landing fees	1,195	1,177	2,354	2,310
Depreciation and amortization	1,046	995	2,070	1,966
Fuel	1,593	1,145	3,415	2,154
Maintenance and repairs	882	839	1,786	1,708
Business realignment and optimization costs	36	44	74	111
Other	3,429	3,301	6,907	6,422
	21,638	21,877	43,689	42,482
OPERATING INCOME	1,176	1,597	2,367	2,995
OTHER (EXPENSE) INCOME:				
Interest, net	(127)	(155)	(269)	(315)
Other retirement plans, net	101	(47)	202	169
Other, net	(91)	(15)	(87)	(12)
	(117)	(217)	(154)	(158)
INCOME BEFORE INCOME TAXES	1,059	1,380	2,213	2,837
PROVISION FOR INCOME TAXES	271	336	550	681
NET INCOME	\$ 788	\$ 1,044	\$ 1,663	\$ 2,156
EARNINGS PER COMMON SHARE:				
Basic	\$ 3.08	\$ 3.94	\$ 6.46	\$ 8.11
Diluted	\$ 3.07	\$ 3.88	\$ 6.41	\$ 7.97
DIVIDENDS DECLARED PER COMMON SHARE	\$ 1.15	\$ 0.75	\$ 3.45	\$ 2.25

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

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

	Three Months Ended November 30,		Six Months Ended November 30,	
	2022	2021	2022	2021
NET INCOME	\$ 788	\$ 1,044	\$ 1,663	\$ 2,156
OTHER COMPREHENSIVE INCOME (LOSS):				
Foreign currency translation adjustments, net of tax benefit of \$9 and \$27 in 2022 and \$4 and \$4 in 2021	(70)	(94)	(279)	(241)
Amortization of prior service credit, net of tax benefit of \$1 and \$1 in 2022 and \$1 and \$1 in 2021	(1)	(2)	(3)	(4)
	(71)	(96)	(282)	(245)
COMPREHENSIVE INCOME	\$ 717	\$ 948	\$ 1,381	\$ 1,911

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 November 30,	
	2022	2021
Operating Activities:		
Net income	\$ 1,663	\$ 2,156
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	2,070	1,966
Provision for uncollectible accounts	425	211
Stock-based compensation	108	112
Retirement plans mark-to-market adjustments	—	260
Other noncash items including leases and deferred income taxes	1,589	1,713
Business realignment and optimization costs/(payments), net	(40)	55
Changes in assets and liabilities:		
Receivables	(512)	(519)
Other assets	(214)	(236)
Accounts payable and other liabilities	(1,994)	(1,582)
Other, net	30	(54)
Cash provided by operating activities	3,125	4,082
Investing Activities:		
Capital expenditures	(3,142)	(3,143)
Purchase of investments	(78)	—
Proceeds from asset dispositions and other	20	31
Cash used in investing activities	(3,200)	(3,112)
Financing Activities:		
Principal payments on debt	(32)	(72)
Proceeds from stock issuances	89	111
Dividends paid	(598)	(400)
Purchase of treasury stock	(1,500)	(748)
Other, net	1	—
Cash used in financing activities	(2,040)	(1,109)
Effect of exchange rate changes on cash	(136)	(115)
Net decrease in cash and cash equivalents	(2,251)	(254)
Cash and cash equivalents at beginning of period	6,897	7,087
Cash and cash equivalents at end of period	\$ 4,646	\$ 6,833

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 November 30,		Six Months Ended November 30,	
	2022	2021	2022	2021
Common Stock				
Beginning Balance	\$ 32	\$ 32	\$ 32	\$ 32
Ending Balance	32	32	32	32
Additional Paid-in Capital				
Beginning Balance	3,751	3,610	3,712	3,481
Accelerated share repurchase (See Note 1)	(300)	—	(300)	—
Employee incentive plans and other	36	43	75	172
Ending Balance	3,487	3,653	3,487	3,653
Retained Earnings				
Beginning Balance	33,060	30,462	32,782	29,817
Net Income	788	1,044	1,663	2,156
Cash dividends declared (\$1.15, \$0.75, \$3.45, and \$2.25 per share)	(291)	(198)	(888)	(598)
Employee incentive plans and other	—	(1)	—	(68)
Ending Balance	33,557	31,307	33,557	31,307
Accumulated Other Comprehensive Loss				
Beginning Balance	(1,314)	(881)	(1,103)	(732)
Other comprehensive income, net of tax benefit of \$10, \$5, \$28, and \$5	(71)	(96)	(282)	(245)
Ending Balance	(1,385)	(977)	(1,385)	(977)
Treasury Stock				
Beginning Balance	(10,389)	(8,902)	(10,484)	(8,430)
Purchase of treasury stock (7.9, 0.9, 7.9, and 2.8 million shares)	(1,200)	(199)	(1,200)	(748)
Employee incentive plans and other (0.1, 0.2, 0.8, and 0.8 million shares)	13	26	108	103
Ending Balance	(11,576)	(9,075)	(11,576)	(9,075)
Total Common Stockholders' Investment Balance	<u>\$ 24,115</u>	<u>\$ 24,940</u>	<u>\$ 24,115</u>	<u>\$ 24,940</u>

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

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 year ended May 31, 2022 (“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, 2022, and the results of our operations for the three- and six-month periods ended November 30, 2022 and 2021, cash flows for the six-month periods ended November 30, 2022 and 2021, and changes in common stockholders’ investment for the three- and six-month periods ended November 30, 2022 and 2021. Operating results for the three- and six-month periods ended November 30, 2022 are not necessarily indicative of the results that may be expected for the year ending May 31, 2023.

Except as otherwise specified, references to years indicate our fiscal year ending May 31, 2023 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 \$883 million and \$861 million at November 30, 2022 and May 31, 2022, respectively. Contract assets net of deferred unearned revenue were \$655 million and \$623 million at November 30, 2022 and May 31, 2022, 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 \$15 million and \$8 million at November 30, 2022 and May 31, 2022, respectively. Contract liabilities are included within current liabilities in the accompanying unaudited condensed consolidated balance sheets.

Disaggregation of Revenue

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

	Three Months Ended		Six Months Ended	
	2022	2021	2022	2021
REVENUE BY SERVICE TYPE				
FedEx Express segment:				
Package:				
U.S. overnight box	\$ 2,237	\$ 2,249	\$ 4,553	\$ 4,419
U.S. overnight envelope	474	474	999	956
U.S. deferred	1,253	1,307	2,540	2,538
Total U.S. domestic package revenue	3,964	4,030	8,092	7,913
International priority	2,823	3,107	5,720	5,946
International economy	711	706	1,418	1,375
Total international export package revenue	3,534	3,813	7,138	7,321
International domestic ⁽¹⁾	1,036	1,147	2,010	2,261
Total package revenue	8,534	8,990	17,240	17,495
Freight:				
U.S.	784	775	1,580	1,550
International priority	811	994	1,699	1,867
International economy	388	438	765	852
International airfreight	39	47	80	94
Total freight revenue	2,022	2,254	4,124	4,363
Other	308	361	627	713
Total FedEx Express segment	10,864	11,605	21,991	22,571
FedEx Ground segment	8,393	8,264	16,553	15,941
FedEx Freight segment	2,454	2,272	5,177	4,523
FedEx Services segment	68	77	138	112
Other and eliminations ⁽²⁾	1,035	1,256	2,197	2,330
	\$ 22,814	\$ 23,474	\$ 46,056	\$ 45,477

(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. (including ShopRunner, 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 employed under a collective bargaining agreement that took effect on November 2, 2015, and became amendable in November 2021. Bargaining for a successor agreement began in May 2021 and continues. In November 2022, the National Mediation Board ("NMB") began actively mediating the negotiations. The NMB is the U.S. governmental agency that oversees labor agreements for entities covered by the Railway Labor Act of 1926, as amended. The conduct of mediated negotiations has no impact on our operations. A small number of our other employees are members of unions.

STOCK-BASED COMPENSATION. We have two types of equity-based compensation: stock options and restricted stock. The key terms of the stock option and restricted stock awards granted under our outstanding incentive stock plans and all financial disclosures about these programs are set forth in our Annual Report.

Our stock-based compensation expense was \$40 million for the three-month period ended November 30, 2022 and \$108 million for the six-month period ended November 30, 2022. Our stock-based compensation expense was \$43 million for the three-month period ended November 30, 2021 and \$112 million for the six-month period ended November 30, 2021. Due to its immateriality, additional disclosures related to stock-based compensation have been excluded from this quarterly report.

BUSINESS REALIGNMENT AND OPTIMIZATION COSTS. In 2021, FedEx Express announced a workforce reduction plan in Europe related to the network integration of TNT Express. The plan affects approximately 5,000 employees in Europe across operational teams and back-office functions. The execution of the plan is subject to a works council consultation process that will occur through 2023 in accordance with local country processes and regulations.

No business realignment costs were incurred in the second quarter of 2023. We incurred costs associated with our business realignment activities of \$14 million (\$11 million, net of tax, or \$0.04 per diluted share) in the first half of 2023. We incurred costs associated with our business realignment activities of \$44 million (\$34 million, net of tax, or \$0.13 per diluted share) in the second quarter and \$111 million (\$85 million, net of tax, or \$0.31 per diluted share) in the first half of 2022. These costs are related to certain employee severance arrangements. Payments under this program totaled approximately \$38 million in the second quarter and \$84 million in the first half of 2023. We expect the pre-tax cost of our business realignment activities to be approximately \$415 million through 2023. The actual amount and timing of business realignment costs and related cost savings resulting from the workforce reduction plan are dependent on local country consultation processes and regulations and negotiated social plans and may differ from our current expectation and estimates.

In the first 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 and lower our overhead and support costs. At FedEx Express, we plan to restructure the air network, optimize sorts and surface linehaul, drive efficiencies in Europe, and harmonize the global clearance process to lower costs. At FedEx Ground Package System, Inc. ("FedEx Ground"), we are transforming our pickup-and-delivery, package sortation, and transportation operations through enhanced planning tools, advanced data analytics, and increased focus on investment returns in order to drive efficiency improvements. Additionally, we plan to transform our back-office operations through automation, modernizing our infrastructure and further consolidating the shared-services functions, resulting in procurement and other cost savings from shared and allocated overhead expenses. The DRIVE program will also facilitate the achievement of Network 2.0, a plan to consolidate sortation facilities and equipment, reduce pickup-and-delivery routes, and optimize our enterprise linehaul networks by moving beyond discrete collaboration to an end-to-end optimized network.

We incurred costs associated with our business optimization activities, including idling our operations in Russia, of \$36 million (\$27 million, net of tax, or \$0.11 per diluted share) in the second quarter and \$60 million (\$46 million, net of tax, or \$0.18 per diluted share) in the first half of 2023. These costs are primarily related to consulting services and are included in Corporate, other, and eliminations and FedEx Express.

For additional information about the business realignment and optimization costs, see the section titled "Business Realignment and Optimization Costs" included in Item 2 of this Form 10-Q ("Management's Discussion and Analysis of Results of Operations and Financial Condition").

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, 2022, we had €120 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, 2022, the hedge remains effective.

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.

New Accounting Standards and Accounting Standards Not Yet Adopted

In March 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-04, Reference Rate Reform (Topic 848), which provides 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 amendments 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 guidance was effective upon issuance and can generally be applied through December 31, 2022. 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, 2022, we continue to monitor our contracts and transactions for potential application of this ASU.

In November 2021, the FASB issued ASU 2021-10, Government Assistance (Topic 832), which requires annual disclosures that increase the transparency of transactions involving government grants, including (1) the types of transactions, (2) the accounting for those transactions, and (3) the effect of those transactions on an entity's financial statements. The adoption of this standard did not have a material effect on our consolidated financial statements and related disclosures.

In June 2022, the FASB issued ASU 2022-03, Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions, which clarifies the guidance of measuring the fair value of equity securities subject to contractual restrictions that prohibit the sale of the equity securities. Our historical accounting is consistent with these clarifications. We early adopted this standard effective September 1, 2022. The adoption of this standard did not have an effect on our consolidated financial statements and related disclosures.

In September 2022, the FASB issued 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. The changes will be effective June 1, 2023 (fiscal 2024). We are assessing the effect of this new standard on our consolidated financial statements.

EQUITY 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.

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.

As of November 30, 2022, these investments were not material to our financial position or results of operations.

TREASURY SHARES. In December 2021, our Board of Directors authorized a new stock repurchase program of up to \$5 billion of FedEx common stock. As part of the repurchase program, we entered into an accelerated share repurchase ("ASR") agreement with a bank in October 2022 to repurchase an aggregate of \$1.5 billion of our common stock.

During the second quarter of 2023, 7.9 million shares were delivered under the ASR agreement, which represented approximately 80% of the total number of shares to be delivered. The final number of shares will be delivered upon settlement of the ASR agreement in December 2022 and will be 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. The 7.9 million shares delivered under the ASR agreement were the only shares of FedEx common stock we repurchased during the second quarter of 2023. The amount of the purchase price related to the shares to be delivered in December 2022 was accounted for as a reduction to additional paid-in capital in the accompanying consolidated statement of stockholders' investment for the three-month and six-month periods ended November 30, 2022.

During the six months ended November 30, 2022, we repurchased 7.9 million shares of FedEx common stock at an average of \$151.46 per share for a total of \$1.2 billion. As of November 30, 2022, approximately \$2.6 billion remained available to use for repurchases under the program.

Shares under the repurchase program 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, and the program may be suspended or discontinued at any time.

DIVIDENDS DECLARED PER COMMON SHARE. On November 18, 2022, our Board of Directors declared a quarterly dividend of \$1.15 per share of common stock. The dividend will be paid on January 3, 2023 to stockholders of record as of the close of business on December 12, 2022. 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 forecasted 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 \$180 million for the three-month period ended November 30, 2022 and \$425 million for the six-month period ended November 30, 2022. Credit losses were \$94 million for the three-month period ended November 30, 2021 and \$211 million for the six-month period ended November 30, 2021. Our allowance for credit losses was \$435 million at November 30, 2022 and \$340 million at May 31, 2022.

(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 periods ended November 30 (in millions; amounts in parentheses indicate debits to AOCI):

	Three Months Ended		Six Months Ended	
	2022	2021	2022	2021
Foreign currency translation loss:				
Balance at beginning of period	\$ (1,357)	\$ (932)	\$ (1,148)	\$ (785)
Translation adjustments	(70)	(94)	(279)	(241)
Balance at end of period	(1,427)	(1,026)	(1,427)	(1,026)
Retirement plans adjustments:				
Balance at beginning of period	43	51	45	53
Reclassifications from AOCI	(1)	(2)	(3)	(4)
Balance at end of period	42	49	42	49
Accumulated other comprehensive (loss) at end of period	\$ (1,385)	\$ (977)	\$ (1,385)	\$ (977)

The following table presents details of the reclassifications from AOCI for the periods ended November 30 (in millions; amounts in parentheses indicate debits to earnings):

	Amount Reclassified from AOCI				Affected Line Item in the Income Statement
	Three Months Ended		Six Months Ended		
	2022	2021	2022	2021	
Amortization of retirement plans prior service credits, before tax	\$ 2	\$ 3	\$ 4	\$ 5	Other retirement plans, net
Income tax benefit	(1)	(1)	(1)	(1)	Provision for income taxes
AOCI reclassifications, net of tax	\$ 1	\$ 2	\$ 3	\$ 4	Net income

(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 \$1.8 billion at November 30, 2022. The payment obligations of FedEx Express in respect of the Certificates are fully and unconditionally guaranteed by FedEx. FedEx Express is using the proceeds from the issuance for general corporate purposes.

We have a \$2.0 billion five-year credit agreement (the “Five-Year Credit Agreement”) and a \$1.5 billion three-year credit agreement (the “Three-Year Credit Agreement”) and together with the Five-Year Credit Agreement, the “Credit Agreements”). The Five-Year Credit Agreement expires in March 2026 and includes 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, 2022, no commercial paper was outstanding, and we had \$250 million of the letter of credit sublimit unused under the Five-Year Credit Agreement. Outstanding commercial paper reduces the amount available to borrow under the Credit Agreements.

Our Credit Agreements contain a financial covenant requiring us to maintain a ratio of debt to consolidated earnings (excluding noncash retirement plans mark-to-market (“MTM”) 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 1.93 to 1.0 at November 30, 2022.

The financial covenant discussed above is the only significant restrictive covenant in the Credit Agreements. The 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 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 Credit Agreements, our access to financing could become limited.

Long-term debt, including current maturities and exclusive of finance leases, had carrying values of \$19.7 billion at November 30, 2022 and \$19.8 billion at May 31, 2022, compared with estimated fair values of \$17.1 billion at November 30, 2022 and \$18.8 billion at May 31, 2022. The annualized weighted-average interest rate on long-term debt was 3.5% at November 30, 2022. 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 was as follows (in millions, except per share amounts):

	Three Months Ended		Six Months Ended	
	2022	2021	2022	2021
Basic earnings per common share:				
Net earnings allocable to common shares ⁽¹⁾	\$ 786	\$ 1,042	\$ 1,660	\$ 2,152
Weighted-average common shares	255	265	257	265
Basic earnings per common share	<u>\$ 3.08</u>	<u>\$ 3.94</u>	<u>\$ 6.46</u>	<u>\$ 8.11</u>
Diluted earnings per common share:				
Net earnings allocable to common shares ⁽¹⁾	\$ 786	\$ 1,042	\$ 1,660	\$ 2,152
Weighted-average common shares	255	265	257	265
Dilutive effect of share-based awards	1	3	2	5
Weighted-average diluted shares	256	268	259	270
Diluted earnings per common share	<u>\$ 3.07</u>	<u>\$ 3.88</u>	<u>\$ 6.41</u>	<u>\$ 7.97</u>
Anti-dilutive options excluded from diluted earnings per common share	9.5	4.2	7.6	3.5

⁽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.

Our retirement plans costs for the periods ended November 30 were as follows (in millions):

	Three Months Ended		Six Months Ended	
	2022	2021	2022	2021
Defined benefit pension plans, net	\$ 58	\$ (2)	\$ 117	\$ (5)
Defined contribution plans	228	171	472	351
Postretirement healthcare plans	23	23	46	45
Retirement plans MTM net loss	—	260	—	260
	<u>\$ 309</u>	<u>\$ 452</u>	<u>\$ 635</u>	<u>\$ 651</u>

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

	Three Months Ended					
	U.S. Pension Plans		International Pension Plans		Postretirement Healthcare Plans	
	2022	2021	2022	2021	2022	2021
Service cost	\$ 163	\$ 208	\$ 10	\$ 14	\$ 9	\$ 12
Other retirement plans expense (income):						
Interest cost	305	255	8	7	14	11
Expected return on plan assets	(422)	(477)	(4)	(6)	—	—
Amortization of prior service credit and other	(2)	(2)	—	(1)	—	—
MTM net loss	—	36	—	224	—	—
	<u>(119)</u>	<u>(188)</u>	<u>4</u>	<u>224</u>	<u>14</u>	<u>11</u>
	<u>\$ 44</u>	<u>\$ 20</u>	<u>\$ 14</u>	<u>\$ 238</u>	<u>\$ 23</u>	<u>\$ 23</u>

	Six Months Ended					
	U.S. Pension Plans		International Pension Plans		Postretirement Healthcare Plans	
	2022	2021	2022	2021	2022	2021
Service cost	\$ 326	\$ 416	\$ 21	\$ 29	\$ 18	\$ 24
Other retirement plans expense (income):						
Interest cost	609	511	17	19	28	21
Expected return on plan assets	(844)	(955)	(8)	(20)	—	—
Amortization of prior service credit and other	(4)	(4)	—	(1)	—	—
MTM net loss	—	36	—	224	—	—
	<u>(239)</u>	<u>(412)</u>	<u>9</u>	<u>222</u>	<u>28</u>	<u>21</u>
	<u>\$ 87</u>	<u>\$ 4</u>	<u>\$ 30</u>	<u>\$ 251</u>	<u>\$ 46</u>	<u>\$ 45</u>

For 2023, no pension contributions are required for our tax-qualified U.S. domestic pension plans (“U.S. Pension Plans”) as they are fully funded under the Employee Retirement Income Security Act. We made voluntary contributions to our U.S. Pension Plans of \$400 million during the first half of 2023.

In the second quarter of 2022, we incurred a pre-tax, noncash MTM net loss of \$36 million related to the U.S. FedEx Freight Pension Plan. During the second quarter of 2022, 21% of FedEx Freight Corporation (“FedEx Freight”) employees elected to move from a pension/401(k) benefit structure to a new 401(k)-only structure with a higher company match effective January 1, 2022. The \$36 million net loss consisted of a \$75 million MTM loss due to a lower discount rate, partially offset by a \$39 million curtailment gain.

We incurred an additional pre-tax, noncash MTM net loss of \$224 million in the second quarter of 2022 related to the termination of the TNT Express Netherlands Pension Plan. Effective October 1, 2021, the responsibility of all pension assets and liabilities of this plan was transferred to a separate, multi-employer pension plan.

(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 under the respected FedEx brand. 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, 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 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)

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.

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 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 are 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.

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 (in millions):

	Three Months Ended		Six Months Ended	
	2022	2021	2022	2021
Revenue:				
FedEx Express segment	\$ 10,864	\$ 11,605	\$ 21,991	\$ 22,571
FedEx Ground segment	8,393	8,264	16,553	15,941
FedEx Freight segment	2,454	2,272	5,177	4,523
FedEx Services segment	68	77	138	112
Other and eliminations	1,035	1,256	2,197	2,330
	<u>\$ 22,814</u>	<u>\$ 23,474</u>	<u>\$ 46,056</u>	<u>\$ 45,477</u>
Operating income (loss):				
FedEx Express segment	\$ 341	\$ 949	\$ 515	\$ 1,516
FedEx Ground segment	598	481	1,292	1,152
FedEx Freight segment	440	334	1,091	724
Corporate, other, and eliminations	(203)	(167)	(531)	(397)
	<u>\$ 1,176</u>	<u>\$ 1,597</u>	<u>\$ 2,367</u>	<u>\$ 2,995</u>

(8) Commitments

As of November 30, 2022, our purchase commitments under various contracts for the remainder of 2023 and annually thereafter were as follows (in millions):

	Aircraft and Related	Other ⁽¹⁾	Total
2023 (remainder)	\$ 957	\$ 465	\$ 1,422
2024	1,990	744	2,734
2025	1,436	529	1,965
2026	396	451	847
2027	302	180	482
Thereafter	1,925	141	2,066
Total	<u>\$ 7,006</u>	<u>\$ 2,510</u>	<u>\$ 9,516</u>

⁽¹⁾ Primarily equipment and advertising contracts.

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.

As of November 30, 2022, we had \$770 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, 2022 with the year of expected delivery:

	Cessna SkyCourier 408	ATR 72-600F	B767F	B777F	Total
2023 (remainder)	7	7	5	—	19
2024	12	6	14	4	36
2025	12	6	10	2	30
2026	14	1	—	—	15
2027	—	—	—	—	—
Thereafter	—	—	—	—	—
Total	45	20	29	6	100

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, 2022 is as follows (in millions):

	Aircraft and Related Equipment	Facilities and Other	Total Operating Leases	Finance Leases	Total Leases
2023 (remainder)	\$ 86	\$ 1,349	\$ 1,435	\$ 98	\$ 1,533
2024	107	2,762	2,869	79	2,948
2025	82	2,484	2,566	31	2,597
2026	79	2,210	2,289	30	2,319
2027	79	1,944	2,023	21	2,044
Thereafter	166	9,198	9,364	669	10,033
Total lease payments	599	19,947	20,546	928	21,474
Less imputed interest	(44)	(2,714)	(2,758)	(348)	(3,106)
Present value of lease liability	\$ 555	\$ 17,233	\$ 17,788	\$ 580	\$ 18,368

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, 2022, 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 \$2.8 billion that will commence when FedEx gains beneficial access to the leased asset. Commencement dates are expected to be from 2023 to 2024.

(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 wage payments 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.

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, on October 25, 2022, the jury found in favor of FedEx Services on the race discrimination claims but awarded the plaintiff compensatory damages of \$1.16 million and punitive damages of \$365 million for the retaliation claims. FedEx disagrees with the verdict. FedEx Services will ask the trial judge to enter judgment for the company notwithstanding the verdict or to reduce the damages, and will appeal the verdict if necessary.

FedEx expects the jury's award to be reduced based on the United States Supreme Court's ruling in *State Farm v. Campbell* that, with the exception of limited instances, awards for punitive damages should be no greater than a single-digit multiple of related awards for compensatory damages, with a multiple closer to one appropriate where compensatory damages are substantial. FedEx believes ultimate compensatory and punitive damages and pre- and post-judgment interest up to \$75 million will be covered by insurance, subject to a retention of up to \$10 million. An immaterial loss reserve 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. Given the early stage of the litigation, we cannot estimate the amount or range of loss, if any; however, it is reasonably possible that it could be material.

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 periods ended November 30 was as follows (in millions):

	2022	2021
Cash payments for:		
Interest (net of capitalized interest)	\$ 333	\$ 330
Income taxes	\$ 638	\$ 474
Income tax refunds received	(48)	(177)
Cash tax payments, net	\$ 590	\$ 297

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, 2022, the related condensed consolidated statements of income, comprehensive income and changes in common stockholders' investment for the three- and six-month periods ended November 30, 2022 and 2021, the condensed consolidated statements of cash flows for the six-month periods ended November 30, 2022 and 2021, 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, 2022, 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 18, 2022, 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, 2022 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 20, 2022

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, 2022 ("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 through companies competing collectively, operating collaboratively, and innovating digitally under the respected FedEx brand. 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, 2023 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 impact 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 – Outlook" and "Results of Operations – Consolidated Results – 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 growth of global trade. Our results for the second quarter and first half of 2023 were adversely impacted by global volume softness due to weakening economic conditions.

COVID-19 Pandemic

The coronavirus (“COVID-19”) pandemic has had varying impacts on the demand for our services and our business operations. The COVID-19 pandemic continued to disrupt our business in the second quarter of 2023, particularly within areas of Asia as lockdowns persisted and contributed to supply chain disruptions (discussed below).

Inflation and Interest Rates

Global inflation is well above normal and historical levels, impacting all areas of our business. Additionally, global interest rates are rising in an effort to curb inflation. We are experiencing a decline in demand for our transportation services as inflation and interest rate increases are negatively affecting consumer and business spending. Additionally, we are experiencing higher costs to serve through higher fuel prices, wage rates, purchased transportation costs, and other direct operating expenses such as operational supplies. We expect inflation and high interest rates to continue to negatively affect our results of operations for the remainder of 2023.

Supply Chain

Global supply chain disruptions continued to affect the economy in the second quarter of 2023, including the availability and cost of labor, as well as the supply of industrial goods. As a result, we experienced higher labor rates and purchased transportation costs, as well as delayed capital expenditures due to the availability of vehicles, trailers, and other package handling equipment.

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. While fuel expense increased during the second quarter and first half of 2023 compared to the second quarter and first half of 2022 due to higher fuel prices, we were able to offset higher prices through yield management actions.

Geopolitical Conflicts

Given the nature of our business and our global operations, geopolitical conflicts may adversely affect our business and results of operations. The conflict between Russia and Ukraine that began in February 2022 continues as of the date of this quarterly report. The safety of our team members in Ukraine is our top priority. As we focus on the safety of our team members, we have suspended all services in Ukraine and Belarus. We also temporarily idled our operations in Russia and reduced our presence to the minimum required for purposes of maintaining a legal presence with active transport licenses. As a result, we incurred an immaterial amount of severance and other related expenses in the second quarter of 2023, which is included in business optimization expenses at FedEx Express. While we do not expect this conflict to have a direct material impact on our business or results of operations, the broader consequences are adversely affecting the global economy and fuel prices generally and may also have the effect of heightening other risks disclosed in our Annual Report. See “Results of Operations – Consolidated Results – Business Realignment and Optimization Costs” below for additional information.

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 facility services and cargo handling, temporary labor, and security), insurance, professional fees, operational supplies, and bad debt.

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:

	Three Months Ended		Percent Change	Six Months Ended		Percent Change
	2022	2021		2022	2021	
Revenue	\$ 22,814	\$ 23,474	(3)	\$ 46,056	\$ 45,477	1
Operating income (loss):						
FedEx Express segment	341	949	(64)	515	1,516	(66)
FedEx Ground segment	598	481	24	1,292	1,152	12
FedEx Freight segment	440	334	32	1,091	724	51
Corporate, other, and eliminations	(203)	(167)	(22)	(531)	(397)	(34)
Consolidated operating income	1,176	1,597	(26)	2,367	2,995	(21)
Operating margin:						
FedEx Express segment	3.1 %	8.2 %	(510) bp	2.3 %	6.7 %	(440) bp
FedEx Ground segment	7.1 %	5.8 %	130 bp	7.8 %	7.2 %	60 bp
FedEx Freight segment	17.9 %	14.7 %	320 bp	21.1 %	16.0 %	510 bp
Consolidated operating margin	5.2 %	6.8 %	(160) bp	5.1 %	6.6 %	(150) bp
Consolidated net income	\$ 788	\$ 1,044	(25)	\$ 1,663	\$ 2,156	(23)
Diluted earnings per share	\$ 3.07	\$ 3.88	(21)	\$ 6.41	\$ 7.97	(20)

	Change in Revenue		Change in Operating Results	
	Three Months Ended	Six Months Ended	Three Months Ended	Six Months Ended
FedEx Express segment	\$ (741)	\$ (580)	\$ (608)	\$ (1,001)
FedEx Ground segment	129	612	117	140
FedEx Freight segment	182	654	106	367
FedEx Services segment	(9)	26	—	—
Corporate, other, and eliminations	(221)	(133)	(36)	(134)
	\$ (660)	\$ 579	\$ (421)	\$ (628)

Overview

Our results for the second quarter of 2023 continued to be negatively impacted by macroeconomic conditions, including inflation well above normal and historical levels, and rising global interest rates. Additionally, our results were negatively affected by service challenges at FedEx Express. In response to market conditions, we continued implementing cost control actions and focusing on yield improvement and revenue quality to mitigate the effect of volume declines. These cost control actions included reducing flight frequencies, temporarily parking aircraft, temporarily delaying certain wage adjustments, consolidating sorts, and reducing select Sunday operations. Yield improvements, including fuel surcharge increases, more than offset the decline in volume, resulting in an increase in revenue for the first half of 2023.

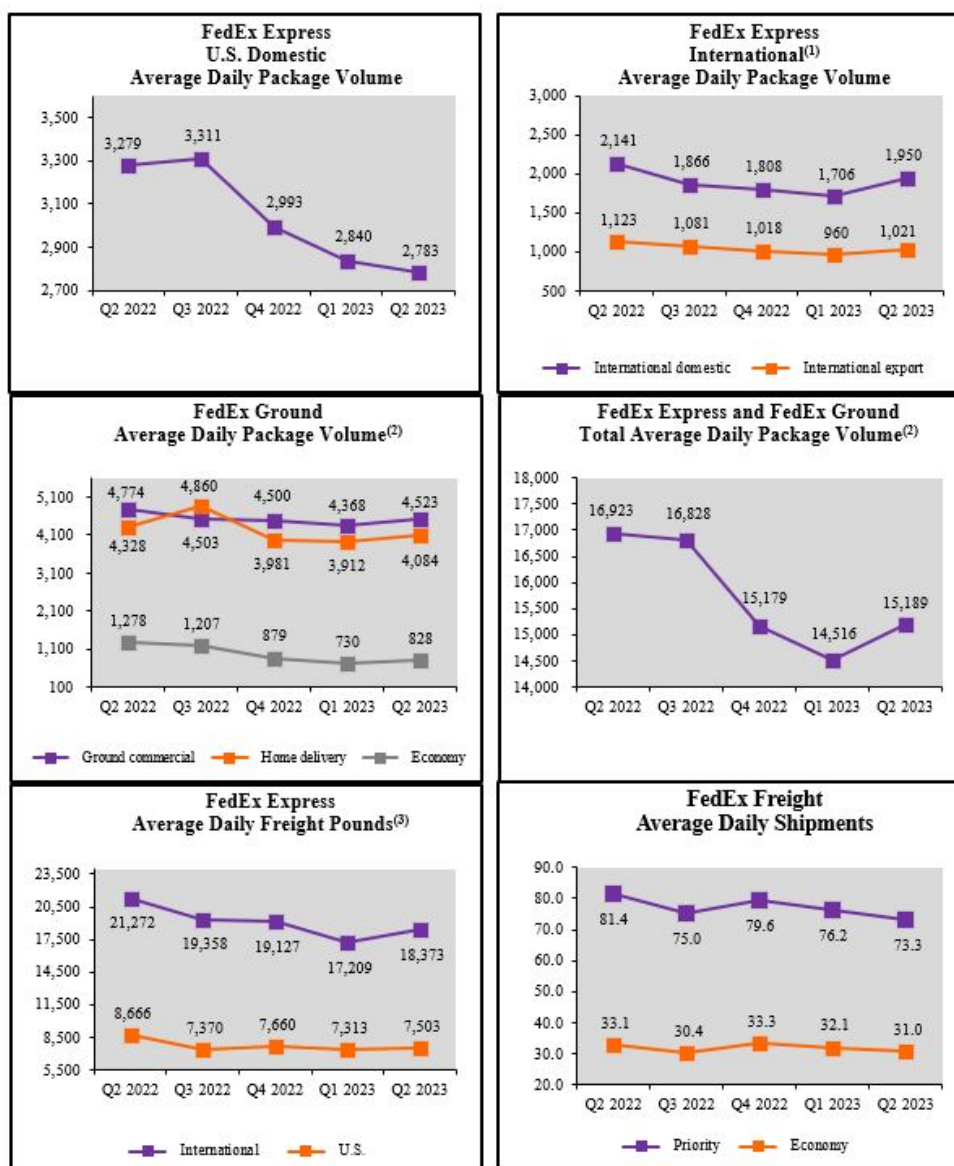
No business realignment costs were incurred in the second quarter of 2023. Operating income includes business realignment costs of \$14 million (\$11 million, net of tax, or \$0.04 per diluted share) in the first half of 2023 associated with our workforce reduction plan in Europe previously announced in 2021. We recognized \$44 million (\$34 million, net of tax, or \$0.13 per diluted share) of costs in the second quarter of 2022 and \$111 million (\$85 million, net of tax, or \$0.31 per diluted share) in the first half of 2022 under this program. Operating income also includes \$36 million (\$27 million, net of tax, or \$0.11 per diluted share) in the second quarter and \$60 million (\$46 million, net of tax, or \$0.18 per diluted share) in the first half of 2023, associated with our business optimization strategy announced in 2023, which includes idling our operations in Russia. See the “Business Realignment and Optimization Costs” section of this MD&A for more information.

Operating income included TNT Express integration expenses of \$34 million (\$26 million, net of tax, or \$0.10 per diluted share) in the second quarter and \$63 million (\$49 million, net of tax, or \$0.18 per diluted share) in the first half of 2022.

Consolidated net income in the second quarter and first half of 2022 included a pre-tax, noncash net loss of \$260 million (\$195 million, net of tax; \$0.73 per diluted share in the second quarter and \$0.72 per diluted share in the first half of 2022) associated with our mark-to-market retirement plans accounting adjustments. See Note 6 of the accompanying unaudited condensed consolidated financial statements for more information.

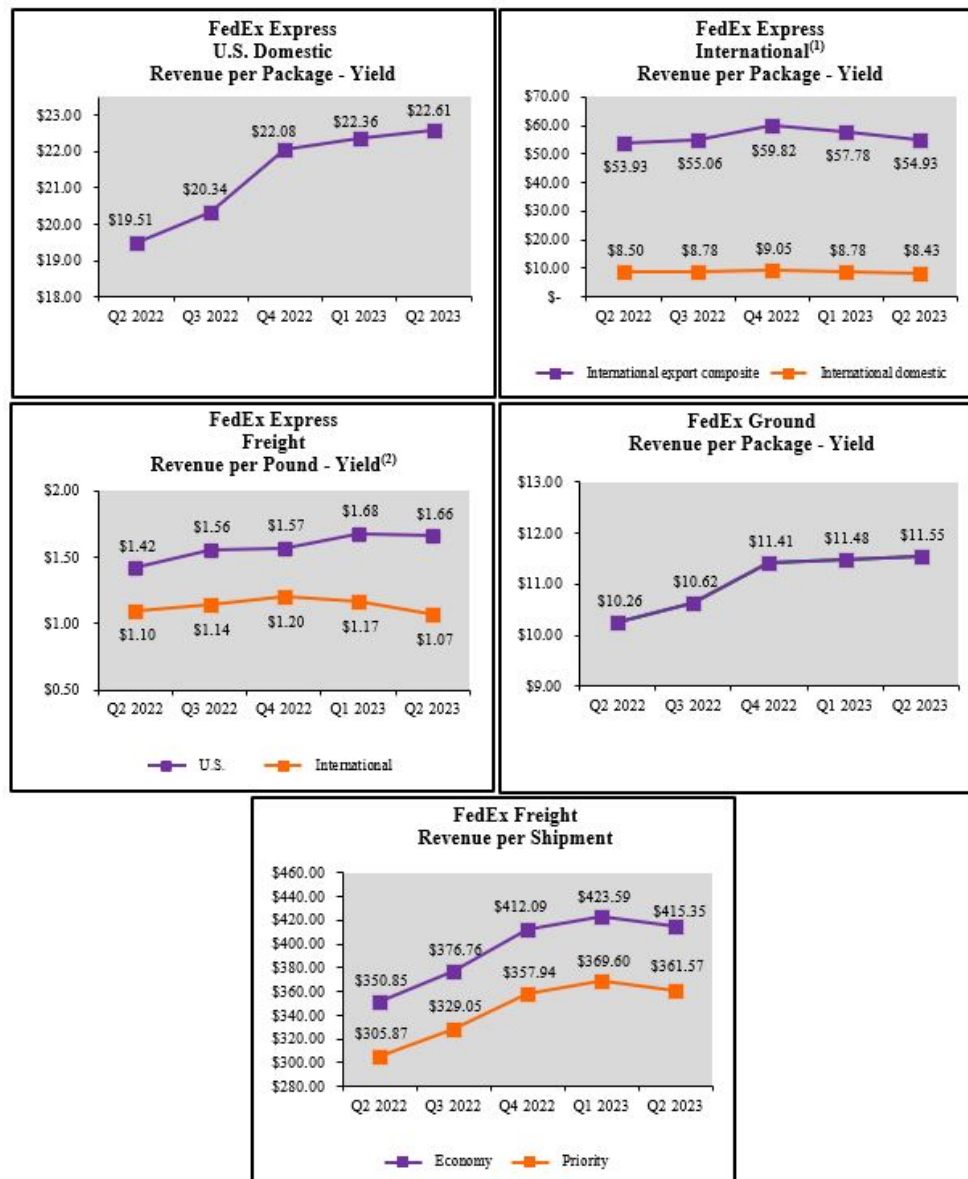
In December 2021, our Board of Directors authorized a stock repurchase program of up to \$5 billion of FedEx common stock. As part of the repurchase program, we entered into an accelerated share repurchase (“ASR”) agreement with a bank in October 2022 to repurchase an aggregate of \$1.5 billion of our common stock. Share repurchases had a benefit of \$0.06 per diluted share for the second quarter and first half of 2023. See Note 1 of the accompanying unaudited condensed consolidated financial statements, “Financial Condition—Liquidity” 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.

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 volumes are calculated on a 7-day-per-week basis.
- (3) International average daily freight pounds relate to our international priority, economy, and airfreight services.

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 our international intra-country operations.

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

Revenue

Revenue decreased 3% in the second quarter and increased 1% in the first half of 2023. These results were positively impacted by yield improvement, including higher fuel surcharges, and negatively affected by global volume softness, at all of our transportation segments.

FedEx Freight revenue increased 8% in the second quarter and 14% in the first half of 2023 primarily due to yield improvement, including higher fuel surcharges, partially offset by lower volume. Revenue at FedEx Ground increased 2% in the second quarter and 4% in the first half of 2023 primarily due to yield improvement, including higher fuel surcharges, partially offset by lower volume. Revenue at FedEx Express decreased 6% in the second quarter and 3% in the first half of 2023 due to lower volume and unfavorable foreign currency, partially offset by yield improvement, including higher fuel surcharges. In the second quarter and first half of 2023, revenue at Corporate, other, and eliminations decreased due to lower volumes and yields at FedEx Logistics, Inc. ("FedEx Logistics").

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:

	Three Months Ended		Percent Change	Six Months Ended		Percent Change
	2022	2021		2022	2021	
Operating expenses:						
Salaries and employee benefits	\$ 7,792	\$ 8,135	(4)	\$ 15,651	\$ 15,911	(2)
Purchased transportation	5,665	6,241	(9)	11,432	11,900	(4)
Rentals and landing fees	1,195	1,177	2	2,354	2,310	2
Depreciation and amortization	1,046	995	5	2,070	1,966	5
Fuel	1,593	1,145	39	3,415	2,154	59
Maintenance and repairs	882	839	5	1,786	1,708	5
Business realignment and optimization costs	36	44	(18)	74	111	(33)
Other	3,429	3,301	4	6,907	6,422	8
Total operating expenses	21,638	21,877	(1)	43,689	42,482	3
Operating income	<u>\$ 1,176</u>	<u>\$ 1,597</u>	(26)	<u>\$ 2,367</u>	<u>\$ 2,995</u>	(21)

	Percent of Revenue			
	Three Months Ended		Six Months Ended	
	2022	2021	2022	2021
Operating expenses:				
Salaries and employee benefits	34.1 %	34.6 %	34.0 %	35.0 %
Purchased transportation	24.8	26.6	24.8	26.2
Rentals and landing fees	5.2	5.0	5.1	5.1
Depreciation and amortization	4.6	4.2	4.5	4.3
Fuel	7.0	4.9	7.4	4.7
Maintenance and repairs	3.9	3.6	3.9	3.8
Business realignment and optimization costs	0.2	0.2	0.2	0.2
Other	15.0	14.1	15.0	14.1
Total operating expenses	94.8	93.2	94.9	93.4
Operating margin	<u>5.2 %</u>	<u>6.8 %</u>	<u>5.1 %</u>	<u>6.6 %</u>

Operating income declined in the second quarter and first half of 2023 primarily due to lower volumes at each of our transportation segments as a result of global volume softness. In addition, operating income was negatively affected by global inflation, which drove higher operating expenses related to fuel, other operating expenses, salaries and employee benefits, and purchased transportation. These factors were partially offset by yield improvement, including higher fuel surcharges, as well as cost control actions such as reducing flight frequencies, temporarily parking aircraft, temporarily delaying certain wage adjustments, consolidating sorts, and reducing select Sunday operations.

Fuel expense increased 39% in the second quarter and 59% in the first half of 2023 due to higher fuel prices. Other operating expenses increased 4% in the second quarter and 8% in the first half of 2023 primarily due to higher self-insurance accruals, bad debt, and outside service contracts, partially offset by favorable foreign currency impacts. Purchased transportation decreased 9% in the second quarter and 4% in the first half due to lower volume and favorable currency impacts, partially offset by increased fuel prices and higher rates. Salaries and employee benefits decreased 4% in the second quarter and 2% in the first half due to lower volumes, favorable currency impacts, and lower variable incentive compensation, partially offset by increased wage rates.

Business Realignment and Optimization Costs

In 2021, FedEx Express announced a workforce reduction plan in Europe related to the network integration of TNT Express. The plan affects approximately 5,000 employees in Europe across operational teams and back-office functions. The execution of the plan is subject to a works council consultation process that will occur through 2023 in accordance with local country processes and regulations.

No business realignment costs were incurred in the second quarter of 2023. We incurred costs associated with our business realignment activities of \$14 million (\$11 million, net of tax, or \$0.04 per diluted share) in the first half of 2023. We incurred costs associated with our business realignment activities of \$44 million (\$34 million, net of tax, or \$0.13 per diluted share) in the second quarter and \$111 million (\$85 million, net of tax, or \$0.31 per diluted share) in the first half of 2022. These costs are related to certain employee severance arrangements. Payments under this program totaled approximately \$38 million in the second quarter and approximately \$84 million in the first half of 2023. We expect the pre-tax cost of our business realignment activities to be approximately \$415 million through 2023. We expect savings from our business realignment activities to be between \$275 million and \$350 million on an annualized basis beginning in 2024. The actual amount and timing of business realignment costs and related cost savings resulting from the workforce reduction plan are dependent on local country consultation processes and regulations and negotiated social plans and may differ from our current expectations and estimates.

In the first 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 and lower our overhead and support costs. At FedEx Express, we plan to restructure the air network, optimize sorts and surface linehaul, drive efficiencies in Europe, and harmonize the global clearance process to lower costs. At FedEx Ground, we are transforming our pickup-and-delivery, package sortation, and transportation operations through enhanced planning tools, advanced data analytics, and increased focus on investment returns in order to drive efficiency improvements. Additionally, we plan to transform our back-office operations through automation, modernizing our infrastructure and further consolidating the shared-services functions, resulting in procurement and other cost savings from shared and allocated overhead expenses. The DRIVE program will also facilitate the achievement of Network 2.0, a plan to consolidate 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.

We incurred costs associated with our business optimization activities, including idling our operations in Russia, of \$36 million (\$27 million, net of tax, or \$0.11 per diluted share) in the second quarter and \$60 million (\$46 million, net of tax, or \$0.18 per diluted share) in the first half of 2023. These costs are primarily related to consulting services and are included in Corporate, other, and eliminations and FedEx Express. We expect the pre-tax cost of our business optimization activities to be approximately \$2.0 billion through 2025.

Income Taxes

Our effective tax rate was 25.6% for the second quarter and 24.9% for the first half of 2023, compared to 24.3% for the second quarter and 24.0% for the first half of 2022. The 2023 tax rates were unfavorably impacted primarily by lower earnings in certain non-U.S. jurisdictions.

On August 16, 2022, the president signed the Inflation Reduction Act ("IRA") into law. The IRA enacted a 15% corporate minimum tax effective in 2024, a 1% tax on share repurchases after December 31, 2022, and created and extended certain tax-related energy incentives. We currently do not expect the tax-related provisions of the IRA to have a material effect on our financial 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, 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 \$223 million through the second quarter of 2023 attributable to our interpretation of the TCJA and the Internal Revenue Code. We continue to pursue this lawsuit; however, if we are ultimately unsuccessful in defending our position, we may be required to reverse the benefit previously recorded.

Outlook

During the remainder of 2023, we expect revenue and operating profit to continue to decline as a result of reduced customer demand for our services. We will continue to execute on the previously identified cost control actions and identify additional opportunities to reduce cost in order to mitigate the impact of volume declines on our operating results. As part of these actions, we will manage capacity to lower demand levels, including further reducing flight frequencies, temporarily parking aircraft, and closing certain sort operations at FedEx Express, and reducing Sunday operations, closing certain sort operations, and taking other linehaul expense actions at FedEx Ground. We are also executing targeted actions to reduce shared and allocated overhead expenses, reducing vendor utilization, deferring certain technology projects, and closing certain FedEx Office locations. In addition, we remain focused on yield improvement and revenue quality to mitigate inflationary cost pressures and expect higher yields to have a favorable effect on our 2023 operating profit.

In response to volume declines, we are reducing our expected capital expenditures by \$400 million from our previous forecast of \$6.3 billion in 2023. We now expect capital expenditures of approximately \$5.9 billion in 2023. For details on key 2023 capital projects, refer to the “Liquidity Outlook” section of this MD&A.

In the first 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 and lower our overhead and support costs. 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. We expect the pre-tax cost of our business optimization activities to be approximately \$2.0 billion through 2025.

During 2023, we expect to continue our ongoing initiatives aimed to transform and optimize the FedEx Express international business, particularly in Europe. These actions are focused on reducing the complexity and fragmentation of our international business, improving efficiency to meet changing customer expectations and business dynamics, lowering costs, increasing profitability, and improving service levels. As part of this strategy, in 2021 we announced a workforce reduction plan in Europe, which we expect to be substantially complete in 2023, with aggregate spend through the completion of the program anticipated to be approximately \$415 million in cash expenditures. We expect savings from our business realignment activities to be between \$275 million and \$350 million on an annualized basis beginning in 2024.

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

The uncertainty of a slowing global economy, global inflation well above normal and historical levels, geopolitical challenges including the ongoing conflict between Russia and Ukraine, and the impact 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 2023 inherently less certain. See the “Trends Affecting Our Business” section 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.

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)

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 certain costs associated with developing our “innovate digitally” strategic pillar through our FedEx Dataworks, Inc. (including ShopRunner, 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. 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, Inc. 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.

In the second quarter and first half of 2023, the decrease in operating results in Corporate, other, and eliminations was primarily due to lower operating income at FedEx Logistics due to decreased revenue and an increase in bad debt, partially offset by decreased purchased transportation expense.

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 quarter and first half of 2023 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 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.

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 tables compare revenue, operating expenses, operating income (dollars in millions), operating margin, and operating expenses as a percent of revenue for the periods ended November 30:

	Three Months Ended		Percent Change	Six Months Ended		Percent Change
	2022	2021		2022	2021	
Revenue:						
Package:						
U.S. overnight box	\$ 2,237	\$ 2,249	(1)	\$ 4,553	\$ 4,419	3
U.S. overnight envelope	474	474	—	999	956	4
U.S. deferred	1,253	1,307	(4)	2,540	2,538	—
Total U.S. domestic package revenue	3,964	4,030	(2)	8,092	7,913	2
International priority	2,823	3,107	(9)	5,720	5,946	(4)
International economy	711	706	1	1,418	1,375	3
Total international export package revenue	3,534	3,813	(7)	7,138	7,321	(2)
International domestic ⁽¹⁾	1,036	1,147	(10)	2,010	2,261	(11)
Total package revenue	8,534	8,990	(5)	17,240	17,495	(1)
Freight:						
U.S.	784	775	1	1,580	1,550	2
International priority	811	994	(18)	1,699	1,867	(9)
International economy	388	438	(11)	765	852	(10)
International airfreight	39	47	(17)	80	94	(15)
Total freight revenue	2,022	2,254	(10)	4,124	4,363	(5)
Other	308	361	(15)	627	713	(12)
Total revenue	10,864	11,605	(6)	21,991	22,571	(3)
Operating expenses:						
Salaries and employee benefits	3,938	4,141	(5)	7,988	8,225	(3)
Purchased transportation	1,432	1,623	(12)	2,910	3,174	(8)
Rentals and landing fees	586	649	(10)	1,163	1,284	(9)
Depreciation and amortization	520	510	2	1,033	1,002	3
Fuel	1,372	989	39	2,956	1,857	59
Maintenance and repairs	534	525	2	1,096	1,098	—
Business realignment and optimization costs	11	44	(75)	25	111	(77)
Intercompany charges	477	497	(4)	961	1,005	(4)
Other	1,653	1,678	(1)	3,344	3,299	1
Total operating expenses	10,523	10,656	(1)	21,476	21,055	2
Operating income	\$ 341	\$ 949	(64)	\$ 515	\$ 1,516	(66)
Operating margin	3.1 %	8.2 %	(510) bp	2.3 %	6.7 %	(440) bp

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

	Percent of Revenue			
	Three Months Ended		Six Months Ended	
	2022	2021	2022	2021
Operating expenses:				
Salaries and employee benefits	36.3 %	35.7 %	36.3 %	36.4 %
Purchased transportation	13.2	14.0	13.2	14.1
Rentals and landing fees	5.4	5.6	5.3	5.7
Depreciation and amortization	4.8	4.4	4.7	4.4
Fuel	12.6	8.5	13.5	8.2
Maintenance and repairs	4.9	4.5	5.0	4.9
Business realignment and optimization costs	0.1	0.4	0.1	0.5
Intercompany charges	4.4	4.3	4.4	4.5
Other	15.2	14.4	15.2	14.6
Total operating expenses	96.9	91.8	97.7	93.3
Operating margin	3.1 %	8.2 %	2.3 %	6.7 %

The following table compares selected statistics (in thousands, except yield amounts) for the periods ended November 30:

	Three Months Ended		Percent Change	Six Months Ended		Percent Change
	2022	2021		2022	2021	
Package Statistics						
Average daily package volume (ADV):						
U.S. overnight box	1,283	1,477	(13)	1,284	1,444	(11)
U.S. overnight envelope	458	517	(11)	471	516	(9)
U.S. deferred	1,042	1,285	(19)	1,057	1,268	(17)
Total U.S. domestic ADV	2,783	3,279	(15)	2,812	3,228	(13)
International priority	736	834	(12)	718	802	(10)
International economy	285	289	(1)	272	276	(1)
Total international export ADV	1,021	1,123	(9)	990	1,078	(8)
International domestic ⁽¹⁾	1,950	2,141	(9)	1,826	2,071	(12)
Total ADV	5,754	6,543	(12)	5,628	6,377	(12)
Revenue per package (yield):						
U.S. overnight box	\$ 27.69	\$ 24.18	15	\$ 27.71	\$ 23.91	16
U.S. overnight envelope	16.44	14.55	13	16.55	14.49	14
U.S. deferred	19.06	16.14	18	18.77	15.64	20
U.S. domestic composite	22.61	19.51	16	22.48	19.15	17
International priority	60.87	59.15	3	62.28	57.92	8
International economy	39.58	38.85	2	40.66	38.97	4
International export composite	54.93	53.93	2	56.33	53.08	6
International domestic ⁽¹⁾	8.43	8.50	(1)	8.60	8.53	1
Composite package yield	\$ 23.54	\$ 21.81	8	\$ 23.93	\$ 21.43	12
Freight Statistics						
Average daily freight pounds:						
U.S.	7,503	8,666	(13)	7,406	8,348	(11)
International priority	5,757	6,969	(17)	5,902	6,778	(13)
International economy	11,668	13,062	(11)	10,928	12,362	(12)
International airfreight	948	1,241	(24)	952	1,234	(23)
Total average daily freight pounds	25,876	29,938	(14)	25,188	28,722	(12)
Revenue per pound (yield):						
U.S.	\$ 1.66	\$ 1.42	17	\$ 1.67	\$ 1.45	15
International priority	2.24	2.26	(1)	2.25	2.15	5
International economy	0.53	0.53	—	0.55	0.54	2
International airfreight	0.65	0.59	10	0.66	0.59	12
Composite freight yield	\$ 1.24	\$ 1.20	3	\$ 1.28	\$ 1.19	8

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

FedEx Express Segment Revenue

FedEx Express segment revenue decreased 6% in the second quarter and 3% in the first half of 2023 due to decreased global volume and unfavorable exchange rates, partially offset by global package yield improvement, including higher fuel surcharges.

Total average daily package volume decreased 12% in the second quarter and first half of 2023, and total average daily freight pounds decreased 14% in the second quarter and 12% in the first half of 2023, due to global volume softness primarily driven by lower demand for our services. Yield improvement, including higher fuel surcharges, drove increases in U.S. domestic package yield of 16% in the second quarter and 17% in the first half of 2023, international export package yield of 2% in the second quarter and 6% in the first half of 2023, and composite freight yield of 3% in the second quarter and 8% in the first half of 2023. Unfavorable exchange rates negatively impacted international package and freight yields.

FedEx Express Segment Operating Income

FedEx Express segment operating income decreased 64% in the second quarter and 66% in the first half of 2023 primarily due to global volume declines, partially offset by yield improvement, including higher fuel surcharges. We continued cost control actions during the second quarter of 2023 to mitigate the impact of volume declines, including structural air network changes and temporary parking of aircraft. The impact of these cost actions lagged accelerating volume declines, and operating expenses remained high relative to demand in the second quarter and first half of 2023. Currency exchange rates had a negative effect on revenue, a positive effect on expenses, and a slightly negative effect on operating income in the second quarter and first half of 2023.

Fuel expense increased 39% in the second quarter and 59% in the first half of 2023 due to increased fuel prices. Purchased transportation expense decreased 12% in the second quarter and 8% in the first half of 2023 primarily due to favorable exchange rates and lower utilization, partially offset by increased rates. Salaries and employee benefits decreased 5% in the second quarter and 3% in the first half of 2023 due to favorable currency exchange rates, decreased volume, and lower variable incentive compensation, partially offset by increased wage rates. Rentals and landing fees decreased 10% in the second quarter and 9% in the first half of 2023 due to decreased aircraft leases and favorable currency exchange rates. Other operating expense decreased 1% in the second quarter and increased 1% in the first half of 2023. The second quarter decrease was primarily due to favorable currency exchange rates, partially offset by higher bad debt expense. The first half increase was primarily due to higher bad debt expense, partially offset by favorable currency exchange rates.

No business realignment costs were incurred in the second quarter of 2023. We incurred costs associated with our business realignment activities of \$14 million in the first half of 2023 associated with our workforce reduction plan in Europe. We recognized \$44 million of costs in the first quarter of 2022 and \$111 million in the first half of 2022 under this program. Additionally, FedEx Express segment results include business optimization costs of \$11 million in the second quarter and first half of 2023, which includes costs associated with idling our business in Russia. See the “Business Realignment and Optimization Costs” section of this MD&A for more information.

FedEx Express segment results include \$27 million of TNT Express integration expenses in the second quarter and \$53 million of such expenses in the first half of 2022.

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 tables compare 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:

	Three Months Ended		Percent Change	Six Months Ended		Percent Change
	2022	2021		2022	2021	
Revenue	\$ 8,393	\$ 8,264	2	\$ 16,553	\$ 15,941	4
Operating expenses:						
Salaries and employee benefits	1,727	1,855	(7)	3,364	3,468	(3)
Purchased transportation	3,828	3,915	(2)	7,541	7,418	2
Rentals	414	348	19	804	666	21
Depreciation and amortization	249	223	12	495	449	10
Fuel	10	7	43	19	13	46
Maintenance and repairs	162	149	9	317	285	11
Intercompany charges	493	480	3	983	971	1
Other	912	806	13	1,738	1,519	14
Total operating expenses	7,795	7,783	—	15,261	14,789	3
Operating income	\$ 598	\$ 481	24	\$ 1,292	\$ 1,152	12
Operating margin	7.1 %	5.8 %	130 bp	7.8 %	7.2 %	60 bp
Average daily package volume (ADV) ⁽¹⁾ :						
Ground commercial	4,523	4,774	(5)	4,445	4,595	(3)
Home delivery	4,084	4,328	(6)	3,997	4,035	(1)
Economy	828	1,278	(35)	778	1,220	(36)
Total ADV	9,435	10,380	(9)	9,220	9,850	(6)
Revenue per package (yield)	\$ 11.55	\$ 10.26	13	\$ 11.52	\$ 10.27	12

(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			
	Three Months Ended		Six Months Ended	
	2022	2021	2022	2021
Operating expenses:				
Salaries and employee benefits	20.6 %	22.4 %	20.3 %	21.8 %
Purchased transportation	45.6	47.4	45.6	46.5
Rentals	4.9	4.2	4.9	4.2
Depreciation and amortization	3.0	2.7	3.0	2.8
Fuel	0.1	0.1	0.1	0.1
Maintenance and repairs	1.9	1.8	1.9	1.8
Intercompany charges	5.9	5.8	5.9	6.1
Other	10.9	9.8	10.5	9.5
Total operating expenses	92.9	94.2	92.2	92.8
Operating margin	7.1 %	5.8 %	7.8 %	7.2 %

FedEx Ground Segment Revenue

FedEx Ground segment revenue increased 2% in the second quarter and 4% in the first half of 2023 primarily due to yield improvement, including higher fuel surcharges, partially offset by lower volumes.

FedEx Ground yield increased 13% in the second quarter and 12% in the first half of 2023 primarily due to higher fuel surcharges, continued focus on revenue quality, and product mix. Total average daily volume decreased 9% in the second quarter and 6% in the first half of 2023 primarily due to volume softness. In addition, strategic actions to improve revenue quality for higher-yielding business-to-consumer volume drove a mix shift from economy to home delivery services in the second quarter and first half of 2023.

FedEx Ground Segment Operating Income

FedEx Ground segment operating income increased 24% in the second quarter and 12% in the first half of 2023 primarily due to yield improvement, including higher fuel surcharges, partially offset by increased purchased transportation rates, higher other operating expense, higher rentals, higher salaries and employee benefits, and lower volume. The second quarter and first half of 2023 results benefited from certain cost reduction actions to mitigate the effect of volume declines, primarily the consolidation of certain sort and linehaul operations, reduction in Sunday delivery coverage, and deferral of certain wage adjustments.

Other operating expense increased 13% in the second quarter and 14% in the first half of 2023 primarily due to higher self-insurance accruals. Rentals increased 19% in the second quarter and 21% in the first half of 2023 due to the completion of previously committed multi-year expansion projects. Purchased transportation expense decreased 2% in the second quarter of 2023 and increased 2% in the first half of 2023. The second quarter decrease is primarily due to lower volumes, partially offset by higher fuel prices and higher base rates. The first half increase is primarily due to higher fuel prices and higher base rates, partially offset by lower volumes. Salaries and employee benefits decreased 7% in the second quarter and 3% in the first half of 2023 primarily due to lower volume and lower variable incentive compensation, partially offset by higher wage rates.

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 tables compare 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:

	Three Months Ended		Percent Change	Six Months Ended		Percent Change
	2022	2021		2022	2021	
Revenue	\$ 2,454	\$ 2,272	8	\$ 5,177	\$ 4,523	14
Operating expenses:						
Salaries and employee benefits	1,039	1,029	1	2,098	2,017	4
Purchased transportation	187	244	(23)	408	483	(16)
Rentals	66	62	6	131	121	8
Depreciation and amortization	103	105	(2)	209	204	2
Fuel	211	147	44	439	282	56
Maintenance and repairs	88	67	31	168	130	29
Intercompany charges	130	132	(2)	262	258	2
Other	190	152	25	371	304	22
Total operating expenses	2,014	1,938	4	4,086	3,799	8
Operating income	\$ 440	\$ 334	32	\$ 1,091	\$ 724	51
Operating margin	17.9%	14.7%	320 bp	21.1%	16.0%	510 bp
Average daily shipments (in thousands):						
Priority	73.3	81.4	(10)	74.8	80.9	(8)
Economy	31.0	33.1	(6)	31.6	33.3	(5)
Total average daily shipments	104.3	114.5	(9)	106.4	114.2	(7)
Weight per shipment (lbs):						
Priority	1,029	1,088	(5)	1,042	1,086	(4)
Economy	940	940	—	939	939	—
Composite weight per shipment	1,002	1,045	(4)	1,011	1,043	(3)
Revenue per shipment:						
Priority	\$ 361.57	\$ 305.87	18	\$ 365.76	\$ 298.27	23
Economy	415.35	350.85	18	419.64	341.66	23
Composite revenue per shipment	\$ 377.53	\$ 318.87	18	\$ 381.74	\$ 310.93	23
Revenue per hundredweight:						
Priority	\$ 35.14	\$ 28.11	25	\$ 35.10	\$ 27.46	28
Economy	44.21	37.33	18	44.70	36.39	23
Composite revenue per hundredweight	\$ 37.66	\$ 30.51	23	\$ 37.74	\$ 29.80	27

	Percent of Revenue			
	Three Months Ended		Six Months Ended	
	2022	2021	2022	2021
Operating expenses:				
Salaries and employee benefits	42.3 %	45.3 %	40.5 %	44.6 %
Purchased transportation	7.6	10.7	7.9	10.7
Rentals	2.7	2.7	2.5	2.7
Depreciation and amortization	4.2	4.6	4.0	4.5
Fuel	8.6	6.5	8.5	6.2
Maintenance and repairs	3.6	3.0	3.2	2.9
Intercompany charges	5.3	5.8	5.1	5.7
Other	7.8	6.7	7.2	6.7
Total operating expenses	82.1	85.3	78.9	84.0
Operating margin	17.9 %	14.7 %	21.1 %	16.0 %

FedEx Freight Segment Revenue

FedEx Freight segment revenue increased 8% in the second quarter and 14% in the first half of 2023 primarily due to yield improvement, including higher fuel surcharges, partially offset by lower volume.

Revenue per shipment increased 18% in the second quarter and 23% in the first half of 2023 primarily due to revenue quality initiatives, including higher fuel surcharges, partially offset by lower weight per shipment. Average daily shipments decreased 9% in the second quarter and 7% in the first half of 2023 due to volume softness.

FedEx Freight Segment Operating Income

FedEx Freight segment operating income increased 32% in the second quarter and 51% in the first half of 2023 driven by yield improvement, including higher fuel surcharges, partially offset by higher salaries and employee benefits and lower volumes.

Fuel expense increased 44% in the second quarter and 56% in the second half of 2023 primarily due to increased fuel prices. Salaries and employee benefits expense increased 1% in the second quarter and 4% in the first half of 2023 primarily due to merit increases, lower productivity, and a shift from purchased transportation to company linehaul, partially offset by lower volumes. Other operating expense increased 25% in the second quarter and 22% in the first half of 2023 primarily due to higher self-insurance accruals and bad debt. Purchased transportation expense decreased 23% in the second quarter and 16% in the first half of 2023 primarily due to reduced utilization due to a shift to company linehaul and lower volumes.

FINANCIAL CONDITION

LIQUIDITY

Cash and cash equivalents totaled \$4.6 billion at November 30, 2022, compared to \$6.9 billion at May 31, 2022, respectively. The following table provides a summary of our cash flows for the six-month periods ended November 30 (in millions):

	2022	2021
Operating activities:		
Net income	\$ 1,663	\$ 2,156
Business realignment and optimization costs/(payments), net	(40)	55
Other noncash charges and credits	4,192	4,262
Changes in assets and liabilities	(2,690)	(2,391)
Cash provided by operating activities	3,125	4,082
Investing activities:		
Capital expenditures	(3,142)	(3,143)
Purchase of investments	(78)	—
Proceeds from asset dispositions and other	20	31
Cash used in investing activities	(3,200)	(3,112)
Financing activities:		
Principal payments on debt	(32)	(72)
Proceeds from stock issuances	89	111
Dividends paid	(598)	(400)
Purchase of treasury stock	(1,500)	(748)
Other, net	1	—
Cash used in financing activities	(2,040)	(1,109)
Effect of exchange rate changes on cash	(136)	(115)
Net decrease in cash and cash equivalents	\$ (2,251)	\$ (254)
Cash and cash equivalents at the end of period	\$ 4,646	\$ 6,833

Cash flows from operating activities decreased \$957 million in the first half of 2023 primarily due to lower net income and decreased accounts payable, partially offset by lower variable incentive compensation payments. Capital expenditures were flat during the first half of 2023. See “Capital Resources” for a discussion of capital expenditures during 2023 and 2022.

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, during the second quarter of 2023, we entered into an ASR agreement with a bank to repurchase an aggregate of \$1.5 billion of our common stock. See Note 1 of the accompanying unaudited condensed consolidated financial statements, “Liquidity Outlook” below, and Part II, Item 2 “Unregistered Sales of Equity Securities and Use of Proceeds” for additional information. As of November 30, 2022, \$2.6 billion remained available for repurchases under the current stock repurchase program. Shares under the current repurchase program 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, and the program 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 (in millions):

	Three Months Ended		Six Months Ended		Percent Change 2022/2021	
	2022	2021	2022	2021	Three Months Ended	Six Months Ended
Aircraft and related equipment	\$ 671	\$ 582	\$ 874	\$ 1,346	15	(35)
Package handling and ground support equipment	505	401	941	710	26	33
Vehicles and trailers	132	59	349	146	124	139
Information technology	248	284	449	467	(13)	(4)
Facilities and other	302	247	529	474	22	12
Total capital expenditures	<u>\$ 1,858</u>	<u>\$ 1,573</u>	<u>\$ 3,142</u>	<u>\$ 3,143</u>	18	—
FedEx Express segment	\$ 994	\$ 829	\$ 1,524	\$ 1,877	20	(19)
FedEx Ground segment	572	455	1,013	807	26	26
FedEx Freight segment	90	28	240	41	221	485
FedEx Services segment	168	233	297	370	(28)	(20)
Other	34	28	68	48	21	42
Total capital expenditures	<u>\$ 1,858</u>	<u>\$ 1,573</u>	<u>\$ 3,142</u>	<u>\$ 3,143</u>	18	—

Capital expenditures increased in the second quarter of 2023 primarily due to increased spending on package handling equipment at FedEx Ground and FedEx Express, aircraft and related equipment at FedEx Express, and vehicles and trailers at FedEx Freight and FedEx Ground. Capital expenditures were flat in the first half of 2023 primarily due to decreased spending on aircraft and related equipment at FedEx Express, partially offset by increased spending on package handling equipment at all transportation segments, as well as vehicles and trailers at FedEx Freight and FedEx Ground.

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 \$19.0 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 guarantee 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 \$866 million principal amount of the Certificates. See Note 4 of the accompanying unaudited condensed consolidated financial statements and Note 7 to the financial statements included in our Annual Report for additional information regarding the terms of the Certificates.

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, 2022 and May 31, 2022 (in millions):

	November 30, 2022	May 31, 2022
Current Assets	\$ 10,485	\$ 11,768
Intercompany Receivable	3,561	4,157
Total Assets	88,870	88,331
Current Liabilities	10,232	10,324
Intercompany Payable	—	—
Total Liabilities	60,427	58,883

The following table presents the summarized statement of income information for the six-month period ended November 30, 2022 (in millions):

Revenue	\$ 33,973
Intercompany Charges, net	(2,798)
Operating Income	2,323
Intercompany Charges, net	72
Income Before Income Taxes	2,298
Net Income	\$ 1,846

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, 2022 and May 31, 2022 (in millions):

	November 30, 2022	May 31, 2022
Current Assets	\$ 3,382	\$ 4,687
Intercompany Receivable	—	—
Total Assets	68,975	68,449
Current Liabilities	5,178	5,155
Intercompany Payable	9,382	7,473
Total Liabilities	48,892	47,830

The following table presents the summarized statement of income information for the six-month period ended November 30, 2022 (in millions):

Revenue	\$ 12,200
Intercompany Charges, net	(2,022)
Operating Income	320
Intercompany Charges, net	136
Income Before Income Taxes	1,314
Net Income	\$ 1,327

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 challenging macroeconomic environment, inflationary pressures, rising fuel prices, and geopolitical conflicts. We have \$4.6 billion in cash at November 30, 2022 and \$3.5 billion in available liquidity under our \$2.0 billion five-year credit agreement (the “Five-Year Credit Agreement”) and \$1.5 billion three-year credit agreement (the “Three-Year Credit Agreement” and together with the Five-Year Credit Agreement, the “Credit 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.

We entered into an ASR agreement with a bank in October 2022 to repurchase an aggregate of \$1.5 billion of our common stock in the second quarter of 2023. Under the terms of the ASR agreement, approximately 80% of the shares were delivered to FedEx in the second quarter of 2023 and the remaining shares are anticipated to be delivered in December 2022.

Our cash and cash equivalents balance at November 30, 2022 includes \$2.0 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.

In response to continued softening of our volume trends and lower revenue outlook, we are reducing our expected capital expenditures by \$400 million from our previous forecast of \$6.3 billion in 2023. We now expect capital expenditures of approximately \$5.9 billion in 2023. We expect our capital spend to be lower compared to 2022 due to lower aircraft fleet modernization spend, partially offset by increased investment in replacement vehicles including our vehicle electrification initiative, information technology, and strategic investments aimed to optimize operations across our networks. We invested \$0.9 billion in aircraft and related equipment in the first half of 2023 and expect to invest an additional \$0.5 billion for aircraft and related equipment during the remainder of 2023. Included within our expected 2023 capital expenditures are our continued investments in the FedEx Express Indianapolis hub and FedEx Express Memphis World Hub, which are expected to total \$1.5 billion and \$1.8 billion, respectively, over the life of each project. While we continue to invest in our business, the capital intensity relative to revenue is expected to remain below historical levels.

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 impact on our financial condition or liquidity.

We have several aircraft modernization programs underway 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.

The Five-Year Credit Agreement expires in March 2026 and includes 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.

During the first half of 2023, we made voluntary contributions totaling \$400 million to our U.S. Pension Plans. We anticipate making \$400 million of additional voluntary contributions during the second half of 2023. There are currently no required minimum contributions to our U.S. Pension Plans based on our funded status and the fact we have a credit balance related to our cumulative excess voluntary pension contributions over those required that exceeds \$3.5 billion. The credit balance is subtracted from plan assets to determine the minimum funding requirements. Therefore, we could eliminate all required contributions to our principal U.S. Pension Plans for several years if we were to choose to waive part of that credit balance in any given year. Our U.S. Pension Plans have 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.” If our credit ratings drop, our interest expense may increase. If our commercial paper ratings drop below current levels, we may have difficulty utilizing the commercial paper market. If our senior unsecured debt credit ratings drop below investment grade, our access to financing may become limited.

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.

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, 2022, 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 Realignment and Optimization Costs,” “Income Taxes,” “Outlook,” “Liquidity Outlook,” “Critical Accounting Estimates,” and “Legal Proceedings,” 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 our services;
- our ability to successfully implement our business strategy, effectively respond to changes in market dynamics and customer preferences, and achieve the anticipated benefits and associated cost savings of such strategies and actions, including our ability to successfully implement our comprehensive program to improve long-term profitability and cost control actions;
- our ability to achieve our fiscal 2025 financial performance goals;
- damage to our reputation or loss of brand equity;
- changes in the business or financial soundness of the U.S. Postal Service (“USPS”), including strategic changes to its operations to reduce its reliance on the air network of FedEx Express, or our relationship with the USPS;
- our ability to meet our labor and purchased transportation needs while controlling related costs and maintain our company culture;
- a significant data breach or other disruption to our technology infrastructure;
- the continuing impact of the COVID-19 pandemic;
- geopolitical developments and additional changes in international trade policies and relations;
- the effect of any international conflicts or terrorist activities, including the current conflict between Russia and Ukraine, on the United States and global economies in general, the transportation industry, or FedEx in particular, and what effects these events will have on our costs and the demand for our services;

- the price and availability of jet and vehicle fuel, including significant increases in fuel prices as a result of the ongoing conflict between Russia and Ukraine;
- 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;
- the effect of intense competition on our ability to maintain or increase our prices (including our fuel surcharges in response to rising fuel costs) or to maintain or grow our revenue and market share;
- our ability to execute and effectively operate, integrate, leverage, and grow acquired businesses, and to continue to support the value we allocate to these acquired businesses, including their goodwill and other intangible assets;
- the future rate of e-commerce growth and our ability to successfully expand our e-commerce services portfolio;
- the timeline for recovery of passenger airline cargo capacity;
- 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 regulatory or other actions affecting data protection; global aviation or other transportation rights; increased air cargo, pilot flight and duty time, and other security or safety requirements; import and export controls; the use of new technology and accounting; trade (such as protectionist 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;
- 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 providers engaged by FedEx Ground;
- increased insurance and claims expenses related to vehicle accidents, workers' compensation claims, property and cargo loss, general business liabilities, and benefits paid under employee disability programs;
- failure to receive or collect expected insurance coverage;
- our ability to quickly and effectively restore operations following adverse weather or a localized disaster or disturbance in a key geography;
- our ability to achieve our goal of carbon neutrality for our global operations by calendar 2040;
- our ability to successfully mitigate unique technological, operational, and regulatory risks related to our autonomous delivery strategy;
- 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 future negotiations to reach new collective bargaining agreements;
- 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;
- widespread outbreak of an illness or any other communicable disease, or any other public health crisis;
- 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;
- the increasing costs of compliance with federal, state, and foreign governmental agency mandates (including the Foreign Corrupt Practices Act and the U.K. 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 mandatory and voluntary 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;
- the impact 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;
- governmental underinvestment in transportation infrastructure, which could increase our costs and adversely impact our service levels due to traffic congestion, prolonged closure of key thoroughfares, or sub-optimal routing of our vehicles and aircraft;
- 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 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 1A. “Risk Factors” in our 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, 2022, 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 of 2023, the U.S. dollar strengthened relative to the currencies of the foreign countries in which we operate, as compared to the first six months of 2022, 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, 2022 (the end of the period covered by this Quarterly Report on Form 10-Q).

During our fiscal quarter ended November 30, 2022, 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. We continue to monitor and assess the effects of remote work on our internal controls to minimize the impact on the design and operating effectiveness of our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

Other than the risk factors 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.

Our future financial results will suffer, and we may not be able to achieve our 2025 financial performance goals, if we fail to successfully implement our cost control actions and program to improve long-term profitability. We are making significant decisions in connection with our long-term business strategy. In addition to the initiatives and enhancements discussed in our Annual Report, in the first quarter of 2023, we announced a comprehensive program to improve FedEx's long-term profitability. We are also continuing to implement cost control actions to mitigate the effect of volume declines. See Item 2 of this quarterly report ("Management's Discussion and Analysis of Results of Operations and Financial Condition") under "Results of Operations – Consolidated Results – Outlook" for additional information.

We may not be able to achieve the expected operational efficiencies, cost savings, and other benefits from these initiatives and enhancements. The actual amount and timing of costs to be incurred and related cost savings resulting from these initiatives and enhancements may differ from our current expectations and estimates. These initiatives and enhancements could result in asset impairment charges. Changes in our business strategy may also expose us to new and heightened risks. If we are not able to successfully implement our cost control actions and program to improve long-term profitability, our future financial results will suffer and we may not be able to achieve our 2025 financial performance goals.

Our failure to meet our purchased transportation needs, as well as increases in purchased transportation costs, could adversely impact our business and results of operations. Our ability to meet our purchased transportation needs while controlling related costs is generally subject to numerous external factors, including the availability of qualified persons in the markets where service providers operate and unemployment levels within these markets, prevailing and competitive wage rates and other benefits, fuel and energy prices, changes in the business or financial soundness of service providers, interest in contracting with FedEx, inflation, safety levels of our operations, our reputation within the transportation market, the effect of a widespread public health crisis, the availability of child care, and vaccine mandates that may be announced in jurisdictions in which our service providers operate. Additionally, certain service providers (acting collectively or in coordination in some instances) may seek to increase pay rates or modify contract terms and may refuse to provide service to FedEx in connection with such initiatives. While we believe we will be able to effectively meet our purchased transportation needs during the remainder of 2023, our inability to do so could increase our costs, hinder our ability to execute our business strategy, negatively impact service levels, and adversely affect our business and results of operations.

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 quarter of 2023:

ISSUER PURCHASES OF EQUITY SECURITIES					
Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Program (\$ in millions)	
Sep. 1-30, 2022	—	\$ —	—	\$	4,070
Oct. 1-31, 2022	7,922,884	151.46	7,922,884		2,570
Nov. 1-30, 2022	—	—	—		2,570
Total	7,922,884		7,922,884	\$	2,570

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 16, 2022, \$2.6 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 agreement with a bank in October 2022 to repurchase \$1.5 billion of our common stock. At the beginning of the repurchase period, we delivered \$1.5 billion cash and received 7.9 million shares based on a stock price of \$151.46. The final number of shares to be repurchased and the final average price per share under the ASR agreement will depend on the volume-weighted average price of our stock, less a discount, during the term of the agreement. Purchases under the ASR agreement are expected to be completed in December 2022.

See Note 1 of the accompanying unaudited condensed consolidated financial statements for additional information regarding the ASR transaction.

Item 6. Exhibits

Exhibit Number	Description of Exhibit
15.1	<u>Letter re: Unaudited Interim Financial Statements.</u>
22	<u>List of Guarantor Subsidiaries and Subsidiary Issuers of Guaranteed Securities.</u>
31.1	<u>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.</u>
31.2	<u>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.</u>
32.1	<u>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.</u>
32.2	<u>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.</u>
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).

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 20, 2022

/s/ Jennifer L. Johnson

Jennifer L. Johnson
Corporate Vice President and
Principal Accounting Officer

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. 333-240157) of FedEx Corporation and Federal Express Corporation;

of our report dated December 20, 2022, 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, 2022.

/s/ Ernst & Young LLP

Memphis, Tennessee

December 20, 2022

LIST OF SUBSIDIARY GUARANTORS

As of November 30, 2022, 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.

**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 condition, 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 Rules 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 that 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 the 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 20, 2022

/s/ Rajesh Subramaniam

Rajesh Subramaniam

President and Chief Executive Officer

**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, Michael C. Lenz, 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 condition, 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 Rules 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 that 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 the 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 20, 2022

/s/ Michael C. Lenz

Michael C. Lenz

Executive Vice President and
Chief Financial Officer

**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, 2022 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 20, 2022

/s/ Rajesh Subramaniam

Rajesh Subramaniam

President and Chief Executive Officer

**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, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael C. Lenz, 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 20, 2022

/s/ Michael C. Lenz

Michael C. Lenz
Executive Vice President and
Chief Financial Officer