



FOR IMMEDIATE RELEASE

**FedEx Corp. Reports Higher Fourth Quarter Earnings,
Record Year For Revenue and Earnings**
Balance Sheet and Free Cash Flow Measures Improve

MEMPHIS, Tenn., June 25, 2002 ... FedEx Corporation (NYSE: FDX) today reported earnings of \$0.78 per diluted share for the quarter ended May 31, compared to \$0.38 per diluted share reported last year. Last year's fourth quarter included charges associated with curtailing certain aircraft modification and development programs and reorganizing certain operations. Excluding these expenses, earnings for last year's fourth quarter were \$0.64 per diluted share.

Fourth Quarter Results

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

- Revenue of \$5.42 billion, up 6% from \$5.12 billion the previous year
- Operating income of \$416 million, up 86% from \$224 million a year ago
- Net income of \$236 million, up 109% from last year's \$113 million

Full Year Results

For the full fiscal year, FedEx Corp. reported earnings before the cumulative effect of accounting changes of \$2.39 per diluted share, up 20% from \$1.99 per share last year. Net income for the year was \$2.34 per diluted share including a non-cash charge from an accounting change of \$0.05. Excluding last year's fourth quarter charges of \$124 million, earnings for the previous year were \$2.26 per diluted share. Additional consolidated results for the fiscal year were:

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- Revenue of \$20.6 billion, up 5% from \$19.6 billion the previous year
- Operating income of \$1.32 billion, up 23% from \$1.07 billion a year ago
- Income before the effect of the accounting change of \$725 million, up 24% from last year's \$584 million
- Free cash flow of \$616 million, compared to (\$69) million last year

“FedEx achieved record earnings and generated significant free cash flow during the year,” said Frederick W. Smith, chairman, president and chief executive officer. “Our FedEx Ground and FedEx Freight units are operating at record profit and service reliability levels. FedEx Express has significantly reduced capital spending levels and has also been able to achieve record levels of service reliability, even as volume has declined during a difficult economic environment.”

“FedEx benefited in the quarter by offering customers a broad range of services in the express, ground, freight and supply chain solution areas,” said Alan B. Graf, Jr., executive vice president and chief financial officer. “Total average daily package volume at FedEx Express and FedEx Ground grew a combined 5% year-over-year for the quarter. FedEx Ground performance was very strong, more than doubling its profit from a year ago on a 21% increase in average daily volume and a 27% increase in revenue.

“Our \$1.6 billion of capital spending in fiscal 2002 was the lowest level in eight years, which was achieved by deferring or cancelling aircraft deliveries and modifications and by reducing or eliminating various other projects,” Graf said. “Our improved profitability and reduced capital spending during the year generated \$616 million of free cash flow, enabling us to reduce our debt levels by \$315 million, increase cash levels by \$210 million, repurchase 3.35 million shares of FedEx stock, increase our stock repurchase authorization by 5 million shares and announce the company's first-ever cash dividend.

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“For the full year, operating margin improved to 6.4% from 5.5% despite the difficult economic environment,” Graf said. “The company has taken significant steps to reduce overhead, increase productivity, and tightly focus its sales and marketing efforts. We expect our efforts, combined with an improving economy, should position us to increase revenue, profitability and return on invested capital and to continue to generate positive cash flow in the new fiscal year. Earnings are expected to be \$0.40 to \$0.50 per diluted share in the first quarter, compared to \$0.41 per diluted share a year ago excluding the cumulative effect from an accounting change of \$0.05 per share. Capital spending for fiscal 2003 is forecast to be about \$1.9 billion, as the company is required to take delivery of 17 aircraft committed in prior years and is increasing its investment in information technology and the FedEx Ground network.”

FedEx Express

For the fourth quarter, FedEx Express reported:

- Revenue of \$4.00 billion, up 4% from last year’s \$3.85 billion
- Operating income of \$236 million, up 49% from \$158 million a year ago

Revenue growth came primarily from the strong growth in weight related to the U.S. Postal Service transportation agreement.

FedEx Express U.S. domestic average daily package volume declined 3% year-over-year for the fourth quarter, although U.S. domestic deferred package volume grew 3%. FedEx International Priority[®] volume grew 3%, led by strength in Asia and Europe. U.S. domestic express package yield for the quarter was down 2% year-over-year, as an increase in base rates was more than offset by declining weights and fuel surcharges. International Priority package yield grew 1% for the quarter, primarily due to higher weight per package and an improved regional mix.

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FedEx Express operating income was negatively affected by approximately \$60 million year-over-year, as the decline in fuel prices was exceeded by the decline in fuel surcharge revenue. Last year's results included a non-cash charge of \$102 million to other operating expense to write off aircraft, aircraft engines, related parts, deposits and related costs. Fourth quarter operating income declined 9% year-over-year excluding the charge.

FedEx Ground

For the fourth quarter, FedEx Ground reported:

- Revenue of \$743 million, up 27% from last year's \$583 million
- Operating income of \$128 million, up 125% from \$57 million a year ago

FedEx Ground average daily package volume grew 21%, with about one-third of the growth coming from FedEx Home Delivery. Yield per package increased more than 3%. Operating margin was 17.2% for the quarter, compared to 9.8% a year ago. FedEx Ground benefited from one additional operating day in this year's fourth quarter.

FedEx Home Delivery incurred a pretax loss of \$32 million in fiscal 2002, an improvement of \$19 million year-over-year, as coverage for this network was expanded to about 90% of the U.S. population. FedEx Home Delivery volumes and financial results are expected to continue to improve in fiscal 2003 as it completes its build-out in September to reach nearly 100% of the U.S. population.

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FedEx Freight

For the fourth quarter, FedEx Freight reported:

- Revenue of \$522 million, up 5% from last year's \$498 million
- Operating income of \$51 million, up 38% from \$37 million a year ago

FedEx Freight operating margin was 9.8% in the fourth quarter compared with 7.4% a year ago as the company benefited from productivity improvements and market share gains. FedEx Freight average daily shipments exceeded prior year levels in the latter portion of the quarter, offsetting lower shipment levels earlier in the quarter. Yield increased 6%.

In early June, FedEx Freight announced the integration of its operating companies' Web sites and a series of new premium service offerings in conjunction with the official kickoff of the FedEx Freight operating company rebranding. Expanded next-day reach up to 900 miles in selected lanes in the east, and optional money-back guaranteed transit times in the west, reinforce the company's commitment to providing customers with convenient shipping solutions for today's fast cycle supply chains.

Tax Rate

The company's effective tax rate was reduced to 36.4% for the fourth quarter and to 37.5% for the full year, due to a number of factors, none of which was individually significant. For fiscal 2003, the effective rate is expected to be approximately 38.0%.

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Corporate Overview

With annual revenues of \$21 billion, FedEx Corp. is the premier global provider of transportation, e-commerce and supply chain management services. The company offers integrated business solutions through a network of subsidiaries operating independently, including: FedEx Express, the world's largest express transportation company; FedEx Ground, North America's second largest provider of small-package ground delivery service; FedEx Freight, the largest U.S. provider of regional less- than-truckload freight services; FedEx Custom Critical, the world's largest provider of expedited time-critical shipments; and FedEx Trade Networks, a provider of customs clearance, international freight forwarding and trade facilitation.

Additional information and operating data are contained in the company's annual report, Form 10-K, Form 10-Qs and fourth quarter FY2002 Statistical Book. These materials, as well as a Webcast of the earnings release conference call to be held at 10:30 a.m. EDT on June 25, are available on the company's Web site at www.fedex.com/us/investorrelations. A replay of the conference call Webcast will be posted on our Web site following the call and will remain available for approximately two weeks.

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Certain statements in this press release may be considered forward-looking statements, such as statements relating to management's views with respect to future events and financial performance. Such forward-looking statements are subject to risks, uncertainties and other factors which could cause actual results to differ materially from historical experience or from future results expressed or implied by such forward-looking statements. Potential risks and uncertainties include, but are not limited to, any impacts on the company's business resulting from the events that occurred on September 11, 2001 or any future threats or acts of terrorism, and the timing and amount of any money that FedEx is entitled to receive under the Air Transportation Safety and System Stabilization Act, as well as general economic and competitive conditions in the markets we serve, matching capacity to volume levels and other factors which can be found in FedEx Corp.'s and its subsidiaries' press releases and filings with the SEC.

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FEDEX CORP. FINANCIAL HIGHLIGHTS

Fourth Quarter Fiscal 2002

(In millions, except earnings per share)

	Three Months Ended			Year Ended		
	May 31			May 31 ¹		
	(Unaudited)					
	<u>2002</u>	<u>2001</u>	<u>%</u>	<u>2002</u>	<u>2001</u>	<u>%</u>
Revenue:						
FedEx Express	\$3,999	\$3,852	4%	\$15,327	\$15,534	(1%)
FedEx Ground	743	583	27%	2,711	2,237	21%
FedEx Freight	522	498	5%	1,960	835	NM
Other	<u>152</u>	<u>183</u>	(17%)	<u>609</u>	<u>1,023</u>	NM
Total Revenue	5,416	5,116	6%	20,607	19,629	5%
Operating Expenses:						
Salaries and employee benefits	2,386	2,170	10%	9,099	8,263	10%
Purchased transportation	474	427	11%	1,825	1,713	7%
Rentals and landing fees	432	435	(1%)	1,780	1,650	8%
Depreciation and amortization	345	337	2%	1,364	1,276	7%
Fuel	283	278	2%	1,100	1,143	(4%)
Maintenance and repairs	330	312	6%	1,240	1,170	6%
Airline stabilization compensation	-	-	NM	(119)	-	NM
Other	<u>750</u>	<u>933</u>	(20%)	<u>2,997</u>	<u>3,343</u>	(10%)
Total Operating Expenses	5,000	4,892	2%	19,286	18,558	4%
Operating Income (Loss):						
FedEx Express	236	158	49%	811	847	(4%)
FedEx Ground	128	57	125%	337	175	93%
FedEx Freight	51	37	38%	168	55	NM
Other	<u>1</u>	<u>(28)</u>	NM	<u>5</u>	<u>(6)</u>	NM
Total Operating Income	416	224	86%	1,321	1,071	23%
Other Income (Expense):						
Interest, net	(30)	(42)	29%	(139)	(144)	3%
Other, net	<u>(15)</u>	<u>(2)</u>	NM	<u>(22)</u>	<u>-</u>	NM
Total Other Income (Expense)	<u>(45)</u>	<u>(44)</u>	(2%)	<u>(161)</u>	<u>(144)</u>	(12%)
Pretax Income	371	180	106%	1,160	927	25%
Provision for Income Taxes	<u>135</u>	<u>67</u>	101%	<u>435</u>	<u>343</u>	27%
Income Before Goodwill Accounting Change	236	113	109%	725	584	24%
Net Income	<u>\$236</u>	<u>\$113</u>	109%	<u>\$710</u>	<u>\$584</u>	22%
Diluted Earnings Per Share:						
Income Before Accounting Change	\$0.78	\$0.38	105%	\$2.39	\$1.99	20%
Cumulative Effect of Accounting Change	<u>-</u>	<u>-</u>	NM	<u>(0.05)</u>	<u>-</u>	NM
Diluted Earnings Per Share	<u>\$0.78</u>	<u>\$0.38</u>	105%	<u>\$2.34</u>	<u>\$1.99</u>	18%
Weighted Average Common and Common Equivalent Shares						
	304	301	1%	303	293	3%
EBITDA²						
	\$745	\$559	33%	\$2,662	\$2,347	13%
Capital Expenditures, Incl. Equivalent Capital						
	\$314	\$621	(49%)	\$1,615	\$1,893	(15%)

1 - FedEx Freight East was acquired in Q3 FY01. Prior year results include the operations of FedEx Freight West from December 1, 2000 and FedEx Freight East from January 1, 2001. Prior to December 1, 2000, FedEx Freight West results are included in Other.

2 - EBITDA is earnings before goodwill accounting change, interest, taxes, depreciation and amortization.

FEDEX CORP. OPERATING HIGHLIGHTS

Fourth Quarter Fiscal 2002

(In thousands, except yield, weight and operating weekdays)

	Three Months Ended May 31 (Unaudited)			Year Ended May 31		
	<u>2002</u>	<u>2001</u>	%	<u>2002</u>	<u>2001</u>	%
<u>FEDEX EXPRESS</u>						
Operating Weekdays	65	65	-	255	255	-
<u>AVG DAILY VOLUME / POUNDS</u>						
Average Daily Package Volume:						
U.S. Overnight Box	1,179	1,222	(4%)	1,170	1,264	(7%)
U.S. Overnight Envelope	702	764	(8%)	699	757	(8%)
U.S. Deferred	<u>859</u>	<u>837</u>	3%	<u>868</u>	<u>899</u>	(3%)
Total U.S. Domestic Package	2,740	2,823	(3%)	2,737	2,920	(6%)
International Priority	<u>357</u>	<u>346</u>	3%	<u>340</u>	<u>346</u>	(2%)
Total Average Daily Packages	<u>3,097</u>	<u>3,169</u>	(2%)	<u>3,077</u>	<u>3,266</u>	(6%)
Average Daily Freight Pounds:						
U.S.	9,145	4,032	127%	7,736	4,337	78%
International	<u>2,138</u>	<u>2,121</u>	1%	<u>2,082</u>	<u>2,208</u>	(6%)
Total Avg Daily Freight Pounds	<u>11,283</u>	<u>6,153</u>	83%	<u>9,818</u>	<u>6,545</u>	50%
<u>YIELD</u>						
Revenue Per Package:						
U.S. Overnight Box	\$17.86	\$18.15	(2%)	\$17.90	\$18.09	(1%)
U.S. Overnight Envelope	9.78	9.91	(1%)	9.84	9.69	2%
U.S. Deferred	<u>10.89</u>	<u>11.06</u>	(2%)	<u>10.77</u>	<u>10.87</u>	(1%)
Total U.S. Domestic Package	13.60	13.82	(2%)	13.58	13.69	(1%)
International Priority	<u>44.24</u>	<u>43.87</u>	1%	<u>44.16</u>	<u>44.70</u>	(1%)
Composite Package Yield	<u>\$17.13</u>	<u>\$17.10</u>	0%	<u>\$16.96</u>	<u>\$16.97</u>	(0%)
Revenue Per Freight Pound:						
U.S.	\$0.64	\$0.59	8%	\$0.65	\$0.59	10%
International	<u>0.70</u>	<u>0.75</u>	(7%)	<u>0.72</u>	<u>0.75</u>	(4%)
Composite Freight Yield	<u>\$0.65</u>	<u>\$0.64</u>	2%	<u>\$0.66</u>	<u>\$0.64</u>	3%
<u>FEDEX GROUND</u>						
Operating Weekdays	64	63	2%	253	254	(0%)
Average Daily Package Volume	1,874	1,545	21%	1,755	1,520	15%
Yield	\$6.19	\$5.99	3%	\$6.11	\$5.79	6%
<u>FEDEX FREIGHT</u>¹						
Operating Weekdays	65	65	-	253	107	NM
Shipments Per Day	58	57	2%	56	56	-
Weight Per Shipment (lbs)	1,116	1,133	(2%)	1,114	1,132	(2%)
Revenue/CWT	\$12.50	\$11.84	6%	\$12.41	\$11.83	5%
<u>FEDEX CORP.</u>						
Average Full-Time Equivalents (FTEs)	186	185	1%	185	177	5%

1 - Fiscal 2001 based on the portion of the year including both FedEx Freight East and FedEx Freight West (January 2001 through May 2001).

FEDEX CORP. CONSOLIDATED CONDENSED BALANCE SHEET

Fourth Quarter Fiscal 2002

(In millions)

	May 31	
	<u>2002</u>	<u>2001</u>
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	\$331	\$121
Other current assets	<u>3,334</u>	<u>3,380</u>
Total Current Assets	3,665	3,501
Net Property and Equipment	8,302	8,100
Other Assets	<u>1,845</u>	<u>1,791</u>
	<u>\$13,812</u>	<u>\$13,392</u>
 <u>LIABILITIES AND STOCKHOLDERS' INVESTMENT</u>		
Current Liabilities:		
Current portion of long-term debt	\$6	\$221
Other current liabilities	<u>2,936</u>	<u>3,029</u>
Total Current Liabilities	2,942	3,250
Long-Term Debt, Less Current Portion	1,800	1,900
Deferred Income Taxes and Other Liabilities	2,525	2,342
Total Common Stockholders' Investment	<u>6,545</u>	<u>5,900</u>
	<u>\$13,812</u>	<u>\$13,392</u>

FEDEX CORP. CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

Fourth Quarter Fiscal 2002

(In millions)

	Year Ended May 31,	
	<u>2002</u>	<u>2001</u>
Net Cash Provided by Operating Activities	\$2,228	\$2,044
Investing Activities:		
Purchases of property and equipment	(1,615)	(1,893)
Business acquisitions, net of cash acquired	(35)	(477)
Other, net	<u>38</u>	<u>257</u>
Net cash used in investing activities	<u>(1,612)</u>	<u>(2,113)</u>
Net cash (used in) provided by financing activities	<u>(406)</u>	<u>122</u>
Net increase in cash and cash equivalents	210	53
Cash and cash equivalents at beginning of period	<u>121</u>	<u>68</u>
Cash and cash equivalents at end of period	<u>\$331</u>	<u>\$121</u>
Free cash flow	<u>\$616</u>	<u>(\$69)</u>

Note: Free cash flow is defined as net cash provided by operating activities less net cash used in investing activities. Previously, the company had defined free cash flow as net cash provided by operating activities less purchases of property and equipment and other, net.

FEDEX EXPRESS FINANCIAL HIGHLIGHTS

Fourth Quarter Fiscal 2002

(In millions, except FTEs)

	Three Months Ended			Year Ended		
	May 31			May 31		
	(Unaudited)					
	<u>2002</u>	<u>2001</u>	<u>%</u>	<u>2002</u>	<u>2001</u>	<u>%</u>
Revenue	\$3,999	\$3,852	4%	\$15,327	\$15,534	(1%)
Operating Expenses:						
Salaries and employee benefits	1,680	1,550	8%	6,467	6,301	3%
Purchased transportation	140	143	(2%)	562	584	(4%)
Rentals and landing fees	373	365	2%	1,524	1,419	7%
Depreciation and amortization	204	200	2%	806	797	1%
Fuel	261	247	6%	1,009	1,063	(5%)
Maintenance and repairs	262	246	7%	980	968	1%
Airline stabilization compensation	-	-	NM	(119)	-	NM
Intercompany charges	342	323	6%	1,332	1,317	1%
Other	<u>501</u>	<u>620</u>	(19%)	<u>1,955</u>	<u>2,238</u>	(13%)
Total Operating Expenses	<u>3,763</u>	<u>3,694</u>	2%	<u>14,516</u>	<u>14,687</u>	(1%)
Operating Income	<u>\$236</u>	<u>\$158</u>	49%	<u>\$811</u>	<u>\$847</u>	(4%)
EBITDA	\$423	\$357	18%	\$1,564	\$1,641	(5%)
Average Full-Time Equivalents (000s)	120	121	(1%)	120	123	(2%)

FEDEX GROUND FINANCIAL HIGHLIGHTS

Fourth Quarter Fiscal 2002

(In millions)

	Three Months Ended			Year Ended		
	May 31			May 31		
	(Unaudited)					
	<u>2002</u>	<u>2001</u>	<u>%</u>	<u>2002</u>	<u>2001</u>	<u>%</u>
Revenue	\$743	\$583	27%	\$2,711	\$2,237	21%
Operating Expenses:						
Salaries and employee benefits	141	113	25%	532	450	18%
Purchased transportation	274	223	23%	1,032	881	17%
Rentals	16	18	(11%)	71	67	6%
Depreciation and amortization	34	31	10%	132	111	19%
Fuel	1	3	(67%)	4	8	(50%)
Maintenance and repairs	18	16	13%	73	63	16%
Intercompany charges	61	54	13%	238	215	11%
Other	<u>70</u>	<u>68</u>	3%	<u>292</u>	<u>267</u>	9%
Total Operating Expenses	<u>615</u>	<u>526</u>	17%	<u>2,374</u>	<u>2,062</u>	15%
Operating Income	<u>\$128</u>	<u>\$57</u>	125%	<u>\$337</u>	<u>\$175</u>	93%
EBITDA	\$159	\$87	83%	\$460	\$283	63%

FEDEX FREIGHT FINANCIAL HIGHLIGHTS

Fourth Quarter Fiscal 2002

(In millions)

	Three Months Ended May 31 (Unaudited)			Year Ended May 31
	<u>2002</u>	<u>2001</u>	<u>%</u>	<u>2002</u>
Revenue	\$522	\$498	5%	\$1,960
Operating Expenses:				
Salaries and employee benefits	308	291	6%	1,170
Purchased transportation	16	14	14%	57
Rentals	16	16	–	64
Depreciation and amortization	21	26	(19%)	86
Fuel	18	23	(22%)	72
Maintenance and repairs	25	24	4%	90
Intercompany charges	2	–	NM	8
Other	<u>65</u>	<u>67</u>	(3%)	<u>245</u>
Total Operating Expenses	<u>471</u>	<u>461</u>	2%	<u>1,792</u>
Operating Income	<u>\$51</u>	<u>\$37</u>	38%	<u>\$168</u>
EBITDA	\$69	\$63	10%	\$248