FedEx Corporation

FOR IMMEDIATE RELEASE

FedEx Corp. Reports First Quarter Earnings

Growth in Smaller Shippers at FedEx Ground and
Outstanding Cost Management Benefit Quarter

MEMPHIS, Tenn., Sept. 20, 2001 ... FedEx Corporation (NYSE: FDX) today reported earnings for the quarter ended August 31 of $0.41 per diluted share before the effect of an accounting change, down 29% from $0.58 per diluted share last year. Net income for the quarter was $0.36 per diluted share including a non-cash charge from an accounting change of $0.05 per diluted share related to the adoption of Statement of Financial Accounting Standards No. (SFAS) 142 "Goodwill and Other Intangible Assets."

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

- Revenue of $5.04 billion, up 5% from $4.78 billion the previous year
- Operating income of $235 million, down 24% from $311 million a year ago
- Income before the effect of an accounting change of $124 million, down 27% from last year's net income of $169 million

"This quarter's results reflect the competitive strength of our diversified and expanded portfolio of services, as well as outstanding expense management across all our companies," said Alan B. Graf, Jr., executive vice president and chief financial officer. "FedEx Ground experienced strong growth in both volumes and yields, while weakness in the manufacturing and high-tech sectors reduced demand for our premium services at FedEx Express. Also, the addition of American Freightways in the second half of fiscal

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2001 allowed us to report increased revenue during a period of virtually flat economic growth."

At FedEx Express, the market leader in global express services, U.S. domestic average daily volume declined 7% year over year for the first quarter while volume from its FedEx International Priority® service was down 1%. At FedEx Ground, average daily volume grew 8% on the strength of FedEx Home Delivery and core business-to-business shipments, with yields increasing 8% for the quarter due to effective yield management efforts.

The company continues to implement revenue enhancement and cost reduction programs to provide long-term revenue and profit growth and to reduce costs to match near-term business levels. Major revenue initiatives include:

- Airport-to-airport transportation of Priority, Express and First-Class Mail for the U.S. Postal Service, which began on August 27.
- Expansion of the FedEx Home Delivery network to 80% of the U.S. population, beginning September 25. FedEx Home Delivery will open 63 additional locations in regions throughout the U.S., including 56 co-located terminals with existing FedEx Ground facilities, minimizing capital expenditures.
- FedEx Online Express Savings Program, launched on September 4, provides an incentive for customers to shift to the ease, speed and convenience of fedex.com, a site which gives them instant access to our broad portfolio of global shipping and business-building services. Shippers who qualify for the online promotion will be eligible for up to a 10% discount off list rates for many express services when shipping through fedex.com.

- The nationwide placement of up to 10,000 FedEx Drop Boxes outside U.S. Post Offices, more than 4,100 of which have been placed since national rollout began on June 19.

Management continues to scrutinize all capital spending programs, reduce discretionary expenses at each operating company and defer non-essential hiring.

"Since our first quarter ended, the global economy has weakened further," said Graf. "Prior to the tragic events of September 11, we were comfortable with the existing range of analysts' estimates for the second quarter. It is extremely difficult for us to fully assess the financial effects of last week's events at this point, but our volumes at FedEx Express were substantially reduced last week while our aircraft were grounded and our volumes have not yet recovered to levels existing prior to the tragedy. We intend to continue to manage the company's cost structure to remain profitable in the second quarter and the remainder of fiscal 2002."

"We cannot be certain right now how the events of last week will ultimately impact the U.S. and global economies, the air transportation industry and FedEx," said Frederick W. Smith, chairman, president and chief executive officer. "Nonetheless, we see our company well positioned to significantly increase growth, profitability, returns and cash flow as the global economies improve and trading activities increase."

During the first quarter, the company adopted the Financial Accounting Standards Board's new rules for the treatment of goodwill and other intangible assets. Adoption of these new rules resulted in a $15 million net of tax charge, or $0.05 per share. This expense is reflected as a change in accounting adjustment to reduce the carrying value of goodwill at one of the company's smaller operating units. First quarter results also

reflect the cessation of $9 million of goodwill amortization from the quarter's operating expenses.

FedEx Express

For the first quarter, FedEx Express reported:

• Revenue of $3.74 billion, down 5% from last year's $3.92 billion
• Operating income of $121 million, down 53% from $258 million a year ago

"The start-up of the U.S. Postal Service transportation and retail agreements has been extremely successful," said David J. Bronczek, president and chief executive officer. "Service levels and volumes are running at or above expectations and we are off to a great start in our relationship with the U.S. Postal Service."

FedEx Express composite package yield for the quarter increased 1% year over year, despite a 7% decline in average weight per package.

FedEx Ground

For the first quarter, FedEx Ground reported:

• Revenue of $623 million, up 15% from last year's $543 million
• Operating income of $60 million, up 40% from $43 million a year ago

Revenue grew 17% on a per-day basis, as year-over-year comparisons were negatively affected by one fewer operating day in this year's first quarter. The FedEx Home Delivery loss for the quarter was $9 million, up slightly from last year.

"The strong revenue growth at FedEx Ground during the quarter was largely due to the company's success in adding small and medium-sized business customers," said Daniel J. Sullivan, president and chief executive officer. "Our core business-to-business shipment volume grew much faster year-over-year than the overall economy, while FedEx Home Delivery average daily package volume increased 32% from the fourth quarter, as new shippers and their customers continue to respond enthusiastically to this unique service. We are committed to rolling out FedEx Home Delivery at an aggressive rate and are pleased to extend the service beginning September 25 to more residential consumers across the country."

FedEx Freight

For the first quarter, FedEx Freight reported:

- Revenue of $511 million
- Operating income of $50 million

On a pro-forma basis, FedEx Freight revenue increased more than 4% for the quarter year-over-year.

"The solid FedEx Freight results reflect effective yield management, good cost control efforts and enhanced productivity," said Douglas G. Duncan, president and chief executive officer. "The focus at American Freightways and Viking continues to

be on regional next-day and second-day service with excellent reliability to support fast-cycle supply chains."

Corporate Overview

With annual revenues of $20 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, a leading 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 brokerage, consulting, information technology and trade facilitation solutions.

Additional information and operating data are contained in the company's annual report, Form 10-K, Form 10-Qs and first 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 September 20, are available on the company's Web site at www.fedex.com/us/investorrelations. A replay of the conference call Webcast will be posted on our Web site following the call and will remain available for approximately two weeks.

Certain statements in this press release may be considered forward-looking statements, such as statements relating to management's views with respect to future events and financial performance. Such forward-looking statements are subject to risks, uncertainties and other factors which could cause actual results to differ materially from historical experience or from future results expressed or implied by such forward-looking statements. Potential risks and uncertainties include, but are not limited to, any impacts on the company's business resulting from the events that

occurred on September 11, 2001, 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.

Media Contact: Shirlee Clark 901-818-7463
Investor Contact: Jim Clippard 901-818-7468
Worldwide Web Home Page: fedex.com

FEDEX CORP. FINANCIAL HIGHLIGHTS

(Unaudited)

First Quarter Fiscal 2002

(In millions, except earnings per share)

	Three Months Ended August 31		
	2001	**2000**	**%**
Revenue:[1]			
FedEx Express	$3,738	$3,916	(5%)
FedEx Ground	623	543	15%
FedEx Freight	511	–	NM
Other	165	320	(48%)
Total Revenue	5,037	4,779	5%
Operating Expenses:			
Salaries and employee benefits	2,236	1,995	12%
Purchased transportation	445	435	2%
Rentals and landing fees	432	390	11%
Depreciation and amortization	336	303	11%
Fuel	290	250	16%
Maintenance and repairs	312	310	1%
Other	751	785	(4%)
Total Operating Expenses	4,802	4,468	7%
Operating Income:[1]			
FedEx Express	121	258	(53%)
FedEx Ground	60	43	40%
FedEx Freight	50	–	NM
Other	4	10	(60%)
Total Operating Income	235	311	(24%)
Other Income (Expense):			
Interest, net	(37)	(33)	(12%)
Other, net	2	(4)	150%
Total Other Income (Expense)	(35)	(37)	5%
Pretax Income	200	274	(27%)
Provision for Income Taxes	76	105	(28%)
Income Before Accounting Change	124	169	(27%)
Net Income	$109	$169	(36%)
Diluted Earnings Per Share:			
Income Before Accounting Change	$0.41	$0.58	(29%)
Cumulative Effect of Accounting Change	(0.05)	–	NM
Diluted Earnings per Share	$0.36	$0.58	(38%)
Weighted Average Common and Common Equivalent Shares	302	289	5%
Cash Earnings Per Share[2]	$1.52	$1.63	(7%)
EBITDA[3]	$573	$610	(6%)
Capital Expenditures, Incl. Equivalent Capital[4]	$500	$341	47%

1 - The FedEx Freight segment includes the results of operations of Viking Freight and American Freightways for the current period. Prior period Viking results are included in Other.

2 - Cash earnings per share is income before accounting changes plus depreciation and amortization per diluted share.

3 - EBITDA is earnings before interest, taxes, depreciation and amortization and effects of changes in accounting.

4 - Equivalent capital represents the amount of capital the company would have expended to purchase certain assets, principally aircraft, had their use not been obtained through operating leases.

FEDEX CORP. OPERATING HIGHLIGHTS

(Unaudited)

First Quarter Fiscal 2002

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

	Three Months Ended August 31		
FEDEX EXPRESS	**2001**	**2000**	**%**
Operating Weekdays	65	65	–
AVG. DAILY VOLUME / POUNDS			
Average Daily Package Volume:			
U.S. Overnight Box	1,165	1,254	(7%)
U.S. Overnight Envelope	721	758	(5%)
U.S. Deferred	814	876	(7%)
Total U.S. Domestic Package	2,700	2,888	(7%)
International Priority	335	338	(1%)
Total Average Daily Packages	3,035	3,226	(6%)
Average Daily Freight Pounds:			
U.S.	4,352	4,369	(0%)
International	2,107	2,312	(9%)
Total Avg. Daily Freight Pounds	6,459	6,681	(3%)
YIELD			
Revenue Per Package:			
U.S. Overnight Box	$18.12	$18.15	(0%)
U.S. Overnight Envelope	9.93	9.59	4%
U.S. Deferred	11.03	10.85	2%
Total U.S. Domestic Package	13.80	13.69	1%
International Priority	43.89	44.80	(2%)
Composite Package Yield	$17.12	$16.95	1%
Revenue Per Freight Pound:			
U.S.	$0.61	$0.57	7%
International	0.71	0.76	(7%)
Composite Freight Yield	$0.64	$0.64	–
FEDEX GROUND			
Operating Weekdays	65	66	(2%)
Average Daily Package Volume	1,573	1,452	8%
Yield	$6.10	$5.67	8%
FEDEX FREIGHT			
Operating Weekdays	65	–	NM
Shipments Per Day	57	–	NM
Weight Per Shipment (lbs)	1,120	–	NM
Revenue/CWT	$12.23	–	NM
FEDEX CORP.			
Average Full-Time Equivalents (FTEs)[1]	184	169	9%

1 - First quarter fiscal 2002 average FTEs include approximately 17 thousand employees associated with the acquisition of American Freightways.

FEDEX CORP. CONSOLIDATED BALANCE SHEET

First Quarter Fiscal 2002

(In millions)

	August 31, 2001 (Unaudited)	May 31, 2001
ASSETS		
Current Assets:		
Cash and cash equivalents	$110	$121
Other current assets	3,368	3,328
Total Current Assets	3,478	3,449
Net Property and Equipment	8,282	8,100
Other Assets	1,725	1,791
	$13,485	$13,340
LIABILITIES AND STOCKHOLDERS' INVESTMENT		
Current Liabilities:		
Current portion of long-term debt	$205	$221
Other current liabilities	2,844	3,029
Total Current Liabilities	3,049	3,250
Long-Term Debt, Less Current Portion	2,050	1,900
Deferred Income Taxes and Other Liabilities	2,365	2,290
Total Common Stockholders' Investment	6,021	5,900
	$13,485	$13,340

FEDEX EXPRESS FINANCIAL HIGHLIGHTS

(Unaudited)

First Quarter Fiscal 2002

(In millions, except FTEs)

	Three Months Ended August 31		
	2001	**2000**	**%**
Revenue	$3,738	$3,916	(5%)
Operating Expenses:			
Salaries and employee benefits	1,588	1,595	(0%)
Purchased transportation	143	150	(5%)
Rentals and landing fees	368	344	7%
Depreciation and amortization	199	197	1%
Fuel	264	241	10%
Maintenance and repairs	246	268	(8%)
Intercompany charges	335	327	2%
Other	474	536	(12%)
Total Operating Expenses	3,617	3,658	(1%)
Operating Income	$121	$258	(53%)
EBITDA	$312	$453	(31%)
Average Full-Time Equivalents (000s)	121	124	(2%)

FEDEX GROUND FINANCIAL HIGHLIGHTS

(Unaudited)

First Quarter Fiscal 2002

(In millions)

	Three Months Ended August 31		
	2001	**2000**	**%**
Revenue	$623	$543	15%
Operating Expenses:			
Salaries and employee benefits	124	108	15%
Purchased transportation	240	218	10%
Rentals	16	14	14%
Depreciation and amortization	31	24	29%
Fuel	1	1	–
Maintenance and repairs	18	16	13%
Intercompany charges	59	53	11%
Other	74	66	12%
Total Operating Expenses	563	500	13%
Operating Income	$60	$43	40%
EBITDA	$89	$67	33%

FEDEX FREIGHT FINANCIAL HIGHLIGHTS

(Unaudited)

First Quarter Fiscal 2002

(In millions)

	Three Months Ended August 31, 2001
Revenue	$511
Operating Expenses:	
Salaries and employee benefits	298
Purchased transportation	15
Rentals	16
Depreciation and amortization	20
Fuel	21
Maintenance and repairs	23
Intercompany charges	2
Other	66
Total Operating Expenses	461
Operating Income	$50
EBITDA	$69