FedEx Corporation

FOR IMMEDIATE RELEASE

FedEx Corp. Reports Higher Third Quarter Earnings
Operating Income Increases 24%, FedEx Ground Revenue and Profit Surge

MEMPHIS, Tenn., Mar. 20, 2002 ... FedEx Corporation (NYSE: FDX) today reported earnings for the quarter ended February 28 of $0.39 per diluted share, up 5% from $0.37 per diluted share in last year's third quarter.

The consolidated results for FedEx Corporation in the third quarter include:

- Revenue of $5.02 billion, up 4% from $4.84 billion the previous year
- Operating income of $237 million, up 24% from $191 million a year ago
- Net income of $120 million, up 11% from last year's $108 million

"We are effectively executing our strategy in a challenging economic environment," said Alan B. Graf, Jr., executive vice president and chief financial officer. "Strong revenue and profit growth at FedEx Ground, solid cost control efforts at FedEx Express and improved productivity across our core operating companies benefited the company this quarter. Our sales and marketing forces are effectively cross-selling the diverse FedEx portfolio of services, particularly to small- and medium-sized businesses. In addition, the expanded scope of the FedEx Home Delivery network, coupled with the improved service of the FedEx Ground network, is enabling the company to capture additional ground business."

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The company stated that it expects fourth quarter volume at FedEx Ground to grow about 16% year-over-year. The company has refined its fourth quarter year-over-year volume outlook for FedEx Express and estimates that its U.S. domestic average daily package volume will be down approximately 2% and FedEx International Priority® shipments will be down about 1%. FedEx Express derives a significant portion of its U.S. domestic express business from the manufacturing and wholesale sectors. These sectors continue to be weaker than the U.S. economy as a whole on a year-over-year basis and the company expects that once they rebound, Express' volumes will improve.

The company continues to believe that earnings for the fourth quarter will be $0.70 to $0.80 per diluted share, compared to $0.64 per share a year ago excluding charges associated with curtailing certain aircraft modification and development programs and reorganizing operations at FedEx Supply Chain Services. The fourth quarter results will include the negative effect of the recent increase in jet fuel prices and the lag between jet fuel costs and the surcharge adjustment based on the FedEx Express fuel price index. FedEx remains free cash flow positive for the year-to-date period and expects to be free cash flow positive for the full year—a significant milestone.

Since the company announced its share repurchase program in September 2001, 2.2 million of the 5.0 million shares authorized for repurchase have been acquired.

FedEx Express

For the third quarter, FedEx Express reported:

- Revenue of $3.78 billion, about even with last year's $3.79 billion
- Operating income of $145 million, down 9% from $160 million a year ago

FedEx Express U.S. domestic average daily package volume declined 5% year-over-year for the third quarter while package volume from its FedEx International Priority service was down about 2%. Helping offset package volume trends was continued strong growth in weight related to the U.S. Postal Service transportation agreement. Express composite package yield for the quarter was down 2% year-over-year, primarily due to reduced fuel surcharges and to exchange rates. A decline in average weight per package was offset by an improving yield per pound.

In January, the company began the second phase of its program to place FedEx Express drop boxes outside the most frequently visited U.S. Post Offices. FedEx expects to increase the number of drop boxes at Post Offices by about 50% to more than 7,500 boxes by May 31, 2002.

FedEx Ground

For the third quarter, which included one less operating day than last year, FedEx Ground reported:

- Revenue of $668 million, up 26% from last year's $529 million
- Operating income of $69 million, up 283% from $18 million a year ago

FedEx Ground volume growth accelerated in the quarter, increasing 21% year-over-year due to strong customer demand. The volume growth was primarily in its core business-to-business shipments, with additional growth coming from the company's expanding FedEx Home Delivery operation. Yield increased 6%.

In February, FedEx Ground opened 31 Home Delivery facilities, expanding coverage of the industry's only residential service backed by a money-back guarantee to about

90% of the U.S. population. Another 47 Home Delivery locations are scheduled to open in September 2002, which will extend Home Delivery services to nearly all U.S. addresses.

FedEx Freight

For the third quarter, FedEx Freight reported:

- Revenue of $440 million, compared to $337 million a year ago
- Operating income of $20 million, compared to last year's $18 million

FedEx Freight results for last year's third quarter included Viking Freight from the beginning of the quarter and two months of results from American Freightways.

FedEx Freight continued to make competitive gains during the quarter. The company believes its recently announced decision to rebrand Viking Freight and American Freightways as FedEx Freight over a three-year period will solidify its position as the largest regional LTL carrier in the U.S.

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, 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 third 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. EST on March 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 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

(Unaudited)

Third Quarter Fiscal 2002

(In millions, except earnings per share)

	Three Months Ended February 28 [1]			Nine Months Ended February 28 [1]		
	2002	2001	%	2002	2001	%
Revenue:						
FedEx Express	$3,776	$3,785	(0%)	$11,328	$11,682	(3%)
FedEx Ground	668	529	26%	1,968	1,653	19%
FedEx Freight	440	337	NM	1,438	337	NM
Other	135	188	(28%)	457	840	(46%)
Total Revenue	5,019	4,839	4%	15,191	14,512	5%
Operating Expenses:						
Salaries and employee benefits	2,246	2,098	7%	6,713	6,093	10%
Purchased transportation	442	412	7%	1,351	1,286	5%
Rentals and landing fees	444	418	6%	1,348	1,216	11%
Depreciation and amortization	341	326	5%	1,019	938	9%
Fuel	244	302	(19%)	817	865	(6%)
Maintenance and repairs	306	270	13%	910	858	6%
Airline stabilization compensation	(3)	–	NM	(119)	–	NM
Other	762	822	(7%)	2,247	2,408	(7%)
Total Operating Expenses	4,782	4,648	3%	14,286	13,664	5%
Operating Income (Loss):						
FedEx Express	145	160	(9%)	575	689	(17%)
FedEx Ground	69	18	283%	209	119	76%
FedEx Freight	20	18	NM	117	18	NM
Other	3	(5)	NM	4	22	(82%)
Total Operating Income	237	191	24%	905	848	7%
Other Income (Expense):						
Interest, net	(36)	(34)	(6%)	(109)	(102)	(7%)
Other, net	(7)	1	NM	(7)	2	NM
Total Other Income (Expense)	(43)	(33)	(30%)	(116)	(100)	(16%)
Pretax Income	194	158	23%	789	748	5%
Provision for Income Taxes	74	50	48%	300	277	8%
Income Before Goodwill Accounting Change	120	108	11%	489	471	4%
Net Income	$120	$108	11%	$474	$471	1%
Diluted Earnings Per Share:						
Income Before Accounting Change	$0.39	$0.37	5%	$1.61	$1.62	(1%)
Cumulative Effect of Accounting Change	–	–	NM	(0.05)	–	NM
Diluted Earnings Per Share	$0.39	$0.37	5%	$1.56	$1.62	(4%)
Weighted Average Common and Common Equivalent Shares	304	293	4%	303	290	4%
EBITDA[2]	$571	$519	10%	$1,917	$1,788	7%
Capital Expenditures, Incl. Equivalent Capital	$365	$453	(19%)	$1,301	$1,272	2%

1 - American Freightways was acquired in Q3 FY01. The FedEx Freight segment includes the results of operations of Viking Freight and American Freightways for the current period. Prior period results include the operations of Viking Freight from December 1, 2000 and American Freightways from January 1, 2001.

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

FEDEX CORP. OPERATING HIGHLIGHTS

(Unaudited)

Third Quarter Fiscal 2002

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

	Three Months Ended February 28			Nine Months Ended February 28		
FEDEX EXPRESS	**2002**	**2001**	**%**	**2002**	**2001**	**%**
Operating Weekdays	62	62	–	190	190	–
AVG DAILY VOLUME / POUNDS						
Average Daily Package Volume:						
U.S. Overnight Box	1,193	1,288	(7%)	1,167	1,278	(9%)
U.S. Overnight Envelope	698	749	(7%)	698	755	(8%)
U.S. Deferred	958	962	(0%)	871	920	(5%)
Total U.S. Domestic Package	2,849	2,999	(5%)	2,736	2,953	(7%)
International Priority	332	340	(2%)	335	345	(3%)
Total Average Daily Packages	3,181	3,339	(5%)	3,071	3,298	(7%)
Average Daily Freight Pounds:						
U.S.	8,985	4,204	114%	7,254	4,441	63%
International	1,989	2,164	(8%)	2,063	2,238	(8%)
Total Avg Daily Freight Pounds	10,974	6,368	72%	9,317	6,679	39%
YIELD						
Revenue Per Package:						
U.S. Overnight Box	$17.56	$17.84	(2%)	$17.91	$18.08	(1%)
U.S. Overnight Envelope	9.78	9.70	1%	9.86	9.62	2%
U.S. Deferred	10.41	10.71	(3%)	10.72	10.81	(1%)
Total U.S. Domestic Package	13.25	13.52	(2%)	13.57	13.65	(1%)
International Priority	43.75	44.89	(3%)	44.14	44.99	(2%)
Composite Package Yield	$16.43	$16.71	(2%)	$16.90	$16.93	(0%)
Revenue Per Freight Pound:						
U.S.	$0.64	$0.60	7%	$0.65	$0.59	10%
International	0.73	0.77	(5%)	0.73	0.75	(3%)
Composite Freight Yield	$0.66	$0.66	–	$0.67	$0.64	5%
FEDEX GROUND						
Operating Weekdays	62	63	(2%)	189	191	(1%)
Average Daily Package Volume	1,749	1,441	21%	1,714	1,512	13%
Yield	$6.16	$5.82	6%	$6.08	$5.72	6%
FEDEX FREIGHT [1]						
Operating Weekdays	61	42	NM	188		
Shipments Per Day	53	54	(3%)	55		
Weight Per Shipment (lbs)	1,108	1,132	(2%)	1,114		
Revenue/CWT	$12.39	$11.80	5%	$12.39		
FEDEX CORP.						
Average Full-Time Equivalents (FTEs)	184	182	1%	184	174	6%

1 - Q3 FY01 based on the portion of the quarter including both American Freightways and Viking Freight (January and February).

FEDEX CORP. CONSOLIDATED
CONDENSED BALANCE SHEET

Third Quarter Fiscal 2002

(In millions)

	Feb. 28, 2002 (Unaudited)	May 31, 2001
ASSETS		
Current Assets:		
Cash and cash equivalents	$220	$121
Other current assets	3,305	3,380
Total Current Assets	3,525	3,501
Net Property and Equipment	8,344	8,100
Other Assets	1,828	1,791
	$13,697	$13,392
LIABILITIES AND STOCKHOLDERS' INVESTMENT		
Current Liabilities:		
Current portion of long-term debt	$200	$221
Other current liabilities	2,816	3,029
Total Current Liabilities	3,016	3,250
Long-Term Debt, Less Current Portion	1,897	1,900
Deferred Income Taxes and Other Liabilities	2,457	2,342
Total Common Stockholders' Investment	6,327	5,900
	$13,697	$13,392

FEDEX CORP. CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(Unaudited)

Third Quarter Fiscal 2002

(In millions)

	Nine Months Ended February 28,	
	2002	**2001**
Net Cash Provided by Operating Activities	$ 1,440	$ 1,026
Investing Activities:		
Purchases of property and equipment	(1,301)	(1,272)
Business acquisitions, net of cash acquired	–	(467)
Other, net	34	93
Net cash used in investing activities	(1,267)	(1,646)
Net cash (used in) provided by financing activities	(74)	692
Net increase in cash and cash equivalents	99	72
Cash and cash equivalents at beginning of period	121	68
Cash and cash equivalents at end of period	$ 220	$ 140
Free cash flow	$ 173	$ (153)

Note: Free cash flow is defined as net cash provided by operating activities less purchases of property and equipment and other, net.

FEDEX EXPRESS FINANCIAL HIGHLIGHTS

(Unaudited)

Third Quarter Fiscal 2002

(In millions, except FTEs)

	Three Months Ended February 28			Nine Months Ended February 28		
	2002	2001	%	2002	2001	%
Revenue	$3,776	$3,785	(0%)	$11,328	$11,682	(3%)
Operating Expenses:						
Salaries and employee benefits	1,611	1,574	2%	4,787	4,752	1%
Purchased transportation	136	144	(6%)	422	441	(4%)
Rentals and landing fees	382	356	7%	1,151	1,053	9%
Depreciation and amortization	204	199	3%	602	596	1%
Fuel	226	275	(18%)	748	817	(8%)
Maintenance and repairs	242	216	12%	718	722	(1%)
Airline stabilization compensation	(3)	–	NM	(119)	–	NM
Intercompany charges	333	321	4%	990	993	(0%)
Other	500	540	(7%)	1,454	1,619	(10%)
Total Operating Expenses	3,631	3,625	0%	10,753	10,993	(2%)
Operating Income	$145	$160	(9%)	$575	$689	(17%)
EBITDA	$330	$359	(8%)	$1,141	$1,284	(11%)
Average Full-Time Equivalents (000s)	121	125	(3%)	120	124	(3%)

FEDEX GROUND FINANCIAL HIGHLIGHTS

(Unaudited)

Third Quarter Fiscal 2002

(In millions)

	Three Months Ended February 28			Nine Months Ended February 28		
	2002	**2001**	**%**	**2002**	**2001**	**%**
Revenue	$668	$529	26%	$1,968	$1,653	19%
Operating Expenses:						
Salaries and employee benefits	134	112	20%	392	337	16%
Purchased transportation	258	213	21%	758	657	15%
Rentals	18	17	6%	55	49	12%
Depreciation and amortization	34	29	17%	97	80	21%
Fuel	1	3	(67%)	3	5	(40%)
Maintenance and repairs	19	16	19%	54	47	15%
Intercompany charges	60	52	15%	177	161	10%
Other	75	69	9%	223	198	13%
Total Operating Expenses	599	511	17%	1,759	1,534	15%
Operating Income	$69	$18	283%	$209	$119	76%
EBITDA	$100	$48	108%	$301	$196	54%

FEDEX FREIGHT FINANCIAL HIGHLIGHTS

(Unaudited)

Third Quarter Fiscal 2002

(In millions)

	Three Months Ended February 28 [1]		Nine Months Ended February 28
	2002	**2001**	**2002**
Revenue	$440	$337	$1,438
Operating Expenses:			
Salaries and employee benefits	275	198	862
Purchased transportation	12	9	42
Rentals	16	11	48
Depreciation and amortization	23	18	65
Fuel	14	18	53
Maintenance and repairs	20	15	65
Intercompany charges	2	1	6
Other	58	49	180
Total Operating Expenses	420	319	1,321
Operating Income	$20	$18	$117
EBITDA	$41	$37	$179

1 - American Freightways was acquired in Q3 FY01. The FedEx Freight segment includes the results of operations of Viking Freight and American Freightways for the current period. Prior period results include the operations of Viking Freight from December 1, 2000 and American Freightways from January 1, 2001.