



FOR IMMEDIATE RELEASE

**FedEx Corp. Reports 10% Revenue Growth in Second Quarter**

FedEx Ground Posts Strong Volume Growth of 25%;  
FedEx Home Delivery Becomes Profitable Ahead of Schedule

MEMPHIS, Tenn., Dec. 18, 2002 ... FedEx Corporation (NYSE: FDX) today reported earnings of \$0.81 per diluted share for the second quarter ended November 30, compared to \$0.81 per diluted share a year ago. Last year's second quarter included \$17 million (\$0.03 per share, net of tax) of operating income from the favorable resolution of a state sales tax matter.

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

- Revenue of \$5.67 billion, up 10% from \$5.14 billion the previous year
- Operating income of \$427 million, down 1% from \$433 million a year ago
- Net income of \$245 million, unchanged from last year's \$245 million

Total average daily package volume at FedEx Express and FedEx Ground grew a combined 13% year over year for the quarter. FedEx Ground continued its strong growth momentum, as its volume grew 25%, while FedEx Express package volume grew 5%.

“This was a very good quarter for FedEx, as our diverse portfolio of services enabled us to manage well through the current difficult economic environment,” said Alan B. Graf, Jr., executive vice president and chief financial officer. “Our Ground and

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Freight operations are showing strong revenue and profit momentum, while Express continues to achieve solid growth in its International operations and excellent results from its U.S. Postal Service transportation agreement.”

Given the weaker than expected U.S. economic growth in the manufacturing and wholesale sectors, earnings are expected to be \$0.45 to \$0.55 per diluted share in the third quarter, up from \$0.39 per diluted share a year ago. Management believes that its \$2.77 per share forecast for fiscal 2003 is still achievable with a modest economic recovery in the company’s fiscal second half. Capital expenditures for fiscal 2003 are expected to be \$1.7 billion, a reduction of \$200 million from the initial forecast.

The company has contributed \$241 million to its pension plans to date this fiscal year, and, although not required, may elect to make additional contributions. Nonetheless, the company expects to generate free cash flow for the year.

During the quarter, the company acquired 475,000 FedEx shares under its share repurchase programs. A total of 5.375 million shares remain under existing share repurchase authorizations.

In November, the company announced a 3.5% average price increase on FedEx Express U.S. and U.S. export shipment services, and a 3.9% average price increase on FedEx Ground services. These increases will be effective January 6, 2003.

J.D. Power and Associates, a leading global market and customer satisfaction research firm, on December 10 announced the results of their *2002 Small Package Delivery Service Business Customer Satisfaction Study<sup>SM</sup>*. Through their study, business customers ranked FedEx highest in the categories of air, ground and international shipping services. FedEx performed particularly well in the areas of shipping and delivery, value, invoicing and driver relationships.

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## **FedEx Express**

For the second quarter, FedEx Express reported:

- Revenue of \$4.10 billion, up 7% from last year's \$3.81 billion
- Operating income of \$228 million, down 26% from \$309 million a year ago

FedEx International Priority<sup>®</sup> (IP) volume grew 13% in the second quarter, again led by exports from Asia where volume increased 27% year over year. FedEx IP package yield grew 2% for the quarter. The second quarter U.S. domestic express package volume growth rate declined less than 1%, similar to the first quarter, once the effects of the September 11, 2001 attacks are excluded. U.S. domestic express package yield for the quarter improved slightly.

FedEx Express operating margin declined from 8.1% last year to 5.6% this year, primarily due to increases in benefits, maintenance and net fuel costs. The company expects the growth rate in maintenance and net fuel costs to abate in the second half of the fiscal year.

In last year's second quarter, FedEx Express recorded as a reduction in operating expense \$116 million of Air Transportation Safety and System Stabilization Act compensation that offset lower revenues due to the economic fallout from the September 11 attacks and the subsequent three-day shutdown of air traffic in the U.S. Last year's second quarter results for FedEx Express also included \$17 million from the favorable resolution of a state sales tax matter, which was reflected as a reduction of other operating expenses.

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## **FedEx Ground**

For the second quarter, FedEx Ground reported:

- Revenue of \$863 million, up 27% from last year's \$677 million
- Operating income of \$135 million, up 69% from \$80 million a year ago

FedEx Ground average daily package volume grew 25% in the second quarter, with about one-third of the total growth in the quarter coming from FedEx Home Delivery. Yield per package increased 2%. Operating margin improved to 15.6% for the quarter, compared to 11.8% a year ago, due to continued strong revenue growth, excellent productivity and outstanding cost management.

FedEx Home Delivery became profitable during the quarter, significantly ahead of schedule. Nearly 31,000 shippers now use FedEx Home Delivery, which is more than double the number a year ago. The number of shippers is expected to continue growing now that the service is able to provide evening, weekend, and day- and time-specific delivery options to nearly 100% of U.S. residences.

## **FedEx Freight**

For the second quarter, FedEx Freight reported:

- Revenue of \$547 million, up 12% from last year's \$487 million
- Operating income of \$56 million, up 19% from \$47 million a year ago

FedEx Freight average daily shipments for the quarter were up 5% year over year, while yield increased 8% and weight per shipment declined 1%. Second quarter results included \$4 million in rebranding expenses. Despite these additional expenses, the FedEx Freight operating margin was 10.2% in the second quarter, compared with a 9.8% operating margin a year ago.

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During the quarter, FedEx Freight expanded its reach and now offers less-than-container-load (LCL) service to and from Europe in addition to its industry-leading regional less-than-truckload (LTL) freight services.

### **Corporate Overview**

With annual revenues of \$22 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, North America'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 second quarter FY2003 Statistical Book. These materials, as well as a Webcast of the earnings release conference call to be held at 8:30 a.m. EST on December 18, are available on the company's Web site at [www.fedex.com/us/investorrelations](http://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 new domestic or international government regulation, the events that occurred on September 11, 2001 or any future threats or acts of terrorism, the timing and amount of any money that FedEx is entitled to receive under the Air Transportation Safety and System Stabilization Act, the timing, speed and magnitude of any economic recovery during the remainder of the company's 2003 fiscal year, the ability to match capacity to shifting 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)

## Second Quarter Fiscal 2003

(In millions, except earnings per share)

	Three Months Ended November 30			Six Months Ended November 30		
	<u>2002</u>	<u>2001</u>	<u>%</u>	<u>2002</u>	<u>2001</u>	<u>%</u>
Revenue:						
FedEx Express	\$4,098	\$3,814	7%	\$8,032	\$7,552	6%
FedEx Ground	863	677	27%	1,689	1,301	30%
FedEx Freight	547	487	12%	1,080	998	8%
Other	<u>159</u>	<u>157</u>	1%	<u>311</u>	<u>321</u>	(3%)
Total Revenue	5,667	5,135	10%	11,112	10,172	9%
Operating Expenses:						
Salaries and employee benefits	2,403	2,231	8%	4,829	4,467	8%
Purchased transportation	549	464	18%	1,067	909	17%
Rentals and landing fees	465	472	(1%)	909	904	1%
Depreciation and amortization	338	342	(1%)	677	678	(0%)
Fuel	336	283	19%	630	573	10%
Maintenance and repairs	354	292	21%	725	604	20%
Airline Stabilization Compensation	—	(116)	NM	—	(116)	NM
Other	<u>795</u>	<u>734</u>	8%	<u>1,565</u>	<u>1,485</u>	5%
Total Operating Expenses	5,240	4,702	11%	10,402	9,504	9%
Operating Income (Loss):						
FedEx Express	228	309	(26%)	356	430	(17%)
FedEx Ground	135	80	69%	236	140	69%
FedEx Freight	56	47	19%	104	98	6%
Other	<u>8</u>	<u>(3)</u>	NM	<u>14</u>	<u>—</u>	NM
Total Operating Income	427	433	(1%)	710	668	6%
Other Income (Expense):						
Interest, net	(28)	(36)	(22%)	(59)	(72)	(18%)
Other, net	<u>(4)</u>	<u>(2)</u>	100%	<u>(1)</u>	<u>(1)</u>	—
Total Other Income (Expense)	<u>(32)</u>	<u>(38)</u>	(16%)	<u>(60)</u>	<u>(73)</u>	(18%)
Pretax Income	395	395	—	650	595	9%
Provision for Income Taxes	<u>150</u>	<u>150</u>	—	<u>247</u>	<u>226</u>	9%
Income Before Goodwill Accounting Change	245	245	—	403	369	9%
Net Income	<u>\$245</u>	<u>\$245</u>	—	<u>\$403</u>	<u>\$354</u>	14%
Diluted Earnings Per Share:						
Income Before Accounting Change	\$0.81	\$0.81	—	\$1.33	\$1.22	9%
Cumulative Effect of Accounting Change	—	—	NM	—	<u>(0.05)</u>	NM
Diluted Earnings Per Share	<u>\$0.81</u>	<u>\$0.81</u>	—	<u>\$1.33</u>	<u>\$1.17</u>	14%
Weighted Average Common and Common Equivalent Shares						
	303	302	0%	302	302	—
Capital Expenditures	\$352	\$437	(19%)	\$888	\$937	(5%)

# FEDEX CORP. OPERATING HIGHLIGHTS

(Unaudited)

## Second Quarter Fiscal 2003

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

	Three Months Ended November 30			Six Months Ended November 30		
	2002	2001	%	2002	2001	%
<b><u>FEDEX EXPRESS</u></b>						
Operating Weekdays	63	63	—	127	128	(1%)
<b><u>AVG DAILY VOLUME / POUNDS</u></b>						
Average Daily Package Volume:						
U.S. Overnight Box	1,183	1,141	4%	1,168	1,153	1%
U.S. Overnight Envelope	685	676	1%	683	699	(2%)
U.S. Deferred	<u>903</u>	<u>845</u>	7%	<u>874</u>	<u>829</u>	5%
Total U.S. Domestic Package	2,771	2,662	4%	2,725	2,681	2%
International Priority	<u>381</u>	<u>338</u>	13%	<u>369</u>	<u>336</u>	10%
Total Average Daily Packages	<u>3,152</u>	<u>3,000</u>	5%	<u>3,094</u>	<u>3,017</u>	3%
Average Daily Freight Pounds:						
U.S.	9,469	8,547	11%	9,215	6,416	44%
International	<u>2,271</u>	<u>2,089</u>	9%	<u>2,144</u>	<u>2,098</u>	2%
Total Avg Daily Freight Pounds	<u>11,740</u>	<u>10,636</u>	10%	<u>11,359</u>	<u>8,514</u>	33%
<b><u>YIELD</u></b>						
Revenue Per Package:						
U.S. Overnight Box	\$18.12	\$18.06	0%	\$18.10	\$18.09	0%
U.S. Overnight Envelope	9.79	9.87	(1%)	9.80	9.90	(1%)
U.S. Deferred	<u>10.95</u>	<u>10.77</u>	2%	<u>10.94</u>	<u>10.90</u>	0%
Total U.S. Domestic Package	13.73	13.67	0%	13.73	13.73	—
International Priority	<u>45.86</u>	<u>44.77</u>	2%	<u>45.43</u>	<u>44.33</u>	2%
Composite Package Yield	<u>\$17.61</u>	<u>\$17.17</u>	3%	<u>\$17.51</u>	<u>\$17.14</u>	2%
Revenue Per Freight Pound:						
U.S.	\$0.67	\$0.67	—	\$0.67	\$0.65	3%
International	<u>0.71</u>	<u>0.75</u>	(5%)	<u>0.71</u>	<u>0.73</u>	(3%)
Composite Freight Yield	<u>\$0.68</u>	<u>\$0.69</u>	(1%)	<u>\$0.68</u>	<u>\$0.67</u>	1%
<b><u>FEDEX GROUND</u></b>						
Operating Weekdays	62	62	—	126	127	(1%)
Average Daily Package Volume	2,281	1,826	25%	2,189	1,697	29%
Yield	\$6.10	\$5.98	2%	\$6.12	\$6.04	1%
<b><u>FEDEX FREIGHT</u></b>						
Operating Weekdays	62	62	—	126	127	(1%)
Shipments Per Day	59	56	5%	59	57	4%
Weight Per Shipment (lbs)	1,104	1,112	(1%)	1,112	1,116	(0%)
Revenue/CWT	\$13.55	\$12.55	8%	\$13.17	\$12.38	6%
<b><u>FEDEX CORP.</u></b>						
Average Full-Time Equivalent (FTEs)	192	185	4%	192	185	4%

# FEDEX CORP. CONSOLIDATED CONDENSED BALANCE SHEET

## Second Quarter Fiscal 2003

(In millions)

	<b>Nov. 30, 2002</b>	<b>May 31, 2002</b>
	<b><u>(Unaudited)</u></b>	<b><u></u></b>
<b><u>ASSETS</u></b>		
Current Assets:		
Cash and cash equivalents	\$519	\$331
Other current assets	<u>3,444</u>	<u>3,334</u>
Total Current Assets	3,963	3,665
Net Property and Equipment	8,542	8,302
Other Assets	<u>1,978</u>	<u>1,845</u>
	<u>\$14,483</u>	<u>\$13,812</u>
 <b><u>LIABILITIES AND STOCKHOLDERS' INVESTMENT</u></b>		
Current Liabilities:		
Current portion of long-term debt	\$31	\$6
Other current liabilities	<u>3,185</u>	<u>2,936</u>
Total Current Liabilities	3,216	2,942
Long-Term Debt, Less Current Portion	1,775	1,800
Deferred Income Taxes and Other Liabilities	2,596	2,525
Total Common Stockholders' Investment	<u>6,896</u>	<u>6,545</u>
	<u>\$14,483</u>	<u>\$13,812</u>

**FEDEX CORP. CONSOLIDATED CONDENSED  
STATEMENTS OF CASH FLOWS**

(Unaudited)

**Second Quarter Fiscal 2003**

(In millions)

	<b>Six Months Ended November 30</b>	
	<b>2002</b>	<b>2001</b>
Net cash provided by operating activities	\$1,139	\$1,064
Investing activities:		
Capital expenditures	(888)	(937)
Other, net	<u>11</u>	<u>22</u>
Net cash used in investing activities	<u>(877)</u>	<u>(915)</u>
Net cash used in financing activities	<u>(74)</u>	<u>(22)</u>
Net increase in cash and cash equivalents	188	127
Cash and cash equivalents at beginning of period	<u>331</u>	<u>121</u>
Cash and cash equivalents at end of period	<u>\$519</u>	<u>\$248</u>
Free cash flow	<u>\$262</u>	<u>\$149</u>

Note: Free cash flow is defined as net cash provided by operating activities less net cash used in investing activities.

# FEDEX EXPRESS FINANCIAL HIGHLIGHTS

(Unaudited)

## Second Quarter Fiscal 2003

(In millions, except FTEs)

	Three Months Ended November 30			Six Months Ended November 30		
	<u>2002</u>	<u>2001</u>	<u>%</u>	<u>2002</u>	<u>2001</u>	<u>%</u>
Revenue	\$4,098	\$3,814	7%	\$8,032	\$7,552	6%
Operating Expenses:						
Salaries and employee benefits	1,680	1,588	6%	3,365	3,176	6%
Purchased transportation	151	143	6%	294	286	3%
Rentals and landing fees	398	401	(1%)	778	769	1%
Depreciation and amortization	201	199	1%	401	398	1%
Fuel	307	258	19%	578	522	11%
Maintenance and repairs	276	230	20%	569	477	19%
Airline Stabilization Compensation	—	(116)	NM	—	(116)	NM
Intercompany charges	329	322	2%	668	656	2%
Other	<u>528</u>	<u>480</u>	10%	<u>1,023</u>	<u>954</u>	7%
Total Operating Expenses	<u>3,870</u>	<u>3,505</u>	10%	<u>7,676</u>	<u>7,122</u>	8%
Operating Income	228	309	(26%)	356	430	(17%)
Other Income (Expense):						
Interest, net	(9)	(14)	(36%)	(21)	(25)	(16%)
Other, net	<u>(15)</u>	<u>(10)</u>	50%	<u>(24)</u>	<u>(18)</u>	33%
	<u>(24)</u>	<u>(24)</u>	—	<u>(45)</u>	<u>(43)</u>	5%
Pretax Income	204	285	(28%)	311	387	(20%)
Provision for Income Taxes	<u>77</u>	<u>107</u>	(28%)	<u>117</u>	<u>145</u>	(19%)
Net Income	<u>\$127</u>	<u>\$178</u>	(29%)	<u>\$194</u>	<u>\$242</u>	(20%)
Average Full-Time Equivalents (000s)	120	120	—	120	120	—

# FEDEX GROUND FINANCIAL HIGHLIGHTS

(Unaudited)

## Second Quarter Fiscal 2003

(In millions)

	Three Months Ended November 30			Six Months Ended November 30		
	<u>2002</u>	<u>2001</u>	<u>%</u>	<u>2002</u>	<u>2001</u>	<u>%</u>
Revenue	\$863	\$677	27%	\$1,689	\$1,301	30%
Operating Expenses:						
Salaries and employee benefits	161	133	21%	318	258	23%
Purchased transportation	328	260	26%	639	500	28%
Rentals	22	21	5%	42	37	14%
Depreciation and amortization	39	33	18%	76	63	21%
Fuel	3	1	NM	4	3	33%
Maintenance and repairs	21	18	17%	42	36	17%
Intercompany charges	74	58	28%	164	117	40%
Other	<u>80</u>	<u>73</u>	10%	<u>168</u>	<u>147</u>	14%
Total Operating Expenses	<u>728</u>	<u>597</u>	22%	<u>1,453</u>	<u>1,161</u>	25%
Operating Income	<u>\$135</u>	<u>\$80</u>	69%	<u>\$236</u>	<u>\$140</u>	69%

# FEDEX FREIGHT FINANCIAL HIGHLIGHTS

(Unaudited)

## Second Quarter Fiscal 2003

(In millions)

	Three Months Ended November 30			Six Months Ended November 30		
	<u>2002</u>	<u>2001</u>	<u>%</u>	<u>2002</u>	<u>2001</u>	<u>%</u>
Revenue	\$547	\$487	12%	\$1,080	\$998	8%
Operating Expenses:						
Salaries and employee benefits	317	289	10%	633	587	8%
Purchased transportation	18	14	29%	35	30	17%
Rentals	19	16	19%	35	32	9%
Depreciation and amortization	19	22	(14%)	40	42	(5%)
Fuel	22	19	16%	41	39	5%
Maintenance and repairs	31	22	41%	58	45	29%
Intercompany charges	3	2	50%	7	4	75%
Other	<u>62</u>	<u>56</u>	11%	<u>127</u>	<u>121</u>	5%
Total Operating Expenses	<u>491</u>	<u>440</u>	12%	<u>976</u>	<u>900</u>	8%
Operating Income	<u>\$56</u>	<u>\$47</u>	19%	<u>\$104</u>	<u>\$98</u>	6%