FedEx Corporation

FOR IMMEDIATE RELEASE

FedEx Corp. Reports Higher Second Quarter Earnings
Net Income Increases 26%, FedEx Ground Delivers Record Volume

MEMPHIS, Tenn., Dec. 19, 2001 ... FedEx Corporation (NYSE: FDX) today reported earnings for the quarter ended November 30 of $0.81 per diluted share, including $116 million ($0.24 per share net of tax) in compensation from the Air Transportation Safety and System Stabilization Act, which is reflected in operating income. Earnings were $0.67 per diluted share in last year's second quarter.

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

- Revenue of $5.14 billion, up 5% from $4.90 billion the previous year
- Operating income of $433 million, up 26% from $345 million a year ago
- Net Income of $245 million, up 26% from last year's $194 million

"Earnings exceeded our previous forecast primarily due to a state tax settlement at FedEx Express, lower net fuel expense, improved productivity at FedEx Ground and more pounds than anticipated from the U.S. Postal Service transportation agreement," said Alan B. Graf, Jr., executive vice president and chief financial officer. "Compared to last year's second quarter, earnings improved due to lower variable compensation, reduced fuel expense, incremental revenue from the U.S. Postal Service, and higher revenue and solid expense management at FedEx Ground. FedEx Ground volume growth rates improved in October and November, finishing the quarter up 11% from the previous year."

During the quarter, the company continued to aggressively pursue initiatives to provide incremental revenue, including:

- Successful launch of the transportation agreement between FedEx Express and the U.S. Postal Service, which is generating higher than expected revenue.
- A 3.5% average price increase on FedEx Express and FedEx Ground services effective January 7, 2002.
- Extension of the FedEx Online Express Savings Program, which targets small and medium-sized customers. This program has introduced thousands of new shippers to the on-line shipping tools at fedex.com.
- Expansion of the FedEx Home Delivery network to reach 80% of the U.S. population on September 25. The Home Delivery network will be further grown to cover 90% of the U.S. population in February 2002.

"FedEx will face a challenging third quarter, as the lingering economic effects from the September 11 attacks are expected to continue, while the government assistance will end," said Graf. "Additionally, we expect higher maintenance costs, reduced fuel surcharge revenue and continued package volume levels below last year at FedEx Express. We also expect a significantly less favorable year-over-year comparison in variable compensation in the third quarter than in the second quarter. Our volume outlook for FedEx Express is for U.S. domestic average daily package volume to be 5% below last year's third quarter and for FedEx International Priority® shipments to be down about 2%. In the fourth quarter, our FedEx Express U.S. domestic average daily package volume is expected to be about flat year-over-year. At FedEx Ground, third quarter volume is expected to grow about 16%. As a result, we now expect earnings for the third quarter to be $0.25 to $0.35 per diluted share, and earnings for the fourth quarter to be $0.70 to $0.80 per diluted share. FedEx was free-cash flow positive for the first half of the year and we intend to achieve our positive cash flow goal for the full year."

During the quarter, the company purchased 550,000 shares under its share repurchase program.

FedEx Express

For the second quarter, FedEx Express reported:

- Revenue of $3.81 billion, down 4% from last year's $3.98 billion
- Operating income of $309 million, up 14% from $271 million a year ago

FedEx Express recorded $116 million of Air Transportation Safety and System Stabilization Act compensation in the second quarter of which $101 million had been received prior to November 30.

"FedEx Express faced various operational disruptions during the quarter, which were driven by uncontrollable external events," said David J. Bronczek, president and chief executive officer. "The company maintained excellent service levels during the quarter and succeeded in reducing hourly staffing levels through decreased hours and attrition, despite the addition of personnel to support the U. S. Postal Service contract.

"The U.S. Postal Service transportation and retail agreements are going extremely well and we look forward to a long-term relationship," said Bronczek.

FedEx Express experienced second quarter volume losses related to the September 11 attacks, reducing volume numbers that were already weak due to softness in the high-tech and other durable goods sectors. U.S. domestic express average daily package volume declined 10% year-over-year for the second quarter while package volume from its FedEx International Priority service was down 6%. FedEx Express composite

package yield for the quarter was flat year-over-year, overcoming a 7% decline in average weight per package.

FedEx Express recognized $16.5 million of operating income from the resolution of a state tax matter in the quarter.

FedEx Ground

For the second quarter, FedEx Ground reported:

- Revenue of $677 million, up 16% from last year's $582 million
- Operating income of $80 million, up 40% from $57 million a year ago

"The strong year-over-year revenue and profit improvement at FedEx Ground is a result of significant growth in package volumes and yields, productivity increases in key operating areas and ongoing cost control efforts," said Daniel J. Sullivan, president and chief executive officer. "FedEx Ground continues to achieve strong revenue growth by successfully expanding its small and medium-sized business customer base and from its Home Delivery Service. About half of the quarter's 11% volume growth year-over-year came from FedEx Home Delivery. Total average yield increased 5%. We expect to add additional Home Delivery shippers after the Christmas peak and our planned expansion to cover nearly all of the U.S. population by September 2002 is on track."

FedEx Freight

For the second quarter, FedEx Freight reported:

- Revenue of $487 million
- Operating income of $47 million

"FedEx Freight continues to see excellent results in the areas of yield management, operating efficiencies and cost control," said Douglas G. Duncan, president and chief executive officer. "Although our volumes were impacted in the quarter by the soft economy, American Freightways and Viking Freight remain focused on regional next-day and second-day services and are expected to further benefit from synergies between the two operating companies, as well as from the collaborative efforts with the other FedEx operating companies."

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 second 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 December 19, 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.

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FEDEX CORP. FINANCIAL HIGHLIGHTS

(Unaudited)

Second Quarter Fiscal 2002

(In millions, except earnings per share)

	Three Months Ended November 30			Six Months Ended November 30		
	2001	2000	%	2001	2000	%
Revenue:[1]						
FedEx Express	$3,814	$3,981	(4%)	$7,552	$7,897	(4%)
FedEx Ground	677	582	16%	1,301	1,125	16%
FedEx Freight	487	–	NM	998	–	NM
Other	157	332	(53%)	321	652	(51%)
Total Revenue	5,135	4,895	5%	10,172	9,674	5%
Operating Expenses:[1]						
Salaries and employee benefits	2,231	2,000	12%	4,467	3,995	12%
Purchased transportation	464	439	6%	909	874	4%
Rentals and landing fees	472	407	16%	904	798	13%
Depreciation and amortization	342	310	10%	678	612	11%
Fuel	283	313	(10%)	573	563	2%
Maintenance and repairs	292	278	5%	604	588	3%
Airline Stabilization Compensation	(116)	–	NM	(116)	–	NM
Other	734	803	(9%)	1,485	1,588	(6%)
Total Operating Expenses	4,702	4,550	3%	9,504	9,018	5%
Operating Income (Loss):[1]						
FedEx Express	309	271	14%	430	528	(19%)
FedEx Ground	80	57	40%	140	100	40%
FedEx Freight	47	–	NM	98	–	NM
Other	(3)	17	(118%)	–	28	(100%)
Total Operating Income	433	345	26%	668	656	2%
Other Income (Expense):						
Interest, net	(36)	(35)	3%	(72)	(68)	6%
Other, net	(2)	5	(140%)	(1)	1	(200%)
Total Other Income (Expense)	(38)	(30)	27%	(73)	(67)	9%
Pretax Income	395	315	25%	595	589	1%
Provision for Income Taxes	150	121	24%	226	227	(0%)
Income Before Goodwill Accounting Change	245	194	26%	369	362	2%
Net Income	$245	$194	26%	$354	$362	(2%)
Diluted Earnings Per Share:						
Income Before Accounting Change	$0.81	$0.67	21%	$1.22	$1.25	(2%)
Cumulative Effect of Accounting Change	–	–	NM	(0.05)	–	NM
Diluted Earnings Per Share	$0.81	$0.67	21%	$1.17	$1.25	(6%)
Weighted Average Common and Common Equivalent Shares	302	290	4%	302	289	4%
EBITDA[2]	$773	$660	17%	$1,346	$1,270	6%
Capital Expenditures	$437	$479	(9%)	$937	$819	14%

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 Viking results are included in Other.

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

FEDEX CORP. OPERATING HIGHLIGHTS

(Unaudited)

Second Quarter Fiscal 2002

(In thousands, except yield and operating weekdays)

	Three Months Ended November 30			Six Months Ended November 30		
FEDEX EXPRESS	**2001**	**2000**	**%**	**2001**	**2000**	**%**
Operating Weekdays	63	63	–	128	128	–
AVG DAILY VOLUME / POUNDS						
Average Daily Package Volume:						
U.S. Overnight Box	1,141	1,292	(12%)	1,153	1,273	(9%)
U.S. Overnight Envelope	676	757	(11%)	699	757	(8%)
U.S. Deferred	845	924	(9%)	829	900	(8%)
Total U.S. Domestic Package	2,662	2,973	(10%)	2,681	2,930	(9%)
International Priority	338	359	(6%)	336	348	(3%)
Total Average Daily Packages	3,000	3,332	(10%)	3,017	3,278	(8%)
Average Daily Freight Pounds:						
U.S.	8,547	4,749	80%	6,416	4,556	41%
International	2,089	2,234	(6%)	2,098	2,273	(8%)
Total Avg Daily Freight Pounds	10,636	6,983	52%	8,514	6,829	25%
YIELD						
Revenue Per Package:						
U.S. Overnight Box	$18.06	$18.23	(1%)	$18.09	$18.19	(1%)
U.S. Overnight Envelope	9.87	9.56	3%	9.90	9.58	3%
U.S. Deferred	10.77	10.88	(1%)	10.90	10.87	–
Total U.S. Domestic Package	13.67	13.74	(1%)	13.73	13.71	–
International Priority	44.77	45.27	(1%)	44.33	45.04	(2%)
Composite Package Yield	$17.17	$17.13	–	$17.14	$17.04	1%
Revenue Per Freight Pound:						
U.S.	$0.67	$0.59	14%	$0.65	$0.58	12%
International	0.75	0.73	3%	0.73	0.75	(3%)
Composite Freight Yield	$0.69	$0.63	10%	$0.67	$0.64	5%
FEDEX GROUND						
Operating Weekdays	62	62	–	127	128	(1%)
Average Daily Package Volume	1,826	1,648	11%	1,697	1,547	10%
Yield	$5.98	$5.69	5%	$6.04	$5.68	6%
FEDEX FREIGHT						
Operating Weekdays	62	–	NM	127	–	NM
Shipments Per Day	56	–	NM	57	–	NM
Weight Per Shipment (lbs)	1,112	–	NM	1,116	–	NM
Revenue/CWT	$12.55	–	NM	$12.38	–	NM
FEDEX CORP.						
Average Full-Time Equivalents (FTEs)[1]	185	172	8%	185	170	9%

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

FEDEX CORP. CONSOLIDATED BALANCE SHEET

Second Quarter Fiscal 2002

(In millions)

	Nov. 30, 2001 (Unaudited)	May 31, 2001
ASSETS		
Current Assets:		
Cash and cash equivalents	$248	$121
Other current assets	3,402	3,380
Total Current Assets	3,650	3,501
Net Property and Equipment	8,326	8,100
Other Assets	1,715	1,791
	$13,691	$13,392
LIABILITIES AND STOCKHOLDERS' INVESTMENT		
Current Liabilities:		
Current portion of long-term debt	$200	$221
Other current liabilities	2,941	3,029
Total Current Liabilities	3,141	3,250
Long-Term Debt, Less Current Portion	1,896	1,900
Deferred Income Taxes and Other Liabilities	2,401	2,342
Total Common Stockholders' Investment	6,253	5,900
	$13,691	$13,392

FEDEX EXPRESS FINANCIAL HIGHLIGHTS

(Unaudited)

Second Quarter Fiscal 2002

(In millions, except FTEs)

	Three Months Ended November 30			Six Months Ended November 30		
	2001	2000	%	2001	2000	%
Revenue	$3,814	$3,981	(4%)	$7,552	$7,897	(4%)
Operating Expenses:						
Salaries and employee benefits	1,588	1,582	–	3,176	3,178	–
Purchased transportation	143	147	(3%)	286	297	(4%)
Rentals and landing fees	401	354	13%	769	698	10%
Depreciation and amortization	199	201	(1%)	398	398	–
Fuel	258	300	(14%)	522	541	(4%)
Maintenance and repairs	230	238	(3%)	477	506	(6%)
Airline Stabilization Compensation	(116)	–	NM	(116)	–	NM
Intercompany charges	322	346	(7%)	656	673	(3%)
Other	480	542	(11%)	954	1,078	(12%)
Total Operating Expenses	3,505	3,710	(6%)	7,122	7,369	(3%)
Operating Income	$309	$271	14%	$430	$528	(19%)
EBITDA	$498	$472	6%	$811	$925	(12%)
Average Full-Time Equivalents (000s)	120	124	(3%)	120	124	(3%)

FEDEX GROUND FINANCIAL HIGHLIGHTS

(Unaudited)

Second Quarter Fiscal 2002

(In millions)

	Three Months Ended November 30			Six Months Ended November 30		
	2001	2000	%	2001	2000	%
Revenue	$677	$582	16%	$1,301	$1,125	16%
Operating Expenses:						
Salaries and employee benefits	133	117	14%	258	225	15%
Purchased transportation	260	227	15%	500	444	13%
Rentals	21	18	17%	37	32	16%
Depreciation and amortization	33	27	22%	63	52	21%
Fuel	1	1	–	3	2	50%
Maintenance and repairs	18	15	20%	36	31	16%
Intercompany charges	58	56	4%	117	109	7%
Other	73	64	14%	147	130	13%
Total Operating Expenses	597	525	14%	1,161	1,025	13%
Operating Income	$80	$57	40%	$140	$100	40%
EBITDA	$111	$82	35%	$200	$148	35%

FEDEX FREIGHT FINANCIAL HIGHLIGHTS

(Unaudited)

Second Quarter Fiscal 2002

(In millions)

	Three Months Ended November 30, 2001	Six Months Ended November 30, 2001
Revenue	$487	$998
Operating Expenses:		
Salaries and employee benefits	289	587
Purchased transportation	14	30
Rentals	16	32
Depreciation and amortization	22	42
Fuel	19	39
Maintenance and repairs	22	45
Intercompany charges	2	4
Other	56	121
Total Operating Expenses	440	900
Operating Income	$47	$98
EBITDA	$69	$138