



FOR IMMEDIATE RELEASE

FedEx Corp. Reports Higher First Quarter Earnings
Net Income Increases 45% as FedEx Ground Growth Accelerates

MEMPHIS, Tenn., September 19, 2002 ... FedEx Corporation (NYSE: FDX) today reported earnings of \$0.52 per diluted share for the quarter ended August 31, compared to \$0.36 per diluted share reported last year. Last year's first quarter included 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." Excluding this charge, earnings for last year's first quarter were \$0.41 per diluted share.

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

- Revenue of \$5.45 billion, up 8% from \$5.04 billion the previous year
- Operating income of \$283 million, up 20% from \$235 million a year ago
- Net income of \$158 million, up 45% from last year's \$109 million

"The FedEx strategy continues to produce solid improvements in the company's financial results and service performance, as customers increasingly look to FedEx as their single source provider for a variety of shipping needs," 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 11% year-over-year for the quarter. FedEx Ground continued its strong growth momentum, as its operating income increased 68% while revenue and average daily volume increased 33%.

- more -

“Earnings are expected to be \$0.75 to \$0.85 per diluted share in the second quarter, compared to \$0.81 per diluted share a year ago,” Graf said. “We remain comfortable with the company’s previous earnings guidance of \$2.77 per diluted share for fiscal 2003. We still expect to increase revenue, profitability and return on invested capital in fiscal 2003, and to generate significant free cash flow during the year. Our full year forecast assumes a modest economic recovery in the second half of our fiscal year.”

The performance of FedEx Express, FedEx Ground and FedEx Freight were each affected by one fewer operating day during the quarter compared to last year.

During the quarter, the company acquired 800,000 FedEx shares under its share repurchase programs. A total of 5.85 million shares remain under existing share repurchase authorizations.

FedEx Express

For the first quarter, FedEx Express reported:

- Revenue of \$3.93 billion, up 5% from last year’s \$3.74 billion
- Operating income of \$128 million, up 6% from \$121 million a year ago

Revenue growth came primarily from incremental U.S. Postal Service transportation agreement services and from growth in FedEx International Priority[®] (IP) volume.

FedEx IP volume grew 7% in the first quarter, the highest growth rate since the third quarter of fiscal 2001. The higher IP growth was led by strengthening exports from Asia, where volume increased 26% year-over-year. FedEx Express total average daily package volume was up slightly year-over-year for the first quarter, with U.S. domestic average daily package volume declining less than 1%. U.S. domestic express package yield for the quarter was down slightly year-over-year, as an increase

in rate per pound continued to be more than offset by declining weights and lower fuel surcharges. FedEx IP package yield grew 2% for the quarter, primarily due to higher weight per package and an improved regional mix.

FedEx Express operating results were negatively impacted by the timing of maintenance expenses and an increase in employee benefit expenses during the quarter, partially offset by a gain realized from the insurance settlement on a 727-200 aircraft destroyed in an accident in July that resulted in a net \$8 million favorable impact during the quarter.

On August 29, 2002, FedEx Express entered into a new addendum to the transportation agreement with the U.S. Postal Service, effective from the expiration of the first addendum in October 2002 through May 31, 2003, which will allow the company to continue to carry incremental pounds of mail at higher committed volumes than required under the original agreement.

FedEx Ground

For the first quarter, FedEx Ground reported:

- Revenue of \$826 million, up 33% from last year's \$623 million
- Operating income of \$101 million, up 68% from \$60 million a year ago

FedEx Ground average daily package volume grew 33% in the first quarter, with strong year-over-year growth continuing into September. First quarter volume growth included an estimated 140,000 to 150,000 daily packages as a result of the Teamster's negotiation with UPS. The company expects to retain a significant portion of this business. About one-fourth of the total growth in the quarter came from FedEx Home Delivery. Yield per package increased 1%. Operating margin improved to 12.3% for the quarter, compared to 9.7% a year ago; largely on the strength of significant revenue growth, outstanding productivity and stringent cost controls.

FedEx Home Delivery completed the build-out of its national network on September 10, enabling it to reach nearly 100% of U.S. residences, with evening, weekend, and day- and time-specific delivery options, all backed by a money-back guarantee.

FedEx Freight

For the first quarter, FedEx Freight reported:

- Revenue of \$533 million, up 4% from last year's \$511 million
- Operating income of \$48 million, down 4% from \$50 million a year ago

FedEx Freight average daily shipments for the quarter were up 2% year-over-year, while yields increased 5%. First quarter results include \$6 million in rebranding expenses. With these additional expenses the FedEx Freight operating margin was 9.0% in the first quarter compared with a 9.9% operating margin a year ago.

FedEx Freight continues to be the leading provider of regional less-than-truckload (LTL) freight services, with more than 90% of shipments delivered next-day or second-day. Rebranding efforts for its two operating units continue to enhance customer awareness and are scheduled for completion in May 2005.

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, 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 first 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. EDT on September 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.

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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, 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)

First Quarter Fiscal 2003

(In millions, except earnings per share)

| | Three Months Ended August 31 | | |
|---|---------------------------------|---------------|----------|
| | <u>2002</u> | <u>2001</u> | <u>%</u> |
| Revenue: | | | |
| FedEx Express | \$3,934 | \$3,738 | 5% |
| FedEx Ground | 826 | 623 | 33% |
| FedEx Freight | 533 | 511 | 4% |
| Other | <u>152</u> | <u>165</u> | (8%) |
| Total Revenue | 5,445 | 5,037 | 8% |
| Operating Expenses: | | | |
| Salaries and employee benefits | 2,426 | 2,236 | 8% |
| Purchased transportation | 518 | 445 | 16% |
| Rentals and landing fees | 444 | 432 | 3% |
| Depreciation and amortization | 339 | 336 | 1% |
| Fuel | 294 | 290 | 1% |
| Maintenance and repairs | 371 | 312 | 19% |
| Other | <u>770</u> | <u>751</u> | 3% |
| Total Operating Expenses | 5,162 | 4,802 | 7% |
| Operating Income: | | | |
| FedEx Express | 128 | 121 | 6% |
| FedEx Ground | 101 | 60 | 68% |
| FedEx Freight | 48 | 50 | (4%) |
| Other | <u>6</u> | <u>4</u> | 50% |
| Total Operating Income | 283 | 235 | 20% |
| Other Income (Expense): | | | |
| Interest, net | (31) | (37) | (16%) |
| Other, net | <u>3</u> | <u>2</u> | 50% |
| Total Other Income (Expense) | <u>(28)</u> | <u>(35)</u> | (20%) |
| Pretax Income | 255 | 200 | 28% |
| Provision for Income Taxes | <u>97</u> | <u>76</u> | 28% |
| Income Before Accounting Change | <u>158</u> | <u>124</u> | 27% |
| Net Income | <u>\$158</u> | <u>\$109</u> | 45% |
| Diluted Earnings Per Share: | | | |
| Income Before Accounting Change | \$0.52 | \$0.41 | 27% |
| Cumulative Effect of Accounting Change | <u>—</u> | <u>(0.05)</u> | NM |
| Diluted Earnings per Share | <u>\$0.52</u> | <u>\$0.36</u> | 44% |
| Weighted Average Common and Common Equivalent Shares | 302 | 302 | — |
| EBITDA ¹ | \$624 | \$573 | 9% |
| Capital Expenditures | \$536 | \$500 | 7% |

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

FEDEX CORP. OPERATING HIGHLIGHTS

(Unaudited)

First Quarter Fiscal 2003

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

| | Three Months Ended | | |
|--|---------------------------|--------------------|-----------------|
| | August 31 | | |
| <u>FEDEX EXPRESS</u> | <u>2002</u> | <u>2001</u> | <u>%</u> |
| Operating Weekdays | 64 | 65 | (2%) |
| <u>AVG. DAILY VOLUME / POUNDS</u> | | | |
| Average Daily Package Volume: | | | |
| U.S. Overnight Box | 1,153 | 1,165 | (1%) |
| U.S. Overnight Envelope | 680 | 721 | (6%) |
| U.S. Deferred | <u>846</u> | <u>814</u> | 4% |
| Total U.S. Domestic Package | 2,679 | 2,700 | (1%) |
| International Priority | <u>358</u> | <u>335</u> | 7% |
| Total Average Daily Packages | <u>3,037</u> | <u>3,035</u> | 0% |
| Average Daily Freight Pounds: | | | |
| U.S. | 8,965 | 4,352 | 106% |
| International | <u>2,019</u> | <u>2,107</u> | (4%) |
| Total Avg. Daily Freight Pounds | <u>10,984</u> | <u>6,459</u> | 70% |
| <u>YIELD</u> | | | |
| Revenue Per Package: | | | |
| U.S. Overnight Box | \$18.08 | \$18.12 | (0%) |
| U.S. Overnight Envelope | 9.81 | 9.93 | (1%) |
| U.S. Deferred | <u>10.93</u> | <u>11.03</u> | (1%) |
| Total U.S. Domestic Package | 13.72 | 13.80 | (1%) |
| International Priority | <u>44.98</u> | <u>43.89</u> | 2% |
| Composite Package Yield | <u>\$17.40</u> | <u>\$17.12</u> | 2% |
| Revenue Per Freight Pound: | | | |
| U.S. | \$0.66 | \$0.61 | 8% |
| International | <u>0.71</u> | <u>0.71</u> | - |
| Composite Freight Yield | <u>\$0.67</u> | <u>\$0.64</u> | 5% |
| <u>FEDEX GROUND</u> | | | |
| Operating Weekdays | 64 | 65 | (2%) |
| Average Daily Package Volume | 2,099 | 1,573 | 33% |
| Yield | \$6.15 | \$6.10 | 1% |
| <u>FEDEX FREIGHT</u> | | | |
| Operating Weekdays | 64 | 65 | (2%) |
| Shipments Per Day | 58 | 57 | 2% |
| Weight Per Shipment (lbs) | 1,120 | 1,120 | - |
| Revenue/CWT | \$12.80 | \$12.23 | 5% |
| <u>FEDEX CORP.</u> | | | |
| Average Full-Time Equivalentents (FTEs) | 191 | 184 | 4% |

FEDEX CORP. CONSOLIDATED BALANCE SHEET

First Quarter Fiscal 2003

(In millions)

| | August 31, 2002 | May 31, 2002 |
|--|---------------------------|----------------------------|
| | <u>(Unaudited)</u> | <u>May 31, 2002</u> |
| <u>ASSETS</u> | | |
| Current Assets: | | |
| Cash and cash equivalents | \$233 | \$331 |
| Other current assets | <u>3,466</u> | <u>3,334</u> |
| Total Current Assets | 3,699 | 3,665 |
| Net Property and Equipment | 8,522 | 8,302 |
| Other Assets | <u>1,782</u> | <u>1,845</u> |
| | <u>\$14,003</u> | <u>\$13,812</u> |
| <u>LIABILITIES AND STOCKHOLDERS' INVESTMENT</u> | | |
| Current Liabilities: | | |
| Current portion of long-term debt | \$127 | \$6 |
| Other current liabilities | <u>2,925</u> | <u>2,936</u> |
| Total Current Liabilities | 3,052 | 2,942 |
| Long-Term Debt, Less Current Portion | 1,775 | 1,800 |
| Deferred Income Taxes and Other Liabilities | 2,519 | 2,525 |
| Total Common Stockholders' Investment | <u>6,657</u> | <u>6,545</u> |
| | <u>\$14,003</u> | <u>\$13,812</u> |

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

(Unaudited)

First Quarter Fiscal 2003

(In millions)

| | Three Months Ended August 31 | |
|---|---|----------------|
| | 2002 | 2001 |
| Net Cash Provided by Operating Activities | \$481 | \$328 |
| Investing Activities: | | |
| Purchases of property and equipment | (536) | (500) |
| Other, net | <u>5</u> | <u>17</u> |
| Net cash used in investing activities | <u>(531)</u> | <u>(483)</u> |
| Net cash (used in) provided by financing activities | <u>(48)</u> | <u>144</u> |
| Net decrease in cash and cash equivalents | (98) | (11) |
| Cash and cash equivalents at beginning of period | <u>331</u> | <u>121</u> |
| Cash and cash equivalents at end of period | <u>\$233</u> | <u>\$110</u> |
| Free cash flow | <u>(\$50)</u> | <u>(\$155)</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)

First Quarter Fiscal 2003

(In millions, except FTEs)

| | Three Months Ended August 31 | | |
|--------------------------------------|---------------------------------|--------------|----------|
| | <u>2002</u> | <u>2001</u> | <u>%</u> |
| Revenue | \$3,934 | \$3,738 | 5% |
| Operating Expenses: | | | |
| Salaries and employee benefits | 1,685 | 1,588 | 6% |
| Purchased transportation | 143 | 143 | — |
| Rentals and landing fees | 380 | 368 | 3% |
| Depreciation and amortization | 200 | 199 | 1% |
| Fuel | 271 | 264 | 3% |
| Maintenance and repairs | 293 | 246 | 19% |
| Intercompany charges | 339 | 335 | 1% |
| Other | 495 | 474 | 4% |
| Total Operating Expenses | <u>3,806</u> | <u>3,617</u> | 5% |
| Operating Income | 128 | 121 | 6% |
| Other Income (Expense): | | | |
| Interest, net | (12) | (11) | 9% |
| Other, net | <u>(9)</u> | <u>(8)</u> | 13% |
| | <u>(21)</u> | <u>(19)</u> | 11% |
| Pretax Income | 107 | 102 | 5% |
| Provision for Income Taxes | <u>40</u> | <u>38</u> | 5% |
| Net Income | <u>\$67</u> | <u>\$64</u> | 5% |
| EBITDA | \$319 | \$312 | 2% |
| Average Full-Time Equivalents (000s) | 120 | 121 | (1%) |

FEDEX GROUND FINANCIAL HIGHLIGHTS

(Unaudited)

First Quarter Fiscal 2003

(In millions)

| | Three Months Ended | | |
|--------------------------------|--------------------|-------------|----------|
| | August 31 | | |
| | <u>2002</u> | <u>2001</u> | <u>%</u> |
| Revenue | \$826 | \$623 | 33% |
| Operating Expenses: | | | |
| Salaries and employee benefits | 157 | 124 | 27% |
| Purchased transportation | 311 | 240 | 30% |
| Rentals | 20 | 16 | 25% |
| Depreciation and amortization | 37 | 31 | 19% |
| Fuel | 1 | 1 | — |
| Maintenance and repairs | 21 | 18 | 17% |
| Intercompany charges | 90 | 59 | 53% |
| Other | <u>88</u> | <u>74</u> | 19% |
| Total Operating Expenses | <u>725</u> | <u>563</u> | 29% |
| Operating Income | <u>\$101</u> | <u>\$60</u> | 68% |
| EBITDA | \$135 | \$89 | 52% |

FEDEX FREIGHT FINANCIAL HIGHLIGHTS

(Unaudited)

First Quarter Fiscal 2003

(In millions)

| | Three Months Ended | | |
|--------------------------------|--------------------|-------------|----------|
| | August 31 | | |
| | <u>2002</u> | <u>2001</u> | <u>%</u> |
| Revenue | \$533 | \$511 | 4% |
| Operating Expenses: | | | |
| Salaries and employee benefits | 316 | 298 | 6% |
| Purchased transportation | 17 | 15 | 13% |
| Rentals | 16 | 16 | – |
| Depreciation and amortization | 21 | 20 | 5% |
| Fuel | 19 | 21 | (10%) |
| Maintenance and repairs | 27 | 23 | 17% |
| Intercompany charges | 4 | 2 | 100% |
| Other | <u>65</u> | <u>66</u> | (2%) |
| Total Operating Expenses | <u>485</u> | <u>461</u> | 5% |
| Operating Income | <u>\$48</u> | <u>\$50</u> | (4%) |
| EBITDA | \$68 | \$69 | (1%) |