



FOR IMMEDIATE RELEASE

**FedEx Corp. Net Income Increases 23% in Third Quarter**  
FedEx Ground Posts Strong Volume Growth of 24%

MEMPHIS, Tenn., March 19, 2003 ... FedEx Corporation (NYSE: FDX) today reported earnings of \$0.49 per diluted share for the third quarter ended February 28, compared to \$0.39 per diluted share a year ago, an increase of 26% year-over-year. Loss of revenue and increased expenses resulting from severe winter storms during the quarter negatively impacted earnings by an estimated \$0.04 per diluted share.

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

- Revenue of \$5.55 billion, up 10% from \$5.02 billion the previous year
- Operating income of \$269 million, up 14% from \$237 million a year ago
- Net income of \$147 million, up 23% from last year's \$120 million

Total average daily package volume at FedEx Express and FedEx Ground grew a combined 9% year-over-year for the quarter. FedEx Ground continued its strong growth momentum, as its volume grew 24%, while FedEx Express package volume grew slightly.

“Our diverse portfolio of services has enabled us to manage well through difficult economic conditions, as evidenced by our solid year-over-year improvement in earnings,” said Alan B. Graf, Jr., executive vice president and chief financial officer. “Our strong momentum should continue into the fourth quarter where we again expect significant year-over-year improvement with earnings in the range of \$0.88 to \$0.95 per diluted share.”

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Although not required, the company contributed an additional \$815 million to its U.S. domestic pension plans during the third quarter, resulting in total contributions in excess of \$1 billion for the fiscal year. These additional contributions were made to fully fund the accumulated benefit obligations of the company's qualified U.S. pension plans at the February 28, 2003 measurement date. Nonetheless, the company expects to continue to generate positive cash flow in both fiscal 2003 and fiscal 2004. The company's outlook for fiscal 2003 capital expenditures has been further reduced to \$1.6 billion.

On February 19, 2003, the company announced to its employees a new pension plan option, the FedEx Portable Pension Account. All eligible employees as of May 31, 2003 can choose between accruing future benefits under either the current Traditional Pension Benefit or the new FedEx Portable Pension Account. Employees will retain all benefits previously accrued, regardless of their pension option choice. New employees as of June 1, 2003 will be enrolled in the FedEx Portable Pension Account. The new pension option will provide employees with greater flexibility and help FedEx attract new talent, while allowing the company to better manage its pension expense over the long-term. Pension expense in fiscal 2004 is expected to increase \$120 to \$150 million year-over-year.

During the quarter, the company acquired 425,000 FedEx shares under its share repurchase programs. A total of 4.95 million shares remain under the existing share repurchase authorization.

For the second consecutive year, FedEx ranked 8th on *Fortune* magazine's "America's Most Admired Companies" annual survey and in the top ten of *Fortune* magazine's "World's Most Admired Companies" list. FedEx also ranked highest in J.D. Power and Associates *2002 Small Package Delivery Service Business Customer Satisfaction Study<sup>SM</sup>* in the categories of air, ground and international delivery services.

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## **FedEx Express**

For the third quarter, FedEx Express reported:

- Revenue of \$4.06 billion, up 8% from last year's \$3.78 billion
- Operating income of \$133 million, down 8% from \$145 million a year ago

FedEx International Priority<sup>®</sup> (IP) average daily package volume grew 8% in the third quarter, again led by exports from Asia where volume increased 18% year-over-year. FedEx IP package yield grew 7% for the quarter, primarily due to exchange rate differences, increased fuel surcharges and growth in higher-yielding lanes. U.S. domestic express average daily package volume declined less than 1% during the quarter. U.S. domestic express package yield for the quarter improved more than 3% due to higher fuel surcharges and an increase in base rates.

FedEx Express year-over-year comparisons benefited from one additional operating day in this year's third quarter. Despite the additional day, operating margin declined from 3.8% last year to 3.3% this year, mainly due to increases in salaries and employee benefits and maintenance. Operating margin was also impacted by reduced revenue and increased expenses resulting from severe winter storms during the quarter. Increased fuel surcharge revenue offset a substantial share of higher fuel prices. The growth in salaries and employee benefits is expected to slow in the fourth quarter due to reduced wage increases and improved productivity, while maintenance expenses are expected to be similar to last year's levels.

FedEx Express recently entered into the third addendum to the transportation agreement with the U.S. Postal Service, allowing the company to continue carrying incremental pounds of mail through May 29, 2004 at higher committed volumes than required under the original agreement.

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## **FedEx Ground**

For the third quarter, FedEx Ground reported:

- Revenue of \$844 million, up 26% from last year's \$668 million
- Operating income of \$109 million, up 58% from \$69 million a year ago

FedEx Ground average daily package volume grew 24% in the third quarter, about a third of which was attributable to FedEx Home Delivery. Yield per package increased 2%. Operating margin improved to 12.9% for the quarter, compared to 10.3% a year ago, due to continued strong revenue growth, excellent productivity and outstanding cost management.

Volumes continue to grow at FedEx Home Delivery where approximately 34,000 shippers now use FedEx Home Delivery, more than double the number from a year ago. Customer satisfaction for this unique service remains high as evidenced by the strong growth in shippers and volume.

## **FedEx Freight**

For the third quarter, FedEx Freight reported:

- Revenue of \$493 million, up 12% from last year's \$440 million
- Operating income of \$26 million, up 30% from \$20 million a year ago

FedEx Freight average daily shipments for the quarter were flat year-over-year, reflecting the impact of severe winter weather, while yield increased 10% due to general rate increases, higher fuel surcharge revenues and additional volume from its premium longer-haul EZ Flyer service. Third quarter results included \$2 million in

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rebranding expenses and the effect of an additional operating day. Despite the additional rebranding expenses, the FedEx Freight operating margin was 5.3% in the third quarter, compared with a 4.4% operating margin a year ago.

FedEx Freight has further reduced transit times in a number of regions across the U.S. in a continuing focus on fast-cycle distribution, thereby making the company even more competitive in the regional less-than-truckload market. Currently, nearly 90% of FedEx Freight shipments are delivered next- or second-business-day. The reduced transit times will give customers more service benefits and at the same time improve the operating efficiency of FedEx Freight.

### **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 third 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 March 19, 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.

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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 timing, speed and magnitude of the U.S. domestic economic recovery, new U.S. domestic or international government regulation, the impact from any terrorist activities or international conflicts, including military action in Iraq, the impact of rising fuel prices, our ability to match capacity to shifting volume levels, the timing and amount of any money that FedEx is entitled to receive under the Air Transportation Safety and System Stabilization Act 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 2003

(In millions, except earnings per share)

	Three Months Ended February 28			Nine Months Ended February 28		
	2003	2002	%	2003	2002	%
Revenue:						
FedEx Express	\$4,064	\$3,776	8%	\$12,096	\$11,328	7%
FedEx Ground	844	668	26%	2,533	1,968	29%
FedEx Freight	493	440	12%	1,573	1,438	9%
Other	<u>144</u>	<u>135</u>	7%	<u>455</u>	<u>457</u>	(0%)
Total Revenue	5,545	5,019	10%	16,657	15,191	10%
Operating Expenses:						
Salaries and employee benefits	2,464	2,246	10%	7,293	6,713	9%
Purchased transportation	535	442	21%	1,602	1,351	19%
Rentals and landing fees	452	444	2%	1,361	1,348	1%
Depreciation and amortization	334	341	(2%)	1,011	1,019	(1%)
Fuel	352	244	44%	982	817	20%
Maintenance and repairs	344	306	12%	1,069	910	17%
Airline stabilization compensation	—	(3)	NM	—	(119)	NM
Other	<u>795</u>	<u>762</u>	4%	<u>2,360</u>	<u>2,247</u>	5%
Total Operating Expenses	5,276	4,782	10%	15,678	14,286	10%
Operating Income:						
FedEx Express	133	145	(8%)	489	575	(15%)
FedEx Ground	109	69	58%	345	209	65%
FedEx Freight	26	20	30%	130	117	11%
Other	<u>1</u>	<u>3</u>	(67%)	<u>15</u>	<u>4</u>	NM
Total Operating Income	269	237	14%	979	905	8%
Other Income (Expense):						
Interest, net	(29)	(36)	(19%)	(88)	(109)	(19%)
Other, net	<u>(3)</u>	<u>(7)</u>	(57%)	<u>(4)</u>	<u>(7)</u>	(43%)
Total Other Income (Expense)	<u>(32)</u>	<u>(43)</u>	(26%)	<u>(92)</u>	<u>(116)</u>	(21%)
Pretax Income	237	194	22%	887	789	12%
Provision for Income Taxes	<u>90</u>	<u>74</u>	22%	<u>337</u>	<u>300</u>	12%
Income Before Goodwill Accounting Change	147	120	23%	550	489	12%
Net Income	<u>\$147</u>	<u>\$120</u>	23%	<u>\$550</u>	<u>\$474</u>	16%
Diluted Earnings Per Share:						
Income Before Accounting Change	\$0.49	\$0.39	26%	\$1.82	\$1.61	13%
Cumulative Effect of Accounting Change	—	—	NM	—	<u>(0.05)</u>	NM
Diluted Earnings Per Share	<u>\$0.49</u>	<u>\$0.39</u>	26%	<u>\$1.82</u>	<u>\$1.56</u>	17%
Weighted Average Common and Common Equivalent Shares	303	304	(0%)	303	303	0%
Capital Expenditures	\$286	\$365	(22%)	\$1,174	\$1,301	(10%)

# FEDEX CORP. OPERATING HIGHLIGHTS

(Unaudited)

## Third Quarter Fiscal 2003

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

	Three Months Ended February 28			Nine Months Ended February 28		
	<u>2003</u>	<u>2002</u>	<u>%</u>	<u>2003</u>	<u>2002</u>	<u>%</u>
<b><u>FEDEX EXPRESS</u></b>						
Operating Weekdays	63	62	2%	190	190	—
<b><u>AVG DAILY VOLUME / POUNDS</u></b>						
Average Daily Package Volume:						
U.S. Overnight Box	1,189	1,193	(0%)	1,175	1,167	1%
U.S. Overnight Envelope	662	698	(5%)	676	698	(3%)
U.S. Deferred	<u>977</u>	<u>958</u>	2%	<u>908</u>	<u>871</u>	4%
Total U.S. Domestic Package	2,828	2,849	(1%)	2,759	2,736	1%
International Priority	<u>358</u>	<u>332</u>	8%	<u>366</u>	<u>335</u>	9%
Total Average Daily Packages	<u>3,186</u>	<u>3,181</u>	0%	<u>3,125</u>	<u>3,071</u>	2%
Average Daily Freight Pounds:						
U.S.	9,131	8,985	2%	9,187	7,254	27%
International	<u>2,183</u>	<u>1,989</u>	10%	<u>2,157</u>	<u>2,063</u>	5%
Total Avg Daily Freight Pounds	<u>11,314</u>	<u>10,974</u>	3%	<u>11,344</u>	<u>9,317</u>	22%
<b><u>YIELD</u></b>						
Revenue Per Package:						
U.S. Overnight Box	\$18.09	\$17.56	3%	\$18.10	\$17.91	1%
U.S. Overnight Envelope	10.03	9.78	3%	9.87	9.86	0%
U.S. Deferred	<u>10.82</u>	<u>10.41</u>	4%	<u>10.90</u>	<u>10.72</u>	2%
Total U.S. Domestic Package	13.69	13.25	3%	13.71	13.57	1%
International Priority	<u>46.67</u>	<u>43.75</u>	7%	<u>45.83</u>	<u>44.14</u>	4%
Composite Package Yield	<u>\$17.39</u>	<u>\$16.43</u>	6%	<u>\$17.47</u>	<u>\$16.90</u>	3%
Revenue Per Freight Pound:						
U.S.	\$0.69	\$0.64	8%	\$0.67	\$0.65	3%
International	<u>0.73</u>	<u>0.73</u>	—	<u>0.72</u>	<u>0.73</u>	(1%)
Composite Freight Yield	<u>\$0.69</u>	<u>\$0.66</u>	5%	<u>\$0.68</u>	<u>\$0.67</u>	1%
<b><u>FEDEX GROUND</u></b>						
Operating Weekdays	62	62	—	188	189	(1%)
Average Daily Package Volume	2,171	1,749	24%	2,183	1,714	27%
Yield	\$6.27	\$6.16	2%	\$6.17	\$6.08	1%
<b><u>FEDEX FREIGHT</u></b>						
Operating Weekdays	62	61	2%	188	188	—
Average Daily Shipments	53	53	—	57	55	4%
Weight Per Shipment (lbs)	1,110	1,108	0%	1,111	1,114	(0%)
Yield (Revenue/CWT)	\$13.59	\$12.39	10%	\$13.30	\$12.39	7%
<b><u>FEDEX CORP.</u></b>						
Average Full-Time Equivalent (FTEs)	191	184	4%	192	184	4%

# FEDEX CORP. CONDENSED CONSOLIDATED BALANCE SHEET

## Third Quarter Fiscal 2003

(In millions)

	<b>Feb. 28, 2003</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	\$186	\$331
Other current assets	<u>3,400</u>	<u>3,334</u>
Total Current Assets	3,586	3,665
Net Property and Equipment	8,506	8,302
Other Assets	<u>2,754</u>	<u>1,845</u>
	<u>\$14,846</u>	<u>\$13,812</u>
 <b><u>LIABILITIES AND STOCKHOLDERS' INVESTMENT</u></b>		
Current Liabilities:		
Short-term borrowings	\$200	\$0
Current portion of long-term debt	281	6
Other current liabilities	<u>2,966</u>	<u>2,936</u>
Total Current Liabilities	3,447	2,942
Long-Term Debt, Less Current Portion	1,526	1,800
Deferred Income Taxes and Other Liabilities	2,845	2,525
Total Common Stockholders' Investment	<u>7,028</u>	<u>6,545</u>
	<u>\$14,846</u>	<u>\$13,812</u>

# FEDEX CORP. CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

## Third Quarter Fiscal 2003

(In millions)

	<b>Nine Months Ended February 28</b>	
	<b>2003</b>	<b>2002</b>
Operating Activities:		
Net income	\$550	\$474
Noncash charges (credits):		
Depreciation and amortization	1,011	1,019
Other, net	236	97
Changes in operating assets and liabilities, net	<u>(891)</u>	<u>(150)</u>
<b>Net cash provided by operating activities</b>	<b><u>906</u></b>	<b><u>1,440</u></b>
Investing Activities:		
Capital expenditures	(1,174)	(1,301)
Proceeds from asset dispositions	20	26
Other, net	<u>0</u>	<u>8</u>
<b>Net cash used in investing activities</b>	<b><u>(1,154)</u></b>	<b><u>(1,267)</u></b>
	<b>(248)</b>	<b>173</b>
Financing Activities:		
Proceeds from short-term borrowings	200	—
Dividends paid	(45)	—
Other, net	<u>(52)</u>	<u>(74)</u>
<b>Net cash provided by (used in) financing activities</b>	<b><u>103</u></b>	<b><u>(74)</u></b>
Net (decrease) increase in cash and cash equivalents	(145)	99
Cash and cash equivalents at beginning of period	<u>331</u>	<u>121</u>
Cash and cash equivalents at end of period	<b><u>\$186</u></b>	<b><u>\$220</u></b>

# FEDEX EXPRESS FINANCIAL HIGHLIGHTS

(Unaudited)

## Third Quarter Fiscal 2003

(In millions, except FTEs)

	Three Months Ended February 28			Nine Months Ended February 28		
	<u>2003</u>	<u>2002</u>	<u>%</u>	<u>2003</u>	<u>2002</u>	<u>%</u>
Revenue	\$4,064	\$3,776	8%	\$12,096	\$11,328	7%
Operating Expenses:						
Salaries and employee benefits	1,743	1,611	8%	5,108	4,787	7%
Purchased transportation	151	136	11%	445	422	5%
Rentals and landing fees	388	382	2%	1,166	1,151	1%
Depreciation and amortization	199	204	(2%)	600	602	(0%)
Fuel	320	226	42%	898	748	20%
Maintenance and repairs	268	242	11%	837	718	17%
Airline stabilization compensation	—	(3)	NM	—	(119)	NM
Intercompany charges	333	333	—	1,001	990	1%
Other	<u>529</u>	<u>500</u>	6%	<u>1,552</u>	<u>1,454</u>	7%
Total Operating Expenses	<u>3,931</u>	<u>3,631</u>	8%	<u>11,607</u>	<u>10,753</u>	8%
Operating Income	133	145	(8%)	489	575	(15%)
Other Income (Expense):						
Interest, net	(12)	(17)	(29%)	(33)	(42)	(21%)
Other, net	<u>(12)</u>	<u>(18)</u>	(33%)	<u>(36)</u>	<u>(36)</u>	—
	<u>(24)</u>	<u>(35)</u>	(31%)	<u>(69)</u>	<u>(78)</u>	(12%)
Pretax Income	109	110	(1%)	420	497	(15%)
Provision for Income Taxes	<u>40</u>	<u>41</u>	(2%)	<u>157</u>	<u>186</u>	(16%)
Net Income	<u>\$69</u>	<u>\$69</u>	—	<u>\$263</u>	<u>\$311</u>	(15%)
Operating Margin	3.3%	3.8%		4.0%	5.1%	
Average Full-Time Equivalents (000s)	121	121	—	121	120	1%

# FEDEX GROUND FINANCIAL HIGHLIGHTS

(Unaudited)

## Third Quarter Fiscal 2003

(In millions)

	Three Months Ended February 28			Nine Months Ended February 28		
	<u>2003</u>	<u>2002</u>	<u>%</u>	<u>2003</u>	<u>2002</u>	<u>%</u>
Revenue	\$844	\$668	26%	\$2,533	\$1,968	29%
Operating Expenses:						
Salaries and employee benefits	158	134	18%	476	392	21%
Purchased transportation	327	258	27%	966	758	27%
Rentals	20	18	11%	62	55	13%
Depreciation and amortization	37	34	9%	113	97	16%
Fuel	3	1	NM	7	3	NM
Maintenance and repairs	22	19	16%	64	54	19%
Intercompany charges	86	60	43%	250	177	41%
Other	<u>82</u>	<u>75</u>	9%	<u>250</u>	<u>223</u>	12%
Total Operating Expenses	<u>735</u>	<u>599</u>	23%	<u>2,188</u>	<u>1,759</u>	24%
Operating Income	<u>\$109</u>	<u>\$69</u>	58%	<u>\$345</u>	<u>\$209</u>	65%
Operating Margin	12.9%	10.3%		13.6%	10.6%	

# FEDEX FREIGHT FINANCIAL HIGHLIGHTS

(Unaudited)

## Third Quarter Fiscal 2003

(In millions)

	Three Months Ended February 28			Nine Months Ended February 28		
	<u>2003</u>	<u>2002</u>	<u>%</u>	<u>2003</u>	<u>2002</u>	<u>%</u>
Revenue	\$493	\$440	12%	\$1,573	\$1,438	9%
Operating Expenses:						
Salaries and employee benefits	300	275	9%	933	862	8%
Purchased transportation	15	12	25%	50	42	19%
Rentals	15	16	(6%)	50	48	4%
Depreciation and amortization	21	23	(9%)	61	65	(6%)
Fuel	23	14	64%	64	53	21%
Maintenance and repairs	26	20	30%	84	65	29%
Intercompany charges	4	2	100%	11	6	83%
Other	<u>63</u>	<u>58</u>	9%	<u>190</u>	<u>180</u>	6%
Total Operating Expenses	<u>467</u>	<u>420</u>	11%	<u>1,443</u>	<u>1,321</u>	9%
Operating Income	<u>\$26</u>	<u>\$20</u>	30%	<u>\$130</u>	<u>\$117</u>	11%
Operating Margin	5.3%	4.4%		8.3%	8.2%	