UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED NOVEMBER 30, 2002, OR
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _TO _.

Commission file number: 1-15829

FEDEX CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	**62-1721435**
(State of incorporation)	(I.R.S. Employer Identification No.)
942 South Shady Grove Road	**38120**
Memphis, Tennessee	
(Address of principal executive offices)	(Zip Code)

(901)818-7500
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1)has filed all reports required to be filed by Section13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12months (or for such shorter period that the registrant was required to file such reports), and (2)has been subject to such filing requirements for the past 90days.Yes No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule12b-2 of the Exchange Act).Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock	Outstanding Shares at January9, 2003
Common Stock, par value $.10 per share	298,445,880

FEDEX CORPORATION
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

FEDEX CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(IN MILLIONS)

ASSETS

	November 30, 2002 (Unaudited)	May 31, 2002
Current Assets:		
Cash and cash equivalents	$ 519	$ 331
Receivables, less allowances of $157 and $147	2,642	2,491
Spare parts, supplies and fuel, less allowances of $98 and $91	236	251
Deferred income taxes	441	469
Prepaid expenses and other	125	123
Total current assets	3,963	3,665
Property and Equipment, at Cost	18,376	17,576
Less accumulated depreciation and amortization	9,834	9,274
Net property and equipment	8,542	8,302
Other Assets:		
Goodwill	1,063	1,063
Other	915	782
Total other assets	1,978	1,845
	$ 14,483	$ 13,812

See accompanying Notes to Condensed Consolidated Financial Statements.

FEDEX CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(IN MILLIONS, EXCEPT SHARE DATA)

LIABILITIES AND STOCKHOLDERS' INVESTMENT

	November 30, 2002 (Unaudited)	May 31, 2002
Current Liabilities:		
Current portion of long-term debt	$ 31	$ 6
Accrued salaries and employee benefits	684	739
Accounts payable	1,207	1,133
Accrued expenses	1,294	1,064
Total current liabilities	3,216	2,942
Long-Term Debt, Less Current Portion	1,775	1,800
Deferred Income Taxes	611	599
Other Liabilities	1,985	1,926
Commitments and Contingencies		
Common Stockholders' Investment:		
Common stock, $.10 par value; 800,000,000 shares authorized, 298,573,387 shares issued	30	30
Additional paid-in capital	1,117	1,144
Retained earnings	5,853	5,465
Accumulated other comprehensive income	(51)	(53)
Treasury stock, at cost; deferred compensation and other	(53)	(41)
Total common stockholders' investment	6,896	6,545
	$ 14,483	$ 13,812

See accompanying Notes to Condensed Consolidated Financial Statements.

FEDEX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)
(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	Three Months Ended November 30, 2002	Three Months Ended November 30, 2001	Six Months Ended November 30, 2002	Six Months Ended November 30, 2001
Revenues	$ 5,667	$ 5,135	$ 11,112	$ 10,172
Operating expenses:				
Salaries and employee benefits	2,403	2,231	4,829	4,467
Purchased transportation	549	464	1,067	909
Rentals and landing fees	465	472	909	904
Depreciation and amortization	338	342	677	678
Fuel	336	283	630	573
Maintenance and repairs	354	292	725	604
Airline stabilization compensation	—	(116)	—	(116)
Other	795	734	1,565	1,485
	5,240	4,702	10,402	9,504
Operating income	427	433	710	668
Other income (expense):				
Interest, net	(28)	(36)	(59)	(72)
Other, net	(4)	(2)	(1)	(1)
	(32)	(38)	(60)	(73)
Income before income taxes	395	395	650	595
Provision for income taxes	150	150	247	226
Income before cumulative effect of change in accounting principle	245	245	403	369
Cumulative effect of change in accounting for goodwill, net of tax benefit of $10	—	—	—	(15)
Net income	$ 245	$ 245	$ 403	$ 354
Basic earnings per common share:				
Income before cumulative effect of change in accounting principle	$ .82	$ .82	$ 1.35	$ 1.24
Cumulative effect of change in accounting for goodwill	—	—	—	(.05)
Basic earnings per common share	$ .82	$ .82	$ 1.35	$ 1.19
Diluted earnings per common share:				
Income before cumulative effect of change in accounting principle	$ .81	$ .81	$ 1.33	$ 1.22
Cumulative effect of change in accounting for goodwill	—	—	—	(.05)
Diluted earnings per common share	$ .81	$ .81	$ 1.33	$ 1.17
Dividends declared per common share	$ —	$ —	$ .05	$ —

See accompanying Notes to Condensed Consolidated Financial Statements.

FEDEX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(IN MILLIONS)

	Six Months Ended November 30, 2002	2001
Net Cash Provided by Operating Activities	$ 1,139	$ 1,064
Investing Activities:		
Capital expenditures	(888)	(937)
Proceeds from dispositions	11	23
Other, net	—	(1)
Net cash used in investing activities	(877)	(915)
Financing Activities:		
Principal payments on debt	—	(25)
Proceeds from stock issuances	24	28
Dividends paid	(30)	—
Purchase of treasury stock	(67)	(25)
Other, net	(1)	—
Net cash used in financing activities	(74)	(22)
Net increase in cash and cash equivalents	188	127
Cash and cash equivalents at beginning of period	331	121
Cash and cash equivalents at end of period	$ 519	$ 248

See accompanying Notes to Condensed Consolidated Financial Statements.

FEDEX CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

(1) Summary of Significant Accounting Policies

These interim financial statements of FedEx Corporation ("FedEx") have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information, the instructions to Quarterly Report on Form10-Q and Rule10-01 of RegulationS-X, and should be read in conjunction with our Annual Report on Form10-K for the year ended May31, 2002. Accordingly, significant accounting policies and other disclosures normally provided have been omitted since such items are disclosed therein.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments (including normal recurring adjustments) necessary to present fairly our consolidated financial position as of November30, 2002, the consolidated results of our operations for the three- and six-month periods ended November30, 2002 and 2001, and our consolidated cash flows for the six-month periods ended November30, 2002 and 2001. Operating results for the three- and six-month periods ended November30, 2002 are not necessarily indicative of the results that may be expected for the year ending May31, 2003.

Except as otherwise indicated, references to years mean our fiscal year ending May31, 2003 or ended May31 of the year referenced, and comparisons are to the corresponding period of the prior year.

Certain of our long-term debt is guaranteed by our subsidiaries. The guarantees are full and unconditional, joint and several, and any subsidiaries that are not guarantors are minor as defined by Securities and Exchange Commission ("SEC") regulations. FedEx, as the parent company issuer of this debt, has no independent assets or operations. There are no significant restrictions on our ability or the ability of any guarantor to obtain funds from its subsidiaries by such means as a dividend or loan.

The Emerging Issues Task Force ("EITF") issued EITF 01-10, "Accounting for the Impact of the Terrorist Attacks of September11, 2001" in September2001 to establish accounting for the impact of the terrorist attacks of September11, 2001. Under EITF 01-10, federal assistance provided to air carriers in the form of direct compensation from the U.S. government under the Air Transportation Safety and System Stabilization Act (the "Act") should be recognized when the related losses are incurred and compensation under the Act is probable. During the second and third quarters of 2002, we recognized $119million ($116million in the second quarter) of compensation under the Act. To date $101million of this compensation has been received. While we believe we have complied with all aspects of the Act and that it is probable we will ultimately receive the remaining $18million, compensation recognized is subject to audit and interpretation by the Department of Transportation. We cannot be assured of the ultimate outcome of such interpretation, but it is reasonably possible that a material reduction to the amount of compensation recognized by us under the Act could occur.

Effective June1, 2002, we early adopted Statement of Financial Accounting Standards No. ("SFAS") 143, "Accounting for Asset Retirement Obligations." This statement addresses the diverse accounting practices for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The adoption of this statement did not have a material effect on our financial position or results of operations.

Effective June1, 2002, we adopted SFAS144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS144 supersedes SFAS121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," and provides a single accounting model for the disposal of long-lived assets from continuing and discontinued operations. The adoption of this statement did not have a material effect on our financial position or results of operations.

In June2002, the Financial Accounting Standards Board ("FASB") issued SFAS146, "Accounting for Costs Associated with Exit or Disposal Activities." The statement changes the measurement and timing of recognition for exit costs, including restructuring charges, and is effective for any such activities initiated after December31, 2002. It has no effect on charges recorded for exit activities begun prior to this date. The adoption of this statement is not anticipated to have a material effect on our financial position or results of operations.

In November2002, the FASB issued FASB Interpretation No.45 ("FIN 45"), "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." FIN 45 elaborates on the disclosures that must be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The disclosure requirements of FIN 45 are effective for financial statements of interim or annual periods ending after December15, 2002 and its recognition requirements are applicable for guarantees issued or modified after December31, 2002. The adoption of this interpretation is not anticipated to have a material effect on our financial position or results of operations.

In December2002, the FASB issued SFAS148, "Accounting for Stock-Based Compensation—Transition and Disclosure." This statement amends SFAS123, "Accounting for Stock-Based Compensation," to provide for alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this statement amends the disclosure requirements of SFAS123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based compensation and the effect of the method used on reported results. The disclosure requirements of this statement are effective for financial statements of interim or annual periods ending after December15, 2002. The adoption of this statement is not anticipated to have a material effect on our financial position or results of operations.

Certain prior period amounts have been reclassified to conform to the current period's presentation.

(2) Goodwill and Other Intangible Assets

Effective June1, 2001, we early adopted SFAS142, "Goodwill and Other Intangible Assets," which establishes new accounting and reporting requirements for goodwill and other intangible assets. Under SFAS142, material amounts of recorded goodwill attributable to each of our reporting units were tested for impairment by comparing the fair value of each reporting unit with its carrying value (including attributable goodwill). Based on our initial impairment tests, we recognized an adjustment of $25million ($15million or $.05 per share, net of tax) in the first quarter of 2002 to reduce the carrying value of goodwill at a subsidiary of one of our nonreportable operating segments to its implied fair value. Under SFAS142, the impairment adjustment recognized at adoption of the new rules was reflected as a cumulative effect of accounting change in our 2002 income statement.

The carrying amount of goodwill at November30, 2002 and May31, 2002 was attributable as follows: $393million at Federal Express Corporation ("FedEx Express"); $595million at FedEx Freight Corporation ("FedEx Freight"); and $75million at our nonreportable operating segments.

The components of our amortizing intangible assets follow (in millions):

	November30, 2002		May31, 2002	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Contract based	$ 73	$ (35)	$ 73	$ (32)
Technology based and other	64	(32)	64	(28)
Total	$ 137	$ (67)	$ 137	$ (60)

Amortization expense for intangible assets during the second quarter of 2003 was $4million ($7million year-to-date). Estimated amortization expense is $6million for the remainder of 2003, $9million for 2004 and $8million for each of the four succeeding fiscal years.

(3) Comprehensive Income

The following table provides a reconciliation of net income reported in our consolidated financial statements to comprehensive income (in millions):

	Three Months Ended November30, 2002	2001
Net income	$ 245	$ 245
Other comprehensive income:		
Foreign currency translation adjustments, net of deferred tax benefit of $2	—	(10)
Adjustment for jet fuel hedging contract charges recognized in income during period, net of deferred taxes of $1	—	2
Comprehensive income	$ 245	$ 237

	Six Months Ended November30, 2002	2001
Net income	$ 403	$ 354
Other comprehensive income:		
Foreign currency translation adjustments, net of deferred taxes of $2 and $0	2	(5)
Reclassification of deferred jet fuel hedging charge upon adoption of SFAS 133, net of deferred tax benefit of $6	—	(9)
Adjustment for jet fuel hedging contract charges recognized in income during period, net of deferred taxes of $3	—	5
Comprehensive income	$ 405	$ 345

(4) Financing Arrangements

From time to time, we finance certain operating and investing activities through the issuance of commercial paper. Our commercial paper program is backed by unused commitments under two revolving credit agreements totaling $1billion and reduces the amount available under these agreements. The revolving credit agreements comprise two parts. The first part provides for $750million through September28, 2006. The second part is a 364-day facility providing for $250million through September26, 2003, that was amended and restated on September

27, 2002 to, among other things, extend the term to September26, 2003. At November30, 2002, no commercial paper was outstanding and the entire $1billion under the revolving credit agreements was available for future borrowings.

On June19, 2002, the Memphis-Shelby County Airport Authority (the "Authority") issued $96million of its Special Facilities Revenue Refunding Bonds, Series2002 ("Series2002 Bonds") at par, bearing interest annually at 5.05% and maturing on September1, 2012. The Series2002 Bonds were issued to provide funds to refinance bonds issued to finance the acquisition and construction of various facilities and equipment at the Memphis International Airport. Lease agreements with the Authority covering the facilities and equipment financed with bond proceeds, reflected as a capital lease in long-term debt on our November30, 2002 balance sheet, obligate FedEx Express to make lease payments equal to principal and interest due on the bonds. FedEx Express has separately guaranteed repayment of the Series2002 Bonds. The proceeds from the Series2002 Bonds, along with $6million, including accrued interest and a 2% prepayment premium, were used to refund the previously issued bonds.

(5) Stock Options

We account for stock options using the intrinsic value method wherein compensation expense is recognized on stock options granted to employees only for the excess of the market price of our common stock over the option exercise price on the date of grant. All of our options are granted at amounts equal to the fair value of our stock so no compensation expense is recorded.

Some companies also recognize compensation expense for the fair value of the option right itself. We have elected not to adopt this accounting method because it requires the use of subjective valuation models which we believe are not representative of the real value of the option to either FedEx or its employees. However, we are required to disclose the pro forma effect of accounting for stock options using such a valuation method for all options granted in 1996 and thereafter. We use the Black-Scholes option pricing model to calculate the fair value of options for our pro forma disclosures. The key assumptions for this valuation method include the expected term, stock price volatility, risk-free interest rate, dividend yield, forfeiture rate and exercise price. For FedEx, many of these assumptions are judgmental and highly sensitive in the determination of pro forma compensation expense. Following is a table of the key weighted average assumptions used in the option valuation calculations for the options granted in the three- and six-month periods ended November30, 2002 and 2001 and a discussion of our methodology for developing each of the assumptions used in the valuation model.

	Three Months Ended November30,		Six Months Ended November30,	
	2002	**2001**	**2002**	**2001**
Expected lives	4 years	4 years	4 years	4 years
Expected volatility	35.31 %	35.67 %	34.96 %	35.60 %
Risk-free interest rate	2.57 %	3.86 %	4.12 %	4.81 %
Dividend yield	0.406 %	0.000 %	0.379 %	0.000 %

Expected Lives. This is the period of time over which the options granted are expected to remain outstanding. Generally, options granted have a maximum term of ten years. We examine actual stock option exercises to determine the expected term of the options. Based on this experience, our average expected option term is currently four years. The longer the expected term of the option, the higher the calculated fair value of the option.

Expected Volatility. Stock price volatility has a significant, direct effect on the valuation of stock options. Actual changes in the market value of our stock are used to calculate the volatility assumption. We calculate daily market value changes from the date of grant over a past period equal to the expected term of the option to determine volatility.

Risk-Free Interest Rate. This is the U.S. Treasury Strip rate posted at the date of grant having a term equal to the expected term of the option. The risk-free interest rate has a direct effect on the calculated fair value.

Dividend Yield. This is the annual rate of dividends per share over the exercise price of the option. In July2002, we paid the first dividend in the history of the company. Therefore, the fair value of options prior to 2003 is not affected by the dividend yield. The dividend yield has an inverse effect on the fair value of the option.

Forfeiture Rate. This is the estimated percentage of options granted that are expected to be forfeited or canceled before becoming fully vested. This percentage is derived from historical experience, and will lower compensation expense. Our forfeiture rate is approximately 8%.

During the second quarter of 2003, we made option grants of 125,000 shares at a weighted average exercise price of $49.23 per share. The weighted average Black-Scholes value of these grants under the assumptions indicated above was $14.90 per option. For the six months ended November30, 2002, 3.0million shares have been granted at a weighted average exercise price of $53.20. The weighted average Black-Scholes value of these grants under the assumptions indicated above was $17.24 per option. Pro forma net income, stock option compensation expense, and diluted earnings per common share for the three- and six-month periods ended November30, 2002 and 2001 assuming all options granted in 1996 and thereafter were valued using the Black-Scholes method were as follows (in millions, except per share amounts):

	Three Months Ended November30,		Six Months Ended November30,	
	2002	2001	2002	2001
Net income:				
As reported	$ 245	$ 245	$ 403	$ 354
Pro forma stock compensation expense, net of tax benefit	8	7	17	15
Pro forma	$ 237	$ 238	$ 386	$ 339
Diluted earnings per common share:				
As reported	$ .81	$ .81	$ 1.33	$ 1.17
Pro forma stock option compensation expense	.02	.02	.05	.05
Pro forma	$ .79	$ .79	$ 1.28	$ 1.12

Total stock options outstanding at November30, 2002 represented 6.5% of total outstanding common shares and options.

(6) Computation of Earnings Per Share

The calculation of basic and diluted earnings per common share for the three- and six-month periods ended November30, 2002 and 2001 was as follows (in millions, except per share amounts):

	Three Months Ended November30,		Six Months Ended November30,	
	2002	2001	2002	2001
Net income applicable to common stockholders	$ 245	$ 245	$ 403	$ 354
Weighted-average shares of common stock outstanding	298	298	298	298
Basic earnings per share	$ .82	$ .82	$ 1.35	$ 1.19
Weighted-average shares of common stock outstanding	298	298	298	298
Common equivalent shares:				
Assumed exercise of outstanding dilutive options	15	17	15	16
Less shares repurchased from proceeds of assumed exercise of options	(10)	(13)	(11)	(12)
Weighted-average common and common equivalent shares	303	302	302	302
Diluted earnings per share	$ .81	$ .81	$ 1.33	$ 1.17

(7) Business Segment Information

We are a premier global provider of transportation, e-commerce and supply chain management services, whose operations are primarily represented by FedEx Express, the world's largest express transportation company; FedEx Ground Package System,Inc. ("FedEx Ground"), North America's second largest provider of small-package ground delivery service; and FedEx Freight, the largest U.S. provider of regional less-than-truckload freight services. These businesses comprise our reportable operating segments. Other operating companies included in the FedEx portfolio are FedEx Custom Critical,Inc. ("FedEx Custom Critical"), a critical-shipment carrier; FedEx Trade Networks,Inc. ("FedEx Trade Networks"), a global trade services company; and FedEx Corporate Services,Inc. ("FedEx Services"), a provider of sales, marketing, supply chain management services and information technology support for our global brands.

The following table provides a reconciliation of reportable segment revenues and operating income to our consolidated financial statement totals (in millions):

	Three Months Ended November30, 2002	Three Months Ended November30, 2001	Six Months Ended November30, 2002	Six Months Ended November30, 2001
Revenue				
FedEx Express	$ 4,098	$ 3,814	$ 8,032	$ 7,552
FedEx Ground	863	677	1,689	1,301
FedEx Freight	547	487	1,080	998
Other	159	157	311	321
	$ 5,667	$ 5,135	$ 11,112	$ 10,172
Operating income				
FedEx Express	$ 228	$ 309	$ 356	$ 430
FedEx Ground	135	80	236	140
FedEx Freight	56	47	104	98
Other	8	(3)	14	—
	$ 427	$ 433	$ 710	$ 668

(8) Commitments and Contingencies

As of November30, 2002, our purchase commitments for the remainder of 2003 and annually thereafter for each of the next five years under various contracts were as follows (in millions):

	Aircraft	Aircraft-Related (1)	Other (2)	Total
2003 (remainder)	$ 66	$ 218	$ 130	$ 414
2004	20	283	76	379
2005	—	282	71	353
2006	19	251	27	297
2007	102	175	13	290
2008	104	77	11	192

(1)
Primarily aircraft modifications, rotables, spare parts and spare engines.

(2)
Primarily vehicles, facilities, computers, advertising and promotions contracts and other equipment.

FedEx Express is committed to purchase six DC10s, three A300s, two A310s, ten A380s and eight ATR-42s to be delivered through 2012. Deposits and progress payments of $36million have been made toward these purchases and other planned aircraft-related transactions.

We have guarantees, amounting to $135million at November30, 2002, under certain operating leases for the residual values of aircraft, vehicles and facilities at the end of the respective operating lease periods. Under these operating leases, if the fair market value of the leased asset at the end of the lease term is less than an agreed upon value as set forth in the related operating lease agreement, we will be responsible to the lessor for the amount of such deficiency. Based on our expectation that none of these leased assets will have a residual value at the end of the lease term that is less than the value specified in the related operating lease agreement, we do not believe it is probable that we will be required to fund any amounts under the terms of these guarantee arrangements. Accordingly, no accruals have been recognized for these guarantees.

A class action lawsuit is pending in Federal District Court in San Diego, California against FedEx Express generally alleging that customers who had late deliveries during the 1997 Teamsters strike at United Parcel Service were entitled to a full refund of shipping charges pursuant to our money-back guarantee, regardless of whether they gave timely notice of their claim. At the hearing on the plaintiffs' motion for summary judgment, the court ruled against FedEx Express. The judgment totaled approximately $68million, including interest and fees for the plaintiffs' attorney. We have denied any liability with respect to this claim and intend to vigorously defend ourselves in this case. We have appealed the judgment to the U.S. Court of Appeals for the 9th Circuit and expect a ruling in the next 12 to 18months. No accrual has been recorded as we believe the case is without merit and it is probable we will prevail upon appeal.

The Illinois state court has granted preliminary approval to a settlement of the Illinois fuel surcharge class action matter. The lawsuit alleges that FedEx Express imposed a fuel surcharge in a manner that is not consistent with the terms and conditions of its contracts with customers. Under the terms of the proposed settlement, we will issue coupons to qualifying class members toward the purchase of future FedEx Express shipping services. The coupons will be subject to certain terms and conditions and will be redeemable for a period of one year from issuance. A hearing to consider objections to the proposed settlement was held on December12, 2002. We expect the court to issue its ruling on January31, 2003 on whether to grant final approval to the settlement. The ultimate cost to us under the proposed settlement agreement will not be material.

In connection with an Internal Revenue Service ("IRS") audit for the tax years 1993 and 1994, the IRS proposed adjustments characterizing routine jet engine maintenance costs as capital expenditures that must be recovered over seven years, rather than as expenses that are deducted immediately, as has been our practice. We filed an administrative protest of these adjustments and engaged in discussions with the Appeals office of the IRS. After these discussions failed to result in a settlement, in 2001 we paid $70million in tax and interest and filed suit in Federal District Court for a complete refund of the amounts paid, plus interest. The trial in the U.S. District Court in Memphis has been set for April2003. Pre-trial settlement discussions held on November4, 2002 and December18, 2002 have not resulted in a settlement. The Court has ordered additional pre-trial settlement discussions to be held during January2003.

The IRS has continued to assert its position in audits for the years 1995 through 1998 with respect to maintenance costs for jet engines and rotable aircraft parts. Based on these audits, the total proposed deficiency for the 1995-1998 period, including tax and interest through November30, 2002, was approximately $194million (representing $107million of tax and $87million of interest). In addition, we have continued to expense these types of maintenance costs subsequent to 1998. Previously, the IRS made similar attempts to require capitalization of airframe maintenance costs. In December2000, the IRS issued a revenue ruling which permitted current deductions for routine airframe maintenance costs. As a result, the IRS conceded 100% of the airframe issue for 1993-1994 and we anticipate a similar result for all future years.

We believe that our practice of expensing these types of maintenance costs is correct and consistent with industry practice and certain IRS rulings. We intend to vigorously contest the adjustments and do not believe it is probable that we will be required to pay $194million to the IRS. Additionally, we expect to fully recover the amounts previously paid in litigation. Because the amounts in question relate solely to the timing of the income tax deduction for the above expenditures for federal income tax purposes, any adverse determination in this matter would not have an impact on our total income tax expense. Accordingly, we have not recognized any provision for the tax portion of the proposed deficiency. The income statement consequences if we do not prevail in the litigation on this matter would be for interest on the income taxes that would be payable upon assessment. The IRS has not assessed penalties on this matter. We do not expect any amounts that may ultimately be payable on this matter to be material to our financial position, results of operations or cash flows.

FedEx and its subsidiaries are subject to other legal proceedings that arise in the ordinary course of their business. In the opinion of management, the aggregate liability, if any, with respect to these other actions will not materially adversely affect our financial position, results of operations or cash flows.

(9) Supplemental Cash Flow Information

	Six Months Ended November30, 2002	2001
	(In millions)	
Cash payments for:		
Interest (net of capitalized interest)	$ 63	$ 74
Income taxes	37	203
Noncash investing and financing activities:		
Fair value of assets acquired under exchange agreements	1	5

Noncash investing activities reflect the contractual acquisition of aircraft, spare parts and other equipment in exchange for engine noise reduction kits.

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

The Board of Directors and Stockholders
FedEx Corporation

We have reviewed the accompanying condensed consolidated balance sheet of FedEx Corporation as of November30, 2002, and the related condensed consolidated statements of income for the three-month and six-month periods ended November30, 2002 and 2001, and the condensed consolidated statements of cash flows for the six-month periods ended November30, 2002 and 2001. These financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States, which will be performed for the full year with the objective of expressing an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States.

We have previously audited, in accordance with auditing standards generally accepted in the United States, the consolidated balance sheet of FedEx Corporation as of May31, 2002, and the related consolidated statements of income, changes in stockholders' investment and comprehensive income, and cash flows for the year then ended not presented herein and in our report dated June24, 2002, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of May31, 2002, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Ernst& Young LLP

Memphis, Tennessee
December18, 2002

Item 2.Management's Discussion and Analysis of Results of Operations and Financial Condition

GENERAL

The following management's discussion and analysis describes the principal factors affecting the results of operations, liquidity and capital resources, as well as the critical accounting policies, of FedEx Corporation (also referred to as "FedEx"). This discussion should be read in conjunction with the accompanying financial statements and our Annual Report on Form10-K for the year ended May31, 2002 ("Annual Report"), which include additional information about our significant accounting policies, practices and the transactions that underlie our financial results.

FedEx is one of the largest transportation companies in the world. Our business strategy is to offer a portfolio of transportation services through our independently operated business units. These business units are primarily represented by our reportable operating segments: FedEx Express, the world's largest express transportation company; FedEx Ground, North America's second largest provider of small-package ground delivery service; and FedEx Freight, the largest U.S. provider of regional less-than-truckload ("LTL") freight services.

The key factors that affect our operating results are the volumes of shipments transported through our networks, as measured by our average daily volume; the mix of services purchased by our customers; the prices we obtain for our services, as measured by average price per shipment (yield); our ability to manage our cost structure for capital expenditures and operating expenses such as salaries, wages and benefits, fuel and maintenance; and our ability to match operating costs to shifting volume levels.

Except as otherwise indicated, references to years mean our fiscal year ending May31, 2003 or ended May31 of the year referenced and comparisons are to the corresponding period of the prior year.

RESULTS OF OPERATIONS

CONSOLIDATED RESULTS

Dollars in millions, except per share amounts
Three and six month periods ended November30:

	Three Months Ended					Six Months Ended				
					Percent Change					Percent Change
		2002		2001			2002		2001	
Revenues	$	5,667	$	5,135	+10	$	11,112	$	10,172	+9
Operating income		427		433	-1		710		668	+6
Operating margin		7.5 %		8.4 %			6.4 %		6.6 %	
Income before cumulative effect of change in accounting for goodwill		245		245	—		403		369	+9
Net income		245		245	—		403		354	+14
Diluted earnings per share before cumulative effect of change in accounting for goodwill	$	0.81	$	0.81	—	$	1.33	$	1.22	+9
Diluted earnings per share	$	0.81	$	0.81	—	$	1.33	$	1.17	+14

Results for the second quarter and first half of 2003 reflect solid overall revenue growth, despite a sluggish economic environment. This growth was largely due to increased international volumes at FedEx Express, the continued substantial growth of our FedEx Ground business and growth at FedEx Freight. Increased U.S. freight volumes at FedEx Express also contributed to consolidated revenue growth during the first half, as we benefited from a full six months of revenue under the transportation agreement with the U.S. Postal Service ("USPS"). Our agreement with the USPS commenced in late August2001.

Operating income decreased slightly during the second quarter, as strong operating performances at FedEx Ground and FedEx Freight were offset by significant increases in pension and medical costs, higher maintenance costs due to the timing of maintenance events on our wide-body aircraft and increases in fuel costs at FedEx Express. These higher operating expenses negatively affected our operating margin in the second quarter and, to a lesser extent, for the first half of 2003. However, during the first half, operating income increased 6% over the prior year due to increased profitability at FedEx Ground and cost control efforts at FedEx Express, despite one fewer operating day in the first half. While insurance and security costs have increased in the wake of the terrorist attacks of September11, 2001, thus far these increases have been manageable.

Although not required, we made contributions to our principal U.S. domestic pension plans of $241million during the first half. We may elect to contribute additional amounts to the plans during the second half of 2003. The exact amount of additional contributions, if any, will be a function of the market value of plan assets and the interest rate used to value our pension liabilities at our measurement date (February28, 2003). Based on our current estimates, we do not believe that pension plan funding will affect our ability to generate cash flow from operating activities in excess of cash used in investing activities ("free cash flow") for 2003.

Net interest expense decreased 22% in the second quarter and 18% in the first half due to lower debt levels. Our effective tax rate for the second quarter and first half of both 2003 and 2002 was 38%, as compared to 37.5% for all of 2002.

Net income for the first half of 2002 reflects the cumulative effect of an accounting change. This change resulted from adoption of new rules from the Financial Accounting Standards Board ("FASB") for the treatment of goodwill and other intangible assets. Adoption of these new rules resulted in recognition of a $25million ($15million net of tax or $.05 per share) impairment charge to our recorded goodwill during the first quarter of 2002.

Airline Stabilization Compensation

Prior year second quarter operations were significantly affected by the terrorist attacks on September11, 2001. During the second and third quarters of 2002 we recognized a total of $119million of compensation under the Air Transportation Safety and System Stabilization Act (the "Act") ($116million in the second quarter of 2002), of which $101million has been received as of November30, 2002. The amounts recognized were for our estimate of losses we incurred as a result of the mandatory grounding of our aircraft and for incremental losses incurred through December31, 2001. We believe our net income during these periods reflects at least the minimum results we would have reported had the events of September11 not occurred. All amounts recognized are reflected as reduction of operating expense under the caption "Airline stabilization compensation."

While we believe that we have complied with all aspects of the Act, and it is probable we will ultimately collect the remaining $18million receivable, the $119million of compensation previously recognized is subject to audit and interpretation by the Department of Transportation. We cannot be assured of the ultimate outcome of such interpretation, but it is reasonably possible that a material reduction to the amount of compensation recognized by us under the Act could occur.

Outlook

Our outlook for the remainder of 2003 assumes a modest domestic economic recovery in the second half of our fiscal year and continued growth in international volumes, particularly in Asia and Europe. Our current forecast assumes year-over-year growth in U.S. gross domestic product of 2.7% and 3.0% for the first and second calendar quarters of 2003. We expect growth in Asian volumes to be in the 15%-20% range for the remainder of the fiscal year. We expect the growth rate in maintenance and net fuel costs to abate in the second half of our fiscal year, due to the timing of scheduled maintenance of wide-bodied aircraft and as the effect of our dynamic fuel surcharge is included in all comparable periods.

We continue to experience increases in pension and medical benefit costs. Our pension costs for 2003 are expected to be approximately $80million higher than the prior year due to the effects of decreased returns on pension assets and a lower discount rate used to measure our pension obligations. If current market conditions persist, it is reasonably possible that pension costs for 2004 could increase by approximately $80-$120million. However, our actual 2004 pension cost cannot be determined until after our measurement date on February28, 2003. The determination of 2004 pension cost is highly sensitive to changes in key assumptions, particularly the discount rate and the expected long-term rate of return on pension plan assets. Despite these increases in employee retirement costs, our retirement programs continue to be adequately funded.

We expect to realize continued double-digit growth in FedEx Ground volumes through the remainder of 2003, although growth rates at the current 25% level will be difficult to sustain. We do not believe the growth of FedEx Ground is occurring at the expense of our express services. Rather, we believe that U.S. domestic package volume declines at FedEx Express have largely been the result of the economic downturn, which particularly impacted those sectors of the economy that utilize express services, such as manufacturing and wholesale. Accordingly, we expect our U.S. domestic express package volume growth rate to be essentially flat in the second half until sustained economic growth returns to key express-shipping sectors. We expect the FedEx International Priority ("IP") package volume growth rate in the second half to approximate the growth achieved in the first half of 2003.

We have developed a strategy for long-term growth that will allow us to profit from increases in high-tech and high-value-added businesses and the globalization of the economy. Our key long-term corporate financial objective is to increase cash flow by improving our operating margin, principally at FedEx Express and through continued growth at our FedEx Ground and FedEx Freight segments. We plan to accomplish this goal through growth, continued control of discretionary spending and by matching capital expenditures to expected business levels. Achievement of this goal at FedEx Express will require a return to solid growth in those sectors of the U.S. economy that most use domestic express air transportation, moving increased volumes of heavier packages at higher yields and a rational pricing environment.

At FedEx Ground, we expect growth in both our core business as well as continued growth in our home delivery service to contribute positively to operating income in the future. In addition, we expect growth at FedEx Freight following their recent rebranding initiatives. We believe the rebranding will create additional synergies in the FedEx Freight segment, give us a competitive advantage and improve our market share in the LTL segment.

Actual results for 2003 will depend upon a number of factors, including the timing, speed and magnitude of the domestic economic recovery, our ability to match capacity with shifting volume levels and our ability to effectively leverage our new service and growth initiatives. Although increased security requirements for air cargo carriers have been put in place and further measures may be forthcoming, as of yet we have no estimate of what impact any such measures may ultimately have on our results of operations or financial position. In addition, adjustments to our fuel surcharge levels lag changes in actual jet and diesel fuel prices paid. Therefore, our operating income could be materially affected should the spot price of fuel suddenly change by a significant amount. See "Forward-Looking Statements" for a more complete discussion of potential risks and uncertainties that could materially affect our future performance.

REPORTABLE SEGMENTS

Our reportable operating segments are FedEx Express, FedEx Ground and FedEx Freight, each of which operates in a single line of business. Included within "Other" are the operations of FedEx Custom Critical, FedEx Trade Networks and FedEx Services. Management evaluates segment financial performance based on operating income. The sales, marketing and information technology functions of our FedEx Express and FedEx Ground reportable segments are predominantly performed at FedEx Services, which provides our customers with a single point of contact for all express and ground services. The costs for these activities are allocated based on metrics such as relative revenues and estimated services provided. These allocations materially approximate the cost of providing these functions. The line item "Intercompany charges" on the accompanying financial summaries of our reportable segments includes the allocations from FedEx Services to FedEx Express, FedEx Ground and FedEx Freight, and certain other costs such as corporate management fees.

FEDEX EXPRESS

The following table compares revenues, operating expenses and operating income (dollars in millions) and selected statistics (in thousands, except yield amounts) for the three- and six-month periods ended November30:

	Three Months Ended			Six Months Ended		
	2002	2001	Percent Change	2002	2001	Percent Change
Revenues:						
Package:						
U.S. overnight box (1)	$ 1,351	$ 1,299	+ 4	$ 2,686	$ 2,671	+ 1
U.S. overnight envelope (2)	422	420	—	849	885	-4
U.S. deferred	624	573	+ 9	1,215	1,157	+ 5
Total U.S. domestic package revenue	2,397	2,292	+ 5	4,750	4,713	+ 1
International Priority (IP)	1,100	953	+15	2,130	1,908	+12
Total package revenue	3,497	3,245	+ 8	6,880	6,621	+ 4
Freight:						
U.S.	401	363	+10	781	536	+46
International	102	99	+ 3	194	196	-1
Total freight revenue	503	462	+ 9	975	732	+33
Other	98	107	-8	177	199	- 11
Total revenues	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)	n/a	—	(116)	n/a
Intercompany charges, net	329	322	+ 2	668	656	+ 2
Other	528	480	+10	1,023	954	+ 7
Total operating expenses	3,870	3,505	+10	7,676	7,122	+ 8
Operating income	$ 228	$ 309	- 26	$ 356	$ 430	- 17
Operating margin	5.6 %	8.1 %		4.4 %	5.7 %	
Package Statistics:						
Average daily packages:						
U.S. overnight box (1)	1,183	1,141	+ 4	1,168	1,153	+ 1
U.S. overnight envelope (2)	685	676	+ 1	683	699	-2
U.S. deferred	903	845	+ 7	874	829	+ 5
Total U.S. domestic packages	2,771	2,662	+ 4	2,725	2,681	+ 2
IP	381	338	+13	369	336	+10
Total packages	3,152	3,000	+ 5	3,094	3,017	+ 3
Revenue per package (yield):						
U.S. overnight box	$ 18.12	$ 18.06	—	$ 18.10	$ 18.09	—
U.S. overnight envelope	9.79	9.87	-1	9.80	9.90	-1
U.S. deferred	10.95	10.77	+ 2	10.94	10.90	—
U.S. domestic composite	13.73	13.67	—	13.73	13.73	—
IP	45.86	44.77	+ 2	45.43	44.33	+ 2
Composite	17.61	17.17	+ 3	17.51	17.14	+ 2
Freight Statistics:						
Average daily pounds:						
U.S.	9,469	8,547	+11	9,215	6,416	+44
International	2,271	2,089	+ 9	2,144	2,098	+ 2
Total freight	11,740	10,636	+10	11,359	8,514	+33
Revenue per pound (yield):						
U.S.	$ 0.67	$ 0.67	—	$ 0.67	$ 0.65	+ 3

International	0.71	0.75	-5	0.71	0.73	-3
Composite	0.68	0.69	-1	0.68	0.67	+ 1

(1) The U.S. overnight box category includes packages exceeding 8 ounces in weight.

(2) The U.S. overnight envelope category includes envelopes weighing 8 ounces or less.

FedEx Express Revenues

During the second quarter and first half of 2003, FedEx Express total package revenues increased 8% and 4%, respectively, largely due to increased IP revenues. U.S. domestic package revenue grew 5% for the second quarter and 1% for the first half. However, comparisons for the second quarter for both U.S. domestic and U.S. outbound shipments were affected by the loss of revenue during the temporary grounding of our aircraft in 2002 and by the resulting economic decline after the terrorist attacks of September11. Excluding this impact, we estimate that U.S. domestic package volume for the second quarter declined less than 1% from the prior year period and U.S. outbound shipments for the second quarter declined approximately 7%.

IP revenues grew 15% on 13% volume growth during the second quarter and 12% on 10% volume growth during the first half. Asia and Europe experienced double-digit average daily volume growth during both the second quarter and first half. In response to continued growth in Asia, we have been awarded (and will utilize) incremental temporary flight authorities in Hong Kong.

During the second quarter, shipments under our transportation agreement with the USPS, which commenced late in the first quarter of 2002, contributed to a 10% increase in U.S. freight revenues on 11% higher average daily U.S. freight pounds. In the first half, U.S. freight revenues increased 46% on 44% higher average daily U.S. freight pounds, as we benefited from a full six months of operations under our transportation contract with the USPS.

Composite package yield in the second quarter and first half of 2003 improved slightly, despite lower fuel surcharge revenue and nominally lower average weight per package for the first half. In November, we announced a 3.5% average price increase on FedEx Express services within the U.S. and for U.S. export shipments. This increase became effective January6, 2003.

FedEx Express Operating Income

Operating income at FedEx Express decreased 26% during the second quarter and 17% in the first half. The decrease in operating income is attributable to higher benefits and maintenance and repair expenses, and the net impact of higher fuel costs, which increased 19% in the second quarter and 11% in the first half. Increases in fuel usage during the first half were compounded by a 12% higher average price per gallon for aircraft fuel in the second quarter and a decline in fuel surcharge revenue. After considering the impact of our fuel surcharge, fuel prices negatively affected second quarter operating income by approximately $44million and first half operating income by approximately $56million. At the end of the first half of the prior year, we implemented a new index for determining our fuel surcharge. Using this index, the fuel surcharge ranged between 2% and 4% in the first half of 2003, while the fuel surcharge for the majority of the first half of 2002 was 4%.

Other operating expenses also increased in the second quarter and first half. In the prior year, reimbursements from the USPS for network expansion costs were reflected as credits to other operating expenses. These reimbursements, however, had no effect on operating income, as they represented the recovery of incremental costs incurred. Last year's second quarter results also included $17million of income from the favorable resolution of a state sales tax matter. Partially offsetting higher operating costs during the first half was a gain, recognized in the first quarter, from the insurance settlement on a 727-200 aircraft destroyed in an accident in July2002 that resulted in a net $8million favorable impact on operating income during the first half.

FEDEX GROUND

The following table compares revenues, operating expenses and operating income (dollars in millions) and selected package statistics (in thousands, except yield amounts) for the three- and six-month periods ended November30:

	Three Months Ended		Percent Change	Six Months Ended		Percent Change
	2002	2001		2002	2001	
Revenues	$ 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	n/a	4	3	+33
Maintenance and repairs	21	18	+17	42	36	+17
Intercompany charges	74	58	+28	164	117	+40
Other	80	73	+10	168	147	+14
Total operating expenses	728	597	+22	1,453	1,161	+25
Operating income	$ 135	$ 80	+69	$ 236	$ 140	+69
Operating margin	15.6 %	11.8 %		14.0 %	10.8 %	
Average daily packages	2,281	1,826	+25	2,189	1,697	+29
Revenue per package (yield)	$ 6.10	$ 5.98	+ 2	$ 6.12	$ 6.04	+ 1

FedEx Ground Revenues

FedEx Ground realized strong revenue growth in the second quarter and first half of 2003 due to core business growth and increasing popularity of our home delivery service. Volumes have significantly increased, with nearly one-third of the volume growth in the second quarter coming from FedEx Home Delivery. Approximately one-fourth of volume growth during the first half was attributable to FedEx Home Delivery.

Yield at FedEx Ground slightly increased in the second quarter and first half, despite lower fuel surcharge revenue. In 2002, we implemented a new dynamic fuel surcharge that is indexed to the current price of diesel fuel. Using this index, the fuel surcharge ranged from 0.75% during most of the first half to 1.25% in November, compared to 1.25% for the entire first half of 2002.

In November, we announced an average price increase of 3.9% on FedEx Ground services, which became effective January6, 2003.

FedEx Ground Operating Income

Operating income increased significantly in the second quarter and first half at FedEx Ground as a result of revenue growth, excellent productivity and continued cost management. Operating expenses in most categories increased at a lower rate than the growth in revenues. Substantial improvements have been realized in pick-up and delivery and linehaul productivity. Salaries, wages and benefits increased in the second quarter and first half due principally to increases in staffing to support volume growth and higher pension costs.

Operating margins improved in the second quarter and first half in spite of increased intercompany charges for sales, marketing and customer support, and information technology costs in relation to revenues.

FedEx Home Delivery became profitable in the second quarter, which was earlier than anticipated. During 2002, FedEx Home Delivery generated an operating loss of $9million in the second quarter and $19million in the first half. In September2002, FedEx Home Delivery completed the build-out of its national network, 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

The following table shows revenues, operating expenses and operating income (in millions) and selected statistics for the three- and six-month periods ended November30:

	Three Months Ended		Percent Change	Six Months Ended		Percent Change
	2002	2001		2002	2001	
Revenues	$ 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	62	56	+11	127	121	+ 5
Total operating expenses	491	440	+12	976	900	+ 8
Operating income	$ 56	$ 47	+19	$ 104	$ 98	+ 6
Operating margin	10.2 %	9.8 %		9.6 %	9.8 %	
Shipments per day (in thousands)	59	56	+ 5	59	57	+ 4
Weight per shipment (lbs)	1,104	1,112	-1	1,112	1,116	—
Revenue per hundredweight	$ 13.55	$ 12.55	+ 8	$ 13.17	$ 12.38	+ 6

FedEx Freight Revenues

Revenues at FedEx Freight increased $60million during the second quarter and $82million in the first half of 2003, due to a combination of higher shipments and improved yields. Contributing to the increase in yield was the impact of the 5.9% general rate increase in July2002, higher fuel surcharge revenues and additional volumes related to EZ Flyer, which is our premium priced, interregional service. The FedEx Freight fuel surcharge is tied to the "Retail on Highway Diesel Fuel Price," as published by the U.S. Department of Energy, and fluctuates weekly based on changes in the index.

FedEx Freight Operating Income

In the second quarter, operating margins were higher compared to the prior year at FedEx Freight. Operating income increased 19% in the second quarter and 6% in the first half, in spite of higher maintenance and repairs expenses and higher salaries and employee benefits, offset by lower depreciation and amortization. Higher maintenance and repairs expenses reflect rebranding expenses. Lower depreciation and amortization reflects increased gains from the sale of operating assets in the ordinary course of business.

FedEx Freight East and FedEx Freight West are being rebranded under the name "FedEx Freight." Rebranding expenses, primarily for tractors and trailers, were $4million in the second quarter and $10million for the first half. This project began in the fourth quarter of 2002 and is expected to be complete in 2005, with total rebranding costs of approximately $40million to $45million. These costs, which are being expensed as incurred, consist primarily of incremental external costs for rebranding tractors and trailers. The cost of the rebranding is expected to increase FedEx Freight's operating expenses by $2million during the third quarter of 2003 and by $15million for all of 2003.

OTHER OPERATIONS

Other operations include FedEx Custom Critical, a critical-shipment carrier; FedEx Trade Networks, whose subsidiaries forma global trade services company; FedEx Services, a provider of sales, marketing, supply chain management services and IT support for FedEx Express and FedEx Ground; and certain unallocated corporate items.

Revenues from other operations were $159million (up 1%) in the second quarter and $311million (down 3%) in the first half of 2003. The decrease in revenues from other operations in the six months reflects the termination of certain nonprofitable supply chain services contracts, partially offset by increased revenues at FedEx Custom Critical.

Operating income from other operations was $8million in the second quarter compared to a loss of $3million in the prior year. Compared to break even operating income in the first half of the prior year, operating income from other operations was $14million in the first half. This improvement is primarily attributable to unallocated corporate charges in the second quarter of 2002 which were subsequently allocated in the third quarter and increased earnings at FedEx Custom Critical.

FINANCIAL CONDITION

LIQUIDITY

Cash and cash equivalents totaled $519million at November30, 2002, compared to $331million at May31, 2002. The following table provides a summary of our cash flows for the six-month periods ended November30 (in millions):

	2002	2001
Net cash provided by operating activities	$ 1,139	$ 1,064
Net cash used in investing activities	(877)	(915)
Free cash flow	262	149
Cash (used in) provided by financing activities:		
Net repayments	—	(25)
Repurchase of treasury stock	(67)	(25)
Dividends paid	(30)	—
Other financing activities	23	28
Net increase in cash	$ 188	$ 127

The $75million increase in cash flow provided by operating activities reflects improved earnings and lower levels of required estimated tax payments, offset partially by increased funding to our pension plans.

Cash Used for Capital Investments. Capital expenditures during the first half were lower, primarily at FedEx Express where capital expenditures were managed to lower volumes, resulting in a 9% reduction in the first half. Approximately 70% of our capital expenditures are related to investments in business growth, while the remaining 30% represents replacement of existing capital. See "Capital Resources" below for further discussion.

Free Cash Flow. Cash provided by operations during the first half generated $262million of free cash flow. We expect overall 2003 free cash flow to be positive based on continued growth of our most profitable businesses and management of working capital and capital expenditures.

Debt Financing Activities. We currently have $1billion in revolving bank credit facilities that are generally used to finance temporary operating cash requirements and to provide support for the issuance of commercial paper. At November30, 2002, no commercial paper was outstanding and the entire $1billion under the revolving credit agreements was available for future borrowings. See

Note4 of the accompanying financial statements, as well as "Contractual Cash Obligations" below, for further discussion of these credit facilities.

Cash Used for Share Repurchases. During the first half, we repurchased 1.275million shares at an average price of $52.45 per share and this affected cash flows by $67million. A total of 5.375million shares remain under existing share repurchase authorizations. There were 550,000 treasury shares repurchased during the first half of 2002, which affected cash flows by $25million in that period.

Dividends. Total dividends paid in the first six months of 2003 were $30million. In addition, shareholders of record as of the close of business on December12, 2002 were paid a $.05 cash dividend per share of common stock on January2, 2003. We expect to continue quarterly dividend payments, although each subsequent dividend payment is subject to review and approval by our Board of Directors.

Other Liquidity Information. We will remain focused on cost containment and capital expenditure discipline so we can achieve our goal of free cash flow for 2003 and the future. We believe that cash flow from operations, our commercial paper program and revolving bank credit facilities will adequately meet our working capital needs for the foreseeable future.

CAPITAL RESOURCES

Our operations are capital intensive, characterized by significant investments in aircraft, vehicles, computer hardware and software and telecommunications equipment, package-handling facilities and sort equipment. The amount and timing of capital additions depend on various factors, including preexisting contractual commitments, anticipated volume growth, domestic and international economic conditions, new or enhanced services, geographical expansion of services, competition, availability of satisfactory financing and actions of regulatory authorities.

The following table compares capital expenditures for the three- and six-month periods ended November30 (in millions):

	Three Months Ended		Six Months Ended	
	2002	**2001**	**2002**	**2001**
Aircraft and related equipment	$ 129	$ 181	$ 496	$ 402
Facilities and sort equipment	66	88	112	182
Information and technology investments	76	73	129	141
Vehicles and other equipment	81	95	151	212
Total capital expenditures	$ 352	$ 437	$ 888	$ 937

For all of 2003, we expect capital expenditures to be approximately $1.7billion. During the second quarter of 2003, capital expenditures were 19% lower, primarily due to lower aircraft spending. Total capital expenditures were 5% lower in the first half, even though capital expenditures on aircraft and related equipment were 23% higher due to previously contracted aircraft purchases. The majority of capital expenditures in the first half occurred during the first quarter at FedEx Express, which took delivery of eight aircraft and spent $367million on aircraft and related equipment.

Because of substantial lead times associated with the manufacture or modification of aircraft, we must generally plan our aircraft orders or modifications three to eight years in advance. Therefore, we must make projections regarding our needed airlift capacity many years before aircraft are actually needed. We will continue to manage our capital spending based on current and anticipated volume levels, and defer or limit capital additions where economically feasible in order to maintain free cash flow.

CONTRACTUAL CASH OBLIGATIONS

The following table sets forth a summary of our contractual cash obligations as of November30, 2002. Certain of these contractual obligations are reflected in our balance sheet, while others are disclosed as future obligations under accounting principles generally accepted in the United States.

	Payments Due by Fiscal Year (in millions)						
	2003 (1)	**2004**	**2005**	**2006**	**2007**	**Thereafter**	**Total**
Amounts Reflected in Balance Sheet:							
Long-term debt	$ 6	$ 275	$ 6	$ 257	$ 226	$ 835	$ 1,605
Capital lease obligations	5	11	11	11	11	241	290
Other Cash Obligations Not Reflected in Balance Sheet:							
Operating leases	793	1,342	1,252	1,142	1,113	9,164	14,806
Unconditional purchase obligations (2)	414	379	353	297	290	2,322	4,055
Total cash obligations	$ 1,218	$ 2,007	$ 1,622	$ 1,707	$ 1,640	$ 12,562	$ 20,756

(1) For the remainder of 2003

(2) See Note8 to the accompanying financial statements

Amounts Reflected in Balance Sheet

From time to time, we finance certain operating and investing activities through the issuance of commercial paper. Our commercial paper program is backed by unused commitments under two revolving credit agreements, totaling $1billion, and reduces the amount available under these agreements. The revolving credit agreements comprise two parts. The first part provides for $750million through September28, 2006. The second part is a 364-day facility providing for $250million through September26, 2003, that was amended and restated on September27, 2002 to, among other things, extend the term to September26, 2003. At November30, 2002, no commercial paper was outstanding and the entire $1billion under the revolving credit agreements was available for future borrowings.

On June19, 2002, the Memphis-Shelby County Airport Authority (the "Authority") issued $96million of its Special Facilities Revenue Refunding Bonds, Series2002 ("Series2002 Bonds") at par, bearing interest annually at 5.05% and maturing on September1, 2012. The Series2002 Bonds were issued to provide funds to refinance bonds issued to finance the acquisition and construction of various facilities and equipment at the Memphis International Airport. Lease agreements with the Authority covering the facilities and equipment financed with bond proceeds, reflected as a capital lease in long-term debt on our November30, 2002 balance sheet and in the table above, obligate FedEx Express to make lease payments equal to principal and interest due on the bonds. FedEx Express has separately guaranteed repayment of the Series2002 Bonds. The proceeds from the Series2002 Bonds, along with $6million, including accrued interest and a 2% prepayment premium, were used to refund the previously issued bonds.

We have other commercial commitments that were incurred in the normal course of business to support our operations, including surety bonds and standby letters of credit. These instruments are generally required under certain self-insurance programs. While the notional amounts of these instruments are material, there are no additional contingent liabilities associated with them because the liabilities for these self-insurance programs are already reflected in our balance sheet as accrued expenses and other long-term liabilities.

Other Cash Obligations Not Reflected in Balance Sheet

The amounts reflected in the table above for operating leases represent future minimum lease payments under noncancellable operating leases (principally aircraft and facilities) with an initial or remaining term in excess of one year at November30, 2002. In the past, we financed a significant portion of our aircraft needs (and certain other equipment needs) using operating leases (a type of "off-balance sheet financing"). Certain of these operating leases were arranged using special purpose entities under terms that are considered customary in the airline industry. At the time that the decision to lease was made, we determined that these operating leases would provide economic benefits favorable to ownership with respect to market values, liquidity and after-tax cash flows.

In accordance with accounting principles generally accepted in the United States, our operating leases are not recorded in our balance sheet. Credit rating agencies routinely use the information disclosed in our Annual Report (and the table above) concerning the minimum lease payments required for our operating leases to calculate our debt capacity. Furthermore, our debt covenants would not be adversely affected by the capitalization of some or all of our operating leases.

We have guarantees, amounting to $135million at November30, 2002, under certain operating leases for the residual values of aircraft, vehicles and facilities at the end of the respective operating lease periods. We do not believe it is probable that we will be required to fund any amounts under the terms of these guarantee arrangements. Therefore, we have not accrued any amounts for these guarantees on our balance sheet. See Note8 to the accompanying financial statements for additional information regarding these guarantees.

In the future, other forms of secured financing and direct purchases may be used to obtain capital assets if we determine that it best suits our needs. We have been successful in obtaining investment capital, both domestic and international, for long-term leases on acceptable terms, although the marketplace for such capital can become restricted depending on a variety of economic factors. We believe the capital resources available to us provide flexibility to access the most efficient markets for financing capital acquisitions, including aircraft, and are adequate for our future capital needs.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Information regarding our "Critical Accounting Policies and Estimates" can be found in our Annual Report. The four critical accounting policies that we believe are either the most judgmental, or involve the selection or application of alternative accounting policies, and are material to our financial statements are those relating to revenue recognition, pension cost, self-insurance accruals and long-lived assets. In addition, Note1 to our Annual Report contains a summary of our significant accounting policies.

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to adopt accounting policies and make significant judgments and estimates to develop amounts reflected and disclosed in the financial statements. In many cases, there are alternative policies or estimation techniques that could be used. We maintain a thorough process to review the application of our accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the financial statements of a large, global corporation. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and the receipt of new or better information.

FORWARD-LOOKING STATEMENTS

Certain statements in this Report, including those contained in "Outlook," "Liquidity" and "Capital Resources," are "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995 with respect to the financial condition, results of operations, plans, objectives, future performance and business of FedEx. Forward-looking statements include those preceded by, followed by or that include the words "believes," "expects," "anticipates," "estimates" or similar expressions. These forward-looking statements involve risks and uncertainties. Actual results may differ materially from those contemplated (expressed or implied) by such forward-looking statements, because of, among other things, potential risks and uncertainties, such as:

- significant changes in the volumes of shipments transported through our networks, the mix of services purchased by our customers or the prices we obtain for our services;
- our ability to manage our cost structure for capital expenditures and operating expenses and match them, especially those relating to aircraft, vehicle and sort capacity, to shifting customer volume levels;
- the impact of any terrorist activities or international conflicts, including any military action in Iraq, on the United States and global economies in general, or the transportation industry in particular, and what effects these events will have on our costs or the demand for our services;
- economic conditions in the markets in which we operate, including the timing, speed and magnitude of the economy's recovery from the downturn that began in calendar 2001 in the sectors that drive demand for our services;
- any impacts on our business resulting from new domestic or international government regulation;
- market acceptance of our new service and growth initiatives, including our residential home delivery service;
- sudden changes in fuel prices;
- the timing and amount of any money we are entitled to receive under the Air Transportation Safety and System Stabilization Act;
- competition from other providers of transportation and logistics services;
- our ability to compete with new or improved services offered by our competitors;
- changes in customer demand patterns;
- our ability to obtain and maintain aviation rights in important international markets;
- changes in government regulation, weather and technology;
- availability of financing on terms acceptable to us; and
- other risks and uncertainties you can find in our press releases and SEC filings.

As a result of these and other factors, no assurance can be given as to our future results and achievements. Accordingly, a forward-looking statement is neither a prediction nor a guarantee of future events or circumstances, and those future events or circumstances may not occur. You should not place undue reliance on the forward-looking statements, which speak only as of the date of this Report. We are under no obligation, and we expressly disclaim any obligation, to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise.

Item 3.Quantitative and Qualitative Disclosures About Market Risk

As of November30, 2002, there had been no material changes in our market risk sensitive instruments and positions since the disclosure in our Annual Report. While we are a global provider of transportation services, the substantial majority of our transactions are denominated in U.S. dollars. The distribution of our foreign currency denominated transactions is such that currency declines in some areas of the world are often offset by foreign currency gains of equal magnitude in other areas of the world. The principal foreign currency exchange rate risks to which we are exposed are in the euro, British pound sterling, Canadian dollar and Japanese yen. Foreign currency fluctuations during the second quarter of 2003 did not have a material effect on our results of operations for the period.

Item 4.Controls and Procedures

We maintain a rigorous set of disclosure controls and procedures and internal controls designed to ensure that our assets are adequately safeguarded and the information required to be disclosed in our filings under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. We perform a quarterly assessment of these procedures and controls requiring certification by all principal executive and financial management at both the operating company and corporate levels.

Our operating companies maintain appropriate policies, procedures and systems to support the timely and accurate reporting of their financial results. Our corporate forecasting, accounting close and audit committee reporting processes form the foundation to ensure that all relevant information about our financial results is available to management. In addition, we maintain a thorough quarterly and annual financial reporting process that ensures all key members of management have direct and meaningful input into our financial disclosures.

Our controls include the presence of an extensive internal audit function staffed by professional auditors that review the operational and financial effectiveness of internal control systems on a global basis. In addition, our control environment is evaluated on an ongoing basis by our financial management and annually by our external auditors in connection with their audit of our financial statements.

While we believe our disclosure controls and procedures and our internal controls are adequate, no system of controls can prevent all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable assurance that the objectives of the control system are met. Additionally, controls can be circumvented by the individual acts of some persons or by collusion of two or more people.

Our principal executive and financial officers have evaluated our disclosure controls and procedures within 90days prior to the filing of this Quarterly Report on Form10-Q and have determined that such disclosure controls and procedures are effective.

Subsequent to their evaluation, there were no significant changes in internal controls or other factors that could significantly affect internal controls, including any corrective actions with regard to significant deficiencies and material weaknesses.

PART II.OTHER INFORMATION

Item 6.Exhibits and Reports on Form8-K

(a) Exhibits.

Exhibit Number	Description of Exhibit
10.1	Twenty-Third Supplemental Lease Agreement dated as of March1, 2002 between the Memphis-Shelby County Airport Authority and FedEx Express.
10.2	First Amendment to Second Addendum dated December4, 2002, amending the Transportation Agreement dated January10, 2001 between The United States Postal Service and FedEx Express. Confidential treatment has been requested for confidential commercial and financial information, pursuant to Rule24b-2 under the Securities Exchange Act of 1934, as amended.
10.3	Amended Section5.5.2 of Airbus A380-800F Purchase Agreement dated as of July12, 2002 between AVSA, S.A.R.L. and FedEx Express. Confidential treatment has been requested for confidential commercial and financial information, pursuant to Rule24b-2 under the Securities Exchange Act of 1934, as amended.
12.1	Computation of Ratio of Earnings to Fixed Charges.
15.1	Letter re: Unaudited Interim Financial Statements.
99.1	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section1350, as Adopted Pursuant to Section906 of the Sarbanes-Oxley Act of 2002.
99.2	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section1350, as Adopted Pursuant to Section906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form8-K.

No reports on Form8-K were filed during the quarter ended November30, 2002.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	FEDEX CORPORATION
Date: January13, 2003	/s/ JAMES S. HUDSON James S. Hudson
	Corporate Vice President
	Strategic Financial Planning& Control
	(Principal Accounting Officer)

CERTIFICATION

I, Frederick W. Smith, Chairman, President and Chief Executive Officer of FedEx Corporation ("registrant"), certify that:

1. I have reviewed this quarterly report on Form10-Q of the registrant;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules13a-14 and 15d-14) for the registrant and we have:
   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90days prior to the filing date of this quarterly report (the "Evaluation Date"); and
   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: January13, 2003

/s/ FREDERICK W. SMITH Frederick W. Smith
Chairman, President and
Chief Executive Officer

CERTIFICATION

I, Alan B. Graf, Jr., Executive Vice President and Chief Financial Officer of FedEx Corporation ("registrant") certify that:

1. I have reviewed this quarterly report on Form10-Q of the registrant;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules13a-14 and 15d-14) for the registrant and we have:
   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90days prior to the filing date of this quarterly report (the "Evaluation Date"); and
   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: January13, 2003

/s/ ALAN B. GRAF, JR. Alan B. Graf, Jr.
Executive Vice President and
Chief Financial Officer

EXHIBIT INDEX

Exhibit Number	Description of Exhibit
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SIGNATURE
EXHIBIT INDEX

EXHIBIT 10.1

EXECUTION COPY

TWENTY-THIRD SUPPLEMENTAL LEASE AGREEMENT

by and between

MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY

and

FEDERAL EXPRESS CORPORATION

Dated as of March1, 2002

AMENDING THE CONSOLIDATED AND RESTATED LEASE AGREEMENT DATED AS OF AUGUST 1, 1979 BETWEEN THE MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY AND FEDERAL EXPRESS CORPORATION.

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TWENTY-THIRD SUPPLEMENTAL LEASE AGREEMENT

THIS TWENTY-THIRD SUPPLEMENTAL LEASE AGREEMENT, made and entered into as of the 1 ST of March2002, by and between MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY (herein sometimes referred to as "Authority"), a public and governmental body politic and corporate of the State of Tennessee, and FEDERAL EXPRESS CORPORATION (herein sometimes referred to as "Tenant"), a corporation duly organized and existing under the laws of the State of Delaware and qualified to do business in the State of Tennessee.

W I T N E S S E T H:

WHEREAS, Authority and Tenant on October3, 1979 entered into a Consolidated and Restated Lease Agreement dated as of August1, 1979; and

WHEREAS, Authority and Tenant between April1, 1981 and March15, 2001, have entered into Twenty Two Supplemental Lease Agreements amending the 1979 Consolidated and Restated Lease Agreement; and

WHEREAS, the said Consolidated and Restated Lease Agreement dated as of August1, 1979, together with the First through the Twenty-Second Supplemental Lease Agreements is herein referred to as the "Lease Agreement"; and

WHEREAS, Authority and Tenant have agreed to further supplement the Lease Agreement so as to lease to Tenant certain additional land under this Twenty-Third Supplemental Lease Agreement.

NOW THEREFORE, for and in consideration of the mutual promises, covenants and agreements hereinafter contained to be kept and performed by the parties hereto and upon the provisions and conditions hereinafter set forth, Authority and Tenant do hereby covenant and agree, and each for itself does hereby covenant and agree, as follows:

SECTION 1. ***Definitions.*** Except as otherwise provided herein, and unless the context shall clearly require otherwise, all words and terms used in this Twenty-Third Supplemental Lease Agreement which are defined in the Lease Agreement, shall, for all purposes of this Twenty-Third Supplemental Lease Agreement, have the respective meanings given to them in the Lease Agreement.

SECTION 2. ***Granting of Leasehold.*** In addition to the lease and demise to Tenant of the land in the Lease Agreement, the Authority hereby leases and demises to Tenant, and Tenant hereby takes and hires from Authority, subject to the provisions and conditions set forth in the Lease Agreement and this Twenty-Third Supplemental Lease Agreement, the additional land containing approximately 6 acres located on the Graber parcel, approximately 19.6 acres located on the 12/02 West Ramp expansion and approximately 44 acres on the A380 Ramp area.

SECTION 3. ***Term; Delivery and Acceptance of Possession.*** The term of this Twenty-Third Supplemental Lease Agreement shall commence at 12:01A.M. on March1, 2002, for the land described in Exhibit "A" and shall expire at such time as the Lease Agreement shall expire, to-wit: August31, 2012 or upon such earlier termination, extension or otherwise as provided therein. Authority shall, however, deliver to Tenant sole and exclusive possession of the land leased hereby, as of the effective date of this Twenty-Third Supplemental Lease Agreement for the purpose of constructing improvements required for Tenant's intended use of the land leased hereby, subject however, to Authority's right-of-entry set forth in Section21 of the Lease Agreement.

SECTION 4. ***Rental.*** In addition and supplemental to the rentals required to be paid to the Authority pursuant to Section5 of the Lease Agreement (including all prior Supplemental Lease Agreements), during the term of this Twenty-Third Supplemental Lease Agreement, Tenant shall pay to the Authority in advance on the first business day of each month $1,793.18 in equal installments beginning March1, 2002 or date of beneficial occupancy of Parcel 23 (Graber), whichever occurs first, a total rental payment of $21,518.17 per year, which the parties hereto agree is based upon an aggregate of 261,460.18 square feet of area at an annual rental rate of ($0.0823) per square foot. Tenant will begin rental payments for Parcel 12/02 West Ramp Expansion to the Authority in advance on the first day of each month in the amount of $8,708.04 in equal installments beginning December1, 2002 or date of beneficial occupancy, whichever occurs first, a total of rental payments of $104,496.54 per year, which the parties hereto agree is based upon an aggregate of 856,529 square feet of the area at an annual rental rate of ($0.1220) per square foot.

Tenant will begin rental payments for Parcel A380 Ramp to the Authority in advance of the first day of each month in the amount of $19,316.73 in equal installments beginning December31, 2006 or date of beneficial occupancy whichever occurs first, at total rental payment of $231,800.73 per year, which the parties hereto agree is based upon an aggregate of 1,900,006 square feet of the area at an annual rental rate of ($0.1220) per square feet.

The rental rate for all parcels will increase subject to terms and conditions of the consolidated and restated lease agreement dated August1, 1979.

SECTION 5. ***Hazardous Substances/Waste.*** Tenant agrees to take the Graber parcel in an "as is" condition as it relates to Hazardous Substances/Waste material that may be located at the site.

Tenant, at its own expense, may arrange for a Phase I Environmental Survey on the land described herein by a reputable environmental consultant to determine the existence of "Hazardous Substances", as such term is defined in this Agreement. In the event that "Hazardous Substances" are discovered during excavation for construction on the property described in Exhibit"A", as the 12/02 West Ramp Expansion and A380 Ramp, and such "Hazardous Substances" require special handling, removal or disposal ("Remediation"), then Tenant shall immediately notify Authority. The Tenant and Authority will confer and jointly determine the method of handling, removing or disposing of the "Hazardous Substances" within 14days after Tenant provides the Authority, in writing, its plan for Remediation. The form of Remediation agreed to by the parties must comply with "Environmental Laws", as such term is defined below. In the event that Tenant and Authority are unable to agree on a method for handling, removing or disposing of the "Hazardous Substances" due to differing interpretations of the requirements for Remediation as set forth in the applicable "Environmental Laws", then the form of Remediation will be determined by the appropriate federal, state or local agency with relevant regulatory and enforcement jurisdiction over the subject site. Authority will grant to Tenant a rent credit equal to the reasonable documented costs paid by Tenant for the Remediation of such "Hazardous Substances" associated with the property described in Exhibit"A".

The term " *Hazardous Substances* ", as used in this Twenty-Third Supplemental Lease Agreement, shall mean any hazardous or toxic substances, materials or wastes, including, but not limited to, those substances, materials, and wastes (i)listed in the United States Department of Transportation Hazardous Materials Table (49CFR 172.101) or by the Environmental Protection Agency as hazardous substances (40 CFR Part302) and amendments thereto, (ii)designated as a "Hazardous Substance" pursuant to Section311 of the Clean Water Act, 33U.S.C. 1251 et seq. (33U.S.C. 1321) or listed pursuant to Section307 of the Clean Water Act (33U.S.C. 1317, (iii)defined as a "Hazardous Waste" pursuant to Section1004 of the Resource Conservation and Recovery Act, 42U.S.C. 6901, et seq. (42U.S.C. 6903), or (iv)defined as "Hazardous Substance" pursuant to Section101 of the Comprehensive Environmental Response, Compensation and Liability Act, 42U.S.C. 9601, et seq. 42U.S.C. 9601) or any other substances, (including, without limitation, asbestos and raw materials which include hazardous constituents), the general, discharge or removal of which or the use of which is restricted, prohibited or penalized by any "Environmental Law", which term shall mean any Federal, State or local law, regulation, or ordinance relating to pollution or protection of the environment.

SECTION 6. ***Lease Agreement Still in Effect; Provisions Therefore Applicable to this Supplemental Lease Agreement.*** All of the terms, provisions, conditions, covenants and agreements of the Lease Agreement, as supplemented, shall continue in full force and effect as supplemented hereby, and shall be applicable to each of the provisions of this Twenty-Third Supplemental Lease Agreement during the term hereof with the same force and effect as though the provisions hereof were set forth in the Lease Agreement.

SECTION 7. ***Descriptive Headings.*** The descriptive headings of the sections of this Twenty-Third Supplemental Lease Agreement are inserted for convenience of reference only and do not constitute a part of this Twenty-Third Supplemental Lease Agreement and shall not affect the meaning, construction, interpretation or effect of this Twenty-Third Supplemental Lease Agreement.

SECTION 8. ***Effectiveness of this Supplemental Lease Agreement.*** This Twenty-Third Supplemental Lease Agreement shall become effective at 12:01a.m. on March1, 2002.

SECTION 9. ***Execution of Counterparts.*** This Twenty-Third Supplemental Lease Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 10. ***Summaries.*** For the convenience of both parties a Leased Parcel Summary and a Rental Summary are attached to this Lease Agreement.

IN WITNESS WHEREOF, THE MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY AND FEDERAL EXPRESS CORPORATION have caused this Twenty-Third Supplemental Lease Agreement to be duly executed in their respective behalfs, as of the day and year first above written.

WITNESS:	MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY	
/s/ PAT STANFILL	BY:	/s/ LARRY D. COX
TITLE: *Executive Assistant*	TITLE:	*President and CEO*
Approved as to Form and Legality:		
/s/ R. GRATTAN BROWN, JR. R. Grattan Brown, Jr., Attorney		
WITNESS:	FEDERAL EXPRESS CORPORATION A DELAWARE CORPORATION	
/s/ GLORIA E. OWENS	BY:	/s/ GRAHAM R. SMITH
TITLE: *Project Coordinator*	TITLE:	*Vice President*

(STATE OF TENNESSEE)
(COUNTY OF SHELBY)

On this 10th day of October, 2001, before me appeared LarryD. Cox, to me personally known, who, being by me duly sworn (or affirmed), did say that he is the President of the Memphis-Shelby County Airport Authority, the within named Lessor, and that he as such President, being authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of the Authority by himself as such President.

MY COMMISSION EXPIRES

January20, 2004 /s/ PAT STANFILL
Notary Public

(seal)

(STATE OF TENNESSEE)
(COUNTY OF SHELBY)

On this 30th day of September, 2001, before me appeared GrahamR. Smith, to me personally known, who, being by me duly sworn (or affirmed), did say that he is a Vice President of Federal Express Corporation, the within named Lessee, and that he as such Vice President, being authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of the Corporation by himself as such Vice President.

MY COMMISSION EXPIRES

August13, 2003 /s/ GLORIA E. OWENS *Notary Public*

(seal)

FEDERAL EXPRESS LEASED PARCELS SUMMARY

PARCEL LEASE	ACRES	SQUARE FEET	AGREEMENT	EFFECTIVE DATE
		BASE-LEASE		
Revised 9	128.469		Consolidated & Restated	08/01/79
10	1.612	70,200	Consolidated & Restated	08/01/79
11	1.044	45,359	Consolidated & Restated	08/01/79
		PREVIOUS SUPPLEMENTS		
12	2.707	117,915	First Supplemental	04/01/81
13	6.860	298,830	Second Supplemental	01/01/82
14	14.586	635,377	Fourth Supplemental	07/01/83
15	12.689	552,723	Fourth Supplemental	07/01/83
Rev 16	18.281 (19.685)	796,312	Fifth Supplemental	02/01/84
Rev 17	119.616 (124.992)	5,210,477	Sixth Supplemental	04/01/84
18	2.717	118,353	Sixth Supplemental	04/01/84
19	41.606	1,812,352	Seventh Supplemental	06/01/84
25	0.435	18,933	Eighth Supplemental	07/01/88
20	11.275	491,127	Ninth Supplemental	06/01/89
27	11.192	487,512	Tenth Supplemental	10/01/91
27 A(West)	4.058	176,777	Eleventh Supplemental	07/01/94
27 B(West)	5.706	248,533	Eleventh Supplemental	07/01/94
Southwest Ramp	2.350	102,366	Eleventh Supplemental	07/01/94

PARCEL LEASE	ACRES	SQUARE FEET	AGREEMENT	EFFECTIVE DATE
	PREVIOUS SUPPLEMENT			
32 (removed)	22.972	1,000,681	Twelfth Supplemental	07/01/93
33	8.998	391,942	Thirteenth Supplemental	06/01/95
36	3.050	132,837	Thirteenth Supplemental	06/01/95
Hangar 8 (removed)		36,946.33	Thirteenth Supplemental	06/01/95
34	9.951	433,461	Fourteenth Supplemental	01/01/96
21	19.134	833,476	Fifteenth Supplemental	01/01/97
22A (North)	3.214	140,000	Sixteenth Supplemental	04/01/97
37	2.692	117,283	Seventeenth Supplemental	05/01/97
38	2.523	109,921	Eighteenth Supplemental	07/01/97
39	8.366	364,430	Eighteenth Supplemental	07/01/97
West Ramp Expansion	19.917	867,583	Nineteenth Supplemental	09/01/98
Centerline November	13.206	575,253.36	Twentieth Supplemental	12/01/00
Taxilane 700	4.706	204,975	Twenty-First Supplemental	05/15/00
Taxilane 700 Extension	3.052	132,951	Twenty-Second Supplemental	03/15/01
West Ramp Aircraft/GSE Expansion	8.408	366,242	Twenty-Second Supplemental	03/15/01
	THIS SUPPLEMENT			
23 (Graber)	6.0023	261,460.18	Twenty-Third Supplemental	03/01/02
12/02 West Ramp	19.66	856,529		12/01/02
A380 Ramp	43.6181	1,900,006		12/31/06
	OPTIONS			
22B (South)	3.310	144,200	Option, Expires 5/31/04	
29	3.85	167,706	Option, Month/Month	

PARCEL LEASE	ACRES	SQUARE FEET	AGREEMENT	EFFECTIVE DATE
			ASSIGNMENTS	
24	9.964	434,030	Southwide Assignment Expires 5/14/2013 Invoice FEC Next Increase 5/15/03	
26	9.532	415,213	BICO Assignment, Expires 7/31/2021 Invoice FEC Next Increase 8/01/2011	
28	10.68	465,221	Equitable Life Assignment Expires 5/14/2013 Invoice FEC Next Increase 5/15/03	

RENTAL—FEDERAL EXPRESS

Effective March1, 2002

Category Of Space	Number of Square Feet	Annual Rental Rate Per Sq. Ft.		Annual Rental
Parcel 23 (Graber)	261,460.18	0.0823	$	21,518.17
Bldg. T-376	1,240	1.5258	$	1,891.99
Unimproved Ground	8,190,929.96	0.1220	$	999,293.44
Improved Apron	2,395,802	0.1525	$	365,359.80
Hangar Property	72,092.67	1.1291	$	81,399.83
Hangar Office	28,000	1.8311	$	51,270.80
International Park	9,694,700	0.2138	$	2,072,726.80
Former IRS Facility	2,255,137.24	—	$	1,200,000.00
	22,899,362.05	5.0566	$	4,793,460.83

BREAKDOWN OF SPACE

		Sq. Ft.	Sq. Ft.
Graber	Parcel 23	261,460.18	
			261,460.18
Bldg. T-376	Parcel 4	1,240	
			1,240
Unimproved Ground	Parcel 1	130,900	
	Parcel 2	50,000	
	Parcel 3	192,400	
	Parcel 4	32,540	
	Parcel 6	89,700	

BREAKDOWN OF SPACE

		Sq. Ft.	Sq. Ft.
	Parcel 9	1,167,337	
	Parcel 19	1,812,362	
	Parcel 20	491,127	
	Parcel 27A	176,777	
	Parcel 27B	248,533	
	Southwest Ramp	102,366	
	Parcel 33	391,942	
	Parcel 36	132,837	
	Parcel 34	433,461	
	Parcel 37	117,283	
	Parcel 38	109,921	
	Parcel 39	364,430	
	West Ramp Expansion	867,588	
	Centerline November	575,253.36	
	Taxilane 700	204,975	
	Taxilane 700 Extension	132,951	
	West Ramp Aircraft/GSE Expansion	366,242	
			8,190,925.36
Improved Apron	Parcel 1	850,250	
	Parcel 2	226,900	
	Parcel 7	577,540	
	Parcel 9	253,600	
	Parcel 27	487,512	
			2,395,802.00
		Sq. Ft.	**Sq. Ft.**
Hangar Property	Parcel 1	44,336	
	Parcel 2	27,756.67	
			72,092.67
Hangar Office	Parcel 1	22,400	
	Parcel 2	5,600	
			28,000.00

BREAKDOWN OF SPACE

		Sq. Ft.	Sq. Ft.
International Park	Parcel 5	24,000	
	Parcel 8	247,254	
	Parcel 9	1,586,172	
	Parcel 10	70,200	
	Parcel 11	45,359	
	Parcel 12	117,915	
	Parcel 13	298,830	
	Parcel 14	556,334	
	Parcel 15	552,723	
	Parcel 16	796,312	
	Parcel 17	4,288,839	
	Parcel 18	118,353	
	Parcel 25	18,933	
	Parcel 21	833,476	
	Parcel 22A	140,000	
			9,694,700.00
Former IRS Facility		2,255,137.24	**2,255,137.24**

Areas added DBO	Square feet	DBO	
12/02 West Ramp Expansion	856,529	12/01/02	
A380 Ramp	1,900,006	12/31/06	
			2,756,535
	TOTAL:		**25,655,892.45**

[Pickering Firm,Inc. letterhead]

PAGE ONE

JANUARY 2, 2002

LEGAL DESCRIPTION

BEING A LEGAL DESCRIPTION OF PART OF THE MEMPHIS AND SHELBY COUNTY AIRPORT AUTHORITY PROPERTY, SAID PART TO BE KNOWN FOR THE PURPOSES OF THIS DESCRIPTION AS THE SUBJECT-LEASE PROPERTY, ALL BEING SITUATED IN MEMPHIS, SHELBY COUNTY, TENNESSEE AND SAID SUBJECT-LEASE PROPERTY BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE REFERENCED POINT OF BEGINNING FOR PARCEL "G" SHOWN ON THE "LEASE AREA SURVEY" PERFORMED BY TOLES AND ASSOCIATES DATED JANUARY 13, 1999, SAID POINT OF BEGINNING FOR PARCEL G" BEING DESCRIBED AS A POINT LYING NORTH 17 DEGREES 35 MINUTES 11 SECONDS WEST—3234.61 FEET FROM AIRPORT (MEMPHIS INTERNATIONAL AIRPORT) CONTROL POINT NUMBER 12 ON SAID TOLES AND ASSOCIATES SURVEY; THENCE ALONG THE PERIMETER OF SAID TOLES LEASE SURVEY THE FOLLOWING METES AND BOUNDS: SOUTH 87 DEGREES 53 MINUTES 30 SECONDS EAST—143.76 FEET; THENCE NORTH 65 DEGREES 49 MINUTES 29 SECONDS EAST—208.39 FEET; THENCE SOUTH 87 DEGREES 54 MINUTES 56 SECONDS EAST ALONG SAID TOLES LEASE SURVEY AND THE EASTWARDLY PROJECTION THEREOF-412.17 FEET; THENCE SOUTH 01 DEGREES 55 MINUTES 14 SECONDS WEST—19.31 FEET; THENCE SOUTH 88 DEGREES 04 MINUTES 46 SECONDS EAST—20.00 FEET; THENCE SOUTH 01 DEGREES 55 MINUTES 14 SECONDS WEST—40.00 FEET; THENCE SOUTH 88 DEGREES 04 MINUTES 46 SECONDS EAST—20.00 FEET; THENCE SOUTH 01 DEGREES 55 MINUTES 14 SECONDS WEST- 20.71 FEET; THENCE SOUTH 88 DEGREES 01 MINUTES 41 SECONDS EAST—39.20 FEET; THENCE SOUTH 01 DEGREES 56 MINUTES 39 SECONDS WEST—25.00 FEET TO THE NORTHERLY LINE OF AN EXISTING LEASE AREA SURVEYED BY ALLEN AND HOSHALL; THENCE ALONG THE PERIMETER OF SAID ALLEN AND HOSHALL SURVEY THE FOLLOWING METES AND BOUNDS: NORTH 88 DEGREES 03 MINUTES 21 SECONDS WEST—200.00 FEET; THENCE SOUTH 01 DEGREES 56 MINUTES 39 SECONDS WEST—467.58 FEET TO THE NORTHERLY LINE OF AN EXISTING LEASE AREA SURVEYED BY ALLEN AND HOSHALL; THENCE ALONG THE PERIMETER OF SAID ALLEN AND HOSHALL SURVEY THE FOLLOWING METES AND BOUNDS: NORTH 85 DEGREES 42 MINUTES 38 SECONDS WEST—FEET TO THE EASTERLY LINE OF AN EXISTING LEASE AREA SURVEYED BY FISHER AND ARNOLD; THENCE ALONG THE PERIMETER OF SAID FISHER AND ARNOLD SURVEY THE FOLLOWING METES AND BOUNDS: NORTH 04 DEGREES 17 MINUTES 22 SECONDS EAST—74.94 FEET; THENCE NORTH 85 DEGREES 42 MINUTES 38 SECONDS WEST—299.97 FEET; THENCE SOUTH 04 DEGREES 17 MINUTES 22 SECONDS WEST—473.94 FEET TO THE NORTHERLY LINE OF AN EXISTING LEASE AREA SURVEYED BY ALLEN AND HOSHALL; THENCE ALONG THE PERIMETER OF SAID ALLEN AND HOSHALL SURVEY THE FOLLOWING METES AND BOUNDS: NORTH 85 DEGREES 42 MINUTES 38 SECONDS WEST—250.43 FEET; THENCE SOUTH 04 DEGREES 17 MINUTES 22 SECONDS WEST—100.00 FEET; THENCE NORTH 85 DEGREES 42 MINUTES 38 SECONDS WEST—25.00 FEET; THENCE SOUTH 04 DEGREES 17 MINUTES 22 SECONDS WEST—25.00 FEET; THENCE NORTH 85 DEGREES 42 MINUTES 38 SECONDS WEST ALONG SAID NORTHERLY LINE AND ALONG THE WESTWARDLY PROJECTION THEREOF—440.21 FEET; THENCE NORTH 02 DEGREES 28 MINUTES 51 SECONDS EAST—225.15 FEET; THENCE NORTH 85 DEGREES 43 MINUTES 39 SECONDS WEST—222.72 FEET; THENCE NORTH 32 DEGREES 43 MINUTES 09 SECONDS EAST—319.35 FEET; THENCE SOUTH 85 DEGREES 42 MINUTES 38 SECONDS EAST—142.70 FEET; THENCE SOUTH 04 DEGREES 17 MINUTES 22 SECONDS WEST—0.50 FEET; THENCE SOUTH 85 DEGREES 39 MINUTES 14 SECONDS EAST—160.21 FEET; THENCE NORTH 66 DEGREES 32 MINUTES 48 SECONDS EAST—337.93 FEET; THENCE NORTH 04 DEGREES 20 MINUTES 46 SECONDS EAST—192.85 FEET; THENCE NORTH 33 DEGREES 43 MINUTES 54 SECONDS EAST—270.31 FEET TO THE SAID PERIMETER OF SAID

PARCEL 12/02 WEST
RAMP EXPANSION
EXHIBIT A

TOLES SURVEY; THENCE SOUTH 23 DEGREES 34 MINUTES 43 SECONDS EAST ALONG SAID TOLES SURVEY—15.08 FEET; THENCE SOUTH 44 DEGREES 48 MINUTES 55 SECONDS EAST (LEAVING SAID TOLES SURVEY)—55.41 FEET; THENCE SOUTH 33 DEGREES 43 MINUTES 54 SECONDS WEST—233.59 FEET; THENCE SOUTH 04 DEGREES 20 MINUTES 46 SECONDS WEST—140.90 FEET; THENCE NORTH 66 DEGREES 24 MINUTES 13 SECONDS EAST—140.12 FEET; THENCE NORTH 04 DEGREES 17 MINUTES 22 SECONDS EAST—7.36 FEET; THENCE NORTH 85 DEGREES 42 MINUTES 38 SECONDS WEST—6.50 FEET; THENCE NORTH 04 DEGREES 17 MINUTES 22 SECONDS EAST—4.50 FEET; THENCE SOUTH 85 DEGREES 42 MINUTES 38 SECONDS EAST—6.50 FEET; THENCE NORTH 04 DEGREES 17 MINUTES 22 SECONDS EAST—142.13 FEET; THENCE SOUTH 85 DEGREES 42 MINUTES 02 SECONDS EAST—89.39 FEET; THENCE NORTH 04 DEGREES 02 MINUTES 23 SECONDS EAST—233.31 FEET TO SAID PERIMETER OF TOLES SURVEY; THENCE NORTH 66 DEGREES 51 MINUTES 42 SECONDS EAST ALONG SAID TOLES SURVEY—35.36 FEET; THENCE SOUTH 02 DEGREES 33 MINUTES 48 SECONDS EAST (LEAVING SAID TOLES SURVEY)—186.79 FEET TO THE POINT OF BEGINNING.

CONTAINING 856,529 SQUARE FEET OR 19.663 ACRES, MORE OR LESS.

BEARINGS ARE RELATIVE TO AIRPORT GRID NORTH.

(Seal)

/s/ JOHN R. ARMSTRONG

PARCEL 12/02 WEST
RAMP EXPANSION
EXHIBIT A
Page 2 of 3

[Survey]

PARCEL 12/02 WEST
RAMP EXPANSION
EXHIBIT A
Page 3 of 3

Real Estate Appraisers—Land Surveyors

DESCRIPTION OF A 43.6181 ACRE TRACT

July31, 2002

Description of a 43.6181 acre tract located on the north side of Winchester Road, east side of the Fed-Ex lease area known as Hangar11 and 12, south of Taxiway"A", and vest of the MSCAA Maintenance Facility.

Beginning at a set iron pin located in the north right-of-way of Winchester Road being 3.59 feet east of the southeast corner of the MSCAA property as recorded in Instrument KF 4024 also being the southeast corner of Lot 1 of Wayside Subdivision as recorded in Plat Book 16, Page 61, thence northwestwardly along the north right-of-way line of Winchester Road (99 feet wide) , North 85 degrees 19 minutes 41 seconds West, passing the southeast corner of the Memphis-Shelby County Airport Authority property as previously described at 3.59 feet but in all 77.14 feet to an angle point being a point of curve along the east right-of-way for Morris Road as recorded in Plat Book16, Page61 in the Register's Office of Shelby County, thence continuing along the north line of Winchester, North 85 degrees 45 minutes 02 seconds West, a distance of 107.78 feet to an angle point being the end of a curve along the west right-of-way line of Morris Road, thence continuing along said north line of Winchester Road, North 85 degrees 50 minutes 15 seconds West, a distance of 479.66 feet to an angle point, thence along said north line, North 85 degrees 40minutes 54 seconds West, a distance of 814.69 feet to an angle point, thence continuing along said line, North 84 degrees 40 minutes 49 seconds West, a distance of 261.48 feet to the southwest corner of this tract, also being the southeast corner of the Fed-Ex Lease Area for Hangar11& 12, thence northeastwardly along the west line of this tract, also being an east line of the Fed-Ex Hangar11& 12 lease area, North 4 degrees 40 minutes 00 seconds East, a call and measure of 623.21 feet to an angle point, thence continuing along the afore described line, North49 degrees 40 minutes 56 seconds East, a call and measure of 301.48 feet to an angle point, thence along said line, North 40 degrees 19 minutes 04 seconds West, a call of 418.36 feet but a measure of 417.17 feet to the northeast corner of the Fed-Ex Hangar11& 12 lease area and the northwest corner of this tract, thence southeastwardly along the north line of this 43.6181 acre tract, South 85 degrees 43 minutes 01 second East, being 191.0 feet south and parallel to the centerline of Taxiway"A", a distance of 1598.83 feet to a set iron pin being the northeast corner of said tract, thence southeastwardly along said east line, South 44 degrees 04 minutes 43 seconds East, being approximately 10 feet southwest and parallel to the south edge of a service road leading to the MSCAA Grounds Maintenance Facility as located on March17 2002, a distance of 258.02 feet to a set iron pin being an angle point, thence southwestwardly along an said east line, South 02 degrees 54 minutes 36 seconds West, and following the general alignment of a chain link fence as located on March17, 2002, a distance of 965.44 feet to the point of beginning and containing by calculation 43.6181 acres or 1,900,006 square feet.

However, the area of the above tract contains the dedicated right-of-way of Morris Road as recorded in Plat Book 16, Page61 in the Register's Office of Shelby County, Tennessee. The area of the Morris Road right-of-way is approximately 32,986 square feet.

/s/ VAN E. BOALSPublic Land Surveyor, TN License No.613

Van E. Boals

[Survey]

MEMPHIS INTERNATIONAL AIRPORT
MEMPHIS, TENNESSEE
LEASE AREA
NORTH CENTRAL AIRPORT PROPERTY
PARCEL A

July20, 1970

A 6 tract of land in the north central portion of the Memphis International Airport property being more particularly described as follows;

Beginning at a point, said point being the southeast corner of the Tennessee Air National Guard property, 129.42 feet north of the centerline of K.W.Sparnkel Avenue; thence N3003' W along the east property line of the Tennessee Air National Guard property a distance of 453.16 feet to a point; thence N8430' E a distance of 444.17 feet to a point, said point being in the west line of BStreet East; thence S539' E along the west line of BStreet East a distance of 587.73 feet to a point, said point being the intersection of the west line of B Street East and the north line of K.W.Sparnkel Avenue; thence S88 25' W along the north line of K.W.Sparnkel Avenue a distance of 471.07 feet to a point; thence N30' W along a line a distance of 102.92 ft. to the point of beginning.

PARCEL 23 GRABER
EXHIBIT A
Page 1 of 2

[Survey]

PARCEL 23 GRABER
EXHIBIT A
Page 2 of 2

EXHIBIT 10.2

FIRST AMENDMENT TO SECOND ADDENDUM

THIS FIRST AMENDMENT TO THE SECOND ADDENDUM ("Amendment") dated the 4th day of December, 2002, amends the Second Addendum to the Transportation Agreement dated August29, 2002 (the "Second Addendum") between The United States Postal Service ("USPS") and Federal Express Corporation ("FedEx").

Preamble

On August29, 2002, the USPS and FedEx (the "Parties") signed the Second Addendum in order to address the Parties transportation needs beyond October27, 2002;

Since the execution of the Second Addendum, the Parties have determined that some of the volume requirements differ from those already provided for under the Second Addendum;

At FedEx's request, USPS has agreed to modify the Second Addendum and the Parties agree as follows:

1.For purposes of this Amendment, all capitalized terms used as defined terms and not otherwise defined in this Amendment shall have meanings set forth in the Second Addendum and the Agreement.

2.The Daily Mid-week Volume Commitments and Daily Weekend Volume Commitments for the first three weeks of December, 2002 as set forth in Section2(a) of the Second Addendum are revised as follows:

[*]

*
Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule24b-2 under the Securities Exchange Act of 1934, as amended.

3.The parties reaffirm their agreement that during the Interim Period **[*]** USPS will tender and FedEx must transport between **[*]** and **[*]** of the Committed Volume for each applicable Schedule Block listed in the chart above. For the period **[*]** , USPS will tender and FedEx must transport between **[*]** and **[*]** of the Committed Volume listed above.

4.During **[*]** , certain weekday flights will contain a designated number of Handling Units which will be allowed a later tender time at the destination location that is otherwise provided for under Attachment 1 of the Agreement. A listing of the relevant flights and the amount of cubic feet which will be allowed a later tender time is provided on ExhibitA to this Amendment. FedEx shall track and measure the Service Level for such Handling Units in accordance with Section8.5(b) of the Agreement.

5.Except as amended by this Amendment, the terms and conditions of the Second Addendum shall remain in full force and effect and are ratified and confirmed in all respects.

* Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule24b-2 under the Securities Exchange Act of 1934, as amended.

IN WITNESS WHEREOF, the parties have signed this Amendment in duplicate, one for each of the Parties, as of December4, 2002.

THE UNITED STATES POSTAL SERVICE
By: /s/ LESLIE A. GRIFFITH
Title: *Manager, Air Transportation*
FEDERAL EXPRESS CORPORATION
By: /s/ PAUL J. HERRON
Title: *VP—Postal Transportation*

ExhibitA
To
First Amendment to Second Addendum

[*]

*
Blank spaces contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule24b-2 under the Securities Exchange Act of 1934, as amended.

Exhibit10.3

Amended Section5.5.2 of
Airbus A380-800F Purchase Agreement dated as of July12, 2002
between AVSA, S.A.R.L. and FedEx Express

Explanatory Note: The Airbus A380-800F Purchase Agreement dated as of July12, 2002 between AVSA, S.A.R.L. and FedEx Express (the "Purchase Agreement") was filed as Exhibit10.1 to the Quarterly Report on Form10-Q for the quarter ended August31, 2002 of both FedEx and FedEx Express. The Purchase Agreement has been amended by replacing Section5.5.2 thereof with the following:

5.5.2 [*]
Initial: *SSL/NPN*

* Blank space contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule24b-2 under the Securities Exchange Act of 1934, as amended.

EXHIBIT 12.1

FEDEX CORPORATION
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(UNAUDITED)
(IN MILLIONS, EXCEPT RATIOS)

	Six Months Ended November 30,		Year Ended May 31,				
	2002	2001	2002	2001	2000	1999	1998
Earnings:							
Income before income taxes	$ 650	$ 595	$ 1,160	$ 927	$ 1,138	$ 1,061	$ 900
Add back:							
Interest expense, net of capitalized interest	62	74	143	155	121	111	136
Amortization of debt issuance costs	2	—	4	2	1	9	1
Portion of rent expense representative of interest factor	360	358	710	667	625	571	508
Earnings as adjusted	$ 1,074	$ 1,027	$ 2,017	$ 1,751	$ 1,885	$ 1,752	$ 1,545
Fixed Charges:							
Interest expense, net of capitalized interest	$ 62	$ 74	$ 143	$ 155	$ 121	$ 111	$ 136
Capitalized interest	10	17	27	27	35	39	33
Amortization of debt issuance costs	2	—	4	2	1	9	1
Portion of rent expense representative of interest factor	360	358	710	667	625	571	508
	$ 434	$ 449	$ 884	$ 851	$ 782	$ 730	$ 678
Ratio of Earnings to Fixed Charges	2.5	2.3	2.3	2.1	2.4	2.4	2.3

EXHIBIT 15.1

The Board of Directors and Stockholders
FedEx Corporation

We are aware of the incorporation by reference in the Registration Statements (FormS-8 Nos. 2-95720, 33-20138, 33-38041, 33-55055, 333-03443, 333-45037, 333-71065, 333-34934, 333-55266, 333-100572 and FormS-3 No.333-86342) of FedEx Corporation and in the related Prospectuses, of our report dated December18, 2002, relating to the unaudited condensed consolidated interim financial statements of FedEx Corporation that are included in its Form10-Q for the quarter ended November30, 2002.

/s/ Ernst& Young LLP

Memphis, Tennessee
January10, 2003

Exhibit99.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of FedEx Corporation ("FedEx") on Form10-Q for the period ended November30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Frederick W. Smith, Chairman, President and Chief Executive Officer of FedEx, certify, pursuant to 18 U.S.C. Section1350, as adopted pursuant to Section906 of the Sarbanes-Oxley Act of 2002, that:

(1)
The Report fully complies with the requirements of section13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2)
The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of FedEx.

Date: January13, 2003

/s/ FREDERICK W. SMITH
Frederick W. Smith
Chairman, President and
Chief Executive Officer

Exhibit99.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of FedEx Corporation ("FedEx") on Form10-Q for the period ended November30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Alan B. Graf, Jr., Executive Vice President and Chief Financial Officer of FedEx, certify, pursuant to 18 U.S.C. Section1350, as adopted pursuant to Section906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of FedEx.

Date: January13, 2003

/s/ ALAN B. GRAF, JR.
Alan B. Graf, Jr.
Executive Vice President and
Chief Financial Officer

QuickLinks
Exhibit 99.2

End of Filing