FDX Corp. Reports First Quarter Earnings

MEMPHIS, Tenn., Sept. 24, 1998 -- FDX Corp. (NYSE: FDX), parent of Federal Express Corp. (FedEx) and RPS, Inc. (RPS), today reported that earnings for the quarter ended August 31 were $1.00 per diluted share, compared to $0.86 per share last year (or $1.11 per share if the benefit of approximately $0.25 resulting from last year's UPS strike was included).

Revenues for the quarter were $4.1 billion, 6% higher than last year's $3.9 billion. Operating income was $284 million compared to $304 million and net income was $149 million compared to $165 million a year ago. The results for last year include business generated by the UPS strike. Adjusting for this effect, this year's quarterly revenue and operating income would have increased 10% and 15%, respectively.

"These solid financial results prove that FDX is benefiting from its diversified portfolio of transportation companies," said Chairman, President and Chief Executive Officer Frederick W. Smith. "The combined U.S. domestic growth for FedEx and RPS coupled with the successful implementation of yield management actions, productivity enhancements and stringent cost reduction initiatives more than offset the impact of the difficult international business environment."

The company reported that FedEx's total revenues for the quarter were $3.4 billion, 4% higher than last year's $3.3 billion. Operating income for the quarter was $219 million compared to $264 million and net income was $113 million compared to $143 million a year ago.

FedEx's first quarter U.S. domestic revenue was $2.5 billion compared to $2.4 billion last year, and operating income was $205 million compared to $241 million a year ago. Excluding the impact of the additional volume from the 12 operating days of the UPS strike (approximately $150 million in revenue and $50 million in operating income), U.S. domestic revenue and operating income increased 10% and 7%, respectively. Sales of FedEx's aircraft noise reduction kits contributed $29 million to first quarter U.S. domestic operating income compared to $36 million in last year's first quarter.

FedEx's international operations remained profitable, despite weak international conditions, as fuel price declines, cost controls and price increases partially offset reduced International Priority(R) (IP) growth rates, currency exchange impacts, the effect of increased network capacity initiated in September 1997 and declining airfreight demand and yields. International revenue for the first quarter increased to $920 million from $867 million last year, while international operating income was $14 million compared to $23 million a year ago.

RPS's revenues for the quarter were $441 million, up 23% from last year's $359 million. On a per day basis, revenue increased 11% after adjusting for six additional shipping days in this year's first quarter. Operating income for the quarter was $49 million, 41% higher than last year's $34 million. Operating income improved 28% over last year's first quarter after adjusting for the shipping day difference. Last year's first quarter revenue and operating income included approximately $21 million and $6 million, respectively, related to the UPS strike.

Viking Freight, Inc.'s revenues for the quarter were $95 million compared to $103 million in last year's first quarter. First quarter operating income improved to $7 million compared to an operating loss of $5 million a year ago. The prior period included the results of Central Freight Lines, Inc., Spartan Express, Inc. and Coles Express, Inc., each of which were sold or shut down.

"We are addressing the impact of difficult international economic conditions by aggressively managing costs and reducing capital expenditures until conditions warrant additional investment," said Smith. "We remain confident that FDX's business strategy is correct."

FDX Corp., a $16 billion holding company, provides comprehensive transportation, logistics and supply chain management solutions. FDX Corp. principal operating subsidiaries are Federal Express Corp., the world's largest express transportation company; RPS, Inc., a business-to-business ground small package carrier; Roberts Express, Inc., a critical-shipment carrier; Viking Freight, Inc., a less-than-truckload carrier operating principally in the western U.S.; and Caliber Logistics, Inc., a contract logistics provider.

This press release contains forward-looking statements and information relating to future financial performance or business expectations. The forward-looking statements are subject to risks and uncertainties, including those identified below, which could cause actual results to differ materially from historical results or those set forth in the forward-looking statements. Such factors, among others, that may cause such a difference include: the ability to control package yield, volume growth and costs; matching aircraft, vehicle and sort capacity additions or deletions to customer volume levels; fuel costs; regulatory changes; and other factors that are identified in FDX Corp.'s and its subsidiaries' press releases and filings with the Securities and

Exchange Commission, including Annual Reports, Form 10-Ks and Form 10-Qs.

FDX CORPORATION FINANCIAL HIGHLIGHTS
(Unaudited; Current year data is preliminary)

First Quarter Fiscal 1999
(In millions, except earnings per share data)

	Column Spacer	Three Months Ended Aug. 31, 1998	FedEx Q1 & Caliber Period May 25, 1997 - Aug. 16, 1997
Revenue:			
FedEx U.S. Domestic		$2,497	$2,430
FedEx International		920	867
RPS		441	359
Viking		95	103
Other		129	108
Total Revenue		4,082	3,867
Operating Expenses:			
FedEx U.S. Domestic		2,292	2,189
FedEx International		906	844
RPS		392	325
Viking		88	108
Other		120	97
Total Operating Expenses		3,798	3,563
Operating Income (Loss):			
FedEx U.S. Domestic		205	241
FedEx International		14	23
RPS		49	34
Viking		7	(5)
Other		9	11
Total Operating Income		284	304
Other Income (Expense):			
Interest, net		(25)	(30)
Other, net		(4)	11
Total Other Income (Expense)		(29)	(19)
Pretax Income		255	285
Provision for Income Taxes		106	120
Net Income		$149	$165
Basic Earnings Per Share		$1.01	$1.13

Common Shares	147.434	146.337
Diluted Earnings Per Share	$1.00	$1.11
Common and Common Equivalent Shares	149.371	148.709

FDX CORPORATION OPERATING HIGHLIGHTS
(Unaudited; Current year data is preliminary)

First Quarter Fiscal 1999

	Column Spacer	Three Months Ended Aug. 31, 1998	FedEx Q1 & Caliber Period May 25, 1997 - Aug. 16, 1997
FEDEX			
Operating Weekdays		66	64
AVERAGE DAILY EXPRESS VOLUME			
Priority Overnight		1,261,442	1,228,089
Standard Overnight		618,997	629,998
2Day/Express Saver		834,658	826,091
Overnight/2Day/Express Saver Freight		10,035	7,930
Total U.S.A. Express Volume		2,725,132	2,692,108
International Priority		265,108	246,478
Total Avg Daily Express Volume		2,990,240	2,938,586
YIELD PER EXPRESS PACKAGE			
Priority Overnight		$15.30	$15.41
Standard Overnight		12.35	12.17
2Day/Express Saver		9.88	10.59
Overnight/2Day/Express Saver Freight		151.02	144.64
Total U.S.A. Express Yield		$13.47	$13.55
International Priority		41.45	41.56
Total Composite Yield		$15.95	$15.90
Avg Pounds per Express Package		8.8	8.3
Avg Revenue per Express Pound		$1.81	$1.92
INT'L AIRFREIGHT (IXF/ATA)			
Millions of Pounds		173.0	169.7
Revenue per Pound		$0.77	$0.89
RPS			
Operating Weekdays		64	58
Average Daily Volume		1,310,726	1,231,415
Composite Yield		$5.25	$5.00

VIKING		
Operating Weekdays	65	58
Shipments Per Day	12,751	16,983
Revenue/CWT	$9.64	$8.69

FEDERAL EXPRESS CORPORATION FINANCIAL HIGHLIGHTS
(Unaudited; Current year data is preliminary)

First Quarter Fiscal 1999
(In millions)

	Three Months Ended August 31	
FINANCIAL RESULTS	**1998**	**1997**
Revenues	$3,417	$3,297
Operating Expenses:		
Salaries and benefits	1,541	1,451
Rentals and landing fees	313	274
Depreciation and amortization	220	202
Fuel	147	174
Maintenance and repairs	230	198
Other	747	734
	3,198	3,033
Operating Income	219	264
Other Income (Expense):		
Interest, net	(22)	(26)
Other, net	(4)	9
	(26)	(17)
Pretax Income	193	247
Provision for Income Taxes	80	104
Net Income	$113	$143