FDX Corp. Reports Second Quarter Earnings

MEMPHIS, Tenn., December 16, 1999 ... FDX Corporation (NYSE: FDX), parent of Federal Express Corp. (FedEx) and RPS, Inc. (RPS), today reported earnings of $0.57 per diluted share for the quarter ended November 30, compared to $0.61 per share last year.

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

- Revenue of $4.6 billion, up 9% from $4.2 billion the previous year
- Operating income of $305 million, down 10% from $337 million a year ago
- Net income of $171 million, down 6% from last year's $183 million

"FDX underperformed its potential in the quarter principally due to higher fuel prices, which negatively impacted operating income by $55 million, and low U.S. domestic growth at FedEx," said Executive Vice President and Chief Financial Officer Alan B. Graf, Jr. "Our revised fuel forecast indicates that fuel prices could negatively impact expenses in FY00 by over $200 million compared to FY99. This includes the effects of hedging actions which limit our exposure to higher fuel prices."

"While we are pleased with the 13% volume growth in our FedEx International Priority(R) service," said Graf, "we have not achieved the level of U.S. domestic growth that we expected. In an effort to improve our U.S. domestic growth, the FedEx sales force is being realigned. Changes will include a greater emphasis on small and medium sized customers as well as modifications to the sales compensation incentive program to target higher-yielding box growth. We have also reduced planned capital expenditures by $200 million and will continue to execute cost containment and productivity enhancement programs which are partially offsetting the effects of higher fuel costs and lower U.S. domestic growth."

Strong growth in the other operating companies during the quarter was a result of fine performances at Roberts Express and Viking Freight coupled with the addition of Caribbean Transportation Services to the FDX Logistics organization in September.

Since the company announced its share repurchase program in September, 8.9 million shares of the 15 million shares authorized for repurchase have been acquired.

FedEx

For the second quarter, FedEx reported:

- Revenue of $3.7 billion, up 7% from last year's $3.5 billion
- Operating income of $211 million, down 16% from $251 million a year ago

Operating income from the sale of FedEx aircraft noise reduction kits was $14 million compared to $28 million in last year's second quarter. Total worldwide average daily package volume grew 4% over last year's second quarter and revenue per package increased 3%.

RPS

For the second quarter, RPS reported:

- Revenue of $521 million, up 8% from last year's $481 million
- Operating income of $66 million, up 7% from $61 million a year ago

Average daily package volume at RPS increased more than 5% and revenue per package improved 3%.

Corporate Overview

FDX Corp., a $17 billion holding company, provides comprehensive transportation, logistics, e-commerce and supply chain management solutions. FDX Corp. principal operating subsidiaries are Federal Express Corp., the world's largest express transportation company; RPS Inc., North America's second largest 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 FDX 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; U.S. and international economic conditions; technology developments that impact demand for the company's services; 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)

Second Quarter Fiscal 2000
(In millions, except earnings per share)

	Three Months Ended November 30		Six Months Ended November 30	
	1999	**1998**	**1999**	**1998**
Revenue:				
FedEx	$3,736	$3,482	$7,323	$6,899
RPS	521	481	997	922
Other	313	246	570	471
Total Revenue	4,570	4,209	8,890	8,292
Operating Expenses:				
FedEx	3,525	3,231	6,903	6,429
RPS	455	420	881	812
Other	285	221	518	430
Total Operating Expenses	4,265	3,872	8,302	7,671
Operating Income :				
FedEx	211	251	420	470
RPS	66	61	116	110
Other	28	25	52	41
Total Operating Income	305	337	588	621
Other Income (Expense):				
Interest, net	(27)	(25)	(47)	(50)
Other, net	5	0	5	(3)
Total Other Income (Expense)	(22)	(25)	(42)	(53)
Pretax Income	283	312	546	568
Provision for Income Taxes	112	129	216	236
Net Income	$171	$183	$330	$332

Basic Earnings Per Share	$0.58	$0.62	$1.12	$1.13
Common Shares	293	295	296	295
Diluted Earnings Per Share	$0.57	$0.61	$1.10	$1.11
Common and Common Equivalent Shares	298	298	301	298

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

Second Quarter Fiscal 2000

	Three Months Ended November 30		Six Months Ended November 30	
	1999	**1998**	**1999**	**1998**
FEDEX				
Operating Weekdays	63	63	128	129
AVERAGE DAILY VOLUME / POUNDS				
Average Daily Package Volume:				
U.S. Overnight	2,010,864	1,954,210	1,981,513	1,916,467
U.S. Deferred	913,058	894,757	875,521	864,009
International Priority	322,814	284,970	309,638	274,808
Total Average Daily Packages	3,246,736	3,133,937	3,166,672	3,055,284
Average Daily Freight Pounds (000s):				
U.S.	5,072	4,480	4,810	4,199
International	2,574	2,719	2,539	2,669
Total Average Daily Freight Pounds	7,646	7,199	7,349	6,868
YIELD				
Revenue Per Package:				
U.S. Overnight	$14.56	$14.44	$14.50	$14.38
U.S. Deferred	10.22	9.89	10.24	9.89
International Priority	43.31	42.45	42.88	41.96
Composite Package Yield	$16.20	$15.69	$16.09	$15.59
Revenue Per Freight Pound:				
U.S.	$0.45	$0.38	$0.45	$0.38
International	0.78	0.81	0.78	0.79
Composite Freight Yield	$0.56	$0.54	$0.56	$0.54
RPS				
Operating Weekdays	62	62	125	126
Average Daily Package Volume	1,541,271	1,463,808	1,452,500	1,386,052
Yield	$5.45	$5.30	$5.49	$5.28

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

Second Quarter Fiscal 2000
(In millions)

	Three Months Ended November 30		Six Months Ended November 30	
	1999	**1998**	**1999**	**1998**
Revenues	$3,736	$3,482	$7,323	$6,899
Operating Expenses:				
Salaries and benefits	1,640	1,542	3,249	3,082
Rentals and landing fees	365	328	712	642
Depreciation and amortization	245	221	487	442
Fuel	217	151	398	297
Maintenance and repairs	258	218	497	447
Other	800	771	1,560	1,519
	3,525	3,231	6,903	6,429
Operating Income	211	251	420	470
Other Income (Expense):				
Interest, net	(19)	(21)	(38)	(43)
Other, net	4	(2)	3	(6)
	(15)	(23)	(35)	(49)
Pretax Income	196	228	385	421
Provision for Income Taxes	77	94	152	175
Net Income	$119	$134	$233	$246