FDX Corp. Reports Strong Second Quarter Earnings

Earnings Jump 23% per Diluted Share

MEMPHIS, Tenn., Dec. 17, 1998 ... FDX Corporation (NYSE: FDX) today reported earnings increased to $1.23 per diluted share for the quarter ended November 30, up from $1.00 per share last year.

FDX Corp., parent of Federal Express Corp. (FedEx) and RPS, Inc. (RPS), reported the following consolidated results for the second quarter:

- Revenue of $4.2 billion, up 7% from $3.9 billion the previous year
- Operating income of $337 million, up 17% from $289 million a year ago
- Net income of $183 million, 22% above last year's $150 million

"FDX Corp. continues to improve its financial performance by strategically targeting growth in the most profitable U.S. domestic services and by effectively controlling costs," said Chairman, President and Chief Executive Officer Frederick W. Smith.

Strong Profit Increase at FedEx

For the second quarter, FedEx reported the following:

- Revenue of $3.5 billion, up 6% from last year's $3.3 billion
- Operating income of $251 million, 17% over $214 million a year ago

"The FDX portfolio management strategy has freed FedEx to focus on its core strength -- industry-leading overnight express service -- as evidenced by resurgent volume growth in the higher-yielding FedEx Priority Overnight(R) and FedEx Standard Overnight(R) package services," said Executive Vice President and Chief Financial Officer Alan B. Graf, Jr. "Priority Overnight and Standard Overnight package volumes for the quarter increased 10%, year over year."

FedEx's U.S. domestic revenue grew to $2.5 billion for the quarter compared to $2.4 billion last year. FedEx improved its U.S. domestic operating income by 30% to $217 million from $168 million last year due to strong yield management, tough cost controls and lower fuel prices. Income from the sale of FedEx aircraft noise reduction kits, which is included in operating income, was $28 million compared to $34 million a year ago.

FedEx remained profitable in its international operations, despite continued weakness in trans-Pacific traffic and a general softness in many international economies. FedEx recorded international revenue of $964 million, up from $939 million last year, with international operating income of $34 million, compared to $46 million a year ago. Price increases, cost controls and fuel price declines helped offset declining airfreight pounds and yields and currency exchange impacts.

The net pre-tax cost of contingency plans related to the pilot negotiations, including contracts for supplemental airlift and ground transportation, are estimated to range from $110 million to $120 million. These costs did not materially affect the second quarter. However, these expenses will adversely affect earnings during the second half of FY99.

RPS Revenue and Volume Up

For the second quarter, RPS reported the following:

- Revenue of $481 million, 14% above last year's $420 million
- Operating income of $61 million, up 13% from $54 million a year ago

On a per-day basis, revenue increased 9% after adjusting for three additional shipping days in this year's second quarter. Operating income improved 7% on a per-day basis over last year. RPS revenue per package grew a strong 5% year over year during the quarter.

"The significant improvement in U.S. domestic profitability at RPS and FedEx demonstrates the growth and earnings power inherent in the diversified FDX portfolio," said Graf.

Viking Freight, Inc. Profitability Improves

For the second quarter, Viking reported the following:

- Revenue of $94 million, 7% above last year's $88 million
- Operating income of $7 million, up 12% from $6 million a year ago

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; Viking Freight, Inc., a less-than-truckload carrier operating principally in the western U.S.; Roberts Express, Inc., a critical-shipment carrier; and FDX Global Logistics, Inc., a contract logistics provider.

Certain statements in this press release may be considered forward-looking statements about management's views with respect to future events and financial performance, which are subject to risks and uncertainties. Actual results may differ from those identified in the forward-looking statements because of important factors such as economic and competitive conditions in the express markets, matching capacity to volume levels and other factors which can be found in FDX Corp.'s and its subsidiaries' press releases and filings with the SEC, including Annual Reports, Form 10-Ks and Form 10-Qs.

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

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

	Three Months Ended Nov. 30, 1998	FedEx Q2 & Caliber Period Aug. 17, 1997 - Nov. 8, 1997	Six Months Ended Nov. 30, 1998	FedEx FYTD & Caliber Period May 25, 1997 - Nov. 8, 1997
Revenue:				
FedEx U.S. Domestic	$2,518	$2,360	$5,016	$4,790
FedEx International	964	939	1,884	1,807
RPS	481	420	921	778
Viking	94	88	190	190
Other	152	135	281	244
Total Revenue	4,209	3,942	8,292	7,809
Operating Expenses:				
FedEx U.S. Domestic	2,301	2,192	4,594	4,382
FedEx International	930	893	1,836	1,737
RPS	420	366	811	689
Viking	87	82	176	189
Other	134	120	254	219
Total Operating Expenses	3,872	3,653	7,671	7,216
Operating Income (Loss):				
FedEx U.S. Domestic	217	168	422	408
FedEx International	34	46	48	70
RPS	61	54	110	89
Viking	7	6	14	1
Other	18	15	27	25

Total Operating Income	337	289	621	593
Other Income (Expense):				
Interest, net	(25)	(32)	(50)	(62)
Other, net	--	--	(3)	11
Total Other Income (Expense)	(25)	(32)	(53)	(51)
Pretax Income	312	257	568	542
Provision for Income Taxes	129	107	236	227
Net Income	$183	$150	$332	$315
Basic Earnings Per Share	$1.24	$1.02	$2.25	$2.15
Common Shares	147.554	146.475	147.494	146.406
Diluted Earnings Per Share	$1.23	$1.00	$2.23	$2.11
Common and Common Equivalent Shares	148.926	149.278	149.149	148.994

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

Second Quarter Fiscal 1999

	Three Months Ended Nov. 30, 1998	FedEx Q2 & Caliber Period Aug. 17, 1997 - Nov. 8, 1997	Six Months Ended Nov. 30, 1998	FedEx FYTD & Caliber Period May 25, 1997 - Nov. 8, 1997
FEDEX				
Operating Weekdays	63	63	129	127
AVERAGE DAILY EXPRESS VOLUME				
Priority Overnight	1,319,607	1,245,772	1,289,848	1,236,861
Standard Overnight	646,785	622,041	632,568	626,051
2Day/Express Saver	882,501	854,647	858,023	840,257
Overnight/2Day/Express Saver Freight	11,428	9,479	10,715	8,698
Total U.S.A. Express Volume	2,860,321	2,731,939	2,791,154	2,711,867
International Priority	284,970	264,901	274,808	255,617
Total Avg Daily Express Volume	3,145,291	2,996,840	3,065,962	2,967,484
YIELD PER EXPRESS PACKAGE				
Priority Overnight	$15.34	$15.15	$15.32	$15.28
Standard Overnight	12.39	12.10	12.37	12.13
2Day/Express Saver	9.98	9.63	9.93	10.10

Overnight/2Day/Express Saver Freight	149.46	142.46	150.21	143.46
Total U.S.A. Express Yield	$13.55	$13.17	$13.51	$13.36
International Priority	42.45	41.89	41.96	41.73
Total Composite Yield	$16.17	$15.71	$16.06	$15.80
Avg Pounds per Express Package	9.2	8.7	9.0	8.5
Avg Revenue per Express Pound	$1.77	$1.80	$1.79	$1.86
INT'L AIRFREIGHT (IXF/ATA)				
Millions of Pounds	171.3	188.0	344.3	357.7
Revenue per Pound	$0.81	$0.88	$0.79	$0.89
RPS				
Operating Weekdays	62	59	126	117
Average Daily Volume	1,463,808	1,410,245	1,386,052	1,321,594
Composite Yield	$5.30	$5.05	$5.28	$5.03
VIKING				
Operating Weekdays	62	59	127	117
Shipments Per Day	13,073	12,942	12,908	14,946
Revenue/CWT	$9.76	$9.52	$9.70	$9.06

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

Second Quarter Fiscal 1999
(In millions)

	Three Months Ended November 30		Six Months Ended November 30	
FINANCIAL RESULTS	**1998**	**1997**	**1998**	**1997**
Revenues	$3,482	$3,299	$6,899	$6,596
Operating Expenses:				
Salaries and benefits	1,542	1,425	3,082	2,876
Rentals and landing fees	328	317	642	591
Depreciation and amortization	221	209	442	411
Fuel	151	182	297	356
Maintenance and repairs	218	196	447	395
Other	771	756	1,519	1,489
	3,231	3,085	6,429	6,118
Operating Income	251	214	470	478
Other Income (Expense):				
Interest, net	(21)	(29)	(43)	(55)

Other, net	(2)	--	(6)	8
	(23)	(29)	(49)	(47)
Pretax Income	228	185	421	431
Provision for Income Taxes	94	78	175	181
Net Income	$134	$107	$246	$250