



FDX Corp. Reports Strong Earnings, Announces Stock Split

MEMPHIS, Tenn., Mar. 18, 1999 ... FDX Corporation (NYSE: FDX) today reported earnings increased to \$0.52 per diluted share for the quarter ended February 28, up from \$0.12 per share last year. Excluding this year's cost of contingency plans related to the FedEx pilot negotiations and last year's merger expenses related to the Caliber acquisition, diluted earnings for the quarter were \$0.87 per share, up from \$0.65 per share a year ago.

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

- Revenue of \$4.1 billion, up 3% from \$4.0 billion the previous year
- Operating income of \$152 million, up 59% from \$95 million a year ago
- Net income of \$78 million, up from last year's \$18 million

"FDX Corp. is benefiting from the accelerated move to fast-cycle production and distribution methods, the growth in electronic commerce and supply chain reengineering," said Chairman, President and Chief Executive Officer Frederick W. Smith. "Our customer base, which includes a significant number of high growth, high value-added companies, is increasingly relying upon FDX to be their preferred source for global transportation, technology and logistics solutions.

"Given the continued strength of FDX's operating performance and management's assessment of future prospects, the FDX Board of Directors has authorized a stock split effected in the form of a stock dividend payable at the rate of one share for each share outstanding," said Smith.

The Record Date for the stock distribution will be April 15, 1999, with a Payment Date on May 6, 1999.

FedEx

For the third quarter, FedEx reported revenue of \$3.4 billion, up from last year's \$3.2 billion. Operating income was \$95 million compared to \$98 million a year ago. Operating income totaled \$176 million excluding \$81 million of pilot contingency costs, up 57% compared to \$112 million last year excluding \$14 million of merger expenses.

FedEx U.S. domestic revenue grew to \$2.5 billion for the quarter, up from \$2.4 billion last year. FedEx U.S. domestic operating income was \$112 million, up 7% from \$105 million a year ago. Excluding this year's U.S. domestic segment contingency plan cost of approximately \$52 million and last year's \$14 million merger cost, U.S. domestic operating income was \$164 million, up 38% year-over-year. Income from the sale of FedEx aircraft noise reduction kits, which is included in operating income, was \$24 million compared to \$26 million a year ago.

International revenue increased to \$917 million for the quarter, up 7% from \$859 million last year. The international operating loss was \$17 million compared to a \$7 million loss a year ago. Excluding the approximate \$29 million international segment cost of contingency plans, FedEx earned \$12 million in its international operations in the quarter. FedEx International Priority^(R) grew 10% year-over-year, up from first and second quarter growth rates. In addition to this growth, improvements were realized from fuel price declines and cost controls. However, continued weakness in freight pounds and yields offset these improvements.

"FedEx's renewed emphasis on selling and marketing higher-yielding overnight express services is clearly benefiting the bottom line," said FDX Corp. Executive Vice President and Chief Financial Officer Alan B. Graf, Jr. "FedEx Priority Overnight^(R) and FedEx Standard Overnight^(R) box volume growth increased 8% over last year's third quarter, continuing to outpace the growth of lower-yielding deferred services. Additionally, stringent cost controls, lower fuel prices, productivity gains and improved service levels are resulting in improved earnings."

RPS

For the third quarter, RPS reported revenue of \$455 million, compared to last year's \$496 million and operating income of \$50 million, up from \$36 million a year ago.

Revenue increased 11% on a per-day basis while operating income improved 68% on a per day basis. Year-over-year

comparisons are affected by 13 fewer shipping days in this year's third quarter and the inclusion of part of RPS's peak volume period during last year's third quarter. Revenue per package grew a strong 8.9% year over year during the quarter.

FDX Corp. Tax Rate

The Company's quarterly and year-to-date effective tax rates are lower than the prior comparable periods, primarily due to the combination of stronger than expected year-to-date results from international operations and lower worldwide income taxes on foreign earnings. The tax rate change increased third quarter and year-to-date earnings per share by \$0.05.

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)

Third Quarter Fiscal 1999

(In millions, except earnings per share data)

	Three Months Ended Feb. 28, 1999	FedEx Q3 & Caliber Period Nov. 9, 1997 - Feb. 28, 1998	Nine Months Ended Feb. 28, 1999	FedEx FYTD & Caliber Period May 25, 1997 - Feb. 28, 1998
Revenue:				
FedEx U.S. Domestic	\$2,514	\$2,374	\$7,530	\$7,163
FedEx International	917	859	2,800	2,666
RPS ¹	455	496	1,377	1,274
Viking	85	102	275	293
Other	<u>127</u>	<u>155</u>	<u>408</u>	<u>399</u>
Total Revenue	4,098	3,986	12,390	11,795
Operating Expenses:				
FedEx U.S. Domestic	2,402	2,269	6,995	6,650
FedEx International	934	866	2,770	2,603
RPS	405	460	1,217	1,149
Viking ²	81	81	257	271
Other	<u>124</u>	<u>215</u>	<u>378</u>	<u>434</u>
Total Operating Expenses	<u>3,946</u>	<u>3,891</u>	<u>11,617</u>	<u>11,107</u>
Operating Income (Loss):				
FedEx U.S. Domestic	112	105	535	513
FedEx International	(17)	(7)	30	63
RPS	50	36	160	125
Viking ²	4	21	18	22

Other	<u>3</u>	<u>(60)</u>	<u>30</u>	<u>(35)</u>
Total Operating Income	152	95	773	688
Other Income (Expense):				
Interest, net	(25)	(33)	(75)	(96)
Other, net	<u>(6)</u>	<u>2</u>	<u>(9)</u>	<u>13</u>
Total Other Income (Expense) ³	<u>(31)</u>	<u>(31)</u>	<u>(84)</u>	<u>(83)</u>
Pretax Income	121	64	689	605
Provision for Income Taxes	<u>43</u>	<u>51</u>	<u>279</u>	<u>278</u>
Income from Continuing Operations	78	13	410	327
Income from Discontinued Operations, Net of Income Taxes	--	<u>5</u>	--	<u>5</u>
Net Income	<u>\$78</u> =====	<u>\$18</u> =====	<u>\$410</u> =====	<u>\$332</u> =====
Basic Earnings Per Share:				
Continuing operations	\$0.53	\$0.09	\$2.78	\$2.24
Discontinued operations	--	<u>0.03</u>	--	<u>0.03</u>
Net Basic Earnings Per Share	<u>\$0.53</u> =====	<u>\$0.12</u> =====	<u>\$2.78</u> =====	<u>\$2.27</u> =====
Common Shares	148.164	146.740	147.717	146.517
Diluted Earnings Per Share:				
Continuing operations	\$0.52	\$0.09	\$2.74	\$2.20
Discontinued operations	--	<u>0.03</u>	--	<u>0.03</u>
Net Diluted Earnings Per Share	<u>\$0.52</u> =====	<u>\$0.12</u> =====	<u>\$2.74</u> =====	<u>\$2.23</u> =====
Common and Common Equivalent Shares	150.972	149.159	149.756	149.049
Effective tax rate ⁴	35.8%	79.8%	40.5%	45.9%

1 - Included in RPS revenue was approximately \$7 million resulting from a one-time change in revenue recognition for in-transit shipments.

2 - Last year's third quarter Viking results included a one-time \$16 million gain on the sale of certain assets.

3 - FDX incurred approximately \$10 million of bank fees and negative arbitrage on borrowings as part of the contingency plans in connection with the FedEx pilot negotiations.

4 - FDX's quarterly and year-to-date effective tax rates are lower than the comparable periods, primarily due to the combination of stronger than expected YTD results from international operations and lower worldwide income taxes on foreign earnings. This change increased Q3 and FY99 YTD earnings per share by \$0.05. Last year's rates of 79.8% and 45.9% for the third quarter and YTD periods reflect certain one-time Caliber transaction costs which were non-deductible for federal and state income tax purposes. Excluding the impact of those non-deductible costs, the effective tax rates were 39.0% and 41.3%.

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

Third Quarter Fiscal 1999

	Three Months Ended Feb. 28, 1999	FedEx Q3 & Caliber Period Nov. 9, 1997 - Feb. 28, 1998	Nine Months Ended Feb. 28, 1999	FedEx FYTD & Caliber Period May 25, 1997 - Feb. 28, 1998
<u>FEDEX</u>				
Operating Weekdays	62	63	191	190
<u>AVERAGE DAILY EXPRESS VOLUME</u>				
Priority Overnight	1,321,196	1,244,873	1,297,331	1,239,518
Standard Overnight	674,006	631,591	644,694	627,888
2Day/Express Saver	965,604	933,336	896,987	871,120
1Day/2Day/3Day Freight	<u>11,301</u>	<u>9,344</u>	<u>10,881</u>	<u>8,912</u>
Total U.S.A. Express Volume	2,972,107	2,819,144	2,849,893	2,747,438
International Priority	<u>279,469</u>	<u>255,070</u>	<u>276,321</u>	<u>255,435</u>
Total Avg Daily Express Volume	<u>3,251,576</u>	<u>3,074,214</u>	<u>3,126,214</u>	<u>3,002,873</u>
<u>YIELD PER EXPRESS PACKAGE</u>				
Priority Overnight	\$15.10	\$15.08	\$15.27	\$15.21
Standard Overnight	12.33	12.17	12.38	12.15
2Day/Express Saver	9.76	9.33	9.84	9.83
1Day/2Day/3Day Freight	<u>154.18</u>	<u>145.13</u>	<u>151.81</u>	<u>144.04</u>
Total U.S.A. Express Yield	\$13.27	\$12.95	\$13.43	\$13.22
International Priority	<u>42.14</u>	<u>41.28</u>	<u>42.02</u>	<u>41.58</u>
Total Composite Yield	<u>\$15.75</u>	<u>\$15.30</u>	<u>\$15.96</u>	<u>\$15.63</u>
Avg Pounds per Express Package	8.8	8.5	8.9	8.5
Avg Revenue per Express Pound	\$1.80	\$1.79	\$1.79	\$1.84
<u>INT'L AIRFREIGHT (IXF/ATA)</u>				
Millions of Pounds	164.0	169.5	508.3	527.2
Revenue per Pound	\$0.79	\$0.82	\$0.79	\$0.87
<u>RPS</u>				
Operating Weekdays	62	75	188	192
Average Daily Volume	1,364,065	1,337,449	1,378,801	1,327,788
Composite Yield	\$5.38	\$4.94	\$5.31	\$4.99
<u>VIKING</u>				
Operating Weekdays	61	75	188	192
Shipments Per Day	11,820	11,779	12,555	13,709
Revenue/CWT	\$10.32	\$9.43	\$9.89	\$9.18

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

Third Quarter Fiscal 1999
(In millions)

	Three Months Ended		Nine Months Ended	
	February 28		February 28	
<u>FINANCIAL RESULTS</u>	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>
Revenues	\$3,431	\$3,233	\$10,330	\$9,829
Operating Expenses:				
Salaries and benefits	1,546	1,448	4,629	4,324
Rentals and landing fees	344	321	986	912
Depreciation and amortization	233	215	675	626
Fuel	144	186	441	542
Maintenance and repairs	220	200	666	594
Other	849	751	2,368	2,241
Merger Expenses	--	<u>14</u>	--	<u>14</u>
	<u>3,336</u>	<u>3,135</u>	<u>9,765</u>	<u>9,253</u>
Operating Income	95	98	565	576
Other Income (Expense):				
Interest, net	(22)	(30)	(65)	(85)
Other, net	<u>(8)</u>	<u>1</u>	<u>(14)</u>	<u>9</u>
	<u>(30)</u>	<u>(29)</u>	<u>(79)</u>	<u>(76)</u>
Pretax Income	65	69	486	500
Provision for Income Taxes	<u>22</u>	<u>35</u>	<u>197</u>	<u>216</u>
Net Income	<u>\$43</u>	<u>\$34</u>	<u>\$289</u>	<u>\$284</u>