FORM 10-K405

Annual report pursuant to section 13 and 15(d), Regulation S-K Item 405

Filing Date: **1999-03-26** | Period of Report: **1998-12-31**
SEC Accession No. 0000930661-99-000553

(HTML Version on secdatabase.com)

FILER

FROZEN FOOD EXPRESS INDUSTRIES INC

CIK:**39273**| IRS No.: **751301831** | State of Incorp.:**TX** | Fiscal Year End: **1231**
Type: **10-K405** | Act: **34** | File No.: **001-10006** | Film No.: **99573904**
SIC: **4213** Trucking (no local)

Business Address
1145 EMPIRE CENTRAL PLACE
DALLAS TX 75247
2146308090

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1998

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 1-10006

FROZEN FOOD EXPRESS INDUSTRIES, INC.
(Exact name of registrant as specified in its charter)

Texas	75-1301831
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1145 Empire Central Place, Dallas, Texas	75247-4309
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (214) 630-8090

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock $1.50 Par Value	Nasdaq Stock Market

Securities registered pursuant to section 12(g) of the Act:
None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (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 90 days.
Yes [X] No [_]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.
[X]

As of March 2, 1999, 16,477,126 shares of the registrant's common stock, $1.50 par value, were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The sections "Outstanding Capital Stock; Principal Shareholders", "Nominees for Directors", "Executive Compensation", and "Transactions with Management" of the Proxy Statement for the Annual Meeting of Shareholders to be held April 22, 1999, are incorporated by reference into Part III of this Form 10-K.

Portions of the Annual Report to Shareholders for the year ended December 31, 1998, are incorporated by reference into Parts I and II of this Form 10-K.

PART I

Item 1. Business.

Frozen Food Express Industries, Inc. (the "company") is the largest temperature-controlled trucking company in North America. References to the company herein, unless the context requires otherwise, include Frozen Food

Express Industries, Inc., and its subsidiaries, all of which are wholly owned. In its 53 years of operation, the company has not experienced an unprofitable year. The company is also the only nationwide, full-service, temperature-controlled trucking company in the United States offering all of the following services:

- Full-truckload: A load, typically weighing between 20,000 and 40,000 pounds and usually from a single shipper, filling the trailer. Normally, a full-truckload has a single destination, although the company is also able to provide multiple deliveries. Management believes the company is one of the five largest temperature-controlled, full-truckload carriers in North America.

- Dedicated Fleets: In providing certain full-truckload services, the Company enters into a contract with a customer to provide service involving the assignment of specific trucks and drivers to handle certain of the customer's transportation needs. Frequently the Company and customer anticipate that dedicated fleet logistics services will both lower the customer's transportation costs and improve the quality of service the customer receives.

- Less-than-truckload: A load, typically consisting of 18 to 30 shipments, each weighing as little as 50 pounds or as much as 20,000 pounds, from multiple shippers destined for various deliveries across the United States, Canada and Mexico. The company's temperature-controlled "LTL" operation is the largest in the United States and the only one offering regularly scheduled nationwide LTL service. The company is the only major LTL carrier which uses multi-compartment refrigerated trailers to carry goods requiring different temperatures on one trailer, enhancing customer service and operating efficiencies.

- Distribution: Distribution generally involves the delivery of cargo within a 50-to-75-mile radius of a company terminal. Full-truckload or large LTL loads are divided into smaller shipments at a terminal and delivered by distribution trucks to "end users," such as grocery stores, food brokers or drug stores, typically within a single metropolitan area.

Following is a summary of certain financial and statistical data for the years ended December 31, 1994 through 1998 (LTL data also includes distribution shipments):

<TABLE>
<CAPTION>

	1998	1997	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>
Revenue*					
Full-truckload	$206,098	$190,576	$195,458	$180,598	$163,988
Less-than-truckload	100,015	95,522	92,496	87,783	88,328
Non-freight	43,819	30,470	23,474	23,964	22,304
Total	$349,932	$316,568	$311,428	$292,345	$274,620
Operating ratio	95.2%	95.2%	95.1%	94.7%	93.0%
Full-truckload					
Loaded miles*	155,045	143,902	145,785	135,469	121,106
Shipments*	166.0	156.9	158.1	142.9	128.1
Revenue per shipment	1,242	1,215	1,236	1,264	1,280
Loaded miles per load	934	917	922	948	945
Less-than-truckload					
Hundredweight*	8,502	8,537	8,652	8,296	8,670
Revenue per hundredweight	11.76	11.19	10.69	10.58	10.19
Shipments*	293.1	293.1	304.6	292.1	305.2
Revenue per shipment	341	326	304	301	289

</TABLE>

* In thousands

Freight revenue, from motor carrier operations, has accounted for more than 90% of total operating revenue during each of the last five years. The percent of total freight revenue contributed by full-truckload operations and by LTL operations during the past five years is summarized below:

<TABLE>
<CAPTION>

Percent of Total Freight Revenue				
1998	1997	1996	1995	1994

<S>	<C>	<C>	<C>	<C>	<C>
Full-truckload	67%	67%	68%	67%	65%
LTL and distribution	33	33	32	33	35
Total	100%	100%	100%	100%	100%

</TABLE>

The company offers nationwide "one call does all" services to about 7,000 customers, none of which accounted for more than 10% of total revenue during any of the past five years.

Freight revenue from international activities was less than 5% of total freight revenue during each of the five years ending December 31, 1998.

Temperature-Sensitive Market

More than 80% of the cargo transported by the company is temperature-sensitive. Examples are meat, poultry, seafood, processed foods, candy and other confectioneries, dairy products, pharmaceuticals, medical supplies, fruits and vegetables, cosmetics, film and heat-sensitive aerospace manufacturing materials.

The common and contract hauling of temperature-sensitive cargo is highly fragmented and comprised primarily of carriers generating less than $50 million in annual revenue. Industry publications report that only 12 temperature-controlled carriers generated $100 million or more of revenue in 1997. In addition, many major food companies, food distribution firms and grocery chains continue to transport a portion of their freight with their own fleets ("private carriage").

Increasingly, large shippers are seeking to lower their cost structures by reducing their private carriage capabilities and turning to common and contract carriers ("core carriers") for their transportation needs. As these core carriers continue to improve their service capabilities through such means as satellite communications systems and electronic data interchange, shippers are expected to reduce their private carriage fleets in favor of common or contract carriage. Management believes that the temperature-controlled private carriage segment accounts for approximately 45% of the total temperature-controlled portion of the motor carrier industry.

Growth Strategy

The company has pursued a growth strategy that combines both internal growth and selected acquisitions.

From the beginning of 1994 through 1998, the company-operated, full-truckload tractor fleet increased from about 846 units to 1,233 units. During the same period, the company has emphasized expansion of its fleet of independent contractor ("owner-operator") provided full-truckload tractors. As of December 31, 1998, the company's full-truckload fleet included 432 tractors provided by owner-operators as compared to 233 at the beginning of 1994. From 1994 through 1998, revenue from full-truckload operations increased from 65% to 67% of total freight revenue.

The management of a number of factors is critical to a trucking company's growth and profitability, including:

- Drivers: Driver shortages and high turnover can reduce revenue and increase operating expenses through reduced operating efficiency and higher recruiting costs. During the five years ending December 31, 1998, operations were not significantly affected by driver shortages. The company maintains an active driver

recruiting program and bases its employee-driver incentive pay package on longevity, safety, fuel efficiency and other operational goals. In addition, the company has continued to intensify its recruitment of truck driving school graduates. These "student-drivers" train with an experienced instructor-driver by riding as "second driver" and are paid student-driver wages by the company. They are assigned a tractor only after they have been qualified to become single drivers. Shortages of from 20 to 40 drivers on any given day were experienced during the 1998 second half. At the end of 1998, however, the company had drivers for all of its tractors and had about 140 student drivers undergoing over-the-road training.

- Owner-operators: The company actively seeks to expand its fleet with equipment provided by owner-operators. The owner-operator provides the tractor and driver to pull the company's loaded trailer. The owner-operator pays the drivers' wages, fuel, equipment-related expenses and other transportation expenses and receives a portion of the revenue from each load. At the end of 1998, the company had contracts for 432 owner-operator tractors in its full-truckload divisions and 240 in its LTL operations.

The percent of full-truckload and LTL revenue generated from shipments transported by owner-operators during each of the last five years is summarized below:

	Percent of Revenue from Shipments Transported by Owner-Operators				
	1998	1997	1996	1995	1994
Full-truckload	24%	26%	28%	24%	22%
Less-than-truckload	69%	71%	71%	68%	65%

The company has traditionally relied on owner-operator-provided equipment to transport much of its customers' freight. As competition for employee-drivers has increased, other trucking companies have initiated or expanded owner-operator fleets. Due primarily to the increased level of competition for owner-operator-provided equipment, the number of such trucks in the full-truckload fleet declined by about 65 during 1997. During 1998, the company became more aggressive in its solicitation for and retention of owner-operator-provided equipment. As a result, the number of full-truckload, owner-operator-provided trucks rose by more than 50 during 1998. Much of the 1997 decrease occurred during the first half of 1997 and most of the 1998 increase took place in the fourth quarter of 1998. As a result, owner-operator-provided equipment transported fewer shipments during 1998 than during 1997, and the percent of freight revenue absorbed by purchased transportation (primarily payments to owner-operators) declined from 24.0% in 1996 to 23.1% in 1997 and 21.9% in 1998. The company is considering programs designed to further expand its fleet of owner-operator trucks during 1999.

- Fuel: Per-gallon fuel costs paid by the company decreased by 15% during 1998 as compared to 1997. Such costs decreased by 4% in 1997 from 1996. Due to a variety of factors, fuel price volatility does not significantly impact the company's cost structure or profitability. Owner-operators are responsible for all costs associated with their equipment, including fuel. Therefore, the cost of such fuel is not a direct expense of the company. With regard to fuel expenses for company-operated equipment, the company attempts to mitigate the effect of fluctuating fuel costs by purchasing more fuel efficient tractors and aggressively managing fuel purchasing. Also, certain rates charged by the company for its services are adjustable by reference to market fuel prices. Relatively high or low per-gallon market fuel prices can result in upward or downward adjustment of freight rates, further mitigating the impact of such volatility on the company's profits. Fuel price fluctuations result from many external market factors that cannot be influenced or predicted by the company. In addition, each year several states increase fuel taxes. Recovery of future increases or realization of future decreases in fuel prices and fuel taxes, if any, will continue to depend upon competitive freight-market conditions.

- Risk Management: Liability for accidents is a significant concern in the trucking industry. Exposure can be large and occurrences unpredictable. The cost and human impact of work-related injury claims are also

significant concerns. To address these concerns, the company maintains a risk management program designed to minimize the frequency and severity of accidents and to manage insurance coverage and claims. As part of the program, the company carries insurance policies under which it retains liability for up to $750,000 on each property, casualty and general liability claim, substantially all individual work-related injury claims and $100,000 on each cargo claim. Because of this retained liability, a series of very serious traffic accidents, work-related injuries or unfavorable developments in or outcomes of existing claims could materially adversely affect the company's operating results. Claims and insurance claims expense can vary significantly from year to year. Reserves representing the company's estimate of ultimate claims outcome are established based on the information available at the time of an incident. As additional information regarding the incident becomes available, any necessary adjustments are made to previously recorded amounts. The aggregate amount of open claims, some of which involve litigation, is significant. In the opinion of management, however, these claims can be resolved without a material adverse effect on the company's financial position or its results of operations.

A major component of the company's risk management program is the enhancement of safety in its operations. The company's safety department conducts programs which include driver education and over-the-road observation. All drivers must meet or exceed specific guidelines relating to safety records, driving experience and personal standards, including a physical examination and mandatory drug testing. Drivers must also complete the company's training program, which includes tests for motor vehicle safety and over-the-road driving, and they must have a current Commercial Drivers License before being assigned a tractor. Student drivers undergo a more extensive training program as a second driver with an experienced instructor-driver. In accordance with federal regulations, the company conducts drug tests on all driver candidates and maintains a continuing program of random testing for use of such substances. Applicants who test positive for drugs are turned away and drivers who test positive for such substances are immediately disqualified from driving.

For the last seven years, the company's principal operating subsidiary has placed among the top three of the Truckload Carriers Association safety competition for fleets which travel more than 100 million miles. For 1996, the company was named the first place winner in its category.

Operating Strategy

The company's "one call does all" full-service capability, combined with the service-oriented corporate culture it gained from its many years as a successful LTL carrier, enables it to compete on the basis of service, rather than solely on price. Management also believes that major shippers will require increasing levels of service and that they will rely on their core carriers to provide transportation and logistics solutions, such as providing the shipper real-time information about the movement and condition of any shipment.

During 1996, the company completed the conversion of its full-truckload fleets to the use of computer and satellite technology to enhance efficiency and customer service. The satellite-based communications system provides automatic hourly position updates of each full-truckload tractor and permits real-time communication between operations personnel and drivers. Dispatchers relay pick-up, delivery, weather, road and other information to the drivers while shipment status and other information are relayed by the drivers to the company's computers via the satellite.

The company plans to add about 50 tractors to its company-operated, full-truckload fleet during 1999. Any other changes in the fleet will depend upon acquisitions, if any, of other motor carriers, developments in the nation's economy, demand for the company's services and the availability of qualified employee drivers. Continued emphasis will be placed on improving the operating efficiency and increasing the utilization of this fleet through enhanced driver training and retention and reducing the percentage of empty, non-revenue producing miles.

- Less-than-truckload: Temperature-controlled LTL trucking is service and capital intensive. LTL freight rates are higher than those for full-truckload and are based on mileage, weight, type of commodity, space required in the trailer and pick-up and delivery. Management believes that only one other refrigerated LTL motor carrier competes with the company on a nationwide basis.

Temperature-controlled LTL trucking requires a system of terminals, capable of holding refrigerated and frozen products, located at strategic distribution points across the United States. The company has 15 such LTL terminals. Terminals are located in or near New York City, Philadelphia, Atlanta, Orlando, Memphis, Nashville, Cincinnati, Chicago, Kansas City, Dallas, Houston, Denver, Salt Lake City, Oakland and Los Angeles. Several of these LTL terminals also serve as full-truckload driver centers where company-operated, full-truckload fleets are based.

Efficient information management is essential to a successful temperature-controlled LTL operation. On a typical day, the company's LTL system handles about 5,000 shipments - about 3,000 on the road, 1,000 being delivered and 1,000 being picked up. In 1998, the LTL operation handled about 293,100 individual shipments.

- Full-truckload: Temperature-controlled, full-truckload service requires a substantially lower capital investment for terminals and lower costs of shipment handling and information management than that of LTL. Pricing is based primarily on mileage, weight and type of commodity.

At the end of 1998, the company's full-truckload tractor fleet consisted of 1,233 tractors owned or leased by the company and 432 tractors contracted to the company by owner-operators, making it one of the five largest temperature-controlled, full-truckload carriers in North America.

The company provides a wide range of transportation and logistics services which include railroad-based intermodal long-haul transportation. In providing such service, the company contracts with railroads to transport loaded full-truckload trailers on railroad flat cars. During 1998, the company's ability to offer intermodal service was negatively impacted by the reduced capacity of railroad companies. Less than 5% of the company's domestic full-truckload shipments is transported in this manner and this service is not expected to expand until current problems affecting the rail service are resolved.

By providing intermodal transportation services, the company is able to transport more loaded trailers (which require relatively lower capital investment) while engaging fewer tractors (which involve relatively higher capital investment). When the emphasis on intermodal transportation is renewed, it is probable that the company's trailer fleet will continue to expand more rapidly than its tractor fleet. Also contributing to the increase in the trailer-to-tractor ratio from 1.5:1 at December 31, 1994 or 1.47:1 at January 1, 1994, to 1.48:1 at year-end 1998 were continued expansion of dedicated fleet and short-haul, full-truckload services and, in general, the more rapid expansion of the company's full-truckload services in relation to its LTL service. Full-truckload services generally involve the utilization of more trailers to enable tractors to remain in service while idle trailers are being loaded and unloaded.

Prior to 1998, the company conducted limited operations involving "dedicated fleets". In such an arrangement, the company contracts with a customer to provide service involving the assignment of specific trucks to handle transportation needs of its customers. Frequently the company and customer anticipate that dedicated fleet logistics services will both lower the customer's transportation costs and improve the quality of the service the customer receives. In late 1998, the company improved its capability to provide and expanded efforts to market such services.

In addition to the LTL terminals, which also serve as full-truckload employee-driver centers, full-truckload activities are conducted from terminals in Fort Worth and Laredo, Texas. Laredo, located on the Texas-Mexico border, is the drop-off point for company trailers, which are picked up by a Mexican trucking company for movement into Mexico's interior. The company also maintains small centers for employee-driver recruitment in El Paso, Tyler, Wichita Falls and Waco, Texas; Phoenix, Arizona; Baton Rouge and Shreveport, Louisiana; Tulsa, Oklahoma; Charlotte, North Carolina; and Carlisle, Pennsylvania.

Equipment

The company acquires premium company-operated tractors in order to help attract and retain qualified employee-drivers, promote safe operations, minimize maintenance and repair costs and assure dependable service to its customers. Management believes that the higher initial investment for its equipment is recovered through more efficient vehicle performance and improved resale value. The company has a three-year replacement policy for its full-truckload tractors. As a result, most repair costs are recovered through efficient vehicle performance and manufacturers' warranties. The three-year replacement policy also enables the company to maximize its fuel efficiency by benefiting from technological improvements in both engine efficiency and aerodynamics. The company plans to add about 50 and replace about 500 of its tractors during 1999. In addition, about 250 trailers may be added and about 175 will be replaced during the year. Management expects that the new tractors' average miles-per-gallon will improve over that of the tractors being replaced. In order to minimize fuel consumption, the company includes a fuel efficiency driving bonus in its employee-driver incentive pay package.

Regulation

The company's interstate operations are subject to regulation by the United States Department of Transportation, which regulates driver qualifications, safety, equipment standards and insurance requirements. The company is also subject to regulation of various state regulatory agencies with respect to certain aspects of its operations. State regulations generally involve safety and the weight and dimensions of equipment.

Seasonality

The company's full-truckload operations are somewhat affected by seasonal changes. The early winter, late spring and summer growing seasons for fruits and vegetables in California and Texas typically create increased demand for trailers equipped to transport cargo requiring refrigeration. In addition, winter driving conditions can be hazardous and impair the company's operations from time to time in certain portions of the company's service areas. The company's LTL operations are also impacted by the seasonality of certain commodities. As a result, LTL shipment volume during the winter months is normally lower than other months. Shipping volumes of LTL freight are usually highest during July through October.

Employees

The number of company employees as of December 31, 1998 and 1997, was as follows:

	Dec. 31, 1998	Dec. 31, 1997
Freight Operations:		
Drivers and Trainees	1,537	1,435
Non-driver personnel		
Full time	746	723
Part time	164	149
Total Freight Operations	2,447	2,307
Non-freight Operations	187	182
Total	2,634	2,489

Non-Freight Businesses

The company is engaged in a number of non-freight businesses. The largest such enterprise is a franchised dealer and repair facility for Wabash trailers and Carrier-Transicold brand truck and trailer refrigeration equipment. This dealer also provides refrigeration units and repair service for the company's trailers. Other businesses are engaged in the rental of trailers, used tractor and trailer sales, wholesale distribution of motor

vehicle air conditioning parts and the remanufacturing of mechanical air conditioning and refrigeration components.

Collectively, these non-freight businesses contributed 13% of the company's 1998 consolidated revenue and 11% of the consolidated operating profit (after elimination of inter-company transactions).

Outlook

Certain statements contained in this Report on Form 10-K, including statements regarding the anticipated development and expansion of the company's business or the industry in which the company operates, the intent, belief or current expectations of the company, its directors or its officers, primarily with respect to the future operating performance of the company and other statements contained herein regarding matters that are not historical facts, are "forward-looking" statements (as such term is defined in the Private Securities Litigation Reform Act of 1995). Because such statements involve risks and uncertainties, actual results may differ materially from those expressed or implied from such forward-looking statements. These risks and uncertainties include demand for the company's services and products, which may be affected by, among other things, competition, weather conditions and the general economy; the availability and cost of labor, equipment, fuel and supplies; the impact of changes in the tax and regulatory environment in which the company operates; operational risks and insurance; risks associated with the technologies and systems used and being developed by the company and the other risks and uncertainties described in this report on Form 10-K, including the portions of the company's annual report to shareholders which are incorporated by reference herein.

Year 2000

The company is aware of the potential problems associated with existing information technology ("IT") systems as the year 2000 ("Y2K") approaches. The company's exposure to such problems does not involve significant date-sensitive computations. Rather, problems may occur with regard to IT systems and the impact erroneous dates may have on core business operating activities such as the company's ability to process customer orders, track and manage equipment and generate customer invoices. Disruptions in any such activity could have a negative impact on the company's ability to conduct its routine business operations. Systems are being developed based on more current technology, which address the issues associated with Y2K.

It is not practicable to isolate the portion of "new" system development costs which are specifically associated with the Y2K problem. Such costs have been financed by internally generated funds. Direct costs associated with the development effort have been capitalized by the company to be amortized against post-conversion income.

The company also uses a variety of assets that are operated by or reliant upon non-information technology ("non-IT") systems, such as equipment or refrigeration systems containing embedded technology. Modification or replacement would be necessary for proper performance of any IT or non-IT system that is unable to properly interpret and process the Y2K.

State of Readiness - The company is actively engaged in the process of evaluating the company's systems for Y2K compliance. In addition, the company is verifying the Y2K compliance of third parties with whom the company has a material relationship, such as customers, suppliers and service providers such as telecommunications providers and financial institutions. The first phase, evaluating the company's systems, is substantially complete. The second phase, evaluating third party systems, was commenced in the third quarter of 1998 and is expected to be substantially completed during the first half of 1999.

The failure of any internal non-IT system to be Y2K compliant is not expected to have a material effect on the business, operations or financial condition of the company. Nevertheless, the company will continue to take steps to modify or replace all non-IT systems that are not Y2K compliant during the 1999 calendar year. The cost of such conversions is not expected to be material.

The company's major internal IT and non-IT systems, which include the mainframe system presently in use require modification or replacement to become Y2K compliant. The systems project will replace all existing major IT systems with a Y2K compliant system. The new system is continually evaluated with respect to Y2K compliance. These evaluations are conducted by persons with requisite skills.

Programming, testing and training necessary to convert to the new system is expected to be complete by April 1999. Conversion efforts will commence promptly thereafter, and are expected to conclude within 60 days after commencement.

The project is aimed at improving and standardizing company processes and improving technology to reduce operating costs. This project centers around modifications to software procured from third party systems vendors. The new IT system and related processes are also expected to enhance the company's competitive position by improving customer service, pricing strategies and logistics management.

The company is also assessing the requirements to make Y2K compliant all third party IT system software used in desktop computers. These costs are not expected to be material.

Costs to Address Y2K Issues - The company has projected $10 million for the cost of the system project including costs associated with Y2K compliance. As of December 31, 1998, approximately $8 million had been expended.

Risks to the Company for Y2K Issues - The most likely worst case Y2K scenario for the company would be the failure of the project to be completed. It is not feasible to predict the impact on the company's financial condition or profitability as a result. However, management believes that the implementation of its contingency plan could be achieved with minimal to moderate disruption to the business and operations of the company.

Contingency Plan - If the new IT system is not implemented on schedule, the company will execute its contingency plan to meet a deadline of December 31, 1999. This would require the company to make modifications to the mainframe system and other currently operating systems. The company is considering alternatives such as manually processing certain transactions and outsourcing certain data processing functions. The cost of the mainframe upgrade would be significant and could be completed by the required deadline.

Item 2. Properties.

The company's corporate office, which was purchased and remodeled during 1992, and is located on 1.7 acres of land in northwestern Dallas, Texas. The building contains 34,000 useable square feet.

The company's primary terminal and maintenance facility is located near Dallas on approximately 60 acres of land owned by the company in Lancaster, Texas. The buildings, which are also owned by the company, contain approximately 100,000 square feet, of which 60,000 square feet are used for warehousing and distribution, 14,000 square feet are devoted to offices housing the terminal dispatch, safety and related activities and 26,000 square feet are used for maintenance and repair facilities. The company owns approximately 20 acres of unimproved land abutting this facility.

The company also owns a facility consisting of a terminal, offices and a repair shop in Fort Worth, Texas. This property is used by Lisa Motor Lines, Inc. ("Lisa"), a wholly-owned subsidiary of the company, and its divisions, Middleton Transportation Company and Great Western Express. This facility consists of three structures totaling 34,000 square feet on approximately seven acres of land.

The company owns a cold storage LTL terminal located in Bridgeview, Illinois, near Chicago. The terminal includes approximately 37,000 square feet of office, dock and storage facilities.

The Florida terminal, which is near Orlando, is owned by the company and consists of three buildings on approximately 15 acres of land, a dock facility of approximately 16,000 square feet, a shop of approximately 4,000 square feet and an office building.

The company also owns a terminal and land in Avenel, New Jersey, which is near New York City. The building, on about five acres of land, contains approximately 17,000 square feet.

At December 31, 1998, the company also maintained leased terminal or office facilities in or near the following cities:

Atlanta, GA	Nashville, TN
Baton Rouge, LA	Norman, OK
Cincinnati, OH	Oakland, CA
Denver, CO	Oklahoma City, OK
Fort Worth, TX	Philadelphia, PA
Harlingen, TX	Phoenix, AZ
Houston, TX	Salt Lake City, UT
Kansas City, MO	Shreveport, LA
Laredo, TX	Tulsa, OK
Los Angeles, CA	Waco, TX
Lufkin, TX	Wichita Falls, TX
Memphis, TN	

Lease terms range from one month to six years. These terminals range in size from a small amount of office space to a terminal with office and dock facilities totaling approximately 44,000 square feet.

The company expects that present facilities will be sufficient to support its operations in the near term.

The following table sets forth certain information regarding revenue equipment utilized by the company at December 31, 1998 and 1997:
<TABLE>
<CAPTION>

	Age in Years							
Tractors	Less than 1		1 thru 3		4 or more		Total	
	1998	1997	1998	1997	1998	1997	1998	1997
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Company-operated	467	344	826	851	35	25	1,328	1,220
Owner-operator provided	67	62	222	197	383	369	672	628

Total	534	406	1,048	1,048	418	394	2,000	1,848

<CAPTION>

Trailers	Age in Years: Less than 1		1 thru 5		6 or more		Total	
	1998	1997	1998	1997	1998	1997	1998	1997
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Company-provided	706	397	2,024	2,120	210	267	2,940	2,784
Owner-operator provided	--	--	11	9	11	14	22	23
Total	706	397	2,035	2,129	221	281	2,962	2,807

</TABLE>

The increases in the number of company-operated tractors and trailers during 1998 and 1997 resulted primarily from the addition of new equipment during each year for use in the company's full-truckload operations.

Approximately 80% of the company's 2,940 trailers are insulated and equipped with refrigeration units capable of providing the temperature control necessary to handle perishable freight. Trailers that are used primarily in LTL operations are equipped with movable partitions permitting the transportation of goods requiring maintenance of different temperatures. The company also operates a fleet of non-refrigerated trailers in its "dry freight" full-truckload operation. Company-operated trailers are primarily 102 inches wide. Full-truckload trailers

used in dry freight operations are 53 feet long. Temperature controlled operations are conducted with both 48 and 53 foot refrigerated trailers.

The company's general policy is to replace its company-operated, heavy-duty tractors every three years. Company-operated, full-truckload trailers are usually retired after seven years of service. Occasionally, retired equipment is kept by the company for use in local delivery operations.

Item 3. Legal Proceedings.

The company is party to routine litigation incidental to its businesses, primarily involving claims for personal injury and property damage incurred in the transportation of freight. The aggregate amount of these claims is significant. The company maintains insurance programs and accrues for expected losses in amounts designed to cover liability resulting from personal injury and property damage claims. The company does not believe that adverse results in one or more of these pending cases would have a material effect on the financial condition of the company.

Item 4. Submission of Matters to a Vote of Security Holders.

No matters were submitted to a vote of shareholders of the company during the fourth quarter of 1998.

PART II

Item 5. Market for Registrant's Common Equity and Related Shareholder Matters.

The information regarding cash dividends, common stock price per share and common stock trading volume set forth under the caption "Quarterly Financial, Stock and Dividend Information" appearing on page 28 of the Annual Report to Shareholders for the year ended December 31, 1998, is incorporated by reference into this Report.

Item 6. Selected Financial Data.

The information set forth under the caption "Ten-Year Statistics and Financial Data" appearing on pages 18 and 19 of the Annual Report to Shareholders for the year ended December 31, 1998, is incorporated by reference into this Report.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The information set forth under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing on pages 15 through 18 of the Annual Report to Shareholders for the year ended December 31, 1998, is incorporated by reference into this Report.

Item 7A. Quantitative and Qualitative Disclosure about Market Risk

As of December 31, 1998, there was no long-term or short-term debt present. Also as of December 31, 1998, the Company held no material market risk sensitive instruments (for trading as well as non-trading purposes) which would involve significant foreign currency exchange rate risk, commodity price risk or other relevant market risks, such as equity price risk.

Accordingly the potential loss to the Company in future earnings, fair values or cash flows of market risk sensitive investments resulting from changes in interest rates, foreign currency exchange rates, commodity prices and other relevant market rates or prices is not significant.

Item 8. Financial Statements and Supplementary Data.

(a) The following Consolidated Financial Statements of Frozen Food Express Industries, Inc., and Report of Independent Public Accountants, with respect thereto set forth on pages 20 through 27 of the Annual Report to Shareholders for the year ended December 31, 1998, are incorporated by reference into this Report:

Consolidated Statements of Income -- Years ended December 31, 1998, 1997 and 1996.

Consolidated Balance Sheets -- December 31, 1998 and 1997.

Consolidated Statements of Cash Flows -- Years ended December 31, 1998, 1997 and 1996.

Consolidated Statements of Shareholders' Equity -- Years ended December 31, 1998, 1997 and 1996.

Notes to Consolidated Financial Statements.

Report of Independent Public Accountants.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

PART III

Item 10. Directors and Executive Officers of the Registrant.

In accordance with General Instruction G to Form 10-K, the information required by Item 10 is incorporated herein by reference from the portion of the company's Proxy Statement for the Annual Meeting of Shareholders to be held April 22, 1999, appearing under the caption "Nominees for Directors".

Item 11. Executive Compensation.

In accordance with General Instruction G to Form 10-K, the information required by Item 11 is incorporated herein by reference from the portions of the company's Proxy Statement for the Annual Meeting of Shareholders to be held April 22, 1999 appearing under the captions "Executive Compensation" and "Transactions with Management".

Item 12. Security Ownership of Certain Beneficial Owners and Management.

In accordance with General Instruction G to Form 10-K, the information required by Item 12 is incorporated herein by reference from the portions of the company's Proxy Statement for the Annual Meeting of Shareholders to be held April 22, 1999, appearing under the captions "Outstanding Capital Stock; Principal Shareholders" and "Nominees for Directors".

Item 13. Certain Relationships and Related Transactions.

In accordance with General Instruction G to Form 10-K, the information required by Item 13 is incorporated herein by reference from the portions of the company's Proxy Statement for the Annual Meeting of Shareholders to be held

April 22, 1999, appearing under the captions "Nominees for Directors", "Transactions with Management" and "Executive Compensation".

Part IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

(a) 1. & 2. Financial Statements and Financial Statement Schedules:

The financial statements listed in the index to financial statements and financial statement schedules in Item 8 hereof are filed as part of this Annual Report on Form 10-K.

Financial statement schedules are omitted since the required information is not present or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the financial statements and notes thereto.

3. Exhibits:

3.1 Articles of Incorporation of the Registrant and all amendments to date (filed as Exhibit 3.1 to Registrant's annual report on Form 10-K for the fiscal year ended December, 31, 1993; SEC File Number 1-10006 and incorporated herein by reference).

3.2 Bylaws of the Registrant, as amended.

10.1 Frozen Food Express Industries, Inc., 1987 Non-Employee Director Stock Plan (filed as Exhibit 10.2 to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1991; SEC File Number 1-10006 and incorporated herein by reference).

10.2 Amended and Restated Credit Agreement, dated December 30, 1992, among the registrant and its subsidiaries and Wells Fargo Bank (Texas, National Association) (formerly First Interstate Bank of Texas, N.A.), as agent; Chase Bank of Texas, N.A. (formerly Texas Commerce Bank, National Association); and The First National Bank of Boston (filed as Exhibit 10.5 to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1992; SEC File Number 1-10006 and incorporated herein by reference).

10.3 First Amendment to amended and restated credit agreement described at Exhibit 10.5 (filed as Exhibit 10.6 to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1993; SEC File Number 1-10006 and incorporated herein by reference).

10.4 Frozen Food Express Industries, Inc., 1992 Incentive and Nonstatutory Stock Option Plan (filed as Exhibit 4.3 to Registrant's Registration #33-48494 as filed with the Commission, and incorporated herein by reference).

10.5 FFE Transportation Services, Inc., 1994 Incentive Bonus Plan, as amended (filed as Exhibit 10.6 to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1994; SEC File Number 1-10006 and incorporated herein by reference).

10.6 FFE Transportation Services, Inc., Executive Bonus and Phantom Stock Plan, as amended (filed as Exhibit 10.7 to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1994; SEC File Number 1-10006 and incorporated herein by reference).

10.7 FFE Transportation Services, Inc., Employee Stock Ownership Plan (filed as Exhibit 10.8 to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1994; SEC File Number 1-10006 and incorporated herein by reference).

10.8 Savings Plan for Employees of Frozen Food Express Industries, Inc. (filed as Exhibit 10.9 to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1994; SEC File Number 1-10006 and incorporated herein by reference).

10.9 Conwell Corporation Employee Stock Ownership Plan (filed as Exhibit 10.10 to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1994; SEC File Number 1-10006 and incorporated herein by reference).

10.10 Amendment to Frozen Food Express Industries, Inc., 1992 Incentive and Nonstatutory Stock Option Plan (filed as Exhibit 10.11 to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1994; SEC File Number 1-10006 and incorporated herein by reference).

10.11 Frozen Food Express Industries, Inc. Employee Stock Option Plan (filed as Exhibit 4.1 to Registrant's Registration #333-21831 as filed with the Commission, and incorporated herein by reference).

10.12 FFE Transportation Services, Inc. 401(k) Wrap Plan (filed as Exhibit 10.13 to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1996; SEC File Number 1-10006 and incorporated herein by reference).

10.13 First through Sixth Amendments to Savings Plan for Employees of Frozen Food Express Industries, Inc. (filed as Exhibit 10.14 to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1996; SEC File Number 1-10006 and incorporated herein by reference).

10.14 Amendment to Frozen Food Express Industries, Inc. 1992 Incentive and Nonstatutory Stock Option Plan. (filed as Exhibit 10.15 to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1997 and incorporated herein by reference).

10.15 Amendment Number 2 to Frozen Food Express Industries, Inc. 1992 Incentive Stock Option Plan. (filed as Exhibit 10.16 to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1997 and incorporated herein by reference).

11.1 Computation of basic and diluted net income per share of common stock (incorporated by reference to Footnote 7 to the financial statements appearing in the Annual Report to Shareholders of the Registrant for the year ending December 31, 1998).

13.1 Annual Report to Shareholders of the Registrant for the year ended December 31, 1998. Except for those portions of such Annual Report to Shareholders expressly incorporated by reference into this Report, such Annual Report to Shareholders is furnished solely for the information of the Securities and Exchange Commission and shall not be deemed a "Filed" Document.

21.1 Subsidiaries of Frozen Food Express Industries, Inc.

25.1 A Power of Attorney is found on page 15 of this Report.

27.1 Financial Data Schedule for the fiscal year ending December 31, 1998.

(b) Reports on Form 8-K:

No reports on Form 8-K were filed by the company during the last quarter of the period covered by this Report.

INDEX TO FINANCIAL STATEMENTS
AND FINANCIAL STATEMENT SCHEDULES
COVERED BY REPORT OF INDEPENDENT
PUBLIC ACCOUNTANTS

<TABLE>
<CAPTION>

Annual Report

Financial statement schedules are omitted since the required information is not present or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the financial statements and notes thereto.

The financial statements listed in the above index, which are included in the Annual Report to Shareholders of Frozen Food Express Industries, Inc., for the year ended December 31, 1998, are hereby incorporated by reference, and are filed herewith as Exhibit 13.1.

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that each of the undersigned directors and officers of Frozen Food Express Industries, Inc., hereby appoints Stoney M. Stubbs, Jr., and F. Dixon McElwee, Jr. his true and lawful attorneys-in-fact and agents, for him and in his name, place and stead, in any and all capacities, with full power to act alone, to sign any and all amendments to this Annual Report on Form 10-K and to file each such amendment to the Report, with all exhibits thereto, and any and all other documents in connection therewith, with the Securities and Exchange Commission, hereby granting unto said attorneys-in-fact and agents full power and authority to do and perform any and all acts and things requisite and necessary to be done in and about the premises as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents may lawfully do or cause to be done by virtue hereof.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

FROZEN FOOD EXPRESS INDUSTRIES, INC.

Date: March 26, 1999 By /s/ F. Dixon McElwee, Jr.

F. Dixon McElwee, Jr.
Senior Vice President

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Date: March 26, 1999 /s/ Stoney M. Stubbs, Jr.

Stoney M. Stubbs, Jr.,
Chairman of the Board of Directors and
President (Principal Executive Officer)

Date: March 26, 1999 /s/ F. Dixon McElwee, Jr.

F. Dixon McElwee, Jr.,
Senior Vice President and Director
(Principal Financial and Accounting
Officer)

Date: March 26, 1999	/s/ Charles G. Robertson Charles G. Robertson Executive Vice President and Director
Date: March 26, 1999	/s/ Edgar O. Weller Edgar O. Weller Vice Chairman of the Board of Directors
Date: March 26, 1999	/s/ W. Mike Baggett W. Mike Baggett, Director
Date: March 26, 1999	/s/ Brian R. Blackmarr Brian R. Blackmarr, Director

Date: March 26, 1999	/s/ Leroy Hallman Leroy Hallman, Director
Date: March 26, 1999	/s/ W. Grogan Lord W. Grogan Lord, Director
Date: March 26, 1999	/s/ T. Michael O'Connor T. Michael O'Connor, Director

EXHIBIT 3.2

BYLAWS

BYLAWS OF

FROZEN FOOD EXPRESS INDUSTRIES, INC.

ARTICLE I

OFFICES

Section 1. Registered Office and Agency. The registered office of the Corporation shall be at 318 Cadiz Street, Dallas, Dallas County, Texas. The name of the registered agent at such address is Stoney M. Stubbs.

Section 2. Other Offices. The Corporation may have, in addition to its registered office, offices and places of business at such places, both within and without the State of Texas, as the Board of Directors may from time to time determine or the business of the Corporation may require.

ARTICLE II

SHAREHOLDERS' MEETINGS

Section 1. Annual Meeting. An annual meeting of the Shareholders, commencing with the year 1972 shall be held at 10:00 o'clock A.M. local time in the place where the meeting is to be, on the 1st day of April, if not a legal holiday in the place where the meeting is to be held, and if a legal holiday in such place, then on the next full business day following, at 10:00 o'clock A.M. local time in said place, at which they shall elect a Board of Directors and transact such other business as may properly be brought before the meeting.

Section 2. Special Meetings. Special meetings of the Shareholders, for any purpose or purposes, unless otherwise prescribed by statute or by the Articles of Incorporation or by these By-Laws, may be called by the Chairman of the Board, the President, the Board of Directors, or the holders of not less than one-tenth in number of all the shares entitled to vote at the meetings.

Section 3. Place of Meetings. Meetings of Shareholders shall be held at such places, within or without the State of Texas, as may from time to time be fixed by the Board of Directors or as shall be specified or fixed in the respective notices or waivers of notice thereof.

Section 4. Voting List. The officer or agent having charge of the stock transfer books for shares of the Corporation shall make, at least ten (10) days before each meeting of Shareholders, a complete list of the Shareholders entitled to vote at such meeting or any adjournment thereof arranged in alphabetical order, with the address f and the number of shares held by each, which list, for a period of ten (10) days prior to such meeting, shall be kept on file at the registered office of the Corporation and shall be subject to inspection by any Shareholder at any time during usual business hours. Such list shall also be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any Shareholder during the whole time of the meeting.

Section 5. Notice of Meetings. Written or printed notice stating the place, day and hour of each meeting of the Shareholders and, in case of a special meeting, the purpose or purposes of which the meeting is called, shall be delivered not less than ten (10) nor more than fifty (50) days before the date of the meeting, either personally or by mail, by or at the direction of the President, the Secretary, or the body, officer or person calling the meeting, to each Shareholder of record entitled to vote at the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States Mail addressed to the Shareholder at his address as it appears on the stock transfer books of the Corporation, with postage thereon prepaid.

Section 6. Quorum of Shareholders. The holders of a majority of the shares issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall be requisite and shall constitute a quorum at each meeting of Shareholders for the transaction of business except as otherwise provided by statute or by the Articles of Incorporation. If, however, such quorum shall not be present or represented at any meeting of the Shareholders, the Shareholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At any such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified. When a quorum is present at any meeting, the vote of the holders of a majority of the shares entitled to vote and present in person or represented by proxy shall be the act of the Shareholders' Meeting, unless the vote of a greater number is required by statute, the Articles of Incorporation or these By-Laws, in which case the vote of such greater number shall be requisite to constitute the act of the meeting. The Shareholders present or represented at a duly organized meeting and entitled to vote thereat may continue to transact business until adjournment, notwithstanding the withdrawal of enough Shareholders to leave less than a quorum.

Section 7. Voting of Shares. Each outstanding share, regardless of class, shall be entitled to one vote on each matter submitted to a vote at a meeting of Shareholders, except as and to the extent otherwise provided by statute or the Articles of Incorporation. At any meeting of the Shareholders, every Shareholder having the right to vote shall be entitled to vote either in person or by proxy executed in writing by such Shareholder or by his duly authorized attorney-in-fact. No proxy shall be valid after eleven (11) months from the date of its execution unless otherwise provided in the proxy. Each proxy shall be filed with the Secretary of the Corporation prior to or at the time of the meeting. Any vote may be taken viva voce or by show of hands unless someone entitled to vote objects, in which case written ballots shall be used.

Section 8. Action without Meeting. Any action required by statute to be taken at a meeting of the Shareholders, or any action which may be taken at a meeting of the Shareholders, may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by al of the Shareholders entitled to vote with respect to the subject matter thereof and such consent shall have the same force and effect as a unanimous vote of the Shareholders. Any such signed consent, or a signed copy thereof, shall be placed in the Minute Book of the Corporation.

ARTICLE III

BOARD OF DIRECTORS

Section 1. Management of the Corporation. The business and affairs of the Corporation shall be managed by its Board of Directors, which may exercise all such powers of the Corporation and do all such lawful acts and things as are not be statute or by the Articles of Incorporation or by these By-Laws directed or required to be exercised or done by the Shareholders.

Section 2. Number and Qualifications. The Board of Directors shall consist of five (5) persons, which number may be increased or decreased from time to time by amendment to these By-Laws; provided, that at no time shall the number of Directors be less than three (3), and no decrease shall have the effect of shortening the term of any incumbent Director. Any directorship to be filled by reason of any increase in the number of Directors shall be filled by election at any annual meeting, or at a special meeting of Shareholders called for that purpose. None of the Directors need be Shareholders of the Corporation or residents of the State of Texas.

Section 3. Election and Term of Office. At each annual meeting of the

Shareholders, the Shareholders shall elect Directors to hold office until the next succeeding annual

meeting. At each election, the persons receiving the greatest number of votes shall be the Directors. Each Director elected shall hold office for the term for which he is elected and until his successor shall have been elected and shall have qualified or until his earlier death, resignation, retirement, disqualification or removal.

Section 4. Removal. Any Director may be removed either for or without cause at any special or annual meeting of Shareholders, by the affirmative vote of a majority in number of shares of the Shareholders present in person or by proxy at such meeting and entitled to vote for the election of such Director if notice of intention to act upon such matter shall have been given in the notice calling such meeting.

Section 5. Vacancies. Any vacancy occurring in the Board of Directors (by death, resignation, removal or otherwise) may be filled by an affirmative vote of a majority of the remaining Directors though less than a quorum of the Board of Directors. A Director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office.

Section 6. Place of Meetings. Meetings of the Board of Directors, annual, regular or special, may be held either within or without the State of Texas.

Section 7. Annual Meetings. The first meeting of each newly elected Board shall be held for the purpose of organization and the transaction of any other business without notice immediately following the annual meeting of Shareholders, and at the same place, unless by unanimous consent of the Directors then elected and serving such time or place shall be changed.

Section 8. Regular Meetings. Regular meetings of the Board of Directors, of which no notice shall be necessary, shall be held at such times and places as may be fixed from time to time by resolution adopted by the Board and communicated to all Directors. Except as otherwise provided by statute, the Articles of Incorporation or these By-Laws, any and al business may be transacted at any regular meeting.

Section 9. Special Meetings. Special meetings of the Board of Directors may be called by the Chairman of the Board or the President on seventy-two (72) hours' notice to each Director, either personally or by mail or by telegram. Special meetings shall be called by the President or Secretary in like manner and on like notice on the written request of any three (3) of the Directors.

Except as may be otherwise expressly provided by statute or by the Articles of Incorporation or by these By-Laws, neither the business to be transacted at, nor the purpose of, any meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting.

Section 10. Quorum and Manner of Acting. At all meetings of the Board of Directors the presence of a majority of the number of Directors fixed by these By-Laws shall be necessary and sufficient to constitute a quorum for the transaction of business except as otherwise provided by statute, the Articles of Incorporation or these By-Laws. The act of a majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors unless the act of a greater number is required by statute, the Articles of Incorporation or these By-Laws, in which case the act of such greater number shall be requisite to constitute the act of the Board. if a quorum shall not be present at any meeting of Directors, the Directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present. At any such adjourned meeting any business may be transacted at the meeting as originally convened.

Section 11. Action without a Meeting. Any action required or permitted to be taken at a meeting of the Board of Directors or at a meeting of an Executive Committee designated pursuant to Section 1 of Article V of these By-Laws may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by all members of the Board of Directors or Executive Committee, as the case may be. Any such signed consent, or a signed copy thereof, shall be placed in the minute book of the Corporation.

Section 12. Directors' Compensation. The Board of Directors shall have authority to determine, from time to time, the amount of compensation, if any, which shall be paid to its members for their services as Directors and as members of standing or special committees of the Board. The Board shall also have power in its discretion to provide for and to pay to Directors rendering services to the Corporation not ordinarily rendered by Directors as such, special compensation appropriate to the value of such services as determined by the Board from time to time. Nothing herein contained shall be construed to preclude any Director from serving the Corporation in any other capacity and receiving compensation therefor.

Section 13. Procedure. The Board of Directors shall keep regular minutes of its proceedings. The minutes shall be placed in the Minute Book of the Corporation.

ARTICLE IV

NOTICES

Section 1. Manner of Giving Notice. Whenever, under the provisions of the statutes or of the Articles of incorporation or of these By-Laws, notice is required to be given to any committee member, Director or Shareholder and no provision is made as to how such

notice shall be given, it shall not be construed to mean personal notice, but any such notice may be given in writing by mail, postage prepaid, addressed to such member, Director of Shareholder at his address as it appears on the records or (in the case of a Shareholder) the stock transfer books of the Corporation. Any notice required or permitted to be given by mail shall be deemed to be delivered at the time when the same shall be deposited in the United States mails as aforesaid.

Section 2. Waiver of Notice. Whenever any notice is required to be given to any committee member, Shareholder or Director of the Corporation under the provisions of the statutes or of the Articles of Incorporation or of these By-Laws, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to giving of such notice.

ARTICLE V

EXECUTIVE COMMITTEE

Section 1. Constitution and Powers. The Board of Directors, by resolution adopted by affirmative vote of a majority of the entire Board, May designate two or more Directors, one of whom shall be the President of the Corporation, to constitute an Executive committee, which Executive Committee shall have and may exercise, when the Board is not in session, all of the authority and powers of the Board of Directors in the business and affairs of the Corporation, even though such authority and powers be herein provided or directed to be exercised by a designated officer of the Corporation; provided that the foregoing shall not be construed as authorizing action by the Executive Committee with respect to any action which by statute, the Articles of Incorporation or these By-Laws is required to be taken by vote of a specified proportion of the number of Directors fixed by these By-Laws, or any other action required or specified by the Texas Business Corporation Act or other applicable law or by these By-Laws or by the Articles of Incorporation to be taken by the Board of Directors, as such. So far as practicable, members of the Executive Committee shall be appointed by the Board of Directors at its first meeting after each annual meeting of Shareholders and, unless sooner discharged by affirmative vote of a majority of the entire Board, shall hold office until their respective successors are appointed and qualify or until their earlier respective removals, deaths, resignations, retirements, or disqualifications.

Section 2. Meetings. Regular meetings of the Executive Committee, or which no notice shall be necessary, shall be held at such times and places as may be fixed from time to time by resolution adopted by affirmative vote of a majority of the whole Committee and communicated to all of the members thereof at any time on twenty-four (24) hours' notice to

each member, either personally or by mail or telegram. Except as may be otherwise expressly provided by statute or by the Articles of Incorporation or by these By-Laws, neither the business to be transacted at, nor the purpose of, any meeting of the Executive Committee need be specified in the notice or waiver of notice of such meeting. A majority of the Executive Committee shall constitute a quorum for the transaction of business, and the act of a majority of those present at any meeting at which a quorum is present shall be the act of the Executive Committee.

Section 3. Records. The Executive Committee shall keep a record of its acts and proceedings and shall report the same, from time to time, to the Board of Directors. The Secretary of the Corporation, or, in his absence, an Assistant Secretary, shall act as secretary of the Executive Committee or the Committee may, in its discretion, appoint its own secretary.

Section 4. Vacancies. Any vacancy in the Executive committee may be filled by affirmative vote of a majority of the entire Board.

ARTICLE VI

OTHER COMMITTEES OF THE BOARD

Section 1. Other Committees. The Board of Directors ;may, be resolution adopted by affirmative vote of a majority of the entire Board, designate two or more Directors to constitute another committee or committees for any purpose; provided, that any such other committee or committees shall have and may exercise only the power of recommending action to the Board of Directors and the Executive Committee and of carrying out and implementing any instructions or any policies, plans and programs theretofore approved, authorized and adopted by the Board of Directors or the Executive Committee.

ARTICLE VII

OFFICERS, EMPLOYEES AND AGENTS: POWERS AND DUTIES

Section 1. Elected Officers. The elected officers of the Corporation shall be a Chairman of the Board (if the Board of Directors shall determine the election of such officer to be appropriate), a President, one or more Vice Presidents, as may be determined from time to time by the Board (and, in the case of each such Vice President, with such descriptive title, if any, as the Board of Directors shall deem appropriate), a Secretary, and a Treasurer. The Chairman of the Board, if any, and the President shall be members of the

Board of Directors. No other elected officer of the Corporation need be a member of the Board of Directors.

Section 2. Election. So far as is practicable, all elected officers shall be elected by the Board of Directors at its first meeting after each annual meeting of Shareholders.

Section 3. Appointive Officers. The Board of Directors may also appoint one or more Assistant Secretaries and Assistant Treasurers and such other officers and assistant officers and agents (none of whom need be a member of the Board) as it shall from time to time by the Board of Directors or the Executive Committee.

Section 4. Two or More Offices. Any two (2) or more offices may be held by the same person, except that the President and Secretary shall not be the same person.

Section 5. Compensation. The compensation of all officers of the Corporation shall be fixed from time to time by the Executive committee, if the Corporation then has an Executive Committee, otherwise by the Board of Directors. The Executive Committee if the Corporation then has an Executive Committee, otherwise the Board of Directors, may, from time to time, delegate to the Chairman of the Board the authority to fix the compensation of any or all of the other officers of the Corporation.

Section 6. Term of Office; Removal; Filling of Vacancies. Each elected officer of the Corporation shall hold office until his successor is chosen and qualified in his stead or until his earlier death, resignation, retirement, disqualification or removal from office. Each appointive officer shall hold office at the pleasure of the Board of Directors without the necessity of periodic reappointment. Any officer or agent elected or appointed by the Board of Directors may be removed at any time by the Board of Directors may be removed at any time by the Board of Directors whenever in its judgment the best interests of the Corporation will be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment of an officer or agent will not of itself create contract rights. If the office of any officer becomes vacant for any reason, the vacancy may be filled by the Board of Directors.

Section 7. Chairman of the Board. The Chairman of the Board, if one shall be elected and serving, shall preside when present at all meetings of the Shareholders and of the Board of Directors. He shall be the Chief Executive Officer of the Corporation and, subject to the provisions of these By-Laws, shall have general supervision of the affairs of the Corporation and shall have general and active control of all its business. He and the President of the Corporation shall have general co-equal authority to execute bonds, deeds and contracts in the name of the Corporation and to affix the corporate seal thereto, and to

sign stock certificates. He shall have general authority to cause the employment or appointment of such employees and agents of the Corporation as the proper conduct of operations may require and to fix their compensation, subject to the provisions of these By-Laws; to remove or suspend any employee or agent who shall have been employed or appointed under his authority or under authority of an officer subordinate to him; to suspend for cause, pending final action by the authority which shall have elected or appointed him, any officer subordinate to the Chairman of the Board; and in general to exercise all of the powers usually appertaining to the Chief Executive Officer of a Corporation, except as otherwise provided by statute, the Articles of incorporation or any amendment thereto, or these By-Laws.

Section 8. President. If no Chairman of the Board is elected or serving, the President shall perform all duties of the Chairman of the Board; furthermore the President shall be the chief administrative officer of the Corporation and, subject to the provisions of these By-Laws, shall have general administrative supervision of the affairs of the Corporation. In the absence of the Chairman of the Board, or if such officer shall not have been elected or be serving, the President shall preside when present at meetings of the Shareholders and the Board of Directors. He shall have general, co-equal authority with the Chairman of the Board to execute bonds, deeds and contracts in the name of the Corporation and to affix the corporate seal thereto, and to sign stock certificates, and to perform all of the duties and functions and assume all of the responsibilities of the Chairman of the Board in the absence of the Chairman of the Board, or if such officer shall not have been elected or e serving. In the absence or disability of the President, his duties shall be performed and his powers may be exercised by the Vice Presidents in order of their seniority, unless otherwise determined by the Chairman of the Board, the Executive committee, or the Board of Directors.

Section 9. Vice Presidents. Each Vice President shall generally assist the President an shall have such powers and perform such duties and services as shall from time to time be prescribed or delegated to him by the President, the Executive Committee or the Board of Directors.

Section 10. Treasurer. The Treasurer shall be the chief accounting and

----

financial officer of the Corporation and shall have active control of and shall be responsible for all matters pertaining to the accounts and finances of the Corporation. He shall audit all payrolls and vouchers of the Corporation and shall direct the manner of certifying the same; shall supervise the manner of keeping all vouchers of the Corporation and shall direct the manner of certifying the same; shall supervise the manner of keeping all vouchers of payments by the Corporation and all other documents relating to such payments; shall receive, audit and consolidate all operating and financial statements of the Corporation and its various departments; shall have supervision of the books of account of the Corporation,

their arrangement and classification; shall supervise the accounting and auditing practices of the Corporation and shall have charge of all matters relating to taxation. The Treasurer shall have the care and custody of all monies, funds and securities of the Corporation; shall deposit or cause to be deposited all such funds in and with such depositories as the Board of Directors or the Executive Committee shall from time to time direct or as shall be selected in accordance with time to time direct or as shall be selected in accordance with procedure established by the Board of Executive Committee; shall advise upon all terms of credit granted by the Corporation; and shall be responsible for the collection of all its accounts and shall cause to be kept full and accurate accounts of all receipts and disbursements of the Corporation. He shall have the power to endorse for deposit or collection or otherwise all checks, drafts, notes, bills of exchange or other commercial papers payable to the Corporation and to give proper receipts or discharges for all payments to the Corporation. The Treasurer shall generally perform all the duties usually appertaining to the office of treasurer or a corporation. In the absence or disability of the Treasurer, his duties shall be performed and his powers may be exercised by the Assistant Treasurers in the order or their seniority, unless otherwise determined by the Treasurer, the President, the Executive Committee or the Board of Directors. If required by the Board of Directors, he shall give the Corporation a bond in such form, in such sum, and with such surety or sureties as shall be satisfactory to the Board for the faithful performance of the duties of his office.

Section 11. Assistant Treasurers. Each Assistant Treasurer shall generally
----
assist the Treasurer and shall have such powers and perform such duties and services as shall from time to time be prescribed or delegated to him by the Treasurer, the President, the Executive Committee or the Board of Directors.

Section 12. Secretary. The Secretary shall see that notice is given of all
----
meetings of the Shareholders and special meetings of the Board of Directors and shall keep and attest true records of all proceedings at all meetings of the Shareholders and the Board. He shall have charge of the corporate seal and have authority to attest any and all instruments or writings to which the same may be affixed. He shall keep and account for all books, documents, papers and records of the Corporation except those for which some other officer or agent is

properly accountable. He shall have authority to sign stock certificates and shall generally perform all the duties usually appertaining to the office of secretary of a corporation. In the absence or disability of the Secretary, his duties shall be performed and his powers may be exercised by the Assistant Secretaries in the order of their seniority, unless otherwise determined by the Secretary, the President, the Executive committee or the Board of Directors.

Section 13. Assistant Secretaries. Each Assistant Secretary shall generally assist the Secretary and shall have such powers and perform such duties and services as shall from

time to time e prescribed or delegated to him by the Secretary, the President, the Executive Committee or the Board of Directors.

Section 14. Additional Powers and Duties. In addition to the foregoing especially enumerated duties, services and powers, the several elected and appointive officers of the Corporation shall perform such other duties and services and exercise such further powers as may be provided by statute, the Articles of Incorporation or these By-Laws or as the Board of Directors or the Executive Committee may from time to time determine or as may be assigned to them by any competent superior officer.

ARTICLE VIII

STOCK AND TRANSFER OF STOCK

Section 1. Certificates Representing Shares. Certificates in such form as may be determined by the Board of Directors and as shall conform to the requirements of the statutes, the Articles of Incorporation and these By-Laws shall be delivered representing all shares to which Shareholders are entitled. Such certificates shall be consecutively numbered and shall be entered in the books of the Corporation as they are issued. Each certificate shall state on the face thereof that the Corporation is organized under the laws of Texas, the holder's name, the number and class of shares which such certificate represents, the par value of such shares or a statement that such shares are without par value, and such other matters as may be required by law. Each certificate shall be signed by the President or a Vice President and the Secretary or an Assistant Secretary and may be sealed with the seal of the Corporation or a facsimile thereof. If any certificate is countersigned by a transfer agent or registered by a registrar, either of which is other than the Corporation or an employee of the Corporation, the signature of any such officer may be facsimile.

Section 2. Lost Certificates. The Board of Directors, the Executive Committee, the President, or such other officer or officers of the Corporation as the Board of Directors may from time to time designate, in its or his discretion, may direct a new certificate or certificates representing shares to be issued in place of any certificate or certificates theretofore issued by the Corporation alleged to have been lost, stolen or destroyed. When authorizing such issue of a new certificate or certificates, the Board of Directors, the Executive Committee, the President, or any other officer, in its or his discretion and as a condition precedent to the issuance thereof, may require the owner of such lost, stolen or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as it or he shall require and/or give the Corporation a bond in such form, in such sum, and with such surety or sureties as it or he may direct as indemnity against any claim

that may be made against the Corporation with respect to the certificate or certificates alleged to have been lost, stolen or destroyed.

Section 3. Transfers of Shares. Shares of stock shall be transferable only on the books of the Corporation by the holder thereof in person or by his duly authorized attorney. Upon surrender to the Corporation or the transfer agent of the Corporation of a certificate representing shares, duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, with all required stock transfer tax stamps affixed thereto and canceled or accompanied by sufficient funds to pay such taxes, it shall be the duty of the Corporation or the transfer agent of the Corporation to issue a new certificate and record the transaction upon its books.

Section 4. Registered Shareholders. The Corporation shall be entitled to treat the holder of record of any share or shares of stock as the holder in fact thereof and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by law.

Section 5. Preemptive Rights. No Shareholder or other person shall have any preemptive rights whatsoever.

ARTICLE IX

MISCELLANEOUS

Section 1. Dividends. Dividends upon the outstanding shares of the Corporation, subject to the provisions of the statutes and of the Articles of Incorporation, may be declared by the Board of Directors at any annual, regular or special meeting. Dividends may be declared and paid in cash, in property, or in shares of the Corporation, or in any combination thereof. The declaration and payment shall be at the discretion of the Board of Directors.

Section 2. Reserves. There may be created from time to time by resolution of the Board of Directors, out of the earned surplus of the Corporation, such reserve or reserves as the Directors, in their discretion, think proper to provide for contingencies, or to equalize dividends, or to repair or maintain any property of the Corporation, or for such other purposes as the Directors shall think beneficial to the Corporation, and the Directors shall think beneficial to the Corporation, and the Directors may modify or abolish any such reserve in the manner in which it was created.

Section 3. Signature of Negotiable Instruments. All bills, notes, checks or other instruments for the payment of money shall be signed or countersigned by such officer, officers, agent or agents and in such manner as are permitted by these By-Laws or in such manner as, from time to time, may be prescribed by resolution (whether general or special) of the Board of Directors or the Executive Committee.

Section 4. Fiscal Year. The fiscal year of the Corporation shall be the calendar year, unless and until a different fiscal year is fixed by appropriate resolution of the Board of Directors.

Section 5. Seal. The Corporation's seal shall be in such form as shall be adopted and approved from time to time by the Board of Directors. The seal may be used by causing it, or a facsimile thereof, to be impressed, affixed, imprinted or in any manner reproduced.

Section 6. Closing of Transfer Books and Fixing Record Date. For the purpose of determining Shareholders entitled to notice of or to vote at any meeting of Shareholders or any adjournment thereof, or entitled to receive payment of any dividend, or in order to make a determination of Shareholders for any other proper purpose, the Board of Directors may provide that the stock transfer books of the Corporation shall be closed for a stated period but not to exceed, in any case, fifty (50) days. If the stock transfer books shall be closed for the purpose of determining Shareholders entitled to notice of or to vote at a meeting of Shareholders, such books shall be closed at least ten (10) days immediately preceding such meeting. In lieu of closing the stock transfer books, the Board of Directors may fix in advance a date as the record date for any such determination of Shareholders, such date in any case to be not more than fifty (50) days and in case of a meeting of Shareholders, not less than ten (10) days prior to the date on which the particular action, requiring such determination of Shareholders is to be taken. If the stock transfer books are not closed and no record date is fixed for the determination of Shareholders entitled to notice of or to vote at a meeting of Shareholders, or Shareholders entitled to receive payment of a dividend, the date on which notice of the meeting is mailed or the date on which the resolution of the Board of Directors declaring such dividend is adopted, as the case may be, shall be the record date for such determination of Shareholders. When a determination of Shareholders entitled to vote at any meeting has been made as provided in this Section, such determination shall apply to any adjournment thereof except where the determination has been made through the closing of stock transfer books and the stated period of closing has expired.

Section 7. Surety Bonds. Such officers and agents of the Corporation (if any) as the President, the Board of Directors, or the Executive Committee may direct, from time to

time, shall be bonded for the faithful performance or their duties and for the restoration to the Corporation, in case of their death, resignation, retirement, disqualification or removal from office, of all books, papers, vouchers, money and other property of whatever kind in their possession or under their control belonging to the Corporation, is such amounts and by such surety companies as the President, the Board of Directors or the Executive committee may determine. The premiums on such bonds shall be paid by the Corporation, and the bonds so furnished shall be in the custody of the Secretary.

ARTICLE X

AMENDMENTS

Section 1. These By-Laws may be altered, amended or repealed or new By-Laws may be adopted (a) at any meeting of the Board of Directors at which a quorum is present, provided notice of the proposed alteration, amendment or repeal or adoption be contained in the notice of such meeting, or (b) where permitted by applicable law and the Articles of Incorporation and any amendments thereto, at any meeting of the Shareholders at which a quorum is present or represented by the affirmative vote of the holders of a majority of the shares present or represented by proxy at such meeting and entitled to vote thereat, provided notice of the proposed alteration, amendment or repeal or adoption be contained in the notice of such meeting.

By: /s/Edgar O. Weller

Edgar O. Weller
President

ATTEST:

By: /s/Volney B. Stubbs

Volney B. Stubbs
Secretary

Adopted June 22, 1971

AMENDMENT TO

B Y - L A W S

OF

FROZEN FOOD EXPRESS INDUSTRIES, INC. of

ARTICLE II

SHAREHOLDERS' MEETINGS

Section 1. Annual Meeting. An annual meeting of the Shareholders, commencing with the year 1972, shall be held in the place designated where the meeting is to be, on the fourth Monday in April, if not a legal holiday in the place where the meeting is to be held; and if a legal holiday in such place, then on the next full business day following at a time designated by the Board of Directors. At that time they shall elect a Board of Directors and transact such other business as may properly be brought before the meeting.

By: /s/Edgar O. Weller
Edgar O. Weller
President

ATTEST:

By: /s/Volney B. Stubbs
Volney B. Stubbs
Secretary

ADOPTED: December 8, 1971

AMENDMENT TO

B Y - L A W S

OF

FROZEN FOOD EXPRESS INDUSTRIES, INC.

ARTICLE III

BOARD OF DIRECTORS

Section 2. Number and Qualifications. The Board of Directors shall consist of seven (7) persons, which number may be increased or decreased from time to time by amendment to these By-Laws; provided, that at no time shall the number of Directors be less than three (3), and no decrease shall have the effect of shortening the term of any incumbent Director. Any directorship to be filled by reason of any increase in the number of Directors shall be filled by election at any annual meeting, or at a special meeting of shareholders called for that purpose. None of the Directors need be Shareholders of the Corporation or residents of the State of Texas.

Section 3. Election and Term Of Office. At each annual meeting of the Shareholders, the Shareholders shall elect Directors to hold office until the next succeeding annual meeting, or until an individual member of the Board of Directors attains the age of seventy (70) years, whichever first occurs, in the case of the Director in question. At each election, the persons receiving the greatest number of votes shall be the Directors. Each Director elected shall hold office for the term for which he is elected and until his successor shall have been elected and shall have qualified or until his earlier death, resignation, retirement, disqualification or removal.

Section 4. Removal. Any Director may be removed either for or without cause at any special or annual meeting of Shareholders, by the affirmative vote of a majority in number of shares of the Shareholders present in person or by proxy at such meeting and entitled to vote for the election of such Director, if notice if intention to act upon such matter shall have been given in the notice calling such meeting. Upon attaining the age of seventy (70) years, a Director shall resign forthwith from the Board of Directors, or he shall be removed by the Shareholders if he shall fail to do so.

By: /s/Edgar O. Weller
Edgar O. Weller
President

ATTEST:

By: /s/Volney B. Stubbs
Volney B. Stubbs
Secretary

ADOPTED: February 12, 1975

AMENDMENT TO

B Y - L A W S

OF

FROZEN FOOD EXPRESS INDUSTRIES, INC. of

ARTICLE III

SHAREHOLDERS' MEETINGS

Section 1. Annual Meeting. An annual meeting of the Shareholders, commencing with the year 1976, shall be held in the place designated where the meeting is to be, on the last Thursday in April, if not a legal holiday in the place where the meeting is to be held; and if a legal holiday in such place, then on the next full business day following at a time designated by the Board of Directors. At that time they shall elect a Board of Directors and transact such other business as may properly be brought before the meeting.

By: /s/ Edgar O. Weller
Edgar O. Weller
President

ATTEST:

By: /s/ Volney B. Stubbs
Volney B. Stubbs
Secretary

ADOPTED: November 12, 1975

AMENDMENT TO

B Y - L A W S

OF

FROZEN FOOD EXPRESS INDUSTRIES, INC.

ARTICLE III

BOARD OF DIRECTORS

Section 2. Number and Qualifications. the Board of Directors shall consist of a minimum of seven (7) and a maximum of eleven (11) persons, which number may be increased or decreased form time to time by amendment to these By-Laws; provided that at no time ever shall the number of Directors be less than three (3), and no decrease shall have the effect of shortening the term of any incumbent Director. Any directorship to be filled by reason of any increase in the number of Directors shall be filled by election at any annual meeting, or at a special meeting of Shareholders called for that purpose. None of the Directors need be Shareholders of the Corporation or residents of the State of Texas.

Section 3. Election and Term of Office. At each annual meeting of the Shareholders, the Shareholders shall elect Directors to hold office until the next succeeding annual meeting, or until an individual member of the Board of Directors attains the age of seventy (70) years, whichever first occurs, in the case of the Director in question. At each election, the persons receiving the greatest number of votes shall be the Directors. Each Director elected shall hold office for the term for which he is elected and until his earlier death, resignation, retirement, disqualification or removal.

Section 4. Removal. Any Director may be removed either for or without cause at any special or annual meeting of Shareholders, by the affirmative vote of a majority in number of shares of the Shareholders present in person or by proxy at such meeting and entitled to vote for the election of such Director, if notice of intention to act upon such matter shall have been given in the notice calling such meeting. Upon attaining the age of seventy (70) years, a Director shall resign forthwith from the Board of Directors, or he shall be removed by the Shareholders if he shall fail to do so.

By: /s/ Edgar O. Weller

Edgar O. Weller
President

ATTEST:

By: /s/ Volney B. Stubbs

Volney B. Stubbs
Secretary

ADOPTED: February 9, 1977

AMENDMENT TO

B Y - L A W S

OF

FROZEN FOOD EXPRESS INDUSTRIES, INC.

ARTICLE III

BOARD OF DIRECTORS

Section 2. Number and Qualifications. The Board of Directors shall consist of a minimum of seven (7) and a maximum of eleven (11) persons, which number may be increased or decreased from time to time by amendment to these By-Laws; provided that at no time ever shall the number of Directors be less than three (3), and no decrease shall have the effect of shortening the term of any incumbent Director. Any directorship to be filled by reason of any increase in the number of Directors shall be filled by election at any annual meeting, or at a special meeting of Shareholders called for that purpose. None of the Directors need be Shareholders of the Corporation or residents of the State of Texas.

Section 3. Election and Term of Office. At each annual meeting of the Shareholders, the Shareholders shall elect Directors to hold office until the next succeeding annual meeting. At each election, the persons receiving the greatest number of votes shall be the Directors. Each Director elected shall hold office for the term for which he is elected and until his successor shall have been elected and shall have qualified or until his earlier death, resignation, retirement, disqualification or removal.

Section 4. Removal. Any Director may be removed either for or without cause at any special or annual meeting of Shareholders, by the affirmative vote of a majority in number of shares of the Shareholders present in person or by proxy at such meeting and entitled to vote for the election of such Director, if notice of intention to act upon such matter shall have been given in the notice calling such meeting.

By: /s/Stoney M. Stubbs, Jr.

Stoney M. Stubbs, Jr.
President

ATTEST:

By: /s/Volney B. Stubbs

Volney B. Stubbs
Secretary

ADOPTED: February 10, 1982

AMENDMENT TO

B Y - L A W S

OF

FROZEN FOOD EXPRESS INDUSTRIES, INC.

BOARD OF DIRECTORS

Section 2. Number and Qualifications. The Board of Directors shall consist of a minimum of seven (7) and a maximum of eleven (11) persons. Within the limits above specified, the number of Directors shall be fixed by resolution of the Board of Directors, but no decrease in the number of Directors shall have the effect of shortening the term of any incumbent Director. any directorship to be filled by reason of any increase in the number of Directors shall be filled by election at the annual meeting of Shareholders or at a special meeting of Shareholders called for that purpose. None of the Directors need be shareholders of the Corporation or residents of the State of Texas.

By: /s/Stoney M. Stubbs, Jr.

Stoney M. Stubbs, Jr.
President

ATTEST:

By: /s/Leonard W. Bartholomew

Leonard W. Bartholomew
Secretary

ADOPTED: February 11, 1983

AMENDMENT TO

B Y - L A W S

OF

FROZEN FOOD EXPRESS INDUSTRIES, INC.

BOARD OF DIRECTORS

Article III, Section 2

Section 2. Number and Qualifications. The Board of Directors shall consist of a minimum of seven (7) and a maximum of eleven (11) persons. Within the limits above specified, the number of Directors shall be fixed by resolution of the Board of Directors, but no decrease in the number of Directors shall have the effect of shortening the term of any incumbent Director. None of the Directors need be Shareholders of the Corporation or residents of the State of Texas.

By: /s/Edgar O. Weller

Edgar O. Weller
President

ATTEST:

By: /s/Volney B. Stubbs

Volney B. Stubbs
Secretary

ADOPTED: February 8, 1984

AMENDMENT TO

B Y - L A W S

OF

FROZEN FOOD EXPRESS INDUSTRIES, INC.

BOARD OF DIRECTORS

Article III, Section 5

Section 2. Vacancies; Increase in Number of Directors. Any vacancy occurring in the Board of Directors may be filled by election at any annual or special meeting of the shareholders called for that purpose or may be filled by the affirmative vote or a majority of the remaining directors though less than a quorum of the Board of Directors. A director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office. A directorship to be filled by reason of an increase in the numbers of directors may be filled by election at an annual or special meeting of shareholders called for that purpose or may be filled by the Board of Directors for a term of office continuing only until the next election of one or more directors by the shareholders; provided that the Board of Directors may not fill more than two such directorships during the period between any two successive annual meetings of shareholders.

By: /s/Edgar O. Weller

Edgar O. Weller
President

ATTEST:

By: /s/Volney B. Stubbs

Volney B. Stubbs
Secretary

ADOPTED: February 8, 1984

AMENDMENT TO

B Y - L A W S

OF

FROZEN FOOD EXPRESS INDUSTRIES, INC.

BOARD OF DIRECTORS

Article III

Section 2. Number and Qualifications. The Board of Directors shall consist of a minimum of seven (7) and a maximum of fifteen (15) persons, which number may be increased or decreased from time to time by amendment to these By-Laws; provided that at no time ever shall the number of Directors be less than three (3), and no decrease shall have the effect of shortening the term of any incumbent Director. Any directorship to be filled by reason of any increase in the number of Directors shall be filled by election at any annual meeting, or at a special meeting of Shareholders called for that purpose. None of the Directors need be Shareholders of the Corporation or residents of the State of Texas.

By: /s/Stoney M. Stubbs, Jr.

Stoney M. Stubbs, Jr.
President

ATTEST:

By: /s/ Leonard W. Bartholomew

Leonard W. Bartholomew
Secretary

ADOPTED: February 14, 1990

AMENDMENT TO

B Y - L A W S

OF

FROZEN FOOD EXPRESS INDUSTRIES, INC.

SHAREHOLDERS' MEETINGS

Article II, Section 5

Section 5. Notice of Meetings. Written or printed notice stating the place, day and hour of each meeting of the Shareholders and, in case of a special meeting, the purpose or purposes of which the meeting is called, shall be delivered not less than ten (10) nor more than sixty (60) days before the date of the meeting, either personally or by mail, by or at the direction of the President, the Secretary, or the body, officer or person calling the meeting, to each Shareholder of record entitled to vote at the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States Mail addressed to the Shareholder at his address as it appears on the stock transfer books of the Corporation, with postage thereon prepaid.

By: /s/Stoney M. Stubbs, Jr.

Stoney M. Stubbs, Jr.
President

ATTEST:

By: /s/Leonard W. Bartholomew

Leonard W. Bartholomew
Secretary

ADOPTED: February 12, 1997

Exhibit 13.1

THIS FORM 10-K INCORPORATES CERTAIN SECTIONS OF THE REGISTRANT'S 1998 ANNUAL REPORT TO SHAREHOLDERS. ACCORDINGLY, ONLY THE PORTIONS OF REGISTRANT'S 1998 ANNUAL REPORT TO SHAREHOLDERS WHICH ARE INCORPORATED BY REFERENCE INTO THIS FORM 10-K ARE FILED AS THIS EXHIBIT 13.1.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Results Of Operations

Revenue (including revenue from non-freight activities) increased by 10.5% in 1998 to $349,932,000. For 1997, revenue totaled $316,568,000 and was 1.7% above 1996 revenue of $311,428,000. Freight revenue rose by 7% during 1998 after posting a decline of 0.6% in 1997. Net income for 1998 increased by 3.3% and by 13.3% during 1997.

Trucking capacity exceeded the demand for that capacity during 1996 and the beginning of 1997. To achieve more balance between capacity and the demand for its services, the company slowed the expansion of its company-operated, full-truckload fleet during 1997. During 1998, as demand for trucking services improved, the company resumed expansion of its full-truckload fleets. At the end of 1998, the company's full-truckload fleet numbered approximately 1,670 trucks, as compared to about 1,500 at the end of 1997. Primarily due to the increased number of trucks, the number of full-truckload shipments rose by 5.8% during 1998 as compared to a 0.8% decrease during 1997.

Fluctuations in the demand for the company's less-than-truckload (LTL) services are less pronounced. LTL revenue posted increases of 4.7% in 1998 and 3.3% in 1997. Revenue per hundredweight increased by 5.1% and revenue per shipment increased by 4.6% in 1998, while the number of shipments declined by 3.8% during 1997 and did not change in 1998.

The company plans to add about 50 trucks to its company-operated, full-truckload fleet during 1999. Continued emphasis will be placed on improving the operating efficiency and increasing the utilization of this fleet through enhanced driver training and retention and reducing the percentage of empty, non-revenue-producing miles.

The operation of the company's full-truckload fleets is facilitated by satellite technology that enhances efficiency and customer service. The satellite-based communications system provides automatic hourly position updates of each tractor and permits real-time communication between operations personnel and drivers. Dispatchers relay pick-up, delivery, weather, road and other information to drivers while shipment status and other information are relayed by the drivers to the company's computers via satellite.

Prior to 1998, the company conducted limited operations involving "dedicated fleets". In such an arrangement, the company contracts with a customer to provide service involving the assignment of specific trucks to handle transportation needs of its customers. Frequently the company and customer anticipate that dedicated fleet logistics services will both lower the customer's transportation costs and improve the quality of the service the customer receives. In late 1998, the company improved its capability to provide and expanded efforts to market such services.

Throughout 1996, 1997 and 1998, the company did not experience significant shortages of employee-drivers, although excessive turnover continued. On a given day, it is not unusual for 20 to 40 trucks to be idle due to a shortage of drivers. This situation, which has been typical in the industry, increases costs of employee-driver compensation, training and recruiting. Significant resources are continually devoted to recruiting and retaining qualified employee-drivers and to improving their job satisfaction.

As a part of its driver recruiting and training program, the company partners with selected driver training schools. The company pre-qualifies prospective employee-drivers and assists in funding their education, contingent upon successful and continuing employment as a driver for the company. Bonuses are earned by employee-drivers meeting certain fuel economy, safety and tenure goals. Employee-drivers, as well as all other qualified employees, participate in stock option, 401(k), group health and other benefit programs. In the future, certain aspects of employee-drivers' compensation will continue to be tied to improvements in productivity and quality of service. Recovery of future cost increases, if any, associated with driver turnover and compensation will depend upon competitive freight-market conditions.

Income from operations rose by 11.2% during 1998 to $16,753,000 as compared to $15,060,000 in 1997 and $15,145,000 in 1996. The pre-tax margin for 1998, 1997 and 1996 was 4.5%, 4.4% and 3.8%, respectively.

Changes in the percentage of total revenue generated from full-truckload versus LTL shipments, as well as in the mix of company-provided versus owner-operator-provided equipment and in the mix of leased versus owned equipment, contributed to variations in related operating and interest expenses during the three-year period.

Salaries, wages and related expenses, as a percent of freight revenue, for 1998, 1997 and 1996 were 26.9%, 25.5% and 24.7%, respectively. These variations are due primarily to changes in the relative size of the company-operated, full-truckload fleet as compared to the number of trucks provided by owner-operators. The percentage of total full-truckload revenue from shipments transported on company-operated trucks was 76.1% in 1998, 74.4% in 1997 and 71.8% in 1996.

The company has traditionally relied on owner-operator-provided equipment to transport much of its customers' freight. As competition for employee-drivers has increased, other trucking companies have initiated or expanded owner-operator fleets.

Due primarily to the increased level of competition for owner-operator-provided equipment, the number of such trucks in the full-truckload fleet declined by about 65 during 1997. During 1998, the company became more aggressive in its solicitation for and retention of owner-operator-provided equipment. As a result, the number of full-truckload, owner-operator-provided trucks rose by more than 50 during 1998. Much of the 1997 decrease occurred during the first half of 1997 and most of the 1998 increase took place in the fourth quarter of 1998. As a result, owner-operator-provided equipment transported fewer shipments during 1998 than during 1997, and the percent of freight revenue absorbed by purchased transportation (primarily payments to owner-operators) declined from 24.0% in 1996 to 23.1% in 1997 and 21.9% in 1998. The company is considering programs designed to further expand its fleet of owner-operator trucks during 1999.

Per-gallon fuel costs paid by the company decreased by 15% during 1998 as compared to 1997. Such costs decreased by 4% in 1997 from 1996. Due to a variety of factors, fuel price volatility does not significantly impact the company's cost structure or profitability. Owner-operators are responsible for all costs associated with their equipment, including fuel. Therefore, the cost of such fuel is not a direct expense of the company. With regard to fuel expenses for company-operated equipment, the company attempts to mitigate the effect of fluctuating fuel costs by purchasing more fuel efficient tractors and aggressively managing fuel purchasing. Also, certain rates charged by the company for its services are adjustable by reference to market fuel prices. Relatively high or low per-gallon market fuel prices can result in upward or downward adjustment of freight rates, further mitigating the impact of such volatility on the company's profits. Fuel price fluctuations result from many external market factors that cannot be influenced or predicted by the company. In addition, each year several states increase fuel taxes. Recovery of future increases or realization of future decreases in fuel prices and fuel taxes, if any, will continue to depend upon competitive freight-market conditions.

The total of revenue equipment rent and depreciation expense increased to 11.4% of freight revenue in 1998 from 11.2% for 1997 and 10.7% for 1996. These increases were due in part to the increased use of leasing to finance the company's fleet. Equipment rental includes a component of interest-related expense which is classified as non-operating expense when the company incurs debt to acquire equipment. Equipment rent and depreciation also are affected by the replacement of less expensive (three year old) company-operated tractors and (seven year old) trailers with more expensive new equipment.

Claims and insurance expense, as a percent of freight revenue, was 4.0% in 1998, 4.1% in 1997 and 4.5% in 1996. Claims against the company for highway accidents are the primary component of claims and insurance expense. These expenses tend to vary with miles traveled and with changes in the mix of full-truckload versus LTL operations. Insurance premiums do not significantly contribute to costs, partially because the company carries large deductibles under its policies of liability insurance. Claims and insurance costs on a per-mile basis declined by 10% during 1997, and declined by an additional 3% during 1998. Favorable claims experience was a primary reason for these declines.

Driver selection, safety training, performance evaluations and rewards for accident-free driving will continue to be major areas of concentration. FFE Transportation Services, Inc. (FFE), the company's largest subsidiary, has placed in the top three among trucklines which run over 100 million miles annually in the Truckload Carriers Association's National Fleet Safety Contest, in each of the past seven years, including a first place finish for 1996.

Claims and insurance expense can vary significantly from year to year. Reserves representing the company's estimate of ultimate claims outcomes are established based on information available at the time of an incident. As additional information becomes available, previously recorded amounts may be revised. The aggregate amount of open claims, some of which involve litigation, is significant. In the opinion of management, however, these claims can be resolved without a material adverse effect on the company's financial position or its results of operations.

Gains from the sale of equipment rose from $1,069,000 in 1996 to $1,149,000 in 1997 and then fell to $840,000 in 1998. The amount of gains from the sale of equipment depends primarily upon conditions in the market for used equipment.

The company also has operations engaged in the sale and service of refrigeration equipment and of trailers used in freight transportation. Revenue from these operations was $43,819,000 in 1998, $30,470,000 during 1997 and $23,474,000 during 1996. The increase in non-freight revenue and margins during 1998 is attributable to increased sales of trailers and trailer refrigeration equipment. Operating profits from these operations of $1,862,000, $1,076,000 and $942,000 were posted for 1998, 1997 and 1996, respectively.

For 1998, 1997 and 1996, interest and other expense was $1,038,000, $1,244,000 and $3,370,000, respectively. These expenses are primarily associated with a company-owned life insurance ("COLI") program which began in 1994. During 1996, the President signed legislation which, effective January 1, 1996, limits the deductibility of COLI-related interest. In addition, the Internal Revenue Service has initiated other challenges of such programs. In light of these developments, the company has begun a phase-out of its COLI program. The phase-out is the primary reason for the 1998 decrease in interest and other expense.

Pre-tax income increased by 13.7% to $15,715,000 in 1998 and by 17.3% in 1997. Net income increased by 3.2% in 1998 and by 13.3% in 1997. The provision for income tax was 36.5% of pre-tax income for 1998, as compared to 30.1% for 1997 and 27.5% for 1996. Prior to 1998, fluctuations in effective income tax rates (as compared to the statutory federal rate of approximately 34%) were primarily attributable to the presence of non-taxable income from the COLI program. Offsetting this non-taxable income were tax-deductible interest costs associated with the program. The combination of non-taxable COLI income and this tax-deductible interest expense negatively impacted pre-tax income from 1994 through 1997. The effect was to reduce income tax payments through the deductibility of such interest costs. Due to the phase-out of the program during 1998, tax savings from related interest costs were reduced resulting in 1998's increased effective tax rate.

Liquidity and Capital Resources

The company continues to maintain a strong financial position. The table on pages 18 and 19 provides a summary of certain liquidity measures. The 1998 decrease in cash provided by operations is attributable primarily to increased accounts receivable and the settlement of certain accident claims during the year.

Expenditures for property and equipment totaled $27.7 million in 1998, $14.7 million during 1997 and $13.7 million during 1996. In addition, the company financed, through operating leases, the acquisition of revenue equipment valued at approximately $28 million in 1998, $27 million during 1997 and $40 million during 1996. The 1998 increase in capital expenditures and leased equipment resulted from 1998's resumed expansion of the company-operated fleet and the continuing development of new information systems.

In connection with the potential need for funds to finance business acquisitions and expansion of the company-operated, full-truckload fleet, the company has in place a $50 million unsecured line of credit. Interest rates under the credit agreement are at prime or below. No commitment fee is charged on the unused portion of the credit line, and no compensating balances are required. This line of credit is also used to support letters of credit issued in connection with the company's insurance and risk management programs. The amount available for borrowing is reduced by such letters of credit which totaled approximately $5 million at December 31, 1998. At the end of 1998, approximately $45 million was available under the credit line.

The company plans to add about 50 and replace about 500 of its company-operated tractors during 1999. In addition, to accommodate the possibility of growth in the owner-operator fleet of trucks, about 250 trailers may be added and about 175 will be replaced. These expenditures will be financed by internally generated funds, borrowings under the credit agreement, proceeds from the sale of retired assets and leasing. Management believes these sources of capital will be sufficient to finance the company's operations and capital expenditures during 1999.

At December 31, 1998 and 1997 there was no long-term debt outstanding.

Year 2000

The company is aware of the potential problems associated with existing information technology ("IT") systems as the year 2000 ("Y2K") approaches. The company's exposure to such problems does not involve significant date-sensitive computations. Rather, problems may occur with regard to IT systems and the impact erroneous dates may have on core business operating activities such as the company's ability to process customer orders, track and manage equipment and generate customer invoices. Disruptions in any such activity could have a negative impact on the company's ability to conduct its routine business operations. Systems are being developed based on more current technology, which address the issues associated with Y2K.

It is not practicable to isolate the portion of "new" system development costs which are specifically associated with the Y2K problem. Such costs have been financed by internally generated funds. Direct costs associated with the development effort have been capitalized by the company to be amortized against post-conversion income.

The company also uses a variety of assets that are operated by or reliant upon non-information technology ("non-IT") systems, such as equipment or refrigeration systems containing embedded technology. Modification or replacement would be necessary for proper performance of any IT or non-IT system that is unable to properly interpret and process the Y2K.

State of Readiness - The company is actively engaged in the process of evaluating the company's systems for Y2K compliance. In addition, the company is verifying the Y2K compliance of third parties with whom the company has a material relationship, such as customers, suppliers and service providers such as telecommunications providers and financial institutions. The first phase, evaluating the company's systems, is substantially complete. The second phase, evaluating third party systems, was commenced in the third quarter of 1998 and is expected to be substantially completed during the first half of 1999.

The failure of any internal non-IT system to be Y2K compliant is not expected to have a material effect on the business, operations or financial condition of the company. Nevertheless, the company will continue to take steps to modify or replace all non-IT systems that are not Y2K compliant during the 1999 calendar year. The cost of such conversions is not expected to be material.

The company's major internal IT and non-IT systems, which include the mainframe system presently in use require modification or replacement to become Y2K compliant. The systems project will replace all existing major IT systems with a Y2K compliant system. The new system is continually evaluated with respect to Y2K compliance. These evaluations are conducted by persons with requisite skills.

Programming, testing and training necessary to convert to the new system is expected to be complete by April 1999. Conversion efforts will commence promptly thereafter, and are expected to conclude within 60 days after commencement.

The project is aimed at improving and standardizing company processes and improving technology to reduce operating costs. This project centers around modifications to software procured from third party systems vendors. The new IT system and related processes are also expected to enhance the company's competitive position by improving customer service, pricing strategies and logistics management.

The company is also assessing the requirements to make Y2K compliant all third party IT system software used in desktop computers. These costs are not expected to be material.

Costs to Address Y2K Issues - The company has projected $10 million for the cost of the system project including costs associated with Y2K compliance. As of December 31, 1998, approximately $8 million had been expended.

Risks to the Company for Y2K Issues - The most likely worst case Y2K scenario for the company would be the failure of the project to be completed. It is not feasible to predict the impact on the company's financial condition or profitability as a result. However, management believes that the implementation of its contingency plan could be achieved with minimal to moderate disruption to the business and operations of the company.

Contingency Plan - If the new IT system is not implemented on schedule, the company will execute its contingency plan to meet a deadline of December 31, 1999. This would require the company to make modifications to the mainframe system and other currently operating systems. The company is considering alternatives such as manually processing certain transactions and outsourcing certain data processing functions. The cost of the mainframe upgrade would be significant and could be completed by the required deadline.

<TABLE>
<CAPTION>

Ten-Year Statistics and Financial Data	1998	1997	1996

(unaudited and in thousands, except ratio, rate, equipment and per-share amounts)

<S>	<C>	<C>	<C>
Summary of Operations			
Revenue	349,932	316,568	311,428
Operating expenses	333,179	301,508	296,283
Net income	9,979	9,664	8,533
Pre-tax margin	4.5%	4.4%	3.8%
After-tax return on equity	10.4%	10.9%	10.7%
Net income per common share, diluted	.59	.57	.51
Financial Data			
Working capital	39,353	44,979	34,162
Current ratio	2.2	2.4	2.1
Cash provided by operations	13,877	28,460	10,800
Capital expenditures, net	22,236	7,955	7,191
Long-term debt	--	--	--
Shareholders' equity	98,277	93,077	83,953
Long-term debt-to-equity ratio	--	--	--
Common Stock			
Average shares outstanding, diluted	17,039	17,056	16,838
Book value per share	5.96	5.53	5.04
Market value per share			
High	10 1/2	10 1/4	13 7/8
Low	5 5/8	8 3/8	7 7/8
Cash dividends per share	.12	.12	.12
Revenue			
Full-truckload	206,098	190,576	195,458
Less-than-truckload	100,015	95,522	92,496
TL/LTL % revenue contribution	59/29	60/30	63/30
Equipment in Service at Yearend			
Tractors			
Company operated	1,328	1,220	1,202
Provided by owner-operators	672	628	703
Total	2,000	1,848	1,905
Trailers			
Company operated	2,940	2,784	2,998
Provided by owner-operators	22	23	20
Total	2,962	2,807	3,018
Full-Truckload			
Revenue	206,098	190,576	195,458
Loaded miles	155,045	143,902	145,785
Shipments	166.0	156.9	158.1
Revenue per shipment	1,242	1,215	1,236
Loaded miles per load	934	917	922
Revenue per loaded mile	1.33	1.32	1.34
Shipments per business day	659	623	627
Revenue per business day	817	756	776
Less-than-Truckload			
Revenue	100,015	95,522	92,496
Hundredweight	8,502	8,537	8,652
Shipments	293.1	293.1	304.6
Revenue per hundredweight	11.76	11.19	10.69
Revenue per shipment	341	326	304
Revenue per business day	397	379	367
Pounds per shipment	2,901	2,913	2,840

</TABLE>

<TABLE>
<CAPTION>

1995	1994	1993	1992	1991	1990	1989
<S>	<C>	<C>	<C>	<C>	<C>	<C>
292,345	274,620	227,389	194,888	176,995	160,171	122,248
276,961	255,484	211,999	183,179	167,033	152,370	115,769
9,253	11,874	9,441	7,144	5,202	3,618	3,779
4.5%	6.5%	6.3%	5.8%	4.8%	3.6%	4.5%
13.3%	20.4%	20.1%	18.6%	16.0%	12.6%	14.6%
.56	.72	.58	.45	.34	.25	.26
25,024	25,623	20,823	16,949	15,612	13,085	9,567
1.7	1.8	1.8	1.8	2.1	1.9	2.0
24,180	20,025	17,482	16,395	14,968	9,022	9,174
8,383	8,160	18,453	18,375	(2,423)	16,285	11,619
--	9,000	17,000	12,000	5,000	19,200	12,500

75,021	64,288	51,983	41,799	35,059	30,005	27,255
--	.1	.3	.3	.1	.6	.5
16,519	16,451	16,276	15,910	15,249	14,519	14,534
4.59	4.03	3.31	2.72	2.42	2.11	1.96
13 7/8	15	15	11 1/2	4 1/8	2 3/4	2 7/8
8 1/2	11	7 1/4	3 7/8	1 7/8	1 7/8	2 1/8
.12	.096	.096	.079	.06	.06	.05
180,598	163,988	129,549	109,178	103,582	90,043	60,313
87,783	88,328	80,965	72,864	65,068	64,589	60,114
62/30	60/32	57/36	56/37	59/37	56/40	49/49
1,149	1,099	945	800	737	739	508
667	505	457	432	421	386	376
1,816	1,604	1,402	1,232	1,158	1,125	884
2,770	2,406	2,027	1,609	1,475	1,419	1,204
27	21	32	24	28	38	41
2,797	2,427	2,059	1,633	1,503	1,457	1,245
180,598	163,988	129,549	109,178	103,582	90,043	60,313
135,469	121,106	97,753	83,247	80,663	69,800	46,975
142.9	128.1	106.6	92.9	85.5	75.8	51.9
1,264	1,280	1,215	1,175	1,211	1,188	1,162
948	945	917	896	943	921	905
1.33	1.35	1.33	1.31	1.28	1.29	1.28
567	508	423	367	339	301	206
717	651	514	431	411	357	239
87,783	88,328	80,965	72,864	65,068	64,589	60,114
8,296	8,670	8,116	6,848	6,211	6,314	6,051
292.1	305.2	292.0	253.3	231.3	241.7	253.4
10.58	10.19	9.98	10.64	10.48	10.23	9.93
301	289	277	288	281	267	237
348	351	321	288	258	256	239
2,840	2,841	2,779	2,704	2,685	2,612	2,388

</TABLE>

Consolidated Statements of Income

Frozen Food Express Industries, Inc. and Subsidiaries
Years ended December 31, 1998, 1997 and 1996
(in thousands, except per-share amounts)

<TABLE>
<CAPTION>

<S>	<C> 1998	<C> 1997	<C> 1996
Revenue			
Freight revenue	$306,113	$286,098	$287,954
Non-freight revenue	43,819	30,470	23,474
	349,932	316,568	311,428
Costs and expenses			
Freight operating expenses			
Salaries, wages and related expenses	82,479	72,989	71,049
Purchased transportation	67,124	65,988	69,172
Supplies and expenses	82,892	78,854	79,243
Revenue equipment rent	25,578	22,349	21,367
Depreciation	9,381	9,643	9,478
Communications and utilities	4,321	3,294	3,625
Claims and insurance	12,207	11,634	13,028
Operating taxes and licenses	4,908	4,857	4,979
Gain on sale of equipment	(840)	(1,149)	(1,069)
Miscellaneous expense	3,172	3,655	2,879
	291,222	272,114	273,751
Non-freight costs and operating expenses	41,957	29,394	22,532
	333,179	301,508	296,283
Income from operations	16,753	15,060	15,145
Interest and other expense	1,038	1,244	3,370

Income before income tax	15,715	13,816	11,775
Provision for income tax	5,736	4,152	3,242
Net income	$ 9,979	$ 9,664	$ 8,533
Net income per share of common stock			
Basic	$ .59	$ .58	$ .52
Diluted	$ .59	$ .57	$ .51

</TABLE>

See accompanying notes.

Consolidated Balance Sheets

Frozen Food Express Industries, Inc. and Subsidiaries
December 31, 1998 and 1997

<TABLE>
<CAPTION>

<S>	1998 <C>	1997 <C>
Assets		
Current assets		
Cash and cash equivalents	$ 6,023	$ 23,318
Accounts receivable, net	43,802	35,028
Inventories	12,575	10,608
Tires on equipment in use	5,276	4,775
Deferred federal income tax	--	78
Other current assets	3,259	3,175
Total current assets	70,935	76,982
Property and equipment, net	64,405	53,333
Other assets	14,340	12,433
	$149,680	$142,748
Liabilities and Shareholders' Equity		
Current liabilities		
Trade accounts payable	$ 17,153	$ 14,389
Accrued claims	3,801	5,843
Accrued payroll	5,759	5,242
Federal income tax payable	1,104	799
Deferred federal income tax	212	--
Accrued liabilities	3,553	5,730
Total current liabilities	31,582	32,003
Long-term debt	--	--
Deferred federal income tax	8,418	7,711
Accrued claims and liabilities	11,403	9,957
Total liabilities and deferred credits	51,403	49,671
Commitments and contingencies	--	--
Shareholders' equity		
Common stock, 17,281 shares issued	25,921	25,921
Additional paid-in capital	5,323	4,779
Retained earnings	73,001	65,038
	104,245	95,738
Less - Treasury stock, at cost	5,968	2,661
Total shareholders' equity	98,277	93,077
	$149,680	$142,748

</TABLE>

See accompanying notes.

Consolidated Statements of Cash Flows

Frozen Food Express Industries, Inc. and Subsidiaries
Years ended December 31, 1998, 1997 and 1996
(in thousands)
<TABLE>
<CAPTION>

<S>	1998 <C>	1997 <C>	1996 <C>
Cash flows from operating activities			
Net income	$ 9,979	$ 9,664	$ 8,533
Non-cash items involved in net income			
Depreciation and amortization	10,854	10,331	10,012
Provision for losses on accounts receivable	2,285	1,964	1,434
Deferred federal income tax	997	1,079	1,393
Gain on sale of equipment	(840)	(1,149)	(1,069)
Non-cash contribution to employee benefit plans	1,370	1,631	1,415
Change in assets and liabilities			
Accounts receivable	(10,817)	2,508	(4,219)
Inventories	(1,967)	(2,168)	(219)
Tires on equipment in use	(501)	742	(300)
Other current assets	(85)	2,313	(1,351)
Trade accounts payable	4,553	(1,384)	(3,520)
Accrued claims and liabilities	(2,773)	1,993	(1,735)
Accrued payroll	517	292	271
Federal income tax payable	305	644	155
Net cash provided by operating activities	13,877	28,460	10,800
Cash flows from investing activities			
Expenditures for equipment	(27,722)	(14,656)	(13,734)
Proceeds from sale of equipment	5,486	6,701	6,543
Other	(2,787)	(1,686)	(3,403)
Net cash used in investing activities	(25,023)	(9,641)	(10,594)
Cash flows from financing activities			
Borrowings under revolving credit agreement	2,000	19,000	28,000
Payments against revolving credit agreement	(2,000)	(19,000)	(28,000)
Dividends paid	(2,016)	(2,012)	(1,977)
Proceeds from sale of treasury stock	1,546	1,513	1,521
Purchases of treasury stock	(5,679)	(1,672)	(560)
Net cash used in financing activities	(6,149)	(2,171)	(1,016)
Net (decrease) increase in cash and cash equivalents	(17,295)	16,648	(810)
Cash and cash equivalents at beginning of year	23,318	6,670	7,480
Cash and cash equivalents at end of year	$ 6,023	$ 23,318	$ 6,670

</TABLE>

See accompanying notes.

Consolidated Statements of Shareholders' Equity

Frozen Food Express Industries, Inc. and Subsidiaries
Years ended December 31, 1998, 1997 and 1996
(In thousands)

<TABLE>
<CAPTION>

<S>	Shares of Common Stock Issued <C>	Par Value of Common Stock <C>	Additional Paid-In Capital <C>	Retained Earnings <C>	Shares of Treasury Stock <C>	Cost of Treasury Stock <C>	Total Shareholders' Equity <C>
At December 31, 1995	17,281	$25,921	$1,992	$50,830	943	$ 3,722	$75,021
Net income	--	--	--	8,533	--	--	8,533
Cash dividends paid	--	--	--	(1,977)	--	--	(1,977)
Treasury stock reacquired	--	--	--	--	58	560	(560)

Treasury stock reissued	--	--	1,597	--	(267)	(1,081)	2,678
Exercise of stock options	--	--	(127)	--	(95)	(385)	258
At December 31, 1996	17,281	25,921	3,462	57,386	639	2,816	83,953
Net income	--	--	--	9,664	--	--	9,664
Cash dividends paid	--	--	--	(2,012)	--	--	(2,012)
Treasury stock reacquired	--	--	--	--	183	1,686	(1,686)
Treasury stock reissued	--	--	1,377	--	(304)	(1,475)	2,852
Exercise of stock options	--	--	(60)	--	(73)	(366)	306
At December 31, 1997	17,281	25,921	4,779	65,038	445	2,661	93,077
Net income	--	--	--	9,979	--	--	9,979
Cash dividends paid	--	--	--	(2,016)	--	--	(2,016)
Treasury stock reacquired	--	--	--	--	694	5,679	(5,679)
Treasury stock reissued	--	--	673	--	(250)	(1,645)	2,318
Exercise of stock options	--	--	(129)	--	(107)	(727)	598
At December 31, 1998	17,281	$25,921	$5,323	$73,001	782	$ 5,968	$98,277

</TABLE>

See accompanying notes.

Notes to Consolidated Financial Statements

Frozen Food Express Industries, Inc. and Subsidiaries
December 31, 1998

1. Summary of Significant Accounting Policies

Principles of Consolidation -- Frozen Food Express Industries, Inc. (FFEX), a Texas corporation, and its subsidiaries, all of which are wholly-owned, are primarily engaged in motor carrier transportation of perishable commodities, providing service for both full-truckload and less-than-truckload shipments in all 48 contiguous states as well as Canada and Mexico. The consolidated financial statements include FFEX and all subsidiary companies (the Company). All significant intercompany balances and transactions have been eliminated in consolidation.

Accounting Estimates -- The preparation of financial statements in conformity with generally accepted accounting principles requires estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. Estimates and assumptions also influence the disclosure of contingent assets and liabilities at the date of the financial statements. Actual outcomes may vary from these estimates and assumptions.

Cash Equivalents -- The Company considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

Accounts Receivable -- The Company extends unsecured trade credit to customers primarily located in the United States. Management has provided an allowance for doubtful accounts which reflects its estimate of amounts which will eventually become uncollectible. Accounts receivable from customers are stated net of allowances for doubtful accounts of $3,246,000 and $2,876,000 as of December 31, 1998 and 1997, respectively.

Inventories -- Inventories are valued at the lower of cost (principally weighted average cost or specific identification method) or market.

Freight Revenue and Expense Recognition -- Freight revenue and associated direct operating expenses are recognized on the date the freight is picked up from the shipper.

Income Taxes -- Deferred income taxes are provided for temporary differences between the tax basis of assets and liabilities and their financial reporting amounts. Deferred taxes are recorded based upon statutory tax rates anticipated to be in effect when temporary differences are expected to reverse.

Long-Lived Assets -- The Company periodically evaluates whether the remaining useful life of long-lived assets may require revision or whether the remaining unamortized balance is recoverable. When factors indicate that an asset should be evaluated for possible impairment, the Company uses an estimate of the asset's discounted cash flow in evaluating its recoverable value. Included in other non-current assets are costs associated with life insurance policies and related investments owned by the Company.

2. Property and Equipment

Property and equipment is carried at historical cost and consists of the following (in thousands):

	1998	1997
Land	$ 3,273	$ 3,223
Buildings and improvements	14,971	14,740
Revenue equipment	55,822	50,134
Service equipment	14,887	13,641
Computer, software and related equipment	19,425	15,426
	108,378	97,164
Less accumulated depreciation	43,973	43,831
	$ 64,405	$53,333

Depreciation assumes the straight-line method generally over estimated useful lives of 20 to 30 years for buildings, 3 to 10 years for improvements to owned or leased facilities, 3 to 7 years for revenue equipment, 2 to 20 years for service equipment and 2 to 7 years for computer, software and related equipment. Maintenance and repairs are charged to operations as incurred.

3. Long-Term Debt

The Company has a $50 million line of credit pursuant to a revolving credit agreement with three commercial banks. The agreement, which has no stated expiration date, can be terminated by either party upon sixty days' notice, with repayment due over 4 years commencing 13 months following the termination. Interest is due quarterly at the prime rate of one of the banks. Alternately, the Company may elect to borrow for specified periods of time at fixed interest rates which are based on the London Interbank Offered Rate or specified certificate of deposit rates in effect at the time of a fixed rate borrowing. No borrowings were outstanding at December 31, 1998 or 1997.

The agreement sets certain minimum limits on consolidated net worth. Cash dividends paid during any four consecutive quarters may not exceed 40% of the total net income of the four quarters preceding dividend declaration. Certain minimum financial and coverage ratios are required. Investments, mergers and leases of property are also restricted. The amount the Company may borrow is reduced by outstanding letters of credit. At December 31, 1997 and 1998, approximately $45 million was available under the agreement. No commitment fees are charged on the unused portion of the credit line, and no compensating balances are required.

Total interest payments under this credit line during 1998, 1997 and 1996 were $5,000, $149,000 and $130,000, respectively.

4. Financing and Investing Activities Not Affecting Cash

During 1998, 1997 and 1996, the Company funded contributions to its Employee Savings Plan and one of its Employee Stock Ownership Plans and Trusts (ESOPs) by transferring 140,194, 179,998 and 141,112 shares, respectively, of treasury stock to the trustees of the plans. The fair market value of the shares, at the time of the contributions, was approximately $1,370,000, $1,631,000 and $1,415,000, for 1998, 1997 and 1996, respectively.

As of December 31, 1997, accounts payable included $1,789,000 for the purchase of equipment delivered during 1997. As of December 31, 1998 and 1997, accounts receivable included $794,000 and $982,000, respectively, from the sale of equipment retired and sold during 1998 and 1997.

5. Retirement Plans

The Company sponsors a Savings Plan (the Plan) for its employees. Contributions by the Company to the Plan are determined by reference to voluntary contributions made by each employee. Additional contributions are made at the discretion of the Board of Directors. Company contributions are made on a quarterly basis in cash or by transferring, at fair market value, shares of FFEX stock to the Plan. For 1998, 1997 and 1996, total Company contributions to the Plan were approximately $1,653,000, $1,631,000 and $996,000, respectively.

6. Income Taxes

Total income taxes paid by the Company were $5,150,000, $832,000 and $153,000 for 1998, 1997 and 1996, respectively. The following presents the changes in the primary components of the net deferred tax liability (in thousands):

	December 31, 1997	Deferred (Provision) Benefit	December 31, 1998
Deferred Tax Assets:			
Accrued claims	$ 4,770	$ 177	$ 4,947
Allowance for bad debts	938	111	1,049
	5,708	288	5,996
Deferred Tax Liabilities:			
Prepaid expense	(2,463)	(35)	(2,498)
Fixed assets	(10,508)	(1,178)	(11,686)
Other	(370)	(72)	(442)
	(13,341)	(1,285)	(14,626)
	$ (7,633)	$ (997)	$ (8,630)

The differences between the statutory federal income tax rate and the Company's effective income tax rate are as follows:

	1998	1997	1996
Statutory federal income tax rate	34.5%	34.3%	34.2%
Company-owned life insurance	--	(3.5)	(8.1)
State income taxes and other	2.0	(0.7)	1.4
	36.5%	30.1%	27.5%

The provision for income tax consists of the following (in thousands):

	1998	1997	1996
Taxes currently payable			
Federal	$4,264	$2,531	$1,544
State	475	542	305
Deferred federal taxes	997	1,079	1,393
	$5,736	$4,152	$3,242

7. Net Income Per Share of Common Stock

Basic Earnings Per Share ("EPS") is computed by dividing net income by the weighted average number of shares of common stock outstanding during the year. Diluted EPS is determined by dividing net income by the weighted average shares outstanding assuming the exercise of all dilutive items (using the treasury stock method).

The table below sets forth information regarding weighted average basic and diluted shares (in thousands):

	1998	1997	1996
Basic Shares	16,789	16,767	16,473
Common Stock Equivalents	250	289	365
Diluted Shares	17,039	17,056	16,838

Notes to Consolidated Financial Statements

All common stock equivalents result from dilutive stock options. For 1998, 1997 and 1996 the percentage of stock options excluded from common stock equivalents due to exercise prices in excess of average market prices was 52%, 43% and 31%, respectively.

8. Commitments and Contingencies

The Company leases real estate and equipment. The aggregate future minimum rentals under non-cancelable operating leases at December 31, 1998, are (in thousands):

	Third Parties	Related Parties	Total
1999	$20,000	$1,171	$21,171
2000	14,438	768	15,206
2001	9,994	--	9,994
2002	6,627	--	6,627
2003	4,798	--	4,798
After 2003	4,077	--	4,077
Total	$59,934	$1,939	$61,873

Leases with related parties involve tractors leased from certain officers of the Company under three year non-cancelable operating leases. Rentals are determined by reference to amounts paid by the Company to unaffiliated third-party lessors. For 1998, 1997 and 1996, payments under these leases were $1,389,000, $1,191,000, and $1,028,000, respectively.

At December 31, 1998, the Company had purchase commitments of approximately $15 million for the purchase of revenue equipment during 1999.

The Company has accrued for costs related to public liability and work-related injury claims. At the time of an incident, the Company records a reserve for the incident's estimated outcome, which may be adjusted as additional information becomes available. Total accrued claims liabilities represent all such reserves and the Company's estimate for incidents which may have been incurred but not reported as of the balance sheet date. In the opinion of management, these actions can be successfully defended or resolved, and any additional costs incurred over amounts accrued will not have a material adverse effect on the Company's financial position or results of operations. At December 31, 1998, the Company had established $5,000,000 of irrevocable letters of credit in favor of insurance companies and pursuant to certain self-insurance agreements. The letters of credit may be drawn upon in the event of default for failure to pay claims.

9. Shareholders' Equity

As of December 31, 1998, 1997 and 1996, there were authorized 40 million shares of FFEX's $1.50 par value common stock.

Unexercised options were granted pursuant to stock option plans adopted in 1996, 1994, 1993, 1987 and 1982. The stock option plans provide that options for shares of FFEX common stock may be granted to officers and employees of the Company at the fair market value on the date of grant and to non-employee directors of FFEX at the greater of 50% of the fair market value at date of grant or $1.00. All options expire 10 years from the date of grant.

Options may be granted for 10 years following plan adoption. The table below sets forth summarized information regarding stock options (in thousands, except per-share amounts):

	1998	1997	1996
Options outstanding at Beginning of Year	2,329	1,363	1,222
Cancelled	(704)	(268)	(23)
Granted	1,700	1,307	259
Exercised	(108)	(73)	(95)
Options outstanding at Year-End	3,217	2,329	1,363
Exercisable options	1,045	1,031	1,114
Options available for future grants	1,761	1,262	55
Average price of options			
Cancelled during year	$ 8.66	$ 8.69	$ 5.25
Granted during year	$ 8.48	$ 8.87	$ 7.98
Exercised during year	$ 5.20	$ 4.17	$ 2.72
Outstanding at yearend	$ 8.03	$ 8.61	$ 8.23

The Company applies APB Opinion 25 and related interpretations in accounting for its plans. Accordingly, no expense has been recognized for stock option grants to officers and other employees. Had such expense been determined based on the fair value at the grant dates for awards under those plans consistent with the method of FASB Statement 123, the Company's net income would have been reduced to $9,167,000 ($0.54 per share, diluted) for 1998, $8,784,000 ($.52 per share, diluted) for 1997 and $7,570,000 ($.45 per share, diluted) for 1996. The expense that has been charged against income for grants to non-employee directors was $56,000, $42,000 and $54,000 for 1998, 1997 and 1996, respectively.

Pro forma information regarding net income and earnings per share has been determined as if the Company had accounted for its employee stock options under the fair value method. For purposes of pro forma disclosures, the estimated fair value of the options is recognized over the options' vesting period.

The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted average assumptions for 1998, 1997 and 1996:

	1998	1997	1996
Risk-free interest rate	5.27%	6.25%	5.90%
Dividend yield	1.46%	1.36%	1.47%
Volatility factor	.365	.368	.368
Weighted average expected life (years)	5.8	6.0	6.0

The Black-Scholes option valuation model uses highly subjective assumptions and was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. The Company's stock options have characteristics significantly different from those of traded options. Because changes in the subjective assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its stock options.

Information regarding the range of unexercised option prices at December 31, 1998 is as follows:

<TABLE>

Quantity of Options (in thousands)	Priced Between
187	$1.00 - $ 5.00
562	$5.01 - $ 8.00
2,468	$8.01 - $12.40

3,217	
=====	

In November of 1998, the Company authorized the repurchase of up to one million shares of Company stock in the open market of which 297,000 had been repurchased as of December 31, 1998. Pursuant to this and previous authorizations, $4,643,000 was expended to acquire a total of 581,500 shares during 1998.

10. Operating Segments

The operations of the Company consist of two reportable segments as defined by Statement of Financial Accounting Standard 131 ("FAS 131") "Disclosure About Segments of an Enterprise and Related Information". The larger segment consists of the Company's motor carrier operation, which is engaged in transportation of primarily perishable commodities, providing both full-truckload and less-than-truckload service in all 48 contiguous States, Canada and Mexico. The Company's motor carrier operations are conducted in a number of divisions and subsidiaries and are similar in nature. FAS 131 permits combination of such similar divisions and subsidiaries. The Company has elected to report all motor carrier operations as one reportable segment. The smaller reportable segment consists of the company's non-freight operations which are engaged primarily in the sale and service of refrigeration equipment and of trailers used in freight transportation.

Financial information for each reportable segment for each of the 3 years ended December 31, 1998 is as follows (in millions):

	1998	1997	1996
Freight Operations			
Total Revenue	$306.1	$286.1	$288.0
Operating Income	14.9	14.0	14.2
Total Assets	140.3	136.8	122.1
Non-Freight Operations			
Total Revenue	$ 56.6	$ 36.9	$ 36.5
Operating Income	1.9	1.1	0.9
Total Assets	23.0	17.1	13.7
Intercompany Eliminations			
Revenue	$ 12.8	$ 6.4	$ 13.1
Operating Income	--	--	--
Assets	13.6	11.2	6.2
Consolidated			
Revenue	$349.9	$316.6	$311.4
Operating Income	16.8	15.1	15.1
Assets	149.7	142.7	129.6

Intercompany eliminations of revenue relate to transfers at cost of inventory such as trailers and refrigeration units from the non-freight segment for use by the freight segment.

Report of Independent Public Accountants

To Frozen Food Express Industries, Inc.:

We have audited the accompanying consolidated balance sheets of Frozen Food Express Industries, Inc. and subsidiaries as of December 31, 1998 and 1997, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Frozen Food Express Industries, Inc. and subsidiaries as of December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles.

Dallas, Texas /s/ Arthur Andersen LLP
February 10, 1999

Quarterly Financial, Stock and Dividend Information

(Unaudited)
(in thousands, except per-share amounts)

<TABLE>
<CAPTION>

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
<S>	<C>	<C>	<C>	<C>	<C>
1998					
Revenue	$77,511	$89,416	$93,527	$89,478	$349,932
Income from operations	2,157	5,117	4,846	4,633	16,753
Net income	1,395	3,038	2,850	2,696	9,979
Net income per share of common stock					
Basic	.08	.18	.17	.16	.59
Diluted	.08	.18	.17	.16	.59
Cash dividends per share	.03	.03	.03	.03	.12
Common stock price per share					
High	10 3/8	10 1/2	10	9 3/4	10 1/2
Low	8 3/8	9 1/4	5 5/8	6 5/8	5 5/8
Common stock trading volume	1,379	2,005	2,955	2,237	8,576
1997					
Revenue	$72,686	$81,256	$82,981	$79,645	$316,568
Income from operations	2,948	4,114	4,354	3,644	15,060
Net income	1,371	2,772	2,944	2,577	9,664
Net income per share of common stock					
Basic	.08	.17	.18	.15	.58
Diluted	.08	.16	.17	.15	.57
Cash dividends per share	.03	.03	.03	.03	.12
Common stock price per share					
High	9 7/8	9 1/2	10 1/8	10 1/4	10 1/4
Low	8 3/8	8 5/8	8 1/2	8 3/4	8 3/8
Common stock trading volume	1,283	1,973	1,650	1,196	6,102

</TABLE>

As of March 2, 1999, the Company had approximately 7,000 beneficial shareholders, including participants in the company's retirement plan.

EXHIBIT 21.1

SUBSIDIARIES OF
FROZEN FOOD EXPRESS INDUSTRIES, INC.

Name of Subsidiary	Jurisdiction of Incorporation
FFE Transportation Services, Inc.	Delaware
W & B Refrigeration Service Company	Delaware
Conwell Corporation	Delaware
Lisa Motor Lines, Inc.	Delaware
Compressors Plus, Inc.	Texas
Compressors Plus, Inc. *	Delaware
FFE. Inc.	Texas
Conwell Cartage, Inc. *	Texas
Frozen Food Express, Inc. *	Texas
Middleton Transportation Company *	Texas

Each subsidiary does business under its corporate name.

* Inactive

```
<TABLE> <S> <C>


<ARTICLE> 5
<LEGEND>
THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE
CONSOLIDATED BALANCE SHEETS OF FROZEN FOOD EXPRESS INDUSTRIES, INC. AND
SUBSIDIARIES AS OF DECEMBER 31, 1998, AND THE CONSOLIDATED STATEMENTS OF INCOME,
CASH FLOWS AND STOCKHOLDERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 1998, AND IS
QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
</LEGEND>
<MULTIPLIER>                                   1000

<S>                                <C>
<PERIOD-TYPE>                      12-MOS
<FISCAL-YEAR-END>                            DEC-31-1998
<PERIOD-END>                                 DEC-31-1998
<CASH>                                             6,023
<SECURITIES>                                           0
<RECEIVABLES>                                     47,048
<ALLOWANCES>                                       3,246
<INVENTORY>                                       12,575
<CURRENT-ASSETS>                                  70,935
<PP&E>                                           108,378
<DEPRECIATION>                                    43,973
<TOTAL-ASSETS>                                   149,680
<CURRENT-LIABILITIES>                             31,582
<BONDS>                                                0
<PREFERRED-MANDATORY>                                  0
<PREFERRED>                                            0
<COMMON>                                          25,921
<OTHER-SE>                                        72,356
<TOTAL-LIABILITY-AND-EQUITY>                     149,680
<SALES>                                           43,819
<TOTAL-REVENUES>                                 349,932
<CGS>                                                  0
<TOTAL-COSTS>                                    333,179
<OTHER-EXPENSES>                                   1,038
<LOSS-PROVISION>                                   2,285
<INTEREST-EXPENSE>                                 1,038
<INCOME-PRETAX>                                   15,715
<INCOME-TAX>                                       5,736
<INCOME-CONTINUING>                                9,979
<DISCONTINUED>                                         0
<EXTRAORDINARY>                                        0
<CHANGES>                                              0
<NET-INCOME>                                       9,979
<EPS-PRIMARY>                                       0.59
<EPS-DILUTED>                                       0.59
```

</TABLE>