FDX Reports Third Quarter Fiscal 1998 Earnings

MEMPHIS, Tenn., March 25, 1998 -- ... FDX Corp. today reported third quarter earnings as shown in the table below:

	Current Year	Prior Year	
	FedEx Q3 & Caliber Period Nov. 9, 1997 - Feb. 28, 1998	**(A) FedEx Q3 & Caliber Period June 16, 1996 - Sep. 7, 1996 (fiscal period)**	**(B) FedEx Q3 & Caliber Period Nov. 3, 1996 - Mar.1, 1997 (calendar period)**
Diluted EPS	$0.12	$0.41	($0.75)
Diluted EPS excl. merger expenses & impairment charges	$0.65	$0.41	$0.44

Explanatory Note

FDX Corp. prior year earnings per share are shown two ways to allow comparisons with last year. Column A is the prior year EPS comparison made in accordance with the rules of the Securities and Exchange Commission (SEC) using the pooling of interests method of accounting. It combines Federal Express Corp.'s (FedEx) third quarter period (Dec. 1996-Feb. 1997) with Caliber System, Inc.'s (Caliber) third quarter period (June 16-Sep. 7, 1996) which for Caliber represents the third quarter of its full annual period ended Dec. 31, 1996. Caliber's third quarter will be included in the FDX Corp. fiscal year ended May 31, 1997 and is referred to as the "fiscal period" in this release. Column B is a prior year comparison on a like-calendar basis except there are five fewer shipping days in Caliber's current period than in Caliber's prior year period. Column B is referred to as the "calendar period" in this release.

After-tax merger expenses of $79.7 million were related to the acquisition of Caliber System, Inc. (Caliber) and consisted primarily of investment banking fees and certain payments to members of Caliber's management in accordance with pre-existing management retention agreements. Net income excluding merger expenses was $97.4 million, or $0.65 per share, compared to $61.0 million, or $0.41 per share, in the prior year fiscal period and $65.2 million, or $0.44 per share, in the prior year calendar period excluding asset impairment charges of $225.0 million related to the restructuring of Viking Freight, Inc. (Viking). Net income including merger expenses was $17.7 million, or $0.12 per share.

Consolidated revenues for the quarter were $3,986.3 million, 13% higher than the fiscal period's $3,534.0 million and 6% higher than the calendar period's $3,756.2 million. Excluding merger expenses, operating income was $183.4 million compared to $133.2 million in the fiscal period and $137.9 million in the calendar period excluding the impairment charge.

"FDX Corp. delivered strong increases in operating income-38% over the fiscal period and 33% over the calendar period, excluding one-time charges," said executive vice president and chief financial officer Alan B. Graf, Jr. "These earnings were driven by significant increases in U.S. volume growth at both FedEx and Caliber, reflecting the power inherent in the portfolio of services offered by these two companies."

Federal Express Corp.'s U.S. Domestic Operating Income Improves

Excluding merger expenses of $14.0 million, Federal Express Corp.'s (FedEx) U.S. domestic operating income for the quarter was $118.9 million, compared to operating income of $78.3 million in the prior year quarter excluding $20.8 million attributable to the expiration of a federal excise tax on the transportation of property by air. The excise tax expiration relieved FedEx of its obligation to pay the tax for that period.

"In the U.S., FedEx's operating income showed a solid increase, up 52% excluding merger expenses in the most recent quarter and the excise tax expiration in last year's third quarter," said Graf. "This increase in operating income was the result of profitable U.S. domestic volume growth-package volumes grew 7.5% year-over-year in the third quarter, while revenue per package increased 4.9%-again excluding the tax savings. U.S. cost per package rose 3.6% excluding merger expenses, primarily due to increased salaries, employee benefits, maintenance and trucking expenses."

In the third quarter, FedEx incurred a $6.8 million operating loss in its international operations on international segment revenues of $859.2 million. In last year's third quarter, the international segment reported operating income of $33.8 million on revenues of $791.0 million.

"Overall, currency declines reduced international operating income approximately $10 million," said Graf. "We have not seen any fundamental improvement in the Asian economies since the post-holiday slowdown, but we expect FedEx's international operations in the seasonally strong fourth quarter to be profitable, although fiscal 1998 international results will remain below fiscal 1997 levels."

In addition to the impact from currency declines, international results were negatively affected by a 25-30% increase in capacity year-over-year, primarily resulting from flights added in September 1997.

"FedEx International Priority(R) (IP) service grew 13% year-over-year in the third quarter, down from last quarter's 18% growth rate, while IP's revenue per package remained essentially flat," said Graf. "Though still strong, this level of growth is disappointing, especially in light of the anticipated growth which compelled us to add capacity last fall. An extremely competitive pricing environment coupled with weakness in Asian economies resulted in lower yields, reducing international airfreight revenues by $11 million compared to last year's third quarter even though total international airfreight pounds increased 9%."

FedEx's total revenues for the quarter were $3,232.8 million, 11% higher than last year's $2,906.8 million. Excluding this year's merger expenses and last year's excise tax impact, operating income was even with last year at $112.1 million. Including merger expenses, operating income for the quarter was $98.1 million compared to $132.9 million a year ago.

RPS, Inc.'s Revenue and Operating Income Sharply Higher

RPS's revenues for the quarter were $495.7 million, 63% higher than the $304.3 million in the prior year fiscal period and 13% higher than the $438.3 million in the prior year calendar period. On a per day basis, after adjusting for five fewer shipping days in the current period, revenues increased 21% over the calendar period. Operating income was $36.1 million compared to $29.5 million in the fiscal period and $44.6 million in the calendar period. Operating income during the quarter was negatively affected by a $9.5 million increase over the fiscal period and a $7.7 million increase over the calendar period in employee benefits and incentive compensation expense primarily due to greater than expected operating income. Additionally, prior year calendar period results were positively affected by a $5.3 million one-time change to employee benefits. When adjusting for these two changes and five fewer shipping days in the current quarter, RPS's operating income improved by 19% over the calendar period on a daily basis.

"Average daily volumes at RPS increased 18% compared to last year's calendar period," said Graf, "while revenue per package rose 1.9% over the calendar period, reflecting strong demand for business-to-business small package delivery."

Viking Freight, Inc.'s Ongoing Operations Show Improved Results

Viking's operating income was $21.0 million on revenues of $102.2 million, compared to an operating loss of $38.2 million on revenues of $227.9 million in the fiscal period and a loss of $275.9 million (including a $225.0 million asset impairment charge related to the restructuring) on revenues of $274.4 million in the calendar period. Included in this quarter's Viking results was a one-time $16.0 million gain on the sale of certain assets.

"Viking's performance has improved considerably since last year's restructuring," said Graf. "Excluding one-time gains and charges, operating income improved $43.2 million over last year's fiscal period and $55.9 million over last year's calendar period on revenues less than half of last year's. Business levels were strong through the holiday shipping season."

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

Certain statements in this press release may be considered forward-looking statements about management's views with respect to future events and financial performance, which are subject to risks and uncertainties. Actual results may differ from

those identified in the forward-looking statements because of important factors such as economic and competitive conditions in the express markets, matching capacity to volume levels and other factors which can be found in FDX Corp.'s and its subsidiaries' press releases and filings with the SEC, including Annual Reports, Form 10-Ks and Form 10-Qs.

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

Third Quarter Fiscal 1998 and
Fiscal Period Comparison FY97[1]
(In millions, except earnings per share data)

Fiscal Period	**FedEx Q3 & Caliber Period Nov. 9, 1997 - Feb. 28, 1998**	**FedEx Q3 & Caliber Period June 16, 1996 - Sep. 7, 1996**	**FedEx Q3 YTD Caliber Period May 25, 1997 - Feb. 28, 1998**	**FedEx Q3 YTD Caliber Period Jan. 1, 1996 - Sep. 7, 1996**
Revenue:				
Federal Express	$3,232.8	$2,906.8	$9,829.2	$8,451.5
Caliber System:				
RPS	495.7	304.3	1,273.2	894.4
Viking	102.2	227.9	292.6	665.4
Other	155.6	95.0	399.8	265.4
Total Revenue	3,986.3	3,534.0	11,794.8	10,276.7
Operating Expenses:				
Federal Express	3,134.7	2,773.9	9,253.1	8,003.7
Caliber System:				
RPS	459.6	274.8	1,148.6	809.0
Viking	81.2	266.1	270.6	750.9
Other	215.4	86.1	434.3	245.5
Total Operating Expenses	3,890.9	3,400.9	11,106.6	9,809.1
Operating Income (Loss):				
Federal Express	98.1	132.9	576.1	447.8
Caliber System:				
RPS	36.1	29.5	124.6	85.4
Viking	21.0	(38.2)	22.0	(85.5)
Other	(59.8)	8.9	(34.5)	19.9
Total Operating Income	95.4	133.1	688.2	467.6
Other Income (Expense):				
Interest, net	(34.4)	(26.1)	(96.4)	(66.1)
Other, net	2.7	(0.2)	13.3	10.4
Total Other Income (Expense)	(31.7)	(26.3)	(83.1)	(55.7)
Pretax Income	63.7	106.8	605.1	411.9
Provision for Income Taxes	50.9	45.8	277.7	175.4
Income from Continuing Operations	12.8	61.0	327.4	236.5

Income from Discontinued Operations, Net of Income Taxes	4.9	-	4.9	-
Net Income	$17.7	$61.0	$332.3	$236.5
Basic Earnings Per Share:				
Continuing operations	$0.09	$0.42	$2.24	$1.62
Discontinued operations	0.03	-	0.03	-
Net Basic Earnings Per Share	$0.12	$0.42	$2.27	$1.62
Common Shares	146.740	145.730	146.517	145.585
Diluted Earnings Per Share:				
Continuing operations	$0.09	$0.41	$2.20	$1.61
Discontinued operations	0.03	-	0.03	-
Net Diluted Earnings Per Share	$0.12	$0.41	$2.23	$1.61
Common and Common Equivalent Shares	149.159	147.453	149.049	146.915
Effective tax rate[2]	79.8%	42.8%	45.9%	42.6%

1 - FDX Corp. prior year financial highlights are shown two ways to allow comparisons with last year. The fiscal period highlights page shows the prior year comparison made in accordance with the SEC's rules using the pooling of interests method of accounting. It combines FedEx's third quarter period (Dec. 1996-Feb. 1997) with Caliber's third quarter period (June 16-Sep. 7, 1996), which for Caliber represents the third quarter of its full annual period ended Dec. 31, 1996. Caliber's third quarter will be included in the FDX Corp. statements for the fiscal year ended May 31, 1997.
2 - The FDX effective tax rate of 79.8% for the third quarter reflects the effect caused by certain one-time Caliber transaction costs which are nondeductible for federal and state income tax purposes. Excluding the impact of these nondeductible costs, the effective tax rate was 39.0%.

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

Third Quarter Fiscal 1998 and
Calendar Period Comparison FY97[1]
(In millions, except earnings per share data)

Calendar Period	**FedEx Q3 & Caliber Period Nov. 9, 1997 - Feb. 28, 1998**	**FedEx Q3 & Caliber Period Nov. 3, 1996 - Mar. 1, 1997**	**FedEx Q3 YTD Caliber Period May 25, 1997 - Feb. 28, 1998**	**FedEx Q3 YTD Caliber Period May 19, 1996 - Mar. 1, 1997**
Revenue:				
Federal Express	$3,232.8	$2,906.8	$9,829.2	$8,451.5
Caliber System:				
RPS	495.7	438.3	1,273.2	1,071.4
Viking	102.2	274.4	292.6	733.0
Other	155.6	136.7	399.8	335.5
Total Revenue	3,986.3	3,756.2	11,794.8	10,591.4
Operating Expenses:				

Federal Express	3,134.7	2,773.9	9,253.1	8,003.7
Caliber System:				
RPS	459.6	393.7	1,148.6	960.5
Viking	81.2	550.3	270.6	1,089.2
Other	215.4	125.4	434.3	302.9
Total Operating Expenses	3,890.9	3,843.3	11,106.6	10,356.3
Operating Income (Loss):				
Federal Express	98.1	132.9	576.1	447.8
Caliber System:				
RPS	36.1	44.6	124.6	110.9
Viking	21.0	(275.9)	22.0	(356.2)
Other	(59.8)	11.3	(34.5)	32.6
Total Operating Income	95.4	(87.1)	688.2	235.1
Other Income (Expense):				
Interest, net	(34.4)	(31.2)	(96.4)	(80.9)
Other, net	2.7	6.2	13.3	23.4
Total Other Income (Expense)	(31.7)	(25.0)	(83.1)	(57.5)
Pretax Income	63.7	(112.1)	605.1	177.6
Provision for Income Taxes	50.9	(2.2)	277.7	124.8
Income from Continuing Operations	12.8	(109.9)	327.4	52.8
Income from Discontinued Operations, Net of Income Taxes	4.9	-	4.9	-
Net Income	$17.7	($109.9)	$332.3	$52.8
Basic Earnings Per Share:				
Continuing operations	$0.09	($0.75)	$2.24	$0.36
Discontinued operations	0.03	-	0.03	-
Net Basic Earnings Per Share	$0.12	($0.75)	$2.27	$0.36
Common Shares	146.740	145.579	146.517	145.525
Diluted Earnings Per Share:				
Continuing operations	$0.09	($0.75)	$2.20	$0.36
Discontinued operations	0.03	-	0.03	-
Net Diluted Earnings Per Share	$0.12	($0.75)	$2.23	$0.36
Common and Common Equivalent Shares	149.159	145.579	149.049	146.854
Effective tax rate[2]	79.8%	(2.1%)	45.9%	70.3%

1 - FDX Corp. prior year financial highlights are shown two ways to allow comparisons with last year. The calendar period highlights page shows the prior year comparisons on a like-calendar basis. This will not be the comparison used in FDX's statements filed with the SEC.
2 - The FDX effective tax rate of 79.8% for the third quarter reflects the effect caused by certain one-time Caliber transaction costs which are nondeductible for federal and state income tax purposes. Excluding the impact of these nondeductible costs, the effective tax rate was 39.0%.

FDX CORPORATION OPERATING HIGHLIGHTS

(Unaudited; Current year data is preliminary)

Third Quarter Fiscal 1998

	Current Year Quarter	Prior Year Calendar Quarter	Current Year YTD	Prior Year Calendar YTD
	FedEx Q3 & Caliber Period Nov. 9, 1997 - Feb. 28, 1998	FedEx Q3 & Caliber Period Nov. 3, 1996 - Mar. 1, 1997	FedEx Q3 YTD Caliber Period May 25, 1997 - Feb. 28, 1998	FedEx Q3 YTD Caliber Period May 19, 1996 - Mar. 1, 1997
FEDEX				
Operating Weekdays	63	63	190	190
AVERAGE DAILY EXPRESS VOLUME				
Priority Overnight	1,244,873	1,195,113	1,239,518	1,163,918
Standard Overnight	631,591	647,073	627,888	627,810
2Day/Express Saver	933,336	775,475	871,120	670,603
Overnight/2Day/Express Saver Freight	9,344	5,570	8,912	5,007
Total U.S.A. Express Volume	2,819,144	2,623,231	2,747,438	2,467,338
International Priority	255,070	225,756	255,435	219,988
Total Avg Daily Express Volume	3,074,214	2,848,987	3,002,873	2,687,326
YIELD PER EXPRESS PACKAGE				
Priority Overnight	$15.08	$14.84	$15.21	$14.94
Standard Overnight	12.17	10.98	12.15	10.87
2Day/Express Saver	9.33	9.08	9.83	9.37
Overnight/2Day/Express Saver Freight	145.13	151.44	144.04	151.46
Total U.S.A. Express Yield	$12.95	$12.48	$13.22	$12.67
International Priority	41.28	41.22	41.58	40.97
Total Composite Yield	$15.30	$14.75	$15.63	$14.99
Avg Pounds per Express Package	8.5	7.2	8.5	7.0
Avg Revenue per Express Pound	$1.79	$2.06	$1.84	$2.13
INT'L AIRFREIGHT (IXF/ATA)				
Millions of Pounds	169.5	155.9	527.2	478.6
Revenue per Pound	$0.82	$0.96	$0.87	$0.94
RPS				
Operating Weekdays	75	80	192	197
Average Daily Volume	1,337,449	1,130,544	1,327,788	1,105,775
Composite Yield	$4.94	$4.85	$4.99	$4.92
VIKING				
Operating Weekdays	75	80	192	197
Shipments Per Day	11,779	12,629	12,464	13,425
Revenue/CWT	$9.45	$9.88	$9.44	$10.06

Prior year fiscal period results are omitted. Fiscal period and calendar period results for FedEx are identical.

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

Third Quarter Fiscal 1998
(In millions)

	Three Months Ended February 28		Nine Months Ended February 28	
FINANCIAL RESULTS	**1998**	**1997**	**1998**	**1997**
Revenues	$3,232.8	$2,906.8	$9,829.2	$8,451.5
Operating Expenses:				
Salaries and benefits	1,448.3	1,298.7	4,324.3	3,777.3
Rentals and landing fees	321.1	277.8	912.1	798.4
Depreciation and amortization	214.5	195.8	625.8	576.9
Fuel	186.0	189.4	542.1	517.4
Maintenance and repairs	211.7	176.5	626.9	546.4
Other	739.1	635.7	2,207.9	1,787.3
Merger Expenses	14.0	-	14.0	-
	3,134.7	2,773.9	9,253.1	8,003.7
Operating Income	98.1	132.9	576.1	447.8
Other Income (Expense):				
Interest, net	(30.0)	(23.0)	(84.5)	(66.0)
Other, net	1.0	(0.4)	9.0	15.9
	(29.0)	(23.4)	(75.5)	(50.1)
Pretax Income	69.1	109.5	500.6	397.7
Provision for Income Taxes	34.9	46.5	216.1	169.0
Net Income	$34.2	$63.0	$284.5	$228.7

Fiscal period and calendar period results for FedEx are identical.

FDX Corp. prior year earnings per share are shown two ways to allow comparisons with last year. Column A is the prior year EPS comparison made in accordance with the rules of the SEC using the pooling of interests method of accounting. It combines FedEx's third quarter period (Dec. 1996-Feb. 1997) with Caliber's third quarter period (June 16-Sep. 7, 1996) which for Caliber represents the third quarter of its full annual period ended Dec. 31, 1996. Caliber's third quarter will be included in the FDX Corp. fiscal year ended May 31, 1997 and is referred to as the fiscal period in this release. Column B is a prior year comparison on a like-calendar basis except there are five fewer shipping days in Caliber's current period than in Caliber's prior year period. Column B is referred to as the calendar period in this release.

FDX Corp. and	**Caliber**	**(A) FDX**	**Caliber**	**(B) FDX**

FedEx Period	Fiscal Period	EPS	Calendar Period	EPS
First Quarter FY97 ending Aug. 31, 1996	Jan. 1, 1996 - Mar. 23, 1996	$0.49	May 19, 1996 - Aug. 10, 1996	$0.35
Second Quarter FY97 ending Nov. 30, 1996	Mar. 24, 1996 - June 15, 1996	$0.71	Aug. 11, 1996 - Nov. 2, 1996	$0.75
Third Quarter FY97 ending Feb. 28, 1997	June 16, 1996 - Sep. 7, 1996	$0.41	Nov. 3, 1996 - Mar. 1, 1997	($0.75)
Fourth Quarter FY97 ending May 31, 1997	Sep. 8, 1996 - Dec. 31, 1996	($0.28)	Mar. 2, 1997 - May 24, 1997	$0.60
Year ending May 31, 1997	**Jan. 1, 1996 - Dec. 31, 1996**	**$1.33**	**May 19, 1996 - May 24, 1997**	**$0.96**
First Quarter FY98 ending Aug. 31, 1997	May 25, 1997 - Aug. 16, 1997	$1.11	May 25, 1997 - Aug. 16, 1997	$1.11
Second Quarter FY98 ending Nov. 30, 1997	Aug. 17, 1997 - Nov. 8, 1997	$1.00	Aug. 17, 1997 - Nov. 8, 1997	$1.00
Third Quarter FY98 ending Feb. 28, 1998	Nov. 9, 1997 - Feb. 28, 1998	$0.12	Nov. 9, 1997 - Feb. 28, 1998	$0.12