



FDX Corp. Announces Fiscal 1998 and Fourth Quarter Earnings

MEMPHIS, Tenn., July 8, 1998 -- FDX Corp. today reported fourth quarter earnings per share of \$1.14 and record earnings of \$3.91 per share for the full year excluding merger expenses.

FDX Fourth Quarter Results

Revenues for the fourth quarter were \$4,078.0 million, 2.9% more than the fiscal period's \$3,961.2 million and 11.0% more than the calendar period's \$3,673.8 million. Net income for the quarter excluding merger expenses was \$170.7 million or \$1.14 per share. Net income was \$134.6 million or \$0.91 per share in last year's fiscal period and \$144.9 million or \$0.98 per share in last year's calendar period excluding non-recurring items.

	Current Year	Prior Year	
	FedEx Q4 & Caliber Period Mar. 1, 1998 - May 31, 1998	(A) FedEx Q4 & Caliber Period Sep. 8, 1996 - Dec. 31, 1996 (fiscal period)	(B) FedEx Q4 & Caliber Period Mar. 2, 1997 - May 24, 1997 (calendar period)
Caliber Op. Days	64	78	60
Revenue	\$4,078.0	\$3,961.2	\$3,673.8
Op. Income	\$322.4	\$39.4	\$190.3
Net Income	\$170.7	(\$40.4)	\$88.5
Diluted EPS	\$1.14	(\$0.28)	\$0.60
Non-recurring items (after tax)	-	\$175.0	\$56.4
Net Income excl. non- recurring items	\$170.7	\$134.6	\$144.9
Diluted EPS excl. non-recurring items	\$1.14	\$0.91	\$0.98

Non-recurring charges related to the restructuring of Viking's operations were \$225 million in the fiscal Q4 period and \$85 million in the calendar Q4 period.

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) fourth quarter period (Mar. 1997-May 1997) with Caliber System, Inc.'s (Caliber) fourth quarter period (Sep. 8, 1996-Dec. 31, 1996) which for Caliber represents the fourth quarter of its full annual period ended Dec. 31, 1996. Caliber's fourth 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 an unaudited prior year comparison on a like-calendar basis except there are four more 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 FY98 Results

For the full year, revenues were \$15.9 billion, 11.5% more than the fiscal period's \$14.2 billion and 11.3% more than the calendar period's \$14.3 billion. FY98 net income excluding merger expenses was \$582.7 million or \$3.91 per share. Net income was \$371.1 million or \$2.52 per share in last year's fiscal period and \$372.8 million or \$2.53 per share in last year's calendar period excluding non-recurring items.

	Current Year	Prior Year	
	FedEx FY98 & Caliber Period May 25, 1997 - May 31, 1998	(A) FedEx FY97 & Caliber Period Jan. 1, 1996 - Dec. 31, 1996 (fiscal period)	(B) FedEx FY97 & Caliber Period May 19, 1996 - May 24, 1997 (calendar period)
Caliber Op. Days	256	254	257
Revenue	\$15,872.8	\$14,237.9	\$14,265.3
Op. Income	\$1,010.7	\$507.0	\$425.4
Net Income	\$503.0	\$196.1	\$141.3
Diluted EPS	\$3.37	\$1.33	\$0.96
Non-recurring items (after tax)	\$79.7	\$175.0	\$231.4
Net Income excl. non- recurring items	\$582.7	\$371.1	\$372.8
Diluted EPS excl. non-recurring items	\$3.91	\$2.52	\$2.53

Non-recurring charges related to the acquisition of Caliber System, Inc. were \$88 million in FY98. Non-recurring charges related to the restructuring of Viking's operations were \$225 million in the fiscal FY97 period and \$310 million in the calendar 1997 period.

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 FedEx's FY97 period (June 1996-May 1997) with Caliber System, Inc.'s (Caliber) FY96 period (Jan. 1, 1996-Dec. 31, 1996). Caliber's 1996 fiscal year results 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 an unaudited prior year comparison on a like-calendar basis. Column B is referred to as the "calendar period" in this release.

"FY98 was a milestone year for FDX Corporation and its subsidiaries for three reasons," said executive vice president and chief financial officer Alan B. Graf, Jr. "First, FedEx's January acquisition of Caliber System, Inc. and the creation of FDX Corporation now provides customers a broader array of global shipping and logistics services, at service levels unsurpassed in the industry. Second, FedEx, the company that invented the express industry, celebrated its 25th year of industry leadership. Lastly, FDX Corp. had record earnings, due to strong volume growth and healthy yield increases at FedEx and RPS and a dramatic improvement in operations at Viking. FY98 net income was up more than 50% from last year's fiscal and calendar periods excluding merger expenses and non-recurring items at Viking."

During FY98, FDX incurred approximately \$40 million in consulting fees, internal staff costs and other expenses due to continuing Year-2000 compliance programs. Full year results also include the impact of the additional volume received by FedEx and RPS during the 12 operating days of the UPS strike. The Company estimates that the additional revenue resulting from the strike added approximately \$0.25 per share to consolidated first quarter 1998 earnings.

Federal Express Corp.'s U.S. Domestic Volume, Earnings Higher

Federal Express Corp.'s (FedEx) U.S. domestic revenue for the quarter was \$2,502.1 million, up 13.0% from last year's \$2,213.4 million. U.S. domestic operating income for the quarter rose 24.7% to \$239.2 million from \$191.9 million a year ago.

"In the U.S., FedEx's express package growth rate accelerated, helping FedEx report record fourth quarter results," said Graf. "The 10.5% year-over-year increase in average daily U.S. domestic volume was coupled with a 2.9% increase in revenue per package. U.S. domestic cost per package rose 1.7%, primarily due to increased salaries, employee benefits, maintenance and trucking expenses."

International operating income for the fourth quarter was \$21.5 million on international segment revenues of \$923.5 million. In last year's fourth quarter, the international segment reported operating income of \$59.4 million on revenues of \$854.9 million.

"FedEx's International operations returned to profitability in the fourth quarter, although international results continue to be hurt by weakness in Asia," said Graf. "Despite the Asian economic downturn, FedEx International Priority^(R) (IP) service experienced double-digit growth for the twentieth consecutive quarter - IP volume grew 10.7% in the quarter, with IP's revenue per package increasing 0.9%.

"The international airfreight market continues to reflect industry overcapacity," Graf continued, "as our airfreight revenue declined \$13.3 million despite a 5.5% increase in total pounds shipped. Currency declines during the quarter reduced International operating income by approximately \$10 million."

FedEx's total revenues for the quarter were \$3,425.7 million, 11.6% higher than last year's \$3,068.3 million. Operating income for the quarter was \$260.7 million compared to \$251.3 million a year ago. "In this year's fourth quarter, fuel prices were approximately \$0.12 per gallon less than a year ago, reducing fuel expenses by \$28.3 million" Graf said. "In last year's fourth quarter, revenue generated by the temporary two percent surcharge to all express packages totaled \$41.6 million."

Sales of FedEx's aircraft noise-reduction kits contributed \$30.1 million to fourth quarter 1998 U.S. domestic operating income, compared to \$28.8 million in last year's fourth quarter. For FY98, hushkits contributed \$127.2 million to U.S. domestic operating income compared to \$87.4 million a year ago.

RPS, Inc. Reports Record Volume and Service Levels

RPS revenues for the quarter were \$437.1 million, compared to \$449.9 million in the prior year fiscal period and \$348.0 million in the prior year calendar period. On a per day basis, revenue increased 18.4% after adjusting for 14 additional shipping days in last year's fiscal period and 17.8% after adjusting for four fewer shipping days in last year's calendar period.

Operating income was \$47.3 million compared to \$50.3 million in the fiscal period and \$38.3 million in the calendar period. Operating income improved 14.6% over last year's fiscal period and 15.9% over last year's calendar period after adjusting for the shipping day difference.

"Demand for RPS service remains very strong and revenue per package continues to increase," said Graf. "RPS is realizing excellent growth in their higher yielding services, with the improved mix responsible for much of the increase in revenue per package. A new money-back guarantee on all commercial ground deliveries, to be implemented July 27, 1998, and record on-time service levels ensure that RPS will remain the value leader in the business-to-business, small package market."

Viking Freight, Inc.'s Ongoing Operations Continue to Improve

Viking's operating income for the quarter was \$5.9 million on revenues of \$89.0 million, compared to an operating loss of \$276.4 million including asset impairment charges on revenues of \$300.4 million in the fiscal period and a loss of \$104.7 million including restructuring charges on revenues of \$156.1 million in the calendar period.

"Viking's performance continues to show considerable improvement from the previous year," said Graf. "Service levels for the quarter were outstanding, while operating income excluding non-recurring items improved \$57.3 million over last year's fiscal period and \$25.6 million over last year's calendar period. Viking's outstanding operating performance has recently been recognized by both shippers and industry trade organizations - during the quarter Viking was named "Regional LTL Carrier of the Year" by the National Small Shipments Traffic Conference (NASSTRAC) and readers of the Logistics Management and Distribution Report awarded Viking a "Quest for Quality Award" for their superb LTL service to the western U.S."

FDX Corp., a \$16 billion holding company, provides comprehensive 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.

FDX CORPORATION FINANCIAL HIGHLIGHTS

(Unaudited; Current year data is preliminary)

Fourth Quarter Fiscal 1998 and

Fiscal Period Comparison FY97¹

(In millions, except earnings per share data)

<u>Fiscal Period</u>	FedEx Q4 & Caliber Period Mar. 1, 1998 - May 31, 1998	FedEx Q4 & Caliber Period Sep. 8, 1996 - Dec. 31, 1996	FedEx FY98 & Caliber Period May 25, 1997 - May 31, 1998	FedEx FY97 & Caliber Period Jan. 1, 1996 - Dec. 31, 1996
Revenue:				
Federal Express	\$3,425.7	\$3,068.3	\$13,254.8	\$11,519.7
Caliber System:				
RPS	437.1	449.9	1,710.4	1,344.3
Viking	89.0	300.4	381.5	965.9
Other	<u>126.2</u>	<u>142.6</u>	<u>526.1</u>	<u>408.0</u>
Total Revenue	4,078.0	3,961.2	15,872.8	14,237.9
Operating Expenses:				
Federal Express	3,165.0	2,817.0	12,418.1	10,820.7
Caliber System:				
RPS	389.8	399.6	1,538.4	1,208.6
Viking ²	83.1	576.8	353.6	1,327.7
Other	<u>117.7</u>	<u>128.4</u>	<u>552.0</u>	<u>373.9</u>
Total Operating Expenses	<u>3,755.6</u>	<u>3,921.8</u>	<u>14,862.1</u>	<u>13,730.9</u>
Operating Income (Loss):				
Federal Express	260.7	251.3	836.7	699.0
Caliber System:				
RPS	47.3	50.3	172.0	135.7
Viking ²	5.9	(276.4)	27.9	(361.8)
Other	<u>8.5</u>	<u>14.2</u>	<u>(25.9)</u>	<u>34.1</u>
Total Operating Income	322.4	39.4	1,010.7	507.0
Other Income (Expense):				
Interest, net	(27.9)	(31.0)	(124.4)	(104.2)
Other, net	<u>(0.2)</u>	<u>5.6</u>	<u>13.2</u>	<u>23.1</u>
Total Other Income (Expense)	<u>(28.1)</u>	<u>(25.4)</u>	<u>(111.2)</u>	<u>(81.1)</u>
Pretax Income	294.3	14.0	899.5	425.9
Provision for Income Taxes	<u>123.6</u>	<u>54.4</u>	<u>401.4</u>	<u>229.8</u>
Income from Continuing Operations	170.7	(40.4)	498.1	196.1

Income from Discontinued Operations, Net of Income Taxes	-	-	4.9	-
	\$170.7	(\$40.4)	\$503.0	\$196.1
Net Income	=====	=====	=====	=====
Basic Earnings Per Share:				
Continuing operations	\$1.16	(\$0.28)	\$3.40	\$1.35
Discontinued operations	-	-	0.03	-
Net Basic Earnings Per Share	\$1.16	(\$0.28)	\$3.43	\$1.35
	=====	=====	=====	=====
Common Shares	147.250	146.111	146.701	145.713
Diluted Earnings Per Share:				
Continuing operations	\$1.14	(\$0.28)	\$3.34	\$1.33
Discontinued operations	-	-	0.03	-
Net Diluted Earnings Per Share	\$1.14	(\$0.28)	\$3.37	\$1.33
	=====	=====	=====	=====
Common and Common Equivalent Shares	149.669	146.111	149.204	147.228

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 fourth quarter period (Mar. 1997-May 1997) with Caliber's fourth quarter period (Sep. 8 -Dec. 31, 1996), which for Caliber represents the fourth quarter of its full annual period ended Dec. 31, 1996. Caliber's fourth quarter will be included in the FDX Corp. statements for the fiscal year ended May 31, 1997.

2 - Caliber announced a financial restructuring of its Viking operations on March 27, 1997. Nonrecurring charges related to the restructuring included in operating expenses for FY97 include \$225 million in Q4.

FDX CORPORATION FINANCIAL HIGHLIGHTS

(Unaudited; Current year data is preliminary)

Fourth Quarter Fiscal 1998 and Calendar Period Comparison FY97¹ (In millions, except earnings per share data)

<u>Calendar Period</u>	FedEx Q4 & Caliber Period Mar. 1 1998 - May 31, 1998	FedEx Q4 & Caliber Period Mar. 2, 1997 - May 24, 1997	FedEx FY98 & Caliber Period May 25, 1997 - May 31, 1998	FedEx FY97 & Caliber Period May 19, 1996 - May 24, 1997
Revenue:				
Federal Express	\$3,425.7	\$3,068.3	\$13,254.8	\$11,519.7
Caliber System:				
RPS	437.1	348.0	1,710.4	1,419.4
Viking	89.0	156.1	381.5	889.1
Other	126.2	101.4	526.1	437.1
Total Revenue	4,078.0	3,673.8	15,872.8	14,265.3
Operating Expenses:				
Federal Express	3,165.0	2,817.0	12,418.1	10,820.7

Caliber System:				
RPS	389.8	309.7	1,538.4	1,270.2
Viking ²	83.1	260.8	353.6	1,350.0
Other	<u>117.7</u>	<u>96.0</u>	<u>552.0</u>	<u>399.0</u>
Total Operating Expenses	<u>3,755.6</u>	<u>3,483.5</u>	<u>14,862.1</u>	<u>13,839.9</u>
Operating Income (Loss):				
Federal Express	260.7	251.3	836.7	699.0
Caliber System:				
RPS	47.3	38.3	172.0	149.2
Viking ²	5.9	(104.7)	27.9	(460.9)
Other	<u>8.5</u>	<u>5.4</u>	<u>(25.9)</u>	<u>38.1</u>
Total Operating Income	322.4	190.3	1,010.7	425.4
Other Income (Expense):				
Interest, net	(27.9)		(124.4)	
Other, net	<u>(0.2)</u>		<u>13.2</u>	
Total Other Income (Expense)	<u>(28.1)</u>	<u>(24.0)</u>	<u>(111.2)</u>	<u>(81.5)</u>
Pretax Income	294.3	166.3	899.5	343.9
Provision for Income Taxes	<u>123.6</u>	<u>77.8</u>	<u>401.4</u>	<u>202.6</u>
Income from Continuing Operations	170.7	88.5	498.1	141.3
Income from Discontinued Operations, Net of Income Taxes	=	=	<u>4.9</u>	=
Net Income	<u>\$170.7</u>	<u>\$88.5</u>	<u>\$503.0</u>	<u>\$141.3</u>
Basic Earnings Per Share:				
Continuing operations	\$1.16	\$0.61	\$3.40	\$0.97
Discontinued operations	=	=	<u>0.03</u>	=
Net Basic Earnings Per Share	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>
Common Shares	147.250	145.940	146.701	145.629
Diluted Earnings Per Share:				
Continuing operations	\$1.14	\$0.60	\$3.34	\$0.96
Discontinued operations	=	=	<u>0.03</u>	=
Net Diluted Earnings Per Share	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>
Common and Common Equivalent Shares	149.669	148.016	149.204	147.144

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 - Caliber announced a financial restructuring of its Viking operations on March 27, 1997. Nonrecurring charges related to the restructuring included in operating expenses for FY97 include \$225 million in Q3 and \$85 million in Q4.

FDX CORPORATION OPERATING HIGHLIGHTS

(Unaudited; Current year data is preliminary)

Fourth Quarter Fiscal 1998

	Current Year Quarter	Prior Year Calendar Quarter	Current Year YTD	Prior Year Calendar YTD
	FedEx Q4 & Caliber Period Mar. 1, 1998 - May 31, 1998	FedEx Q4 & Caliber Period Mar. 2, 1997 - May 24, 1997	FedEx FY98 & Caliber Period May 25, 1997 - May 31, 1998	FedEx FY97 & Caliber Period May 19, 1996 - May 24, 1997
<u>FEDEX</u>				
Operating Weekdays	64	64	254	254
<u>AVERAGE DAILY EXPRESS VOLUME</u>				
Priority Overnight	1,295,566	1,223,070	1,253,640	1,178,822
Standard Overnight	645,091	635,818	632,222	629,828
2Day/Express Saver	872,820	690,040	871,548	675,501
Overnight/2Day/Express Saver Freight	<u>10,027</u>	<u>6,838</u>	<u>9,194</u>	<u>5,469</u>
Total U.S.A. Express Volume	2,823,504	2,555,766	2,766,604	2,489,620
International Priority	<u>271,152</u>	<u>244,935</u>	<u>259,395</u>	<u>226,274</u>
Total Avg Daily Express Volume	=====	=====	=====	=====
<u>YIELD PER EXPRESS PACKAGE</u>				
Priority Overnight	\$15.31	\$15.08	\$15.24	\$14.98
Standard Overnight	12.33	11.34	12.19	10.99
2Day/Express Saver	9.89	9.68	9.84	9.45
Overnight/2Day/Express Saver Freight	<u>145.20</u>	<u>145.36</u>	<u>144.36</u>	<u>149.54</u>
Total U.S.A. Express Yield	\$13.42	\$13.04	\$13.27	\$12.77
International Priority	<u>41.10</u>	<u>40.75</u>	<u>41.45</u>	<u>40.91</u>
Total Composite Yield	=====	=====	=====	=====
Avg Pounds per Express Package	8.6	7.5	8.5	7.2
Avg Revenue per Express Pound	\$1.85	\$2.06	\$1.84	\$2.11
<u>INT'L AIRFREIGHT (IXF/ATA)</u>				
Millions of Pounds	176.4	167.1	703.6	645.7
Revenue per Pound	\$0.80	\$0.93	\$0.85	\$0.94
<u>RPS</u>				
Operating Weekdays	64	60	256	257
Average Daily Volume	1,321,394	1,172,619	1,326,190	1,121,380
Composite Yield	\$5.17	\$4.95	\$5.04	\$4.93

VIKING

Operating Weekdays	64	60	256	257
Shipments Per Day	12,023	24,427	13,287	30,771
Revenue/CWT	\$9.61	\$8.62	\$9.28	\$9.08

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)

Fourth Quarter Fiscal 1998

(In millions)

	Three Months Ended		Twelve Months Ended	
	May 31		May 31	
<u>FINANCIAL RESULTS</u>	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
Revenues	\$3,425.7	\$3,068.3	\$13,254.8	\$11,519.7
Operating Expenses:				
Salaries and benefits	1,508.1	1,318.1	5,832.4	5,095.5
Rentals and landing fees	309.3	272.3	1,221.4	1,070.6
Depreciation and amortization	218.7	200.5	844.6	777.4
Fuel	167.3	173.0	709.4	690.4
Maintenance and repairs	213.8	169.2	808.0	691.0
Other	747.8	683.9	2,988.3	2,495.8
Merger Expenses	-	-	<u>14.0</u>	-
	<u>3,165.0</u>	<u>2,817.0</u>	<u>12,418.1</u>	<u>10,820.7</u>
Operating Income	260.7	251.3	836.7	699.0
Other Income (Expense):				
Interest, net	(25.6)	(24.6)	(110.1)	(90.6)
Other, net	<u>(0.4)</u>	<u>3.9</u>	<u>8.6</u>	<u>19.8</u>
	<u>(26.0)</u>	<u>(20.7)</u>	<u>(101.5)</u>	<u>(70.8)</u>
Pretax Income	234.7	230.6	735.2	628.2
Provision for Income Taxes	<u>98.6</u>	<u>98.0</u>	<u>314.7</u>	<u>267.0</u>
Net Income	<u>\$136.1</u>	<u>\$132.6</u>	<u>\$420.5</u>	<u>\$361.2</u>

Fiscal period and calendar period results for FedEx are identical.