FEDERAL EXPRESS CORPORATION

ANNUAL REPORT

1992

Contents

Federal Express Corporation offers a wide range of express services for the time-definite transportation of goods and documents throughout the world using an extensive fleet of aircraft and vehicles.

FINANCIAL HIGHLIGHTS

FEDERAL EXPRESS CORPORATION AND SUBSIDIARIES

Years ended May 31 In thousands, except per share data and Other Operating Data	1992	1991	1990
OPERATING RESULTS*			
Revenues	$ 7,550,060	$ 7,688,296	$ 7,015,069
Operating income	22,967	252,126	387,355
Income (loss) before income taxes	(146,828)	40,942	218,423
Net income (loss)	(113,782)	5,898	115,764
Earnings (loss) per share	$ (2.11)	$ .11	$ 2.18
Average shares outstanding	53,961	53,350	53,161
FINANCIAL POSITION			
Property and equipment, net	$ 3,411,297	$ 3,624,026	$ 3,566,321
Total assets	5,463,186	5,672,461	5,675,073
Long-term debt	1,797,844	1,826,781	2,148,142
Common stockholders' investment	1,579,722	1,668,620	1,649,187
OTHER OPERATING DATA			
Express package:			
Average daily package volume	1,470,520	1,309,973	1,233,628
Average pounds per package	5.5	5.5	5.3
Average revenue per pound	$ 2.95	$ 3.11	$ 3.14
Average revenue per package	$ 16.08	$ 17.08	$ 16.53
Airfreight:			
Average daily pounds	2,654,646	2,880,106	3,310,494
Average revenue per pound	$ 1.16	$ 1.17	$ 1.12
Aircraft fleet at end of year:			
Boeing 747-100s	4	8	9
Boeing 747-200s	9	10	10
McDonnell Douglas MD-11s	4	1	—
McDonnell Douglas DC-10-10s	11	11	10
McDonnell Douglas DC-10-30s	17	16	16
McDonnell Douglas DC-8-73s	—	—	6
Boeing 727-100s	85	92	89
Boeing 727-200s	66	57	41
Cessna 208As	10	10	37
Cessna 208Bs	206	183	147
Fokker F-27-500s	32	26	19
Vehicle fleet at end of year	34,000	32,800	31,000
Average number of employees (based on a standard full-time workweek)	84,162	81,711	75,102

*Includes a $254 million ($3.12 per share after tax) charge to operating income in 1992 related to a restructuring of European operations, and a $121million ($1.48 per share after tax) charge to operating income in 1991 related to a restructuring of U.K. operations.

TO OUR STOCKHOLDERS

Fiscal year 1992 had two central themes. In the international area, the major development was the decisive step we took in Europe to improve our global financial results. On the U.S. domestic front, we benefitted from steady volume growth but at increasingly lower yields.

When we entered the European market in the mid-1980s, we did so with the belief that Europe would one day rival North America in the express transportation industry. With its huge population and high volume of economic activity, we believed that Europe would embrace the concept of overnight delivery just as the United States and Canada had done in the 1970s. The promise of a tightly woven European Community after 1992 only heightened our optimism. Events, however, have simply not supported our beliefs.

Whereas the U.S. supports a nightly movement of well over 3 million express packages (with FedEx handling almost half of this volume), intra-European volumes in the express segment are roughly 150,000 per day, five percent of the U.S. total. While there is some growth in volumes, we found ourselves competing in a buyer's market with three other major companies. We ultimately concluded that the intra-European and intra-country market potential simply did not justify our remaining in these segments. On May 4, 1992, we discontinued these operations, closing our domestic businesses in Italy, Germany, France and the United Kingdom, as well as our intra-European service. These actions resulted in a $254 million restructuring charge in our third quarter.

By taking these actions, we chose to focus our efforts in Europe on the important inter-continental market segment — that is, shipments to and from, but not within, Europe — the area in which we have the greatest competitive advantages. To serve this market, we retained over 2,500 European employees, providing direct FedEx® service to sixteen key European markets. We established a network of Global Service Participants to allow us to provide service throughout Europe for our customers in North America and the rest of the world. We also expanded our EXPRESSfreighter℠ network, adding Milan and Paris to our existing European markets, which include Frankfurt, London, Brussels, Geneva, Zurich, Basel, Antwerp, Amsterdam and Eindhoven.

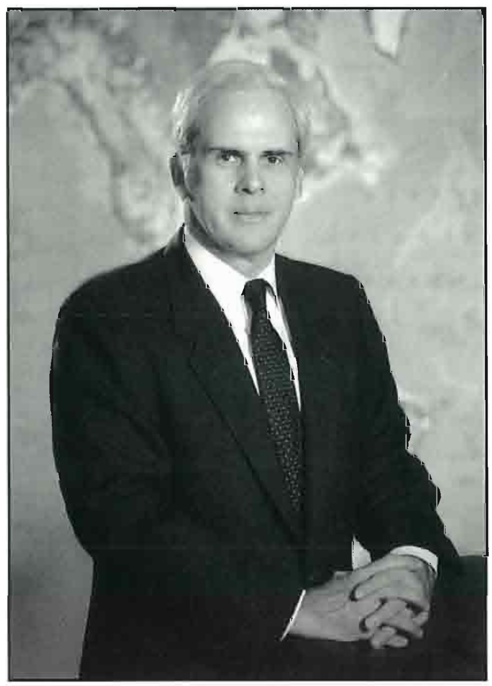
Results from the rest of our international operations were distinctly mixed. While International Priority® Service, for packages up to 150 pounds, averaged 25 percent growth for the year, results from our international airfreight operation were disappointing.

Airfreight demand declined steadily during the fiscal year through December, a month in which Tokyo's Narita airport experienced its first ever year-over-year decline in tonnage handled for all cargo carriers. The trans-Pacific market was weak throughout much of the year, in part as a result of decreased economic activity. The trans-Atlantic market was also weak during the year and, as a result of these factors, our total weight of heavy freight transported for all international markets during the year declined by 15 percent. Although the average revenue per pound declined on our airport-to-airport service, the growth in the higher-yielding FedEx International EXPRESSfreight℠ service as a percentage of total freight offset this trend. Overall freight yield thus remained level on a year-over-year basis.

Our U.S. domestic operations performed exceptionally well during the year. Overall volume growth returned to double-digit percentages in November and strengthened during the spring. From February to May, monthly growth rates were between 15 and 20 percent on a year-over-year basis. The positive revenue impact of this volume growth was tempered by a continued decline in yield (average revenue per package). This trend was influenced by several factors, including higher growth rates of our lower-priced FedEx Standard Overnight℠ and FedEx Economy Two-Day℠ services, which significantly outpaced growth in FedEx Priority Overnight℠, our premium next-morning service. Through productivity improvements, we were able to offset most of the impact of this yield decline by lowering our average cost per package, allowing us to achieve a respectable 12.2 percent operating margin in the U.S. domestic operation for the year.

Including the effects of the restructuring, our annual revenues declined from $7.7 billion in fiscal 1991 to $7.6 billion in fiscal 1992. Operating income, including the $254 million European restructuring charge, totalled $23 million in fiscal 1992 compared to $252 million a year earlier. The fiscal 1992 pretax, net and per share losses of $147 million, $114 million and $2.11, respectively, compared to income of $41 million, $6 million and $.11 in fiscal 1991.

In fiscal 1993, we will continue to confront the issue of declining yields through increased productivity, lowered costs and our on-going commitment to incorporate total quality improvement methods into the very fabric of the Company. Though the economic recovery in the U.S. is modest at best, we are seeing a rebound in growth levels that is encouraging, especially in FedEx Priority Overnight Service. Recovery elsewhere in the world is anticipated, though, again, it is likely to be slow. We are pleased that initial customer response to our refocused European operations has been positive and package volumes are ahead of expectations throughout Europe.



Though the challenges we face are significant, we have entered the new year ready to put the disappointments of fiscal 1992 behind us, and we remain committed to our goal of making Federal Express the premier provider of express and logistics services throughout the world.

Frederick W. Smith

FREDERICK W. SMITH
CHAIRMAN, PRESIDENT
AND CHIEF EXECUTIVE OFFICER

Review Of Operations

Logistics management is now the cornerstone of competitive advantage in every industry. Companies in the fashion trade race to stay ahead of the trends by getting the latest designs from the factory floor to the retail store faster than the competition. High-tech equipment manufacturers scramble to market in an attempt to avoid being leapfrogged by a competitor. Service companies strive for global coverage and shorter response times.

Emphasizing speed and reliability, Federal Express has built a worldwide network that responds to this change in the way companies are managed. Our network spans the globe with a fleet of EXPRESSfreighters — MD-11s, DC-10s and B-747s that tie the world together as never before. The dress that is ordered in Ohio today is shipped from Hong Kong to the United States for delivery within 24 hours. The very latest software from Seattle or the next generation microprocessor from Palo Alto is in customers' hands around the world in one or two days. And next-morning delivery of a multitude of products from Paris, London, Frankfurt, Milan, Brussels, Geneva, Zurich, Basel, Antwerp, Amsterdam, Eindhoven, Hong Kong, Taipei, Osaka, Tokyo, Singapore, Seoul and Panang is now a reality, throughout North America...today.

Federal Express has built a worldwide express network dedicated to speed and reliability: a single, global, end-to-end network unprecedented in the transportation and logistics field.

The Americas: Better Value Equals Growth

Federal Express is the dominant force in the overnight segment of the United States express industry, despite intense competitive pressure. FedEx Priority Overnight, our premier service offering delivery by 10:30 A.M. throughout the U.S., showed a rebound in growth rates beginning in January 1992, suggesting a gradual improvement in the U.S. economy. FedEx Priority Overnight Service, for packages up to 150 pounds, continues to contribute the majority of U.S. domestic revenues and maintains a commanding industry market share of 45 percent. Customers with a need for early morning delivery are drawn to Federal Express by our record of superior reliability, worldwide coverage, real-time COSMOS® tracking and a comprehensive money-back guarantee.

FedEx Standard Overnight Service (SOS) grew by an average of 45 percent during the year. This service, with delivery the next business day by 3:00 P.M., offers an alternative to customers who need time-definite next-day delivery, but who do not require early morning service. The service has been particularly well positioned for customers most affected by recessionary pressures.

FedEx Economy Two-Day Service, with second-day delivery by 4:30 P.M., also showed strong growth during the year. The growth for the year as a whole was a respectable 16 percent; however, growth rates increased significantly during the spring and closed out the fiscal year with a 39 percent year-over-year growth rate in May.

Both SOS and FedEx Economy Two-Day Service have helped FedEx significantly increase productivity in our field operations. Since both services can be delivered in the middle of the day — after the morning peak delivery period and prior to the late afternoon pick-up schedule — management can better balance the workload and increase efficiency. Growth in these product lines, along with overall improvements in quality, contributed to an 8 percent improvement in packages per employee (full-time equivalent), and an 8 percent improvement in on-road pick-up and delivery productivity. As a result of these improvements, our U.S. domestic employment levels rose by only 4 percent compared to domestic volume growth of 11 percent. These factors contributed to a decline of 7 percent in average cost per package, which helped offset the anticipated declines in average revenue per package.

FedEx® Overnight Freight Service (OFS) — offering next-day by noon service for packages of virtually any size, shape and weight— showed surprising growth during the year. Our customers responded enthusiastically to our introduction of OFS service. FedEx® Two-Day Freight Service also grew strongly during the year, providing customers an economical alternative for their large shipments.

Canadian Express: Network Complete

For the last four years, our Canadian managers have been gradually putting in place all of the elements needed to offer a comprehensive range of express services — within Canada, across the border to the U.S. and throughout the world. All of the major elements of this infrastructure — operating rights, stations, airport facilities, call centers — are now in place, positioning FedEx Canada as an efficient, streamlined express operation.

FedEx Canada employs over 2,800 men and women, and has direct service to over 90 percent of the Canadian population, three call centers, with service levels exceeding 98 percent, a 50 percent market share in the trans-border market and an overall growth rate in excess of 40 percent. Our competitive advantages in Canada include a dedicated network of B727 and feeder aircraft operating nightly, superior service performance and sophisticated tracking technology.

We are now targeting the higher-yielding domestic express business, as well as the transborder and international market segments for future growth opportunities.

Latin American Express: Coverage Expands

In Latin America, this shift to the express market is also underway. In addition to serving Puerto Rico, Mexico and over 20 islands in the Caribbean, during the year we expanded our direct service to five countries in South America: Brazil, Venezuela, Argentina, Chile and Uruguay. We serve a total of 48 countries in the region either directly or through a network of Global Service Participants (GSPs).

Puerto Rico remains the major market for our Latin American region. We now serve the island with a DC-10 freighter, giving us the capacity to offer OFS between Puerto Rico and the U.S. Over 70 percent of Puerto Rico now receives inbound next-day service by 2:00 P.M.

As in other regions, our strategy in Latin America is strong emphasis on expanding the high-yield, time-definite express segment of the market. We are experiencing revenue growth in excess of

50 percent a year in this express segment, reflecting the growing importance of time-definite commerce between Latin America and North America. As we expand our express services in these markets, we expect this growth to continue.

European Operations: A New Beginning

The new FedEx Europe directs our total attention to the segment of the business in which we have the most significant competitive advantage. Quite simply, no other competitor can offer faster service between Europe and North America. From North America to Europe, we offer earlier delivery times to markets served directly and indirectly by our EXPRESSfreighter network. During the year, this network was expanded and now includes London, Paris, Frankfurt, Milan, Brussels, Geneva, Zurich, Basel, Antwerp, Amsterdam and Eindhoven.

FedEx continues to provide direct service in sixteen of the largest European markets, with over 2,500 employees operating in over twenty facilities. These sixteen markets accounted for approximately half of our inter-continental volume prior to the restructuring. All other areas are being served through a reliable network of GSPs. Through these GSPs, we actually offer greater geographic coverage than prior to the restructuring, but at a far lower fixed cost.

For shipments originating in Europe, Federal Express offers the only next-day by 10:30 A.M. service throughout North America. While some competitors may offer a next-day service to major gateways, our superior network, combined with the direct service of our European EXPRESSfreighter network, means that we can offer this early morning service throughout the U.S., Canada, Puerto Rico, Mexico and even to Caracas, Venezuela.

The initial volumes in May and June following the restructuring have been encouraging, exceeding our projections for packages originating in Europe. Shipments bound for North America given to us by our GSPs have been well above plan levels in several countries. Service levels, both with direct service and through GSPs, have also been encouraging given the many changes

implemented simultaneously. A number of customers have tried competitive services and returned to Federal Express, citing our superior information network, better coverage in North America and overall reliability.

Our focus in FY93 in Europe will be to continue exploiting our competitive advantages, enhancing our express services and finding creative ways to lower costs by using the quality process throughout the European division. By narrowing this focus, we have given our European employees an attainable plan that can make a meaningful contribution toward improving our worldwide results.

Asian Operations: EXPRESSfreighter Links Asia to the World

In our Asia/Pacific division, we continue to exploit our service advantages made possible by the extensive EXPRESSfreighter network in the area. This network now serves most of the major trading centers of Asia, including Tokyo and Osaka in Japan, Hong Kong, Taipei, Singapore, Seoul and Panang in Malaysia. Our advantageous takeoff and landing slots, a legacy of the Flying Tigers acquisition, enable us to offer later pickup times to customers in these major trading centers. EXPRESSfreighter flights from these cities fly directly to our sorting facility in Anchorage, where they clear customs and enter the U.S. network through direct flights to our main hub in Memphis, as well as regional hubs throughout the country. This allows us to offer our Asian customers in these EXPRESSfreighter markets next day service by 10:30 A.M. throughout North America, something no other carrier offers.

These EXPRESSfreighter advantages are well suited to the growing express market in Asia. Just as Federal Express helped create the overnight delivery market in the U.S. twenty years ago, we are revolutionizing the airfreight market internationally today. Customers with high-value, time-definite shipping needs are discovering the cost and service advantages they can realize by utilizing our EXPRESSfreighter network to act as "flying warehouses" for their merchandise, sub-assemblies and finished goods.

For example, in the widespread Asian garment industry, the express networks are especially well-suited for high-value, high-fashion items which can be brought to market more quickly, shortening the time these items rest in an inventory or distribution pipeline. Some companies are shortening the time it takes to get these items on the shelf from weeks to days, thus enhancing their competitive position and reducing carrying costs.

Similarly, in the booming Pacific rim electronics industry, companies are using our express network to pulse sub-assemblies into the manufacturing chain in a more efficient manner. Because they know they can depend on EXPRESSfreighter reliability, they do not have to hold these items in inventory, reducing warehousing costs and speeding the manufacturing process.

No wonder then, that on some routes our express products — both International Priority and FedEx International EXPRESSfreight℠ — now account for more than 70 percent of the revenue of our EXPRESSfreighter network and more than half the weight.

Of special importance to customers is the superior customs clearance made possible by our advanced EXPRESSCLEAR℠ customs information system. This system makes it possible for customs information to move electronically in advance of the actual freight, meaning faster clearance at gateway points. Our clearance facility at Narita has significantly improved clearance times on inbound freight to Japan.

Our FedEx® International Airport-to-Airport Cargo Service continues to provide customers a lower-priced alternative when the service and reliability features of our express products are not critical. We offer customers a range of choices, thus meeting more of their total distribution needs.

The express network we have created in Asia and the Pacific positions Federal Express well to serve the explosive growth this region is expected to experience throughout the 1990s and into the 21st century. Most experts believe that as the century draws to a close, Asia will become not only a major supplier to the rest of the world, but also the core of consumer demand as well. Our comprehensive service and numerous competitive advantages will position us well in serving the new engine of the world's economy.

Business Logistics Services℠: New Global Distribution Alliances

During the year, our Business Logistics Services (BLS) division solidified its position as the market leader in the third-party logistics market worldwide. BLS offers a full range of integrated transportation and business solutions for its worldwide customer base.

BLS expanded into Asia in a significant way by opening a Singapore headquarters to serve customers in that growing region of the world. With U.S. Headquarters in Memphis, and European offices in the United Kingdom, the Netherlands and Germany, BLS can serve the needs of customers with global logistics requirements.

During the year, BLS signed several significant contracts, including a major agreement with Laura Ashley™ in the United Kingdom. Under this agreement, BLS will manage Laura Ashley's worldwide logistics operation, providing worldwide inventory and transportation management for this growing women's apparel company.

Another important contract was signed with one of the world's largest computer manufacturers to provide an early morning delivery network of repair parts for its field technical staff.

The BLS advantages include a global information network, transportation expertise, logistics management and specialized services such as repair and even light manufacturing. Over 200 clients are now served by BLS, which has grown rapidly since its inception in 1988.

SENIOR OFFICERS

Standing back row (left to right)**:** William J. Razzouk, T. Allan McArtor, Kenneth R. Newell, James A. Perkins, Robert P. May, Joseph C. McCarty, Theodore L. Weise

Standing middle row: Carole A. Presley, Jeffrey R. Rodek, Mary Alice Taylor, Dennis H. Jones

Seated: Alan B. Graf, Jr., Thomas R. Oliver, Kenneth R. Masterson

FREDERICK W. SMITH
Chairman, President and Chief Executive Officer

THOMAS R. OLIVER
Executive Vice President, Worldwide Customer Operations

ALAN B. GRAF, JR.
Senior Vice President and Chief Financial Officer

DENNIS H. JONES
Senior Vice President and Chief Information Officer

KENNETH R. MASTERSON
Senior Vice President and General Counsel

ROBERT P. MAY
Senior Vice President Business Logistics Services

T. ALLAN MCARTOR
Senior Vice President– President, FEDEX Aeronautics Corporation

JOSEPH C. MCCARTY, III
Senior Vice President Asia, Pacific, and Middle East

KENNETH R. NEWELL
Senior Vice President Europe, Africa, and Mediterranean

JAMES A. PERKINS
Senior Vice President and Chief Personnel Officer

CAROLE A. PRESLEY
Senior Vice President Marketing and Corporate Communications

WILLIAM J. RAZZOUK
Senior Vice President Sales and Customer Services

JEFFREY R. RODEK
Senior Vice President Americas and Caribbean

MARY ALICE TAYLOR
Senior Vice President Central Support Services

THEODORE L. WEISE
Senior Vice President Air Operations

GRAHAM R. SMITH
Vice President and Controller

ROBERT L. COX
Secretary

Financial Section

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

Results of Operations

Consolidated results of operations of Federal Express Corporation and subsidiaries (the "Company") for the past three years have been restrained by a trend of increasing international losses. These losses can be traced to insufficient volumes necessary to support the substantial cost of an integrated international distribution system. Also, certain operations did not prove compatible with the Company's express services. In 1992 and 1991, the Company restructured its European operations by discontinuing its intra-region and intra-country services and eliminating a substantial portion of the cost associated with serving certain European markets. Management believes that the restructured operations provide a cost-effective means to continue servicing the U.K. and continental Europe.

The Company's U.S. domestic operations in 1992 were impacted by a decline in the composite yield (average revenue per package) not completely offset by corresponding reductions in the cost per package.

Consolidated results of operations. Consolidated results for 1992 were adversely affected by a $254 million third quarter charge to restructure the Company's European operations. The Company recorded a net loss of $114 million compared with net income of $6 million and $116 million in 1991 and 1990, respectively. Earnings, excluding restructurings in 1992 and 1991 and a payroll tax loss in 1991, would have been $55 million in 1992 and $104 million in 1991. Revenues fell $138 million (2%) compared with increases of $673 million (10%) and $1.8 billion (36%) in 1991 and 1990, respectively. Operating expenses increased $91 million (1%) in 1992 compared with increases of $808 million (12%) and $1.9 billion (39%) in 1991 and 1990, respectively. The absence of significant growth in operating expenses in 1992 is attributable to the net effect of lower fuel costs and maintenance and repair expenses offset, however, by higher depreciation and salaries and benefits (primarily increased domestic employment levels associated with strong year-over-year volume growth). The wide variation in fuel costs reported for 1992, 1991 and 1990 is due primarily to fluctuations in the average cost per gallon of aircraft fuel. The average cost per gallon of aircraft fuel decreased 19% in 1992 compared with increases of 25% and 19% in 1991 and 1990, respectively.

U.S. DOMESTIC OPERATIONS. Domestic operating income fell to $636 million compared with $671 million and $608 million in 1991 and 1990, respectively. The decline in operating income from 1991 is primarily the result of a lower composite yield not completely offset by reductions in cost per package. The composite yield fell 8% compared with a 2% increase in 1991 and no significant change in 1990. Concurrently, express volumes increased 11% compared with 5% and 16% in 1991 and 1990, respectively, and express revenues increased $105 million (2%) compared with $318 million (7%) and $642 million (16%) in 1991 and 1990, respectively. Total operating expenses, however, rose faster than revenues, increasing $172 million (4%) compared with $210 million (5%) and $499 million (14%) in 1991 and 1990, respectively. The increase in operating expenses was attributable to higher salaries and wages resulting from volume-related increases in employment levels offset by lower fuel costs and decreases in discretionary spending. The net effect of the above, during 1992, was higher revenues but lower operating profits. The increase in operating income in 1991 was primarily attributable to productivity gains and cost containment programs which more than offset sluggish volume growth and higher fuel costs.

The decline in yield in 1992 is due to a number of factors. First, the Company experienced faster growth in the higher-volume, higher-discount customer group than the lower-volume, lower-discount customer group resulting in a greater percentage of customers receiving larger discounts. A second factor placing downward pressure on yield was the continuation of a trend of faster growth in lower-priced Standard Overnight and Economy Two-Day services. This trend is due in part to reduced weight restrictions implemented in April 1991 for Standard Overnight Service. Lastly, greater discounts were generally offered for most express services as a result of competitive activity.

The Company continually seeks ways to improve its operating margin. Discretionary cost controls and quality improvement programs have assisted in controlling costs. Also, new technologies are being developed which will help streamline the Company's package-handling and distribution network. Additionally, the Company continually evaluates its pricing programs.

Domestic Volume and Yield Statistics	FY 92	FY 91	FY 90
Express Package Mix			
Priority Overnight	55%	61%	68%
Economy Two-Day	21%	20%	18%
Standard Overnight	24%	19%	14%
Composite Yield	$14.38	$15.60	$15.35

INTERNATIONAL OPERATIONS. International operating losses increased to $613 million compared with $419 million and $221 million in 1991 and 1990, respectively. Operating losses, exclusive of restructuring charges, would have been $359 million and $298 million in 1992 and 1991, respectively. International losses for the fourth quarter of 1992 were $53 million compared with $75 million for the same period in 1991. Fourth quarter 1992 results benefitted by an estimated $15-25 million as a result of lower-than-expected operating losses from discontinued European operations between the announcement of the restructuring in March 1992 and discontinuance effective May 4, 1992. These estimated losses had been previously recorded in the third quarter as part of the restructuring charge.

Revenues decreased $275 million (10%) in 1992 compared with increases of $400 million (18%) and $1.2 billion (118%) in 1991 and 1990, respectively. Charter revenues were $188 million in 1992 compared with $372 million and $174 million in 1991 and 1990, respectively. In 1991 and the first quarter of 1992, the Company experienced elevated charter activity related to Operations Desert Shield and Desert Storm. Charter revenue is expected to decline as the Company will not renew its passenger contract with the Military Airlift Command which expires September 30, 1992.

The Company's ongoing expansion and development of the EXPRESSfreighter network continues to promote favorable year-over-year International Priority Service revenue growth, especially in the U.S.-outbound and Far Eastern markets. International Priority Service revenues increased $200 million (24%) in 1992 compared with $178 million (27%) and $163 million (33%) in 1991 and 1990, respectively. International Priority Service volumes increased 25% in 1992 compared with 17% and 23% in 1991 and 1990, respectively. The associated yields remained essentially flat in 1992 compared with increases of 8% in 1991 and 1990. The Company raised prices on its International Priority Service in 1991.

International Volume and Yield Statistics	FY 92	FY 91	FY 90
Volume (Year-Over-Year Change)			
International Priority (packages)	25%	17%	23%
IXF/ATA (pounds)	(15%)	(10%)	—
Yield			
International Priority (per package)	$ 37.87	$ 37.96	$ 35.06
IXF/ATA (per pound)	$ 1.22	$ 1.19	$ 1.14

A soft airfreight market combined with excess capacity in the market were key factors in an overall decline in the Company's airfreight revenues. Airfreight revenues, International EXPRESSfreight Service (IXF) and International Airport-to-Airport Cargo Service (ATA), declined $104 million (13%) compared with $55 million (6%) in 1991. Airfreight volumes also decreased 15% and 10% during the same periods. Airfreight yield, due to the introduction of higher-yielding International EXPRESSfreight Service in late 1991, increased 3% and 4% in 1992 and 1991, respectively.

Also contributing to the decline in international revenue were decreases in intra-U.K. revenues of $148 million in 1992 compared with 1991. This decrease is principally related to the discontinuance of certain non-priority, intra-U.K. services effective in the third quarter of 1991.

Operating expenses, exclusive of the restructuring charges, decreased $214 million (7%) in 1992 compared with increases of $478 million (19%) and $1.4 billion (128%) in 1991 and 1990, respectively. The decrease is primarily attributable to the restructured operations and lower fuel prices. The increase in 1991 was principally related to higher fuel costs and increased employee levels from expansion of the Company's global network.

The Company's international distribution system provides express delivery of packages and freight in key growth markets throughout the world. Inherent in such a system is a cost structure which is difficult to adjust during short-term economic swings. However, management believes that this cost structure can be managed on a long-term basis. In addition to developing a variable-cost ground operations system for most of Europe and the U.K., the Company plans to replace its intercontinental B747 fleet with more cost-efficient MD-11 and DC-10 aircraft. Furthermore, the continued development of the EXPRESSfreighter system aids in controlling costs by eliminating stops on key routes. Long-term international profitability is strongly linked, however, to continued growth of FedEx International Priority and EXPRESSfreight services.

Other income and expense and income taxes. Net other expense, exclusive of the $32 million payroll tax loss recorded in 1991, decreased $9 million (5%) in 1992 compared with increases of $10 million (6%) and $52 million (45%) in 1991 and 1990, respectively. The decrease in 1992 is primarily attributable to lower average borrowings and lower effective interest rates on the Company's commercial paper and revolving credit agreements.

The Company's effective tax rates for 1992 and 1991, excluding the tax benefit associated with the restructuring charge for both years, were 48.9% and 47.8%, respectively. The effective tax rate for 1990 was 47.0%. In each year, the effective tax rate exceeded the statutory tax rate primarily because of non-deductible goodwill amortization. For additional information related to income taxes, refer to Note 7 of Notes to Consolidated Financial Statements.

See Note 8 of Notes to Consolidated Financial Statements for the potential effects of adoption of Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." See Note 1 of Notes to Consolidated Financial Statements for the potential effects of adoption of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes."

Financial Condition

Capital expenditures. Capital expenditures, principally aircraft, totalled approximately $916 million in 1992 compared with $1.0 billion in 1991 and $1.2 billion in 1990. Significant purchases during 1992 included two B727-100, nine B727-200, three MD-11, six F-27 and 24 Cessna 208B aircraft. In addition to aircraft, the Company made capital expenditures to acquire and develop sorting facilities, vehicles and computer equipment. The Company intends to replace certain of its older aircraft with the technologically-advanced, cost-effective MD-11s and Airbus A300s. The Company is commited to acquire nine additional MD-11s within the next two years and 25 A300s by 1999. The Company expects to fund its aircraft acquisitions through a combination of leveraged lease arrangements, debt financings and internally-generated funds.

For information on the Company's purchase commitments, refer to Note 10 of Notes to Consolidated Financial Statements.

LIQUIDITY AND CAPITAL RESOURCES. Cash and cash equivalents decreased approximately $40 million in 1992 compared with an increase of $19 million in 1991 and a decrease of $59 million in 1990, respectively. Cash was provided primarily from operations, debt proceeds and sale-leaseback transactions. Cash from operations in 1992 decreased $267 million reflecting higher net losses and a $87 million payment to settle a previously accrued unfavorable contractual commitment with a major U.K. customer. Cash was used mainly to acquire property and equipment and retire outstanding debt.

At May 31,1992, the remaining liability associated with the restructuring of the Company's European operations is expected to require a cash outlay, net of expected proceeds from asset dispositions, of approximately $80 million. The Company believes it has adequate resources to meet all its cash requirements.

At May 31, 1992, the Company had negative working capital of $178.8 million compared with negative working capital of $140.9 million at May 31, 1991. The Company does not view negative working capital as an indication of lack of liquidity for either short-term or long-term purposes. Due to the highly capital-intensive nature of its business, the Company generally reinvests earnings to meet its capital requirements rather than accumulate cash and short-term investments. Furthermore, receivables are high quality and turn over more frequently than the Company's short-term obligations. The Company has readily available sources of funds in its revolving credit agreements and the commercial paper market sufficient to manage its day-to-day cash requirements. Additionally, the Company registered $500 million of debt securities with the Securities and Exchange Commission in June 1992 of which $300 million was subsequently offered and issued.

In July 1992, approximately $96 million of Memphis-Shelby County Airport Authority Special Facilities Revenue Bonds were issued and the proceeds, together with other funds, were used to refund $96 million of previously-issued special facilities revenue bonds. The net effect of the refunding was to reduce the interest rate on the bonds from a range of 10 7/8% - 13 1/4% to 6 3/4%, reducing the Company's annual interest expense by approximately $5 million.

	FY 92	FY 91	FY 90
Ratio of Debt-to-Total Capitalization	55%	55%	57%

In March 1992, a major credit rating agency downgraded the Company's commercial paper rating to a lower level within the investment grade grouping. The Company's long-term debt rating was affirmed by the same agency at its prior investment grade rating. The Company's debt as classified by the major credit rating agencies is investment grade, but due to the downgrade in commercial paper, borrowings may be more costly. Management expects cash from operations, lease financing arrangements, borrowings under existing credit facilities and debt offerings to adequately meet the Company's future cash requirements. Refer to Note 3 of Notes to Consolidated Financial Statements for additional information concerning the Company's debt and credit facilities.

INFLATION AND CHANGING PRICES

The effect of inflation during the last three years has been minimal. The Company's operations are capital-intensive and, generally, the effect of inflation is to understate depreciation expense and overstate net income to the extent that current costs exceed original costs. The Company attempts to minimize the effect of inflation through methods such as securing significant long-term agreements for aircraft purchases.

Consolidated Statements of Operations

Federal Express Corporation and Subsidiaries

Years ended May 31 In thousands, except per share amounts	1992	1991	1990
Revenues	$ 7,550,060	$ 7,688,296	$ 7,015,069
Operating Expenses:			
Salaries and employee benefits (Note 8)	3,637,080	3,438,391	3,045,250
Rentals and landing fees (Note 4)	672,341	650,001	657,995
Fuel	508,386	663,327	521,256
Depreciation and amortization	577,157	562,207	505,412
Maintenance and repairs	404,311	449,394	424,923
Restructuring charges (Note 12)	254,000	121,000	–
Other	1,473,818	1,551,850	1,472,878
	7,527,093	7,436,170	6,627,714
Operating Income	22,967	252,126	387,355
Other Income (Expense):			
Interest, net (Note 1)	(164,315)	(181,880)	(188,109)
Gain on disposition of aircraft and related equipment	2,832	11,375	13,791
Other, net	(8,312)	(8,679)	5,386
Payroll tax loss (Note 12)	–	(32,000)	–
	(169,795)	(211,184)	(168,932)
Income (Loss) Before Income Taxes	(146,828)	40,942	218,423
Provision (Credit) For Income Taxes (Note 7)	(33,046)	35,044	102,659
Net Income (Loss)	$ (113,782)	$ 5,898	$ 115,764
Earnings (Loss) Per Share (Note 6)	$ (2.11)	$ .11	$ 2.18
Average Shares Outstanding (Note 6)	53,961	53,350	53,161

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Consolidated Balance Sheets

Federal Express Corporation and Subsidiaries

May 31 In thousands		1992		1991
Assets				
Current Assets:				
Cash and cash equivalents	$	78,177	$	117,692
Receivables, less allowance for doubtful accounts of $32,074 and $37,694		899,773		924,773
Spare parts, supplies and fuel		158,062		154,941
Prepaid expenses and other		69,994		85,441
Total current assets		1,206,006		1,282,847
Property and Equipment, at Cost (Notes 3, 4 and 10):				
Flight equipment		2,540,350		2,394,326
Package handling and ground support equipment		1,352,659		1,296,706
Computer and electronic equipment		851,686		756,638
Other		1,433,212		1,447,501
		6,177,907		5,895,171
Less accumulated depreciation and amortization		2,766,610		2,271,145
Net property and equipment		3,411,297		3,624,026
Other Assets:				
Goodwill (Note 1)		487,780		521,079
Equipment deposits and other assets (Note 10)		358,103		244,509
Total other assets		845,883		765,588
	$	5,463,186	$	5,672,461

The accompanying Notes to Consolidated Financial Statements are an integral part of these balance sheets.

	1992	1991
LIABILITIES AND STOCKHOLDERS' INVESTMENT		
CURRENT LIABILITIES:		
Current portion of long-term debt (NOTE 3)	$ 155,257	$ 202,653
Accounts payable	430,130	533,621
Accrued expenses (NOTE 2)	799,468	687,498
Total current liabilities	1,384,855	1,423,772
LONG-TERM DEBT, LESS CURRENT PORTION (NOTE 3)	1,797,844	1,826,781
DEFERRED INCOME TAXES (NOTE 7)	123,715	217,436
OTHER LIABILITIES (NOTE 1)	577,050	535,852
COMMITMENTS AND CONTINGENCIES (NOTES 10 AND 11)		
COMMON STOCKHOLDERS' INVESTMENT (NOTES 6 AND 8):		
Common stock, $.10 par value; 100,000 shares authorized, 54,100 and 53,632 shares issued	5,410	5,363
Additional paid-in capital	672,727	652,045
Retained earnings	906,555	1,015,205
	1,584,692	1,672,613
Less treasury stock and deferred compensation related to stock plans	4,970	3,993
Total common stockholders' investment	1,579,722	1,668,620
	$ 5,463,186	$ 5,672,461

Consolidated Statements of Cash Flows

Federal Express Corporation and Subsidiaries

Years Ended May 31 In thousands	1992	1991	1990
Operating Activities			
Net income (loss)	$ (113,782)	$ 5,898	$ 115,764
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	577,157	562,207	505,412
Provision for uncollectible accounts	31,670	59,721	55,147
Provision (credit) for deferred income taxes and other	(75,219)	36,935	74,833
(Gain) loss from disposals of property and equipment	1,810	(1,621)	(8,084)
Changes in assets and liabilities, net of effects from purchases of businesses:			
(Increase) decrease in receivables	(727)	20,431	(279,596)
(Increase) decrease in other current assets	61,749	(21,904)	(51,404)
Increase in accounts payable, accrued expenses and other liabilities	33,620	131,500	128,490
Other, net	4,543	(5,768)	(24,232)
Net cash provided by operating activities	520,821	787,399	516,330
Investing Activities			
Purchases of property and equipment	(915,878)	(1,027,736)	(1,164,061)
Proceeds from disposition of property and equipment:			
Sale-leaseback transactions	400,433	275,347	583,744
Other	12,851	5,699	19,722
Purchase of businesses, net of cash acquired	–	(24,322)	(30,975)
Other, net	621	–	(4,568)
Net cash used in investing activities	(501,973)	(771,012)	(596,138)
Financing Activities			
Proceeds from debt issuances	437,709	910,703	1,039,568
Principal payments on debt	(507,283)	(916,430)	(1,044,159)
Proceeds from stock issuances (includes treasury)	19,272	31,241	44,855
Purchases of treasury stock	(3,099)	(23,565)	(17,742)
Other, net	(4,962)	857	(1,523)
Net cash provided by (used in) financing activities	(58,363)	2,806	20,999
Net increase (decrease) in cash and cash equivalents	(39,515)	19,193	(58,809)
Cash and cash equivalents at beginning of period	117,692	98,499	157,308
Cash and cash equivalents at end of period	$ 78,177	$ 117,692	$ 98,499
Supplemental Disclosure of Cash Flow Information			
Cash paid for:			
Interest (net of capitalized interest)	$ 178,943	$ 190,054	$ 195,006
Income taxes	$ 89,729	$ 36,500	$ 130,000

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Consolidated Statements of Changes in Common Stockholders' Investment

Federal Express Corporation and Subsidiaries

In thousands, except common shares	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Deferred Compensation
Balance at May 31, 1989	$ 5,286	$ 625,828	$ 901,429	$ (26,619)	$ (12,400)
Purchase of treasury stock	—	—	—	(17,742)	—
Issuance of common and treasury stock under employee incentive plans (1,283,493 shares)	29	13,848	(5,270)	44,340	(7,109)
Amortization of deferred compensation	—	—	—	—	13,636
Foreign currency translation adjustment	—	—	(1,833)	—	—
Net income	—	—	115,764	—	—
Balance at May 31, 1990	5,315	639,676	1,010,090	(21)	(5,873)
Purchase of treasury stock	—	—	—	(23,565)	—
Issuance of common and treasury stock under employee incentive plans (1,141,283 shares)	48	12,369	(4,483)	23,572	642
Amortization of deferred compensation	—	—	—	—	1,252
Foreign currency translation adjustment	—	—	3,700	—	—
Net income	—	—	5,898	—	—
Balance at May 31, 1991	5,363	652,045	1,015,205	(14)	(3,979)
Purchase of treasury stock	—	—	—	(3,099)	—
Issuance of common and treasury stock under employee incentive plans (554,269 shares)	47	20,682	(287)	3,081	(2,792)
Amortization of deferred compensation	—	—	—	—	1,833
Foreign currency translation adjustment	—	—	5,419	—	—
Net loss	—	—	(113,782)	—	—
Balance at May 31, 1992	$ 5,410	$ 672,727	$ 906,555	$ (32)	$ (4,938)

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION. The consolidated financial statements include the accounts of Federal Express Corporation and its wholly-owned subsidiaries (the "Company"). All significant intercompany accounts and transactions have been eliminated.

PROPERTY AND EQUIPMENT. Expenditures for major additions, improvements, flight equipment modifications and overhaul costs are capitalized. Maintenance and repairs are charged to expense as incurred, except for B747 aircraft airframe and engine overhaul maintenance which is accrued and charged to expense on the basis of hours flown. The cost and accumulated depreciation of property and equipment disposed of are removed from the related accounts and any gain or loss reflected in the results of operations.

For financial reporting purposes, depreciation and amortization of property and equipment is provided on a straight-line basis over the asset's service life or related lease term as follows:

Flight equipment	7 to 20 years
Package handling and ground support equipment	5 to 30 years
Computer and electronic equipment	3 to 10 years
Other	2 to 30 years

Aircraft airframes and engines are assigned residual values ranging from 10% - 20% of asset cost. All other property and equipment have no assigned residual values.

For income tax purposes, depreciation is generally computed using accelerated methods.

DEFERRED GAINS. Gains on the sale and leaseback of aircraft and other property and equipment are deferred and amortized over the life of the lease as a reduction of rent expense. Included in Other Liabilities at May 31, 1992 and 1991 were deferred gains of $171,311,000 and $122,799,000, respectively.

DEFERRED LEASE OBLIGATIONS. While various of the Company's aircraft and facility leases contain fluctuating or escalating payments, the related rent expense is recorded on a straight-line basis over the lease term. Included in Other Liabilities at May 31, 1992 and 1991 was $136,786,000 and $117,737,000, respectively, representing the cumulative excess of rent expense over rent payments.

CAPITALIZED INTEREST. Interest on funds used to finance the acquisition and modification of aircraft and construction of certain facilities up to the date the asset is placed in service is capitalized and included in the cost of the asset. Capitalized interest was $26,603,000, $35,442,000 and $16,986,000 for 1992, 1991 and 1990, respectively.

For income tax purposes, generally, capitalized interest on property placed in service prior to 1988 is deducted currently for personal property (primarily aircraft and sort equipment) and amortized over a 10-year period for real property (primarily facilities). For property placed in service on or after January 1, 1988, capitalized interest on property acquired under contract (principally aircraft) is depreciated over the life of the asset, and on all other property is deducted currently.

CASH EQUIVALENTS. Cash equivalents are cash in excess of current operating requirements invested in short-term interest-bearing instruments with maturities of three months or less at the date of purchase and are stated at cost, which approximates market value. Interest income was $12,006,000 in 1992, $15,102,000 in 1991 and $11,128,000 in 1990.

SPARE PARTS, SUPPLIES AND FUEL. Spare parts, supplies and fuel are stated principally at standard cost (approximates actual cost on a first-in, first-out basis) which is not in excess of current replacement cost.

GOODWILL. Goodwill, the excess of purchase price over the fair value of net assets of businesses acquired, is amortized on a straight-line basis over periods ranging up to 40 years. Accumulated amortization was $54,882,000 and $45,400,000 at May 31, 1992 and 1991, respectively.

FOREIGN CURRENCY TRANSLATION. The Company conducts a significant amount of its business and has a number of operating facilities in countries outside the United States. Translation gains and losses of foreign operations that use local currencies as the functional currency are accumulated and reported as a separate component of common stockholders' investment. Transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in the results of operations.

INCOME TAXES. Deferred income taxes are provided for the tax effect of temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements. The Company uses the liability method to account for income taxes, which requires deferred taxes to be recorded at the statutory rate expected to be in effect when the taxes are paid.

In February 1992, the Financial Accounting Standards Board issued Statement No. 109, "Accounting for Income Taxes", which supersedes Statement No. 96 currently followed by the Company. The principal difference between these standards is that Statement No. 109 contains less restrictive criteria for recognizing deferred tax assets. Provisions of this new standard must be adopted by the Company by fiscal year 1994. Management has not determined when the new standard will be adopted but does not expect it to have a significant effect on the Company's financial position or results of operations.

REVENUE RECOGNITION. Revenue is generally recognized upon delivery of shipments. For shipments in transit, revenue is recorded based on the percentage of transportation furnished.

EARNINGS (LOSS) PER SHARE. Earnings (loss) per share is computed based on the weighted average number of common and common equivalent shares outstanding during the year. Common equivalent shares are the number of shares of common stock that would be issued upon the exercise of all dilutive outstanding stock options, less the assumed repurchase of treasury shares.

RECLASSIFICATIONS. Certain amounts for 1991 and 1990 have been reclassified to conform to the 1992 presentation, including the reclassification of goodwill amortization expense to an operating expense from a non-operating expense.

NOTE 2: ACCRUED EXPENSES

May 31 In thousands	1992	1991
Employee benefits	$ 106,901	$ 153,061
Insurance	142,057	117,624
Compensated absences	148,779	119,025
Aircraft overhaul	67,622	58,010
Restructure liability	93,099	15,540
Taxes other than income taxes	93,645	79,751
Salaries	60,531	33,753
Interest	32,238	34,861
Other	54,596	75,873
	$ 799,468	$ 687,498

NOTE 3: LONG-TERM DEBT

May 31 In thousands	1992	1991
Unsecured notes payable, interest rates of 8 1/8% to 12 1/8%, due through 2004	$ 1,335,705	$ 1,078,587
Unsecured sinking fund debentures, interest rate of 9 5/8%, due through 2020	98,117	98,048
Revolving credit agreements and commercial paper, effective rate of 5 3/8%	195,413	484,343
Capital lease obligations:		
Memphis-Shelby County Airport Authority Special Facilities Revenue Bonds, due through 2013, interest rates of 7 1/2% to 13 1/4%	245,070	245,070
Less bond reserve funds and unamortized discount	26,479	26,485
	218,591	218,585
Other, effective rates of 9% to 11 7/8 %	7,209	18,911
Other debt, effective rates of 5 1/2% to 13 3/4%	98,066	130,960
	1,953,101	2,029,434
Less current portion	155,257	202,653
	$ 1,797,844	$ 1,826,781

The Company's credit facilities with domestic and foreign banks provide for a commitment of approximately $840,000,000 through May 31, 1994. Interest rates for borrowings under these agreements are generally determined by maturities selected and prevailing market conditions. Of the total commitment, a portion supports the issuance of commercial paper. The agreements are subject to commitment and facility fees which are not material. The credit agreements contain certain covenants and restrictions, none of which is expected to significantly affect operations. At May 31, 1992, $645,000,000 was available under these agreements after considering commercial paper borrowings. Borrowings under the credit agreements and the commercial paper program are considered by the Company to be long-term on the basis of the Company's ability and intent to refinance such borrowings.

Special Facilities Revenue Bonds were issued by the Memphis-Shelby County Airport Authority to finance the acquisition and construction of various facilities and equipment at the Memphis International Airport. Lease agreements with the Authority covering the facilities and equipment financed with the bond proceeds obligate the Company for rentals equal to principal and interest due on the bonds.

Scheduled annual principal maturities of long-term debt for the five years subsequent to May 31, 1992, are as follows: $155,300,000 in 1993; $147,300,000 in 1994; $200,100,000 in 1995; $355,300,000 in 1996 and $26,300,000 in 1997.

NOTE 4: LEASE COMMITMENTS

The Company utilizes certain aircraft, land, facilities and equipment under capital and operating leases which expire at various dates through 2021. In addition, supplemental aircraft are leased under agreements which generally provide for cancellation upon 60 days' notice.

Property and equipment recorded under capital leases at May 31 was as follows:

In thousands	1992	1991
Package handling and ground support equipment	$ 367,113	$ 370,963
Computer and electronic equipment	57,553	57,922
Other	134,085	134,085
	558,751	562,970
Less accumulated amortization	356,980	336,669
	$ 201,771	$ 226,301

Rent expense under operating leases for the years ended May 31 was as follows:

In thousands	1992	1991	1990
Minimum rentals	$ 570,377	$ 551,101	$ 534,709
Contingent rentals	40,043	38,978	71,161
	$ 610,420	$ 590,079	$ 605,870

Contingent rentals represent supplemental aircraft lease expense.

A summary of future minimum lease payments under capital leases and non-cancelable operating leases (principally aircraft and facilities) with an initial or remaining term in excess of one year at May 31, 1992 follows:

In thousands	Capital Leases	Operating Leases
1993	$ 29,393	$ 413,496
1994	25,095	375,437
1995	25,662	343,408
1996	25,176	314,998
1997	25,016	282,068
Thereafter	509,576	2,642,938
	$ 639,918	$4,372,345

At May 31, 1992, the present value of future minimum lease payments for capital lease obligations, including the Special Facilities Revenue Bonds, was $225,800,000.

NOTE 5: PREFERRED STOCK

The Certificate of Incorporation authorizes the Board of Directors, at its discretion, to issue up to 4,000,000 shares of Series Preferred Stock. The stock is issuable in series which may vary as to certain rights and preferences and has no par value. As of May 31, 1992, none of these shares had been issued.

Note 6: Common Stockholders' Investment

Under the provisions of the Company's stock incentive plans, options may be granted to certain key employees to purchase common stock of the Company at a price not less than its fair market value at the date of grant. The following summarizes information for the past three years with respect to those plans:

	Number of Shares Under Option	Option Price Per Share
Outstanding at May 31, 1989	2,831,545	$ 8.00 - $ 70.19
Granted	1,134,675	$ 45.13 - $ 54.63
Exercised	(222,438)	$ 8.00 - $ 47.50
Cancelled	(67,531)	$ 33.50 - $ 70.19
Outstanding at May 31, 1990	3,676,251	$ 16.19 - $ 70.19
Granted	546,000	$ 30.56 - $ 43.63
Exercised	(46,246)	$ 16.19 - $ 42.41
Cancelled	(319,075)	$ 33.50 - $ 62.00
Outstanding at May 31, 1991	3,856,930	$ 23.59 - $ 70.19
Granted	526,500	$ 34.50 - $ 53.63
Exercised	(467,469)	$ 23.59 - $ 47.00
Cancelled	(262,158)	$ 34.31 - $ 62.00
Outstanding at May 31, 1992	3,653,803	$ 23.59 - $ 70.19
Exercisable at May 31, 1992	2,092,606	$ 23.59 - $ 70.19

At May 31, 1992, there were 316,698 shares available for future grants under the above plans.

Prior to March 1991, the Company administered an employee stock purchase plan which provided its non-officer employees the opportunity to purchase common stock at a price which approximated 85% of market. During 1991, 1,076,157 shares were issued under this plan at prices ranging from $25.75 to $39.68 per share. Effective March 1, 1991, this plan was replaced by a new plan which provides for the open market purchase of common stock at the current market price.

Under the terms of the Company's 1986 Restricted Stock Plan, shares of the Company's common stock are granted to key employees. Restrictions on the shares expire over a period of two to five years from their date of grant. Deferred compensation expense related to this plan is recorded as a reduction of common stockholders' investment and is being amortized as restrictions on such shares expire. The shares granted under this plan were 120,500 in 1992, 6,250 in 1991 and 162,500 in 1990. During 1992 and 1991, 33,750 and 20,000 shares, respectively, were forfeited. At May 31, 1992, there were 14,500 shares available for future grants under this plan.

At May 31, 1992, there were 3,985,001 shares of common stock reserved for issuance under the above-mentioned plans.

In 1988, the Board of Directors authorized the purchase of up to approximately 5,300,000 shares of the Company's common stock on the open market. As of May 31, 1992, a total of 2,751,493 shares at an average cost of $41.65 per share had been purchased and reissued under the above-mentioned plans.

NOTE 7: INCOME TAXES

Year ended May 31 In thousands	1992	1991	1990
Current Provision:			
Federal	$ 10,886	$ 66,235	$ 19,582
Foreign	17,512	11,642	2,365
State	7,471	11,165	7,903
Total current provision	35,869	89,042	29,850
Deferred provision (credit):			
Federal	(63,754)	(49,358)	69,310
State	(5,161)	(4,640)	3,499
Total deferred provision (credit)	(68,915)	(53,998)	72,809
	$ (33,046)	$ 35,044	$ 102,659

In 1992 and 1991, the Company's operations included foreign entities with pre-tax income of approximately $76,000,000 and $104,000,000, respectively. Additionally, other foreign entities incurred pre-tax losses of approximately $538,000,000 and $348,000,000 in 1992 and 1991, respectively, of which approximately $27,000,000 and $35,000,000 was not deductible for federal income tax purposes. Income taxes have been provided for foreign operations based upon the various tax laws and rates of the countries in which the Company's operations are conducted. There is no direct relationship between the Company's foreign income tax provision and foreign pre-tax book income because of different methods of taxation employed by countries throughout the world.

A reconciliation of the statutory federal income tax rate to the Company's effective income tax rate follows:

Year ended May 31	1992	1991	1990
Statutory U.S. income tax rate	(34.0%)	34.0%	34.0%
Increase (decrease) resulting from:			
Foreign subsidiary losses, net of branch conversion benefits	(2.3)	6.2	1.6
Goodwill amortization	5.9	15.4	2.8
Foreign income taxes	3.2	11.8	1.1
State income taxes, net of federal benefit	1.0	10.5	3.4
Other, net	3.7	7.7	4.1
Effective rate	(22.5%)	85.6%	47.0%

The effective tax rate for 1992 excluding the effect of the European restructuring charge was 48.9%, and for 1991 excluding the U.K. restructuring charge was 47.8%.

At May 31, 1992, the Company had alternative minimum tax credit carryforwards of approximately $67,000,000 which have no expiration date.

The tax effect of items included in the federal deferred tax provision (credit) consisted of:

Year ended May 31 In thousands	1992	1991	1990
Depreciation and capitalized interest	$ 11,282	$ 26,184	$ 15,116
Gains on sales of property and equipment	(18,678)	(58,238)	(160,258)
Alternative minimum tax	(29,675)	(4,888)	–
European/U.K. restructuring charge	(12,496)	(28,257)	–
Tax credit carryover	–	15,585	37,745
Net operating loss carryforward	–	–	153,000
Employee benefits	(743)	1,602	26,147
Self-insurance reserves	(35,276)	(16,062)	(19,354)
Other	21,832	14,716	16,914
	$ (63,754)	$ (49,358)	$ 69,310

Note 8: Postretirement Benefit Plans

The Company sponsors pension plans covering substantially all employees. The largest plan, the Federal Express plan, covers domestic employees age 21 and over, with at least one year of service and provides benefits based on final average earnings and years of service. Plan funding is actuarially determined, subject to certain tax law limitations. Domestic defined benefit plans covering former Tiger International, Inc. ("Tiger") employees were merged into the Federal Express plan during 1990. At the date of merger, benefits accrued under the Tiger plans were frozen and benefits began accruing under the terms of the Federal Express plan.

International defined benefit plans provide benefits primarily based on final earnings and years of service and are funded in accordance with local laws and income tax regulations. In 1990, the Company adopted the provisions of Statement of Financial Accounting Standards No. 87, "Employers' Accounting for Pensions," for its international defined benefit pension plans. The effect of the change on net periodic pension cost was not material.

The following table sets forth the funded status of the plans as of May 31:

In thousands	1992	1991
Actuarial present value of the projected benefit obligation for service rendered to date	$ 1,456,610	$ 1,288,625
Less plan assets at fair value	1,206,496	898,298
Projected benefit obligation in excess of plan assets	250,114	390,327
Unrecognized net losses from past experience different from that assumed and effects of changes in assumptions	(55,541)	(158,005)
Prior service cost not yet recognized in net periodic cost	(31,427)	(32,428)
Unrecognized transition amount	(5,824)	(2,742)
Pension liability	$ 157,322	$ 197,152
Accumulated benefit obligation	$ 904,160	$ 777,295
Vested benefit obligation	$ 838,074	$ 701,543

Net pension cost for the years ended May 31 included the following components:

In thousands	1992	1991	1990
Service cost - benefits earned during the period	$ 154,024	$ 128,868	$ 103,051
Interest cost on projected benefit obligation	105,274	88,163	75,691
Actual return on plan assets	(92,841)	(52,673)	(73,015)
Net amortization and deferral	590	(15,366)	13,856
Net periodic pension cost	$ 167,047	$ 148,992	$ 119,583

The weighted-average discount rate and rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligation were 8.0% and 6.0% in 1992, 8.2% and 6.5% in 1991, and 8.6% and 7.0% in 1990, respectively. The expected long-term rate of return on assets was 9.5% in 1992, 1991 and 1990. Plan assets consist primarily of marketable equity securities and fixed income instruments.

In 1986, the Company established an Employee Stock Ownership Plan (ESOP) which borrowed $50,000,000 from the Company and used the proceeds to purchase 992,556 shares of the Company's unissued common stock for the benefit of eligible employees. Contributions have been made by the Company to the ESOP sufficient to pay principal and interest on the loan through the final payment in 1991. Deferred compensation related to this plan was recorded as a reduction of common stockholders' investment and amortized over the term of the loan.

The Company also has a deferred profit sharing plan which covers substantially all employees age 21 and over with at least one year of service with the Company as of the contribution date, as defined. The plan provides for discretionary contributions by the Company which are determined annually by the Board of Directors. Deferred profit sharing expense was $8,400,000 in 1992, $35,400,000 in 1991 and $44,900,000 in 1990.

In addition to the above benefits, the Company provides certain health care benefits for retired employees. Substantially all of the Company's employees may become eligible for those benefits at age 55 and older, if they have permanent, continuous service with the Company of at least 10 years if hired prior to January 1, 1988, or at least 20 years if hired on or after January 1, 1988. These and similar benefits for approximately 70,000 active employees are expensed at the time claims are incurred. The annual cost of providing benefits for retired employees is not significant. Total health care benefit costs were $180,000,000 in 1992, $162,000,000 in 1991 and $127,000,000 in 1990.

In December 1990, the Financial Accounting Standards Board issued Statement No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." This new standard requires that the expected costs of these benefits be charged to expense during the years that employees render service. This is a significant change from the Company's current accounting policy of recording postretirement health care expenses as incurred. The Company is required to adopt the new accounting and disclosure rules no later than fiscal 1994, although earlier implementation is permitted. The Company may recognize the effects of the accounting change immediately through a cumulative catch-up adjustment, or on a prospective basis through amortization over a period up to 20 years.

The Company has not decided when it will adopt the new standard or if it will adopt the new accounting method prospectively or by recording a cumulative catch-up adjustment in the year of adoption. Based on a preliminary actuarial review, the Company's postretirement health benefit obligation at June 1, 1992, measured in accordance with the new standard, is estimated to be in the range of $170,000,000 - $200,000,000. This amount represents the discounted present value of expected future benefits attributed to employees' service rendered prior to June 1, 1992 and incorporates the effects of a probable plan amendment with respect to the period over which each employee's benefits are earned. If the new standard were adopted in fiscal 1993, postretirement health expense would be anticipated to increase by approximately $50,000,000 - $60,000,000 before taxes. The new accounting method will have no effect on the Company's cash outlays for the retiree health care benefits.

The Company continues to evaluate ways in which it can better manage these benefits and control the costs, and it reserves the right to change or terminate the benefits at any time. Any changes in the plan or revisions to assumptions that affect the amount of expected future benefits may have a significant effect on the amount of the reported obligation and annual expense.

NOTE 9: BUSINESS SEGMENT INFORMATION

The Company is in a single line of business - the worldwide transportation and distribution of goods and documents. For reporting purposes, operations are classified into two services, U.S. domestic and international. International services are defined as shipments which either originate in or are destined to foreign (non-U.S.) locations. A summary of selected financial information for domestic and international operations for the years ended May 31, 1992, 1991 and 1990, follows:

In thousands	U.S. Domestic	International	Total Worldwide
Revenues:			
1992	$ 5,194,684	$ 2,355,376	$ 7,550,060
1991	5,057,831	2,630,465	7,688,296
1990	4,784,887	2,230,182	7,015,069
Operating Income (Loss):			
1992	$ 635,872	$ (612,905)(1)	$ 22,967
1991	671,186	(419,060)(1)	252,126
1990	608,089	(220,734)	387,355
Identifiable Assets:			
1992	$ 3,941,022	$ 1,522,164	$ 5,463,186
1991	4,032,361	1,640,100	5,672,461
1990	3,798,364	1,876,709	5,675,073

(1) Includes charges related to restructuring European operations in 1992 and U.K. operations in 1991. See Note 12.

Identifiable assets used jointly in domestic U.S. and international operations (principally aircraft) have been allocated based on estimated usage. International revenues related to services originating in the U.S. totalled $914,800,000, $1,028,800,000 and $770,600,000 for the years ended May 31, 1992, 1991 and 1990, respectively.

Note 10: Commitments

Under various contracts, the Company is committed to purchase 9 MD-11, 13 B727-200 and 25 Airbus A300 aircraft to be delivered through 1999. At May 31, 1992, deposits and progress payments of approximately $288,800,000 had been made toward these purchases. Further deposits and payments for aircraft acquisitions are expected to approximate $491,400,000, $598,200,000, $402,300,000, $410,300,000 and $250,500,000 in 1993 through 1997, respectively, and $419,800,000 thereafter. The Company is committed to aircraft modifications and aircraft simulator development of approximately $43,500,000 and $16,000,000 in 1993 and 1994, respectively. Also, the Company has options to purchase additional MD-11 and A300 aircraft. In addition to the commitments related to aircraft, the Company has committed expenditures of approximately $83,200,000 and $4,900,000 in 1993 and 1994, respectively, primarily related to facilities, vehicles and computer equipment.

Note 11: Legal Proceedings

On May 24, 1990, a shareholder filed a purported class-action suit in the United States District Court for the Western District of Tennessee against the Company, Frederick W. Smith and James L. Barksdale, the Company's former Executive Vice President and Chief Operating Officer, alleging fraud and violations of Sections 10(b) and 20 of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder. Subsequently, three other shareholders filed separate suits which contain substantially the same allegations. (These separate actions were later consolidated and a consolidated complaint served on the defendants.) Specifically, the complaints allege that purchasers of the Company's common stock during periods ending May 21, 1990 were damaged when the market value of the stock dropped by nearly 10% on May 22, 1990. The plaintiffs allege generally that the defendants artifically inflated the market value of the Company's common stock by a series of misleading statements or by failing to disclose certain adverse information. An unspecified amount of damages is sought. Defendants' motion to dismiss the action has been denied. The defendants will file a motion for summary judgment in late September 1992.

After auditing the Company's federal transportation excise tax returns filed for the calendar quarters ending December 31, 1983 through March 31, 1987, the Internal Revenue Service ("IRS") issued to the Company an Examination Report on October 31, 1991 asserting that the Company underpaid federal excise taxes for the periods audited. The Examination Report contains a primary position and a mutually exclusive alternative position. The primary position and alternative position assert that the Company underpaid excise taxes by $54 million and $26 million, respectively, during the audit period. Disagreeing with essentially all of the proposed adjustments contained in the Examination Report, the Company filed a Protest on March 16, 1992 with the IRS which sets forth the Company's defenses to both IRS positions and a claim for refund of overpaid excise taxes of $25 million. The principal issue in dispute is the percentage of the Company's U.S. revenue subject to the excise tax. The IRS has asserted that a higher percentage was subject to the tax while the Company maintains that a lower percentage was subject to the tax. The amount of revenue subject to the tax is based upon a ratio of expenses allocated between the air and ground transportation components of the Company's integrated service. The IRS believes the Company improperly allocated certain expenses, with the net result that expenses were over-allocated to the ground component, thereby resulting in an underpayment of tax. The Company maintains that it over-allocated expenses to the air component and, therefore, overpaid the tax during the audited period. The Company believes the IRS's positions are without merit and plans to vigorously pursue its Protest administratively with the IRS Appeals Division and, if necessary, with litigation. The IRS has commenced an audit of the Company's excise tax returns for the period beginning April 1987 through June 1991. Pending resolution of the Protest, the IRS can be expected to take positions similar to those taken in the Examination Report and assert that the Company also underpaid the excise tax for the periods after March 31, 1987.

Note 12: Unusual Events

A $254,000,000 charge to operating expenses was recorded during the third quarter of 1992 related to a restructuring of certain continental Europe and United Kingdom operations. Effective May 4, 1992, the Company substantially reduced the scope of its European and U.K. operations by discontinuing its intra-region and intra-country services. The primary components of the restructuring charge were severance costs, facility closures, equipment dispositions and expected future operating losses of the discontinued services through May 4, 1992. The restructuring charge reduced earnings per share by $3.12 in 1992. At May 31, 1992, the remaining liability associated with the restructuring is expected to require a cash outlay, net of expected proceeds from asset dispositions, of approximately $80 million.

A $121,000,000 charge to operating expenses was recorded in the third quarter of 1991 related to a restructuring of the Company's operations in the United Kingdom. The primary components of the restructuring charge were severance costs, writeoff of unamortized goodwill, expected future operating losses related to a contractual commitment to a major customer, facility closures and equipment dispositions. The restructuring charge reduced earnings per share by $1.48 in 1991. In 1992, the Company negotiated, and paid, a settlement of approximately $87,000,000 related to the contractual commitment, which was previously provided for in the restructuring charge.

Also in the third quarter of 1991, the Company recorded a $32,000,000 charge in other income and expense for an estimated loss due to the failure of a firm engaged by the Company to remit payments of employees' withholding taxes to the appropriate authorities. This charge reduced earnings per share by $.37 in 1991.

NOTE 13: SUMMARY OF QUARTERLY OPERATING RESULTS (UNAUDITED)

In thousands, except per share amounts	First Quarter	Second Quarter	Third Quarter(2)	Fourth Quarter
1992				
Revenues	$ 1,825,785	$ 1,943,406	$ 1,889,536	$ 1,891,333
Operating income (loss)(1)	75,154	93,798	(255,826)	109,841
Income (loss) before income taxes	33,521	50,628	(297,990)	67,013
Net income (loss)	17,230	26,527	(193,358)	35,819
Earnings (loss) per share	$ .32	$ .49	$ (3.58)	$ .66
Average shares outstanding	53,777	53,722	53,942	54,404
1991				
Revenues	$ 1,916,517	$ 1,993,092	$ 1,864,486	$ 1,914,201
Operating income (loss)(1)	122,058	118,355	(97,023)	108,736
Income (loss) before income taxes	82,515	76,643	(168,715)	50,499
Net income (loss)	43,060	37,474	(105,641)	31,005
Earnings (loss) per share	$ .81	$ .71	$ (1.98)	$ .58
Average shares outstanding	53,353	53,043	53,315	53,714

(1) Reflects the reclassification of goodwill amortization expense to operating expense from non-operating expense.

(2) Includes a $254 million ($3.12 per share after tax) charge to operating income in 1992 related to a restructuring of European operations, and a $121 million ($1.48 per share after tax) charge to operating income in 1991 related to a restructuring of U.K. operations. For further information on the restructurings see Management's Discussion and Analysis of Results of Operations and Financial Condition.

Report of Independent Public Accountants

To the Stockholders of Federal Express Corporation:

We have audited the accompanying consolidated balance sheets of Federal Express Corporation (a Delaware corporation) and subsidiaries as of May 31, 1992 and 1991, and the related consolidated statements of operations, common stockholders' investment and cash flows for each of the three years in the period ended May 31, 1992. 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 Federal Express Corporation and subsidiaries as of May 31, 1992 and 1991, and the results of their operations and their cash flows for each of the three years in the period ended May 31, 1992, in conformity with generally accepted accounting principles.

Arthur Andersen & Co.

Memphis, Tennessee,
July 13, 1992.

Selected Consolidated Financial Data

Years ended May 31 In thousands, except per share data and Other Operating Data	1992	1991	1990
Operating Results			
Revenues	$7,550,060	$7,688,296	$7,015,069
Operating income	22,967	252,126	387,355
Income (loss) before income taxes	(146,828)	40,942	218,423
Income (loss) from continuing operations	(113,782)	5,898	115,764
Net income (loss)	$ (113,782)	$ 5,898	$ 115,764
Per Share Data			
Earnings (loss) per share:			
Continuing operations	$ (2.11)	$ .11	$ 2.18
Discontinued operations	–	–	–
Cumulative effect of change in accounting for income taxes	–	–	–
Net earnings (loss) per share	$ (2.11)	$ .11	$ 2.18
Average shares outstanding	53,961	53,350	53,161
Cash dividends	–	–	–
Financial Position			
Property and equipment, net	$3,411,297	$3,624,026	$3,566,321
Total assets	5,463,186	5,672,461	5,675,073
Long-term debt	1,797,844	1,826,781	2,148,142
Common stockholders' investment	1,579,722	1,668,620	1,649,187
Other Operating Data			
Express package:			
Average daily package volume	1,470,520	1,309,973	1,233,628
Average pounds per package	5.5	5.5	5.3
Average revenue per pound	$ 2.95	$ 3.11	$ 3.14
Average revenue per package	$ 16.08	$ 17.08	$ 16.53
Airfreight:			
Average daily pounds	2,654,646	2,880,106	3,310,494
Average revenue per pound	$ 1.16	$ 1.17	$ 1.12
Aircraft fleet at end of year:			
Boeing 747s	13	18	19
McDonnell Douglas MD-11s	4	1	–
McDonnell Douglas DC-10s	28	27	26
McDonnell Douglas DC-8s	–	–	6
Boeing 727s	151	149	130
Cessna 208s	216	193	184
Fokker F-27s	32	26	19
Dassault Falcons	–	–	–
Vehicle fleet at end of year	34,000	32,800	31,000
Average number of employees (based on a standard full-time workweek)	84,162	81,711	75,102

1989	1988	1987	1986	1985	1984	1983
$5,166,967	$3,882,817	$3,178,308	$2,573,229	$2,015,920	$1,436,305	$1,008,087
414,787	379,452	364,743	344,021	258,617	188,752	150,737
298,332	302,328	311,885	305,085	212,272	176,804	150,216
166,451	187,716	166,952	192,671	138,740	125,431	88,933
$ 184,551	$ 187,716	$ (65,571)	$ 131,839	$ 76,077	$ 115,430	$ 88,933
$ 3.18	$ 3.56	$ 3.21	$ 3.86	$ 2.94	$ 2.74	$ 2.03
—	—	(4.48)	(1.22)	(1.33)	(.22)	—
.35	—	—	—	—	—	—
$ 3.53	$ 3.56	$ (1.27)	$ 2.64	$ 1.61	$ 2.52	$ 2.03
52,272	52,670	51,905	49,840	46,970	45,448	43,316
—	—	—	—	—	—	—
$3,431,814	$2,231,875	$1,861,432	$1,551,845	$1,346,023	$1,112,639	$ 596,392
5,293,422	3,008,549	2,499,511	2,276,362	1,899,506	1,525,805	991,717
2,138,940	838,730	744,914	561,716	607,508	435,158	247,424
1,493,524	1,330,679	1,078,920	1,091,714	812,267	717,721	503,794
1,059,882	877,543	704,392	550,306	406,049	263,385	166,428
5.4	5.3	5.1	5.3	5.6	5.5	5.8
$ 3.04	$ 3.10	$ 3.33	$ 3.40	$ 3.45	$ 3.80	$ 4.02
$ 16.28	$ 16.32	$ 16.97	$ 17.92	$ 19.19	$ 21.03	$ 23.42
4,019,353	—	—	—	—	—	—
$ 1.06	$ —	$ —	$ —	$ —	$ —	$ —
21	—	—	—	—	—	—
—	—	—	—	—	—	—
24	21	19	15	11	10	6
6	—	—	—	—	—	—
106	68	60	53	53	47	38
147	109	66	34	9	—	—
7	5	—	—	—	—	—
—	—	—	—	—	—	32
28,900	21,000	18,700	14,500	12,300	9,000	5,000
58,136	48,556	41,047	31,582	26,495	18,368	12,507

Board of Directors

Robert H. Allen (2)
Private Investor

Howard H. Baker, Jr. (1)
Partner
Baker, Worthington, Crossley,
Stansberry & Woolf
Law firm

Anthony J. A. Bryan (1)
Chairman
Hospital Corporation International
Owns, manages and builds hospitals and
health-related facilities in
various countries around the world.

Ralph D. DeNunzio (2)
President
Harbor Point Associates, Inc.
Private investment and consulting firm

Judith L. Estrin
Executive Vice President
Network Computing Devices, Inc.
Display stations for network computing
environments

Philip Greer (1*)
General Partner
Weiss, Peck & Greer Investments
Diversified investment management and
securities firm

J.R. Hyde, III (2)
Chairman and Chief Executive Officer
AutoZone, Inc.
Auto parts retail chain

Charles T. Manatt (1)
Senior Partner
Manatt, Phelps & Phillips
Law firm

Jackson W. Smart, Jr. (2*)
Chairman and Chief Executive Officer
MSP Communications, Inc.
Radio broadcasting company

Frederick W. Smith
Chairman, President and
Chief Executive Officer
Federal Express Corporation

Joshua I. Smith (2)
Chairman, President and Chief
Executive Officer
The MAXIMA Corporation
Information and data processing firm

John B. Tigrett
Financial Consultant

Peter S. Willmott (1)
Chairman and Chief Executive Officer
Willmott Services, Inc.
Retail and consulting firm

(1) Audit Committee
(2) Compensation Committee
(*) Committee Chairman

CORPORATE INFORMATION

FORM 10-K: A copy of the Company's Form 10-K annual report, filed with the Securities and Exchange Commission, is available free. You will be mailed a copy upon request to Investor Relations Department, Federal Express Corporation, Box 727, Dept. 1854, Memphis, Tennessee 38194, (901) 395-3478.

STOCK LISTING: The Company's common stock is listed on The New York Stock Exchange and The Toronto Stock Exchange under the ticker symbol FDX.

STOCKHOLDERS: At July 15, 1992, there were 7,939 stockholders of record.

MARKET INFORMATION: Following are high and low closing prices, by quarters, for Federal Express stock in fiscal 1991 and 1992. No cash dividends have been declared.

Closing Prices of Common Stock		First Quarter	Second Quarter	Third Quarter	Fourth Quarter
FY 1991	High	$ 48.75	$ 40.25	$ 44.50	$ 41.63
	Low	34.38	29.88	30.50	32.50
FY 1992	**High**	**$43.62**	**$40.62**	**$53.75**	**$55.25**
	Low	**38.50**	**34.88**	**32.75**	**40.38**

ANNUAL MEETING: The annual meeting of stockholders will be held at the Century Plaza Hotel, 2025 Avenue of the Stars, Los Angeles, California, on Monday, September 28, 1992, at 10:00 a.m., PDT.

REGISTRARS AND TRANSFER AGENTS:

First Chicago Trust Company of New York
Shareholder Services
30 West Broadway
New York, NY 10007-2192
(800) 446-2617 / Michael Phalen (312) 407-4885

Margaret Fong
Montreal Trust
151 Front Street West
Toronto, Ontario M5J 2N1
(416) 981-9572

CORPORATE HEADQUARTERS:

2005 Corporate Avenue
Memphis, Tennessee 38132
(901) 369-3600

INQUIRIES: For financial information, contact Thomas L. Holland, Manager of Investor Relations, Federal Express Corporation, Box 727, Dept. 1854, Memphis, Tennessee 38194, (901) 395-3478. For general information, contact Brandon Davis, Manager of Media Relations, Federal Express Corporation, Box 727, Dept. 1850, Memphis, Tennessee 38194, (901) 395-4874.

AUDITORS:

Arthur Andersen & Co.
Memphis, Tennessee

Equal Employment Opportunity

Federal Express Corporation is firmly committed to afford Equal Employment Opportunity to all individuals regardless of age, sex, race, color, religion, national origin, citizenship, physical handicap, or status as a Vietnam era or special disabled veteran. We are strongly bound to this commitment because adherence to Equal Employment Opportunity principles is the only acceptable way of life. We adhere to those principles not just because they're the law, but because it's the right thing to do.

Service Marks

This annual report was written and designed entirely by employees of Federal Express Corporation.

Portions of this Annual Report were printed on recycled paper