Federal Express Corporation

1993
ANNUAL
REPORT

Federal Express Corporation:

Two Decades of Innovation

1973
Takes to the air with a unique vision — to offer businesses and consumers time-definite, express delivery service.

1978
Acquires its first Boeing 727 after deregulation permits the company to fly larger aircraft.

1979
Begins trading on The New York Stock Exchange under the symbol FDX.

1980
Installs Digitally Assisted Dispatch System (DADS)™ computer terminals in courier vans to expedite customer pickup and delivery.

1981
Becomes the first express delivery company with over-the-phone package tracking, now widely imitated in the industry.

1983
Opens the company's initial Business Service Center for walk-in customers, the first of 1,400.

1985
Receives inclusion in second edition of "The 100 Best Companies to Work for in America"— also included in 1993's third edition.

1986
Equips every Federal Express courier with SuperTracker,® a hand-held device for scanning each package as it passes through the system.

1987
Automates customers' shipping processes with the free-of-charge, PC-based POWERSHIP™.

1989
Acquires Flying Tigers® and becomes the world's largest all-cargo airline, as measured by capacity.

1991
Earns the Malcolm Baldrige National Quality Award — the first service company to receive this honor.

1993
Unveils new service-driven technologies, including Command and Control vehicle coordination system, FedEx ON-LINE℠ and POWERSHIP 3®.

Denoted in "fiscal" years (June 1 - May 31).

20

1973 - 1993

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 and leading-edge information technologies.

Financial Highlights

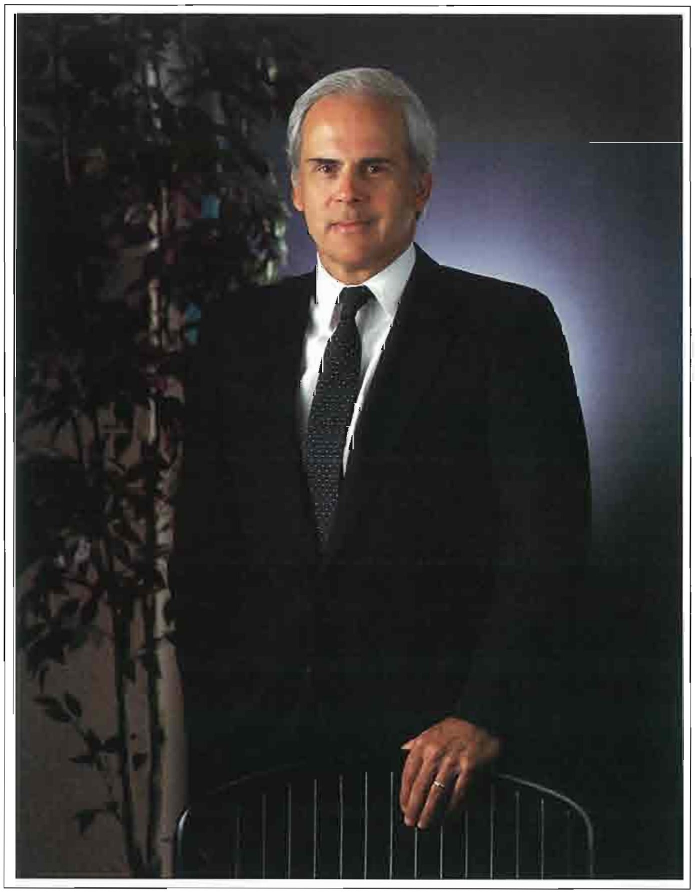
FEDERAL EXPRESS CORPORATION AND SUBSIDIARIES

Years ended May 31 In thousands, except per share amounts and Other Operating Data	1993	1992	1991
OPERATING RESULTS*			
Revenues	$ 7,808,043	$ 7,550,060	$ 7,688,296
Operating income	377,173	22,967	252,126
Income (loss) before income taxes	203,576	(146,828)	40,942
Income (loss) before cumulative effect of change in accounting principle	109,809	(113,782)	5,898
Cumulative effect of change in accounting for postretirement benefits	(55,943)	—	—
Net income (loss)	53,866	(113,782)	5,898
Earnings (loss) per share:			
Before cumulative effect of change in accounting principle	2.01	(2.11)	.11
Cumulative effect of change in accounting for postretirement benefits	(1.03)	—	—
Net earnings (loss) per share	$ .98	$ (2.11)	$ .11
Average shares outstanding	54,719	53,961	53,350
FINANCIAL POSITION			
Property and equipment, net	$ 3,476,268	$ 3,411,297	$ 3,624,026
Total assets	5,793,064	5,463,186	5,672,461
Long-term debt	1,882,279	1,797,844	1,826,781
Common stockholders' investment	1,671,381	1,579,722	1,668,620
OTHER OPERATING DATA			
Express package:			
Average daily package volume	1,708,392	1,470,520	1,309,973
Average pounds per package	5.6	5.5	5.5
Average revenue per pound	$ 2.67	$ 2.95	$ 3.11
Average revenue per package	$ 14.99	$ 16.08	$ 17.08
Airfreight:			
Average daily pounds	2,470,458	2,654,646	2,880,106
Average revenue per pound	$ 1.05	$ 1.16	$ 1.17
Aircraft fleet at end of year:			
Boeing 747-100s	—	4	8
Boeing 747-200s	8	9	10
McDonnell Douglas MD-11s	8	4	1
McDonnell Douglas DC-10-10s	11	11	11
McDonnell Douglas DC-10-30s	19	17	16
Boeing 727-100s	80	85	92
Boeing 727-200s	87	66	57
Cessna 208As	10	10	10
Cessna 208Bs	206	206	183
Fokker F-27s	32	32	26
Vehicle fleet at end of year	28,100	30,400	32,800
Average number of employees (based on a standard full-time workweek)	84,104	84,162	81,711

* 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.

To Our Stockholders

Our financial performance significantly improved in fiscal 1993. Total revenues increased by $258 million to $7.8 billion. Operating income grew to $377 million. Net income doubled on a year-over-year basis to $110 million, resulting in an earnings per share of $2.01 this year vs. $1.01 in 1992. (This excludes the cumulative effect of a change in accounting for postretirement benefits in 1993 and the European restructuring in 1992.)



Frederick W. Smith

As fiscal 1994 begins, you, our stockholders, collectively own the world's fastest, most reliable express transportation company connecting the world's major trading centers. In our core business, the U.S. domestic market, we have widened our lead in market share and continue to improve our service standards and boost customer satisfaction. Our work force is thoroughly trained and highly motivated to meet our customers' needs.

Improving our international and U.S. domestic performances were key to fiscal 1993 results. U.S. domestic per-package costs declined by 4 percent. By year-end, we had cut international losses nearly in half from $359 million in 1992 to $182 million in fiscal 1993 (excluding a $254 million charge in 1992 from restructuring our European operations). It was the first decrease in international losses since our international service began in June of 1985.

Losses in the international market grew each year, especially after the acquisition of Flying Tigers in 1989, as we expanded our global network. The acquisition accelerated international expansion and gave us the route authorities, facilities, equipment and personnel we needed for our intercontinental express network. After acquiring Flying Tigers, however, the air freight market, which is non-time-definite, experienced a cyclical downturn. That, aggravated by overcapacity in the industry, contributed to our international losses.

Some losses were expected, however, because the international network had to be expanded ahead of revenues from global markets. In Europe, the imbalance of resources and market demand became exceptionally costly as we attempted to add intra-regional and intra-country services to our intercontinental services.

At the end of fiscal 1992, we restructured our European operations to focus on intercontinental traffic. In fiscal 1993, this new strategy produced better results than we expected—International Priority Service volumes exceeded our monthly plans. This European network, together with our extensive operations in Asia and the Pacific, Canada, Latin America and the Caribbean, is the perfect partner for our U.S. domestic operations. Together they give us an intercontinental express delivery system unparalleled in the world.

Today, we are well positioned to serve the global marketplace with a strategic mix of aircraft, geographic coverage and personnel. Our employees provide the best in customer service, speed and reliability in the world's primary trading centers. In regions where low package traffic makes our direct presence less economical, we have carefully selected Global Service Participants to complete deliveries. This allows us to serve 186 countries, which account for virtually all of the world's economic activity.

In the U.S. domestic market, intense competition has steadily reduced our revenue per package. And during the last decade, we have experienced faster growth in our lower-yielding deferred services. In addition, a larger percentage of packages have come from customers who earn increased discounts as their volume increases. We have responded to these trends by continuing to reduce our cost per package in fiscal 1993 and by reducing the rate of yield decline.

While improved productivity has contributed to a better financial picture, so has our strategic use of technology, which has reduced costs. We intend to remain the technology leader, as we have been for 20 years. Deploying new systems to better meet customer needs and improve operating efficiencies is key. In fiscal 1993, we reduced our fleet costs by continuing to deploy McDonnell Douglas MD-11 aircraft, which are more efficient than Boeing 747 freighters for long-distance international routes. The scheduled arrival of new Airbus A300 aircraft in fiscal 1994 will similarly improve the U.S. network.

We are determined to make the most of our strengths in the coming year. We are committed to moving our international operations toward profitability, while building on our leadership position in the United States. As we accomplish these goals, we will strive to balance the needs of our employees, customers and stockholders.

Frederick W. Smith

Frederick W. Smith
Chairman, President and
Chief Executive Officer

Review of Operations

The fuel-efficient and environmentally-sensitive MD-11 is the latest addition to the Federal Express intercontinental aircraft fleet.

IT'S A RARE MOMENT WHEN A SINGLE CORPORATION AND AN entire industry celebrate a 20-year anniversary together, but such was the case during fiscal year 1993. For it was 20 years ago, on April 17, 1973, that Federal Express began demonstrating to the world that the distance between Points A and B was closer, and more critical, than anyone had dared imagine.

Thus Federal Express launched the express delivery industry, which has changed the way businesses and people manage time, distance, information and material.

From day one, Federal Express set the standard for time-definite package delivery. Building a worldwide network of transportation and information links. Setting and consistently surpassing industry standards for time-definite delivery capability, shipment processing and tracking technology, logistics management, service dependability and customer satisfaction.

THAT FLEDGLING ENTERPRISE OF 20 YEARS AGO — ONE THAT forever lent new significance to the phrase "fly by night" — is hardly recognizable in the reality of worldwide Federal Express operations today.

During 1993, the company's people and planes picked up, sorted and delivered an average of 1.7 million packages every working night. Federal Express now operates the world's largest fleet of all-cargo aircraft and more than 28,000 ground vehicles. The company maintains an array of customer service and package drop-off locations that rivals even that of the centuries-old U.S. Postal Service.

The early Federal Express commitment to service quality has evolved into much more than an entrepreneurial pledge. Today it is the company's trademark. Measured daily, monitored carefully, customer satisfaction that is measured in packages, not percentages.

STILL, THE VISION THAT WAS FEDERAL EXPRESS IN 1973 REMAINS just as vital today. It is a vision based on three fundamental strategies:

- A global network of aviation, ground and information links, providing express transportation between the world's great trading centers.
- An unyielding commitment to industry leadership in technology and innovation.
- The relentless pursuit, through people and processes, of 100 percent customer satisfaction after every contact with Federal Express.

Fiscal year 1993 saw Federal Express advance along the ambitious path it charted for itself early on: to define the express transportation industry by continuing to refine its vision.

A Global Strategy: Bringing the World Within Reach

Federal Express has spent the better part of a decade building a global transportation and information network to connect the major trading centers of the Americas, Europe and Asia. Through strategic acquisitions and internal growth, the company has steadily woven a web of international route authorities that now stands unmatched within the industry. For example, Federal Express can accept a customer's shipment late in the afternoon in Paris, Amsterdam, London or Berlin and guarantee delivery to virtually anywhere in North America by 10:30 a.m. the next business day.

During 1993, the Federal Express international "network" offered daily flights where they mean the most in today's global economy, including:

- Four daily round-trip, wide-bodied flights between Asia and the United States via Anchorage, Alaska, the Federal Express gateway to Asia.
- Three daily DC-10 flights from North America to Europe, including service to such major cities as London, Paris, Frankfurt, Cologne and Milan.
- Three daily wide-bodied flights from Europe to North America, with ensuing connections to Anchorage.
- Service extended to an array of new markets, including Brunei, Bhutan, French Guiana, Guyana, Marshall Islands, Micronesia, Palau and Suriname, bringing to 186 the total number of countries served at year-end.

Federal Express and its stockholders can look ahead knowing that the initial time and investment needed to assemble this truly global network is largely complete. For 1993 and beyond, the challenge and

BMW: THE ROAD TO SUCCESS

Until now, there was a perception that buying a vehicle not assembled in North America meant that the parts would be hard to get because they would be sourced from across the ocean. With the help of Federal Express, this perception is now little more than a myth. BMW currently uses International Priority® Service from Federal Express to send anything from an out-of-stock injector to entire motorcycles from BMW's factory direct to North American dealers within two days.

"You couldn't get better service even if you sent parts on the ground from a warehouse three states away," says Ken Swain, Corporate Logistics, Traffic and Customs Manager for BMW. "We chose Federal Express because it is the market leader in efficiency and on-time performance. Buyers of luxury performance cars demand better performance out of their car company. They expect immediate repairs and service, and that's what they get from this alliance between BMW and Federal Express."

The alliance, formed in 1988, has contributed to BMW's outstanding financial performance: It is now the leading European commitment becomes one of fine-tuning the network in order to capitalize on emerging markets, offer customers strategic logistics solutions and deliver exceptional performance for stockholders.

OVERALL, FEDERAL EXPRESS SAW ITS INTERCONTINENTAL International Priority® Service volume grow 15 percent during 1993, a considerable gain from the previous year. International losses, meanwhile, were reduced by more than $175 million, (excluding the 1992 restructuring charge), marking the first time since the company's maiden transatlantic flight in 1986 that international operations improved so markedly toward profitability.

Not coincidentally, examples of Federal Express refining its international position were abundant during 1993.

Throughout the year, flight schedules and routings were adjusted to provide later cut-off times and better service for customers worldwide. For example, express service was added to Prestwick, Scotland, which is rapidly emerging as a key region in the electronics industry.

Also in 1993, Federal Express for the first time deployed midsize Boeing 727 aircraft in several major European cities, to efficiently link those markets with the daily wide-bodied flights departing from Paris' Charles de Gaulle and London's Stansted airports to meet that night's sorting operation in the Memphis SuperHub.

Claire Foley processes an order at the BMW parts distribution center in Mount Olive, New Jersey.

luxury car manufacturer. In the United States alone, BMW will sell about 80,000 cars annually, up 400 percent over a decade ago.

By shipping 22,000 packages a month to dealers, Federal Express has saved BMW dealers and the corporation millions of dollars in inventory costs. Slow-moving items, such as ashtrays or locks, are shipped to the requesting dealers direct from Germany in two days instead of being held at considerable cost in U.S. warehouses.

The conservation of inventory space has become particularly critical in the last few years with the introduction of so many new models — each of which requires the stocking of an additional 6,000 parts. Moreover, BMW must service 650,000 older-model cars currently in operation in the United States.

"It makes sense for us to invest in time-definite delivery and often bypass our own inventory system," says Swain. "It's financially smarter and our customers are happier."

Because of the success of the BMW/Federal Express alliance, "the 'pretenders' to the throne are following BMW's lead," says Swain. "They can't afford not to."

The result: in the year after a major revamping of European operations—a restructuring intended to focus the organization on the efficiency and profitability of intercontinental, rather than regional, European service—customer loyalty in Europe exceeded expectations, as did the growth of outbound package volume.

Similar results were achieved in Asia, where the growth of International Priority Service was particularly strong, and where load factors on flights departing Hong Kong, Singapore and Malaysia reached record levels.

The Federal Express Expressclear[SM] electronic customs clearance system remained a critical factor in serving these global markets and customers effectively. The system provides real-time, electronic clearance of most shipments while in flight, which means faster, more accurate delivery once the planes touch down.

Another critical aspect of the network is aircraft, and in 1993, Federal Express continued to modernize and enhance its fleet with the continued deployment of the new McDonnell Douglas MD-11.

These innovative planes are the latest sign of the Federal Express commitment to operate the most advanced, fuel-efficient, environmentally-sensitive fleet possible. Deployment of the MD-11s heralds a new era in the company's ability to optimize its network by matching aircraft to the routes for which they are best suited.

Because the MD-11 accommodates a higher load factor on long, nonstop flights, it will far outperform the company's Boeing 747s on daily international express flights. With one less engine, the MD-11 promises more reliability with less maintenance. MD-11s also burn nearly a third less fuel than B-747s over the same distance.

Also, because the MD-11 and the DC-10 share a common container — a container size and shape that maximizes payload — the planes fit seamlessly at those points where the Federal Express international and U.S. domestic systems intersect. In fact, this aircraft operates effectively in both the international and U.S. domestic arenas. All in all, MD-11s give Federal Express tremendous flexibility in arranging flight schedules to meet volume requirements while managing costs.

On the horizon for fiscal year 1994, Federal Express will take yet another step forward by accepting delivery of its first Airbus A300 aircraft.

MRS. PRINDABLE: DELICACIES WITH A DELICATE TOUCH

For two years, the Robinson family spent 18-hour-days in their kitchen developing a special recipe for their caramel- and chocolate-covered apples. But when it came to choosing a company to deliver their hand-dipped delicacies, it took them no time at all.

"Federal Express was on our minds long before we began shipping our apples," says Cory Robinson, Director of Marketing for Mrs. Prindable, Inc., and the oldest Prindable daughter. "For us, delivery is a make or break situation. Our product is unique; it needs delicate treatment and fast shipment. Only Federal Express could do the job."

Mrs. Prindable, Inc., in Skokie, Illinois, creates nearly 100 varieties of its Red Delicious treats. Loaded down with all manner of chocolate, caramel and nuts, each weighs approximately 1½ – 2 pounds. They sell for $14 to $16 at upscale retailers such as Neiman Marcus and Saks Fifth Avenue and fine gourmet shops. Each apple is hand-dipped and hand-packaged — and hand-delivered by Federal Express.

The business is the result of a lifelong search for the perfect

LIKE THE MD-11, THE A300 OFFERS CLEAR ADVANTAGES OVER OLDER aircraft in the fleet. Those benefits include lower fuel and maintenance costs (the A300 has only two engines), greater range, improved operation in adverse weather conditions and lower crew costs (the plane requires only two pilots, not three). In addition, the A300's capacity makes it capable of serving more than a dozen daily routes that currently require multiple B-727s.

caramel apple that 52-year-old Gail Robinson remembers from her childhood days spent on the beaches of Lake Michigan. Someone known as "Apple Annie" would bring out trays of five-cent, caramel-coated Macintoshes, much to the delight of hungry swimmers.

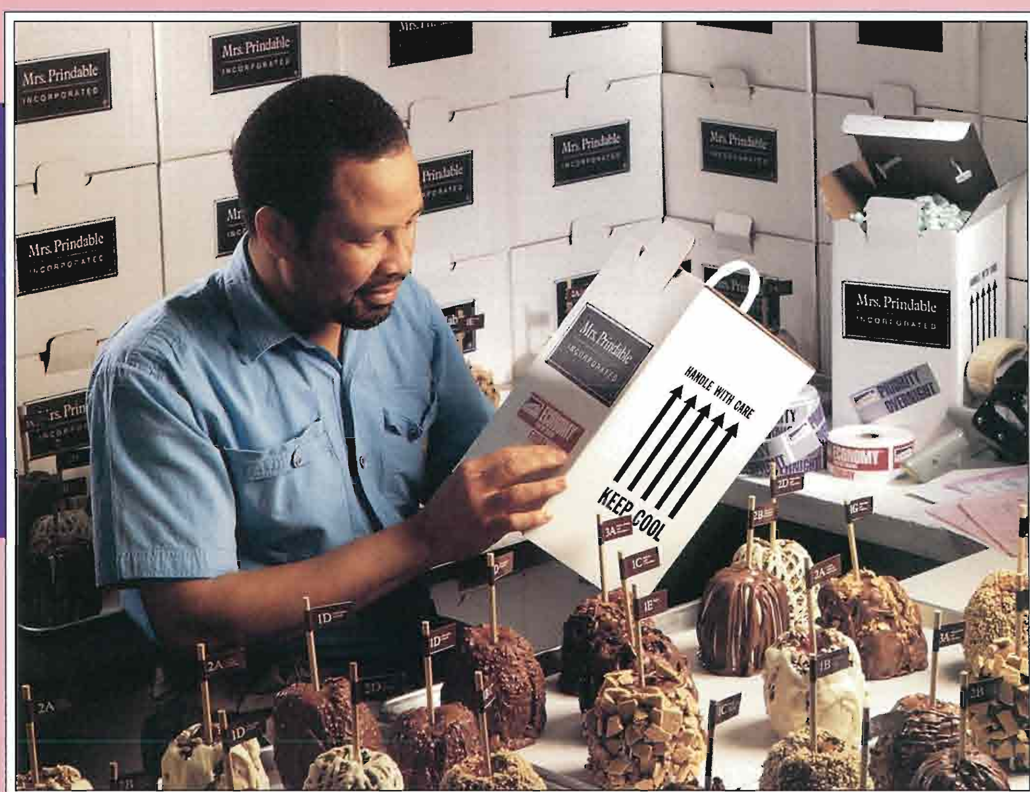
In England, while having dinner at the home of a friend, Gail Robinson found what she was searching for. The hostess served the Robinsons warm, homemade caramel apples for dessert one night, nearly identical to Apple Annie's. After one bite, Robinson says she relived her entire childhood, inspiring her to create a company offering hand-dipped apples to others with a gourmet appetite. Robinson honored the British friend by borrowing her name — Mrs. Prindable.

After recruiting her husband, Shelly, and two daughters as top executives, the company made its debut in Chicago in 1985. Less than a year later, Mrs. Prindable, Inc., began distributing the confections nationally. Now the company produces up to 15,000 apples a day and has a mail-order operation as well.

One reason the Robinsons selected Federal Express from other carriers they tried is the Federal Express sensitivity to customer needs. "Delivering food brings many worries," Cory Robinson says. "Our apples can't be left out in the sun. We worry about how our boxes arrive — whether they're on the bottom of a shipment, under a hundred pounds of weight. We worry about theft."

Those are big concerns for a small company, but Robinson says Federal Express resolved every issue. "Federal Express gets our product to the customer in the same condition it leaves our factory," she says, adding that Mrs. Prindable, Inc., has tested the competition. "We have compared, and we found that there *is* no comparison."

Before he packs his gourmet apples, Daftan Blair, Production General Manager at Mrs. Prindable, Inc., applies a FedEx shipping label.

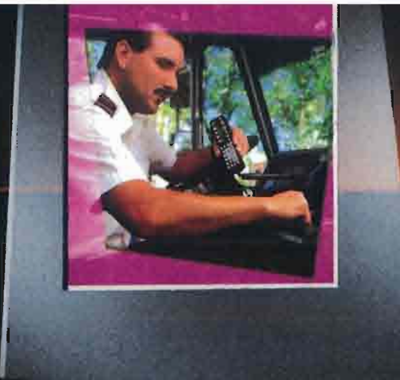


Real-Time Information...

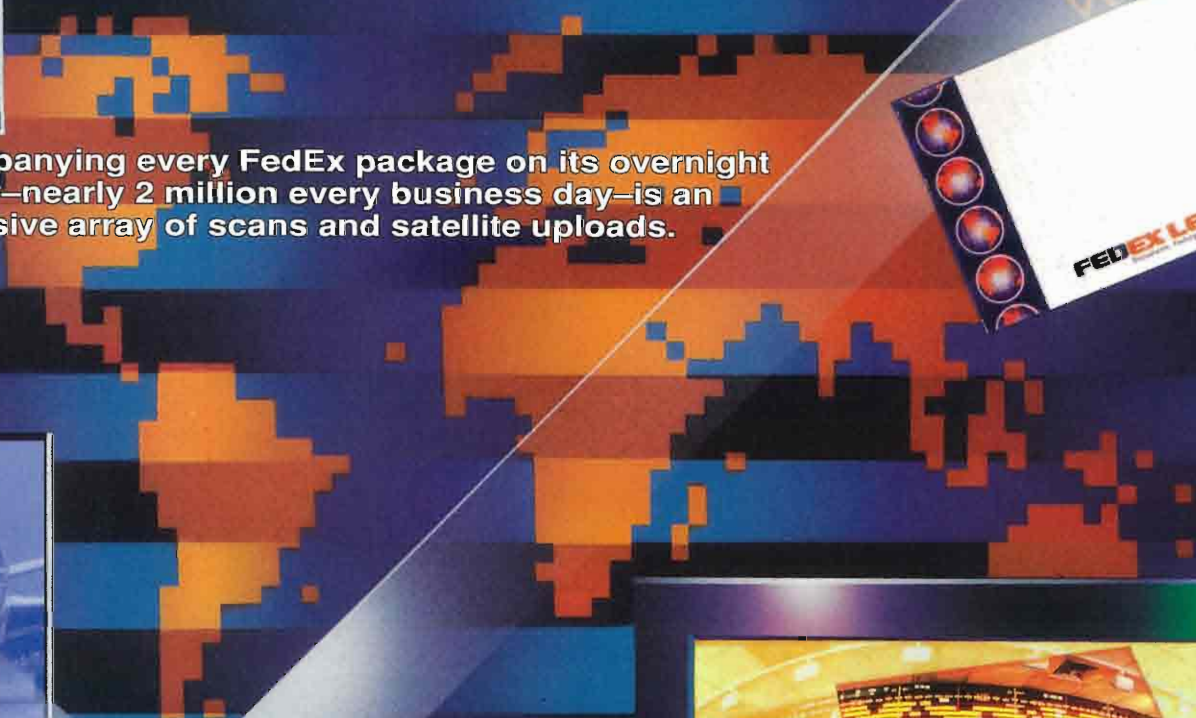
The Command and Control System enables coordination of inbound and outbound aircraft and delivery vehicles.

POWERSHIP™ automated shipping systems generate shipping labels and offer on-line tracking, daily self-invoicing and customized management reports.

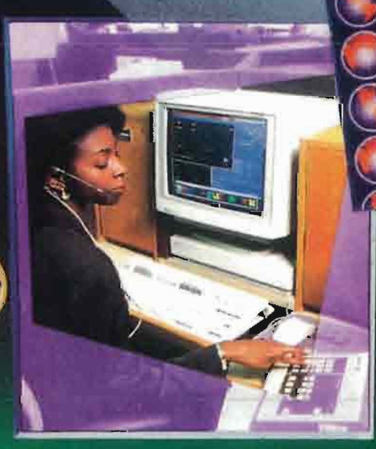
Couriers use hand held Super Tracker® bar code scanners to capture essential shipment information about each package.

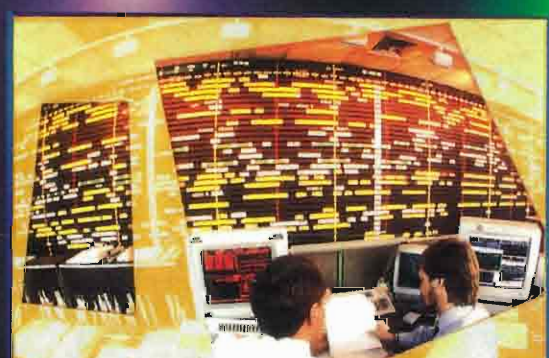


Couriers use DADS™ terminals in vans to upload data for every package they pick up or deliver.



Accompanying every FedEx package on its overnight journey–nearly 2 million every business day–is an impressive array of scans and satellite uploads.

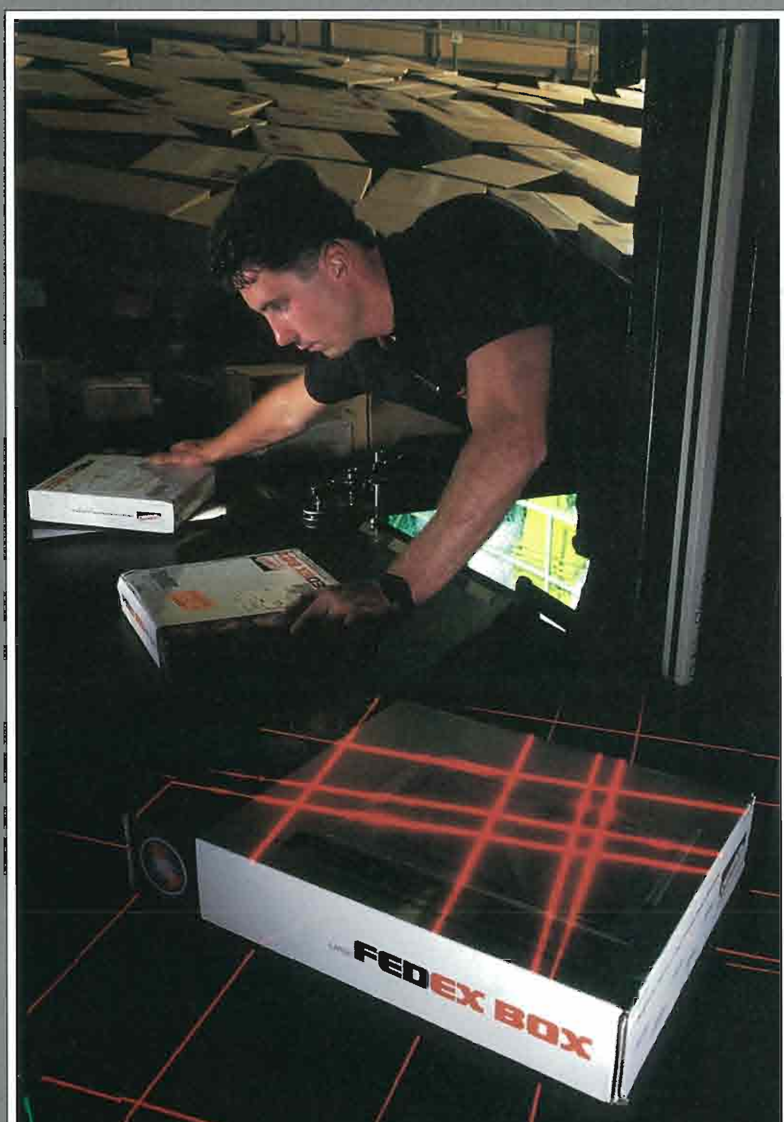




The new Customer Service Workstations at FedEx call centers enable customer representatives to answer calls in half the time.

The new Command and Control System at FedEx monitors weather, routing and traffic information and the FAA to better ensure on-time delivery.

Technology: Service and Simplicity Through Constant Innovation



New ASTRA package scanners at the Memphis SuperHub help Shane Curry move packages 50% faster.

THROUGHOUT ITS PACE-SETTING HISTORY, FEDERAL EXPRESS HAS repeatedly outdistanced the competition in applying innovative technology to improve service and customer satisfaction.

This leadership stemmed from an early realization that, to many customers, information about a shipment — where it is, where it's going, when it will arrive, who signed for it — would be nearly as important as on-time delivery of the shipment itself.

That's why Federal Express installed two-way radios in its delivery vehicles in the mid-1970s, added bar-code scanning in 1980, introduced on-board computers in delivery vehicles in the early 1980s, and pioneered real-time shipment tracking beginning in 1986, long before most competitors even understood the concept.

EVEN TODAY, AS OTHERS STRIVE TO MIMIC THESE SERVICES, Federal Express remains the only company that tracks every shipment through each step of the system — an average of six scans in all. This represents an attention to service no competitor has matched. The company's commitment to tracking means that only Federal Express offers customers a money-back guarantee on the timeliness of its response to customer inquiries about shipment status.

Federal Express pursues new technologies based on three defining criteria:

- Does the technology help us stay closer to our customers?
- Is it reliable enough to handle business-critical applications?
- Does it contribute to the bottom line?

Consistent with these guidelines, during 1993 the company unveiled several innovative technologies aimed at enhancing service and improving customer satisfaction.

DEPLOYMENT OF THE ASTRA (Advanced Sorting Tracking Routing Assistance) system helped us improve our package tracking methods as well as courier productivity. Now every courier carries a portable ASTRA label printer, a machine compact enough to hang from his or her belt. The printer automatically converts package tracking data stored in the hand-held SuperTracker® computer into human- and machine-readable routing labels.

COMPUTERLAND: PERIPHERAL VISION

ComputerLand, the nation's largest computer reseller and service organization, used to be like most retail operations: It would deliver its products in about three to four days directly to company-owned and franchised retail stores.

But now that Federal Express delivers ComputerLand's products overnight or in two days, more than half of ComputerLand's orders are shipped directly to customers rather than to stores.

"If something is handled three times," says William Tauscher, Chairman and CEO of ComputerLand, "there's a sixteen times greater chance something won't be right. So we're delivering to our customers' offices—directly to the end users. Even when we deal with our franchisees, we've begun to ship directly to their customers."

As a result, ComputerLand has been able to greatly reduce the number of product shipments to franchises and company-owned stores. ComputerLand now configures all systems to customer specifications at the warehouse and ships the pieces together instead of sending field technicians from the franchises to configure them on-site.

To ship its 10,000 pieces a night, ComputerLand relocated its warehouses close to key Federal Express hubs. At its national distribution center in Indianapolis, ComputerLand applies state-of-the-art Federal Express bar-coding and labeling to its shipments. Federal Express actually takes possession of the products as they come down ComputerLand's shipping lanes.

"Federal Express is not just our shipping department and freight carrier," says Tauscher, "it is an integral part of our operation. We have established a new model for transportation to which all leading companies and freight carriers will have to react."

It's hard not to react when, as Tauscher says, the agreement saves ComputerLand $25 million in inventory costs annually. Tauscher also likes to boast that the alliance has reduced delivery costs by 60 percent, in addition to giving ComputerLand the most sophisticated tracking system in the industry — and the most reliable service with the 99-plus percent delivery accuracy of Federal Express.

"These factors are very important to us," he says. "Our products are high-ticket items that our customers often need urgently. When the Federal Express truck shows up with our product it's a tangible expression of the quality of our system, which we wouldn't get with any other express transportation company."

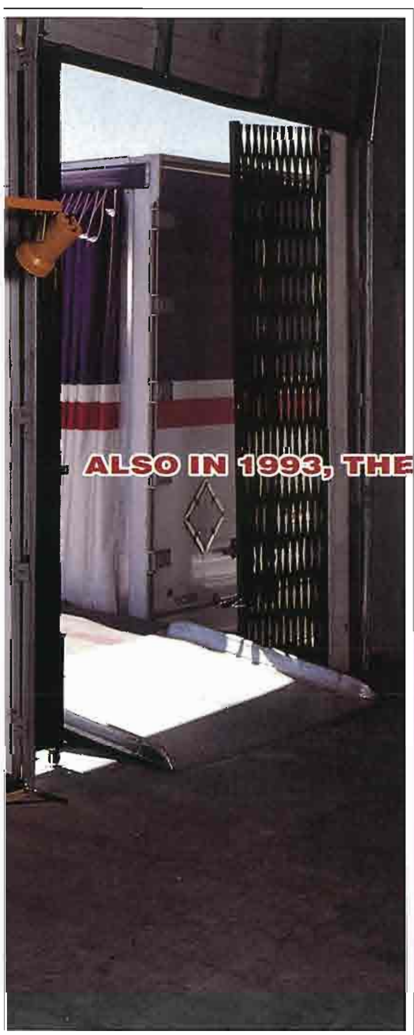
By creating these labels automatically, ASTRA eliminates the time and potential for human error involved in hand-printing routing codes at the point of origin. Later, as a shipment passes through Federal Express hub facilities, ASTRA labels are scanned by automated label readers, so packages are sorted and routed as much as 50 percent faster.

WHILE ASTRA WAS A HIGHLY VISIBLE SERVICE IMPROVEMENT, there were other innovations that, while transparent to customers, were no less significant in their potential to improve service, reduce costs and increase customer satisfaction.

One such technology is the new Customer Service Workstation, which is helping customer service representatives answer customer inquiries in a fraction of the time it took before.

The new workstations feature an easy-to-use graphical interface, which lets agents nimbly shift from one information screen to the next, whether to schedule a pickup, relate delivery schedule and rate information, or track a package. The workstations are so easy and intuitive to operate that they've significantly reduced the time required to train new representatives. The payoff: faster, more productive, more satisfying interactions between Federal Express and its customers.

ALSO IN 1993, THE COMPANY CONTINUED TO EXPAND ON its family of POWERSHIP™ automated shipping systems provided free to customers so they can better manage and process their shipments.



At ComputerLand's Pleasanton, California, facility, Robert Kuntzendorf, Senior Vice President, Operations, gives FedEx Courier Joe Maes special instructions on a shipment.

For years, Federal Express has offered POWERSHIP systems to medium- and high-volume customers. But in 1993, Federal Express reaffirmed the importance of small businesses to our customer base by unveiling POWERSHIP 3. It enables customers who ship as few as three packages per day to enjoy the advantages of automated shipping. POWERSHIP 3 was received enthusiastically during tests in Dallas and Chicago.

Already some 25,000 customers use POWERSHIP to prepare shipping labels, to generate shipping reports and invoices and to track shipments. Roughly one half of U.S. domestic volume at Federal Express—more than 800,000 packages per day—originate from POWERSHIP users. In addition, more than 250,000 customer inquiries are processed through POWERSHIP systems daily, inquiries that otherwise would be directed to a customer service representative. This saves the company time, labor and cost in responding to customer needs.

Federal Express also has begun providing some customers with FedEx® TRACKING Software, which enables them to track their shipments from their own personal computer.

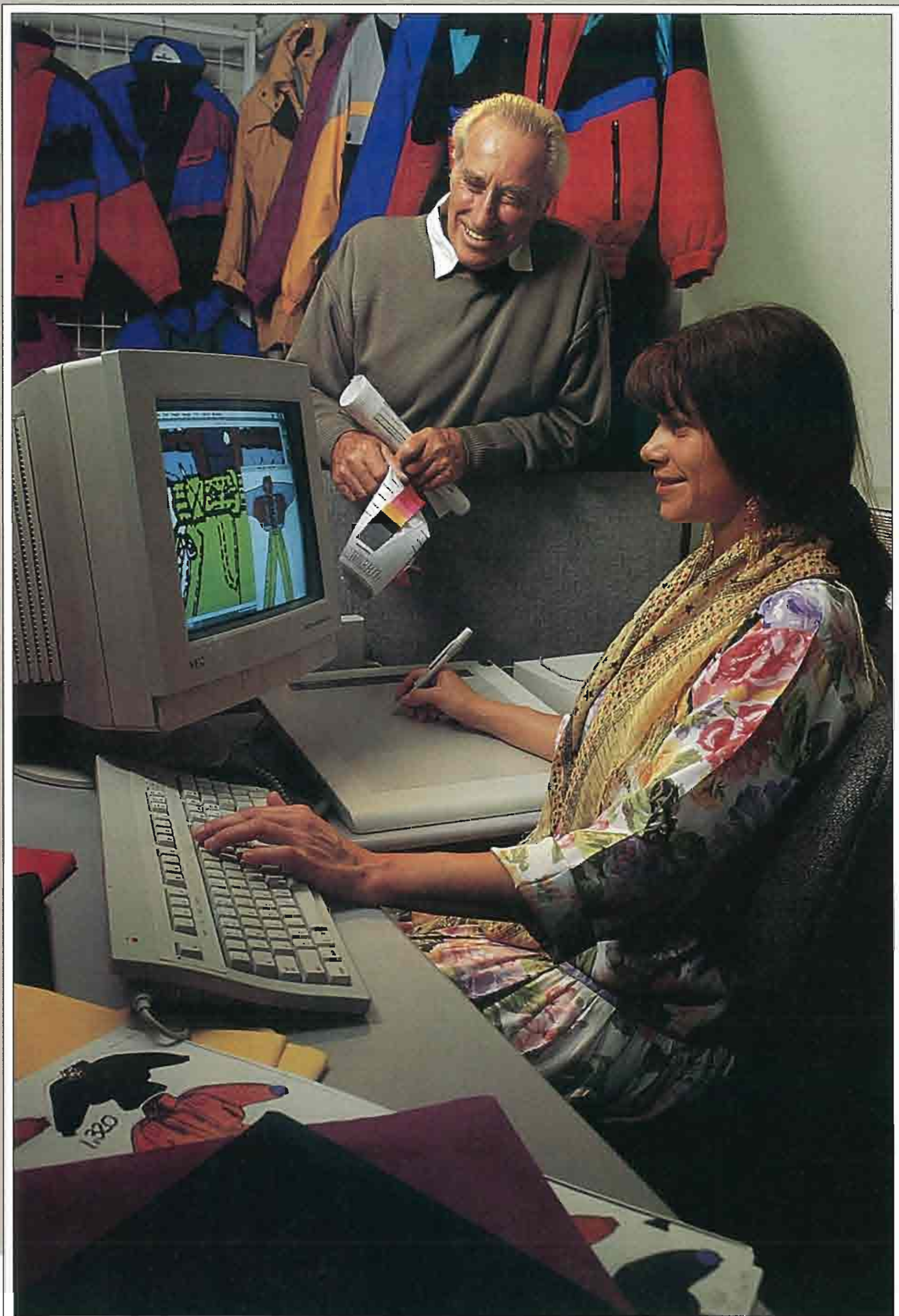
Yet another innovation, this one undergoing market testing during 1993, is FedEx ON-LINE℠. Designed to make shipping easy for low-volume and infrequent shippers, FedEx ON-LINE is a kiosk (*The New York Times* likened it to an ATM machine) ideal for office buildings and shopping malls. Customers can create an ASTRA label, check shipping rates and delivery commitments, calculate the total shipment price, enter a Federal Express account or credit card number for payment, even trace a shipment on-screen.

SPORT OBERMEYER: GOING FOR BROKER

Sport Obermeyer, Ltd., discovered the value of developing its core competency decades ago — that is, focusing on what it does best.

"We never tried to do it all," says President Klaus Obermeyer. "We concentrated on alpine ski clothing. We are one of the few clothing companies that is not also doing tennis clothes or biking clothes. It allows us to put all of our energy into one thing and make it great."

And the Aspen manufacturer of designer ski parkas, pants, suits, sweaters and accessories never even considered handling its own delivery. With an entire year's business riding on the timely arrival of apparel samples (from which retailers will choose the lines to stock that season), Sport Obermeyer relies upon Federal Express to ship the newest ski apparel from factories in Hong Kong and Korea, capitalizing on the longstanding Federal Express network of routes in the Pacific Rim.



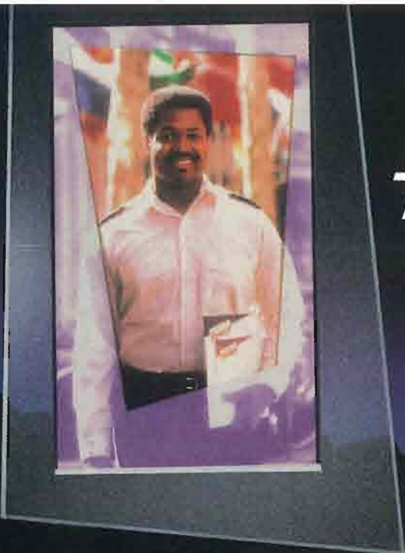
Klaus Obermeyer, President and founder of Sport Obermeyer, works closely with his daughter, designer Susan Obermeyer, to create fashionable and functional ski wear.

"We need to have the samples on hand," says Tim Belinski, Controller of the $30 million family-owned business. "If we don't, we could lose all of our sales for that item. We use Federal Express from Asia because we have a lot of shipments in a short window of time."

Before turning to Federal Express, Sport Obermeyer relied upon consolidated shipments from the Far East. Transit times were typically seven days or more. If an error was discovered in a sample, or a selling prototype was the wrong color or style, Sport Obermeyer risked disappointing its buyers while waiting for replacements.

That's one reason the company began using a unique service offered only by Federal Express called FedEx International Priority Broker Selection Option.SM Under the agreement, Federal Express delivers the fashion shipment in one day from Asia and then releases the shipment to Sport Obermeyer's designated broker. The broker simplifies customs procedures on all of Sport Obermeyer's shipments, thus ensuring speedy delivery.

The combination of the Federal Express Far East network and the designated broker service offers Sport Obermeyer the most expedient method of delivery possible.



Time-Definite Delivery...

Depart: **BOULDER – Tuesday 6:45 p.m.**
Delivery: **TOKYO – Thursday 2:00 p.m.**

New customers can be served in fast-growing Asian markets

Depart: **HONG KONG – Monday 8:00 p.m.**
Delivery: **TOPEKA – Tuesday 10:30 a.m.**

Reliable Asian sourcing in one business day

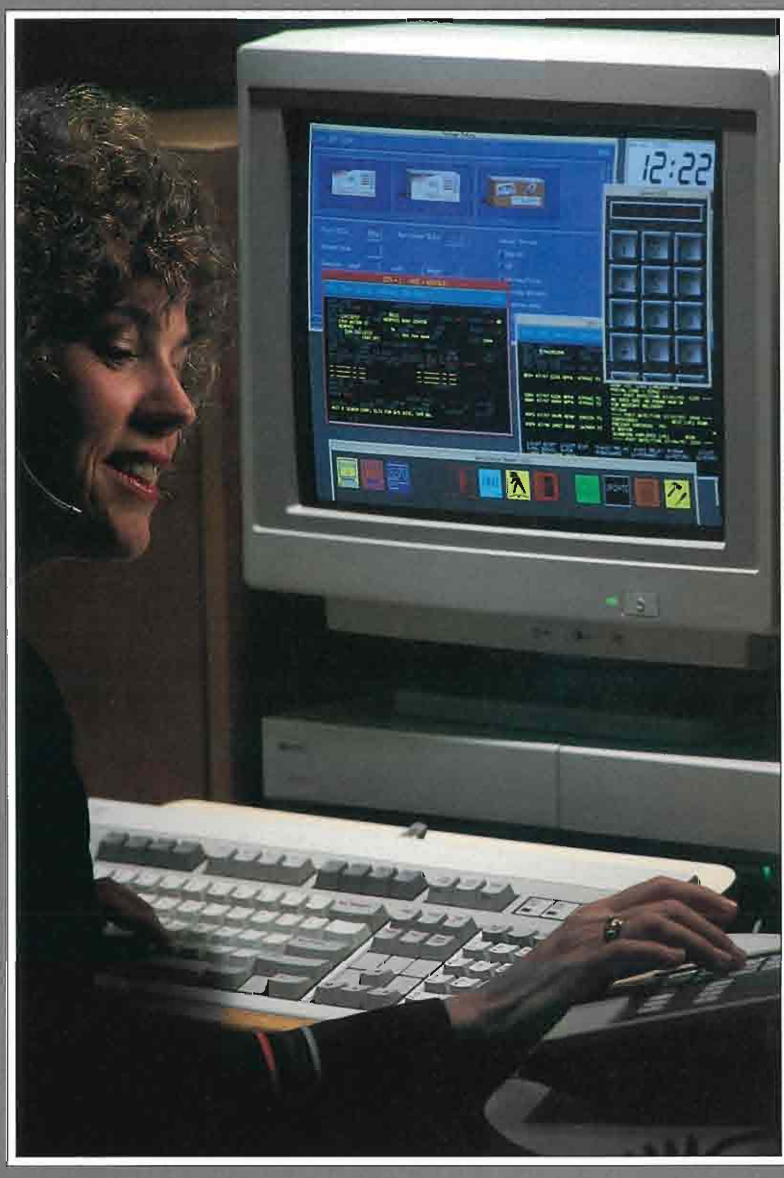
Depart: **PARIS – Thursday 6:30 p.m.**
Delivery: **NEW ORLEANS – Friday 10:30 a.m.**

Shipments from Europe in less than a day

Federal Express leverages its longstanding network of international routes to provide time-definite delivery from the world's major trading centers in Europe and the Pacific Rim.

Customers can ship packages late in the business day from Paris, Geneva, London and Hong Kong, for example, and still get arrival by 10:30 a.m. in thousands of cities (not just the main ones, like other carriers serve) in the United States, Canada, Mexico and the Caribbean.

Customer Satisfaction: The Foundation of Federal Express



Before the calling customer even speaks, agent Jan Winterburn has accessed the caller's account information, using the new Customer Service Workstation which can read the incoming phone number.

WHILE THERE'S NO QUESTION THAT GLOBAL ROUTING AND technological innovation are two of three legs upon which the Federal Express reputation rests, the company would not be the industry leader without an unfailing commitment to 100 percent customer satisfaction.

This commitment is evident in hundreds of ways each day, as 93,000 employees go the extra mile to ensure that customer expectations are met and exceeded.

Examples of outstanding customer service are recognized throughout the year with the company's Golden Falcon awards. The two stories that follow illustrate just how high Federal Express employees will soar in pursuit of customer satisfaction.

ONE NIGHT MELODY HARRISON, A COURIER BASED IN JACKSON, Mississippi, came home to find a message on her answering machine. It was her manager expressing concern that another courier had not returned to the station that day. Melody called the station and directed the dispatcher to contact two area hospitals. Her hunch proved correct. The other courier had been in an accident and was in serious condition at a hospital emergency room.

After determining there was nothing she could do for her colleague at the moment, Melody turned her attention to the stranded packages. She contacted the state patrol to learn the location of the injured courier's van. She was told it had been towed to a city some 40 miles away. Upon arriving there, Melody contacted her manager and got permission to do whatever was needed to retrieve the contents of the badly damaged van.

With the key sheared off in the ignition, Melody spent an hour prying with a crowbar to open the back doors. She eventually retrieved the contents and, because of her effort, 38 pieces of customer freight made it to Memphis on time that evening.

THEN THERE'S MARK HORTON, A COURIER BASED IN OKLAHOMA CITY, Oklahoma. One day he was helping out a fellow courier by driving her newly repaired van to her house, where they would switch vans so that Mark could finish his route. Mark finished loading his freight into his own van just as his colleague drove off. Then he discovered a problem. His van wouldn't start.

After several unsuccessful attempts to start the van, Mark began envisioning unhappy customers in his near future. Then he hit upon a solution. He went to the other courier's door and asked to borrow her son's bike. Wearing a backpack brimming with FedEx® Letters, he pedaled nine miles to complete his route.

Stories like these abound within Federal Express. Living, breathing illustrations of a company-wide commitment to getting the job done. It's this dedication to above-and-beyond service that won Federal Express the Malcolm Baldrige National Quality Award and continues to win the loyalty of customers today.

LAURA ASHLEY: TAKING STOCK

An incident in 1991 epitomized Laura Ashley's troubles. A corporate executive visited one of the company's American shops. He was told that the shop was out of a fast-selling item that couldn't be replaced for four months. When he checked back in Wales, he discovered the warehouse had 500 of the items in stock.

"We were managerially dys-functional," says Dr. Jim Maxmin, Chief Executive of Laura Ashley Holdings, "and this seriously affected customer service, working capital and profitability. We had too many carriers, too many warehouses, too many systems–complexity overwhelmed us. It took us too long to deliver, so we ended up with too much stock."

At that time, Dr. Maxmin realized that this was a job for only one company: Federal Express. "It is the best in the world at what it does," he says, "and I became convinced that Federal Express was the only company that could deliver our global requirements and act as a real business partner."

Federal Express Corporation's Business Logistics Services℠ is bringing Laura Ashley's distribution system, which includes 540 stores in 28 countries, into the 21st century. Laura Ashley is developing one of the most advanced global logistics facilities in the world, using the latest systems, technology and communications developed by Federal Express.

"This is a strategic alliance, not a conventional distribution agreement," says Dr. Maxmin. "It gives us access to management systems and logistics capacity we could never have dreamed of developing ourselves. This alliance will not only improve service levels to the customer, but it will bring about substantial reductions in working capital. Equally important, it will give us more information about our business and help us to become more effective."

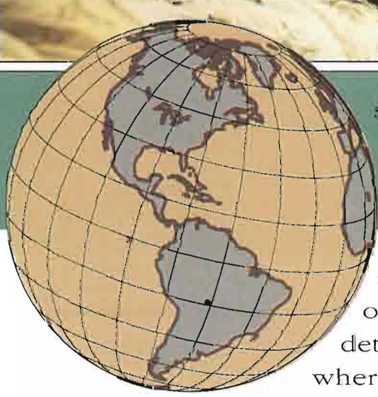
If the same corporate executive walked into that U.S. shop today, he would discover that almost any item could be resupplied in 24 to 48 hours. He could log on to a computer that connects each shop to the global

OVER THE PAST DECADE, FEDERAL EXPRESS HAS ACHIEVED A DRAMATIC reduction in unit costs. In fiscal year 1983, the U.S. domestic cost per package was $19.94. By 1993, we'd reduced it by 38 percent, to $12.30.

This steep decline in costs, which is passed on to our customers, is clearly the by-product of a winning business formula: take a quality-driven company, add superior people and technological innovation, and you have an organization that not only provides the industry's best service, but does so at a reduced cost, thus strengthening its position as the industry leader.

That's exactly where Federal Express is today. Our long-term goal is to continue to lower unit costs through the strategic application of advanced technology. We'll continue to pass those savings and efficiencies along to customers in the form of value. In so doing, we can fully expect to solidify our position as the industry leader.

FedEx courier Paul Connolly delivers documents and Laura Ashley lamps and shades to Katie Steckler at a Laura Ashley Home Store in Boston, Mass.



stock in Wales. He could place an order, determine where the goods are in the supply chain and learn when his selection will arrive at the shop.

With such success, Dr. Maxmin sees other opportunities for the two companies. "We now have a unique opportunity to break new ground in developing a global mail order business with the objective of 48-hour delivery anywhere in the world," he says. "The warehouse in Newtown, Wales, will act as a global sales office with customers from all over the world placing their orders there directly. This alliance allows us to focus on our core competency and to leverage off of the expertise of Federal Express. It represents a new way of doing business for the 21st century."

Moving Ahead: Leadership for the 21st Century

Sustaining industry leadership in a highly competitive business is a delicate balancing act, to be sure. Federal Express takes nothing for granted as it looks 5, 10 and 20 years down the road.

Over the past two decades, our core vision — a global network, emphasis on technology and innovation, commitment to customer satisfaction — has proven its fundamental wisdom. The ultimate beneficiaries of this strategic direction have been our customers. Our efforts to provide reliable, global logistics solutions at increasingly higher rates of value have helped customers enhance their own business success while better managing the bottom-line concerns that come with competing in a global, time-definite business environment.

Though competitors strive to match the level of Federal Express technology and service — or at least give the appearance of doing so — the company's accomplishments cannot be denied. And, truth be told, they've yet to be duplicated:

- More advanced shipment tracking technology, including more package scans, than anyone in the industry.
- A network of global aviation route authorities, including more daily, wide-bodied flights to and from the world's major markets.
- The world's largest and most modern fleet of all-cargo aircraft.
- The industry's most advanced customer service-oriented technologies, including free, automated customer shipping systems and time-saving Customer Service Workstations.
- Service to 186 countries, comprising 99 percent of the world's airfreight market.
- A network of customer service and package drop-off locations that is by far the private express industry's largest and most convenient.

Ours is a vision that positions Federal Express, its customers and its stockholders to lead and succeed in the century ahead.

DELUXE CORP:

When you're out of checks, you need new ones fast. Customers of Deluxe Corporation, the country's largest supplier of checks and other financial transaction forms, get theirs hot off the presses, thanks to an exclusive marketing agreement between Deluxe and Federal Express. Now businesses and individuals may order their checks — and an array of other products made by the St. Paul, Minnesota-based firm — overnight or by second business day. The year-old partnership ends the waiting and wondering at the mail box, giving Deluxe a crucial competitive edge.

"Federal Express has a strong, positive image in the marketplace," said Phil Parizino, Director of Postal Services at Deluxe. "When you think of express delivery, you think of Federal Express first. That's the type of company we wanted to align ourselves with."

The "Deluxe Checks Overnight" program, launched last fall at banks across the country, shortens the check reordering and delivery process to two days. Account holders select their checks in person or renew by phone. They are printed within hours, then sent overnight anywhere in the country, including Alaska and Hawaii. Deluxe is currently experimenting with giving bankers on-line access so they can check order status.

Deluxe also sends other products for office, home and school. Telemarketers in its Business Systems Division, for example,

CHECKS ON THE DOUBLE

Every day, FedEx couriers such as Teresa Jones deliver Deluxe checks to Norwest Bank in Minneapolis, Minnesota, under the "Deluxe Checks Overnight" program.

DELUXE

promote the speed and security of express delivery when they take orders for computer paper, business forms and related office products. And Current Inc., Deluxe's consumer specialty products sudsidiary, markets school supplies, calendars, greeting cards, gift wrap and stationery through catalogs trumpeting delivery via Federal Express.

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Graham R. Smith
Vice President and Controller

Robert L. Cox
Secretary

Financial Section

CONTENTS

RESULTS OF OPERATIONS

Financial results for 1993 improved dramatically as operating losses from the Company's international business were significantly reduced through a restructuring of European operations in 1992 and a continued emphasis on improving its intercontinental express services.

The Company's operating results for the past three years have been adversely affected by a sluggish worldwide economy, intense competition and a lack of growth in international revenues to offset the significant costs of operating its global service network. As a result, losses from international operations continued and U.S. domestic operating results declined. Net income for 1993 was $54 million ($.98 per share) compared to a $114 million net loss ($2.11 per share) in 1992 and net income of $6 million ($.11 per share) in 1991.

In the fourth quarter of 1993, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," effective June 1, 1992. The adoption of this accounting standard resulted in a cumulative after-tax charge of $56 million ($1.03 per share) and increased 1993 operating expense by $15 million ($.16 per share after tax).

Earnings for 1992 and 1991 included pre-tax charges of $254 million ($3.12 per share after tax) and $121 million ($1.48 per share after tax), respectively, related to restructurings of operations in Europe and the United Kingdom. These restructurings eliminated certain intra-European and intra-country services that were incompatible with the Company's express business and substantially reduced the cost structure for serving certain European markets. Results for 1991 also included a pre-tax charge of $32 million ($.37 per share after tax) related to a failure of a firm engaged by the Company to remit payroll taxes to various authorities.

A comparison of consolidated results, excluding the effects of the cumulative charge related to adoption of SFAS 106, restructuring charges in 1992 and 1991 and the payroll tax loss in 1991, is presented below:

	Years ended May 31,		
	1993	1992	1991
(In millions, except per share amounts)			
Revenues	**$7,808**	$7,550	$7,688
Operating Income	**377**	277	373
Pre-tax Income	**204**	107	194
Net Income	**110**	55	104
Earnings per Share	**$ 2.01**	$ 1.01	$ 1.96

Worldwide revenues increased 3% in 1993, primarily reflecting volume growth in express package services. Partially offsetting this volume-related growth in express revenue were revenue decreases associated with a decline in domestic yield, lower international airfreight volumes and yields, discontinued services in Europe and decreased charter business. In 1992, revenue decreased largely due to a significant decline in charter activity, discontinued services from restructurings of United Kingdom operations in 1991 and European operations in the fourth quarter of 1992 and a decrease in international airfreight volumes. These revenue decreases were partially offset by a moderate increase in U.S. domestic express package revenue and strong revenue growth from increased International Priority (IP) volumes.

Year-over-year changes in operating expenses for 1991 through 1993 generally reflect volume-related growth in the Company's global express operations and reduced expenses in 1993 and 1992 from restructurings in Europe. Salaries and employee benefits increased 5% and 6% in 1993 and 1992, respectively, largely attributable to higher employment levels in U.S. domestic operations. Also significantly affecting these increased expense levels were rising health care costs and workers' compensation claims, and, in 1993, additional expense associated with adopting the postretirement health benefits accounting standard.

Fuel expense decreased in 1993 and 1992, primarily due to declines of 1% and 19%, respectively, in the average price per gallon for aircraft fuel and reduced flying in international and charter operations. Fuel cost was up significantly in 1991, primarily due to the Persian Gulf War which resulted in a higher level of the Company's military charter business and a 25% higher price per gallon for aircraft fuel.

Concurrent with worldwide growth in its express operations and technological enhancements to its services, the Company has continued to invest in the expansion and modernization of its aircraft and vehicle fleets and in the development of state-of-the-art package handling and tracking networks and customer information systems. Accordingly, significant costs (such as depreciation, lease and maintenance expenses) associated with these investments in capital resources have increased over the years. The decrease in rentals and landing fees in 1993 is primarily due to the restructuring in Europe and a significantly reduced requirement for leased aircraft in those operations. Maintenance and repair expense was virtually unchanged from 1992 to 1993 and decreased 10% from 1991 to 1992, generally reflecting the replacement of older and less reliable B747 aircraft with newer MD-11 and DC-10 aircraft. Although it is anticipated that reduced maintenance expense from further replacement of B747 aircraft will continue in the near term, increased maintenance required on the Company's aging B727 aircraft fleet and initial MD-11 maintenance is expected to more than offset these savings in 1994.

U.S. Domestic Operations

Operating results and selected express package statistics for U.S. domestic operations were as follows:

	Years ended May 31,		
	1993	1992	1991
(In millions, except yields and percentages)			
Revenues	**$5,668**	$5,195	$5,058
Operating Income	**$ 559**	$ 636	$ 671
Operating Margin	**9.9%**	12.2%	13.3%
Express Package Statistics:			
Total Packages	**406**	346	312
Revenue per Package (Yield)	**$13.32**	$14.37	$15.60
Package Mix:			
Priority Overnight	**51%**	55%	61%
Economy Two-Day	**24%**	21%	20%
Standard Overnight	**25%**	24%	19%

U.S. domestic operating income decreased 12% in 1993 and 5% in 1992, primarily because growth rates in express package revenue have not kept pace with volume-related increases in expenses. Revenue increased 9% in 1993 and 3% in 1992, compared to increases of 12% and 4% in operating expenses, respectively. Despite 17% and 11% growth in express package volumes in 1993 and 1992, declines in average revenue per package, or yield, of 7% in 1993 and 8% in 1992, have partially offset volume-related gains in revenues.

These declines in yield are principally a result of deeper discounts being offered to high-volume customers in response to aggressive selling and pricing initiatives by competitors and higher volume growth rates in the Company's lower-priced, deferred services. Management has addressed this decline in yield by implementing programs to reduce customer discounts and initiating a "small shipper" program to expand its lower-volume, higher-yielding customer base. As a result of these actions, the rate of decline in yield slowed during the latter half of 1993.

In addition to slowing the rate of decline in yield, management has also addressed its declining operating margin by reducing cost per package. However, the Company has been unable to completely offset the decline in revenue per package with corresponding reductions in cost per package, and to the extent that the competitive activity and changes in customer demand patterns mentioned above continue, pressures on profit margins may persist.

The Company's long-term focus is to slow the rate of decline in the U.S. domestic yield through yield management actions while continuing to reduce cost per package, thus preventing or reducing further erosion in its U.S. domestic margin. The Company is committed to a long-term goal of cost containment through newer, more efficient aircraft and advanced technologies to streamline its package-handling, distribution and information networks.

International Operations

Operating results and selected volume and yield statistics for international operations, excluding restructuring charges of $254 million in 1992 and $121 million in 1991, were as follows:

	Years ended May 31,		
	1993	1992	1991
(In millions, except yields and percentages)			
Revenues:			
International Priority Services (IP)	**$ 1,117**	$ 1,039	$ 840
Airfreight Services (ATA/IXF)	**570**	700	804
Charter Services	**112**	188	372
Intra-country Services and Other	**341**	428	614
	2,140	2,355	2,630
Operating Loss	**$ (182)**	$ (359)	$ (298)
Operating Margin	**(8.5)%**	(15.2)%	(11.3)%
Volume/Yield Statistics:			
Total IP Packages	**29**	28	22
Revenue per Package	**$ 38.18**	$ 37.54	$ 37.96
Total ATA/IXF Pounds	**523**	574	676
Revenue per Pound	**$ 1.09**	$ 1.22	$ 1.19

The Company's investment in expanding and developing its international business has not generated sufficient revenue growth to offset the significant costs of operating the intercontinental network. Sluggish growth in global economies and a soft airfreight market, combined with excess capacity, have contributed to significant operating losses that have persisted since 1989. International revenues decreased 9% in 1993 compared to a 10% decrease in 1992, while operating expenses, excluding restructuring charges, declined 14% and 7% for these same periods. These decreases are primarily due to restructurings and the discontinuance of certain services in Europe, decreased charter business and curtailed airfreight service.

The international operating loss, excluding restructuring charges, decreased by 49% in 1993 and was 20% higher in 1992 compared to 1991. The improvement in 1993 was primarily due to the restructuring of the Company's operations in Europe in the fourth quarter of 1992. In addition, effective March 1, 1993, the Company adjusted its flight schedules to reduce flight hours, reduced its aircraft capacity on certain international routes through equipment changes and eliminated certain airfreight terminal operations. The increase in 1992's loss was principally the result of a substantial decline in military charter service associated with the Persian Gulf War that significantly benefitted the Company's international operations in 1991. Excluding the impact of charter business, the international operating loss in 1992 was virtually unchanged from 1991.

IP revenue increased 7% in 1993, compared to an increase of 24% in 1992, primarily reflecting volume growth of 6% and 25%, respectively. Volume and revenue growth rates were reduced in 1993 by the elimination of certain intra-European services as part of the restructuring. Excluding these services from reported amounts in 1992, IP revenue and volume growth in 1993 would have been approximately 17% and 15%, respectively. The Company's continuing development and expansion of its EXPRESSfreighter network has been a major contributing factor behind IP growth. IP yield increased 2% in 1993, and decreased 1% in 1992 compared to 1991's yield.

Airfreight revenues associated with the Company's Airport-to-Airport (ATA) and EXPRESSfreight (IXF) services decreased by 19% in 1993 and 13% in 1992. These decreases reflect declines of 9% and 15% in total pounds carried in 1993 and 1992, respectively, and an 11% decline in the airfreight yield in 1993. The Company's airfreight business operates in a highly competitive market characterized by extreme price sensitivity and a large number of participants offering relatively similar services. Declines in airfreight revenues associated with ATA services are expected to continue as the Company increasingly focuses on its time-definite IP and IXF express services.

Charter revenues decreased 40% in 1993, as a result of the Company discontinuing its passenger charter service with the U.S. Military Airlift Command (effective in 1992's fourth quarter) and a comparatively higher level of military charters during 1992's first quarter related to Operation Desert Storm. Charter revenues were up significantly in 1991 due to the Persian Gulf War.

Although operating losses were significantly reduced in 1993 as a result of restructurings and a continued focus on developing cost-effective global operations, long-term profitability of international operations is dependent on sustained growth in express services and cost containment. Management has continued to streamline its international route network by replacing older B747 aircraft with more reliable and cost-efficient MD-11 and DC-10 aircraft and modifying its international flight schedule to achieve optimum use of available aircraft capacity, while continuing to promote its time-definite intercontinental express services.

Other Income and Expense and Income Taxes

Net interest decreased $3 million in 1993, primarily reflecting lower interest rates on borrowings. The decrease in 1992 compared to 1991 is principally attributable to lower average borrowings and lower effective interest rates under the Company's commercial paper and revolving credit agreements.

The Company's effective tax rate for 1993 was 46.1% compared to rates of 48.9% and 47.8% for 1992 and 1991, respectively, excluding tax benefits associated with restructuring charges for those years. In each year, the effective tax rate exceeded the statutory U.S. federal tax rate primarily because of foreign taxes, state income taxes and non-deductible goodwill amortization.

The increase in Other, net, was primarily due to a write-off of deferred financing costs from a refunding of approximately $96 million of Memphis-Shelby County Airport Authority Special Facilities Revenue Bonds and an early redemption of $100 million of 10⅝% Senior Notes. In addition, the Company paid an early call premium associated with the bond refunding. The bond refunding reduced the interest rate on these borrowings from a range of 10⅞% - 13¼% to 6¾%.

FINANCIAL CONDITION

Capital Expenditures and Resources

The Company's operations are capital intensive, characterized by significant investments in aircraft, package handling facilities and equipment, and computer and telecommunications equipment. The amount and timing of capital additions are dependent on various factors including volume growth, new or enhanced services, geographic expansion of services, competition and the availability of satisfactory financing.

Capital expenditures in 1993 totalled $1.0 billion and included four MD-11 and 19 B727-200 aircraft, deposits on future MD-11 and Airbus A300 aircraft, aircraft equipment, facilities expansion, sort equipment, vehicle fleet additions, and computer and customer automation equipment. In comparison, prior year expenditures were $916 million and included three MD-11, two B727-100, nine B727-200, six F27-500 and 24 Cessna 208B aircraft, initial deposits toward the purchase of A300 aircraft, facilities expansion, computer equipment and additional vehicles. In 1991, capital expenditures approximated $1.0 billion, primarily consisting of 10 B727-100, 16 B727-200, one DC-10-10, one MD-11, seven F-27 and 35 Cessna 208B aircraft, and additional sorting facilities, vehicles and computer equipment.

In addition to capital expenditures, the Company acquired in 1993, by operating lease, two B727-200 and two DC-10-30 aircraft, additional computer equipment and other equipment, having an aggregate equivalent capital value of approximately $150 million. In 1992, the aggregate equivalent capital value of a DC-10-30 aircraft and other equipment acquired by operating lease was approximately $49 million.

At May 31, 1993, the Company had commitments aggregating approximately $2.2 billion, net of deposits and progress payments of $361 million, for the acquisition of 25 Airbus A300, five MD-11 and three B727-200 aircraft, scheduled for delivery through 1999, and related equipment. An estimated $596 million will be expended in 1994, $454 million in 1995, $400 million in 1996, $242 million in 1997, $298 million in 1998 and $61 million thereafter, in connection with these commitments. At May 31, 1993, the Company also had options for up to 50 additional Airbus A300 aircraft for delivery beginning in 1997, for which deposits totalling approximately $8 million had been made. In addition, the Company has other commitments related to facility and other equipment acquisitions that approximated $233 million at May 31, 1993, of which an estimated $219 million will be expended in 1994.

The Company is in the process of adding maintenance facilities and expanding its ramp at Memphis International Airport, which is anticipated to be completed in 1995. The costs of construction are expected to be financed primarily with tax-exempt bonds.

The Company has historically financed its capital investments through the use of lease, debt and equity financing in addition to the use of internally generated cash from operations. Management's practice in recent years with respect to funding new aircraft acquisitions has been to finance such aircraft through long-term lease transactions that qualify as off-balance sheet operating leases under applicable accounting rules. Management has determined that these leases provide economic benefits favorable to ownership with respect to market values, liquidity and after tax cash flows. The current market for equity capital for long-term leasing is severely restricted, however, due in large part to the increased perception of risk attendant to the ownership of aviation equipment operated by passenger air carriers.

The four MD-11s delivered during the second quarter of 1993 were partially financed with secured bank loans. Three of these loans were subsequently repaid from proceeds from sale-leaseback transactions on two of the aircraft and general corporate funds. The remaining loan was assumed by the equity participant in a sale-leaseback transaction. Three MD-11s purchased in 1992 and one in 1991 were also subsequently sold and leased back.

In September 1992, the Company filed a shelf registration statement with the Securities and Exchange Commission for up to $320 million of equipment trust and pass through certificates. In February 1993, $154 million of pass through certificates were issued to refinance two of the above MD-11 aircraft under operating leases.

In 1993, the Company entered into a $140 million foreign bank credit facility to provide a source of funds for predelivery payments on the first seven Airbus A300 aircraft to be delivered in 1994 and 1995. As of May 31, 1993, approximately $130 million had been borrowed under this facility.

During 1993, the Company issued $400 million of unsecured notes under another shelf registration statement filed with the Securities and Exchange Commission in June 1992. Up to $100 million of additional unsecured notes may be issued under this registration statement. Management believes that the capital resources available to the Company, including certain backstop financing commitments for new aircraft which the Company has firm commitments to purchase in 1994 and beyond, are adequate to meet its future capital needs.

Liquidity and Financial Position

Cash and cash equivalents totaled $155 million at May 31, 1993, an increase of $77 million during 1993, compared to a decrease of $40 million in 1992 and an increase of $19 million in 1991. Cash from operations and borrowings under debt facilities are the Company's principal sources of liquidity. Cash provided from operating activities was $725 million in 1993, compared to $521 million in 1992 and $787 million in 1991. Cash from operations decreased significantly in 1992 as a result of substantially higher losses in international operations and a settlement of a contractual commitment with a major customer in connection with a discontinuance of certain services in the United Kingdom in 1991. The Company currently has available a $1 billion revolving bank credit facility that is generally used to finance temporary operating cash requirements and to provide support for the issuance of commercial paper.

At May 31, 1993, the Company had negative working capital of $10 million compared with negative working capital of $179 million at May 31, 1992. Management 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 of high quality and turn over more frequently than the Company's short-term obligations. The Company has readily available sources of funds from its revolving credit facility and its commercial paper program sufficient to manage its day-to-day cash requirements.

Effective June1, 1992, the Company adopted SFAS No. 109, "Accounting for Income Taxes," which superseded SFAS No. 96, "Accounting for Income Taxes," which had been adopted by the Company as of June 1, 1989. The adoption of SFAS No. 109 did not have a significant effect on the Company's financial position or results of operations. After the adoption of SFAS No. 109, the Company had a net cumulative deferred tax asset of $61 million at May 31, 1993. The net deferred tax asset is composed of $437 million of deferred tax assets (including $83 million of alternative minimum tax credit carryovers which have no expiration date) and $376 million of deferred tax liabilities. The reversals of deferred tax liabilities in future periods will offset similar amounts of deferred tax assets. Based upon its historical levels of taxable income, the Company believes that it is more likely than not that sufficient levels of future taxable income will be generated to realize the remaining deferred tax asset.

Consolidated Statements of Operations

FEDERAL EXPRESS CORPORATION AND SUBSIDIARIES

Years ended May 31 In thousands, except per share amounts	1993	1992	1991
REVENUES	**$ 7,808,043**	$ 7,550,060	$ 7,688,296
OPERATING EXPENSES:			
Salaries and employee benefits (Notes 8 and 9)	**3,807,493**	3,637,080	3,438,391
Rentals and landing fees (Note 4)	**658,138**	672,341	650,001
Depreciation and amortization	**579,896**	577,157	562,207
Fuel	**495,384**	508,386	663,327
Maintenance and repairs	**404,639**	404,311	449,394
Restructuring charges (Note 13)	**(12,500)**	254,000	121,000
Other	**1,497,820**	1,473,818	1,551,850
	7,430,870	7,527,093	7,436,170
OPERATING INCOME	**377,173**	22,967	252,126
OTHER INCOME (EXPENSE):			
Interest, net (Note 1)	**(160,923)**	(164,315)	(181,880)
Gain on disposition of aircraft and related equipment	**4,633**	2,832	11,375
Other, net	**(17,307)**	(8,312)	(8,679)
Payroll tax loss (Note 13)	**–**	–	(32,000)
	(173,597)	(169,795)	(211,184)
INCOME (LOSS) BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	**203,576**	(146,828)	40,942
PROVISION (CREDIT) FOR INCOME TAXES (Note 7)	**93,767**	(33,046)	35,044
INCOME (LOSS) BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	**109,809**	(113,782)	5,898
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING FOR POSTRETIREMENT BENEFITS, NET OF TAX BENEFIT OF $34,287 (Note 9)	**(55,943)**	–	–
NET INCOME (LOSS)	**$ 53,866**	$ (113,782)	$ 5,898
EARNINGS (LOSS) PER SHARE (Note 6):			
Before cumulative effect of change in accounting principle	**$ 2.01**	$ (2.11)	$ .11
Cumulative effect of change in accounting for postretirement benefits (Note 9)	**(1.03)**	–	–
	$ .98	$ (2.11)	$ .11
AVERAGE SHARES OUTSTANDING (Note 6)	**54,719**	53,961	53,350

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	1993	1992
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 155,456	$ 78,177
Receivables, less allowance for doubtful accounts of $31,308 and $32,074	922,727	899,773
Spare parts, supplies and fuel	164,087	158,062
Prepaid expenses and other	63,573	69,994
Deferred income taxes (Note 7)	133,875	–
Total current assets	1,439,718	1,206,006
PROPERTY AND EQUIPMENT, AT COST (Notes 3, 4 and 11):		
Flight equipment	2,843,253	2,540,350
Package handling and ground support equipment	1,413,793	1,352,659
Computer and electronic equipment	947,913	851,686
Other	1,501,250	1,433,212
	6,706,209	6,177,907
Less accumulated depreciation and amortization	3,229,941	2,766,610
Net property and equipment	3,476,268	3,411,297
OTHER ASSETS:		
Goodwill (Note 1)	432,215	487,780
Equipment deposits and other assets (Note 11)	444,863	358,103
Total other assets	877,078	845,883
	$ 5,793,064	$ 5,463,186

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

	1993	1992
LIABILITIES AND STOCKHOLDERS' INVESTMENT		
CURRENT LIABILITIES:		
Current portion of long-term debt (Note 3)	$ 133,797	$ 155,257
Accounts payable	554,111	430,130
Accrued expenses (Note 2)	761,357	799,468
Total current liabilities	1,449,265	1,384,855
LONG-TERM DEBT, LESS CURRENT PORTION (Note 3)	1,882,279	1,797,844
DEFERRED INCOME TAXES (Note 7)	72,479	123,715
OTHER LIABILITIES (Note 1)	717,660	577,050
COMMITMENTS AND CONTINGENCIES (Notes 11 and 12)		
COMMON STOCKHOLDERS' INVESTMENT (Note 6):		
Common stock, $.10 par value; 100,000 shares authorized, 54,743 and 54,100 shares issued	5,474	5,410
Additional paid-in capital	699,385	672,727
Retained earnings	969,515	906,555
	1,674,374	1,584,692
Less treasury stock and deferred compensation related to stock plans	(2,993)	(4,970)
Total common stockholders' investment	1,671,381	1,579,722
	$ 5,793,064	$ 5,463,186

Consolidated Statements of Cash Flows

FEDERAL EXPRESS CORPORATION AND SUBSIDIARIES

Years ended May 31 In thousands	1993	1992	1991
OPERATING ACTIVITIES			
Net income (loss)	$ **53,866**	$ (113,782)	$ 5,898
Adjustments to reconcile income (loss) to net cash provided by operating activities:			
Depreciation and amortization	**579,896**	577,157	562,207
Provision for uncollectible accounts	**33,552**	31,670	59,721
Provision (credit) for deferred income taxes and other	**19,910**	(75,219)	36,935
(Gain) loss from disposals of property and equipment	**(5,648)**	1,810	(1,621)
Cumulative effect of accounting change	**55,943**	–	–
Changes in assets and liabilities, net of effects from purchases and dispositions of businesses:			
(Increase) decrease in receivables	**(41,535)**	(727)	20,431
(Increase) decrease in other current assets	**(5,813)**	61,749	(21,904)
Increase in accounts payable, accrued expenses and other liabilities	**13,651**	33,620	131,500
Other, net	**21,259**	4,543	(5,768)
Net cash provided by operating activities	**725,081**	520,821	787,399
INVESTING ACTIVITIES			
Purchases of property and equipment, including deposits on aircraft of $177,564 $212,291 and $92,587	**(1,023,723)**	(915,878)	(1,027,736)
Proceeds from disposition of property and equipment:			
Sale-leaseback transactions	**216,444**	400,433	275,347
Other	**5,984**	12,851	5,699
Purchase of businesses, net of cash acquired	–	–	(24,322)
Other, net	**1,992**	621	–
Net cash used in investing activities	**(799,303)**	(501,973)	(771,012)
FINANCING ACTIVITIES			
Proceeds from debt issuances	**878,499**	437,709	910,703
Principal payments on debt	**(737,334)**	(507,283)	(916,430)
Proceeds from stock issuances (includes treasury)	**24,512**	19,272	31,241
Purchases of treasury stock	**(472)**	(3,099)	(23,565)
Other, net	**(13,704)**	(4,962)	857
Net cash provided by (used in) financing activities	**151,501**	(58,363)	2,806
Net increase (decrease) in cash and cash equivalents	**77,279**	(39,515)	19,193
Cash and cash equivalents at beginning of period	**78,177**	117,692	98,499
Cash and cash equivalents at end of period	$ **155,456**	$ 78,177	$ 117,692
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash paid for:			
Interest (net of capitalized interest)	$ **162,648**	$ 178,943	$ 190,054
Income taxes	**188,943**	89,729	36,500

Non-cash investing and financing activities:

In November 1992, approximately $73,000 of secured debt related to a portion of the purchase price of one MD-11 aircraft acquired by the Company was assumed by a third party in a sale-leaseback of the aircraft.

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 Compen-sation
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)
Purchase of treasury stock	–	–	–	(472)	–
Issuance of common and treasury stock under employee incentive plans (655,938 shares)	64	26,658	(85)	468	(393)
Amortization of deferred compensation	–	–	–	–	2,374
Foreign currency translation adjustment	–	–	9,179	–	–
Net income	–	–	53,866	–	–
BALANCE AT MAY 31, 1993	**$ 5,474**	**$ 699,385**	**$ 969,515**	**$ (36)**	**$ (2,957)**

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, 1993 and 1992 were deferred gains of $186,087,000 and $171,311,000, 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, 1993 and 1992 was $148,231,000 and $136,786,000, 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 $31,256,000, $26,603,000, and $35,442,000, for 1993, 1992 and 1991, respectively.

For income tax purposes, generally, interest on property placed in service prior to January 1, 1988 is deducted currently for personal property (primarily aircraft and sort equipment) and capitalized and depreciated over a 10-year period for real property (primarily facilities). For property placed in service on or after January 1, 1988, interest on property acquired under contract (principally aircraft) is capitalized and depreciated over the life of the asset, and interest 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 $7,839,000 in 1993, $12,006,000 in 1992, and $15,102,000 in 1991.

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 $71,313,000 and $54,882,000 at May 31, 1993 and 1992, respectively. During 1993, goodwill was reduced by approximately $32,000,000 as a result of the Company reaching an agreement with the Internal Revenue Service regarding the amount of acquired net operating loss carryover of the former Tiger International, Inc. available for utilization by the Company.

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 local 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.

Effective June 1, 1992, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes." This statement superseded SFAS No. 96, "Accounting for Income Taxes," which was adopted by the Company as of June 1, 1989. The adoption of this standard did not 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 service completed.

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.

Postretirement health. In 1993, the Company adopted SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," which requires the accrual of expected postretirement health care costs and certain other benefits to employees over their period of service to the Company. For further discussion see Note 9.

Reclassifications. Certain amounts for 1992 and 1991 have been reclassified to conform to the 1993 presentation.

NOTE 2: ACCRUED EXPENSES

May 31 In thousands	1993	1992
Employee benefits	**$ 91,651**	$ 106,901
Insurance	**169,176**	142,057
Compensated absences	**163,553**	148,779
Aircraft overhaul	**59,507**	67,622
Restructure liability (Note 13)	**24,372**	93,099
Taxes other than income taxes	**114,460**	93,645
Salaries	**64,716**	60,531
Interest	**38,353**	32,238
Other	**35,569**	54,596
	$ 761,357	$ 799,468

NOTE 3: LONG-TERM DEBT

May 31 In thousands	1993	1992
Unsecured notes payable, interest rates of 6.25% to 12.125%, due through 2013	**$ 1,493,700**	$ 1,335,705
Unsecured sinking fund debentures, interest rate of 9.625%, due through 2020	**98,185**	98,117
Revolving credit agreements and commercial paper	**—**	195,413
Capital lease obligations:		
Memphis-Shelby County Airport Authority Special Facilities Revenue Bonds, due through 2013, interest rates of 6.75% to 8.3%	**245,070**	245,070
Less bond reserve funds and unamortized discount	**23,330**	26,479
	221,740	218,591
Other debt, effective rates of 4.21% to 11.25%	**202,451**	105,275
	2,016,076	1,953,101
Less current portion	**133,797**	155,257
	$ 1,882,279	$ 1,797,844

The Company has a revolving credit agreement with domestic and foreign banks that provides for a commitment of $1,000,000,000 through May 31, 1996, all of which was available at May 31, 1993. Interest rates on borrowings under this agreement are generally determined by maturities selected and prevailing market conditions. Commercial paper borrowings are backed by unused commitments under this revolving credit agreement and reduce the amount available under the agreement. Borrowings under this credit agreement and commercial paper borrowings are classified as long-term based on the Company's ability and intent to refinance such borrowings.

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

In June 1992, the Company filed a registration statement with the Securities and Exchange Commission for the issuance from time to time of up to $500,000,000 aggregate principal amount of unsecured debt securities. As of May 31, 1993, $300,000,000 of 20-year 9.65% notes and $100,000,000 of five-year 6.25% notes had been issued. Net proceeds from the issuance of these notes were used for general corporate purposes.

In July 1992, $95,770,000 of MSCAA Special Facilities Revenue Bonds were issued to refund $95,770,000 of outstanding Special Facilities Revenue Bonds. The refunding reduced the interest rate on these borrowings from a range of 10.875% - 13.25% to 6.75%. In addition, in August 1992, the Company redeemed $100,000,000 of 10.625% Senior Notes due in 1995. The refunding and redemption resulted in a pre-tax charge to income of approximately $6,000,000 related to call premiums on the bonds and the write-off of deferred financing costs.

The Company has a credit facility that provides for a commitment of $140,000,000 to finance predelivery payments on seven Airbus A300 aircraft scheduled for delivery in 1994 and 1995. Principal and interest on borrowings is payable upon delivery of the aircraft. As of May 31, 1993, approximately $130,000,000 had been borrowed under this facility at a net interest rate of 4.21%.

In September 1992, the Company filed a registration statement with the Securities and Exchange Commission for the issuance of up to $320,000,000 of equipment trust certificates and pass through certificates. Proceeds from the issuance of these certificates can be used to partially finance the purchase of MD-11 aircraft, or to finance or refinance these aircraft in lease transactions. In February 1993, the Company issued $153,600,000 of pass through certificates under this registration statement and used the proceeds to refinance two MD-11 aircraft under operating leases. These pass through certificates are not direct obligations of, or guaranteed by, the Company, but amounts payable by the Company under the operating leases are sufficient to pay the principal of and interest due on the certificates. The Company has $166,400,000 available under this registration statement.

The Company has also entered into foreign currency forward exchange contracts to hedge principal and interest payments on 46,000,000 pounds sterling ($71,229,000 at May 31, 1993) of debt due in December 1993. At May 31, 1993, the fair value of these contracts is negligible.

Scheduled annual principal maturities of long-term debt for the five years subsequent to May 31, 1993, are as follows: $133,800,000 in 1994; $200,100,000 in 1995; $255,500,000 in 1996; $26,300,000 in 1997 and $126,500,000 in 1998.

At May 31, 1993, the Company's long-term debt, exclusive of capital leases, had a carrying value of $1,790,000,000 and a fair value of approximately $1,970,000,000. The estimated fair value was determined based on quoted market prices or on the current rates offered for debt with similar terms and maturities.

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	1993	1992
Package handling and ground support equipment	$ 372,724	$ 367,113
Facilities	133,435	133,435
Computer and electronic equipment and other	29,535	58,203
	535,694	558,751
Less accumulated amortization	340,741	356,980
	$ 194,953	$ 201,771

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

In thousands	1993	1992	1991
Minimum rentals	$ 563,646	$ 570,377	$ 551,101
Contingent rentals	35,353	40,043	38,978
	$ 598,999	$ 610,420	$ 590,079

Contingent rentals are based on mileage under supplemental aircraft leases.

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, 1993 follows:

In thousands	Capital Leases	Operating Leases
1994	$ 18,635	$ 458,112
1995	20,500	448,845
1996	20,105	416,731
1997	19,956	379,327
1998	19,806	334,431
Thereafter	432,384	3,526,592
	$ 531,386	$ 5,564,038

At May 31, 1993, the present value of future minimum lease payments for capital lease obligations was $221,740,000.

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, 1993 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 (and under the 1989 plan to directors who are not employees of the Company) 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, 1990	3,676,251	$ 16.19 - $ 70.19
Granted	546,000	30.56 - 43.63
Exercised	(46,246)	16.19 - 42.41
Canceled	(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
Canceled	(262,158)	34.31 - 62.00
Outstanding at May 31, 1992	3,653,803	23.59 - 70.19
Granted	260,750	36.88 - 56.25
Exercised	(643,563)	23.59 - 56.63
Canceled	(123,947)	34.31 - 70.19
Outstanding at May 31, 1993	3,147,043	$ 30.56 - $ 70.19
Exercisable at May 31, 1993	1,856,896	$ 30.56 - $ 70.19

At May 31, 1993, there were 176,645 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. 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 12,500 in 1993, 120,500 in 1992 and 6,250 in 1991. During 1993 and 1992, 1,500 and 33,750 shares, respectively, were forfeited. At May 31, 1993, there were 3,500 shares available for future grants under this plan.

At May 31, 1993, there were 3,327,188 shares of common stock reserved for issuance under the above-mentioned restricted stock and stock incentive 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, 1993, a total of 2,762,493 shares at an average cost of $41.66 per share had been purchased and reissued under the above-mentioned plans.

NOTE 7:
INCOME TAXES

Effective June 1, 1992, the Company adopted SFAS No. 109, "Accounting for Income Taxes." This statement superseded SFAS No. 96, "Accounting for Income Taxes," which was adopted by the Company as of June 1, 1989. The adoption of SFAS No. 109 does not change the Company's method of accounting for income taxes, which is the liability method. The standard was adopted on a prospective basis, and amounts presented for prior years were not restated. The adoption of SFAS No. 109 did not have a significant impact on the Company's financial position or results of operations.

The components of the provision (credit) for federal and other income taxes were as follows:

Years ended May 31 In thousands	1993	1992	1991
Current provision:			
Federal	$ 64,130	$ 10,886	$ 66,235
Foreign	9,318	17,512	11,642
State	3,170	7,471	11,165
Total current provision	76,618	35,869	89,042
Deferred provision (credit):			
Federal	6,899	(63,754)	(49,358)
State	10,250	(5,161)	(4,640)
Total deferred provision (credit)	17,149	(68,915)	(53,998)
	$ 93,767	$ (33,046)	$ 35,044

In 1993, 1992 and 1991, the Company's operations included foreign entities with pre-tax income of approximately $67,000,000, $76,000,000 and $104,000,000, respectively. Additionally, other foreign entities incurred pre-tax losses of approximately $247,000,000, $538,000,000 and $348,000,000 in 1993, 1992 and 1991, respectively. Approximately $7,000,000, $27,000,000 and $35,000,000 of net foreign losses were not deductible for federal income tax purposes in 1993, 1992 and 1991, respectively. 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 due to the different methods of taxation used by countries throughout the world.

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

Years ended May 31	1993	1992	1991
Statutory U.S. income tax rate	34.0 %	(34.0)%	34.0 %
Increase (decrease) resulting from:			
Foreign subsidiary losses, net of branch conversion benefits	0.3	(2.3)	6.2
Goodwill amortization	2.5	5.9	15.4
Foreign income taxes	1.0	3.2	11.8
State income taxes, net of federal benefit	4.4	1.0	10.5
Other, net	3.9	3.7	7.7
	46.1 %	(22.5)%	85.6 %

The effective tax rate for 1992 and 1991, excluding the effects of restructuring charges, was 48.9% and 47.8%, respectively.

At May 31, 1993, the Company had alternative minimum tax credit carryovers of approximately $83,000,000 which have no expiration date.

At May 31, 1993, the significant components of deferred tax assets and liabilities were as follows:

In thousands	Deferred Tax Assets	Deferred Tax Liabilities
Depreciation	$ –	$ 289,466
Deferred gains on sales of assets	24,305	–
Alternative minimum tax credits	82,777	–
Employee benefits	87,307	–
Self-insurance reserves	122,032	–
Other	120,829	86,388
	$ 437,250	$ 375,854

The tax effect of items included in the net federal deferred tax credit for years prior to the adoption of SFAS No. 109 consisted of:

Years ended May 31 In thousands	1992	1991
Depreciation	$ 11,282	$ 26,184
Gains on sales of assets	(18,678)	(58,238)
Alternative minimum tax	(29,675)	(4,888)
European/UK restructuring charges	(12,496)	(28,257)
Tax credit carryover	–	15,585
Employee benefits	(743)	1,602
Self-insurance reserves	(35,276)	(16,062)
Other	21,832	14,716
	$ (63,754)	$ (49,358)

During 1993, the Company entered into a partial closing agreement with the Internal Revenue Service for 1990, 1991 and 1992. The partial agreement related to an adjustment of the former Tiger International, Inc. net operating loss carryovers available for utilization by the Company. As a result of this agreement, the Company paid the Internal Revenue Service approximately $91,000,000, consisting of $73,000,000 of taxes and $18,000,000 of interest. These amounts had been fully provided for by the Company.

NOTE 8: PENSION AND PROFIT SHARING PLANS

The Company sponsors pension plans covering substantially all employees. The largest plan, the Federal Express plan, covers U.S. 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.

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.

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

In thousands	1993	1992
Actuarial present value of the projected benefit obligation for service rendered to date	$ 1,676,608	$ 1,456,610
Less plan assets at fair value	1,591,507	1,206,496
Projected benefit obligation in excess of plan assets	85,101	250,114
Unrecognized net gains (losses) from past experience different from that assumed and effects of changes in assumptions	44,435	(55,541)
Prior service cost not yet recognized in net periodic cost	(28,022)	(31,427)
Unrecognized transition amount	(5,468)	(5,824)
Pension liability	$ 96,046	$ 157,322
Accumulated benefit obligation	$ 1,046,694	$ 904,160
Vested benefit obligation	$ 950,785	$ 838,074

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

In thousands	1993	1992	1991
Service cost - benefits earned during the period	$ 161,100	$ 154,024	$ 128,868
Interest cost on projected benefit obligation	117,086	105,274	88,163
Actual return on plan assets	(160,977)	(92,841)	(52,673)
Net amortization and deferral	36,055	590	(15,366)
Net periodic pension cost	$ 153,264	$ 167,047	$ 148,992

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 1993, 8.0% and 6.0% in 1992, and 8.2% and 6.5% in 1991, respectively. The expected long-term rate of return on assets was 9.5% in 1993, 1992 and 1991. Plan assets consist primarily of marketable equity securities and fixed income instruments.

The Company also has a profit sharing plan, which covers substantially all U.S. domestic employees with three months continuous 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. Profit sharing expense was $21,900,000 in 1993, $8,400,000 in 1992 and $35,400,000 in 1991.

NOTE 9: POSTRETIREMENT BENEFIT PLAN

The Company offers medical and dental coverage to all eligible U.S. domestic retirees and their eligible dependents. Vision coverage is provided for retirees only. Substantially all of the Company's U.S. domestic employees become eligible for these benefits at age 55 and older, if they have permanent, continuous service with the Company of at least 10 years after attainment of age 45 if hired prior to January 1, 1988, or at least 20 years after attainment of age 35, if hired on or after January 1, 1988. Life insurance benefits are provided only to retirees of the former Tiger International, Inc. who retired prior to acquisition.

Effective June 1, 1992, the Company adopted SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." This standard requires that the expected costs of providing postretirement benefits be charged to expense during the years employees render service. Prior to the adoption of SFAS No. 106, the Company charged retiree benefits to expense as incurred. These amounts were not significant.

The cumulative effect of adopting SFAS No. 106 as of June 1, 1992 was $90,230,000 before taxes ($55,943,000 after tax benefit, or $1.03 per share). This change also increased operating expense by $15,177,000 ($8,952,000 after tax benefit, or $.16 per share) for the year ended May 31, 1993.

The following table sets forth the funded status of the plan as of May 31, 1993 (in thousands):

Accumulated postretirement benefit obligation:	
Retirees	$ 31,854
Fully eligible active employees	18,952
Other active employees, not fully eligible	66,114
	116,920
Unrecognized net loss	(11,513)
Accrued postretirement benefit cost	$ 105,407

Net postretirement benefit expense for the year ended May 31, 1993 was as follows (in thousands):

Service cost	$ 9,161
Interest cost	8,434
Transition obligation	90,230
	$ 107,825

Future medical benefit costs were estimated to increase at an annual rate of 11.5% during 1994, decreasing to an annual growth rate of 6.5% in 2005 and thereafter. Future dental benefit costs were estimated to increase at an annual rate of 9.25% during 1994, decreasing to an annual growth rate of 6.5% in 2005 and thereafter. The Company's cost is capped at 150% of 1993 employer cost and, therefore, will not be subject to medical and dental trends after the capped cost is attained, projected to be in 1997. Primarily because of the cap on the Company's cost, a 1% increase in these annual trend rates would not have a significant impact on the accumulated postretirement benefit obligation at May 31, 1993 or on 1993 benefit expense. The weighted average discount rate used in estimating the accumulated postretirement benefit obligation at May 31, 1993 was 8.0%. The Company funds claims as incurred.

NOTE 10: 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 U.S. domestic and international operations for the years ended May 31, 1993, 1992 and 1991, follows:

In thousands	U.S. Domestic	International	Total Worldwide
Revenues:			
1993	**$ 5,667,964**	**$ 2,140,079**	**$ 7,808,043**
1992	5,194,684	2,355,376	7,550,060
1991	5,057,831	2,630,465	7,688,296
Operating Income (Loss):			
1993	**$ 559,140**	**$ (181,967)**	**$ 377,173**
1992	635,872	(612,905)(1)	22,967
1991	671,186	(419,060)(1)	252,126
Identifiable Assets:			
1993	**$ 4,432,578**	**$ 1,360,486**	**$ 5,793,064**
1992	3,941,022	1,522,164	5,463,186
1991	4,032,361	1,640,100	5,672,461

(1)Includes charges related to restructuring European operations in 1992 and U.K. operations in 1991. See Note 13.

Identifiable assets used jointly in U.S. domestic and international operations (principally aircraft) have been allocated based on estimated usage. International revenues related to services originating in the U.S. totalled $928,200,000, $914,800,000 and $1,028,800,000 for the years ended May 31, 1993, 1992 and 1991, respectively.

NOTE 11: COMMITMENTS

Under various contracts, the Company is committed to purchase 25 Airbus A300, five MD-11 and three B727-200 aircraft to be delivered through 1999. At May 31, 1993, deposits and progress payments of $361,300,000 had been made toward these aircraft purchases. Additional deposits and payments in connection with these agreements are expected to approximate $595,900,000, $454,000,000, $399,600,000, $241,900,000 and $297,700,000 in 1995 through 1998, respectively, and $61,100,000 thereafter. Also, the Company has commitments for aircraft modifications, rotables, and development and upgrade of aircraft simulators approximating $77,600,000, and $26,700,000 in 1994 and 1995, respectively. The Company also has options to purchase up to 50 additional A300 aircraft for delivery beginning in 1997, for which deposits totalling approximately $8 million have been made.

In addition to commitments related to aircraft, the Company has other commitments aggregating $233,200,000 of which approximately $218,600,000 will be expended in 1994, primarily related to capital expenditures for facilities, vehicles, computer and other equipment.

NOTE 12: LEGAL PROCEEDINGS

On May 24, 1990, a shareholder filed a 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. The complaint alleges fraud and violations of Sections 10(b) and 20 of the Securities and Exchange Act of 1934 and Rule 10b-5 thereunder. Subsequently, three other shareholders filed separate suits which contain substantially similar allegations. 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 artificially 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. The separate actions have been consolidated and a motion to dismiss the action has been denied. Both plaintiffs and defendants have filed motions for summary judgment. The Company and Messrs. Smith and Barksdale are co-defendants in the suit. The Company will bear the cost of the defense and is obligated to indemnify Messrs. Smith and Barksdale for their expenses in defending the suit and for any settlement or damages in the action to the extent permitted by law.

The Internal Revenue Service ("IRS") issued an Examination Report on October 31, 1991 asserting the Company underpaid federal excise taxes for the calendar quarters ended December 31, 1983 through March 31, 1987. The Examination Report contains a primary position and a mutually exclusive alternative position asserting the Company underpaid federal excise taxes by $54,000,000 and $26,000,000, respectively. Disagreeing with essentially all of the proposed adjustments contained in the Examination Report, the Company filed a Protest on March 16, 1992 which set forth the Company's defenses to both IRS positions and a claim for refund of overpaid federal excise taxes of $23,500,000. On March 19, 1993, the IRS issued another Examination Report to the Company asserting the Company underpaid federal excise taxes by $105,000,000 for the calendar quarters ended June 30, 1987 through March 31, 1991. On June 17, 1993, the Company filed a Protest contesting the March 19 Examination Report which set forth the Company's defenses to the IRS position and a claim for refund of overpaid federal excise taxes of $46,500,000. Interest would be payable on the amount of any refunds by the IRS to the Company or underpaid federal excise taxes payable by the Company to the IRS at statutorily determined rates. The interest rates payable by the Company for underpaid taxes are higher than the rates payable by the IRS on refund amounts.

The Company plans to vigorously pursue its Protests administratively with the IRS Appeals Division. If it is unsuccessful with the IRS Appeals Division, the Company intends to pursue its position in court. Pending resolution of this matter, the IRS can be expected to take positions similar to those taken in their Examination Reports for periods after March 31, 1991.

Given the inherent uncertainties in the shareholder litigation and the excise tax matter referred to above, management is currently unable to predict with certainty the outcome of these matters or the ultimate effect, if any, their resolution would have on the Company's financial condition or results of operations. No amounts have been reserved for these contingencies.

The Company is subject to other legal proceedings and claims which arise in the ordinary course of its business. In the opinion of management, the aggregate liability (if any) with respect to these other actions will not materially adversely affect the financial position or results of operations of the Company.

NOTE 13: UNUSUAL EVENTS

Effective May 4, 1992, the Company substantially reduced the scope of its European and United Kingdom operations by discontinuing its intra-region and intra-country services. The primary components of the third quarter 1992 restructuring charge of $254,000,000 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.

In the first quarter of 1993, the Company reduced its restructuring reserve by $12,500,000 due to favorable settlements of certain estimated liabilities associated with the restructuring. This had an $8,200,000 ($.15 earnings per share) favorable impact on net income.

In the third quarter of 1991, a charge to operating expense of $121,000,000 was recorded related to the restructuring of 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 probable 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 14: SUMMARY OF QUARTERLY OPERATING RESULTS (Unaudited)

In thousands, except per share amounts	First Quarter (2)	Second Quarter	Third Quarter (2)	Fourth Quarter
1993 (1)				
Revenues	$1,864,936	$1,964,674	$1,939,781	$2,038,652
Operating income	69,724	112,655	58,321	136,473
Income before income taxes	20,216	70,519	16,875	95,966
Income before cumulative effect of change in accounting principle	10,148	35,401	8,488	55,772
Net income (loss)	(45,795)	35,401	8,488	55,772
Earnings (loss) per share:				
Before cumulative effect of change in accounting principle	.19	.65	.15	1.01
Cumulative effect of change in accounting for postretirement benefits	(1.03)	–	–	–
Net earnings (loss) per share	$ (.84)	$ .65	$ .15	$ 1.01
Average shares outstanding	54,277	54,292	55,117	55,189
1992				
Revenues	$1,825,785	$1,943,406	$1,889,536	$1,891,333
Operating income (loss)	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

(1) Results for the first quarter of 1993 have been restated for the cumulative effect of the adoption of SFAS No. 106, which resulted in a net charge of $55,943,000. Results for the first three quarters of 1993 have also been restated for the current year effect of the accounting change for SFAS No. 106, net of tax benefit, as follows: first quarter, $2,099,000 ($.04 per share); second quarter, $2,517,000 ($.05 per share); and third quarter, $2,039,000 ($.04 per share).

(2) Includes, in the third quarter of 1992, a $254 million ($3.12 per share after tax) charge to operating income related to a restructuring of European operations and in the first quarter of 1993, a $12.5 million ($.15 per share after tax) reduction of this restructuring reserve.

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, 1993 and 1992, 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, 1993. 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, 1993 and 1992, and the results of their operations and their cash flows for each of the three years in the period ended May 31, 1993, in conformity with generally accepted accounting principles.

As discussed in Notes 7 and 9 to the Consolidated Financial Statements, effective June 1, 1992, the Company changed its methods of accounting for income taxes and postretirement benefits other than pensions.

Memphis, Tennessee,
July 13, 1993.

Arthur Andersen & Co.

Selected Consolidated Financial Data

FEDERAL EXPRESS CORPORATION AND SUBSIDIARIES

Years ended May 31 In thousands, except per share data and Other Operating Data	1993	1992	1991
OPERATING RESULTS			
Revenues	**$ 7,808,043**	$ 7,550,060	$ 7,688,296
Operating income	**377,173**	22,967	252,126
Income (loss) before income taxes	**203,576**	(146,828)	40,942
Income (loss) from continuing operations	**109,809**	(113,782)	5,898
Net income (loss)	**$ 53,866**	$ (113,782)	$ 5,898
PER SHARE DATA			
Earnings (loss) per share:			
Continuing operations	**$ 2.01**	$ (2.11)	$ .11
Discontinued operations	–	–	–
Cumulative effect of change in accounting for postretirement benefits	**(1.03)**	–	–
Net earnings (loss) per share	**$ .98**	$ (2.11)	$ .11
Average shares outstanding	**54,719**	53,961	53,350
Cash dividends	–	–	–
FINANCIAL POSITION			
Property and equipment, net	**$ 3,476,268**	$ 3,411,297	$ 3,624,026
Total assets	**5,793,064**	5,463,186	5,672,461
Long-term debt	**1,882,279**	1,797,844	1,826,781
Common stockholders' investment	**1,671,381**	1,579,722	1,668,620
OTHER OPERATING DATA			
Express package:			
Average daily package volume	**1,708,392**	1,470,520	1,309,973
Average pounds per package	**5.6**	5.5	5.5
Average revenue per pound	**$ 2.67**	$ 2.95	$ 3.11
Average revenue per package	**$ 14.99**	$ 16.08	$ 17.08
Airfreight:			
Average daily pounds	**2,470,458**	2,654,646	2,880,106
Average revenue per pound	**$ 1.05**	$ 1.16	$ 1.17
Aircraft fleet at end of year:			
Boeing 747s	**8**	13	18
McDonnell Douglas MD-11s	**8**	4	1
McDonnell Douglas DC-10s	**30**	28	27
McDonnell Douglas DC-8s	–	–	–
Boeing 727s	**167**	151	149
Cessna 208s	**216**	216	193
Fokker F-27s	**32**	32	26
Vehicle fleet at end of year	**28,100**	30,400	32,800
Average number of employees (based on a standard full-time workweek)	**84,104**	84,162	81,711

1990	1989	1988	1987	1986	1985	1984
$ 7,015,069	$ 5,166,967	$ 3,882,817	$ 3,178,308	$ 2,573,229	$ 2,015,920	$ 1,436,305
387,355	414,787	379,452	364,743	344,021	258,617	188,752
218,423	298,332	302,328	311,885	305,085	212,272	176,804
115,764	166,451	187,716	166,952	192,671	138,740	125,431
$ 115,764	$ 184,551	$ 187,716	$ (65,571)	$ 131,839	$ 76,077	$ 115,430
$ 2.18	$ 3.18	$ 3.56	$ 3.21	$ 3.86	$ 2.94	$ 2.74
–	–	–	(4.48)	(1.22)	(1.33)	(.22)
–	.35	–	–	–	–	–
$ 2.18	$ 3.53	$ 3.56	$ (1.27)	$ 2.64	$ 1.61	$ 2.52
53,161	52,272	52,670	51,905	49,840	46,970	45,448
–	–	–	–	–	–	–
$ 3,566,321	$ 3,431,814	$ 2,231,875	$ 1,861,432	$ 1,551,845	$ 1,346,023	$ 1,112,639
5,675,073	5,293,422	3,008,549	2,499,511	2,276,362	1,899,506	1,525,805
2,148,142	2,138,940	838,730	744,914	561,716	607,508	435,158
1,649,187	1,493,524	1,330,679	1,078,920	1,091,714	812,267	717,721
1,233,628	1,059,882	877,543	704,392	550,306	406,049	263,385
5.3	5.4	5.3	5.1	5.3	5.6	5.5
$ 3.14	$ 3.04	$ 3.10	$ 3.33	$ 3.40	$ 3.45	$ 3.80
$ 16.53	$ 16.28	$ 16.32	$ 16.97	$ 17.92	$ 19.19	$ 21.03
3,310,494	4,019,353	–	–	–	–	–
$ 1.12	$ 1.06	$ –	$ –	$ –	$ –	$ –
19	21	–	–	–	–	–
–	–	–	–	–	–	–
26	24	21	19	15	11	10
6	6	–	–	–	–	–
130	106	68	60	53	53	47
184	147	109	66	34	9	–
19	7	5	–	–	–	–
31,000	28,900	21,000	18,700	14,500	12,300	9,000
75,102	58,136	48,556	41,047	31,582	26,495	18,368

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, Executive Committee
Hospital Corporation International
Owns, manages and builds hospitals and health- related facilities in various countries around the world.

Ralph D. DeNunzio (2)
President
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Private investment and consulting firm

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Executive Vice President
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Chief Executive Officer
Federal Express Corporation

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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 (exclusive of exhibits thereto), filed with the Securities and Exchange Commission, is available free of charge. You will be mailed a copy upon request to Thomas L. Holland, 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 13, 1993, there were 8,017 stockholders of record.

Market information: Following are high and low closing prices, by quarters, for Federal Express stock in fiscal 1992 and 1993. No cash dividends have been declared.

Closing Prices of Common Stock		First Quarter	Second Quarter	Third Quarter	Fourth Quarter
FY 1992	High	$43.63	$40.63	$53.75	$55.25
	Low	38.50	34.88	32.75	40.38
FY 1993	**High**	**$47.25**	**$50.25**	**$60.75**	**$58.50**
	Low	**37.13**	**34.50**	**48.25**	**47.88**

Annual meeting: The annual meeting of stockholders will be held at the Adams Mark Hotel, 939 Ridge Lake Boulevard, Memphis, Tennessee, on Monday, September 27, 1993, at 10:00 a.m., CDT.

Registrars and transfer agents:

First Chicago Trust Company of New York
Shareholder Services
P.O. Box 2500
Jersey City, NJ 07303-2500
(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) 395-3755.

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

Federal Express, the Federal Express logo, COSMOS, FedEx, Flying Tigers, FedEx Tracking Software, EXPRESSfreighter, FedEx Priority Overnight, POWERSHIP3, SuperTracker and International Priority are registered service marks of Federal Express Corporation. Reg. U.S. Pat. & Tm. Off. Business Logistics Services, DADS, Expressclear, FedEx ON-LINE, FedEx International Priority Broker Selection Option and POWERSHIP are service marks of Federal Express Corporation.

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