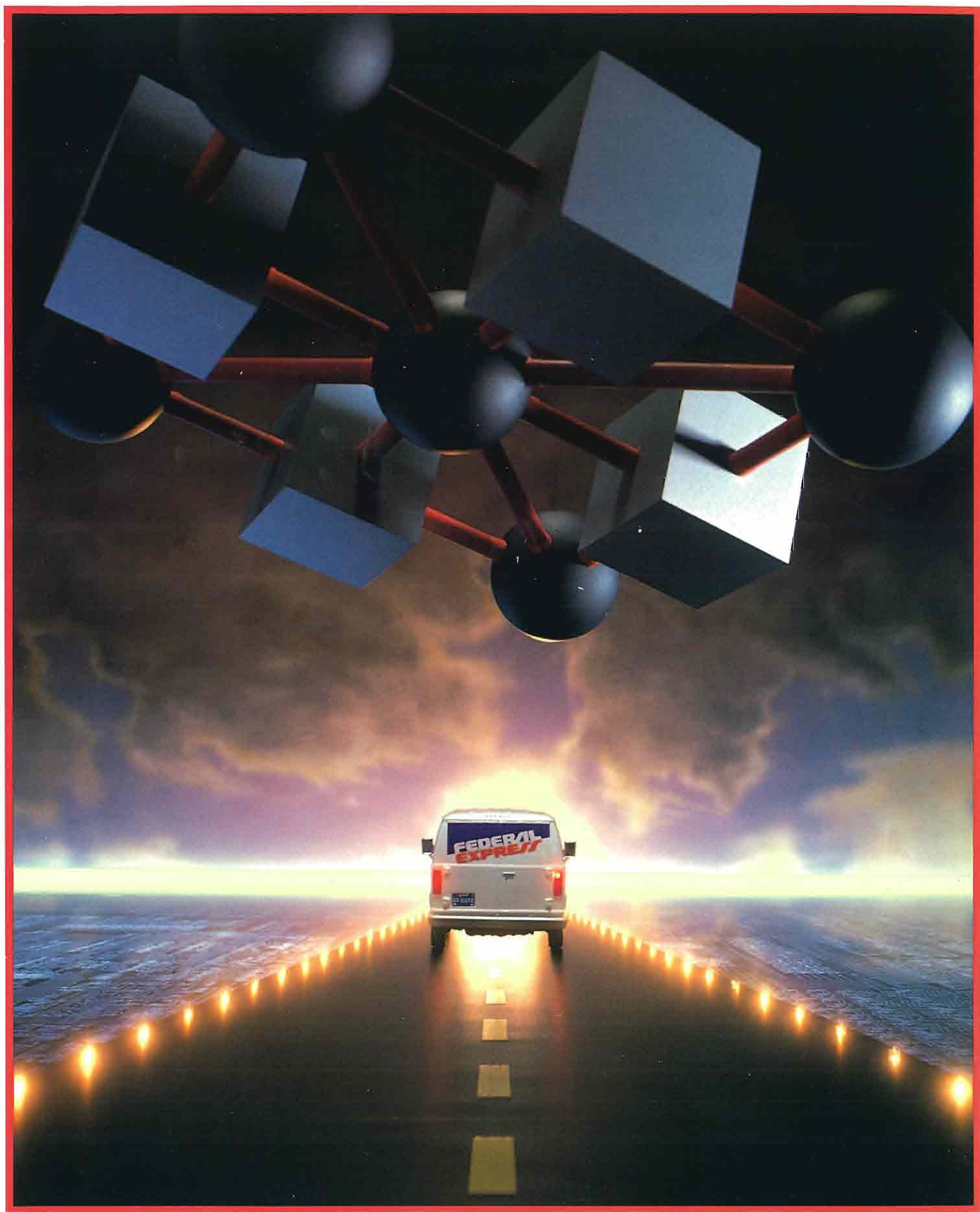




■ Building Networks for the Future

Description of Business

Federal Express Corporation provides overnight, door-to-door delivery of business goods (125 pounds or less) and messages throughout the United States, using its integrated, air-ground transportation system. Other services include second-day delivery and special handling of restricted articles. The company operates 76 aircraft, almost 5,000 radio-dispatched delivery vans and a central sorting facility. Local offices are maintained in 215 cities served from 99 airports.

In addition, Federal Express, through an agreement with Cansica Inc., a Canadian licensee, provides high-priority, customs-cleared service between the United States and Canada.

Each business day, couriers across the country pick up shipments addressed to consignees in any of some 40,000 communities in the United States. These, in turn, are loaded on Federal Express aircraft. Following a hub-and-spokes pattern, the aircraft fly to the central sorting facility in Memphis, most arriving between midnight and 1:00 AM. Goods and messages are unloaded, sorted by destination and reloaded. The aircraft fly back to their points of origin carrying only shipments destined for those areas. Couriers then make deliveries of priority shipments by 10:30 AM, completing the overnight, door-to-door cycle.

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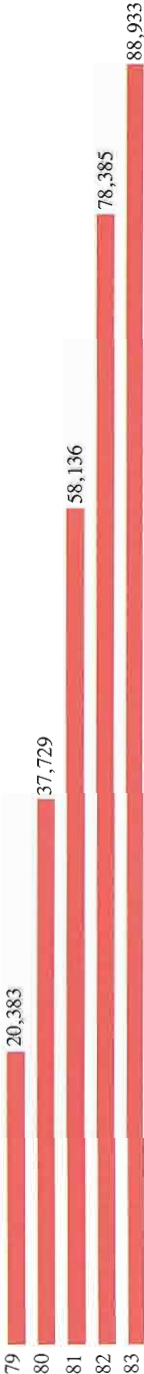
Federal Express Corporation is strongly bound to a policy of affording equal employment opportunity to all, regardless of race, color, religion, sex, national origin, handicap, disability, veteran status, or age (except where bona fide occupational qualifications exist). Because we believe that equal employment opportunity is the only acceptable principle, Federal Express is committed to ensuring that all personnel matters, such as compensation, benefits and opportunities for advancement, are administered fairly.



Revenues
Thousands of dollars



Pre-tax Income
Thousands of dollars



Net Income
Thousands of dollars



Earnings per Share
Dollars

Consolidated Financial Highlights

		1983	1982	1981
<i>In thousands, except per share amounts and Other Operating Data</i>				
Operating Results	Express service revenues	\$1,008,087	\$803,915	\$589,493
	Operating income	150,737	119,466	99,735
	Income before income taxes	150,216	131,080	98,044
	Net income	88,933	78,385	58,136
	Earnings per share	\$ 4.07	\$ 3.70	\$ 2.83
	Average shares outstanding	21,658	20,894	20,111
Financial Position	Working capital	\$ 89,878	\$ 79,669	\$ 53,106
	Property and equipment, net	596,392	457,572	373,250
	Long-term debt	247,424	223,856	162,705
	Common stockholders' investment	503,794	350,319	270,875
Other Operating Data	Average daily package volume	166,428	125,881	87,191
	Average pounds per package	5.8	6.5	8.4
	Average revenue per pound	\$ 4.02	\$ 3.81	\$ 3.15
	Aircraft fleet at end of year:			
	McDonnell Douglas DC-10s	6	4	4
	Boeing 737s	—	—	1
	Boeing 727s	38	31	25
	Dassault Falcons	32	32	32
	Average number of full-time equivalent employees during the year	12,507	10,092	8,080

To Our Stockholders:



Frederick W. Smith



James L. Barksdale

We are pleased to report that during fiscal 1983, our tenth year of operation, revenues rose to \$1,008 million, a 25% increase over the prior year. Net income was \$89 million, or \$4.07 per share, gains of 13% and 10%, respectively, over the \$78 million, or \$3.70 per share, for fiscal 1982.

By other measurements as well, this has been a highly successful year. We carried almost 43 million packages and documents, serving 550,000 customers in some 40,000 communities. In December, we set a daily record, handling over 208,000 pieces. Each of our major product categories—Priority One, Courier Pak, Standard Air and Overnight Letter—reached all-time highs during the year. Particularly gratifying was the performance of the Overnight Letter—now in its second year—with average daily volumes advancing from 19,972 to 34,492.

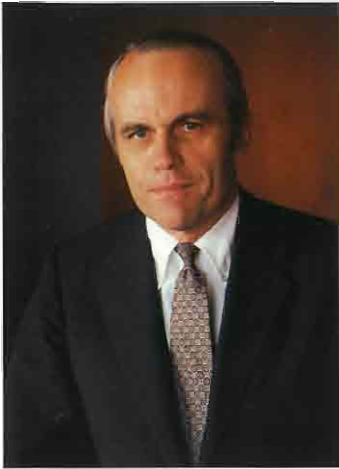
Other highlights were as follows:

- In October, we changed our commitment on overnight services in most areas to 10:30 AM. Research indicated strong customer preference for this earlier delivery time, because it allows longer, more productive working days. This improvement in service, which required substantial investment in added personnel and equipment, took less than six weeks to implement and was an instant operational success, with on-time service performance remaining at record levels.
- Our effort to expand geographically continued. In fiscal 1983, we added service to thirty new Standard Metropolitan Statistical Areas so that we now serve 305 of the 323 SMSAs in the nation. This represents 82% of the population, far more than any competitor. Our goal is to extend coverage to 95% within the next few years. In light of our successful U.S.-Canada service, further international expansions are also planned.
- Increased sales training and innovative promotional programs contributed importantly to our surpassing the billion-dollar revenue mark.
- A simplified rate system was implemented, with flexible discounts that are attractive to volume shippers.
- Efforts continued on improved tracking, paperwork and sorting systems which will improve both productivity and service in future years.

Federal Express is a totally-integrated, high-speed, high-priority logistics system which uses a variety of media to serve its demanding markets. Various aircraft,

To Our Stockholders

continued



Peter S. Willmott

vehicles, computers and telecommunications systems are required to meet these urgent needs. Our company's goal is to offer "competitively superior, highly-integrated and broad-based networks for the totally reliable movement and transmission of high-priority business goods, documents and messages." Reflecting our eclectic use of technologies and equipment, we will offer customers, in mid-1984, a satellite-based, high-speed, image transmission service. Documents and graphic material will be picked up, scanned and delivered on the same day.

The network required to provide this remarkable service is essentially an extension of the major telecommunications systems already in place and needed for Federal Express' transportation operations. Even so, considerable investment will be required to implement the new service and will inevitably reduce potential earnings in the next two fiscal years. Because we foresee extraordinary, long-term opportunity, we will not stint on such expenditures.

In April, the Board of Directors reluctantly accepted the resignation of Peter S. Willmott as President and Chief Operating Officer. Subsequently, he was elected president and CEO of the Chicago-based firm of Carson Pirie Scott & Company, but he will continue to serve Federal Express as a director. James L. Barksdale was elected Executive Vice President, Chief Operating Officer and a director. Mr. Barksdale has been instrumental in putting into place the computer and high-technology innovations which have positioned Federal Express in the forefront of the industry.

Nothing is more important in building a successful corporation, especially a service business, than to assemble an effective, motivated work force. In this regard, Federal Express employees simply have no peers. It is their exceptional and continuous dedication which sets Federal Express service apart.

Our future has never been brighter. We look forward to passing new milestones in the coming months and years.

Sincerely,

A handwritten signature in dark ink, appearing to read "Frederick W. Smith". The signature is fluid and cursive.

Frederick W. Smith

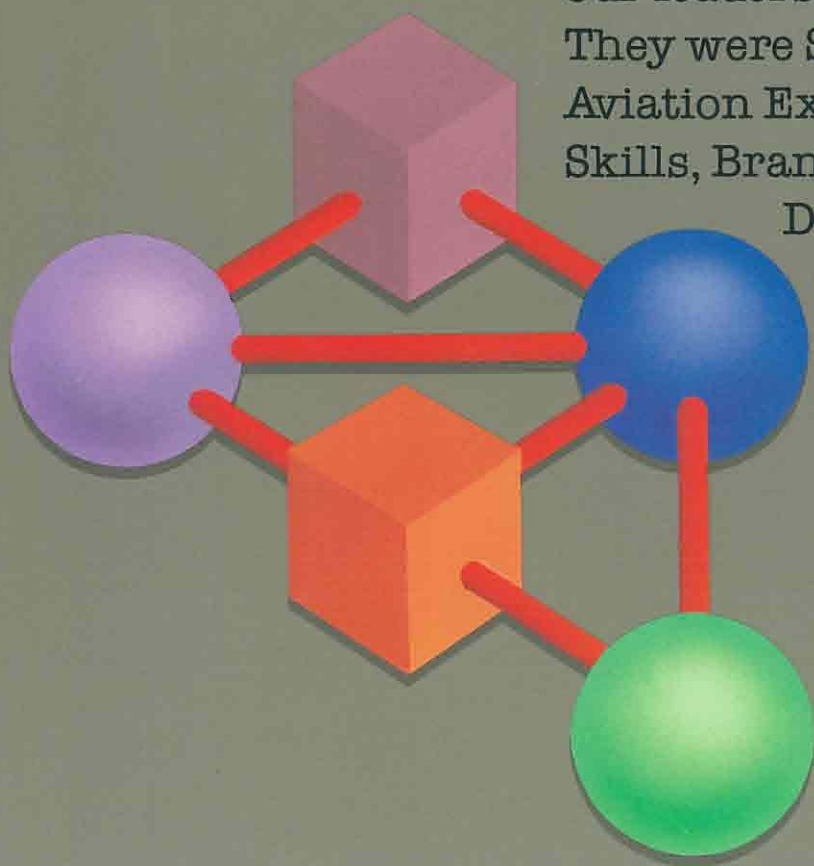
Chairman, President and Chief Executive Officer

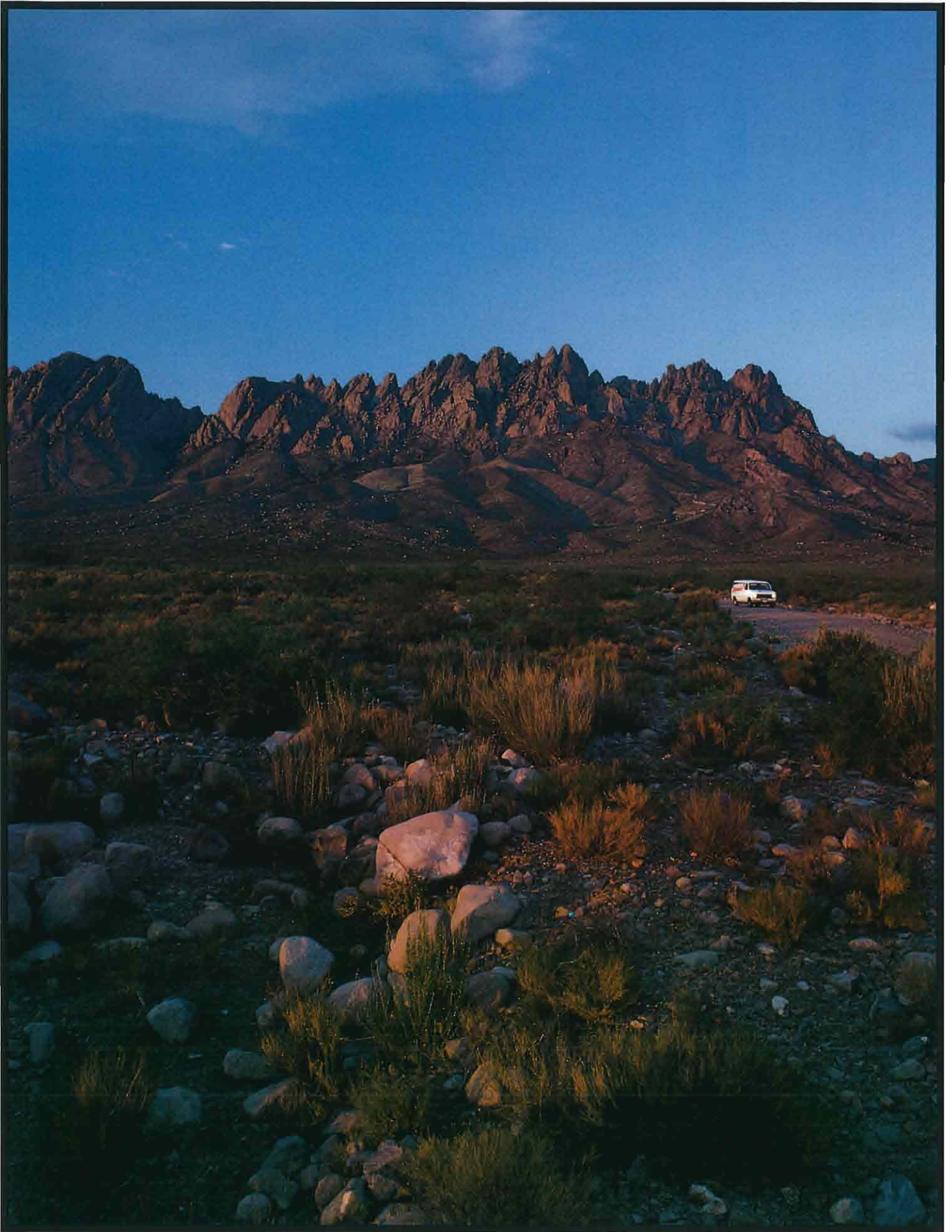
Review of Operations

The system of networks we have built – on the ground, in the air and electronically – is the foundation of our success. Interacting smoothly at critical points, these networks make possible the fulfillment of our primary mission: to provide responsive, dependable service to our customers. On the following pages, we relate the expansion of these networks.

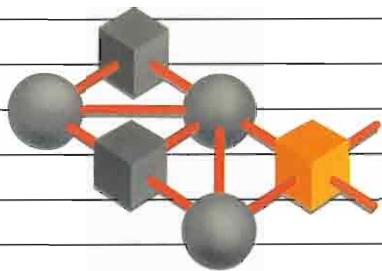
In last year's annual report, we emphasized five key strengths which solidified our leadership in the express business. They were Size and Scope Advantages, Aviation Expertise, Telecommunications Skills, Brand-name Recognition and Dedicated Work Force. The

additions to our essential networks, in fiscal 1983, have enhanced these advantages in the face of rising competition.

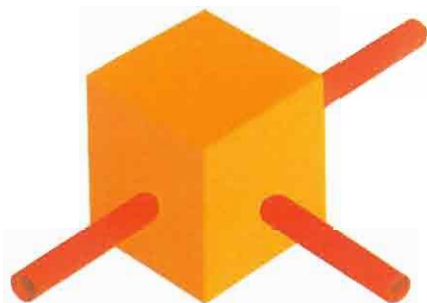




Domestic Expansion



Geographic Expansion continued with the addition of direct service to 5,148 communities, including a daily run to White Sands Missile Range from Las Cruces, NM. **Ground Operations** added couriers and vans to meet the 10:30 AM commitment. **Extended Sales Efforts**, involving couriers, helped boost revenues past \$1 billion.



Three programs hold special promise for the future. The first, "Operation Earlybird," was our commitment to overnight delivery by 10:30 AM throughout most of the system. This was not only an effective response to customer needs but also a positive step in preparing for the introduction of electronic image transmission.

In order to achieve earlier delivery, we added 1,056 couriers and courier supervisors, as well as 385 new vans. We also accelerated the nightly sort at the Superhub and further streamlined operations at destination stations.

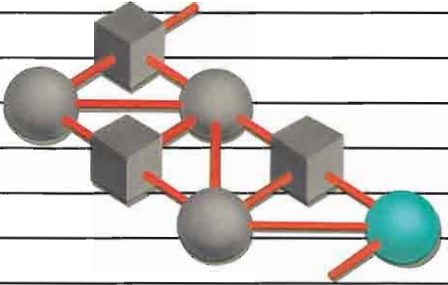
The second program, designated "Operation Breakthru," motivated our couriers to be more effective sellers of the company's products. After appropriate training, they began to call on prospects with a key message: Federal Express offers better on-time delivery, with competitive discount plans.

Third is our ongoing program to expand geographically, which continues to reap dividends. We added direct service to 11,581 zip code areas, eliminating many contract agents. This is particularly important because of industry's continuing migration from heavily-settled areas.

Our unmatched ground courier system will prove to be the essential ingredient in the success of our electronic image transmission system.



Support Networks

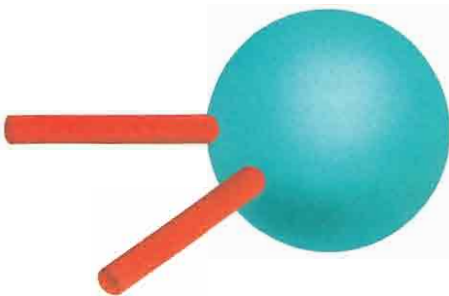


Digitally Assisted Dispatch System

(DADS) terminal, shown left, provides unprecedented efficiency for communicating with ground-courier fleet.

Ground Network of 87 existing staffed centers and more than 3,000 self-service centers are used by customers as drop-off points for documents and parcels.

Business Service Centers, of which 100 new sites are planned, will bring us closer to our customers and offer a variety of services.



COSMOS, our computer network for dispatch entry, communications and tracking, was enlarged and improved during the year. Also, we cut over to our satellite communications network, incorporating earth stations at our Customer Service Centers and our Colorado Springs Data Center.

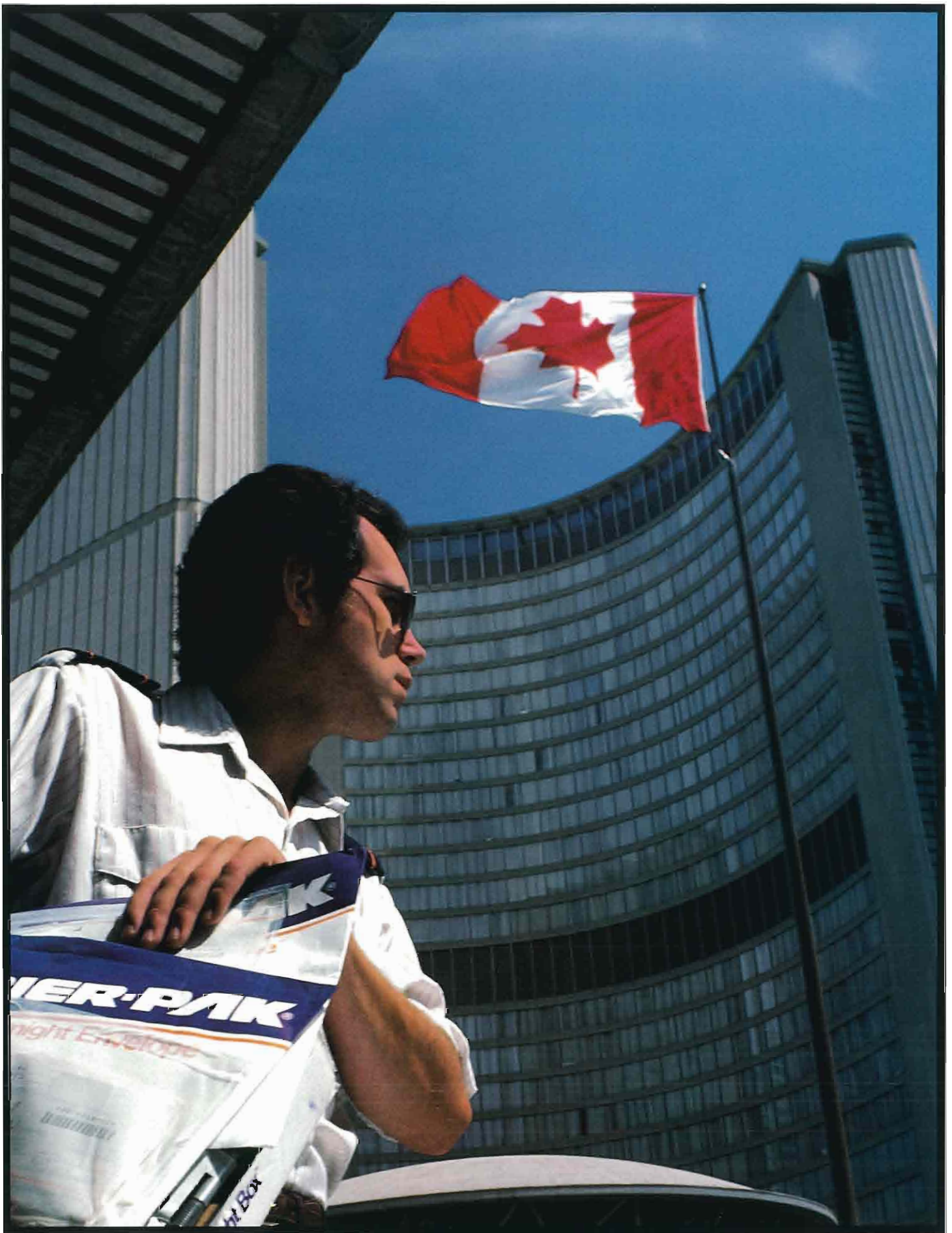
A feature unique to Federal Express is the Digitally Assisted Dispatch

System—DADS. Originally put into operation in March 1980, DADS permits communications with couriers away from their vehicles during deliveries or pick-ups. DADS

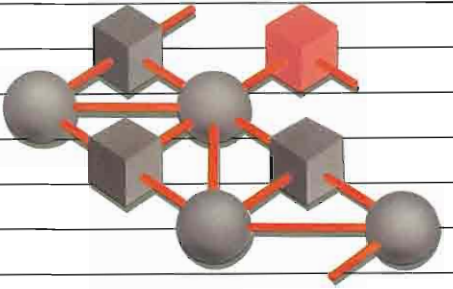
uses a small computer and a video display terminal in each delivery van. Couriers returning from a customer stop can call up information on the screen to determine their next stops. In the past year, we have extended DADS to 2,500 vans in 18 major cities. Expansion of this vital support system will continue as rapidly as possible.

In fiscal 1983, we announced an enhancement of our convenience network: Federal Express Business Service Centers. These staffed, store-front facilities, of which 100 new sites are initially planned, will be located in high-traffic, high-density areas. They will permit face-to-face contact with many small or medium-sized customers who may prefer to bring in their packages or documents. All will contain electronic transmitting and receiving equipment and will offer other business services, such as high-quality copying.

Our strategy involves building new networks upon existing networks. The inherent synergy of these systems offers major opportunities.



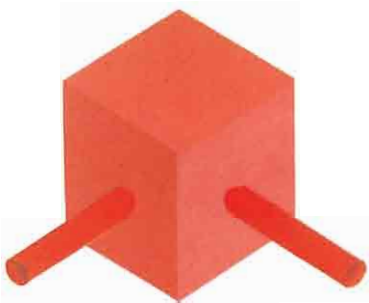
International Scope



Canadian Operations have proved successful in the first full year of operation.

Regular Service has been extended to Alaska, Hawaii and San Juan.

Western Europe is the next international area which Federal Express will enter. Service is scheduled to begin in mid-1984.



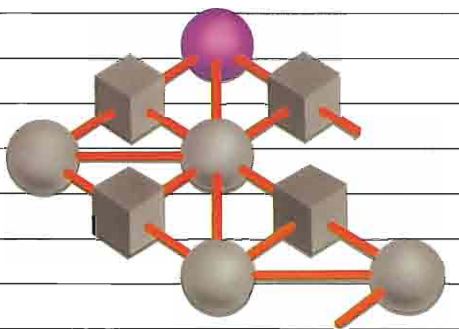
Researching various alternatives during the past year, Federal Express found an effective way to serve its first international market — Canada. Cansica Inc., the Federal Express Canadian licensee, serves 70% of Canada's population. Under the terms of the license agreement, Cansica utilizes Federal Express' operating procedures, its tracing capability and its trademark. In the photo at left, a Federal Express delivery is being made in downtown Toronto.

The hundreds of inquiries that Federal Express receives each day about overseas service indicate broad customer interest in time-sensitive deliveries among international markets. The company is therefore establishing service to Western Europe, in mid-1984, in response to the needs of its customers in the United States.

Federal Express also offers next-day service to Honolulu, Anchorage and San Juan.

Federal Express is well-prepared for communications leadership in the shrinking world of international business.





New 727-200 fleet. The first of 15 new 727-200s is shown left, being delivered in June 1983.

Two DC-10s were purchased in 1983.

A new DC-10 simulator will help achieve advanced flight certification.



Aviation Activities

Federal Express' air fleet, at the end of fiscal 1983, consisted of 76 aircraft: Six DC-10s with cargo capacity of 105,000 lbs. each; 38 Boeing 727-100s, 40,000 lbs. each; and 32 Dassault Falcons, 6,000 lbs. each. The fleet is operated by more than 400 pilots and supported by maintenance programs more stringent than those mandated by Federal Aviation Administration standards.

The company added seven 727-100s during fiscal 1983 and purchased two additional DC-10s in April. Fifteen 727-200s are on order. Delivery started in June 1983 with the last aircraft scheduled to be delivered by September 1984. This stretched version of the work-horse 727 series is more fuel-efficient and carries more revenue payload — 58,000 lbs.

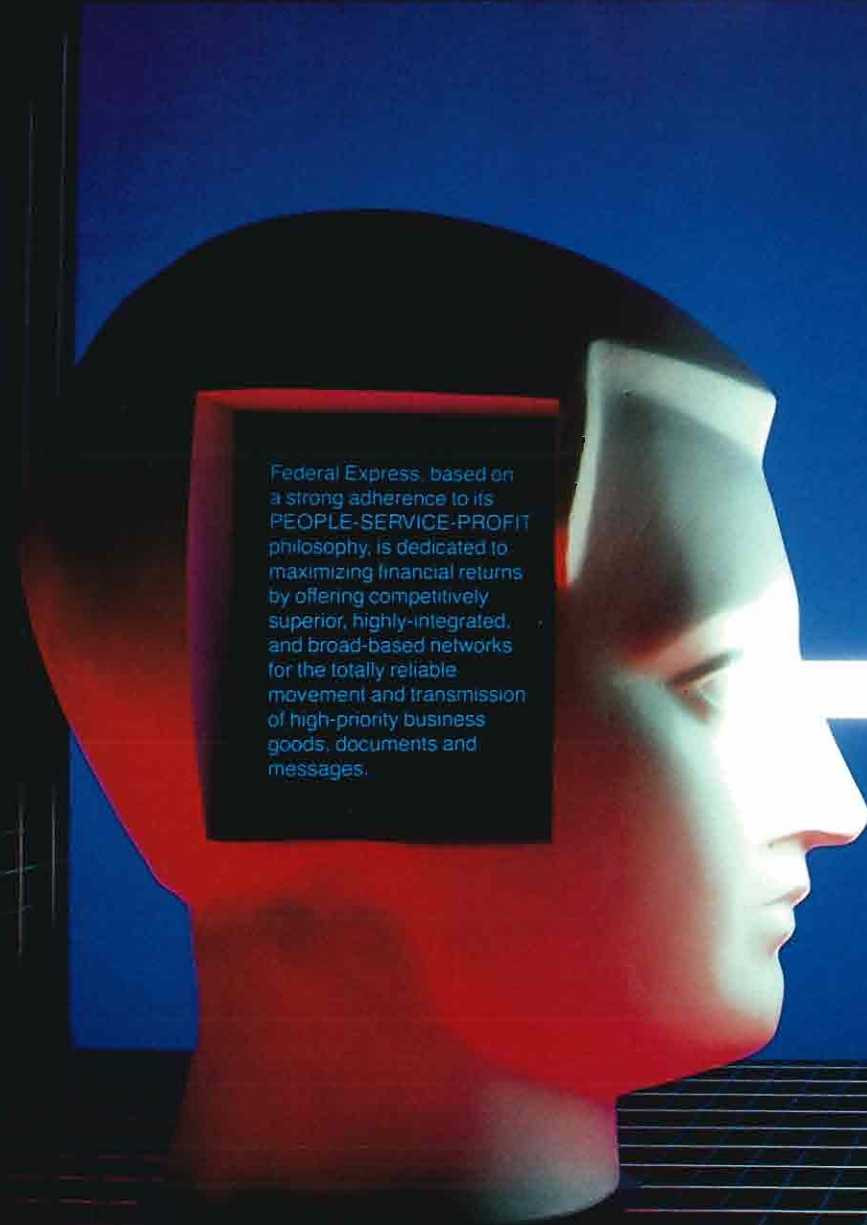
Safety first, then reliability, are the priorities of Federal Express' airborne network. Delivery of a new DC-10 flight simulator to the company's \$18 million aviation training center in Memphis will permit pilot training necessary for operation under FAA Category III flight conditions — essentially, zero visibility.

Along with the basic flight schedule, contingency plans are computer-generated to cope with problems of weather and traffic delays. Because ground operations must mesh smoothly with the air network, these plans also take into account required adjustments in surface transportation, such as the re-routing of trucks to alternate airports for collecting or delivering packages.

Achieving reliability is expensive, but essential to maintaining the highest service standards, with no thought given to short cuts.

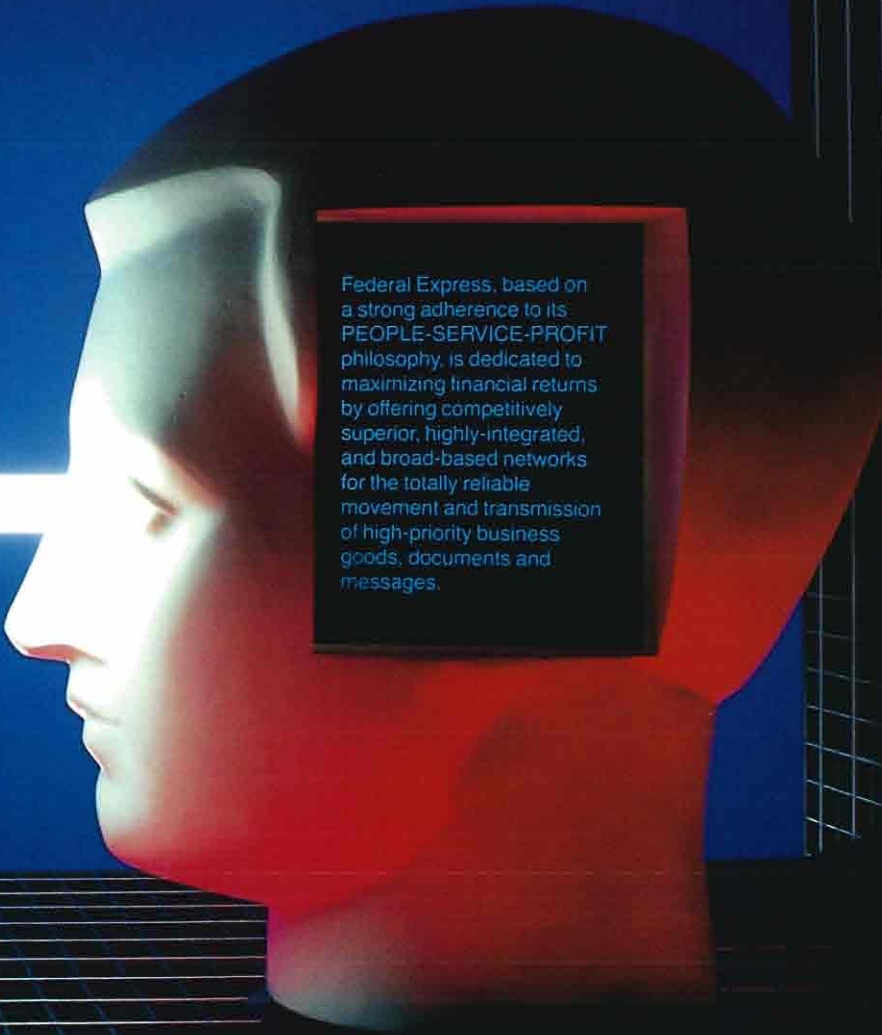
The Next Frontier

We are entering the large, untapped market for the transmission of high-priority business documents through a unique, electronic image-processing system. Pick-up to delivery will be achieved within hours.

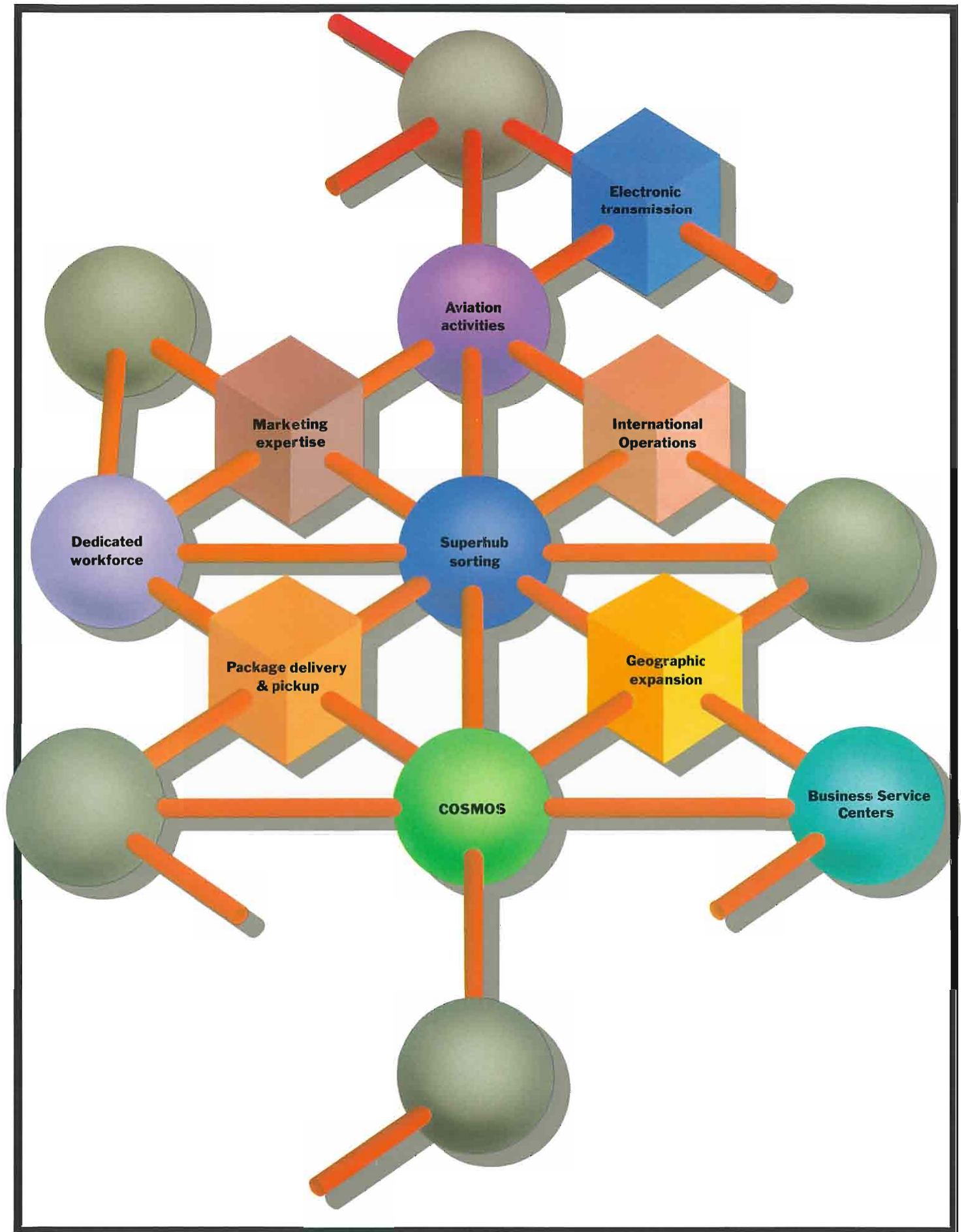
A stylized profile of a human head, facing right. The head is rendered in a dark, almost black, silhouette. The interior of the head is a vibrant, glowing red. The background is a deep blue, with a bright white horizontal line passing behind the head. The overall composition is set against a dark, grid-like background.

Federal Express, based on a strong adherence to its PEOPLE-SERVICE-PROFIT philosophy, is dedicated to maximizing financial returns by offering competitively superior, highly-integrated, and broad-based networks for the totally reliable movement and transmission of high-priority business goods, documents and messages.

1 1:00
12:00
0 1:00
02:00



Federal Express, based on a strong adherence to its PEOPLE-SERVICE-PROFIT philosophy, is dedicated to maximizing financial returns by offering competitively superior, highly-integrated, and broad-based networks for the totally reliable movement and transmission of high-priority business goods, documents and messages.



The Next Frontier

Encoded data transmission systems, such as TWX, Telex and electronic mail, have many drawbacks. Basically, compatible equipment is required at both ends, which limits applications to the intra-company market for text only. Traditional facsimiles produce images lacking the clarity desired for graphics, charts, illustrations and hand-written comments. Fax machines are generally slow, as well.

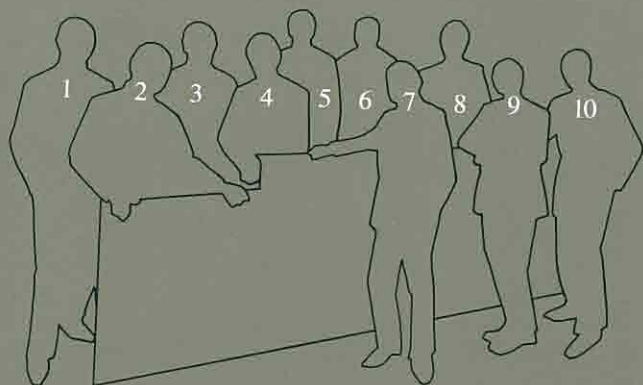
Our new transmission system overcomes these disadvantages. Specially-designed terminals will transmit high-quality reproductions with a reliability

ensured by our satellite-based network. Our unparalleled, DADS-equipped courier fleet will link business offices throughout our corporate service area; and, finally, our COSMOS system will track each transaction from origin to destination.

Even though the investment required to launch our image-transmission system will be considerable, we expect to realize significant, long-term profits. Meanwhile, we have been expanding and refining to support this new service. An extended DADS system and our 10:30 AM delivery commitment are examples.

Business Service Centers will increase substantially the number of sites where image transmissions may be originated and received. Since documents will be moving electronically without being subject to the vagaries of weather and traffic patterns, our reliability rate should be even higher than the 99% achieved in our overnight services.

To many, our new service may seem more revolutionary than our original overnight package-delivery concept.



- 1 Theodore L. Weise
- 2 James R. Riedmeyer
- 3 John C. Miller
- 4 Kenneth R. Masterson
- 5 Charles D. Winston
- 6 Ron J. Ponder
- 7 Brian E. Pecon
- 8 James A. Perkins
- 9 Thomas R. Oliver
- 10 David C. Anderson

Directors and Principal Officers

Board of Directors

Robert H. Allen²

*Chairman of the Board
and Chief Executive Officer
Realm Resources, Inc.
Oil and gas production and exploration*

James L. Barksdale

*Executive Vice President
and Chief Operating Officer*

Anthony J. A. Bryan¹

*Chairman and Chief Executive Officer
Copperweld Corporation
Manufacturers of seamless and welded steel
tubing, bimetallic wire, rods and strand and
alloy and carbon steel bars*

Ralph D. DeNunzio²

*President and Chief Executive Officer
Kidder, Peabody & Co. Incorporated
Investment bankers*

Philip Greer^{1*}

*General Partner
Weiss, Peck & Greer
Diversified investment management
and securities firm*

J.R. Hyde, III¹

*Chairman and President
Malone & Hyde, Inc.
Wholesale and retail foods,
drugs, sporting goods and auto parts*

Jackson W. Smart, Jr.^{2*}

*Chairman, Finance Committee
The Exchange International Corporation
Commercial banking*

Frederick W. Smith

*Chairman, President
and Chief Executive Officer*

John Burton Tigrett

Financial Consultant

Peter S. Willmott

*President and Chief Executive Officer
Carson Pirie Scott & Company
Department stores, floor covering distribution,
food services and lodging*

Senior Corporate Officers

Frederick W. Smith

*Chairman, President and
Chief Executive Officer*

James L. Barksdale

*Executive Vice President
and Chief Operating Officer*

David C. Anderson

*Senior Vice President and
Chief Financial Officer*

Fred A. Manske, Jr.

*Senior Vice President
Ground Operations and Sales*

Kenneth R. Masterson

Senior Vice President and General Counsel

John C. Miller

*Senior Vice President
Properties and Logistics*

Thomas R. Oliver

*Senior Vice President
Marketing and Customer Service*

Ron J. Ponder

*Senior Vice President
Systems and Automation*

Brian E. Pecon

*Senior Vice President/General Manager
International Operations*

James A. Perkins

Senior Vice President, Personnel

James R. Riedmeyer

Senior Vice President, Linehaul Operations

Theodore L. Weise

*Senior Vice President/General Manager
Business Service Centers*

Charles D. Winston

*Senior Vice President
Electronic Products Division*

W. Jack Roberts

Vice President and Controller

Robert L. Cox

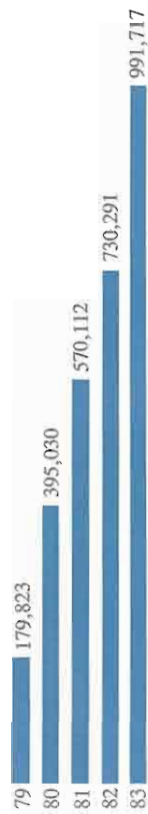
Secretary

¹ Audit Committee

² Compensation Committee

* Committee Chairman

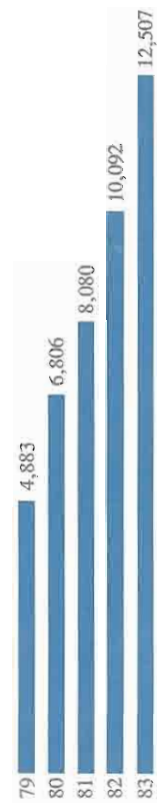
Operational Highlights



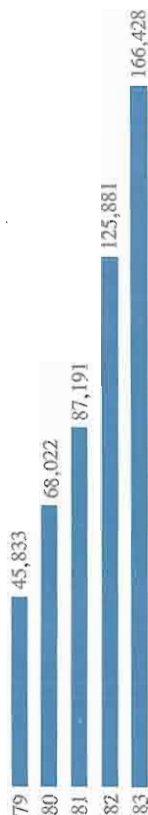
Total Assets
Thousands of dollars



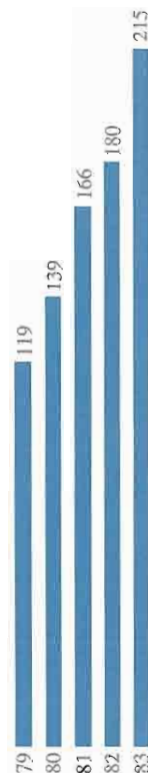
Aircraft Operated



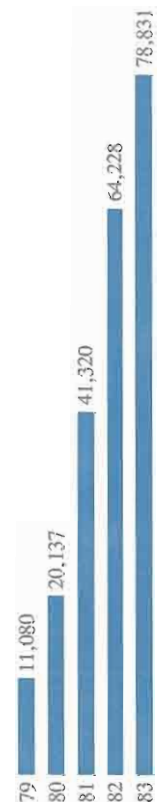
Employees
Full-time equivalent



Average Daily Package Volume



City Stations



Calls to Customer Service Centers (June 1)

Financial Section

Contents	Consolidated Statements of Income	22
	Consolidated Statements of Changes in Financial Position	23
	Consolidated Balance Sheets	24
	Consolidated Statements of Changes in Common Stockholders' Investment	26
	Notes to Consolidated Financial Statements	27
	Auditors' Report	36
	Management's Discussion and Analysis of Consolidated Results of Operations and Financial Condition	37
	Selected Consolidated Financial Data	41

Consolidated Statements of Income

Years ended May 31

	1983	1982	1981
<i>In thousands, except per share amounts</i>			
Express Service Revenues	\$1,008,087	\$803,915	\$589,493
Operating Expenses (Notes 4 and 8):			
Salaries and employee benefits	419,644	320,345	234,491
Fuel and oil	71,262	69,282	57,037
Depreciation and amortization	77,421	56,353	39,010
Equipment and facility rentals	59,115	46,116	35,133
Maintenance and repairs	44,083	38,795	22,286
Advertising	34,558	25,302	17,159
Other	151,267	128,256	84,642
	857,350	684,449	489,758
Operating Income	150,737	119,466	99,735
Other Income (Expense):			
Interest expense	(23,451)	(15,933)	(14,684)
Interest capitalized (Note 1)	5,831	2,852	2,467
Interest income	9,679	11,994	4,780
Gain on disposition of aircraft and related equipment	4,224	7,318	8,068
Other, net	3,196	5,383	(2,322)
	(521)	11,614	(1,691)
Income before Income Taxes	150,216	131,080	98,044
Provision for Income Taxes (Notes 1 and 7)	61,283	52,695	39,908
Net Income	\$ 88,933	\$ 78,385	\$ 58,136
Earnings Per Share (Note 1)	\$ 4.07	\$ 3.70	\$ 2.83
Average Shares Outstanding (Notes 1 and 6)	21,658	20,894	20,111

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

Consolidated Statements of Changes in Financial Position

Years ended May 31

	1983	1982	1981
	<i>In thousands</i>		
Funds Provided By:			
Net income	\$ 88,933	\$ 78,385	\$ 58,136
Charges to income not requiring working capital:			
Depreciation and amortization	77,421	56,353	39,010
Deferred income taxes and other	26,141	21,336	6,982
Working capital provided from operations	192,495	156,074	104,128
Increase in long-term debt	37,745	65,479	86,125
Conversion of preferred stock into common stock	—	—	1,499
Proceeds from issuance of common stock	65,414	2,077	43,669
Disposition of property and equipment	13,947	14,512	36,538
Decrease in construction funds in escrow	4,746	—	—
Decrease in equipment deposits and other assets	—	—	1,508
Total funds provided	314,347	238,142	273,467
Funds Used For:			
Acquisition of property and equipment	230,188	155,187	171,096
Payment of dividends on preferred stock	872	1,018	1,284
Mandatory redemption of preferred stock	1,534	1,535	1,538
Conversion of preferred stock into common stock	—	—	1,499
Reduction of long-term debt	14,177	4,328	65,885
Increase in construction funds in escrow	—	32,855	162
Increase in equipment deposits and other assets	57,367	16,656	—
Total funds used	304,138	211,579	241,464
Increase in Working Capital	\$ 10,209	\$ 26,563	\$ 32,003
Increase (Decrease) in Working Capital by Component:			
Cash and short-term investments	\$ 44,545	\$ (5,216)	\$ 54,291
Receivables	27,470	34,021	16,034
Spare parts, supplies and fuel	1,041	(2,205)	5,090
Prepaid expenses and other	(2,150)	713	6,083
Current portion of long-term debt and redeemable preferred stock	(6,778)	(885)	(403)
Note payable	(15,912)	—	—
Accounts payable	(26,302)	(1,993)	(6,322)
Income taxes	10,246	16,930	(21,153)
Accrued expenses	(21,951)	(14,802)	(21,617)
Increase in Working Capital	\$ 10,209	\$ 26,563	\$ 32,003

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

Consolidated Balance Sheets

May 31

	1983	1982
	<i>In thousands</i>	
Assets		
Current Assets:		
Cash, including short-term investments of \$105,233,000 and \$54,237,000 (Note 1)	\$105,437	\$ 60,892
Receivables, less allowance for doubtful accounts of \$5,284,000 and \$4,784,000	124,841	97,371
Spare parts, supplies and fuel (Note 1)	16,203	15,162
Prepaid expenses and other	18,690	20,840
Total current assets	265,171	194,265
Property and Equipment, at cost (Notes 1, 3, 4 and 9):		
Flight equipment	416,283	322,854
Package handling and ground support equipment	124,954	98,601
Other property and equipment	276,413	182,143
	817,650	603,598
Less accumulated depreciation and amortization	221,258	146,026
Net property and equipment	596,392	457,572
Construction Funds in Escrow (Note 3)	47,839	52,585
Equipment Deposits and Other Assets (Notes 1 and 9)	82,315	25,869
	\$991,717	\$730,291

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

**Liabilities
and Stockholders'
Investment**

	1983	1982
	<i>In thousands</i>	
Current Liabilities:		
Current portion of long-term debt and redeemable preferred stock (Notes 3 and 5)	\$ 12,171	\$ 5,393
Note payable	15,912	—
Accounts payable	59,047	32,745
Income taxes (Note 7)	372	10,618
Accrued expenses (Note 2)	87,791	65,840
Total current liabilities	175,293	114,596
Long-Term Debt, less current portion (Note 3)	247,424	223,856
Deferred Income Taxes (Notes 1 and 7)	59,094	33,874
Commitments and Contingencies (Notes 3, 4, 5, 8 and 9)		
\$9.50 Cumulative Preferred Stock , \$1.00 par value; stated at \$100 mandatory redemption value, less \$1,534,500 for shares currently redeemable; 76,465 and 91,810 shares authorized and issued (Note 5)	6,112	7,646
Common Stockholders' Investment (Notes 3 and 6):		
Common Stock, \$.10 par value; 50,000,000 shares authorized, 21,970,049 and 20,757,584 shares issued	2,197	2,076
Additional paid-in capital	222,782	157,489
Retained earnings	278,815	190,754
Total common stockholders' investment	503,794	350,319
	\$991,717	\$730,291

Consolidated Statements of Changes in Common Stockholders' Investment

Years ended May 31, 1983, 1982 and 1981

	Common Stock	Additional Paid-in Capital	Retained Earnings
	<i>In thousands</i>		
Balance at May 31, 1980	\$ 912	\$110,495	\$ 57,448
Dividends paid on preferred stock	—	—	(1,284)
Sale of common stock (1,000,000 shares)	100	42,693	—
Issuance of common stock upon:			
Two-for-one stock split effected in the form of a stock dividend (9,132,178 shares)	913	—	(913)
Exercise of options (55,685 shares)	6	870	—
Conversion of 14,994 shares of \$8.00 Convertible Cumulative Preferred Stock (351,972 shares)	35	1,464	—
Net income	—	—	58,136
Balance at May 31, 1981	1,966	155,522	113,387
Dividends paid on preferred stock	—	—	(1,018)
Issuance of common stock upon exercise of options and warrants (1,099,856 shares)	110	1,967	—
Net income	—	—	78,385
Balance at May 31, 1982	2,076	157,489	190,754
Dividends paid on preferred stock	—	—	(872)
Sale of common stock (1,000,000 shares)	100	59,425	—
Issuance of common stock under employee incentive plans (212,465 shares)	21	5,868	—
Net income	—	—	88,933
Balance at May 31, 1983	\$2,197	\$222,782	\$278,815

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 Federal Express Leasing Corporation, a wholly-owned subsidiary whose operations consist primarily of the acquisition and leasing of equipment to the Company. All significant intercompany accounts and transactions have been eliminated.

Property and equipment. Expenditures for major additions, improvements, flight equipment modifications and certain overhaul costs are capitalized. Maintenance and repairs are charged to expense as incurred. The cost and accumulated depreciation of property and equipment disposed of are removed from the related accounts and any gain or loss reflected in income.

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

Flight equipment	7 to 12 years
Package handling and ground support equipment	5 to 28 years
Other property and equipment	3 to 31 years

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

Capitalized interest. Interest on funds used to finance the acquisition of aircraft and construction of certain facilities is capitalized as an additional cost of the asset up to the date the asset is placed in service. For income tax purposes, interest capitalized is deducted currently.

Short-term investments. Short-term investments are carried at cost, which approximates market, and consist of commercial paper, repurchase agreements, certificates of deposit and other money-market instruments.

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.

Deferred charges. Significant costs associated with the introduction of new types of aircraft are deferred and amortized over periods of up to five years. Expenses applicable to the issuance of long-term debt are deferred and amortized over the term of the related debt.

Income taxes. Deferred income taxes are provided for the tax effect of timing differences which occur in the recognition of certain expenses (principally depreciation of property and equipment) for tax and financial reporting purposes. Investment tax credit is accounted for using the flow-through method as a reduction of Federal income taxes in the year in which the credit is utilized.

Note 1

continued

Earnings per share. Earnings per share are computed by dividing net income (adjusted for dividend requirements on the \$9.50 Cumulative Preferred Stock) by 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 outstanding stock options and warrants.

Earnings per share assuming full dilution are substantially the same as earnings per share as stated and, accordingly, are not shown separately.

Reclassifications. Certain amounts for 1982 and 1981 have been reclassified to conform to the 1983 presentation.

Note 2**Accrued Expenses**

	May 31	
	1983	1982
	<i>In thousands</i>	
Interest	\$ 9,639	\$ 4,946
Salaries	7,108	3,888
Employee benefits	50,960	38,778
Taxes other than income taxes	12,169	6,680
Insurance	6,253	7,067
Other	1,662	4,481
	\$87,791	\$65,840

Note 3**Long-Term Debt**

	May 31	
	1983	1982
	<i>In thousands</i>	
10¼% and 12½% unsecured notes payable, due in equal annual installments from 1985 through 1995	\$ 75,000	\$ 75,000
Memphis-Shelby County Airport Authority:		
Special Facilities Revenue Bonds—		
7½% and 7% Series 1979, due 1994 through 2009	34,970	34,970
13% and 13¼% Series 1982A, due 2002 through 2012	48,000	48,000
11% Series 1982B, due 2012	22,000	22,000
10½% Series 1982C, due 2003 through 2012	47,770	—
Project Revenue Bonds, Series 1981, due 1984, refunded in December 1982 with proceeds from the Series 1982C bonds	—	40,000
	152,740	144,970
Less bond reserve funds	17,697	12,300
	135,043	132,670
Capital lease obligations and other, effective rates of 6¼% to 18½%	48,018	20,044
	258,061	227,714
Less current portion	10,637	3,858
	\$247,424	\$223,856

Note 3*continued*

The Company has a revolving credit agreement with a group of banks which provides for a commitment of \$150,000,000 through February 28, 1986. Thereafter, this commitment will be reduced pro rata each quarter until termination of the agreement on November 30, 1991. Interest on borrowings will be at the prime rate through November 30, 1985, and thereafter, at the prime rate plus $\frac{1}{2}\%$. The Company has an option to pay interest on all or a portion of the borrowings at a short-term fixed rate based on a 90-day CD rate or one of various London Interbank Offered Rates. A commitment fee is payable annually at the rate of $\frac{1}{2}\%$ on the unused portion of the commitment. Compensating balances required under the agreement are not significant. There were no borrowings under this agreement in 1983 and 1982.

The loan and credit agreements contain, among other things, provisions regarding the maintenance of minimum working capital and certain financial ratios, all as defined, the incurrence of additional indebtedness and long-term lease commitments, the creation of liens on assets and the payment of cash dividends. At May 31, 1983, the amount the Company may expend for cash dividends and the repurchase or redemption of the Company's stock was limited to approximately \$324,000,000.

The Memphis-Shelby County Airport Authority has issued bonds to finance the acquisition and construction of various facilities and equipment for the Company at the Memphis International Airport. Proceeds from the bonds are held in escrow by a trustee until used by the Company. Lease agreements with the Authority covering the facilities and equipment financed with the bond proceeds obligate the Company for rentals equal to principal and interest due on the bonds. Annual principal payments due on the Special Facilities Bonds outstanding at May 31, 1983 are \$1,860,000 in 1994 through 2001; \$13,860,000 in 2002; \$3,810,000 in 2003; \$8,320,000 in 2004; \$3,450,000 in 2005 through 2008; \$5,950,000 in 2009; \$1,950,000 in 2010 and 2011; and \$88,220,000 in 2012.

Under special terms of the Series 1982B bonds, the Company has a one-time option to redetermine the interest rate on those bonds beginning in 1987. The provisions of the 1982B bonds also enable the bondholders to tender their bonds to the Company at par beginning in 1987 and annually thereafter until the interest rate is redetermined.

Scheduled annual principal maturities of long-term debt for the five years subsequent to May 31, 1983 are as follows: \$10,637,000 in 1984; \$11,404,000 in 1985; \$14,445,000 in 1986; \$11,583,000 in 1987; and \$9,169,000 in 1988.

**Note 4
Lease Commitments**

The Company utilizes certain 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 sixty days notice.

Property and equipment recorded under capital leases at May 31 was as follows (in thousands):

	1983	1982
Package handling and ground support equipment	\$ 68,729	\$ 53,103
Other property and equipment	65,311	48,309
	134,040	101,412
Less accumulated amortization	23,728	12,439
	\$110,312	\$ 88,973

Rent expense under operating leases for the years ended May 31 was as follows (in thousands):

	1983	1982	1981
Minimum rentals	\$53,922	\$43,541	\$32,526
Contingent rentals	5,193	2,575	2,607
	\$59,115	\$46,116	\$35,133

Contingent rentals are based on mileage under supplemental aircraft leases.

A summary of future minimum lease payments under capital leases and noncancellable operating leases (principally facilities) with an initial or remaining term in excess of one year at May 31, 1983 is as follows (in thousands):

	Capital Leases	Operating Leases
1984	\$ 29,872	\$ 25,011
1985	29,188	19,961
1986	25,622	14,854
1987	20,207	12,346
1988	17,565	10,014
Thereafter	499,059	68,178
	\$621,523	\$150,364

At May 31, 1983, the present value of future minimum lease payments for capital lease obligations was \$170,867,000.

Note 5
Preferred Stock

The \$9.50 Cumulative Preferred Stock is redeemable at a price of \$100 per share and on each January 1 through 1988, 15,345 shares are required to be redeemed. The Company also has the option to redeem the stock, in whole or in part, at any time. The holders of such stock are not entitled to vote except as provided by law.

In September 1982, the Company's stockholders adopted an amendment to the Certificate of Incorporation authorizing the issuance of up to 4,000,000 shares of Series Preferred Stock, without par value. The stock is issuable at the discretion of the Board of Directors in series which may vary as to certain rights and preferences. As of May 31, 1983, none of these shares have been issued.

Note 6
Stock Option and Purchase Plans

Under the provisions of the Company's stock incentive plans, options may be granted to certain key management personnel to purchase common stock of the Company at a price not less than its fair market value at the date of grant. Options granted under these plans become exercisable over periods of one to five years from the date of grant and generally expire ten years from the date of grant.

At May 31, 1983, options for 497,060 shares were outstanding under these plans at exercise prices of \$11.13 to \$81.44 per share. During 1983, options for 199,800 shares were granted at exercise prices of \$43.63 to \$81.44 per share, 137,614 shares were exercised at \$11.13 to \$56.75 per share and 23,200 shares were cancelled at prices of \$32.38 to \$52.25. At May 31, 1983, options for 106,544 shares were exercisable at \$11.13 to \$69.63 per share and 69,700 shares were available for future grants.

Under the Company's Employee Stock Purchase Plan, 500,000 shares of common stock have been authorized for purchase by non-officer employees through payroll deductions ranging from 1% to 10% of gross salary. Options to purchase shares are made quarterly at a price generally equal to 85% of the market price. During 1983, 58,167 shares were issued under this plan at prices ranging from \$36.75 to \$66.50.

At May 31, 1983, there were 1,008,593 shares of common stock reserved for issuance under these plans.

Note 7
Income Taxes

	Year Ended May 31		
	1983	1982	1981
	<i>In thousands</i>		
Current:			
Federal	\$23,845	\$29,021	\$31,393
State	3,413	3,305	2,261
Total current	27,258	32,326	33,654
Deferred:			
Federal	32,002	19,484	5,839
State	2,023	885	415
Total deferred	34,025	20,369	6,254
	\$61,283	\$52,695	\$39,908

The effective tax rates of 40.8% in 1983, 40.2% in 1982 and 40.7% in 1981 differ from the statutory Federal income tax rate, primarily due to the utilization of investment tax credits of \$11,940,000, \$7,870,000 and \$4,650,000 in such years, respectively. The amounts for 1982 and 1981 include reductions of \$1,600,000 and \$4,100,000, respectively, related to the disposition of certain aircraft and related equipment.

In 1983 the Company purchased certain income tax benefits, consisting of accelerated depreciation and investment tax credits, through an investment in a tax lease. As a result of this transaction, current Federal income taxes payable were reduced approximately \$14,000,000.

Note 8
Pension and Deferred Profit Sharing Plans

The Company has a noncontributory defined benefit pension plan which covers substantially all full-time employees age 25 and over with at least one year of service. Pension cost is actuarially determined utilizing the aggregate cost method and is funded as accrued. Past service cost is amortized over the future service lives of participating employees. Total pension expense was \$18,730,000 in 1983, \$13,247,000 in 1982 and \$9,513,000 in 1981.

As of June 1, 1982 and 1981, the actuarial present value of accumulated plan benefits was \$12,025,000 and \$8,320,000 of which vested benefits amounted to \$4,861,000 and \$3,006,000, respectively. The accumulated benefit amounts at June 1, 1982 were calculated assuming no future increase in salary levels and the rate of return utilized by the Pension Benefit Guaranty Corporation. Net assets available for plan benefits were \$33,793,000 at June 1, 1982 and \$19,742,000 at June 1, 1981.

The Company also has a deferred profit sharing plan which covers substantially all full-time employees age 25 and over with at least one year of service. The plan provides for discretionary contributions by the Company, which are determined annually by the Board of Directors, and voluntary contributions by employees. Deferred profit sharing expense was \$9,300,000 in 1983, \$7,800,000 in 1982 and \$6,000,000 in 1981.

Note 9 Commitments

The Company has a contract to purchase fifteen new Boeing 727-200 cargo aircraft and six spare engines at an aggregate purchase price of approximately \$296,000,000, including estimated amounts for price escalation. The first aircraft was received June 1983. Future deliveries are scheduled through September 1984. Included in other assets are advance deposits totalling approximately \$51,000,000 in connection with these agreements. Additional deposits and payments, including estimated amounts for price escalation, will approximate \$190,000,000 in 1984 and \$55,000,000 in 1985.

Total estimated capital expenditures for 1984 will approximate \$400,000,000, including the aircraft acquisitions described above and equipment and facilities additions being financed from the proceeds of existing bond issues. In connection therewith, substantial commitments have been made as of May 31, 1983.

Note 10 Summary of Quarterly Operating Results (Unaudited)

	Quarter Ended			
	August 31	November 30	February 28	May 31
<i>In thousands, except per share amounts</i>				
1983				
Express service revenues	\$225,137	\$236,988	\$253,279	\$292,683
Operating income	33,348	34,609	34,612	48,168
Income before income taxes	34,774	35,890	33,542	46,010
Net income	20,028	21,041	20,470	27,394
Earnings per share	\$.95	\$.97	\$.92	\$ 1.23
Average shares outstanding	20,915	21,420	22,129	22,166
1982				
Express service revenues	\$182,333	\$197,586	\$200,938	\$223,058
Operating income	28,988	31,645	24,783	34,050
Income before income taxes	31,226	34,903	28,655	36,296
Net income	18,112	20,240	18,964	21,069
Earnings per share	\$.86	\$.95	\$.90	\$.99
Average shares outstanding	20,864	20,863	20,927	20,922

**Note 11
Supplemental
Information
on the Effects of
Changing Prices
(Unaudited)**

The Financial Accounting Standards Board Statement No. 33, "Financial Reporting and Changing Prices" requires that certain companies present supplemental information describing the effects of inflation on selected financial data utilizing two different methods of measurement: (1) the constant dollar method, which measures the effect of general inflation; and (2) the current cost method, which measures the effect of specific price changes. Both of these methods are experimental and involve the use of assumptions and estimates. Therefore, the resulting measurements should be viewed as estimates rather than precise indicators of the effects of inflation.

Under the constant dollar method, operating results have been adjusted for the effects of general inflation by restating historical cost depreciation and amortization of property and equipment into dollars having the same general purchasing power (1983 constant dollars). Under this method, historical cost depreciation and amortization was remeasured using the Consumer Price Index for Urban Consumers (CPI-U).

Operating results adjusted for changes in specific prices reflect a remeasured depreciation and amortization amount based on the assumed purchase of property and equipment having the same service potential (i.e., service life, service capability and operating cost) at current prices in effect during 1983. Current cost data was developed using estimated market prices of used flight equipment and various external price indices. At May 31, 1983, the current cost of property and equipment, net of accumulated depreciation, was \$575,721,000. It is important to note that current cost does not necessarily represent the market value of the Company's assets nor is it an indication of their future replacement cost.

Under each method, historical cost depreciation and amortization has been recomputed based on the current price levels of property and equipment. The difference between constant dollar and current cost amounts generally reflects the Company's investment in used aircraft having a declining market value and the extent to which the general rate of inflation has exceeded the increase in specific prices for these assets over the years. Revenues and other expenses are assumed to have occurred proportionately throughout the year and, therefore, are considered to be stated in the average price level for the year.

In accordance with Statement No. 33, no adjustments have been made to reflect any effects of inflation on the provision for income taxes. Current tax laws do not allow deductions for inflation adjusted expenses.

Note 11*continued*

The gain from decline in purchasing power of net amounts owed represents an unrealized gain to the Company from maintaining a net monetary liability position (excess of amounts owed, which are fixed in terms of dollars, over cash and claims to cash) during a period of rising prices.

Although the Company recognizes the importance for readers of financial statements to understand the impact of inflation, management believes that the user should continue to focus on the historical financial statements in assessing the Company's results of operations and financial condition. The supplemental data contained in this section may not be a fair presentation of the effects of inflation and the Company cautions the reader against accepting it as such.

**Statement of Income
Adjusted for the Effects of
Changing Prices**

	Year Ended May 31, 1983		
	As Reported in the Consolidated Income Statements	Adjusted for General Inflation Constant Dollar	Adjusted for Changes in Specific Prices Current Cost
<i>In thousands, except per share amounts</i>			
Express service revenues	\$1,008,087	\$1,008,087	\$1,008,087
Depreciation and amortization	77,421	94,619	77,389
Other operating expenses	779,929	779,929	779,929
Other expense, net	521	521	521
Total expenses	857,871	875,069	857,839
Income before income taxes	150,216	133,018	150,248
Provision for income taxes	61,283	61,283	61,283
Net income	\$ 88,933	\$ 71,735	\$ 88,965
Earnings per share:	\$ 4.07	\$ 3.27	\$ 4.07
Decrease in specific prices (current cost) of property and equipment held during the year			\$ 21,762
Effect of increase in general price level			17,209
Excess of increase in general price level over decrease in specific prices			\$ 38,971

Note 11

continued

**Five-Year Comparison of
Selected Financial Information
Adjusted for the Effects of
Changing Prices, Stated in
Average Fiscal 1983 Dollars**

	Year Ended May 31				
	1983	1982	1981	1980	1979
	<i>In thousands, except per share data and index</i>				
Express service revenues:					
As reported	\$1,008,087	\$803,915	\$589,493	\$415,379	\$258,482
In constant dollars	1,008,087	836,996	671,908	530,060	372,798
Net income:					
As reported	\$ 88,933	\$ 78,385	\$ 58,136	\$ 37,729	
In constant dollars	71,735	62,489	49,350	41,525	
At current cost	88,965	74,985	50,911	39,476	
Earnings per share:					
As reported	\$ 4.07	\$ 3.70	\$ 2.83	\$ 2.00	
In constant dollars	3.27	2.94	2.38	2.18	
At current cost	4.07	3.54	2.46	2.08	
Net assets at year end:					
As reported	\$ 503,794	\$350,319	\$270,875	\$168,745	
In constant dollars	577,383	438,944	369,201	255,912	
At current cost	476,147	357,184	296,212	264,540	
Excess of increase in general price level over the change in specific prices	\$ 38,971	\$ 25,094	\$ 84,411	\$ 4,533	
Gain from decline in purchasing power of net amounts owed	\$ 4,680	\$ 9,313	\$ 13,669	\$ 13,995	
Market price per common share at year end:					
As quoted	\$ 77.75	\$ 43.25	\$ 68.50	\$ 22.32	\$ 11.75
In constant dollars	76.81	44.21	74.74	26.75	16.11
Average consumer price index	293.5	281.9	257.5	230.0	203.5

Auditors' Report**To the Stockholders of Federal Express Corporation:**

We have examined the consolidated balance sheets of Federal Express Corporation (a Delaware corporation) and subsidiary as of May 31, 1983 and 1982, and the related consolidated statements of income, changes in common stockholders' investment and changes in financial position for each of the three years in the period ended May 31, 1983. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of Federal Express Corporation and subsidiary as of May 31, 1983 and 1982 and the results of their operations and the changes in their financial position for each of the three years in the period ended May 31, 1983, all in conformity with generally accepted accounting principles applied on a consistent basis.

Arthur Andersen & Co.

Memphis, Tennessee
July 15, 1983

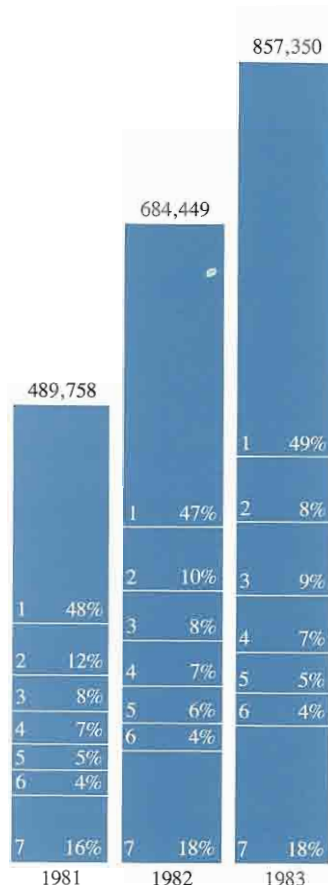
Management's Discussion and Analysis of Consolidated Results of Operations and Financial Condition

Results of Operations

Federal Express' operating results have grown significantly over the past five years with revenues surpassing the \$1 billion mark in 1983. The key factor underlying this growth is the Company's ability and commitment to provide an unsurpassed, reliable transportation and communication service for high-priority business goods and documents. To meet this commitment, the Company has undertaken several programs focused on geographic expansion and service improvements that have not only resulted in increasing package volumes, but have also created more efficient operating systems through the introduction of larger aircraft, the design and implementation of several advanced computer systems and the creation of an improved system of networks for the physical movement of packages and documents.

Express Service Revenues. Express service revenues in 1983 were up \$204 million (25%), compared to a \$214 million (36%) increase in 1982 and a \$174 million (42%) increase in 1981. These increases were caused principally by higher package volumes; 43 million shipments in 1983, 32 million in 1982 and 22 million in 1981. The impact on revenues of increased package volumes in 1983 and 1982 was reduced somewhat by a 6% decline in average revenue per package that was caused by increased customer usage of the Company's lower-priced Courier Pak product and the Overnight Letter product introduced in June 1981. These lower-priced products now comprise 62% of total volume, compared to 59% in 1982 and 47% in 1981.

Operating Expenses. As a result of higher package volumes, expanded operating capacity and various enhancements to services and systems, expenses increased \$173 million (25%) in 1983, compared to increases of \$195 million (40%) in 1982 and \$141 million (41%) in 1981. The ratio of operating expenses to express service revenues was relatively level in 1983 and 1982 at 85.0% and 85.1% respectively, up from 83.1% in 1981. In 1983, start-up costs associated with implementing the Company's 10:30 A.M. delivery commitment were incurred, and beginning in March 1983, the Company began absorbing certain freight charges that were previously billed to customers. Expenses in 1982 were adversely affected by the impact of the recession and a less-than-expected growth in package volume, resulting in underutilization of the Company's expanded operating capacity. In 1981, the Company experienced a dramatic growth in package volume and a more effective utilization of operating capacity was achieved. The increases in salaries and employee benefits reflect higher employment levels, wage and salary increases and additional fringe benefits but, as a percentage of total operating expenses these costs were just under 50% in each of



Operating Expense Distribution

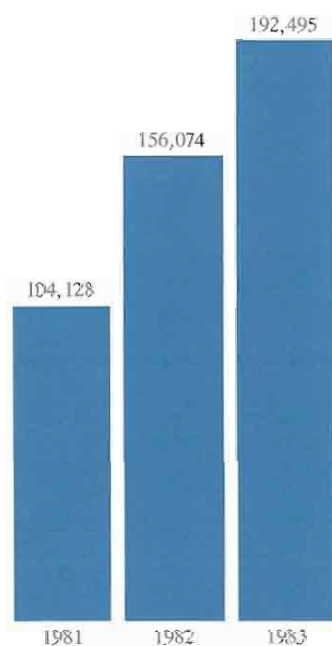
Thousands of dollars

1. Salaries & Employee Benefits
2. Fuel & Oil
3. Depreciation & Amortization
4. Equipment & Facility Rentals
5. Maintenance & Repairs
6. Advertising
7. Other

the last three years. Due to rising package volumes, the geographic expansion of operations and improvements to various operating systems, depreciation, maintenance and rental expenses have continued to increase each year. During 1983, additions to the aircraft fleet included seven 727-100's and two DC-10's. A total of six aircraft were added in 1982 and ten in 1981. In addition, the Company's on-going facility expansion and improvement program has increased operating capacity in terms of new city station facilities, expanded nightly sorting capabilities at the Memphis Superhub, a larger vehicle fleet and additional administrative offices. Fuel costs as a percentage of express service revenues have decreased since 1981. This reflects the increasing use of the larger, more fuel-efficient aircraft in operations and, during 1983, declining jet-fuel prices. In 1983, fuel costs increased 3%, primarily due to a 6% increase in jet-fuel consumption that was partially offset by an 8% decrease in the average price per gallon. In 1982, consumption was up 15% and the average price per gallon was 4% higher. Decontrol of jet fuel caused the average price per gallon in 1981 to increase 23% and was the major factor behind the 34% increase in fuel costs for that year. Due to increased competition and the addition of new services, as well as changes to existing services, extensive marketing and promotional programs have been undertaken and have resulted in increases in advertising costs of \$9 million (37%), \$8 million (47%) and \$7 million (61%) in 1983, 1982 and 1981, respectively. Other expenses increased by only 18% in 1983, compared to increases of 52% in 1982 and 43% in 1981. These increases primarily reflect higher communication costs, rising supply costs and larger bad debt provisions.

Other Income and Expense. Interest expense, net of capitalized interest, has increased yearly due to the Company's increasing use of long-term borrowings to finance major capital expenditures. However, as a percentage of revenues, net interest expense has fluctuated very little over the last three years. Interest income increased in both 1982 and 1981 as a result of higher levels of invested funds, but decreased in 1983 due to a decline in interest rates. Gains from the disposition of aircraft consisted of the sale of four aircraft purchase positions, two each in 1983 and 1982, and four Boeing 737 aircraft, one in 1982 and three in 1981. Additionally, included in 1982 were favorable property tax and insurance adjustments of \$4 million and an excise tax refund of \$1 million. In 1981, the Company absorbed a \$1 million loss from the forfeiture of option deposits on four DC-10 aircraft that the Company elected not to exercise.

Financial Condition



Working Capital from Operations

Thousands of dollars

Pre-tax Income. Pre-tax income in 1983 was \$150 million, an increase of \$19 million (15%), compared to \$131 million in 1982 and \$98 million in 1981, increases of \$33 million (34%) and \$39 million (65%), respectively. The pre-tax margin in 1983 was 14.9%, compared to 16.3% in 1982 and 16.6% in 1981.

Income Taxes. Effective tax rates remained steady at 40.8% in 1983, 40.2% in 1982 and 40.7% in 1981. The reduction of the effective tax rate from the statutory rate primarily reflects investment tax credits on qualified capital expenditures.

Net Income. Net income and earnings per share were \$89 million (\$4.07 per share) in 1983, \$78 million (\$3.70 per share) in 1982 and \$58 million (\$2.83 per share) in 1981, gains of \$11 million (13%), \$20 million (35%) and \$20 million (54%), respectively.

Capital Expenditures. Due to the capital intensity of the Company's operations, investment in capital assets has been, and will continue to be, significant. Recent capital expenditures have included the addition of DC-10 and 727-100 aircraft and related support equipment, a major expansion of the Superhub, additions and improvements to city station facilities and the purchase of additional data processing equipment. The additions to the Superhub are part of a phased expansion that is responsive to increasing package volume. Capital expenditures under these programs have been financed from a combination of proceeds from loan agreements, tax-exempt bond issues, equity offerings and internally generated funds. In 1983, capital expenditures totalled \$230 million.

The Company is currently committed to the purchase of fifteen new 727-200 aircraft from Boeing to be delivered during fiscal 1984 and 1985. The first of these aircraft was received in June 1983. Total estimated capital expenditures for 1984 are approximately \$400 million and will include the new 727-200 aircraft, a further expansion of the Superhub, the construction of corporate administrative facilities and a DC-10 hangar and the purchase and installation of various equipment connected with the Company's image transmission network.

Except for capital expenditures for which the Company is now committed, the amount and timing of expenditures subsequent to fiscal 1984 will depend on various factors which cannot be predicted, including future package volume, the introduction of new products and services, expanding service areas, fuel availability and cost and the availability of satisfactory financing. The Company continually reviews its long-range capital requirements and determines the need for additional expenditures based on projections of profitability and return on investment. These factors, together with the Company's rapid growth, dictate that a significant degree of flexibility be available for adjusting its capital expenditure programs as needs dictate.

Liquidity and Capital Resources. The Company's financial position continues to be strong. At May 31, 1983, working capital was \$90 million, up 13% from the prior year. Cash and short-term investments totalled \$105 million at the end of fiscal 1983, an increase of 73% from a year ago, primarily the result of the issuance of common stock in October 1982, and an excess of internally generated funds. The Company's primary sources for financing its growth have been funds provided from operations, long-term borrowings and the issuance of common stock. Since 1978, total funds (net income plus depreciation and deferred tax expense) of \$554 million have been provided by operations, \$455 million has been provided by long-term borrowing arrangements, and \$178 million has been provided by four public offerings of common stock. At May 31, 1983, the Company had \$247 million of long-term debt outstanding (an 11% increase during fiscal 1983) and a debt-to-equity ratio of .54 to 1. At May 31, 1983, there were \$48 million of escrowed bond proceeds that will be used for capital expenditures under the Company's facility expansion program at the Memphis International Airport. The Company also has a \$150 million bank line of credit available at May 31, 1983. In addition, the Company's high credit rating (A2/A+), coupled with its low debt-to-equity ratio, should enable the Company to arrange additional bank credit lines or obtain other financing at very competitive rates.

For additional information on the Company's long-term financing arrangements and future commitments, see Notes 3 and 9 of Notes to Consolidated Financial Statements.

Inflation and Changing Prices

For information on the impact of inflation and changing prices on operating results, see Note 11 of Notes to Consolidated Financial Statements.

Selected Consolidated Financial Data

		1983	1982	1981	1980	1979
<i>In thousands, except per share amounts</i>						
Operating Results	Express service revenues	\$1,008,087	\$803,915	\$589,493	\$415,379	\$258,482
	Operating expenses	857,350	684,449	489,758	348,378	218,370
	Operating income	150,737	119,466	99,735	67,001	40,112
	Other income (expense)	(521)	11,614	(1,691)	(7,628)	(6,329)
	Income before income taxes	150,216	131,080	98,044	59,373	33,783
	Income taxes	61,283	52,695	39,908	21,644	13,400
	Net income	\$ 88,933	\$ 78,385	\$ 58,136	\$ 37,729	\$ 20,383
Earnings Per Share	Earnings per share	\$ 4.07	\$ 3.70	\$ 2.83	\$ 2.00	\$ 1.17
	Average shares outstanding	21,658	20,894	20,111	18,282	16,366
Financial Position	Current assets	\$ 265,171	\$194,265	\$166,952	\$ 85,454	\$ 48,975
	Property and equipment, net	596,392	457,572	373,250	277,702	123,844
	Total assets	991,717	730,291	570,112	395,030	179,823
	Current liabilities	175,293	114,596	113,846	64,351	43,681
	Long-term debt	247,424	223,856	162,705	142,465	45,729
	Common stockholders' investment	503,794	350,319	270,875	168,745	74,946

Corporate Information

Form 10-K

A copy of Federal Express' Form 10-K annual report, filed with the Securities and Exchange Commission, is available free. You will be mailed a copy upon request to James E. Coleman, Manager, Investor Relations, Federal Express Corporation, Box 727, Memphis, Tennessee 38194.

Stock Listing

The Company's common stock is listed on The New York Stock Exchange under the ticker symbol FDX.

Stockholders

At June 30, 1983, there were 4,941 stockholders of record.

Market Information

Following are high and low closing prices, by quarters, for Federal Express stock in fiscal 1982 and 1983. No cash dividends have been declared.

Closing Prices of Common Stock		1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
FY 1982	High	\$71.25	\$67.00	\$64.88	\$55.50
	Low	\$57.88	\$48.75	\$49.88	\$42.13
FY 1983	High	\$53.75	\$73.13	\$83.63	\$86.00
	Low	\$42.25	\$47.00	\$66.25	\$74.25

Annual Meeting

The annual meeting of stockholders will be held in the McCool Room, Holiday City, 3728 Lamar Avenue, Memphis, Tennessee, on Monday, September 26, 1983 at 10:00 AM, CDT.

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