YELLOW CORPORATION
1993 ANNUAL REPORT

CONTENTS

THIS IS YELLOW CORPORATION

Yellow Corporation is a transportation holding company serving the less-than-truckload (LTL) market throughout North America. The corporation's subsidiaries include:

YELLOW FREIGHT SYSTEM, INC., the largest subsidiary, had operating revenue of $2.4 billion in 1993. Based in Overland Park, KS, it is the nation's largest provider of LTL transportation services with direct service to over 35,000 points in all 50 states including the Caribbean, Canada and Mexico. It services Europe via an alliance with The Royal Frans Maas Group based in The Netherlands. Yellow Freight's core business -- the consolidation, transportation and redistribution of freight -- is enhanced by information technology and customer specific services. The company has 26,300 employees.

PRESTON TRUCKING COMPANY, INC.
is primarily a regional LTL carrier with 70 terminals serving the Northeast and Upper Midwest markets of the United States. Preston had operating revenue of $397 million in 1993. Preston employs 5,800 people and its headquarters are in Preston, MD.

SAIA MOTOR FREIGHT LINE, INC. is a regional LTL carrier based in Houma, LA. Through its network of 28 terminals, it provides overnight and second-day service in nine southeastern states, including new intrastate Texas service. In 1993 Saia had operating revenue of $120 million. It employs 1,800 people.

SMALLEY TRANSPORTATION COMPANY
is a regional carrier providing service to customers in Georgia and throughout Florida. The company has a 13-terminal network and employs 400 people. Smalley had operating revenue of $39 million in 1993. Its headquarters are in Tampa, FL.

CSI/REEVES, INC. is in the business of transporting, warehousing and distributing carpet and related products. In 1993 it had revenue of $28 million. CSI/Reeves is based in Calhoun, GA and employs 300 people.

YELLOW LOGISTICS SERVICES, INC.
offers a full range of integrated logistics management services including: transportation management, warehousing, information systems, distribution, and package design and testing. The company specializes in serving the chemical, retail, computer hardware, electronic and pharmaceutical industries. Yellow Logistics Services' headquarters are in Overland Park, KS.

YELLOW TECHNOLOGY SERVICES, INC. supports Yellow Corporation and its subsidiaries -- primarily Yellow Freight System -- with information technology. It is committed to ensuring that the corporation's information systems anticipate and meet customers' needs and that the systems are an integral part of the transportation process. Yellow Technology Services is located in Overland Park, KS.

While Preston Corporation revenue given in the consolidated results is included beginning March 1, 1993, the revenue information above is for the full 12 month period.

LETTER TO SHAREHOLDERS

Yellow Corporation is a different company today than it was a year ago. During 1993 we continued our transformation from the owner of a single motor carrier to a holding corporation of transportation service companies. Our transformation process actually began in late 1992 when we offered to purchase Preston Corporation. In February 1993 we successfully completed this acquisition including its subsidiaries: Preston Trucking Company, Preston, MD; Saia Motor Freight Line, Houma, LA; Smalley Transportation Company, Tampa, FL; and CSI/Reeves, Calhoun, GA.

Our desire to broaden our services into regional markets is paired with our need to streamline processes. We are accomplishing these goals at a time when the transportation industry is challenged by ever-increasing customer expectations and intense competition.

PERFORMANCE AMID CHALLENGES

For 1993 Yellow Corporation earnings were $18.8 million, or $0.67 per share, compared to $29.5 million, or $1.05 per share in 1992. Earnings declined in 1993 largely because of competitive pricing pressures, especially in the first half of the year. Severe winter weather across the nation in the first quarter, a one-time $11.2 million after-tax charge in the second quarter for network development at Yellow Freight System (YFS), our largest subsidiary, and the enactment of a higher tax rate also contributed to lower profit levels. Preston Corporation results are included in Yellow Corporation results effective March 1, 1993.

Throughout the year, however, several of our companies displayed the ability to face industry challenges. YFS demonstrated revenue growth and increased its tonnage by nearly 5 percent for the year. This is particularly significant because YFS was able to diversify its services to generate tonnage growth in its core business, the longhaul LTL market. A 2 percent discount rollback in August 1993 improved revenue yields for YFS, enhancing second half profits and validating the company's ability to manage costs and work with customers to assure satisfactory returns.

Overall industry pricing stabilized in the third and fourth quarters. Motivated by this positive impact, each of our motor carriers will continue to work toward maintaining a stable pricing environment.

Preston Trucking recorded an operating profit in the second half of the year and contributed to Yellow Corporation's net income in the fourth quarter. Preston Trucking accomplished this performance by controlling discounts, increasing business and reducing costs. Employees at Preston Trucking aided in restoring company profitability, as those covered under the Teamster contract approved a wage reduction of 9 percent which was implemented company-wide on April 1, 1993. Better yield management and new business resulting from the closing of a major competitor also contributed significantly to the improved financial performance at Preston Trucking.

Saia Motor Freight Line reported an operating ratio of 91.6 for 1993 and positioned itself for growth in its southeast markets.

Smalley Transportation greatly improved its operations while reducing its losses for the year. Smalley reported an operating profit for each of the last four months of the year, and posted its first profitable fourth quarter since 1988.

CSI/Reeves reported an improved performance and we expect a profitable year for that company in 1994.

PROVIDING EFFICIENT SOLUTIONS

In our industry, as in others, success depends on providing the highest level of service while controlling costs. This is increasingly challenging because customers continue to raise service expectations as they work to streamline manufacturing, consolidate distribution functions and manage inventories more effectively. These increased expectations are compounded by an intensely competitive environment and government imposed costs. The solution: Yellow companies must integrate transportation services, reduce overall transportation costs and provide value that will allow them to price services to ensure a fair return.

Yellow Freight System (YFS) is responding by continuing to re-configure its network of facilities and improving its freight routing process thereby enhancing freight flow. This multi-year re-engineering effort is resulting in better use of assets, reduced overhead, improved transit times and lower freight handling costs. Other re-engineering efforts are being pursued at YFS to gain information efficiencies which will further improve service throughout its operations.

With a goal of improving profits, each of our companies strives to reduce costs while enhancing service. At YFS, for example, sales representatives and pricing staff work together to formulate appropriate pricing strategies. Often customers are called upon to provide more specific information about their transportation needs. This additional information can help YFS create cost-effective solutions rather than simply increase rates.

Significant cost reduction was noted this year as YFS employees trimmed workers' compensation expenses by 12 percent through comprehensive training on safe work habits, transitional work programs, increased communications and terminal accountability. Preston Trucking made progress in this area as well, reducing the number of lost-time injuries.

EXPANDING OUR SERVICES

Providing diverse transportation services is evidence of the changes at Yellow Corporation. Yellow Freight System (YFS) has expanded beyond its traditional longhaul LTL service. In the face of increasing competition, YFS is offering innovative transportation solutions to meet a variety of customer needs. Yellow Express Lane Service, a guaranteed expedited service providing a less expensive alternative to air freight, documented 99.97 percent on-time service for the year and grew at a healthy rate. Yellow Exhibit Service which specializes in trade show markets increased revenues 30 percent from last year and Priority Lane Service reduces transit times by a full day on traditional three, four and five day lanes. While the average length of haul remains approximately 1,300 miles, YFS now delivers over 54 percent of its shipments in three business days or less. These specialized services and transit time reductions, made possible through various process improvements and re-engineering, allow YFS to compete in a broader range of markets.

In Canada, YFS has emerged as the leading LTL provider and its service is enhanced by streamlined customs clearance procedures. In Mexico, YFS currently operates five terminals and is well positioned to take advantage of the NAFTA provisions. The company expects continued growth in freight volumes with origins and destinations in the Caribbean, and south of the Mexican border, as a result of increased access and modernized customs between the U.S., Canada, and Mexico. YFS' trans-Atlantic alliance with The Royal Frans Mass Group located in Europe has exhibited good growth and positive shipper acceptance. This alliance will further benefit from a new documentation process and expanded consolidation and de-consolidation points in North America. YFS' international capabilities will now expand to meet customer needs in markets such as the Pacific Rim and Latin America.

The Preston Corporation acquisition gave Yellow Corporation a large presence in the growing regional LTL markets. During 1993, Preston Trucking expanded with four terminal openings in the Northeast. In 1994, the company will broaden its service with a new 170-door distribution center in Richfield, Ohio slated to open in the second quarter, rounding out its regional service offerings.

Saia Motor Freight Line opened a 34-door terminal in Nashville in 1993 and will open additional terminals in Tennessee in 1994 enabling it to provide comprehensive service throughout that state. Saia will also expand its service in the $400 million Texas intrastate market in 1994, with several new terminal additions.

Smalley Transportation currently provides total coverage in the state of Florida and to points in Georgia, specializing in the distribution of inbound freight throughout Florida. Smalley made significant progress improving on-time service from 84 percent in 1992 to 97 percent in 1993.

Yellow Logistics Services (YLS) applies supply-chain management expertise and PC-based information systems to provide a full range of logistics services to businesses seeking ways to improve the transportation and distribution of goods. During 1993, YLS refined its service offerings to target five major markets: chemical, specialty retailing, computer hardware, electronics, and pharmaceutical. Diverse industry knowledge, flexible information systems, a state-of-the-art packaging lab and the natural alliance with our other subsidiaries position YLS for growth in the expansive contract logistics industry.

VISION FOR THE FUTURE

While the 1990's have proven more challenging than anyone could have foreseen, we are optimistic about our future. We believe the employees at the Yellow Corporation family of companies have the skills, experience and work ethic to not only compete during these challenging times but to be victorious.

Solid management leadership has been and will continue to be instrumental in identifying opportunities and making changes to improve profitability at each of our companies. Simultaneously, corporate leadership is dedicated to preserving our reputation for the highest quality transportation services and to positioning Yellow Corporation as a source for total transportation.

Our broad range of experience in the transportation industry has served us well in the past and will guide us in the future. Over the years we have developed our employee, technology and financial resources to assure a leading position in the LTL industry. As we look to the future, we resolve to allocate our shareholders' capital to those markets and efforts which provide compensatory returns.

We thank our employees for providing unsurpassed service, our customers for their support and continued confidence and we commit to our investors a dedication to enhanced value in 1994 -- and beyond.

GEORGE E. POWELL III
President and Chief Executive Officer

SOLUTIONS ORIENTED

When Yellow Freight System (YFS) and Goodyear sat down to negotiate a new contract, they didn't realize they would be transforming their carrier/shipper relationship. But that's just what happened. They created a contract with solutions to both companies' needs by cutting costs and increasing efficiencies. Given the realities of the marketplace, Goodyear recognized it could not pass along a transportation rate increase to its customers. At the same time, Goodyear needed improved service to meet changing patterns in tire purchases. Consumers no longer spend several days shopping for tires; they make their purchase decisions in a matter of hours. That means Goodyear customers need timely replenishment of tire inventory.

So rather than focusing on their own interests, YFS and Goodyear worked together, creating a plan to streamline loading operations and cut operating costs. As a result, they were able to avoid an increase in transportation costs and maintain reliable and timely service to Goodyear and its customers.

Working initially with Goodyear's Topeka, KS distribution center, process improvement teams from both companies found more than $200,000 of cost savings by reducing pickup costs, increasing work efficiencies, eliminating handling and improving billing and collection procedures.

Before this new contract, YFS was loading a trailer at the Topeka facility and then rehandling the tires at two more terminals before delivery to Goodyear's retail outlets. Each handling added more cost. Today, YFS is more likely to load directly from Topeka to destination cities, rather than go through its Kansas City consolidation center. YFS is able to eliminate costly handling because Goodyear has improved its planning and is providing advanced information on tonnage and destination. Regularly scheduled pickups at Goodyear, and improved communications between the two companies mean YFS drivers don't wait for shipments on the Goodyear dock. As soon as drivers arrive, the trailer is loaded.

Today eight Goodyear facilities are working with YFS on process improvement teams to find transportation solutions that draw upon YFS' operational excellence and Goodyear's commitment to service excellence. The result: Goodyear customers such as Christopher Reider in Denver realize added value because YFS has driven down costs while providing Goodyear reliable, more efficient service. The conclusion: YFS is moving beyond its traditional transportation services to become an instrumental part of its customers' operations.

Finding solutions to shipper needs when "it's not business as usual," is a priority. And while the Goodyear solution was accomplished through operational flexibility and changes, many transportation solutions can be found through our companies' advanced technology systems. Today we are particularly responsive to shippers' information needs. Our companies are keenly aware that the flow of information is as important to our customers as the movement of their freight. And as transportation and information needs in our industry continue to evolve, the Yellow Corporation family of companies is dedicated to finding the right solutions to benefit our customers.

EXPERIENCED

Like so many industries today, fundamental regulatory and economic issues are changing the health care industry. Those changes caused Becton Dickinson, a leading manufacturer of medical supplies, devices and diagnostic systems, to redefine its transportation strategy. Their goal -- to reduce total costs, increase quality of service by reducing its number of carriers and improve carrier management and control. What Becton Dickinson was looking for was a carrier to help manage their transportation process. What they found was an experienced partner with Preston Trucking.

Becton Dickinson had specific transportation requirements. Changes in the health care industry often require LTL shipments to be delivered in hours rather than days. Paperwork cannot delay movement of products. Electronic information systems are essential to guaranteeing schedules, consolidating deliveries and replenishing inventory automatically. To meet these new demands, Preston Trucking worked with Becton Dickinson to identify areas for improvement. They came up with a list of 33 opportunities to improve service and cut costs.

Today Becton Dickinson has entrusted Preston Trucking to place coordinators at two of its distribution centers. Working on-site, Preston Trucking associate Anthony Sansone in Indianapolis applies his transportation expertise to coordinate the shipping process and measure key service and quality areas such as on-time delivery performance. Anthony knows precisely when trailers need to be loaded at the Becton Dickinson facility in order to meet dispatch times at Preston Trucking. And when Becton Dickinson customers call Anthony with questions or problems they often get their issue resolved with one phone call.

The partnership has proven beneficial for both companies. Preston Trucking has dedicated equipment to Becton Dickinson and Becton Dickinson has loading doors at its distribution centers dedicated to Preston Trucking trucks. Together they have cut transit times, reduced product handling, accomplished just-in-time loading, lowered costs and earned Becton Dickinson the 1993 LTL Shipper of the Year Award from the National Small Shipment Traffic Conference.

Experience counts in our highly competitive industry.   Our customers know that when they select a Yellow Corporation company to transport their freight they are working with an accomplished and capable carrier.

FLEXIBLE

Making a delivery to a customer without a loading dock can be difficult for some city drivers, but not for Renee Smith. He's glad to do it, thanks to the lift gate on the back of the truck he drives for Saia Motor Freight Line. In fact, each Saia terminal has the flexibility to provide a truck equipped with a lift gate, an attachment that allows drivers to easily lower large pieces of freight to street level.

Saia's flexible operations also work for Kmart. The 45 Kmart stores in the New Orleans area do not use a warehouse to re-sort, load and deliver merchandise. Instead, Saia receives the freight directly from Kmart's softline distribution centers and performs the sort and load as an extension of Kmart's business operations.

Customers needing information about their freight only have to make one phone call to Saia. The company's new telemarketing center serves as a centralized customer service center whose operators have access to every information system in the company. These are just three examples of the flexibility Saia has incorporated into the way it serves customers.

Flexibility within the transportation process is fast becoming a deciding factor in carrier selection. Like Saia, our companies are working with customers to provide more flexible transportation services in an effort to add value to total costs.

Flexibility has become important to our internal processes as well. For example, cross-functional teams and open-minded leadership at each Yellow Corporation company helps foster a "can-do" attitude to meet customer needs. Flexibility is important throughout the Yellow Corporation family of companies because transportation is just one part of the total cost of a product. Providing flexible transportation services is one way we can help control those costs.

RESPONSIVE

Getting products shipped from multiple suppliers -- including international manufacturers -- to their destinations, on time, takes coordination. Thanks to programs developed by Yellow Logistics Services (YLS) this process has dramatically improved for retailers, manufacturers and other businesses across the country. YLS offers the convenience of a single source capable of administering most transportation management functions, including inbound delivery of parts and materials from vendors and outbound shipments of finished products to customers. For example, one retail customer was spending a standard two or three weeks getting through international customs and domestic distribution centers. YLS managed that time down to four and a half days. Here's how it worked.

YLS contracted with service companies to quickly move shipments from the port to a cross-dock operation. From there the freight is sorted and reloaded on trucks bound for the retailer's distribution centers. YLS also arranged for the consolidation of domestic products, and set up a warehousing facility for both domestic and imported merchandise.

YLS calls upon sister motor carrier companies like Smalley Transportation to pick up the domestic merchandise from manufacturers. Then with guaranteed deliveries to the warehouse, close communications and advanced information systems, Smalley helps the warehouse effectively plan truckload deliveries bound for the retailer's warehouses located across the country. Arrangements such as vendors calling Smalley directly, and Smalley's EDI system notifying the retailer of shipments enroute help the retailer control costs and better manage inventories.

Responding to multiple transportation needs, YLS has helped the retailer eliminate costly air freight charges during peak retail seasons, while improving service and communications with its vendors.

Throughout Yellow Corporation we are not only responsive to our customers but also to issues affecting people and places. As environmental concerns continue to mount, Yellow is quickly answering the need to safeguard our communities. For example, Yellow Freight System's proactive tank management program has evaluated the condition of its underground fuel storage tanks and has identified which tanks need to be replaced, upgraded or removed. YFS began this process on its own. The federal government will mandate such safeguards in 1998.

Through comprehensive and customized training our employees are qualified to provide safe transportation of hazardous materials and chemical freight. And the YLS packaging lab helps shippers meet the hazardous material packaging requirements for United Nations certification. Another YLS service, package optimization, can reduce the amount of packaging materials by up to 20 percent which ultimately reduces packaging waste destined for our overburdened landfills.

Yellow Corporation has a history of being responsive to its employees and to the communities we serve. When natural disasters hit our country last year, our employees were quick to volunteer their services, and many of our companies provided transportation for emergency relief supplies to the flooded Midwest.

A responsive attitude toward business and community is our guide as we work toward meeting customer expectations and adding value to the transportation process. And the value we bring to our shipping customers will in turn bring value to our shareholders.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITIN AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Operating revenue for Yellow Corporation (the company) totaled $2.86 billion in 1993, $2.26 billion in 1992 and $2.34 billion in 1991. A significant portion of the increase in the company's 1993 revenue is attributable to the March 1, 1993 acquisition of Preston Corporation (Preston). Preston's major operating subsidiaries, Preston Trucking Company, Inc. (Preston Trucking) and Saia Motor Freight Line, Inc. (Saia) had operating revenue of $338 million and $102 million, respectively, for the ten months ended December 31, 1993. Yellow Freight System, Inc. (Yellow Freight), the company's primary operating subsidiary had revenue of $2.36 billion in 1993, up 4.2% from 1992. The components of the change in the company's operating revenue for the three years ended December 31, 1993 follow:

	1993	1992	1991
Rate increases	4.0%	4.8%	5.0%
Number of shipments	2.8	(8.1)	(1.1)
Other	(2.5)	(.2)	(2.1)
Acquisition of Preston	21.9	-	-
Total	26.2%	(3.5)%	1.8%

Yellow Freight increased total tonnage 4.9% in 1993 compared to 1992. Total tonnage decreased 5.5% in 1992 compared to 1991 and increased 1.6% in 1991 over 1990. The tonnage growth in 1993 reflects strong improvement in the last half of the year. Total tonnage in 1993, however, was essentially the same as 1990. This is due to the growth in the economy during that period, offset by Yellow Freight's commitment to improving account profitability and resisting discounting. Yellow Freight expects moderate tonnage growth in 1994.

1993 vs. 1992

Net income for 1993 was $18.8 million, or $.67 per share, compared to 1992 net income of $29.5 million, or $1.05 per share. Earnings for 1993 reflect an $11.2 million, or $.40 per share, charge for network development at Yellow Freight as well as a reduction of $1.6 million, or $.06 per share, from the impact of the statutory increase in the U.S. federal tax rate on the company's deferred tax liabilities. Net income for 1992 was reduced $11.5 million, or $.41 per share, due to a change in the company's revenue recognition policy.

Earnings declined in 1993 largely because of competitive pricing pressures, especially in the first half of the year, and severe winter weather across the nation in the first quarter. The operations of the Preston subsidiaries had a small negative impact on earnings in 1993 although they showed steady improvement during the year and contributed $.02 per share to fourth quarter earnings.

The company's operating ratio was 98.1 in 1993 compared to 96.3 in 1992. Purchased transportation increased as a percentage of revenue due to increased use of rail transportation and the Preston subsidiaries' heavier usage of purchased transportation. Salaries, wages and employees' benefits decreased as a percent of revenue despite wage and benefit increases of approximately 3% effective April 1 for employees who are members of the International Brotherhood of Teamsters (Teamsters). This is due to a wage reduction of 9% effective April 1 for employees of Preston Trucking, a small decrease in the total number of employees and a reduction in workers' compensation expense. Due to moderate capital expenditures during the last three years and more efficient use of equipment, depreciation expense also decreased as a percent of revenue. This resulted in higher equipment maintenance costs which negated a portion of the depreciation expense savings. The network development charge negatively impacted the operating ratio by 0.6. This charge of $18.0 million before taxes was recorded to accrue for the cost of terminal consolidation and realignment to improve customer service and reduce costs. These network improvements are part of an ongoing plan to enhance competitiveness by reducing freight handling and increasing freight flow flexibility.

Interest expense increased $5.5 million primarily due to increased debt levels related to the Preston acquisition. Other nonoperating expenses decreased $4.3 million due to gains on facility sales, lower levels of losses related to equipment sales and less expense related to nonoperating facilities.

1992 vs. 1991

Net income for 1992, before the impact of the accounting change discussed below, was $41.0 million, or $1.46 per share, compared to 1991 net income of $26.7 million, or $.95 per share. Yellow Freight was able to retain most of its January 1, 1992 rate increase, a key ingredient in improving profitability during 1992. The company's operating ratio for 1992 improved to 96.3 from 97.6 in 1991 despite decreased revenue and tonnage. The improvement in costs came primarily in the area of operating expenses and supplies. Fuel expense decreased as a result of declining prices and fewer miles operated. General operating expenses also decreased significantly in a number of key areas as a result of continued cost control efforts and decreased operating volume. Increased efficiencies and decreased operating volume resulted in lower employee levels. Additionally, workers' compensation costs were reduced in 1992. These reductions allowed total salaries, wages and employees' benefits expense to remain constant as a percentage of revenue from 1991 to 1992 despite a 3.5% increase in labor costs on April 1 under the Teamsters' agreement.

During the first quarter of 1992, the company recorded a nonoperating charge of $11.5 million, or $.41 per share, to after tax earnings, reducing full year net income to $1.05 per share. This charge, which had no impact on cash flow, is the cumulative effect of a change in revenue recognition policy. The company changed its revenue recognition method in response to a January 1992 consensus by the Emerging Issues Task Force of the Financial Accounting Standards Board. Since January 1, 1992, revenue has been recognized on a percentage completion basis while expenses are recognized as incurred.

1991 vs. 1990

Net income for 1991 was $26.7 million, or $.95 per share, compared to 1990 net income of $65.3 million, or $2.31 per share. Profitability was adversely affected by weak economic conditions, industry-wide price discounting and a decrease in shipments handled. The revenue retained from rate increases after discounting was not sufficient to cover increases in operating expenses. Total operating expenses increased as a percentage of revenue primarily in the area of salaries, wages and employees' benefits. Labor costs increased approximately 4.5% on April 1, 1991 in accordance with the Teamsters' labor agreement. Employees' benefits increased mainly as a result of higher workers' compensation costs. Operating taxes and licenses also increased as a percentage of revenue compared to 1990. This was due primarily to higher fuel and use taxes, reflecting the 5.0 cents per gallon increase in the diesel fuel excise tax.

PRICING

Pricing is critical to improving profit levels in 1994. A two percent discount rollback implemented in August 1993 at Yellow Freight contributed to improved revenue yields in the second half of the year. The company is encouraged by the more stable pricing environment in the second half of the year and its subsidiaries are continuing to work toward improved account profitability and maintaining pricing stability. The Yellow operating companies have implemented rate increases of between four and five percent during the first quarter of 1994 to cover increases in operating costs. The full impact of these increases is not realized immediately as a result of pricing which is on a contract basis and can only be increased when the contract is renewed or renegotiated.

COSTS

The current labor agreement with the Teamsters expires March 31, 1994. In the second quarter of 1993, Yellow Freight reaffiliated with Trucking Management, Inc. (TMI), a multi-employer bargaining group representing the trucking industry in labor contract negotiations. Preston Trucking is also a member of TMI. TMI is currently negotiating the renewal of this contract. An agreement that allows greater operational flexibility and the opportunity to reduce costs is necessary to allow Yellow Freight and Preston Trucking to better compete in the marketplace. In addition, Preston Trucking's wage reduction expires March 31, 1994. Preston Trucking feels it is essential to continue this wage reduction in the near future to maintain its progress toward restoring profitability. Extension of the wage reduction requires a contract provision allowing the reduction and approval of Preston's Teamster employees.

During 1993, Yellow Freight began an extensive network development process by consolidating and realigning terminals to improve customer service and reduce costs. A charge of $18.0 million before taxes was accrued for the costs to close certain facilities and dispose of excess property. This network development will result in better use of assets, reduced overhead, improved transit times and lower freight handling costs without reducing customer service.

In 1992, Yellow Freight realigned part of its linehaul route system, particularly in the western United States, to reduce costs. Efficiencies were gained through new linehaul routes, increased use of triple trailers and the introduction of two-driver teams, which allow the reduction of transit times on certain routes.

The federal requirement for low sulfur fuel went into effect in October 1993 resulting in higher fuel costs. Additionally, a 4.3 cents per gallon increase in the diesel fuel excise tax went into effect in October 1993. These items increased fuel costs somewhat in the last quarter of the year and will continue to do so in the future.

SERVICE/GROWTH

Yellow Freight's revenue growth was moderate in 1993 as compared to 1992. Growth was due to increased tonnage, which grew faster than the Industrial Production Index, and contributions from new services started in 1992. Yellow Freight expects moderate revenue growth in 1994. A service which reduces transit times by a full day on traditional three, four and five day lanes experienced good revenue growth in 1993. A guaranteed expedited service that provides shippers an economical alternative to air freight in selected markets experienced a healthy revenue growth rate in 1993 and operated at a very high on-time service ratio. The Canadian and Mexican markets continued to provide good growth for Yellow Freight in 1993. This growth is expected to continue in 1994, partly as a result of NAFTA's simplified trade provisions between those countries and the United States. Service to and from Western Europe, through an alliance with The Royal Frans Maas Group of The Netherlands is expected to grow in 1994 as a result of expanded consolidation and deconsolidation points in North America and improvements in streamlining documentation processing.

Preston Trucking continued to experience declines in both revenue and tonnage after the acquisition by the company, but benefited in June 1993 from the bankruptcy of a major competitor in the Northeast. Preston Trucking opened four new terminals and increased their revenue and tonnage during the last half of the year. They expect continued revenue growth in 1994 and are planning to broaden service with a new distribution center in Ohio.

The company expects to benefit from Saia's expansion into Texas and Tennessee as well as their introduction of intrastate service in Texas. Combined with Saia's strong market position and profitable operations, revenue growth in 1994 is expected to be much improved.

WORKERS' COMPENSATION

During 1993, further progress was made in reducing workers' compensation costs at Yellow Freight. Continuation of programs and methods initiated in 1992 to control these costs resulted in additional cost reductions in 1993. Yellow Freight uses training on safe work habits, transitional work programs and terminal accountability to help manage these costs. This is the second consecutive year that employee injuries and workers' compensation costs have been reduced.

OTHER

During 1993, the company saw the conclusion of a six-year old antitrust case brought by Lifschultz Fast Freight against Yellow Freight and two other motor carriers. In June, the Federal District Court's decision dismissing the case was affirmed by the U.S. Court of Appeals. In December, the United States Supreme Court denied the Petition to Review the dismissal of the case by the U.S. Court of Appeals.

In November 1992, the Financial Accounting Standards Board issued its Statement No. 112, Employers' Accounting for Postemployment Benefits related to benefits provided former or inactive employees before retirement. The company intends to adopt this Standard in 1994. This noncash charge will not have a material impact on the financial condition or results of operations of the company.

In 1991, the company adopted the Financial Accounting Standards Board's Statement No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions. The adoption did not have a material impact on either financial position or results of operations. The notes to consolidated financial statements contain the disclosures related to this standard.

The effective income tax rate was 46.8% in 1993, 37.2% in 1992 and 33.9% in 1991. The increase in 1993 was due primarily to the impact of a higher U.S. federal tax rate on the company's deferred tax liabilities. The notes to consolidated financial statements contain an analysis of the income tax provision.

FINANCIAL CONDITION

Working capital increased $18 million during 1993, resulting in a $37 million positive working capital position at December 31, 1993. The company's total debt level at December 31, 1993 increased $92 million compared to that of December 31, 1992, primarily due to the acquisition of Preston. Preston's total debt at the date of acquisition was $135 million, of which $78 million was repaid with funds advanced to Preston by the company. The funds advanced were financed through commercial paper borrowings.

Revisions to the medium-term note program in 1993 provided for increased amounts outstanding and longer maturity periods. During the last six months of 1993, $37 million was borrowed under the medium-term note program, primarily to replace commercial paper borrowings. Modest capital expenditures and good cash flow from operations in 1993 enabled the company to further reduce commercial paper borrowings to $25 million at December 31, 1993. The company maintains credit availability under a $100 million credit agreement to support the commercial paper program and provide additional borrowing capacity.

During the last three years, capital expenditures were financed primarily with internally-generated funds. Actual and projected capital expenditures are summarized below (in millions):

	Projected		Actual	
	1994	1993	1992	1991
Land and structures	$30	$12	$16	$41
Revenue equipment	90	34	49	34
Other operating property	55	21	14	30
Total	$175	$67	$79	$105

Projected facility expenditures will target expansion of existing locations and the construction or purchase of new locations to improve efficiency and enter new markets in selected areas. Equipment expenditures are expected to consist primarily of replacement units with some expansion units at certain of the subsidiaries. Revenue equipment replacement units are expected to be approximately 70% higher than in the last three years. Other property expenditures are primarily for improving efficiency through technological enhancements and advanced information systems. It is anticipated that 1994 capital expenditures will be primarily financed through internally-generated funds.

The company's cash dividends paid to shareholders have been $.94 per share ($26 million) in each of the last three years.

FINANCIAL SUMMARY
Yellow Corporation and Subsidiaries
(Amounts in thousands expect per share data)

	1993(a)	1992	1991	1990
FOR THE YEAR:				
Operating revenue	$2,856,505	$2,262,676	$2,344,143	$2,302,421
Income from operations	53,893	82,814	56,907	119,774
Depreciation	132,371	118,419	124,687	128,134
Interest expense	17,668	12,150	14,159	15,763
Income before income taxes	35,358	65,393	40,348	101,905
Income before extraordinary items and cumulative effect of accounting changes	18,801	41,040	26,654	65,319
Net income	18,801	29,540	26,654	65,319
Net cash from operating activities	138,802	139,438	146,954	219,463
Net operating property additions	66,786	78,651	104,668	162,316
AT YEAR-END:				
Net operating property	855,870	775,080	816,174	836,599
Total assets	1,265,654	1,061,012	1,097,771	1,116,005
Total debt	226,503	134,077	156,707	174,169
Shareholders' equity	486,453	485,496	475,869	468,944
MEASUREMENTS:				
Per share data:				
Income before extraordinary items and cumulative effect of accounting changes	.67	1.46	.95	2.31
Net income	.67	1.05	.95	2.31
Cash dividends	.94	.94	.94	.82
Shareholders' equity	17.31	17.28	16.94	16.70
Total debt as a % of total capitalization	31.8%	21.6%	24.8%	27.1%
Return on average shareholders' equity	3.9%	6.1%	5.6%	14.4%
Market price range:				
High	297/8	323/8	331/2	311/4
Low	167/8	213/4	233/4	183/4
Average number of employees	35,000	26,800	28,700	28,900

(a) - 1993 amounts include the operating results of Preston Corporation effective March 1, 1993. The 1993 results also include a network development charge of $11.2 million after taxes ($.40 per share) and a charge of $1.6 million ($.06 per share) to reflect the impact of a higher tax rate on the company's deferred tax liabilities.

	1989(b)	1988	1987	1986(c)	1985	1984	1983
FOR THE YEAR:							
Operating revenue	$ 2,219,755	$2,016,466	$1,759,992	$1,713,731	$1,530,313	$1,380,042	$1,089,015
Income from operations	48,041	117,786	78,089	135,619	106,424	77,274	86,430
Depreciation	123,268	108,353	98,982	86,850	75,771	59,125	45,801
Interest expense	15,452	12,254	9,172	7,441	10,290	6,160	4,988
Income before income taxes	26,533	104,997	64,360	123,259	95,493	72,907	83,908
Income before extraordinary items and cumulative effect of accounting changes	18,585	68,962	41,284	67,084	55,536	44,103	49,185
Net income	47,785	68,962	41,284	69,719	55,536	44,103	49,185
Net cash from operating activities	179,481	204,943	140,163	169,745	156,153	120,430	133,051
Net operating property additions	182,232	180,587	152,684	176,622	143,842	193,599	55,265
AT YEAR-END:							
Net operating property	803,402	748,613	676,869	623,019	533,703	466,210	332,180
Total assets	1,081,665	1,020,724	923,867	862,359	747,904	666,380	564,531
Total debt	192,067	174,223	144,189	112,253	82,961	82,600	53,167
Shareholders' equity	438,588	408,986	392,923	376,370	321,871	280,070	249,576
MEASUREMENTS:							
Per share data:							
Income before extraordinary items and cumulative effect of accounting changes	.65	2.40	1.44	2.35	1.95	1.55	1.73
Net income	1.66	2.40	1.44	2.44	1.95	1.55	1.73
Cash dividends	.73	.66	.62	.58	.52	.48	.44
Shareholders' equity	15.24	14.21	13.82	13.14	11.27	9.84	8.77
Total debt as a % of total capitalization	30.5%	29.9%	26.8%	23.0%	20.5%	22.8%	17.6%
Return on average shareholders' equity	11.3%	17.2%	10.7%	20.0%	18.5%	16.7%	21.3%
Market price range:							
High	327/8	34	421/2	411/8	291/2	225/8	241/8
Low	237/8	237/8	207/8	271/2	157/8	113/4	95/16
Average number of employees	29,200	27,200	25,500	23,400	20,750	19,550	15,550

(b) - 1989 results include an increase in reserves for workers' compensation and other reserves of $27.7 million after taxes ($.96 per share).

(c) - 1986 results include a tax benefit from the write-off of operating rights

CONSOLIDATED BALANCE SHEETS
Yellow Corporation and Subsidiaries
December 31, 1993 and 1992
(Amounts in thousands except share data)

ASSETS

	1993	1992
CURRENT ASSETS:		
Cash	$13,937	$19,016
Short-term investments	6,777	13,284
Accounts receivable, less allowances of $10,674 and $8,558, respectively	276,223	188,316
Tires on equipment	36,730	28,699
Fuel and operating supplies	19,183	12,945
Deferred income taxes	9,024	-
Other current assets	17,519	11,707
Total current assets	379,393	273,967
OPERATING PROPERTY:		
Land	154,264	133,691
Structures	604,759	542,042
Revenue equipment	838,171	756,227
Other operating property	168,798	142,210
	1,765,992	1,574,170
Less - Accumulated depreciation	910,122	799,090
Net operating property	855,870	775,080
OTHER ASSETS	30,391	11,965
	$1,265,654	$1,061,012

The notes to consolidated financial statements are an integral part of these balance sheets.

LIABILITIES AND SHAREHOLDERS' EQUITY

	1993	1992
CURRENT LIABILITIES:		
Accounts payable	$71,580	$45,294
Wages, vacations and employees' benefits	117,723	100,768
Accrued income taxes -		
Payable currently	6,044	2,774
Deferred	-	3,720
Claims and insurance accruals	86,804	53,736
Other current and accrued liabilities	48,006	37,904
Current maturities of long-term debt	12,327	11,050
Total current liabilities	342,484	255,246
OTHER LIABILITIES:		
Long-term debt	214,176	123,027
Deferred income taxes	58,911	72,812
Claims, insurance and other	163,630	124,431
Total other liabilities	436,717	320,270
SHAREHOLDERS' EQUITY:		
Series A $10 Preferred stock, $1 par value - authorized 750,000 shares, none issued	-	-
Preferred stock, $1 par value - authorized 4,250,000 shares, none issued	-	-
Common stock, $1 par value - authorized 120,000,000 shares, issued 28,849,837 and 28,846,017 shares, respectively	28,850	28,846
Capital surplus	6,469	6,248
Retained earnings	483,586	492,196
Shares held by Stock Sharing Plan	(14,880)	(24,350)
Treasury stock, at cost (749,489 and 743,869 shares, respectively)	(17,572)	(17,444)
Total shareholders' equity	486,453	485,496
	$1,265,654	$1,061,012

STATEMENTS OF CONSOLIDATED INCOME
Yellow Corporation and Subsidiaries
For the Years Ended December 31
(Amounts in thousands except per share data)

	1993	1992	1991
OPERATING REVENUE	$2,856,505	$2,262,676	$2,344,143
OPERATING EXPENSES:			
Salaries, wages and employees' benefits	1,919,197	1,540,175	1,592,594
Operating expenses and supplies	410,679	314,202	350,111
Operating taxes and licenses	104,588	83,903	85,056
Claims and insurance	70,206	52,051	57,052
Communications and utilities	38,643	30,994	32,037
Depreciation	132,371	118,419	124,687
Purchased transportation	108,928	40,118	45,699
Network development	18,000	-	-
Total operating expenses	2,802,612	2,179,862	2,287,236
INCOME FROM OPERATIONS	53,893	82,814	56,907
NONOPERATING (INCOME) EXPENSES:			
Interest expense	17,668	12,150	14,159
Interest income	(1,446)	(1,310)	(1,617)
Other, net	2,313	6,581	4,017
Nonoperating expenses, net	18,535	17,421	16,559
INCOME BEFORE INCOME TAXES	35,358	65,393	40,348
PROVISION FOR INCOME TAXES	16,557	24,353	13,694
INCOME BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE	18,801	41,040	26,654
CUMULATIVE EFFECT OF CHANGE IN REVENUE RECOGNITION	-	(11,500)	-
NET INCOME	$18,801	$29,540	$26,654
AVERAGE COMMON SHARES OUTSTANDING	28,105	28,093	28,090
EARNINGS PER SHARE:			
Income before cumulative effect of accounting change	$.67	$1.46	$.95
Cumulative effect of change in revenue recognition	-	(.41)	-
Net income	$.67	$1.05	$.95

The notes to consolidated financial statements are an integral part of these statements.

STATEMENTS OF CONSOLIDATED CASH FLOWS
Yellow Corporation and Subsidiaries
For the Years Ended December 31
(Amounts in thousands)

	1993	1992	1991
OPERATING ACTIVITIES:			
Net income	$18,801	$29,540	$26,654
Noncash items included in income:			
Depreciation	132,371	118,419	124,687
Network development	18,000	-	-
Deferred income taxes	(10,819)	(14,345)	(11,808)
(Increase) decrease in accounts receivable	(27,095)	12,137	1,099
Increase (decrease) in accounts payable	1,113	(3,859)	(7,939)
Net increase (decrease) from change in other working capital items affecting operating activities	9,139	(10,630)	17,271
Other, net	(2,708)	8,176	(3,010)
Net cash from operating activities	138,802	139,438	146,954
INVESTING ACTIVITIES:			
Acquisition of operating property	(76,886)	(86,248)	(110,497)
Proceeds from disposal of operating property	10,100	7,597	5,829
Purchases of short-term investments	(8,086)	(16,740)	(18,278)
Proceeds from maturities of short-term investments	14,693	11,341	10,393
Purchase of Preston Corporation, net of cash acquired	(23,898)	-	-
Net cash used in investing activities	(84,077)	(84,050)	(112,553)
FINANCING ACTIVITIES:			
Proceeds from issuance of long-term debt	37,250	-	30,500
Repayment of long-term debt	(95,553)	(3,241)	(28,887)
Commercial paper borrowings, net	24,968	(11,498)	(12,988)
Cash dividends paid to shareholders	(26,405)	(26,380)	(26,358)
Other, net	(64)	(88)	(111)
Net cash used in financing activities	(59,804)	(41,207)	(37,844)
NET INCREASE (DECREASE) IN CASH	(5,079)	14,181	(3,443)
CASH, BEGINNING OF YEAR	19,016	4,835	8,278
CASH, END OF YEAR	$13,937	$19,016	$4,835
SUPPLEMENTAL CASH FLOW INFORMATION:			
Income taxes paid	$25,354	$45,523	$29,946
Interest paid	$17,715	$12,301	$14,012

The notes to consolidated financial statements are an integral part of these statements.

STATEMENTS OF CONSOLIDATED SHAREHOLDERS' EQUITY
Yellow Corporation and Subsidiaries
(Amounts in thousands except share data)

	Common Stock	Capital Surplus	Retained Earnings	Shares Held by Stock Sharing Plan	Treasury Stock
BALANCE, DECEMBER 31, 1990	$ 28,813	$5,039	$490,273	$(38,328)	$(16,853)
Net income	-	-	26,654	-	-
Cash dividends, $.94 per share	-	-	(26,358)	-	-
Exercise of stock options, 3,000 shares	3	57	-	-	-
Amortization of unearned compensation	-	595	-	-	-
Reduction of Stock Sharing Plan debt guarantee	-	-	-	6,087	-
Purchase of treasury stock	-	-	-	-	(171)
Foreign equity translation adjustment	-	-	58	-	-
BALANCE, DECEMBER 31, 1991	28,816	5,691	490,627	(32,241)	(17,024)
Net income	-	-	29,540	-	-
Cash dividends, $.94 per share	-	-	(26,380)	-	-
Exercise of stock options, 21,300 shares	21	311	-	-	-
Restricted stock awards, 8,886 shares	9	(9)	-	-	-
Amortization of unearned compensation	-	255	-	-	-
Reduction of Stock Sharing Plan debt guarantee	-	-	-	7,891	-
Purchase of treasury stock	-	-	-	-	(420)
Foreign equity translation adjustment	-	-	(1,591)	-	-
BALANCE, DECEMBER 31, 1992	28,846	6,248	492,196	(24,350)	(17,444)
Net income	-	-	18,801	-	-
Cash dividends, $.94 per share	-	-	(26,405)	-	-
Exercise of stock options, 3,820 shares	4	60	-	-	-
Amortization of unearned compensation	-	161	-	-	-
Reduction of Stock Sharing Plan debt guarantee	-	-	-	9,470	-
Purchase of treasury stock	-	-	-	-	(128)
Foreign equity translation adjustment	-	-	(1,006)	-	-
BALANCE, DECEMBER 31, 1993	$28,850	$6,469	$483,586	$(14,880)	$(17,572)

The notes to consolidated financial statements are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PRINCIPLES OF CONSOLIDATION AND SUMMARY OF ACCOUNTING POLICIES

The accompanying consolidated financial statements include the accounts of Yellow Corporation (formerly Yellow Freight System, Inc. of Delaware) and its wholly-owned subsidiaries (the company). All significant intercompany accounts and transactions have been eliminated in consolidation. The company provides transportation services to the less-than-truckload (LTL) market throughout North America.

Major accounting policies and practices used in the preparation of the accompanying financial statements not covered in other notes to consolidated financial statements are as follows:

- - Fuel, operating supplies and operating property are carried at cost.

- - Depreciation is computed using the straight-line method based on the following service lives:

	Years
Structures	10-40
Revenue equipment	5-10
Other operating property	2-10

- - Maintenance and repairs are charged to operations currently; replacements and improvements are capitalized. When revenue equipment is traded, the basis of the new equipment is reduced when the trade-in allowance exceeds the basis of the old equipment. The gain or loss for all other dispositions is reflected in other nonoperating (income) expense.

- - The cost of tires on equipment is amortized over the estimated tire lives.

- - Claims and insurance accruals, both current and long-term, reflect the estimated cost of claims for workers' compensation, cargo loss and damage, and bodily injury and property damage not covered by insurance. These costs are included in claims and insurance expense except for workers' compensation which is included in employees' benefits expense.

Reserves for workers' compensation are based upon actuarial analyses prepared by independent actuaries and are discounted to present value. The process of determining reserve requirements utilizes historical trends and involves an evaluation of claim frequency, severity and other factors. The effect of future inflation for both medical costs and lost wages is implicitly considered in the actuarial analyses. Adjustments to previously established reserves, if required, are included in operating results. At December 31, 1993 and 1992, estimated future payments for these claims aggregated $162.1 million and $129.8 million, respectively. The present value of these estimated future payments was $142.3 million at December 31, 1993 and $110.6 million at December 31, 1992, discounted using a rate of 5.5% for 1993 and 7.0% for 1992.

- - Cash includes demand deposits and highly liquid investments purchased with original maturities of three months or less. All other investments, with maturities less than one year, are classified as short-term investments and are stated at cost which approximates market.

- - Since January 1, 1992, revenue has been recognized on a percentage completion basis while expenses are recognized as incurred. The company changed its revenue recognition method in response to a January 1992 consensus by the Emerging Issues Task Force of the Financial Accounting Standards Board. Prior to 1992, revenue was recognized when a shipment was picked up.

- - In the second quarter of 1993, the company's primary subsidiary, Yellow Freight System, Inc., began an extensive multi-year network development process by consolidating and realigning terminals to improve customer service and reduce costs. A restructuring charge of $18.0 million before taxes, or $11.2 million after taxes ($.40 per share) was accrued for the costs to close certain facilities and dispose of excess property.

- - Certain reclassifications have been made to the prior year consolidated financial statements to conform with current presentation.

ACQUISITION

In February 1993, the company acquired the stock of Preston Corporation (Preston) for $25.3 million, including related expenses. Preston is the holding company for three regional less-than-truckload (LTL) carriers serving the Northeast, Upper Midwest and Southeast United States. Preston's total debt at the date of acquistion was $135.0 million, of which $78.1 million was repaid with funds advanced to Preston by the com-pany. The acquisition was accounted for by the purchase method and, accordingly the company has recorded fair values at the date of acquisition of $246.3 million for assets acquired and $232.4 million for liabilities assumed. The $11.4 million excess of the purchase price over net assets acquired is included with other long-term assets and is being amortized over 20 years using the straight-line method.

The 1993 financial statements include the results of Preston effective March 1, 1993. Assuming the acquisition of Preston had occurred on January 1, 1992, the company's unaudited results of operations are as follows (in thousands, except per share data) for the twelve months ended December 31:

	1993	1992
Operating revenue	$2,943,613	$2,843,768
Income before cumulative effect of accounting change	12,739	31,047
Net income	11,634	18,710
Earnings per share:		
Income before cumulative effect of accounting change	$.45	$1.11
Net income	.41	.67

The unaudited pro forma results are not necessarily indicative of what would have occurred if the acquisition had been consummated at the beginning of each year, nor are they necessarily indicative of future results.

SERIES A $10 PREFERRED STOCK AND RIGHTS

Each share of the company's common stock carries with it one preferred stock purchase right. Under certain circumstances, each right may be exercised to purchase 1/100th of a share of Series A $10 Preferred stock at an exercise price of $120, subject to adjustment. The rights, which are nonvoting, expire on December 8, 1996 and may be redeemed by the company at a price of $.05 per right at any time prior to ten days after public announcement of the acquisition of 20% or more of the outstanding common stock.

If a person acquires 20% of the company's voting stock or if certain other transactions occur, each right not owned by a 20% shareholder will entitle the holder to purchase at the exercise price a number of shares of the common stock of the company or, depending on the nature of the transaction, the stock of an acquiring company, having a market value equal to twice the exercise price of such right.

Dividends and voting rights on each 1/100th share of the Series A $10 Preferred stock will be equal to that of one share of common stock.

DEBT

At December 31, long-term debt consisted of the following (in thousands):

	1993	1992
Commercial paper	$24,968	$-
Medium-term notes	111,250	84,000
Stock Sharing Plan debt guarantee	14,880	24,350
Industrial development bonds	32,883	24,795
Capital leases and other	17,583	932
Subordinated debentures	24,939	-
Total debt	226,503	134,077
Less - current maturities	12,327	11,050
Total long-term debt	$214,176	$123,027

The company has a five year $100 million credit agreement with a group of banks which expires May 31, 1997. Interest is based, at the company's option, on competitive bidding among the banks, at a fixed increment over the London interbank offered rate, or at the agent bank's base rate. There are no compensating balances required but a facility fee is charged. There were no borrowings under this agreement in 1993 or in 1992 nor were there borrowings in 1992 under a predecessor agreement.

The company maintains credit availability under the credit agreement to support the commercial paper program and provide additional borrowing capacity. Accordingly, commercial paper and medium-term notes maturing within one year, and intended to be refinanced, are classified as long-term. The weighted average interest rate on commercial paper outstanding at December 31, 1993 was 3.5%. Medium-term notes have scheduled maturities through 2008 with interest rates ranging from 5.7% to 9.7% per annum.

The company has guaranteed the debt of the Stock Sharing Plan (see Employee Benefits). This debt bears interest at a rate of 7.9% and is payable by the Stock Sharing Plan in installments through 1995.

The company has loan guarantees, mortgages and lease contracts in connection with the issuance of industrial development bonds used to acquire, construct or expand terminal facilities. Interest rates on some issues are variable and rates currently range from 2.5% to 8.0% per annum, with principal payments due through 2016.

Certain of the Preston subsidiaries lease operating equipment under capital leases with scheduled maturities through 1998 and interest rates ranging from 9.0% to 9.9% per annum.

The subordinated debentures have an interest rate of 7% and are due in installments from 1997 to 2011.

The aggregate amounts of principal maturities of long-term debt (excluding commercial paper and medium-term notes due within one year) for the next five years are as follows: 1994 - $12,327,000, 1995 - $29,066,000, 1996 - $26,902,000, 1997 - $14,752,000, 1998 - $4,103,000.

The company has short-term unsecured credit lines with domestic and foreign banks totaling $130 million. There are no compensating balance requirements or fees associated with these credit lines and the lines can be cancelled by either the banks or the company at any time. There were no borrowings outstanding under these lines at December 31, 1993 or 1992.

Based on the borrowing rates currently available to the company for debt with similar terms and remaining maturities, the fair value of total debt at December 31, 1993 and 1992 is approximately $234 million and $142 million, respectively.

INCOME TAXES

The company accounts for income taxes in accordance with the liability method as specified in the Financial Accounting Standards Board's Statement No. 109, Accounting for Income Taxes. Deferred income taxes are determined based upon the difference between the book and the tax basis of the company's assets and liabilities. Deferred taxes are provided at the enacted tax rates expected to be in effect when these differences reverse.

Deferred tax liabilities (assets) are comprised of the following at December 31 (in thousands):

	1993	1992
Depreciation	$123,787	$116,422
Prepaids	17,345	13,341
Deferred revenue	8,806	8,788
Other	6,067	5,593
Gross liabilities	156,005	144,144
Claims and insurance	(81,577)	(57,206)
NOL and AMT credit carryovers	(5,856)	-
Bad debts	(4,797)	(3,884)
Employee benefits	(4,358)	(1,014)
Other	(9,530)	(5,508)
Gross assets	(106,118)	(67,612)
Net liability	$49,887	$76,532

The provision for income taxes is computed based on the following amounts of income before income taxes (in thousands):

	1993	1992	1991
Domestic	$31,175	$62,553	$36,611
Foreign	4,183	2,840	3,737
Total income before income taxes	$35,358	$65,393	$0,348

The provision for income taxes consists of the following (in thousands):

	1993	1992	1991
Current tax expense:			
U.S. federal	$21,407	$32,701	$22,836
State	4,814	4,768	2,503
Foreign	2,216	2,211	1,980
Total current	28,437	39,680	27,319
Deferred tax expense:			
U.S. federal	(9,214)	(11,408)	(9,825)
State	(3,244)	(2,131)	(1,728)
Foreign	-	(806)	(255)
Change in U.S. federal tax rate	1,639	-	-
Total deferred	(10,819)	(14,345)	(11,808)
Investment tax credit amortization	(1,061)	(982)	(1,817)
Total provision	$16,557	$24,353	$13,694

A reconciliation between the federal statutory and effective income tax rates follows:

	1993	1992	1991
Federal statutory tax rate	35.0%	34.0%	34.0%
Amortization of investment tax credits	(3.0)	(1.5)	(4.5)
State income taxes, net	2.9	2.7	1.3
Change in U.S. federal tax rate	4.6	-	-
Foreign tax rate differential	2.1	.7	1.1
Nondeductible business expenses	3.8	1.4	2.7
Other, net	1.4	(.1)	(.7)
Effective tax rate	46.8%	37.2%	33.9%

At December 31, 1993, the company had net operating loss (NOL) carryovers for income tax purposes in the amount of $9.2 million. These NOLs relate to Preston prior to acquisition by the company and may only be utilized in future years through 2007 to offset taxable income of Preston. The company also has alternative minimum tax (AMT) credit carryovers related to pre-acquisition years of Preston in the amount of $2.0 million which may be utilized against the future tax liability of Preston. Internal Revenue Code provisions limit the amount of these NOL and AMT credit carryovers that may be utilized in any given year.

EMPLOYEE BENEFITS

Certain affiliates provide funded defined benefit pension plans for employees not covered by collective bargaining agreements. The benefits are based on years of service and the employees' final average earnings. The company's funding policy is to contribute the minimum required tax-deductible contribution for the year.

The following tables set forth the plans' funded status and components of net pension cost (in thousands):

Funded status at December 31:	1993	1992
Actuarial present value of benefits at current salary levels and service rendered to date:		
Vested benefits	$120,843	$91,867
Non-vested benefits	2,422	1,908
Accumulated benefit obligation	123,265	93,775
Effect of anticipated future salary increases	23,449	32,182
Projected benefit obligation	146,714	125,957
Plan assets at fair value, primarily U.S. Government agency bonds	122,092	115,777
Plan assets less than projected benefit obligation	(24,622)	(10,180)
Unrecognized net loss	17,188	7,954
Unrecognized initial net asset being amortized over 17 years	(22,833)	(25,220)
Pension cost accrued, not funded	$(30,267)	$(27,446)

Net pension cost:	1993	1992	1991
Service cost - benefits earned during the period	$6,919	$8,072	$7,419
Interest cost on projected benefit obligation	9,954	10,018	7,975
Actual return on plan assets	(8,177)	(8,333)	(13,128)
Amortization of unrecognized net assets	(2,393)	(2,251)	(2,393)
Net deferral	(1,683)	(800)	4,508
Net pension cost	$4,620	$6,706	$4,381

Assumptions used in the accounting at December 31:	1993	1992	1991
Discount rate	7.5%	8.5%	8.5%
Rate of increase in compensation levels	5.5%	7.8%	7.8%
Expected rate of return on assets	9.0%	9.0%	9.0%

The company contributes to multi-employer health, welfare and pension plans for employees covered by collective bargaining agreements. The health and welfare plans provide health care and disability benefits to active employees and retirees. The pension plans provide defined benefits to retired participants. The company charged to expense and contributed the following amounts to these plans (in thousands):

	1993	1992	1991
Health and welfare	$138,448	$112,370	$06,989
Pension	126,449	104,560	106,590
Total	$264,897	$216,930	$213,579

The company has a Stock Sharing Plan for employees of participating domestic affiliates not covered by collective bargaining agreements. The Stock Sharing Plan used proceeds of a bank loan to purchase shares of the company's common stock. The loan is guaranteed by the company and the outstanding balance is reflected in the financial statements as long-term debt (see Debt) and as a reduction in shareholders' equity. The company's contribution to the Stock Sharing Plan is determined annually by the Board of Directors. These contributions combined with plan earnings must be sufficient to meet the plan's debt service requirements. Expense is recorded as funds are contributed or committed to be contributed. Shares are allocated in accordance with the principal and interest method as defined by the Internal Revenue Code. Expenses and dividends related to the Stock Sharing Plan were (in thousands):

	1993	1992	1991
Employees' benefits expense	$-	$7,185	$5,714
Interest expense	1,746	2,417	2,927
Total expense	$1,746	$9,602	$8,641
Dividends	$1,532	$1,591	$1,616

Certain affiliates also sponsor defined contribution plans, primarily for employees not covered by collective bargaining agreements. The plans principally consist of noncontributory profit sharing plans and contributory 401(k) savings plans. Company contributions to the profit sharing plans are discretionary and are determined annually by the Board of Directors of each participating company. Contributions for each of the three years in the period ended December 31, 1993 were not material to the operations of the company.

In November 1992, the Financial Accounting Standards Board issued its Statement No. 112, Employers' Accounting for Postemployment Benefits related to benefits provided former or inactive employees before retirement. The company intends to adopt this Standard in 1994. This noncash charge will not have a material impact on the financial condition or results of operations of the company.

STOCK OPTION INCENTIVE PLAN

The company has reserved 800,000 shares of its common stock for issuance to key employees under a stock option incentive plan adopted in 1992 ("1992 plan"). This plan permits three types of awards: grants of stock options, both qualified and nonqualified, grants of stock options coupled with a grant of stock appreciation rights, and grants of restricted stock awards. At December 31, 1993, 791,114 shares were available for future grants. The company also has outstanding options from a 1983 stock option incentive plan ("1983 plan"). Since April 22, 1992, the expiration date of this plan, no shares have been available for grant.

All stock options are granted with an exercise price equal to the fair market value of the company's common stock at the date of grant. All options are exercisable in whole or in part beginning one year and ending not later than ten years from the date of grant. Those stock options that are coupled with a grant of stock appreciation rights can be exercised in the form of either a stock option or stock appreciation right at the election of the recipient. Compensation expense is recorded for stock appreciation rights based on the excess of the market price of the company's common stock over the price at date of grant. At December 31, 1993, there were 31,795 options outstanding under the 1983 plan exercisable at prices ranging from $14.38 to $ 30.50 per share aggregating $695,000. There were no options outstanding under the 1992 plan at December 31, 1993.

Restricted stock awarded to key employees is held in the possession of the company until all restrictions lapse. The restrictions, which prohibit sale or transfer of the shares, lapse at a fixed percent of the total award each year commencing one year after the date of grant provided the recipient continues to be employed by the company or certain other conditions are met. Compensation expense is recorded as restrictions lapse on restricted stock awards. The difference between the market value of the common stock and the amounts charged to expense is recorded as unearned compensation and is presented as a separate reduction of shareholders' equity. The number of restricted shares granted was 0 in 1993, 8,886 in 1992, and 0 in 1991. Distribution of restricted shares was 12,825 in 1993, 23,355 in 1992, and 23,354 in 1991. Total compensation expense under the plan was $175,000 in 1993, $281,000 in 1992 and $642,000 in 1991.

COMMITMENTS AND CONTINGENCIES

The company leases certain terminals and equipment under operating lease agreements. At December 31, 1993, the company was committed under noncancellable lease agreements requiring minimum annual rentals aggregating $70,495,000 payable as follows: 1994 - $26,284,000, 1995 - $17,285,000, 1996 - $11,274,000, 1997 - $6,629,000, 1998 - $4,202,000 and thereafter, $4,821,000. Projected 1994 capital expenditures are $175 million, of which $68 million are committed at December 31, 1993.

Various claims and legal actions are pending against the company. It is the opinion of management that these matters will have no significant impact upon the financial condition or results of operations of the company.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To The Shareholders of Yellow Corporation:

We have audited the accompanying consolidated balance sheets of Yellow Corporation (a Delaware corporation) and Subsidiaries as of December 31, 1993 and 1992, and the related consolidated statements of income, cash flows and shareholders' equity for each of the three years in the period ended December 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 Yellow Corporation and Subsidiaries as of December 31, 1993 and 1992, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1993, in conformity with generally accepted accounting principles.

As discussed in the notes to the consolidated financial statements, the Company changed its method of revenue recognition in 1992.

ARTHUR ANDERSEN & CO.

Kansas City, Missouri
January 31, 1994

SUPPLEMENTARY INFORMATION
QUARTERLY FINANCIAL INFORMATION (UNAUDITED)
(Amounts in thousands except per share data)

1993	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Operating revenue	$602,220	$732,901	$761,706	$759,678
Income from operations	1,757	2,887*	25,634	23,615
Net income (loss)	(1,749)	(1,886)*	10,468**	11,968
Earnings (loss) per share	(.06)	(.07)*	.37**	.43
1992				
Operating revenue	$566,036	$566,177	$571,287	$559,176
Income from operations	25,272	20,493	21,821	15,228
Income before cumulative effect of accounting change	13,063	9,956	11,558	6,463
Net Income	1,563	9,956	11,558	6,463
Earnings per share:				
Income before cumulative effect of accounting change	.47	.35	.41	.23
Net income	.06	.35	.41	.23

Note: 1993 amounts include the operating results of Preston Corporation effective March 1, 1993.
*Includes network development charge of $18.0 million, $11.2 million after taxes ($.40 per share).
**Includes charge for the tax rate change of $1.6 million ($.06 per share).

COMMON STOCK

Yellow Corporation's stock is held by approximately 3,200 shareholders of record. The company's only class of stock outstanding is common stock, traded in over-the-counter markets. Trading activity averaged about 168,000 shares per day during the year, up from 122,000 shares per day in 1992. Prices are quoted by the National Association of Securities Dealers Automatic Quotation System National Market (NASDAQ-NMS) under the symbol YELL.

Quarter Ended

1993	High	Low	Dividends Per Share	1992	High	Low	Dividends Per Share
March 31	29 7/8	22 1/4	$.235	March 31	32 3/8	25 1/2	$.235
June 30	24 1/4	16 7/8	.235	June 30	32 3/8	23 1/2	.235
September 30	24 7/8	17 1/8	.235	September 30	27 1/4	21 3/4	.235
December 31	25 7/8	22 3/8	.235	December 31	29 3/4	22 5/8	.235
			$.940				$.940

SENIOR OFFICERS

YELLOW CORPORATION

George E. Powell III
President and Chief Executive Officer

Robert W. Burdick
Senior Vice President - Corporate Development and Public Affairs

William F. Martin, Jr.
Senior Vice President - Legal/Corporate Secretary

YELLOW FREIGHT SYSTEM, INC.

M. Reid Armstrong
President

Robert L. Bostick
Senior Vice President - Operations

J. Kevin Grimsley
Senior Vice President - Marketing and Sales

Gail A. Parris
Senior Vice President - Administration

PRESTON TRUCKING COMPANY, INC.

Leo H. Suggs
President

David W. Elson
Senior Vice President - Operations and Sales

SAIA MOTOR FREIGHT LINE, INC.

Louis P. Saia, Jr.
President

Lyndon J. Saia
Executive Vice President

SMALLEY TRANSPORTATION COMPANY

Jimmy D. Crisp
President

CSI/REEVES, INC.

Thor N. Edman, Jr.
President

YELLOW LOGISTICS SERVICES, INC.

Robert G. Olterman
General Manager

YELLOW TECHNOLOGY SERVICES, INC.

William F. Martin, Jr.
President

BOARD OF DIRECTORS
YELLOW CORPORATION

George E. Powell, Jr.
Director since 1952
Chairman of the Board of the Company

M. Reid Armstrong
Director since 1992
President of Yellow Freight System, Inc.

Klaus E. Agthe
Director since 1984
Director, VIAG North American

+Thomas M. Bloch
Director since 1991
President and Chief Executive Officer of H&R Block, Inc.

Howard M. Dean
Director since 1987
Chairman and Chief Executive Officer of Dean Foods Company

+Charles A. Duboc
Director since 1980
Retired President of The Penryn Corporation

David H. Hughes
Director since 1973
Retired Vice Chairman of Hallmark Cards, Inc.

+John C. McKelvey
Director since 1977
President and Chief Executive Officer of Midwest Research Institute

George E. Powell III
Director since 1984
President and Chief Executive Officer of the Company

William F. Martin, Jr.
Secretary to the Board

+ Member, Audit Committee

CORPORATE
INFORMATION

YELLOW CORPORATION
10777 Barkley, P.O. Box 7563
Overland Park, Kansas 66207
(913) 967-4300

INDEPENDENT PUBLIC ACCOUNTANTS
Arthur Andersen & Co.,
Kansas City, Missouri

TRANSFER AGENT AND REGISTRAR
Mellon Securities Trust Company
Shareholder Relations Department P.O. Box 305
Pittsburgh, Pennsylvania 15230
(800) 526-0801

ANNUAL MEETING
The annual meeting of the shareholders will be held on
April 21, 1994 at 9:30 a.m., at the Holiday Inn Kansas City / Lenexa
12601 W. 95th Street
Lenexa, Kansas 66215-3895

10-K REPORT
A copy of the company's 1993 report to the Securities and
Exchange Commission on Form 10-K may be obtained after
April 1 by writing to the Treasurer, Yellow Corporation
P.O. Box 7563,
Overland Park, Kansas 66207.

YELLOW CORPORATION
10777 Barkley
P.O. Box 7563
Overland Park, Kansas 66207

APPENDIX TO YELLOW CORPORATION 1993 ANNUAL REPORT

1. The back of Page 1 contains a photograph of interstate highway overpasses.

2. Page 3 contains a small inset photograph of interstate highway overpasses.

3. Page 5 contains a small inset photograph of George E. Powell III, President and Chief Executive Officer.

4. The bottom of Page 6 contains a small inset photograph of a Goodyear tire.

5. Page 7 consists of a photograph of a Yellow Freight System driver and a Goodyear manager.

6. The bottom of Page 8 contains a small inset photograph of a clipboard.

7. Page 9 consists of a photograph of a Preston Trucking Company employee.

8 The bottom of Page 10 contains a small inset photograph of a pair of work gloves.

9. Page 11 consists of a photograph of a Saia Motor Freight Line driver.

10. Page 12 contains a small inset photograph of a personal computer.

11. Page 13 consists of a photograph of a Smalley Transportation Company dock supervisor and an employee of Yellow Logistics Service.

12. The chart on Page 14 of operating revenue is overlaid against a small inset photograph of interstate highway overpasses.

13. The chart on Page 15 of net income is overlaid against a small inset photograph of interstate highway overpasses.