

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR
15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 1994

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR
15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 0-12255

YELLOW CORPORATION
(Exact name of registrant as specified in its charter)

Delaware

48-0948788

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

10777 Barkley, P.O. Box 7563, Overland Park, Kansas

66207

(Address of principal executive offices)

(Zip Code)

(913) 967-4300

(Registrant's telephone number, including area code)

No changes.

(Former name, former address and former fiscal year, if changed since last
report)

Indicate by check mark whether the registrant (1) has filed all reports
required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of
1934 during the preceding 12 months (or for such shorter period that the
registrant was required to file such reports), and (2) has been subject to such
filing requirements for the past 90 days.

Yes No
--- ---

Indicate the number of shares outstanding of each of the issuer's classes of
common stock, as of the latest practicable date.

Class	Outstanding at October 31, 1994
-----	-----
Common Stock, \$1 Par Value	28,107,475 shares

YELLOW CORPORATION

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PART I - FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS
Yellow Corporation and Subsidiaries
September 30, 1994 and December 31, 1993
(Amounts in thousands except share data)
(Unaudited)

	September 30 1994 -----	December 31 1993 -----
ASSETS		
CURRENT ASSETS:		
Cash	\$ 14,725	\$ 13,937
Short-term investments	7,772	6,777
Accounts receivable	306,519	276,223
Other current assets	92,356	82,456
	-----	-----
Total current assets	421,372	379,393
	-----	-----
OPERATING PROPERTY:		
Cost	1,860,432	1,765,992
Less - Accumulated depreciation	980,662	910,122
	-----	-----
Net operating property	879,770	855,870
	-----	-----
OTHER ASSETS		
	19,990	30,391
	-----	-----
	\$1,321,132	\$1,265,654
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 99,462	\$ 71,580
Wages and employees' benefits	131,795	117,723
Other current liabilities	134,448	140,854
Current maturities of long-term debt	12,205	12,327
	-----	-----
Total current liabilities	377,910	342,484
	-----	-----
OTHER LIABILITIES:		
Long-term debt	253,594	214,176
Deferred income taxes	54,839	58,911
Claims, insurance and other	182,091	163,630
	-----	-----
Total other liabilities	490,524	436,717
	-----	-----
SHAREHOLDERS' EQUITY:		
Common stock, \$1 par value	28,858	28,850
Capital surplus	6,668	6,469
Retained earnings	444,679	483,586
Shares held by Stock Sharing Plan	(9,920)	(14,880)
Treasury stock	(17,587)	(17,572)
	-----	-----
Total shareholders' equity	452,698	486,453
	-----	-----
	\$1,321,132	\$1,265,654
	=====	=====

The accompanying notes are an integral part of these statements.

STATEMENTS OF CONSOLIDATED INCOME
 Yellow Corporation and Subsidiaries
 For the Quarter and Nine Months Ended September 30, 1994 and 1993
 (Amounts in thousands except per share data)
 (Unaudited)

	Third Quarter		Nine Months	
	1994	1993	1994	1993
OPERATING REVENUE	\$769,259	\$761,706	\$2,109,629	\$2,096,827
OPERATING EXPENSES:				
Salaries, wages and benefits	501,247	507,774	1,425,057	1,418,022
Operating expenses and supplies	110,862	107,567	320,822	301,249
Operating taxes and licenses	28,460	27,182	82,643	76,576
Claims and insurance	20,945	19,730	59,319	50,641
Communications and utilities	9,850	9,661	30,698	28,621
Depreciation	33,202	33,324	99,989	98,677
Purchased transportation	37,517	30,834	98,392	74,763
Network development	-	-	-	18,000
Total operating expenses	742,083	736,072	2,116,920	2,066,549
INCOME (LOSS) FROM OPERATIONS	27,176	25,634	(7,291)	30,278
NONOPERATING (INCOME) EXPENSES:				
Interest expense	4,865	4,593	14,108	13,035
Other, net	(468)	613	(1,376)	1,691
Nonoperating expenses, net	4,397	5,206	12,732	14,726
INCOME (LOSS) BEFORE INCOME TAXES	22,779	20,428	(20,023)	15,552
PROVISION FOR INCOME TAXES	9,575	9,960	(4,967)	8,719
INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	13,204	10,468	(15,056)	6,833
EXTRAORDINARY ITEM - WRITE-OFF OPERATING RIGHTS	(4,058)	-	(4,058)	-
NET INCOME (LOSS)	\$ 9,146	\$ 10,468	\$ (19,114)	\$ 6,833
AVERAGE COMMON SHARES OUTSTANDING	28,108	28,106	28,107	28,106
EARNINGS PER SHARE:				
Income (loss) before extraordinary item	\$.47	\$.37	\$ (.54)	\$.24
Net income (loss)	\$.33	\$.37	\$ (.68)	\$.24

The accompany notes are an integral part of these statements.

STATEMENTS OF CONSOLIDATED CASH FLOWS
 Yellow Corporation and Subsidiaries
 For the Nine Months Ended September 30, 1994 and 1993
 (Amounts in thousands)
 (Unaudited)

	1994	1993
	-----	-----
OPERATING ACTIVITIES:		
Net cash from operating activities	\$ 98,026	\$ 100,842
	-----	-----
INVESTING ACTIVITIES:		
Acquisition of operating property	(135,198)	(50,906)
Proceeds from disposal of operating property	14,573	5,260
Purchases of short-term investments	(7,951)	(7,032)
Proceeds from maturities of short-term investments	6,956	13,678
Purchase of Preston Corporation, net of cash acquired	-	(23,683)
	-----	-----
Net cash used in investing activities	(121,620)	(62,683)
	-----	-----
FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt	14,000	24,250
Repayment of long-term debt	(13,840)	(93,933)
Commercial paper borrowings, net	43,925	63,892
Cash dividends paid to shareholders	(19,812)	(19,802)
Reduction of Stock Sharing Plan debt guarantee	(4,960)	(4,509)
Shares allocated by Stock Sharing Plan	4,960	4,509
Other, net	109	55
	-----	-----
Net cash from (used in) financing activities	24,382	(25,538)
	-----	-----
NET INCREASE IN CASH	788	12,621
CASH, BEGINNING OF PERIOD	13,937	19,016
	-----	-----
CASH, END OF PERIOD	\$ 14,725	\$ 31,637
	=====	=====
SUPPLEMENTAL CASH FLOW INFORMATION:		
Income taxes paid	\$ 2,551	\$ 16,516
	=====	=====
Interest paid	\$ 11,077	\$ 11,358
	=====	=====

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Yellow Corporation and Subsidiaries

1. In the opinion of management, all adjustments necessary for a fair statement of the results of operations for the interim periods included herein have been made.
2. The company's reserves for workers' compensation are discounted to present value using a rate of 5.5% at December 31, 1993. Effective January 1, 1994, the company changed its discount rate to a risk-free rate. The risk-free rate is the U.S. Treasury rate for maturities that match the expected pay-out of workers' compensation liabilities. The change in rates was prompted by a Securities and Exchange Commission directive requiring a discount rate that does not exceed a risk-free rate. This change did not have a material impact on the financial condition or results of operations of the company.
3. In February 1993, Yellow Corporation (the company) acquired the stock of Preston Corporation (Preston). Preston is the holding company for principally three regional less-than-truckload (LTL) carriers. Preston Trucking Company, Inc. (Preston Trucking) serves the Northeast and Upper Midwest. Saia Motor Freight Line, Inc. (Saia) serves the Southeast and Smalley Transportation Company (Smalley) serves Florida and Georgia. The acquisition was accounted for by the purchase method and, accordingly the financial statements include the operating results of Preston effective March 1, 1993. Assuming the acquisition of Preston had occurred on January 1, 1993, the company's unaudited results of operations (in thousands, except per share data) for the nine months ended September 30, 1993 would have been as follows:

	1993

Operating revenue	\$ 2,183,935
Income before cumulative effect of accounting change	\$ 771
Net loss	\$ (334)
Earnings per share: -----	
Income before cumulative effect of accounting change	\$.03
Net loss	\$ (.01)

The unaudited pro forma results are not necessarily indicative of what would have occurred if the acquisition had been consummated at the beginning of 1993, nor are they necessarily indicative of future consolidated results.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

FINANCIAL CONDITION

September 30, 1994 Compared to December 31, 1993

Working capital increased by \$6 million during the first nine months of 1994, resulting in a \$43 million positive working capital position at September 30, 1994.

The company decreased its total debt level by \$12 million in the third quarter of 1994, resulting in total debt at September 30, 1994 that was \$39 million more than at December 31, 1993. This overall increase was primarily due to the relatively higher level of capital expenditures in the first nine months of 1994 and the impact on cash flow of a 24 day strike in April against Yellow Freight System, Inc., (Yellow Freight), the company's largest operating subsidiary. Additional borrowings during the period were primarily from commercial paper. Most of the capital expenditures were for revenue equipment at Yellow Freight. It is anticipated that the remaining capital expenditures for 1994 will be financed primarily through internally-generated funds and that the total debt level at December 31, 1994 will approximate that of September 30, 1994.

The Board of Directors of the company declared a quarterly dividend of \$.235 per share of common stock on October 20, 1994, payable on November 14 to shareholders of record on October 31.

RESULTS OF OPERATIONS

Comparison of Three Months Ended September 30, 1994 and 1993

Operating revenue for the company was \$769.3 million in this year's third quarter compared to \$761.7 million in the third quarter last year, an increase of 1%. Net income before an extraordinary item was \$13.2 million, or \$.47 per share, compared to \$10.5 million, or \$.37 per share in last year's third quarter. Last year's results were reduced by \$1.6 million, or \$.06 per share, due to the impact of a higher tax rate on the company's deferred tax liabilities.

Federal legislation passed during this year's third quarter effectively deregulated entry and rates for intrastate operations of all transportation companies. As a result, the company wrote off the \$4.1 million after tax value of its intrastate operating rights. This \$.14 per share non-cash charge was recorded as an extraordinary item and reduced net income to \$9.1 million, or \$.33 per share.

During the third quarter, Yellow Freight continued its recovery from the effects of the strike. Operating revenue in the quarter was about equal to last year while profitability was higher. A stable pricing environment helped Yellow Freight offset decreases in tonnage and the number of shipments handled. LTL and total tonnage were down only 2% compared to the third quarter of 1993. Late in the quarter Yellow Freight implemented a change of linehaul operations which will allow substantially more freight to be transported via rail. This change, which was made possible by the new labor agreement, will lower operating costs and improve service for customers.

Preston Trucking reported lower results for the third quarter. Flat revenue and increased operating expenses resulted in a 102.6 operating ratio in this year's third quarter compared to breakeven results in the same quarter last year. Operating expenses included the impact of the new labor contract and additional changes in a wage reduction program (see Part II, Item 6(b)). In October, Preston Trucking opened a new distribution center located in the Cleveland, Ohio area which will enable them to offer two day or less service throughout almost all of its expanded "SuperRegion". This service offering provides a competitive advantage and is an important step in making Preston Trucking a contributor to the company's profitability.

The merger of Smalley into Saia is proceeding as planned with completion still expected in the first quarter of next year. Third quarter revenue increased 14% at Saia and 6% at Smalley compared to last year, mainly from growth in the number of shipments handled. Saia's third quarter operating ratio of 93.8 reflects merger preparation costs as well as costs related to the continuing expansion in Texas and Tennessee. The full benefits of the expansion will impact 1995 and beyond. Smalley's operating ratio of 98.7 is a full seven points better than its performance in the third quarter of 1993.

Comparison of Nine Months Ended September 30, 1994 and 1993

For the first nine months of 1994, operating revenue was \$2,109.6 million compared to \$2,096.8 million in the same period last year. The inclusion of the Preston group of companies, effective March 1, 1993, increased revenue by 6.3% but the strike offset this increase, resulting in essentially the same revenue as last year.

For the first nine months of 1994 there was a net loss of \$19.1 million, or \$.68 per share, compared to net income of \$6.8 million, or \$.24 per share in 1993. The loss in 1994 primarily reflects the impact of a 24 day strike in April against Yellow Freight which is estimated to have cost \$1.24 per share. The results for 1993 include an \$11.2 million, or \$.40 per share, after tax charge for network development.

PART II - OTHER INFORMATION

Item 5. Other Information

On October 31, 1994, the company announced that it had signed a final purchase agreement to acquire Johnson's Freightlines, a Phoenix, AZ-based regional LTL carrier. Johnson's has annual revenue of approximately \$17 million and provides service to Arizona, New Mexico and parts of Texas. The purchase will provide a profitable base for gaining a regional LTL presence in the western region of the United States. The purchase is expected to be completed in November subject to regulatory approvals. The acquisition will be accounted for by the purchase method and, accordingly, the company will include operating results of Johnson's in the financial statements from the date of acquisition.

PART II - OTHER INFORMATION (continued)

Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibit (27) - Financial Data Schedule (for SEC use only).
- (b) Reports on Form 8-K

On July 5, 1994, a Form 8-K was filed under Item 5, Other Events, which reported that the company announced on June 30, 1994, that the union associates of its Preston Trucking Company subsidiary had approved a plan that would reduce wages in return for a share of profits if certain operating results are achieved. The associates, members of the International Brotherhood of Teamsters, voted to approve a wage reduction program that would lessen pay by seven percent in 1994, five percent in 1995 and return to standard contract wages in 1996. This plan replaced a one year, nine percent wage reduction approved in March 1993, shortly after Preston Trucking was acquired by the company.

The company indicated that the temporary reduction in wages was necessary to help complete a financial turnaround of Preston Trucking. The vote on the wage reduction provides Preston Trucking with additional time to implement permanent changes and complete the turnaround.

On October 5, 1994, a Form 8-K was filed under Item 5, Other Events, which reported that the company announced on September 29, 1994, that it will record a charge to earnings in the third quarter of \$6.7 million, \$4.1 million after taxes, or \$.14 per share. This charge, recorded as an extraordinary item, is to write-off the book value of its intrastate operating rights. The non-cash charge resulted from the recent passage of the Trucking Industry Regulatory Reform Act of 1994 which deregulates the entry and rates for the intrastate operations of all transportation companies.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

YELLOW CORPORATION

RegistrantDate: November 7, 1994
-----/s/ H. A. Trucksess, III
-----H. A. Trucksess, III
Senior Vice President - FinanceDate: November 7, 1994
-----/s/ Phillip A. Spangler
-----Phillip A. Spangler
Vice President and Treasurer

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1,000

9-MOS

	DEC-31-1994	
	JAN-01-1994	
	SEP-30-1994	
		14,725
		0
	306,519	0
		0
	421,372	
		1,860,432
	980,662	
	1,321,132	
377,910		
	253,594	
	28,858	
0		
	0	
	423,840	
1,321,132		0
	2,109,629	0
	2,116,920	
	0	
	0	
	14,108	
	(20,023)	
	(4,967)	
(15,056)		
	0	
	(4,058)	0
	(19,114)	
	(.68)	
	(.68)	