ROADWAY SERVICES, INC.

ANNUAL REPORT 1991

Table of Contents

Financial Highlights 1

Letter to Shareholders 2

Review of Operations 4

Glossary 17

Management's Discussion 18

Consolidated Financial Statements 20

Notes to Consolidated Financial Statements 24

Report of Independent Auditors 27

Historical Data 28

Summary of Quarterly Results of Operations 30

Common Stock and Dividends 30

Directors and Officers 31

Annual Meeting 32

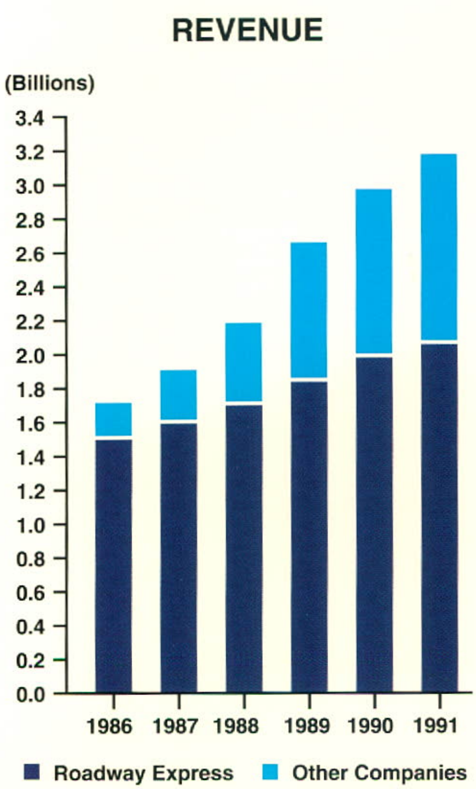
Mission

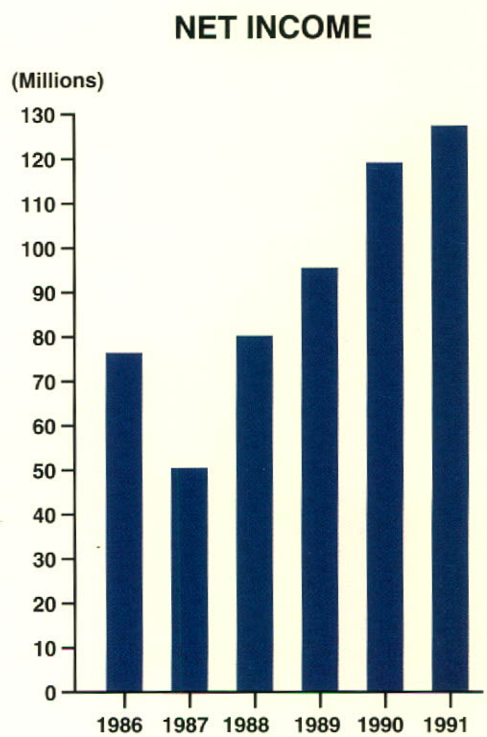
Roadway Services, Inc., through its operating companies, is in the business of satisfying customers by meeting their requirements for value added transportation and logistics services, thereby creating value for our shareholders.

- *We will be quality driven and customer focused in pursuit of this mission. We will be the best there is at the art and science of satisfying the customer.*
- *We will be efficient in the use of human and other resources.*
- *We will provide our people with a challenging and satisfying work experience.*
- *We will conduct our affairs with integrity as a responsible corporate citizen.*

Financial Highlights

	1991	1990
	(dollars in thousands, except per share data)	
Revenue	$ 3,176,956	$ 2,971,235
Income Before Income Taxes	$ 213,606	$ 194,538
Net Income	$ 127,323	$ 119,080
Net Income per Share	$ 3.27	$ 3.05
Cash Dividends Paid per Share	$ 1.15	$ 1.10
Ratio of Current Assets to Current Liabilities	1.21	1.05
Purchases of Carrier Operating Property	$ 202,969	$ 200,937
Total Shareholders' Equity	$ 890,256	$ 777,795





Letter to Shareholders

February 18, 1992

Dear Shareholder:

As you well recall, the dawning of 1991 brought with it the twin perils of war and recession. In spite of the uncertainties posed by these prospects, our charge was to grow the company and improve profitability. I am proud to report to you that our people did just that.

Financial Results

Revenue in 1991 was $3,176,956,000 compared with $2,971,235,000 in 1990. Net income was $127,323,000 or $3.27 per share compared with $119,080,000 or $3.05 per share in 1990.

Revenue for Roadway Express, our largest carrier, was $2.06 billion, a 4.1% increase over 1990, while earnings increased 3.2% to $1.60 per share from $1.55 per share. Revenue for all other operations was $1.12 billion, a 12.6% increase over 1990. These companies earned $1.67 per share versus $1.50 per share in 1990.

Roadway Express

Roadway Express, our flagship carrier, regained its place as America's premier national network carrier, leading its industry segment in customer satisfaction and earnings. The focused effort of the last several years to employ the substantial operating strengths of the company to support the objectives of our customers paid dividends as Roadway was rewarded with enhanced revenue and earnings despite the hostile economic climate which prevailed during the year.

This focus has clearly helped the company to become differentiated from its competitors. Among the sources of this differentiation are responsiveness to customer requirements and problems when they arise, a vibrant quality process and continuous improvement in the basics of the business, such as on-time delivery.

These improvements also helped to restrain cost increases which could not be absorbed by customers in a recessionary environment. The application of technology, engineering, planning and empowerment fostered efficiency gains in operations. In 1991, Roadway delivered 29% more LTL tons than in 1986 with only 3% more management and supervisory employees.

Customers benefited from the fact that net freight rates increased very little in 1991, while we benefited from moderately increased revenue and earnings in spite of the recession.

Reflecting the increasingly global involvement of many customers, service to 20 European countries was introduced in 1991, with access to the Pacific Rim scheduled this year. Roadway, the first U.S. motor carrier to provide delivery service in Mexico City through its Roadway Bodegas y Consolidacion (RB&C) subsidiary, opened additional RB&C terminals in Monterrey and Guadalajara.

As you will read later in this report, the Galen Roush awards for quality development were presented to 13 field facilities and three general office sections. The people of these units have earned our admiration for significant advances in satisfying the customer.

This year marks the tenth anniversary of the formation of Roadway Services as a transportation holding company. On this occasion it is gratifying to see our core business again leading its field while we can count $1 billion in new annual revenue and commensurate earnings from the operations which have been added.

Roadway Package System

Notable among these is Roadway Package System, Inc. (RPS) which, since its start up in 1985, has forever changed - for the better - the business of transporting small packages. During 1991 the competitive battle with the world's largest transportation entity was fully joined as UPS aggressively responded to the RPS challenge with pricing initiatives and investments in information technology. The RPS people proved their ability to withstand the competitive pressure. RPS deployed its STAR SYSTEM to maintain its lead in the application of technology in support of the customer. While rate yields were little changed, RPS turned in double digit percentage gains in revenue and earnings. At year end, RPS served approximately 80% of the U.S. population through its network of 195 terminals and 15 hubs in 44 states. This year, 24 terminals will be added to provide service to 85% of America. To support this growth, an additional hub will be added increasing the total to 16. We have stated our commitment to provide coverage of the entire country within five years.

On January 6, a new phase in the development of RPS was begun with the launch of RPSAir, a new second-day guaranteed delivery service that utilizes the existing RPS ground network in combination with scheduled airlines. This approach has required only a very modest investment and has performed very well so far.

Regional Operations

The regional carriers were hit hard by rate competition in 1991, particularly in the West. Competitive pricing obscured what was otherwise an outstanding performance by Viking Freight, our western regional carrier. Terminal and safety performance improved, and on-time service exceeded 98%. Like Roadway, Viking managed to achieve moderate revenue growth despite the impact of the recession on the California economy and generally performed very well in relation to its competitors, though earnings declined slightly.

In October, Viking acquired a portion of the assets of Oregon Freightways whose operations were principally in Oregon, Washington and northern California, adding six terminals to the Viking system.

Spartan Express experienced good revenue growth in both divisions but is still operating at a loss. Spartan Central commenced a process of converting from independent contractors to company-owned equipment operated by employees. The immediate results have been an improved image and demonstrated commitment to the regional market which have been important factors in Spartan's sales success.

New technology is coming in 1992 in the form of image processing and hand-held computers for drivers.

Roberts Express

Substantially impacted by lengthy automotive plant shutdowns, particularly in the first quarter, Roberts Express, our time-definite critical shipment specialist, experienced its slowest growth in 1991 with a slight decline in earnings. Volume fluctuated dramatically during the year, a severe test of the resources of a company like Roberts which is the essence of a quick response business. The Roberts people adjusted very well to these demands and continued to achieve enviable ratings in customer satisfaction. A new air charter service, complementary to Roberts' ground expedited operation, was successfully launched during the year. Conversion to an enhanced computer system is scheduled for completion this spring.

Roadway Logistics Systems

Roadway Logistics Systems (ROLS) provides contract logistics services, with initial focus on the automotive industry. In 1991, ROLS began several projects for non-automotive customers. ROLS' business levels have exceeded our expectations, and the company has quickly established an excellent reputation in the industry.

In Closing

We mourn the loss of Donald D. (Don) Dawson, vice president-maintenance for Roadway Express, who passed away suddenly on January 22, 1992 at the age of 58. Don made a significant impact on the design and efficiency of motor equipment industry-wide. He will be sadly missed by all who knew him. L. L. Demastus was named to replace Mr. Dawson.

On a happier note, I am pleased that the board of directors elected Daniel J. Sullivan as president-national carrier group, which includes Roadway Express and Roadway Package System, effective January 1, 1992. Mr. Sullivan has served as vice president and group executive of the company since July 1990 and a director of the company since August 1990. The board also elected Donald C. Brown as assistant controller effective January 1. Mr. Brown joined the company in December 1990 as assistant to the vice president and controller.

In the pages which follow, you will meet customers of our operating companies who have been gracious to share their insights concerning the manner in which the RSI companies helped them meet their own objectives in 1991. As you know, our mission is to be the best there is at the art and science of satisfying the customer, thereby creating value for our shareholders. I commend this report to you as evidence of significant progress towards that objective, and I sincerely thank the people of the Roadway Services companies for that progress. Additionally, very special thanks go to our people who served us so well in "Desert Storm" and whom we are glad to have back home.

Sincerely,

Joseph M. Clapp

Joseph M. Clapp
Chairman and President

Roadway

The comments of Frances Imbrogno and Earl Williams, reported on page seven, serve to underscore a quiet revolution which has been taking place at Roadway Express over the last several years: the transformation from an operations focus to a customer focus. The key objective of this process is to employ Roadway's historic operating strengths in ways which help its customers better meet their own business objectives. In 1991, Roadway regained its position as the country's most profitable LTL carrier, improving business levels despite little growth in the economy.

There are a number of indications of success by Roadway in its quest for total quality management and recognition for quality leadership and customer satisfaction. In 1991, Roadway Express became the first three-time winner of the National Small Shipment Traffic Conference's (NASSTRAC) "Carrier of the Year" award. The company was also recognized for the eighth consecutive year as a winner of *Distribution Magazine's* "Quest For Quality" award as determined by a readership survey. The dedication and commitment of more than 25,000 employees paid off as 16 Roadway facilities and headquarters' departments received the Galen Roush Award of Excellence, named for the company's founder, in recognition of their exemplary customer focus and quality achievements. Results of the company's quarterly customer satisfaction surveys reflect continuous improvement.

Technology continues to have a significant impact on the way Roadway Express does business. Enhancements were made to E•Z BILL and E•Z LINK, pc-based software that gives customers the ability to access Roadway Express' on-line shipment information and to communicate via electronic mail with any Roadway Express facility. Both software packages are now able to run in a network environment, with simplified communications being installed in more than 2,600 customer locations.

Information technology has significantly affected the way Roadway Express works to satisfy the customer. At the beginning of the year, additional mainframe capacity was installed. In 1991, the company completed installation of more than 5,000 data collection terminals at all breakbulk loading doors. The data terminals use bar code scanners to record shipment transfer information in real time. As a result, the automated data collection (ADC) system has improved both administrative and dock productivity.

In 1991, the company also introduced a new software program called Roadway Advanced Planning for Inbound Dispatch (RAPID). RAPID identifies shipments in the Roadway Express system which will arrive at the destination terminal for preplanning of delivery routes which results in more efficient operations and improved customer service.

Addressing our nation's increasing environmental concerns, last summer in Akron, Ohio, Roadway began a test of 10 pickup and delivery (P&D) vehicles powered by liquefied natural gas (LNG) as an alternative to diesel fuel. LNG appears to have environmental and safety advantages and is in plentiful supply. The test will continue in 1992.

New international destinations were added in 1991, and

service to Canada was enhanced through Roadway's participation in the Canadian customs' new arrival systems. The systems, known as PARS and INPARS, allow Roadway customers' shipments to be available for delivery sooner by allowing brokers and Canadian customs officials the opportunity to examine export documents while the freight is intransit, eliminating the need for export documentation to travel with the freight. Roadway was initially involved in the INPARS pilot project in Toronto, Ontario. The service has been expanded to nine Canadian locations and is expected to be used at all Canadian locations by the end of 1992. Roadway's operating companies in Canada were consolidated into one company, Roadway Express (Canada), Inc., effective January 1, 1992.

The company's Mexican subsidiary, Roadway Bodegas y Consolidacion, added terminals in Monterrey and Guadalajara, Mexico in 1991. In Europe, service to 20 nations was initiated through the formation of a non-vessel operating common carrier (NVOCC) in partnership with a full-service European motor carrier. A new toll-free telephone number (1-800-INTL-REX) was established to provide customers international transportation information.

In a time of increased public attention to motor carrier safety, Roadway Express' drivers again set a new intercity accident frequency record of 646,788 miles per accident. In addition, workers' compensation claims expense improved. For the eighth consecutive year, Roadway Express drivers took first place honors in the American Trucking Associations (ATA) National Truck & Industry Safety contest. William Delph, a driver/sales representative in Cheyenne, Wyoming, served as one of 10 members of 1991's "America's Road Team," comprised of outstanding drivers selected by the ATA to represent the industry and promote safe driving nationwide.

Shipments handled in 1991 by Roadway Express totaled 7.2 million tons, an increase of 1.7% over 1990. LTL tons (shipments weighing less than 10,000 pounds each) increased 1.9% and truckload tonnage improved 1.1% from 1990. The average shipment in 1991 weighed 1,080 pounds and moved 1,220 miles. In 1990, the average shipment weighed 1,069 pounds and moved 1,200 miles.

Rates covering a majority of the company's traffic were increased in April to address increased costs associated with the new three-year industry labor contract and other cost increases. For the year, net freight rates, excluding the fuel surcharge in effect for portions of both years, were less than 2% higher than in 1990. A rate increase of 4.84% on most traffic went into effect on January 1, 1992 and

no additional rate increases are planned for the year. Cost increases associated with the second year of the industry labor contract will total approximately 3.5% in 1992.

At year end, Roadway Express' revenue vehicle fleet consisted of:

Intercity	**1991**	**1990**	**Increase (Decrease)**
Tractors	3,559	3,544	15
28' Trailers	22,770	21,842	928
45' Trailers	836	1,155	(319)
48' Trailers	3,408	3,440	(32)
Total	30,573	29,981	592
Pickup and Delivery			
Tractors	5,625	5,612	13
Trailers	2,021	1,862	159
Trucks	282	287	(5)
Total	7,928	7,761	167
Total Vehicles	38,501	37,742	759

At the end of 1991, the average age of the intercity tractors was 5.1 years and that of the intercity trailers was 5.7 years.

Roadway Express' plans for 1992 include enhancements in marketing and engineering resources and continued expansion of international destinations. Roadway Express is committed to continuing to do the right things right, only better.

"Une grande partie du service de qualité est de savoir qu'il y a toujours quelqu'un pour s'occuper de vous."

"They do a very dependable and consistent job day in and day out and we never have to worry about anything as far as they're concerned. They've improved our customer service, which, in turn, improved our place in the marketplace. We have a strategic alliance with Roadway; we work together and we both work for the end customer."
Earl Williams, Director of Transportation and Distribution
Univar
Seattle, Washington
Manufacturer of industrial chemicals

"Quality service is when we get our shipments on time and without damage. It also has a lot to do with the staff. Roadway's staff is extremely friendly. Anytime we need advice, our repesentative gets back to us before the day is over. Also, he checks in on us on a regular basis."
Frances Imbrogno, Executive Secretary
Christina Canada, Inc.
Montreal, Canada
Swimwear manufacturer

"Roadway Express really spends time trying to understand who we are and what we need."

RPS

Roadway Package System (RPS) experienced a year of geographic and technological expansion as well as a year of significant revenue growth, notwithstanding a weak economy.

During the year, RPS extended its service area with the opening of 28 new terminals, broadening the company's coverage to approximately 80% of the U.S. population and 44 states. The new Memphis, Tennessee and Dallas/Ft. Worth, Texas hubs, opened in 1991, are equipped with state-of-the-art technology, including an automated primary sort which ensures that packages are only touched twice during processing (at loading and unloading). Both hubs are expandable to meet future growth.

The company plans to open 24 terminals this year. The openings will extend full state coverage to Illinois and Pennsylvania, bringing the number of states RPS blankets to 16. The new terminals will increase RPS' U.S. population coverage to nearly 85%. To support this growth, new hubs will be opened in Sacramento, California and Portland, Oregon. The Portland facility will replace an existing hub in Seattle, Washington. These facilities will be equipped with automated sortation equipment. RPS plans to extend its service to 100% of the country's population by the end of 1996.

Innovation continues to be a key factor in RPS' success. In 1991, an image processing system was installed to scan, store and retrieve proof of delivery (POD) information. This information, including the signature of the consignee, is scanned from a paper delivery record and stored electronically on a laser disk until it is recalled by a computer, at which time an image of the original POD document is produced and mailed to the customer. Since its inception, turnaround time for customer POD requests has been reduced by 50%.

The STAR SYSTEM, a technology-based delivery information system introduced in 1990, became fully operational in 1991. The STAR SYSTEM enables contractors to scan packages on delivery and key in the name of the recipient. Through the TRACPAK data base, customers can instantly locate enroute shipments and obtain delivery confirmations, including the customer's name, the morning following delivery. The TRACPAK computer is able to verbally provide the customer's name and spell it, if required.

Also initiated in 1991 was ACCESS, a pc-based electronic data interchange (EDI) system. The software is available to customers at no charge. ACCESS allows for real time or batch processing, enabling customers to trace their packages, order and track POD requests, and receive customized reports. This EDI service was enthusiastically received and contributed significantly to RPS winning Hallmark Cards' prestigious Crown Award for transportation excellence.

Safety performance continued to improve at RPS in 1991 as intercity contractors set another record of 687,015 miles between accidents. Contractors in Memphis drove a record seven million miles without an accident. The year was also the safest in RPS history for package handlers and P&D contractors. Doug Doscher, a P&D contractor at RPS' Louisville, Kentucky terminal was selected by the ATA to represent the company and the industry on "America's Road Team" for 1992.

RPS introduced its 1992 theme, "Reaching New Heights," to announce its entry into the second-day air package market in January and as a reminder that the company is taking another step toward providing unsurpassed service in the small package market. RPSAir will provide customers with a lower cost alternative to existing second-day air services, with 100% guaranteed customer satisfaction. RPSAir began outbound service from the Dallas/Ft. Worth and Chicago hub areas, utilizing scheduled airlines and existing local pickup and delivery networks. Second-day air service from all terminals is expected to commence in March 1992.

"One aspect that's really important to us is being familiar with our accounts. Clearly it's important to RPS, too, because I've noticed that they take the time to get to know not only their accounts but ours as well."
John Perney, Manager-Corporate Transportation
Hallmark Cards, Inc.
Kansas City, MO
Greeting card manufacturer

"I perceive there's a quality consciousness at every level of RPS' organization."

ROADWAY PACKAGE SYSTEM

Viking

The recession of 1991 severely impacted California, the home state of our western regional carrier, Viking Freight System.

Viking is the largest intrastate carrier in California and the leading regional carrier in the western states. The company operates terminals in Arizona, California, Colorado, Idaho, Nevada, Oregon, Utah and Washington.

The regional market was characterized by intense competition forcing Viking's net freight rates down almost 5% for the year. Significant gains in both terminal and linehaul productivity, as well as safety performance and expense controls, helped to offset only a portion of the lower yields resulting in a decline in earnings. Revenue improved modestly despite the economic downturn.

In October, Viking purchased a portion of the assets of Oregon Freightways and provided service to the customers of Peters Truck Lines following the decision of both companies to discontinue their LTL operations. Oregon Freightways and Peters Truck Lines were competitors of Viking in northern California and the Pacific Northwest. Six former Oregon Freightways facilities have been added to Viking's terminal network, providing an opportunity to build density in one of the company's newer markets.

Viking initiated service to Mexico in late 1991 in connection with a Mexican carrier. Viking expects to pursue development of this important new market in 1992.

Viking Freight has historically received high marks for its service standards and safety achievements, and 1991 proved to be no different. On-time service performance exceeded 98%. Scot Bishop of San Jose, who was honored as the Safety Director of the Year by the American Trucking Associations (ATA), was also chosen by the California Trucking Association (CTA) as California's Safety Director of the Year for 1991. Dave Yonemoto, Viking's manager of safety and training, northern region, was named Oregon's Safety Director of the Year. Steve Sprenger, a driver/sales representative from Los Angeles, served on the 1991 "America's Road Team." Steve became Viking's first driver to join this elite team of individuals who are selected annually by the ATA to represent the industry. Viking was also recognized by five national companies as their LTL or regional carrier of the year for outstanding service.

Looking ahead to 1992, Viking expects to improve operations planning capabilities by capturing vital shipment data at the time of pickup by hand-held computers and downloading the data in advance of the driver's return to the terminal. The company also plans to expand its computer-aided dispatch management system to additional terminals. Imaging technology is also being installed to accelerate information retrieval for customers.

Viking continues to be committed to customer retention and has adopted the philosophy, "EZTDBW" ("easy to do business with"), as a way of life. Viking also stresses individual quality and will continue to work toward demonstrating how each employee's efforts can help to achieve the company's overall goals.

"Regarding my expectations of a quality carrier, the first thing I expect is adequate equipment. We don't have loading docks here and for the longest time, we didn't even have a forklift. Therefore, it was up to Viking to supply a liftgate. That aspect is imperative to our business. Another expectation deals with personnel. Viking has good, clean drivers. They're well dressed, courteous, and they're willing to do whatever it takes to get the job done. There's definitely a big difference in the service and standards of Viking since the Quality Process went into effect. We quit using Viking about two years ago because we weren't satisfied with the service we were getting, but were persuaded to come back and believe me, it's been a 100% turnaround. They are much more customer responsive than they ever were."

Bob Haney, Chairman
Medical Arts, Inc.
Boulder City, Nevada
Manufacturer of skin care products

"Viking works really hard and I know if they're taking this good care of me, then they're taking real good care of all of their customers."

REGIONAL OPERATIONS

Spartan

The year 1991 was the first full year in which Spartan Express' two regional divisions in the southern and central states operated as part of the RSI regional group headed by Viking Freight, Inc. This alignment was established during 1990 to foster a common standard of excellence in the various regions served by these carriers, which specialize in mostly overnight delivery of LTL shipments.

Both Spartan divisions, like Viking, found difficult conditions in their regional markets during the year. Both, however, grew revenue with Spartan South showing a 7% increase and Spartan Central a strong 32% growth from a smaller base. Notwithstanding the revenue gains, a net loss was experienced partially due to developmental steps undertaken in 1991. Spartan South expanded coverage, opening four new service centers in Alabama, Florida and Georgia. Spartan Central began a process of replacing independent contractors with company-owned equipment and employee drivers. The conversion will continue and be completed during 1992. The commitment to the market evidenced by this investment has been welcomed by customers and has aided sales growth.

Spartan South exceeded 96% on-time service performance and won safety awards from both the North Carolina and South Carolina state trucking associations. The company's "Whatever It Takes" quality improvement process culminated in recognition by Milliken & Company, itself a Malcolm Baldrige Quality Award winner, as a "Distinguished Supplier." The same commitment to customer satisfaction is evidenced in the comments made by the customers pictured on these pages.

New graphics are being introduced on Spartan vehicles in its traditional green and white, reflecting a "family resemblance" with Viking and consistent with the theme of a common standard of excellence. As at Viking, computer-assisted dispatching and imaging technology for document retrieval will be introduced at Spartan this year. Continued sales growth should provide the opportunity to improve traffic density and operational efficiency for Spartan in 1992.

"We have an excellent working relationship with Spartan -like a partnership."

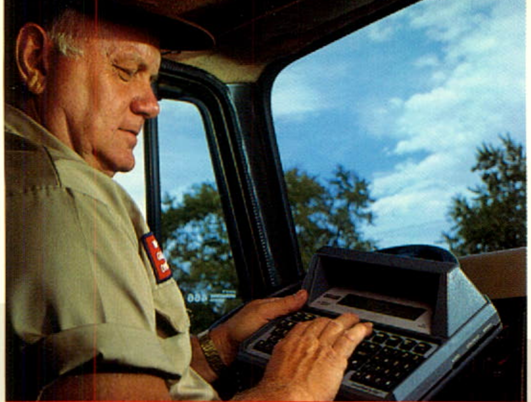
"We're tied primarily to the auto industry and they are in constant need of our product. One of our highest expectations is next day service, for which Spartan always pulls through. We chose Spartan because they have a very good service record. Spartan has always been able to meet our next-day needs."

Mike Scherer, Distribution Manager
Bruck Plastics Company
Lemont, Illinois
Distributor of raw plastic resins

"A quality carrier should have a good working relationship with its customers. I have to say that Spartan is one of the best in the South. They always seem to be trying to improve themselves."

James Smith, Shipping Supervisor
Steel Heddle
Greenville, South Carolina
Manufacturer of component parts for factory looms

"The people at Spartan Express make it a pleasure for me to do business with one of the premier quality carriers in the country. On many occasions, they have gone out of their way to provide us quality service over and above their normal delivery standards."



Roberts

Whether it was helping to restore power to a major metropolitan city, as described by the satisfied customer pictured on the following page, supplying machinery to the military in Kuwait, or rushing equipment that had been held up for customs inspection, Roberts Express proved once again in 1991 that it has the right prescription for relieving customer distress.

Roberts Express has established itself as the nation's largest surface expedited carrier, specializing in the transportation of critical shipments, time-definite shipments, and those requiring special care and handling. Roberts' customers include the automotive industry and its suppliers, other manufacturers and the military.

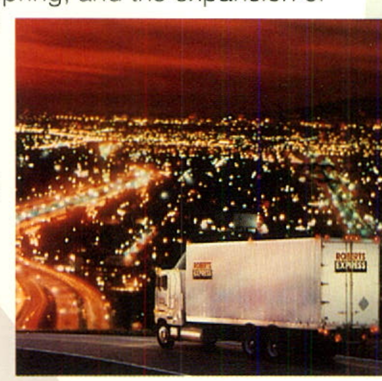
Roberts takes pride in its on-time delivery performance and guaranteed arrival time which is generally faster than air freight for distances of 800 miles or less. In April 1991, Roberts introduced Roberts Express CharterAir service to meet customer requirements when air transport is needed to meet a deadline for a particular shipment. The new service overcomes the need for a shipper to arrange not only for air charter service but also for ground transportation to and from an airport.

"Customer Link," the two-way satellite communications system, continues to enhance Roberts' ability to respond quickly and accurately to customer demands. The satellite equipment allows Roberts to complete its dispatch process within a 10-minute window during which time a shipment is matched to one of five truck sizes, an available driver from across 136 service centers is selected, and an immediate pickup is scheduled. In addition to improved customer service and satisfaction, "Customer Link" has provided Roberts with improved equipment utilization, increased dispatcher efficiency and lower costs.

The White Glove Services division continued to grow in 1991 as an alternative to van lines or air freight for high value industrial products, medical equipment, radioactive shipments, military freight, trade show exhibits and shipments requiring temperature control or protection from freezing.

Roberts Express, B.V., the company's European subsidiary established in 1990, provided satisfactory service in 1991 but sales growth lagged expectations. Sales and equipment coverage was broadened in parts of Germany and all of Belgium. Headquartered in Maastricht, The Netherlands, the company has equipment in Germany, France, Luxembourg and Belgium.

During 1992, Roberts expects to further enhance its customer service with the installation of a data base driven computer system in the spring, and the expansion of its self-directed customer assistance teams which were successfully introduced during 1991.



"On July 7, Detroit Edison was hit by the worst storm in its 88-year history. As a result, nearly 700,000 customers lost power. To restore service the company required quick deliveries of equipment and supplies. Roberts Express satisfied every deadline given to them."

John Oddo, Freight Traffic Specialist
Detroit Edison
Detroit, Michigan
Electric utility company

"I'm impressed by Roberts' technology. With sophisticated equipment, such as satellites, I am able to receive shipment updates on a moment's notice."

ROLS

Roadway Logistics Systems (ROLS) experienced strong growth in 1991. ROLS provides contract logistics services for the automotive and other industries. The company designs and implements logistics solutions tailored to the specific needs of a customer's plant or division. ROLS normally implements the plans it initiates by assigning personnel to work on site with the customer on a continuing basis. ROLS integrates services of several transportation companies, which may include one or more Roadway Services operating companies.

Although the initial focus of ROLS has been on the automotive industry, in 1991 ROLS extended its services to other industries. Also in 1991, ROLS acquired the contract services division of Roberts Express, consisting of MediQuik Express, Pivot Systems and Carvan.

MediQuik had an excellent year with significant growth in revenue. The company provides the health care industry with high security, time-definite distribution services using specialized personnel and equipment.

Carvan, which provides contract carriage and related logistical support to the automotive industry, incurred operating losses although revenue did increase slightly in 1991.

Other contract services operating units provide consolidation and warehousing services, as well as parts sequencing and subassembly, all in conjunction with related transportation services.

During 1992, ROLS anticipates further growth as more customers consider contract logistics, but expects additional competition.

ROLS is meeting customer needs for "outsourcing" of multiple logistics services such as Just-In-Time, truckload and LTL delivery functions.

In its short history, ROLS has already established credibility that is vital to its success in the emerging third-party logistics marketplace.

Glossary

Automated Data Collection (ADC) Terminal: Compact computer terminals installed at each Roadway breakbulk door to record real-time data pertaining to the loading and unloading of freight. The units include a bar code wand reader, a two-line digital display and a simplified keypad.

Automated Primary Sort: The automatic sortation of RPS packages from the unload to the secondary sorters by use of laser scanners and bar codes, eliminating manual handling of packages once they enter the system.

Breakbulk: Consolidation and distribution center; a facility in the Roadway system which unloads and consolidates shipments received from its satellites as well as from other breakbulks.

Fuel Surcharge: A special charge, in addition to the freight rate, to reflect additional costs for fuel during times of unusually high fuel prices.

General Freight: All commodities except household goods, refrigerated goods, bulk commodities or commodities requiring specialized equipment (i.e. heavy machinery trailers or armored trucks).

Less-than-truckload (LTL): Shipments weighing less than 10,000 pounds each. Many LTL shipments weigh less than 500 pounds; most are below 1,000 pounds.

Logistics: The integrated system of managing, planning, allocating and controlling financial, physical and human resources committed to physical distribution, manufacturing support and purchasing operations.

Net Freight Rates: Published tariff freight revenue rates less any connecting carrier(s) portion and less any applicable discounts.

Outsourcing: Contracting a function or operation that was previously performed internally to a company that specializes in the desired service.

Pre-Arrival Review System (PARS) and Inland Pre-Arrival Review System (INPARS): Revenue Canada programs used for the pre-notification and pre-clearance of goods before they reach the Canadian border. The service speeds up transit times and allows customs officials to review export and import paperwork while shipments are intransit.

Quality: "Meeting the requirements." To have quality, three things must happen. First, the customer must understand and accurately define the requirements. Second, the customer must clearly communicate the requirements to the suppliers. Third, the supplier must understand and be able to meet the requirements.

RAPID (Roadway Advanced Planning for Inbound Dispatch): A Roadway management information system which integrates advance freight bill information, customer information, and pickup and delivery route plans to aid the inbound/city loading supervisor in planning the most efficient pickup and delivery routes.

Regional Carrier: A carrier serving customers within a specific geographic region of the country, usually within a distance which can be served overnight or in two days.

Satellite Terminal: A terminal which provides pickup and delivery service for a local area and generally forwards shipments to a breakbulk terminal for consolidation.

Time-Definite/Critical Shipments: Shipments usually of an expedited nature and for which a commitment has been made for delivery at a specified time.

TRACPAK: A computerized package tracing system used by RPS customers to instantly locate shipments and obtain delivery confirmations.

Truckload: Shipments weighing 10,000 pounds or more.

White Glove Services: A division of Roberts Express which focuses on the time and handling of shipments in seven critical markets: trade shows and exhibits; transportation protective services (government); radioactive shipments; medical and industrial gases; class C explosives; temperature control; and high value products such as electronics and automated machinery.

Management's Discussion

Results of Operations - 1991 vs. 1990

Revenue for 1991 was 6.9% higher than 1990 levels reflecting tonnage increases and marginally higher average freight rates. Total tonnage was up 6.0% in 1991 including an increase of 5.3% in less-than-truckload tonnage. Revenue per ton at Roadway Express improved an average of 2.2% in 1991 as compared to 1990. This improvement reflects an April 1, 1991 general rate increase, moderating discounting during the final three quarters of the year and an increase in the average length of haul. A fuel surcharge implemented by Roadway Express in August 1990 as a result of the Middle East crisis was phased out by April 1991, and therefore had little impact on 1991 and 1990 comparisons. Roadway Package System (RPS) package volume continued to grow in 1991, while rate levels remained flat compared to 1990. Intense price competition in the markets served by the company's regional carriers offset a portion of revenue gains achieved through tonnage growth.

Operating expenses in 1991 increased 6.8% over prior year levels reflecting general cost increases offset by the company's efforts to control expenses in line with the volume and composition of traffic. Expenses increased at Roadway Express due to wage and benefit increases effective April 1, 1991 under the current industry three-year labor contract. Partially offsetting the increased labor costs were moderate productivity gains in terminal operations and lower insurance and claims expenses due to loss prevention and safety efforts. Fuel costs per gallon were an average of 9.1% lower in 1991 than in 1990 and had declined in the fourth quarter of 1991 to 27% below abnormally high fourth quarter 1990 prices. Operating taxes and licenses reflect higher federal fuel taxes in 1991. The increase in purchased transportation reflects increased business levels at RPS where local and intercity transportation services are performed principally by independent contractors.

The overall operating margin increased from 6.3% in 1990 to 6.5% in 1991 reflecting improvements at Roadway Express and RPS offset by lower margins at the other operating companies. In addition to productivity gains and cost control measures described above, contributing to the improvement at Roadway Express was the April 1, 1991 increase in freight rates which coincided with the timing of increased wage and benefit costs under the current three-year industry labor contract. In 1990, wage costs at Roadway Express increased on April 1 and had to be absorbed until a freight rate increase on June 4. At RPS, increased volume in existing markets and good control of operating costs contributed to improved margins.

The increase in other income-net reflects larger invested balances in marketable securities during 1991 as compared to 1990. Investment yields during 1991 declined as compared to 1990 due to declining interest rates.

The increase in the effective income tax rate from 38.8% in 1990 to 40.4% in 1991 reflects the diminished impact of the amortization of investment tax credits and an increase in state taxes.

Results of Operations - 1990 vs. 1989

Revenue for 1990 was up 11.7% over 1989 reflecting an increase of 7.0% in less-than-truckload tonnage and a decrease of 5.8% in truckload tonnage. Net freight rates at Roadway Express, excluding the fuel surcharge implemented in August 1990, were 4.3% higher in 1990 than in 1989, and were 5.5% higher in the last quarter of 1990 as compared to the fourth quarter of 1989. The fuel surcharge averaged 1.9% while in effect in 1990. RPS revenue continued to grow. Modest revenue growth was achieved in 1990 by the other operating companies.

Operating expenses in 1990 increased 10.6% principally due to business growth and general cost increases. Significant increases incurred in workers' compensation and employee medical benefits were partially offset by gains in dock productivity at Roadway Express. As a result of the Middle East crisis, fuel prices in 1990 averaged 24% higher for the year and nearly 43% higher in the fourth quarter as compared to 1989. The higher fuel prices and increased fuel taxes were partially offset by fuel surcharges adopted at some of the operating companies. The majority of the increase in purchased transportation relates to the expansion of operations at RPS.

Other income-net reflects a decline in interest income in 1990, offset by a decrease in interest accruals related to income tax issues settled during the year.

Diminishing amortization of investment tax credits and increases in state income taxes contributed to the increase in the effective income tax rate from 36.4% in 1989 to 38.8% in 1990.

Liquidity and Capital Resources

The company normally finances capital expenditures from internally generated funds. It is anticipated that funds presently invested in marketable securities, primarily U. S. government securities maturing over the next three years, and funds generated from future operations will finance projected capital expenditures of $240 million in 1992 and provide adequate working capital. Additionally, the Board has authorized the purchase of up to $30 million of the company's common stock in 1992.

During 1991, net cash provided by operating activities exceeded comparable 1990 levels by approximately $69 million. The significant increase in net operating cash flows reflects higher earnings in 1991, and the funding of a substantial portion of current year employee stock plan contributions with company common stock rather than cash.

Impact of Inflation and Current Trends

Roadway Express implemented a general freight rate increase of 4.84% effective January 1, 1992, and intends this to be the only increase during the year. RPS recently announced a rate increase averaging 4.4% effective February 24, 1992. The regional carriers continue to experience the intense price competition which resulted in reductions in rates in 1991 in order to remain competitive. It is anticipated that price competition will continue to keep industry margins at lower than satisfactory levels, and that the company's cost controls and safety efforts must result in further improvements. In addition, uncertainties exist regarding future costs of significant operating expenses such as fuel and other petroleum related supplies, and employee medical expenses.

As discussed in Note D to the consolidated financial statements, the Financial Accounting Standards Board has issued accounting rules which must be adopted by 1993 for retiree health care benefits. When these rules are adopted, the company must decide whether to recognize the entire unfunded accumulated postretirement benefit obligation, or to amortize the obligation over a period approximating the remaining service lives of active eligible participants. New rules for accounting for income taxes will allow the company to record the postretirement obligation, estimated to be approximately $49 million at December 31, 1991, net of related tax benefits. The company has not decided whether the accounting rules will be adopted early.

As discussed in Note F of the consolidated financial statements, the company has filed suit to recover approximately $5 million of employment taxes paid as a result of proposed changes in classification of certain drivers by the Internal Revenue Service (IRS) during its examination of the company's 1985 and 1986 federal employment tax returns. A ruling upholding the IRS position could affect years subsequent to 1986 in amounts which, although not reasonably determinable at this time, could be substantially in excess of the amounts already paid.

The impact of inflation on operating expenses has been moderate in recent years. Most of the company's operating expenses reflect current costs. Depreciation expense is reflected in the financial statements based on the historical cost of the assets and, therefore, has less impact on the results of operations than if such expenses were based on current replacement costs. As assets are replaced, the cost of the new assets will generally be higher, resulting in increased depreciation charges. However, technological improvements may result in operating cost savings. The majority of the company's carrier operating property is revenue equipment having relatively short service lives of four to six years. Therefore, annual depreciation expense more closely reflects current costs than for companies in industries with substantial investments in property with longer useful lives.

Roadway Services, Inc. and Subsidiaries

ASSETS

	December 31 1991	December 31 1990
	(dollars in thousands)	
CURRENT ASSETS		
Cash	$ 25,322	$ 21,899
Marketable securities	201,917	122,974
Accounts receivable, net of allowance for uncollectible accounts	261,252	242,715
Prepaid expenses and supplies	61,650	54,203
TOTAL CURRENT ASSETS	550,141	441,791
CARRIER OPERATING PROPERTY—at cost		
Land	120,280	108,777
Structures	430,862	397,140
Revenue equipment	901,110	855,221
Other operating equipment	398,159	317,114
	1,850,411	1,678,252
Less allowances for depreciation	998,217	867,702
TOTAL CARRIER OPERATING PROPERTY	852,194	810,550
COST IN EXCESS OF NET ASSETS OF BUSINESSES ACQUIRED—net of amortization	86,297	88,705
	$ 1,488,632	$1,341,046

LIABILITIES AND SHAREHOLDERS' EQUITY

	December 31 1991	1990
	(dollars in thousands)	
CURRENT LIABILITIES		
Accounts payable—Note B	$ 186,496	$ 171,411
Salaries and wages	154,514	130,124
Income taxes payable	22,712	28,568
Freight and casualty claims payable within one year	78,747	78,809
Dividend payable	11,664	10,554
TOTAL CURRENT LIABILITIES	454,133	419,466
OTHER LIABILITIES		
Deferred federal income taxes—Note C	49,507	52,919
Future equipment repairs	18,572	15,635
Casualty claims payable after one year	76,164	75,231
TOTAL OTHER LIABILITIES	144,243	143,785
SHAREHOLDERS' EQUITY—Note E		
Serial preferred stock—without par value:		
Authorized—40,000,000 shares		
Issued—none		
Common stock—without par value:		
Authorized—200,000,000 shares		
Issued—40,896,414 shares	39,898	39,898
Additional capital	31,271	16,125
Earnings reinvested in the business	868,777	786,939
	939,946	842,962
Less cost of common stock in treasury (1991—1,704,000 shares, 1990—2,291,000 shares)	49,690	65,167
TOTAL SHAREHOLDERS' EQUITY	890,256	777,795
	$ 1,488,632	$ 1,341,046

See notes to consolidated financial statements.

STATEMENT OF CONSOLIDATED INCOME

Roadway Services, Inc. and Subsidiaries

	Year Ended December 31		
	1991	1990	1989
	(dollars in thousands, except per share data)		
REVENUE	$3,176,956	$2,971,235	$2,660,910
OPERATING EXPENSES			
Salaries, wages and benefits	1,734,782	1,620,498	1,490,454
Operating supplies and expenses	514,760	485,998	436,831
Purchased transportation	419,590	374,597	313,163
Operating taxes and licenses	88,459	79,649	72,817
Insurance and claims	61,844	72,841	65,118
Provision for depreciation	154,669	149,259	138,170
Net (gain) on sale of carrier operating property	(3,554)	(191)	(75)
TOTAL OPERATING EXPENSES	2,970,550	2,782,651	2,516,478
OPERATING INCOME	206,406	188,584	144,432
Other income—net, including interest of $10,626 in 1991, $8,557 in 1990 and $12,018 in 1989	7,200	5,954	5,745
INCOME BEFORE INCOME TAXES	213,606	194,538	150,177
Provision for income taxes—Note C	86,283	75,458	54,656
NET INCOME	$ 127,323	$ 119,080	$ 95,521
NET INCOME PER SHARE	$ 3.27	$ 3.05	$ 2.44

STATEMENT OF CONSOLIDATED EARNINGS REINVESTED IN THE BUSINESS

	Year Ended December 31		
	1991	1990	1989
	(dollars in thousands, except per share data)		
Balance at beginning of year	$ 786,939	$ 710,435	$ 657,724
Add net income for the year	127,323	119,080	95,521
	914,262	829,515	753,245
Less dividends declared	45,485	42,576	42,810
BALANCE AT END OF YEAR	$ 868,777	$ 786,939	$ 710,435
Dividends declared per share	$ 1.175	$ 1.10	$ 1.10

See notes to consolidated financial statements.

Roadway Services, Inc. and Subsidiaries

	Year Ended December 31		
	1991	1990	1989
		(dollars in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income	$ 127,323	$ 119,080	$ 95,521
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	157,077	151,675	140,492
Gain on sale of carrier operating property	(3,554)	(191)	(75)
Issuance of treasury shares for stock plans	30,623	861	1,132
Changes in assets and liabilities:			
(Increase) in accounts receivable	(18,537)	(13,119)	(24,979)
(Increase) in prepaid expenses and supplies	(7,447)	(16,558)	(7,656)
Increase in accounts payable and accrued items	39,413	6,935	41,905
Increase (decrease) in current income taxes payable	(5,856)	11,235	(868)
Increase (decrease) in other liabilities	458	(9,597)	1,989
Total adjustments	192,177	131,241	151,940
NET CASH PROVIDED BY OPERATING ACTIVITIES	319,500	250,321	247,461
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of carrier operating property	(202,969)	(200,937)	(198,037)
Sales of carrier operating property	10,210	6,380	7,357
Purchases of marketable securities	(262,637)	(232,783)	(103,522)
Sales of marketable securities	183,694	237,206	94,942
NET CASH USED IN INVESTING ACTIVITIES	(271,702)	(190,134)	(199,260)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	(44,375)	(42,726)	(42,854)
Purchases of common stock for treasury	—	(17,862)	(5,940)
NET CASH USED IN FINANCING ACTIVITIES	(44,375)	(60,588)	(48,794)
NET INCREASE (DECREASE) IN CASH	3,423	(401)	(593)
CASH AT BEGINNING OF YEAR	21,899	22,300	22,893
CASH AT END OF YEAR	$ 25,322	$ 21,899	$ 22,300

See notes to consolidated financial statements.

Roadway Services, Inc. and Subsidiaries
December 31, 1991

Note A—Accounting Policies

Principles of Consolidation — The consolidated financial statements include the accounts of the company and its subsidiaries. All significant intercompany accounts and transactions have been eliminated. Operations are exclusively within the transportation industry.

Cash and Marketable Securities — For purposes of reporting cash flows, cash includes cash on hand and cash held by banks which is subject to immediate withdrawal. Marketable securities, principally U.S. government securities, are stated at cost which approximates market.

Depreciation — Depreciation of carrier operating property is computed by the straight line method based on useful lives of assets—structures, 15 to 45 years; and equipment, 3 to 10 years.

Cost in Excess of Net Assets of Businesses Acquired — These costs ($95,487,000) are being amortized on the straight line method over a 40 year period from the respective acquisition dates of the acquired businesses.

Future Equipment Repairs — This accrual represents the estimated costs of anticipated major future repairs on intercity tractors.

Revenue — The company recognizes revenue as earned on the date of freight delivery to consignee.

Net Income Per Share — Net income per share is computed on the average number of shares of common stock outstanding during each year: 38,906,000 in 1991, 39,023,000 in 1990 and 39,154,000 in 1989.

Note B—Accounts Payable

Items classified as accounts payable consist of the following:

	1991	1990
	(dollars in thousands)	
Trade and other payables	$130,935	$113,782
Drafts outstanding	27,816	30,874
Taxes, other than income	27,745	26,755
Total accounts payable	$186,496	$171,411

Note C—Income Taxes

The provision for income taxes consists of the following:

	1991	1990	1989
		(dollars in thousands)	
Taxes currently payable:			
Federal	$ 78,888	$ 75,234	$ 49,366
State	15,073	11,204	6,754
	93,961	86,438	56,120
Deferred taxes (credits) associated with:			
Accrued vacations	(4,882)	(4,921)	(1,609)
Freight and casualty claims	(2,673)	(3,534)	(2,390)
Investment tax credits	(721)	(2,297)	(3,854)
Future equipment repairs	(743)	1,799	2,242
Depreciation	1,659	(1,611)	4,699
Other, net	(318)	(416)	(552)
	(7,678)	(10,980)	(1,464)
Provision for income taxes	$ 86,283	$ 75,458	$ 54,656

The provision for income taxes differs from that which would result from applying the federal statutory rate to income before income taxes as set forth in the following reconciliation:

	1991	1990	1989
Federal statutory tax rate	34.0%	34.0%	34.0%
Amortization of investment tax credits	(0.3)	(1.2)	(2.6)
State income taxes, net of federal tax benefit	4.7	3.8	3.0
Other, net	2.0	2.2	2.0
Effective tax rate	40.4%	38.8%	36.4%

Investment tax credits are amortized over the useful lives of the related assets. Unamortized investment tax credits were $1,124,000 at December 31, 1991.

Income tax payments amounted to $101,417,000 in 1991, $94,127,000 in 1990 and $52,918,000 in 1989.

In 1987, the Financial Accounting Standards Board (FASB) issued accounting rules requiring a liability method approach to reporting deferred taxes. The rules were subsequently reconsidered by the FASB and a revised standard was issued in early 1992. Under the liability method which must be adopted by 1993, deferred taxes are carried in the balance sheet at the tax rates scheduled to be in effect at the time the items giving rise to the deferred taxes reverse. If this method of accounting for income taxes had been applied to the company's December 31, 1991 financial statements, deferred taxes would have been reduced by approximately $7 million with a corresponding increase in shareholders' equity. The company has not decided whether it will adopt the liability method early nor whether it will restate prior financial statements to reflect the new rules.

Note D—Retirement Plans

The company charged to operations $82,985,000 in 1991, $75,006,000 in 1990 and $71,603,000 in 1989 for contributions to multiemployer pension plans for Roadway Express, Inc. employees subject to labor contracts. These amounts were determined in accordance with provisions of industry labor contracts. The actuarial present value of plan benefits and net assets available for benefits for company employees in these plans, which are not administered by the company, cannot be reliably determined from information provided by the plan administrators. Under provisions of the Multiemployer Pension Plan Amendments Act of 1980, total or partial withdrawal from a plan would result in an obligation to fund a portion of the plan's unfunded vested liability. Management has no intention of changing operations so as to subject the company to any material obligation.

The company has defined benefit pension plans covering employees not subject to labor contracts. The benefits are based on, among other things, years of service and average compensation during employment with the company. The company's funding policy is to contribute amounts to the plans sufficient to meet the minimum funding requirements, plus such additional amounts the company may determine to be appropriate.

The following table sets forth the company plans' funded status and amounts recognized in the balance sheet:

	1991	1990
	(dollars in thousands)	
Actuarial present value of benefit obligations:		
Accumulated benefit obligation, including vested benefits of $115,594 in 1991 and $102,359 in 1990	$ 126,308	$ 111,599
Projected benefit obligation for service rendered to date	$ 183,350	$ 161,403
Plan assets at fair value, primarily listed stocks and U.S. government securities	286,807	231,836
Excess of plan assets over projected benefit obligation — net assets	103,457	70,433
Unrecognized net (gain) from past experience different from that assumed and effects of changes in assumptions	(98,350)	(61,040)
Prior service cost not yet recognized in net pension cost	29,385	30,613
Unrecognized net asset from date of adoption of Statement of Financial Accounting Standards No. 87	(47,611)	(50,412)
Accrued pension cost	$ (13,119)	$ (10,406)

Net pension cost of company plans includes the following components:

	1991	1990	1989
		(dollars in thousands)	
Service cost of benefits earned during the year	$ 11,803	$ 10,556	$ 10,809
Interest cost on projected benefit obligation	12,537	11,025	9,826
Actual return on assets	(56,973)	(10,975)	(36,718)
Deferral of experience gain (loss) and amortization of net assets	36,853	(7,837)	20,872
Net pension cost	$ 4,220	$ 2,769	$ 4,789

The weighted average discount rate and rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligation were 7.25% and 4%, respectively. The expected long-term rate of return on assets was 7.75%.

The company provides health care benefits to certain retirees under age 65 who were not subject to labor contracts. Presently, the cost, $759,000 in 1991 and $716,000 in 1990, is being expensed as incurred. Under new accounting rules issued by the FASB in 1990, the company will be required by 1993 to begin recognizing these costs during eligible employment. If there are no changes to the existing plan which does not require retirees to make contributions, the company's unfunded accumulated postretirement benefit obligation is estimated to be approximately $49 million at December 31, 1991. The company has not decided whether it will adopt the new accounting rules early.

The company also contributed $20,533,000 in 1991, $18,599,000 in 1990 and $14,555,000 in 1989 to various employee stock plans. These plans generally cover employees not subject to labor contracts. Annual contributions are related to company profitability and employees' salaries and wages.

Note E—Shareholders' Equity

The Board of Directors is authorized to issue shares of serial preferred stock in one or more series and to fix the terms and conditions of the preferred shares, including: dividend rates and payment dates; liquidation prices; redemption rights and prices; sinking fund requirements; conversion rights; and restrictions on issuance. Voting rights would be on the same basis as outstanding common shares.

The company purchased 581,000 shares of its common stock in 1990 and 203,500 shares in 1989.

The company issued from treasury 587,000 shares of its common stock in 1991, 39,889 shares in 1990 and 39,169 shares in 1989 in connection with employee stock plans. Also, under a plan for nonemployee directors, in 1990 the company awarded 1,111 shares and options to purchase 4,444 shares at $36 per share, and in 1989 awarded 9,331 shares and options to purchase 37,324 shares at $30 per share.

The fair market value of treasury shares issued in connection with stock plans exceeded cost by $15,146,000 in 1991, $281,000 in 1990 and $447,000 in 1989. This excess has been recorded as additional capital.

During 1991, 3,731 shares of the company's common stock awarded to nonemployee directors in 1989 were forfeited under plan provisions and related options to purchase 14,924 shares at $30 per share became exercisable. The remaining 6,711 shares awarded in 1990 and 1989 to nonemployee directors may be forfeited in the future under plan provisions and related options to purchase 26,844 shares may become exercisable. The number of shares that may be issued under this plan is limited to 60,000.

Note F—Contingencies

In March 1987, an antitrust lawsuit was filed against Roadway Express, Inc. and two other major motor carriers in a federal District Court. The suit alleges that the defendants engaged in predatory pricing and entered into a conspiracy to restrain trade and monopolize interstate transportation of less-than-truckload freight with intent to destroy the plaintiff, an alleged competitor. Plaintiff also claims to have been harmed by an alleged fraudulent scheme of the defendants in violation of a federal statute and certain state laws. The complaint, as amended, seeks $334 million in damages, prior to trebling, and an injunction against future violations. Management believes the litigation is completely without merit and is vigorously defending the case.

During 1989, the Internal Revenue Service (IRS) completed an examination of the company's federal employment tax returns for the years 1985 and 1986 proposing changes in classification of certain drivers and subjecting the company to payment of approximately $5 million of certain employment taxes for those years. The company paid the amounts claimed although it disagreed with the IRS position both as to liability for and amounts of taxes claimed. The company then filed suit in the United States Court of Claims to recover the amounts paid. Until the present suit is resolved, the company cannot reasonably determine whether it has any liability for years after 1986 or reasonably determine the amount of any such liability. A ruling upholding the IRS position, however, could affect years subsequent to 1986 in amounts which could be substantially in excess of the amounts already paid.

Various other legal proceedings arising from the normal conduct of business are pending but, in the opinion of management, the ultimate disposition of these matters will have no material effect on the financial condition of the company.

Report of Ernst & Young, Independent Auditors

To the Board of Directors
Roadway Services, Inc.

We have audited the accompanying consolidated balance sheets of Roadway Services, Inc. and subsidiaries as of December 31, 1991 and 1990, and the related consolidated statements of income, earnings reinvested in the business and cash flows for each of the three years in the period ended December 31, 1991. 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 audits 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 consolidated financial position of Roadway Services, Inc. and subsidiaries at December 31, 1991 and 1990, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1991, in conformity with generally accepted accounting principles.

Ernst + Young

Akron, Ohio
January 28, 1992

Roadway Services, Inc. and Subsidiaries

	1991	1990	1989	1988
Revenue	$3,176,956	$2,971,235	$2,660,910	$2,184,531
Operating Expenses				
Salaries, wages and benefits	1,734,782	1,620,498	1,490,454	1,241,070
Operating supplies and expenses	514,760	485,998	436,831	348,146
Purchased transportation	419,590	374,597	313,163	257,217
Operating taxes and licenses	88,459	79,649	72,817	60,380
Insurance and claims	61,844	72,841	65,118	54,427
Provision for depreciation	154,669	149,259	138,170	122,827
Net (gain) on sale of carrier operating property	(3,554)	(191)	(75)	(1,238)
Total Operating Expenses	2,970,550	2,782,651	2,516,478	2,082,829
Operating Income	206,406	188,584	144,432	101,702
Other income—net	7,200	5,954	5,745	18,997
Income before income taxes and extraordinary item	213,606	194,538	150,177	120,699
Provision for income taxes	86,283	75,458	54,656	40,460
Income before extraordinary item	127,323	119,080	95,521	80,239
Extraordinary item(1)	—	—	—	—
Net Income	$ 127,323	$ 119,080	$ 95,521	$ 80,239
Net income per share before extraordinary item (1) (2) (3)	$ 3.27	$ 3.05	$ 2.44	$ 2.00
Net income per share(2) (3)	$ 3.27	$ 3.05	$ 2.44	$ 2.00
Cash dividends declared per share (3)	$ 1.17½	$ 1.10	$ 1.10	$ 1.10
Average number of shares of common stock outstanding (3)	38,906	39,023	39,154	40,120
Total Shareholders' Equity	$ 890,256	$ 777,795	$ 718,292	$ 670,389
Total Assets	$1,488,632	$1,341,046	$1,273,120	$1,182,235
Tons of freight — LTL	8,388	7,967	7,447	6,210
TL	2,740	2,532	2,688	2,412
Total	11,128	10,499	10,135	8,622
Intercity miles	862,865	811,729	777,799	675,079
Ton miles	10,944,225	10,492,865	10,200,525	8,931,450

Notes: (1) Tax benefit in 1981 related to write-off of operating rights in 1980.

(2) Net income per share is computed on the average number of shares of common stock outstanding during each year.

(3) Adjusted to reflect a 2 for 1 stock split effective May 30, 1984.

Amounts in thousands, except per share data

1987	1986	1985	1984	1983	1982	1981
$1,908,747	$1,717,491	$1,579,825	$ 1,461,510	$1,252,980	$1,146,562	$1,130,082
1,094,415	993,997	930,837	891,899	792,997	737,891	719,629
333,414	283,788	275,983	253,018	213,606	216,036	219,708
205,407	144,239	109,944	58,424	27,015	15,939	4,683
57,018	53,205	50,861	45,051	32,964	25,921	25,883
45,974	37,042	34,885	28,765	24,712	22,010	20,679
115,158	100,421	81,280	51,992	35,962	41,770	46,659
(755)	(987)	(2,336)	(379)	(500)	(649)	(464)
1,850,631	1,611,705	1,481,454	1,328,770	1,126,756	1,058,918	1,036,777
58,116	105,786	98,371	132,740	126,224	87,644	93,305
20,221	24,332	33,508	45,388	51,446	46,343	37,491
78,337	130,118	131,879	178,128	177,670	133,987	130,796
27,829	53,652	55,968	78,113	78,465	57,835	58,982
50,508	76,466	75,911	100,015	99,205	76,152	71,814
—	—	—	—	—	—	12,300
$ 50,508	$ 76,466	$ 75,911	$ 100,015	$ 99,205	$ 76,152	$ 84,114
$ 1.26	$ 1.91	$ 1.90	$ 2.49	$ 2.47	$ 1.92	$ 1.82
$ 1.26	$ 1.91	$ 1.90	$ 2.49	$ 2.47	$ 1.92	$ 2.13
$ 1.10	$ 1.10	$ 1.02 1/2	$ 1.00	$ .85	$ .72 1/2	$ .65
40,217	40,114	39,931	40,105	40,185	39,741	39,551
$ 661,661	$ 654,235	$ 613,836	$ 557,950	$ 528,815	$ 454,843	$ 400,756
$1,105,473	$1,070,659	$ 999,861	$ 912,965	$ 812,373	$ 686,491	$ 632,926
5,799	4,932	4,444	4,143	3,423	3,273	3,281
2,180	2,212	2,572	2,528	1,614	1,549	1,683
7,979	7,144	7,016	6,671	5,037	4,822	4,964
641,157	544,755	529,153	498,362	396,495	381,180	392,447
8,556,682	7,556,624	7,254,521	6,922,814	5,621,280	5,404,287	5,360,642

SUMMARY OF QUARTERLY RESULTS OF OPERATIONS

Quarter Ended	Revenue	Operating Income	Net Income	Net Income Per Share	Average Shares Outstanding
		(dollars in thousands, except per share data)			
1991					
March 23	$ 667,717	$ 28,392	$ 18,604	$ 0.48	38,644,000
June 15	711,478	40,806	25,708	0.66	38,825,000
September 7	744,286	49,973	31,529	0.81	38,974,000
December 31	1,053,475	87,235	51,482	1.32	39,102,000
1990					
March 24	$ 640,249	$ 25,764	$ 16,501	$ 0.42	39,160,000
June 16	669,270	35,844	22,808	0.58	39,185,000
September 8	703,522	53,998	34,528	0.88	39,171,000
December 31	958,194	72,978	45,243	1.17	38,694,000

The company uses a 13 four-week period calendar with 12 weeks in each of the first three quarters and 16 weeks in the fourth quarter.

COMMON STOCK AND DIVIDENDS

Roadway Services, Inc. common stock is traded in the over-the-counter NASDAQ National Market (symbol: ROAD). Roadway Services is included in the Dow Jones Transportation Average, a major barometer for the U. S. transportation industry. Roadway is the only over-the-counter stock to be included in a Dow Jones average.

Cash dividends declared per share totaled $1.175 in 1991 and $1.10 in 1990. The number of holders of record of the company's common stock at December 31, 1991 was approximately 6,600. The high and low prices at which Roadway Services common stock traded for each quarter in 1991 and 1990, as reported by the National Association of Securities Dealers, Inc., are shown below.

	Price Range				Dividends Declared Per Share	
	1991		1990			
Quarter Ended	High	Low	High	Low	1991	1990
March 31	$51	$38	$43	$34 1/4	$ .27 1/2	$ .27 1/2
June 30	58 1/4	48 3/8	40 1/4	35	.30	.27 1/2
September 30	55 3/8	46	39 1/2	27 1/4	.30	.27 1/2
December 31	61 3/4	50 3/4	39	29	.30	.27 1/2
					$ 1.17 1/2	$ 1.10

The company offers a dividend reinvestment plan through its stock transfer agent, Ameritrust Company. The plan provides an opportunity for registered shareholders of the company to automatically purchase additional shares of Roadway Services common stock with dividends. Further information regarding the plan is on page 32 of this report.

An information booklet which provides answers to questions regarding the ownership and transfer of stock is also available to shareholders of the company. Copies may be obtained by contacting the company at the address or telephone number listed on page 32 of this report.

Directors and Officers

Roadway Services, Inc.

Board Of Directors

GEORGE B. BEITZEL, Retired Senior Vice President and Director, International Business Machines Corp., Armonk, New York
R. A. CHENOWETH, Principal of Buckingham, Doolittle & Burroughs, a Legal Professional Association, Akron, Ohio
JOSEPH M. CLAPP, Chairman and President of the company
NORMAN C. HARBERT, Chairman and CEO, The Hawk Group, Cleveland, Ohio
CHARLES R. LONGSWORTH, Chairman, President and CEO, The Colonial Williamsburg Foundation, Williamsburg, Virginia
ROBERT E. MERCER, Retired Chairman and CEO, The Goodyear Tire & Rubber Company, Akron, Ohio
G. JAMES ROUSH, Private Investor, Seattle, Washington
DANIEL J. SULLIVAN, Vice President and President-National Carrier Group of the company
WILLIAM SWORD, Chairman of the Board, Wm. Sword & Co. Incorporated, Princeton, New Jersey
SARAH ROUSH WERNER, Private Investor, Marysville, Washington

Officers

DONALD C. BROWN, Assistant Controller
JOSEPH M. CLAPP, Chairman and President
JOHN M. GLENN, Vice President and General Counsel
ROY E. GRIGGS, Vice President and Controller
WILLIAM F. KLUG, Vice President-Properties and Materials Management
TIMOTHY P. LYNCH, Vice President-Government Affairs
MICHAEL NEWTON, Treasurer
JONATHAN T. PAVLOFF, Vice President-Corporate Planning
A. C. SNELSON, Vice President-Corporate Support Services
DANIEL J. SULLIVAN, Vice President and President-National Carrier Group
D. A. WILSON, Vice President-Finance and Secretary

Operating Company Officers

Roadway Express, Inc.

FRANK W. CAHILL, Vice President-Central Division
J. DAWSON CUNNINGHAM, Vice President-Finance and Administration, Secretary and Treasurer
BRIAN M. CURRAN, Vice President-Southern Division
LAWRENCE L. DEMASTUS, Vice President-Maintenance
DOUGLAS G. DUNCAN, Vice President-Sales
LOUIS J. ESPOSITO, Vice President-Midwestern Division
RONALD J. GORDON, Vice President-Western Division
PAUL I. GREENE, Senior Vice President-Marketing
W. B. HAMAKER, Executive Vice President
JOE D. LAWRENCE, Vice President-Quality
GERALD A. LONG, Vice President, Summit Information Systems, Inc.
MICHAEL J. MURPHY, Vice President-Corporate Sales
ANTHONY R. POAT, Vice President-Pricing
J. A. SALERNO, Vice President-Administration
J. D. STALEY, Vice President-Northeastern Division
MICHAEL W. WICKHAM, President

Roadway Package System, Inc.

GORDON N. BLOOM, Vice President-Management Information Systems
PAUL S. CALLAHAN, Vice President-Central Division
JOHN P. CHANDLER, President
ERIC W. DAMON, Vice President-Finance and Administration
EDWARD S. DiSALVO, Vice President-Sales
STEPHEN W. HANDY, Vice President-Operations Planning and Engineering
IVAN T. HOFMANN, Senior Vice President-Field Operations
BRAM B. JOHNSON, Vice President-Marketing
RONALD E. JOSEPH, Vice President-Transportation, Safety and Maintenance
ANTHONY R. RICHMOND, Vice President-Southern Division
TERRENCE F. SRSEN, Vice President-Contractor Relations
J. ALLAN TEPPER, Vice President-Western Division
THOMAS R. WARREN, Vice President-Eastern Division

Viking Freight, Inc.

RANDOLPH C. BANGHAM, President
JAMES H. FUQUAY, JR., Senior Vice President-Administration/Secretary
DAVID H. HESS, JR., Senior Vice President-Sales and Marketing
WILLIAM J. MAHAN, Senior Vice President-Operations
RONALD G. PELZEL, Executive Vice President and Chief Financial Officer

Spartan Express, Inc.

LAWRENCE K. LeGRAND, President-Spartan Central
L. BARRY McNAUGHTON, President-Spartan South

Roberts Express, Inc.

R. BRUCE SIMPSON, President

Roadway Logistics Systems, Inc.

ROBERT D. LAKE, President

Roadway Services, Inc. And Subsidiaries

Roadway Services, Inc. is a holding company engaged through its operating companies in the acquisition, development and management of transportation oriented businesses. Its operating companies are:

Roadway Express, Inc., the company's largest operating company , primarily handles long haul, less-than-truckload (LTL) general freight, serving all 50 states, Canada, Guam, Mexico, Puerto Rico and Europe through 610 terminals.

P.O. Box 471, 1077 Gorge Boulevard
Akron, Ohio 44309
(216) 384-1717

Roadway Package System, Inc. serves shippers in the small package market. RPS presently serves 44 states through 195 terminals.

P.O. Box 108
Pittsburgh, Pennsylvania 15230
(412) 269-1000

Viking Freight, Inc. is the parent of regional carriers **Viking Freight System, Inc.** and **Spartan Express, Inc.** Viking provides LTL service in eight western states through 49 terminals, and service to Alaska, Hawaii, Guam, Australia and Mexico. Spartan provides LTL service in 16 central and southern states through 56 service centers.

(Viking): 411 East Plumeria Drive
San Jose, California 95134
(408) 922-7200

(Spartan South): P.O. Box 1089
Greer, South Carolina 29652
(803) 879-4211

(Spartan Central): 500 W. Wilson Bridge Rd.
Suite 110
Worthington, Ohio 43085
(614) 841-1220

Roberts Transportation Services, Inc. , through its subsidiaries, provides expedited delivery for critical and time-sensitive shipments.

P.O. Box 7162, 2088 South Arlington Street
Akron, Ohio 44306
(216) 773-3381

Roadway Logistics Systems, Inc. provides contract logistics services.

131 North Canton Road
Akron, Ohio 44305
(216) 784-1600

Corporate Headquarters

1077 Gorge Boulevard
P.O. Box 88
Akron, Ohio 44309
Telephone: (216) 384-8184

Annual Meeting

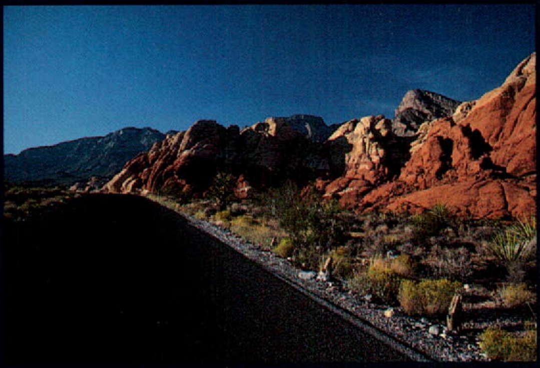
The annual meeting of shareholders of Roadway Services, Inc. will be held on Wednesday, May 13, 1992 at 9:00 a.m. Eastern Daylight Time at the Holiday Inn, 4073 Medina Rd., Akron, Ohio. Formal notice and proxy statement, with proxy, will be mailed on or about April 13, 1992, to each shareholder of record on March 27, 1992. Shareholders are requested to execute and return proxies.

Transfer Agent And Registrar

Ameritrust Company National Association
Corporate Trust Division
P.O. Box 6477
Cleveland, Ohio 44101-1477

Dividend Reinvestment Plan

Registered shareholders of Roadway Services, Inc. are eligible to participate in a dividend reinvestment plan through Ameritrust, the company's stock transfer agent. For information regarding the plan, contact the company's transfer agent.



Roadway Services, Inc., 1077 Gorge Boulevard, P.O. Box 88, Akron, Ohio 44309-0088 (216) 384-8184