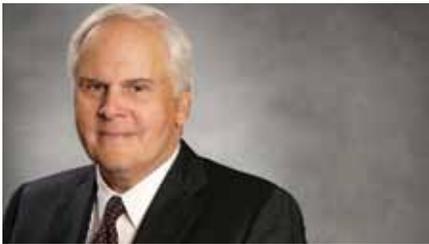


MOMENTUM DEFINED



TO OUR SHAREOWNERS,

This is a defining moment for FedEx.

During 2011, an improved economy, robust customer demand and decisive actions to grow our business increased volumes and yields across all FedEx transportation segments. Revenues reached nearly \$40 billion, a 13 percent year-over-year increase, and earnings per share grew more than 20 percent year over year. With our positive momentum, moderate economic growth and diminishing cost headwinds, we are well-positioned to achieve stronger earnings in 2012.

We're reaping the benefits of the strategies we executed during tougher times. We said we would position ourselves for success, and we have.

Driven by trade

Today, we all benefit from a world that's more connected than ever. In fact, the largest economy in the world no longer belongs to a single country but to the realm of global trade. It's driven by emerging markets, such as China and India, and worldwide gains in manufacturing. What's more, with a growing middle class, these countries are transitioning from producing nations to consumer nations, and their domestic markets represent rich opportunities.

Global trade will continue to be our prime source of growth, especially in Asia, where we have the strongest transportation network in the industry. According to the International Air Transportation Association, Asia Pacific,

the largest single region for air freight, enjoyed a growth rate of 24 percent in 2010.

Because of these trends, FedEx is reaching a tipping point. We expect higher-margin revenue from international operations will approach U.S. domestic revenues at FedEx Express for the first time in our history.

Our commitment to provide companies of all sizes with access to new markets in every corner of the world has never been stronger. Our strategy, network, people and commitment will get the job done. FedEx not only sits at the nexus of global trade — we are *indispensable* to global trade.

Committed to superior solutions

The delivery of *superior solutions* for customers is our No. 1 focus. With our unmatched portfolio of solutions that includes FedEx Express®, FedEx Ground®, FedEx Freight®, and other FedEx® services such as FedEx Trade Networks® and FedEx Custom Critical®, we offer customers plug-and-play flexibility in deciding when, where and how they do business — a big advantage in today's economy.

During the past fiscal year, we continued to enhance our solutions and extend our leadership in all aspects of our business.

FedEx Express strengthened our competitive advantage by adding larger, more fuel-efficient 777Fs on international routes connecting key global markets. Unlike our competition, the 777Fs fly nonstop from Asia to the contiguous United States with a full cargo payload. As a result of our later cutoff times, many of our customers in China have more time in their business day. Also, we completed acquisitions in India and Mexico to provide customers in those countries with better service and more access to global markets.

FedEx Ground increased market share by offering customers superior solutions, such as faster service to more locations than any other ground carrier. The new FedEx Ground

hub in Portland, Ore., is an example of how we're using highly automated processes to sort 3.5 million ground packages a day across our network. For online retailers and direct marketers who need a cost-effective option to ship low-weight packages to residential customers, FedEx SmartPost® is increasingly the solution of choice.

We returned FedEx Freight to profitability in the fourth quarter by aggressively improving our pricing and successfully integrating and simplifying our networks and services. We are reshaping the LTL (less-than-truckload) industry. FedEx Freight now offers our customers two levels of service in one nationwide pickup and delivery network, a game-changing first for the industry.

Our commitment to customer solutions includes a planned \$4.2 billion in FY12 capital expenditures. Nearly 60 percent of that will support growth initiatives. Two billion dollars is designated for more fuel-efficient aircraft, such as 777Fs and 757s. These aircraft expenditures are necessary to achieve significant operating savings over the long run and to support the long-term international growth we're projecting. Capital expenditures are also planned for network expansion at FedEx Ground and for vehicles at FedEx Freight. The company will benefit from the tax-expensing and accelerated depreciation provisions included in the Tax Relief Act of 2010.

Energized by technology

Technology has also helped accelerate our momentum by making our customers' lives easier. FedEx Office rolled out free Wi-Fi internet access at our U.S. locations and FedEx Office® Print & Go for mobile devices, which helps customers access and print documents directly from their smartphone or USB flash drive. Specific to the sophisticated needs of the growing healthcare industry, we launched a suite of technology solutions and organized them on a new, more customer-friendly website.

The new FedEx Data Center in Colorado Springs represents a major milestone in our commitment to use advanced technologies to benefit our customers. It not only supports our plans for growth but also provides an additional level of data protection. It's LEED-certified and is one of the most energy-efficient data centers in the country.

Dedicated to energy efficiency

At FedEx, our goal is to connect the world in responsible and resourceful ways. It starts with reducing our own fuel consumption and advocating that our nation lessen its dependence on foreign oil. We're embracing new energy alternatives and have a head start on transitioning to alternative power sources.

By 2030, we want to obtain 30 percent of our jet fuel from alternative fuel sources. We are working with the FAA, the Department of Energy and the Commercial Aviation Alternative Fuel Initiative to develop certification standards for biofuels. We're also collaborating with the U.S. Department of Agriculture and other agencies.

On the ground, our vision is to help develop a new short-haul transportation system powered by electricity. The Electrification Coalition, of which I'm a member, has recommended the creation of "electrification deployment communities" — areas where incentives would support electrification on a broad scale. Today we're testing all-electric vehicles in the U.S. and Europe. As the cost of these electric vehicles comes down, we'll add more to our fleet.

Focused on the future

As we continue to gain ground in the world marketplace, we will stay focused on three pillars supporting our reputation.

First, we are committed to growing our earnings. We exist to serve our customers and to earn a profit for our shareowners. As we've shown with our most recent earnings results, we're on track to achieve the long-term financial goals to which we've adhered for many years: growing our revenue, achieving 10 percent-plus operating margins, improving earnings per share 10 percent to 15 percent, increasing cash flows, and increasing returns on invested capital.

Second, we intend to improve on our established reputation as an ethical company. We're dedicated to conducting our business around the world in an honest and forthright way. It starts with our transparency in financial reporting, for which we've been recognized consistently.

We will continue do the right things for our shareowners, our customers, our team members and the communities we serve. We leveraged our long-standing relationships with humanitarian organizations to deliver critical medical and emergency supplies to Japan following the recent earthquake and tsunami. To support these relief efforts, we committed \$1 million in cash and in-kind transportation. Overall in FY11, FedEx donated nearly \$5 million in in-kind disaster relief shipping.

Finally, we'll reinforce our reputation as a great place to work. Nothing inspires more pride than our team members delivering the Purple Promise — "I will make every FedEx experience outstanding." Because of their relentless dedication, we're ranked among the Top Ten on *FORTUNE's* World's Most Admired Companies list and on the Reputation Institute's list of most admirable U.S. companies.

That's why we're committed to giving our team members the career opportunities, the rewards and the recognition they deserve for doing a great job. Thanks, FedEx team, for being a powerhouse in the marketplace and for bringing tremendous momentum to our business.

We've set the stage for success, but at the same time, we serve a higher purpose — to provide unique access for individuals, businesses and markets around the world. The more individual economies are connected, the more the world will prosper. That's why FedEx is more than a transportation business. We are in the transformation business, making a positive difference in people's lives every single day.



Frederick W. Smith
Chairman, President and Chief Executive Officer



“WE’RE REAPING
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