I can reach beyond the walls of my home, office and store.
With one loading dock, I can reach customers around the globe.
I can be a local merchant and a citizen of the world.
I can gain access to almost anyone or anything on the planet. This used to be the astronauts’ view — now it’s a map of my sales territory.
From the day our first customer shipped a box overnight, we’ve been at the leading edge of change.

We’ve pioneered packaging and systems, technologies and trade routes. We’ve enabled new ways of working and new business models. We’ve closed the gap between the virtual and physical worlds. All for one reason — to give people access to the goods, information and markets that make their growing expectations possible.

Can you see all that’s possible?
## Financial Highlights

In millions, except earnings per share

<table>
<thead>
<tr>
<th></th>
<th>2005 (1)</th>
<th>2004 (2)</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Results</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenues</td>
<td>$29,363</td>
<td>$24,710</td>
<td>19</td>
</tr>
<tr>
<td>Operating income</td>
<td>2,471</td>
<td>1,440</td>
<td>72</td>
</tr>
<tr>
<td>Operating margin</td>
<td>8.4%</td>
<td>5.8%</td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>1,449</td>
<td>838</td>
<td>73</td>
</tr>
<tr>
<td>Diluted earnings per common share</td>
<td>4.72</td>
<td>2.76</td>
<td>71</td>
</tr>
<tr>
<td>Average common and common equivalent shares</td>
<td>307</td>
<td>304</td>
<td>1</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>2,236</td>
<td>1,271</td>
<td>76</td>
</tr>
</tbody>
</table>

| **Financial Position**    |          |          |                |
| Total assets              | $20,404  | $19,134  | 7              |
| Long-term debt, including current portion | 2,796  | 3,587    | (22)           |
| Common stockholders’ investment | 9,588  | 8,036    | 19             |

### Revenues (in billions)

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>$19.6</td>
<td>$20.6</td>
<td>$22.5</td>
<td>$24.7</td>
<td>$29.4</td>
</tr>
</tbody>
</table>

### Diluted earnings per common share

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$1.99</td>
<td>$2.34</td>
<td>$2.74</td>
<td>$2.76</td>
<td>$4.72</td>
</tr>
</tbody>
</table>

### Return on average equity

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>10.9%</td>
<td>11.4%</td>
<td>12.0%</td>
<td>10.9%</td>
<td>16.4%</td>
</tr>
</tbody>
</table>

### Capital expenditures (% of revenues)

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>9.6%</td>
<td>7.8%</td>
<td>6.7%</td>
<td>5.1%</td>
<td>7.6%</td>
</tr>
</tbody>
</table>

### Debt to total capitalization

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>26.4%</td>
<td>21.6%</td>
<td>21.7%</td>
<td>30.9%</td>
<td>22.6%</td>
</tr>
</tbody>
</table>

### Stock price (May 31 close)

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
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<tr>
<td></td>
<td>$40.00</td>
<td>$53.95</td>
<td>$63.98</td>
<td>$73.58</td>
<td>$89.42</td>
</tr>
</tbody>
</table>

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(1) 2005 includes $48 million ($31 million, net of tax, or $0.10 per diluted share) related to an Airline Stabilization Act charge and a $12 million or $0.04 per diluted share benefit from an income tax adjustment.

(2) 2004 includes $435 million ($270 million, net of tax, or $0.89 per diluted share) of business realignment costs and a $37 million, net of tax, or $0.12 per diluted share benefit related to a favorable ruling on an IRS tax case and the reduction of the company’s effective tax rate. 2004 also includes the results of operations of FedEx Kinko’s from February 12, 2004 (date of acquisition), including revenues of $621 million and operating income of $45 million.
MESSAGE FROM THE CHAIRMAN

TO OUR SHAREOWNERS:

A snapshot of FedEx Corporation for fiscal year 2005 shows record revenues and earnings from solid execution of our business strategy. However, I believe the real story is not a single snapshot but the bigger picture — one of long-term, sustained growth and shareowner value.

At FedEx, the bigger picture starts with a clear vision executed through a unique operating strategy and brought to life through a sense of purpose shared by our unmatched team.

A Vision for Global Access
FedEx sees a global marketplace with expanded access to goods, services and information. It’s good for individuals, good for businesses and good for nations. Countries with higher levels of access consistently have higher growth rates for GDP and per capita income, and as world GDP continues to expand, global trade is expected to increase twelvefold over the next three decades.

More than two decades ago, we envisioned China as a nexus of global supply and demand. FedEx Express became the first all-cargo carrier to enter that market in 1984 and now operates more all-cargo flights to and from China than any other U.S. airline. In FY05, FedEx Express launched the express industry’s first direct flight from mainland China to Europe. The westbound around-the-world flight is the initial phase of a plan that extends the company’s global connectivity leadership. This flight will further enhance our service offerings between the fastest growing economies in both markets. In FY09, we also plan to open a new hub at the Guangzhou Baiyun International Airport in southern China to better serve our global customers doing business in and with the fast-growing China and Asia-Pacific markets.

In addition to improving access to our physical transportation networks, our vision also calls for improved access to information. Last November, fedex.com celebrated its 10th year and exceeded the one-billion mark for packages tracked online. When it comes to technology solutions, one of our greatest successes this year was the launch of File, Print FedEx Kinko’s, a software enhancement to the Microsoft Office Suite that turns the “print” function into a direct link to any U.S. FedEx Kinko’s Office and Print Center.

Our entire Information Technology organization has stepped back to look at the bigger picture, taking on a major transformation to enable us to deliver faster business solutions and improve return on investment. In FY06, we expect to see real benefits from that multi-year transformation.

Effective Operating Strategy
Our strong performance in FY05 may be largely credited to the successful execution of our unique “operate independently, compete collectively” strategy. We operate independently to allow our companies to focus on very distinct market needs while we compete collectively under the FedEx brand name worldwide.

Independently, we continued to improve the efficiency of each network. Both FedEx Ground and FedEx Freight have significantly reduced transit times, which provides an even greater value proposition for customers who are speeding up their supply chains.

Our major networks also continued to expand capacity to meet customer needs and promote business growth. For example, FedEx Ground opened major facilities in Dallas and Cincinnati, continuing our plan to increase network capacity to five million packages a day by 2010. Also in FY05, we expanded the FedEx Ground service portfolio with the acquisition of Parcel Direct, now called FedEx SmartPost. Targeted to customers in the fast-growing e-tail and catalog industries, FedEx SmartPost provides a cost-effective means of shipping low-weight, less-time-sensitive goods.

When it comes to “operating independently,” the FedEx Ground contractor model is a perfect example. Although we believe the contractor model is best for our contractors, our customers, our company and our shareowners, it has recently been challenged by a small number of current and
former owner-operators. These proceedings question whether owner-operators — who enjoy great opportunities through self-employment — should be classified as employees. We will continue to defend our model vigorously to keep the entrepreneurial spirit alive and to ensure superior service for our customers.

While our strategy provides the freedom and flexibility to operate independently, our companies all compete collectively. Five years ago, when we extended the FedEx brand name to our major operating companies, we made a commitment to provide easy, one-touch access for our customers to the full range of FedEx services. In FY05, we did a better job of that than ever before, particularly in cross-selling the entire portfolio of FedEx services.

Another part of our collective strategy involves our retail presence — giving our customers a convenient drop-off point for both Express and Ground package shipping. With the conversion of 176 former FedEx World Service Centers to FedEx Kinko’s Ship Centers, along with the continued opening of new locations, FedEx Kinko’s now has about 1,440 centers worldwide, up from about 1,200 a year ago.

An Outstanding Experience
Along with our vision and our strategy, there is one more important ingredient. That’s a clear sense of purpose. For every one of our more than 250,000 employees, contractors and team members around the world, our purpose is to deliver outstanding customer service. Internally, we call it The Purple Promise, which is, simply stated, “I will make every FedEx experience outstanding.”

Our Promise extends to the way we work with each other, the way we serve our customers, and the way we care for communities and the environment. For example, we are building California’s largest corporate solar-electric system atop our hub at Oakland International Airport to provide approximately 80 percent of the peak-load energy demand. At FedEx Kinko’s, we increased the recycled content of the paper used behind the counter from 10 percent to 30 percent — conserving an estimated 19,000 tons of wood annually. Add that to our rollout of energy-saving hybrid vehicles and more fuel-efficient aircraft joining our fleet and it’s clear that FedEx is taking a much broader view of environmental needs for today and for the future.

Seeing the Bigger Picture
By remaining focused on our vision, executing our strategy and coming together with a sense of purpose centered on our customers, FedEx is uniquely positioned to weather times of change and transition.

We remain committed to continuing to deliver for our shareowners by increasing earnings, return on our investments and cash flow.

Our outstanding results for FY05, and our plans for FY06 and beyond, are just part of the bigger picture. Our vision compels us to work for expanded access around the world. Our strategy requires us to invest in our networks wisely as we work together to strengthen the FedEx brand and reputation worldwide. Our purpose calls us to action, focused on serving our customers and our communities.

This bigger picture continues to open the world to our customers so they may turn the power of possibility into prosperity.

Sincerely,

Frederick W. Smith
Chairman, President and Chief Executive Officer
FedEx Corporation provides strategic leadership and consolidated financial reporting for the FedEx family of companies, managing a broad portfolio of transportation, e-commerce and business services.

FedEx Express provides time-definite shipping to more than 220 countries and territories, including every street address in the United States, delivering small packages and freight usually in one to three business days.

FedEx Ground provides cost-effective, day-definite shipping, specializing in small-package ground delivery with convenient U.S. residential service through its FedEx Home Delivery service.

FedEx Freight is a leading U.S. regional, less-than-truckload freight company, delivering within the United States and key international markets usually within one to two business days.

FedEx Kinko’s is a leading provider of document solutions and business services, with a retail network of more than 1,400 locations in 11 countries.
“I am on your schedule.”
From factory to doorstep, L.L. Bean gives customers what they want.

“I do not consider a sale complete until goods are worn out and a customer still satisfied.”

Leon Leonwood Bean founded his company in Freeport, Maine, in 1912 with a commitment to customer service that has since become legendary. The merchant offers a guarantee of 100 percent satisfaction on its rugged outdoor clothing and gear — even accepting returns decades after the purchase with no questions asked.

For the past 20 years, FedEx has helped L.L. Bean stay true to its heritage of giving people what they want, right down to shipping options. Customers can choose between lower prices (four to six days via FedEx Ground) or faster access (two days via FedEx Express).

To meet customer demand, FedEx runs its own facility under the same roof as L.L. Bean’s 600,000-square-foot order fulfillment center in Freeport. The operation processes thousands of mail, phone, fax and Web orders every day, requiring precise coordination of people, products and information. And none of that speed or volume comes at the sacrifice of quality. For example, on the rare occasion when a stitch in a monogram goes awry, craftspeople carefully correct the design and send the product on its way down the maze of conveyor belts and right into a FedEx truck.

From there to the customer’s home, L.L. Bean entrusts FedEx with guarding its century-long reputation for delivering 100 percent satisfaction.

llbean.com
“I was born global.”
Athletes ranging from beach volleyball players to Indy 500 drivers turn to hot startup Kaenon Polarized for its must-have sunglasses. FedEx helps Kaenon deliver — anywhere.

When brothers Steve and Darren Rosenberg started Kaenon in 2001, they knew they could, in Darren Rosenberg’s words, “build a better mousetrap.” The brothers developed a polarized lens material that combines the optical clarity of glass with the lighter weight and impact resistance of polycarbonate. They also found a way to control the amount of light that gets through to the wearer’s eyes, allowing the sunglasses to be customized for different activities and weather conditions.

But they still needed to get their breakthrough product to world markets.

“It was important for us to go global right away,” said Darren Rosenberg, vice president. “A lot of startups don’t do that, but we secured distributors in Europe and Australia.” Customs procedures immediately presented a problem. The brothers worked with freight forwarders and attempted to deal with customs directly. Both approaches proved frustrating. Then Kaenon partnered with FedEx, which became its broker for global customs.

With decades of know-how about operating around the world, FedEx offers the expertise and shipping services to help any company enter new markets. Kaenon uses FedEx Express for international shipping, while FedEx Ground handles deliveries to retailers in the United States and Canada — as well as many of Kaenon’s online customers. Now you’re as likely to spot surfers and kiteboarders wearing Kaenon’s glasses on the shoreline of Sydney, Australia, as you are at the company’s home base of Newport Beach, Calif.

Darren Rosenberg put it simply: “FedEx becoming our global broker was huge for us.”

kaenon.com
Shipping direct from China puts Motion Computing’s products into customers’ hands fast.

Motion Computing’s tablet PCs are in demand around the world in places like hospitals, where the handheld computers replace the loose papers and clipboards that chart diagnosis and treatment.

To give customers immediate access to its industry-changing technology, Motion Computing uses FedEx to ship products from the factory in Shanghai, China, directly to North America and to countries in the European Union — by operating the industry’s first direct link between mainland China and Europe.

“FedEx capabilities have been instrumental in helping us achieve our business objectives and greater efficiencies in our business model,” said Jerome Kearns, vice president of global product fulfillment at Motion Computing. “The FedEx direct-ship programs from China to our distribution channel and to our end customers help Motion expand globally at an accelerated pace and in a cost-effective manner.”

Since Motion Computing was founded by industry veterans in 2002, it has won customers in 18 countries. Among its competitive advantages: Customers can order its tablet PCs with the exact features to suit their needs — and get them shipped overnight. Forty percent of sales come from healthcare clients. ‘Specially for Children, a pediatric hospital in Austin, Texas, has equipped its staff with tablet PCs to help minimize paperwork, so physicians and nurses can focus more on the children’s care. For kids in Austin who need medical attention, the technology can make a big difference.

And for startups like Motion Computing, the strategic relationship with FedEx makes all the difference. “The unique capabilities that FedEx offers can help any company go global,” said Kearns. “From shipping choices to understanding international import and export rules and regulations, FedEx can help reduce total cost as well as lead times — a winning combination for both company and customer.”

motioncomputing.com
“I am the future.”
Pentax develops a new picture of global distribution.

Speed to market is critical for high-value products like Pentax digital and film cameras. Working together with FedEx, Japan’s Pentax Corporation reduced its factory-to-retailer lead time by half in the United States, Canada and the Caribbean.

Pentax products bound for those markets used to take up to 10 days to go from factories across Asia to a central warehouse in Colorado, and then on to retailers. No longer.

The Pentax senior management team worked with FedEx to rethink its strategy. The result is an entirely new Pentax Direct Distribution System, with products moving from regional manufacturing to the FedEx Asia-Pacific Hub at Subic Bay, the Philippines. Inside the on-site Pentax operation, order data is received from Pentax information systems and individual shipments are prepared for direct delivery to retailers, using FedEx International Priority DirectDistribution.

The lean, efficient distribution model is not only five days faster but less costly, too, since Pentax saves on total inventory expense.

Pentax created an entirely new business model that allowed it to “maximize sales potential and minimize long-term inventory levels,” said Michael L. Ducker, executive vice president international, FedEx Express. “The FedEx Express global air, ground and information technology networks are ideally suited to help Pentax speed delivery of its products.”

pentax.com
Microsoft and FedEx collaborated to create a productivity tool that offers users a simple, quick and convenient way to place print orders from any Windows application. Despite all the amazing advances that have been made over the past few decades, I believe we’re only beginning to realize computing’s potential — as File, Print FedEx Kinko’s clearly shows.

Bill Gates
Chairman and Chief Software Architect, Microsoft Corporation
Lisa McIlvoy was in a bind. She was flying out of town the next morning to deliver a presentation but didn’t have the time or the equipment in her home office to make the 500 hard copies she needed to bring with her.

Using File, Print FedEx Kinko’s, a free software tool that gives users a virtual printer cable to more than 1,100 FedEx Kinko’s Office and Print Centers across the United States, McIlvoy placed an electronic order from her home computer.

“The copies were all ready when I arrived and they were sorted correctly with tabs and everything,” said McIlvoy, a sales manager for W.P. Hickman Systems Inc. “It was like having my own personal assistant. It was convenient and a real time saver.”

FedEx Kinko’s has long been the trusted back office of remote workers like McIlvoy. With a digitally linked global network, FedEx Kinko’s offers copying and printing, Internet access, video conferencing and other crucial services for the growing ranks of mobile business professionals.

The File, Print FedEx Kinko’s tool, developed with Microsoft, works from the menu inside Windows desktop programs. It’s just like sending a file to the printer, except the printer is at whichever FedEx Kinko’s location you choose — even in another city. It’s no wonder that usage is growing at the rate of more than 10,000 downloads per week.

fedex.com/us/officeprint/main
When shoppers are roaming the aisles of a superstore, the retailer’s reputation depends on whether customers can find what they’re looking for — or whether they drive away frustrated. CompUSA relies on FedEx Freight to help guarantee that any personal computer product it sells will almost always be in stock.

The FedEx Freight network is perfectly designed for CompUSA’s fast-cycle inventory replenishment. Shipments from manufacturers arrive at five distribution centers around the nation, where the products are immediately sorted and loaded right onto FedEx Freight trucks, eliminating the costly need to warehouse goods. The trucks deliver directly to CompUSA’s 252 stores, typically resupplying them in two days or less.

But FedEx Freight is only one part of the FedEx portfolio that the Dallas-based retail powerhouse has come to trust. CompUSA also depends on FedEx Express, FedEx Ground and FedEx Trade Networks to meet needs ranging from e-commerce fulfillment to customs clearance and freight forwarding.

Doug Brown, CompUSA’s senior director of logistics, said, “As our valued business partner, FedEx helped CompUSA gain the competitive edge in the marketplace through cutting-edge supply chain technology, the right mix of transportation and the passionate spirit in which the relationship is managed.”

compusa.com
“I bypass warehouses.”
“I am always fresh.”
Dipping and shipping the same day keeps Shari’s Berries growing.

The business of fresh berries is part art, part science — and always a race against time. For Shari’s Berries, winning that race means delivering hand-dipped strawberries for peak freshness.

“FedEx is an invaluable ally for us,” said Kevin Beresford, the company’s president and CEO. “We rely on FedEx because their people at every level are focused on customer service.”

While the company’s processes are meticulous — every berry is dipped and packaged by hand at the Roseville, Calif., headquarters on the day it is shipped — this is no small-scale operation. The ability to ship overnight has allowed Shari’s Berries to increase annual revenue from $700,000 in 2000 to $8 million in 2004, making it one of America’s top 400 e-commerce merchants. This year, Shari’s Berries will dip two million strawberries in 60 tons of toppings and send them to 200,000 addresses using FedEx.

Valentine’s Day is an awesome challenge for Shari’s Berries, with 14,000 orders to be filled in a single day. To handle the spike in volume, FedEx Express brings empty air cargo containers to the Shari’s Berries loading dock, fills them with shipments and takes them directly to its aircraft for distribution.

“Moving that many orders reliably and quickly requires a commitment from everyone at FedEx — not just locally, but across their entire network,” Beresford said. “FedEx has it down to a science.”

berries.com
Louis Vuitton’s distinctive trunks and bags have been synonymous with luxury for 150 years. Since the arrival of designer Marc Jacobs in 1997, the company has diversified its product range, spurring it to even greater levels of success. Louis Vuitton now operates an exclusive retail network of 341 stores across 52 countries, supplying chic shoppers with its famous monogram bags, as well as a range of Ready-to-Wear and accessories.

Part of the stores’ success is a combination of FedEx services that keeps the right mix of products in stock at each location.

The hottest, fast-selling merchandise is shipped from factories directly to Louis Vuitton stores worldwide by FedEx Express. Rush orders are handled by FedEx International Priority. For replenishing its classic stock, Louis Vuitton relies on FedEx Express to transport multi-piece heavyweight shipments from its international logistics and information processing center in Cergy, France, to distribution centers in Honolulu and Memphis. From Memphis, merchandise is shipped by FedEx Express and FedEx Ground to Louis Vuitton stores across the United States. The retailer often uses the Web-based FedEx InSight application to receive automatic notification of critical shipments and to view shipment status without inputting a tracking number.

“Louis Vuitton is aiming to increase the responsiveness of its logistics operations,” said Vincent Barale, director of Logistics and Transportation for Louis Vuitton. “The services provided by FedEx enable us to reduce lead times while optimizing stock levels within our retail network. FedEx is an integral part of our remarkable, ongoing story of innovative luxury.”

www.vuitton.com
“...and Brussels...and Chicago...and Johannesburg...and Melbourne... and Sydney...and Manila...and Tokyo...and Salzburg...and Antwerp...and Cannes... and Berlin...and São Paulo...and Athens...and Vancouver... and Toronto...and Los Angeles...and Honolulu.”
“I am an entrepreneur at heart.”
The FedEx contractor model lets thousands build their own future.

FedEx does more than serve small businesses. It helps create them.

Nick Ciardiello is one of thousands of independent contractors who pick up, transport and deliver packages for FedEx Ground and its residential service, FedEx Home Delivery.

The FedEx Ground business model allows the Woodbridge, N.J., contractor to be his own boss — and a successful small business. Ciardiello owns 16 trucks and operates 10 routes. He hires the workers he wants — a diverse group of 19 employees — while having one of the world’s best-known brand names behind him. He also benefits from the FedEx global sales force, which steadily increases the number of packages he delivers. This can make his routes more valuable every year, since FedEx pays him based on volume as well as reliable performance.

This opportunity appeals to entrepreneurs who are willing to make the investment to get started in the business. In addition to the initial acquisition fee for the route, FedEx Ground contractors pay for their own trucks, insurance, uniforms, fuel and maintenance. And they’re responsible for serving their routes safely and efficiently.

While it requires a lot of hard work, it can be a good long-term investment. It’s not uncommon for FedEx Ground contractors to resell the rights to their routes at an attractive profit. Or, like Ciardiello, to continue to grow their business by carrying out their duties with the reliability and spirit the world expects from someone in a FedEx uniform.

“The best part about it is being the boss,” Ciardiello said. “I can still climb into a truck and handle my share of stops when I have to, but working with FedEx Ground has given me the opportunity to become a total manager.”

fedex.com/us/careers/independentcontractors.html
“I am clean.”
Hybrid trucks carry FedEx farther.

FedEx’s commitment to the environment starts behind the counter at every FedEx Kinko’s, rises to the top of our hub in Oakland, Calif., and travels the streets of Tampa, Sacramento, New York City and Washington D.C. That’s where we’ve begun deploying eco-friendly hybrid trucks.

The FedEx OptiFleet E700 diesel-electric hybrid is a revolution in truck technology. Developed in partnership among FedEx, Eaton Corp. and Environmental Defense, the hybrid produces 96 percent less soot than its diesel-only counterparts and travels more than 50 percent farther on a gallon of fuel. It will cost the same as a conventional truck over its lifetime while reducing both fuel costs and global-warming emissions by one-third.

The trucks are ideally suited for the frequent stop-and-go delivery pattern required in cities. When a driver hits the brakes on the hybrid, the batteries capture and store energy that is usually lost during deceleration. On acceleration, the batteries release the stored energy to produce a smooth acceleration that’s quiet and fuel-efficient.

FedEx plans to add up to 75 new hybrids to its fleet by the spring of 2006 and replace as many diesel delivery trucks as possible during the normal replacement cycle within the next 10 years, if hybrid production rises and prices fall as desired — ultimately saving more than one million barrels of crude oil a year.

“As fuel prices rise, fuel-efficient trucks are an investment every company should be making,” said Gwen Ruta, director of corporate partnerships at Environmental Defense. “They’re not only good for business but good for America.”

fedex.com/us/about/responsibility
TO OUR SHAREOWNERS:

Several years ago, we committed to managing FedEx Corporation for improving financial performance — setting very specific long-term goals around improved margins, earnings growth, better cash flow and higher return on capital. Since then, we’ve consistently delivered against those goals. And in FY05, we recorded our best performance yet.

As our independent operating companies and unique global networks continue to find new and better ways to compete collectively, demand for the entire portfolio of FedEx services has steadily grown. Over the past five years, FedEx Corporation revenue has increased to $29.4 billion in FY05 from $18.3 billion in FY00, thanks to solid volume growth, strategic acquisitions, new services and steady pricing discipline. Our continued focus on productivity across the corporation has helped us also drive sustainable improvement in operating margin in recent years, growing to 8.4 percent in FY05 from 6.7 percent in FY00. And during that same time period net income has more than doubled — increasing to $1.4 billion in FY05 from $688 million in FY00. We view this as a very strong indication that our operating strategy is working.

In response to the growing demand for our services, we’ve taken a very disciplined approach to investing in the business to increase capacity for future growth. We’ve been able to hold our capital expenditures to within 5 to 8 percent of revenue in recent years, and the $2.5 billion in capital spending forecasted for FY06 remains within that range. Additionally, solid improvement in operating cash flow allowed us to repay nearly $800 million in debt in FY05, and for the second straight year we have more than $1 billion in cash on the balance sheet.

This consistent performance and ongoing focus on our financial goals have also paid off for our shareowners. For the third straight year we increased our dividend payment, boosting our quarterly dividend by 14 percent to 8 cents per share on May 27, 2005. Even more significantly, for the five-year period ending May 31, 2005, our total cumulative return to shareowners is up more than 150 percent — outpacing the S&P 500 and the Dow Jones Transportation Index.

But not all of our financial goals deal with dollars. Another critical focus for FedEx is our long-standing commitment to integrity, transparency and excellent internal controls. In FY05, that commitment was demonstrated by more than 1,200 FedEx employees who spent nearly 100,000 hours ensuring we fully comply with the requirements of Section 404 of the Sarbanes-Oxley Act. Thanks to their hard work, internal controls were strengthened with the documentation of approximately 225 key financial processes, which are supported by more than 200 financial IT systems. Our intention was not only to comply with the law but also to build upon a process that will further enhance a strong controls mindset across all of FedEx — today and into the future.

Our outstanding results in FY05 followed several years of consistently strong performance. Now, thanks to carefully planned expansion we are financially well positioned to take advantage of the host of future growth opportunities in the global marketplace.

Alan B. Graf, Jr.
Executive Vice President and Chief Financial Officer
BOARD OF DIRECTORS

James L. Barksdale(2)(3)
Chairman and President
Barksdale Management Corporation
Investment management company

August A. Busch IV(2)
President
Anheuser-Busch, Inc.
Brewing organization

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Chairman and Chief Executive Officer
CDW Corporation
Technology products and services company

Judith L. Estrin(2*)
President and Chief Executive Officer
Packet Design, LLC
Internet technology company

J. Kenneth Glass(1)(4)
Chairman, President and
Chief Executive Officer
First Horizon National Corporation
Bank holding company

Philip Greer(2*)
Managing Director
Greer Family Consulting & Investments, LLC
Investment management firm

J.R. Hyde, III(3)
Chairman
GTx, Inc.
Biopharmaceutical company

Dr. Shirley A. Jackson(3)(4)
President
Rensselaer Polytechnic Institute
Technological university

Charles T. Manatt(2)
Partner and Co-founder
Manatt, Phelps & Phillips, LLP
Law firm

Frederick W. Smith
Chairman, President and
Chief Executive Officer
FedEx Corporation

Dr. Joshua I. Smith(1)
Chairman and Managing Partner
Coaching Group, LLC
Consulting firm

Paul S. Walsh(2)
Chief Executive Officer
Diageo plc
Consumer food and beverage company

Peter S. Willmott(1)(4*)
Chairman and Chief Executive Officer
Willmott Services, Inc.
Retail and consulting firm

(1) Audit Committee
(2) Compensation Committee
(3) Information Technology Oversight Committee
(4) Nominating & Governance Committee
* Committee Chair
EXECUTIVE OFFICERS AND SENIOR MANAGEMENT

FedEx Corporation
Frederick W. Smith
Chairman, President and Chief Executive Officer

Alan B. Graf, Jr.
Executive Vice President and Chief Financial Officer

Robert B. Carter
Executive Vice President and Chief Information Officer

Christine P. Richards
Executive Vice President, General Counsel and Secretary

T. Michael Glenn
Executive Vice President, Market Development and Corporate Communications

John L. Merino
Corporate Vice President and Principal Accounting Officer

FedEx Express Segment
FedEx Express
David J. Bronczek
President and Chief Executive Officer

David F. Rebholz
Executive Vice President, Operations and Systems Support

Michael L. Ducker
Executive Vice President, International

FedEx Trade Networks
G. Edmond Clark
President and Chief Executive Officer

FedEx Freight Segment
FedEx Freight
Douglas G. Duncan
President and Chief Executive Officer

Patrick L. Reed
Executive Vice President and Chief Operating Officer

FedEx Custom Critical
John G. Pickard
President and Chief Executive Officer

Caribbean Transportation Services
Rick A. Faieta
President and Chief Executive Officer

FedEx Ground Segment
FedEx Ground
Daniel J. Sullivan
President and Chief Executive Officer

Rodger G. Marticke
Executive Vice President and Chief Operating Officer

Bram B. Johnson
Executive Vice President, Strategic Planning, Quality Management and Communications

FedEx SmartPost
Ward B. Strang
President and Chief Executive Officer

FedEx Supply Chain Services
Douglas E. Witt
President and Chief Executive Officer

FedEx Kinko’s Segment
FedEx Kinko’s
Gary M. Kusin
President and Chief Executive Officer

Kenneth A. May
Executive Vice President and Chief Operating Officer

John M. McDonald
Executive Vice President, Commercial Document Solutions
CORPORATE INFORMATION

Corporate Headquarters: 942 South Shady Grove Road, Memphis, Tennessee 38120, (901) 818-7500.

Annual Meeting: The annual meeting of shareowners will be held in the Peabody Grand Ballroom at The Peabody hotel, 149 Union Avenue, Memphis, Tennessee 38103, on Monday, September 26, 2005, at 10:00 a.m. Central time.

FINANCIAL INFORMATION

Stock Listing: FedEx Corporation’s common stock is listed on the New York Stock Exchange under the ticker symbol FDX.

Shareowners: As of July 11, 2005, there were 18,277 shareowners of record.

Market Information: Following are high and low sale prices and cash dividends paid, by quarter, for FedEx Corporation’s common stock in 2005 and 2004.

<table>
<thead>
<tr>
<th>Year</th>
<th>First Quarter</th>
<th>Second Quarter</th>
<th>Third Quarter</th>
<th>Fourth Quarter</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2005</td>
<td>$83.47</td>
<td>$96.63</td>
<td>$100.92</td>
<td>$101.87</td>
</tr>
<tr>
<td>FY 2004</td>
<td>$68.96</td>
<td>$78.05</td>
<td>$75.15</td>
<td>$76.07</td>
</tr>
</tbody>
</table>

Dividends: FedEx paid a cash dividend on July 1, 2005 ($0.08 per share). We expect to continue to pay regular quarterly cash dividends, though each quarterly dividend is subject to review and approval by our Board of Directors.

Financial Information: Copies of FedEx Corporation’s Annual Report on Form 10-K, other documents filed with the Securities and Exchange Commission (SEC) and other financial and statistical information are available through our Web site at fedex.com. You will be mailed a copy of the Form 10-K upon request to Investor Relations, FedEx Corporation, 942 South Shady Grove Road, Memphis, Tennessee 38120, (901) 818-7200, e-mail ir@fedex.com. Company documents filed electronically with the SEC can also be found at the SEC’s Web site at www.sec.gov. The most recent certifications by our principal executive and financial officers pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 are filed as exhibits to our Form 10-K. We have also filed with the New York Stock Exchange the most recent Annual CEO Certification as required by section 303A.12(a) of the NYSE Listed Company Manual.

Independent Registered Public Accounting Firm: Ernst & Young LLP, Memphis, Tennessee.

CONTACT INFORMATION

Customer Inquiries: Call 1-800-Go-FedEx or visit the Customer Support section of fedex.com: http://www.fedex.com/us/customersupport/

Media Inquiries: Contact FedEx Media Relations, 942 South Shady Grove Road, Memphis, Tennessee 38120, (901) 434-8100 or visit the About FedEx section of fedex.com: http://www.fedex.com/us/about/

Shareowner Account Inquiries: Contact Computershare Investor Services, P.O. Box 43069, Providence, Rhode Island 02940-3069, (800) 446-2617.

Direct Stock Purchase and Dividend Reinvestment Inquiries: For information on the direct stock purchase and dividend reinvestment plan for FedEx Corporation common stock, call Computershare at (800) 446-2617 or visit their direct stock purchase plan Web site at equiserve.com. This plan provides an alternative to traditional retail brokerage methods of purchasing, holding and selling FedEx common stock. This plan also permits shareowners to automatically reinvest their dividends to purchase additional shares of FedEx common stock.

Investor Inquiries: Contact J.H. Clippard, Jr., Vice President, Investor Relations, FedEx Corporation, 942 South Shady Grove Road, Memphis, Tennessee 38120, (901) 818-7200, e-mail ir@fedex.com or visit the Investor Relations section of fedex.com: http://www.fedex.com/us/investorrelations/

GENERAL INFORMATION

Equal Employment Opportunity: Our greatest asset is our people. We are committed to providing a workplace where our employees and contractors feel respected, satisfied and appreciated. Our policies are designed to promote fairness and respect for everyone. We hire, evaluate and promote employees, and engage contractors, based on their skills and performance. With this in mind, we will not tolerate certain behaviors. These include harassment, violence, intimidation and discrimination of any kind involving race, color, religion, national origin, gender, sexual orientation, age, disability or, where applicable, veteran or marital status.


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How far can you see?