



Frederick W. Smith
Chairman, President and CEO

To Our Shareowners,

FY15 was a transformative year for FedEx with outstanding financial results, more powerful customer solutions, and actions to generate increased long-term value for shareowners. Record adjusted earnings¹ were driven by higher volumes and improved base yields from each transportation segment. Here are a few of the FedEx team's major accomplishments this past fiscal year:

We believe the TNT Express, GENCO and Bongo acquisitions we announced may prove as important to FedEx as the additions of Flying Tigers in 1989 and Caliber System in 1998, which respectively gave our customers access to global markets and the economical option of convenient ground delivery service. All three companies provide best-in-class capabilities that will fill critical gaps in our portfolio of customer solutions and boost our long-term competitive advantage. The TNT Express transaction is expected to be completed in the first half of calendar 2016.

We're on target to achieve the goal of the FedEx Express profit improvement plan we outlined in FY13 — to exit 2016 with a run rate of \$1.6 billion in additional operating profit from the then FY13 base results.

In FY15, in light of increasing e-commerce low-density shipments, we took action to ensure we're more adequately compensated for the high-quality services we provide customers. At FedEx Ground, dimensional weight pricing was extended to all shipments. Fuel surcharge rates were adjusted at all transportation companies to reduce volatility and — for the first time — our 2015 rate increase announcement combined express, ground and freight details, giving our customers a more holistic view of our transportation solutions and additional time to plan their annual budgets.

Our team members around the world executed our strategies very effectively. They again came through for our customers, especially during another record-breaking peak season.

¹For a reconciliation of presented non-GAAP measures to the most directly comparable GAAP measures, see <http://investors.fedex.com>.

Operating Performance

Adaptive strategies allow us to play offense when we see opportunities and play defense when we need to quickly respond to weakening economic conditions. In a word, flexibility differentiates FedEx from our competition.

Flexibility is inherent to our independently operated FedEx Express®, FedEx Ground® and FedEx Freight® networks. Each can be fine-tuned to deliver, without compromise, the best service and value for the market segment served. Our strategy of “compete collectively, operate independently, and manage collaboratively” helped us successfully navigate the holiday season, overcoming challenges of an evolving e-commerce landscape and tough winter conditions. FedEx delivered outstanding service and strong financial performance, but at the same time, adjusted capacity to support customers adversely affected by the labor disruptions at U.S. West Coast ports.

Our use of industry-leading automation also differentiates FedEx Ground, which continues to expand using state-of-the-art package sorting to quickly and efficiently process increasing package volumes. During peak season, we experienced record shipping volumes, but not always from the locations or on the days expected. Thanks to seamless execution by team members and our automated hubs, FedEx Ground was able to quickly accommodate customers’ needs.

Close collaboration with customers is key to FedEx peak-season success. Our sales force works closely with customers to anticipate their needs for volume and timing months in advance. Managing capacity to their projections requires a high level of discipline and cooperation, allowing us to meet our commitments efficiently and profitably.

Broad Solutions

At the heart of our business is the FedEx portfolio of solutions that serves a wide range of logistics needs. Customers using all three FedEx transportation companies account for about 77 percent of our U.S. revenue. About 96 percent of U.S. revenue is generated by customers using two or more of our transportation companies.

FedEx Services provides common sales, marketing, revenue management, customer service, and information technology support. FedEx Services team members are modernizing our IT platforms to lower costs and make us more agile in meeting shifting market demands and changing customer needs. In FY15, FedEx Services, including FedEx Office, was integral to many of our most important accomplishments, including industry-leading pricing management and more convenient solutions for customers to pick up and drop off packages.

Purple Promise Chairman’s Award winners exemplify our unique culture.



Purple Promise Chairman’s Award Winner

LINDA DILEO

*Specialty Customer Representative,
FedEx TechConnect
Fort Lauderdale, Florida,
USA*

When she received the call, Linda DiLeo knew a life was at stake. A German medical device manufacturer had just shipped a custom-made

skull implant to Detroit, Michigan, for a life-saving operation. Just one problem: The company shipped the package on Friday — a day when FedEx didn’t operate flights from Germany — and the surgery was scheduled for Monday. Linda took it upon herself to coordinate a FedEx team, place the package

on a flight, and arrange pre-clearance through customs and pickup from the Detroit ramp. The patient’s surgery proceeded on schedule and a life was saved.

“If you put your heart into everything you do, you can always make a difference in people’s lives,” says DiLeo.

FedEx Express is successfully lowering costs and increasing base yields through the profit improvement program. FedEx Express has made structural changes to reduce costs and is retiring older aircraft while adding new Boeing 767Fs to rationalize capacity and modernize our aircraft fleet. We are serving customers with more efficiency for their less-time-sensitive shipments.

FedEx Ground continues to pull ahead of competitors. Margins at FedEx Ground remain strong, and we continue to improve service. FedEx Ground is faster to more U.S. locations than the competition. As e-commerce continued to reshape the transportation business, FedEx Ground invested \$1.2 billion in FY15 in facilities and automation to support future growth.

FedEx Freight is focused on improving quality and increasing profitability through more efficient routing of shipments and a better balance of volume and yield growth. We'll continue to enhance our position as the market leader in the less-than-truckload segment and reinforce our reputation as a great place to work. We are pleased to report that FedEx Freight drivers have rejected union representation in most cases, demonstrating their strong preference for a direct relationship with our company.

Unique Culture

Our most important competitive advantage remains our team members, who deserve the credit for our outstanding performance this year. At FedEx, we believe there should be a strong relationship between pay and performance, and in FY15 the rewards to team members from our variable compensation programs were significantly higher than in FY14 because our adjusted earnings¹ were higher.

Rewarding team members is an essential part of our culture and our People-Service-Profit (PSP) philosophy. PSP, on which FedEx was founded, is more relevant than ever. Focusing on our People produces outstanding Service for customers, which in turn produces the Profit required to invest in our future. It's a strategic approach that differentiates FedEx, because every single day team members dig deeply to deliver the **Purple Promise**, which is simply stated, "I will make every FedEx experience outstanding."

Our commitment to corporate social responsibility is more important than ever to customers. We estimate that \$6.8 billion in revenue in recent years came from customers who requested information on our corporate citizenship. Our commitment starts by integrating our citizenship objectives into our business.

¹For a reconciliation of presented non-GAAP measures to the most directly comparable GAAP measures, see <http://investors.fedex.com>.



Purple Promise Chairman's Award Winner

FRANCISCO SANDOVAL

*Sort Manager,
FedEx Ground
Saginaw, Michigan,
USA*

It was the day before Mother's Day when the Saginaw, Michigan, FedEx Ground station received 38 packages of flowers and a problem.

The flowers were not scheduled to be delivered until the day after Mother's Day. The station's sort manager, Francisco Sandoval, was determined to get the flowers there on time. Even though the recipients lived outside the service area, and despite the heavy volumes, Sandoval found a FedEx Ground driver

to deliver the flowers Saturday, even though the area wasn't on his schedule. The result: Mother's Day arrived a day early.

"Whether it's Mother's Day or a typical Saturday, I do everything I can to make our customers happy," Sandoval says.

By consuming resources efficiently, we've reduced our environmental footprint and also lowered costs. For example, initiatives to reduce aircraft fuel-use saved more than \$300 million and avoided 976,263 metric tons of greenhouse gas emissions in FY14. To support the communities where we live and work, FedEx and FedEx team members donated \$48 million in FY15. We distributed \$227 million in dividends to shareowners and incurred more than \$17 billion in salaries and employee benefits expense in FY15.

We're proud that FedEx was once again named by *FORTUNE* magazine as one of the world's most admired companies and No. 1 in the delivery industry. We also were named one of the world's most reputable companies according to the annual Global RepTrak® 100 list released by the Reputation Institute.

Accelerate our use of leading-edge technology to deliver even better customer service and work more efficiently and profitably. For example, the development of FedEx Delivery Manager® allows customers to personalize deliveries and earned FedEx the 2014 CIO Award from *CIO* magazine, honoring the highest level of excellence in information technology.

Remain true to our PSP philosophy by providing team members the best training and tools; a safe, healthy, and inclusive work environment; fair compensation and benefits; opportunities for promotion; and recognition for jobs well done.

We believe FedEx is on a dynamic trajectory that will make FY16 very successful. Our company has never been better positioned to build shareowner value.

Continued Focus

FY15 was a historic year for FedEx, and we are committed to capitalizing on our momentum. To make this happen, we will focus on three areas:

Remain "heroes" to our customers by solving their business problems and helping them succeed.



Frederick W. Smith
Chairman, President and CEO



Purple Promise Chairman's Award Winner

CHRIS COX

City Driver, FedEx Freight
Sheboygan, Wisconsin,
USA

Chris Cox had a challenge that required some innovative thinking. He was assigned to pick up a large shipment of printed graphics destined for delivery to home improvement

stores nationwide. With more than 1,600 pallets of priority freight to be picked up, Cox proposed a loading method to improve efficiency and reduce handling throughout the many FedEx Freight hubs through which the shipment would transit. By taking ownership of the rollout, Cox met his

customer's requirements and saved FedEx money. The result: early delivery, no damage returns and a better way to do business.

"I wanted to do this to the best of my ability and make it an outstanding experience for the dock workers and our customer," Cox says.