BT GROUP PLC
Form 6-K
September 05, 2006

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

4 September, 2006

BT Group plc
(Translation of registrant's name into English)

BT Centre
81 Newgate Street
London
EC1A 7AJ
England

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F..X... Form 40-F.....

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes ..... No ..X..

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82- ________

Enclosures:
1. Transaction in Own Shares announcement made on 21 August, 2006
2. Transaction in Own Shares announcement made on 21 August, 2006
3. Transaction in Own Shares announcement made on 31 August, 2006
4. Director/PDMR Shareholding announcement made on 1 September, 2006
5. Transaction in Own Shares announcement made on 1 September, 2006

Enclosure No.1

Monday 21 August 2006

BT GROUP PLC

TRANSACTION IN OWN SHARES

BT Group plc announces that on 26 June 2006 it transferred to participants in its employees share schemes 9,009,894 ordinary shares at a price of 228.5 pence per share. The transferred shares were all formerly held as treasury shares. Following the above transfer, BT Group plc holds 303,539,539 ordinary shares as treasury shares. The total number of ordinary shares in issue (excluding shares held as treasury shares) is 8,335,089,924.

Enclosure No.2

Monday 21 August 2006

BT GROUP PLC

TRANSACTION IN OWN SHARES

BT Group plc announces that it has today purchased through Merrill Lynch International 1,250,000 ordinary shares at a price of 240.8671 pence per share. The purchased shares will all be held as treasury shares.

Following the above purchase, BT Group plc holds 304,789,539 ordinary shares as treasury shares. The total number of ordinary shares in issue (excluding shares held as treasury shares) is 8,333,839,924.

Enclosure No.3

Thursday 31 August 2006

BT GROUP PLC

TRANSACTION IN OWN SHARES

BT Group plc announces that it has today purchased through Merrill Lynch International 1,250,000 ordinary shares at a price of 246.931 pence per share. The purchased shares will all be held as treasury shares.

Following the above transfer, BT Group plc holds 310,135,288 ordinary shares as treasury shares. The total number of ordinary shares in issue (excluding shares held as treasury shares) is 8,328,494,175.

Enclosure No.4

NOTIFICATION OF TRANSACTIONS OF DIRECTORS, PERSONS DISCHARGING MANAGERIAL RESPONSIBILITY OR CONNECTED PERSONS

This form is intended for use by an issuer to make a RIS notification required by DR 3.1.4R(1).

(1) An issuer making a notification in respect of a transaction relating to the shares or debentures of the issuer should complete boxes 1 to 16, 23 and 24.
(2) An issuer making a notification in respect of a derivative relating to the shares of the issuer should complete boxes 1 to 4, 6, 8, 13, 14, 16, 23 and 24.
(3) An issuer making a notification in respect of options granted to a director/person discharging managerial responsibilities should complete boxes 1 to 3 and 17 to 24.
(4) An issuer making a notification in respect of a financial instrument relating to the shares of the issuer (other than a debenture) should complete boxes 1 to 4, 6, 8, 9, 11, 13, 14, 16, 23 and 24.

Please complete all relevant boxes in block capital letters.

1. Name of the issuer

BT GROUP PLC

2. State whether the notification relates to (i) a transaction notified in accordance with DR 3.1.4R(1)(a); or

(ii) DR 3.1.4(R)(1)(b) a disclosure made in accordance with section 324 (as extended by section 328) of the Companies Act 1985; or

(iii) both (i) and (ii)

(III) BOTH (I) AND (II)

Name of person discharging managerial responsibilities/director

SIR CHRISTOPHER BLAND

BEN VERWAAYEN

ANDY GREEN

HANIF LALANI

IAN LIVINGSTON

PAUL REYNOLDS

4. State whether notification relates to a person connected with a person discharging managerial responsibilities/director named in 3 and identify the connected person

ILFORD TRUSTEES (JERSEY) LIMITED

5. Indicate whether the notification is in respect of a holding of the person referred to in 3 or 4 above or in respect of a non-beneficial interest

Adjustment in technical interest of the above directors following the vesting of 5,846 shares to a participant in the BT Group Retention Share Plan.

6. Description of shares (including class), debentures or derivatives or

financial instruments relating to shares

ORDINARY SHARES IN BT GROUP PLC OF 5P EACH

7. Name of registered shareholders(s) and, if more than one, the number of shares held by each of them

ILFORD TRUSTEES (JERSEY) LIMITED

8 State the nature of the transaction

Adjustment in technical interest of the above directors following the vesting of 5,846 shares to a participant in the BT Group Retention Share Plan.

9. Number of shares, debentures or financial instruments relating to shares acquired

N/A

10. Percentage of issued class acquired (treasury shares of that class should not be taken into account when calculating percentage)

N/A

11. Number of shares, debentures or financial instruments relating to shares disposed

N/A

12. Percentage of issued class disposed (treasury shares of that class should not be taken into account when calculating percentage)

N/A

13. Price per share or value of transaction

GBP2.47

14. Date and place of transaction

010906 - UK

15. Total holding following notification and total percentage holding following notification (any treasury shares should not be taken into account when calculating percentage)

16. Date issuer informed of transaction

010906

If a person discharging managerial responsibilities has been granted options by the issuer complete the following boxes

17 Date of grant

N/A....................

18. Period during which or date on which it can be exercised

N/A..........................

19. Total amount paid (if any) for grant of the option

N/A..........................

20. Description of shares or debentures involved (class and number)

N/A..........................

21. Exercise price (if fixed at time of grant) or indication that price is to be fixed at the time of exercise

N/A..........................

22. Total number of shares or debentures over which options held following notification

N/A.......................

23. Any additional information

THE ABOVE NAMED PERSONS HAVE TECHNICAL INTERESTS, AS AT 1 SEPTEMBER 2006 UNDER SCHEDULE 13 OF THE COMPANIES ACT AS FOLLOWS:

A. A TECHNICAL INTEREST, TOGETHER WITH ALL EMPLOYEES OF BT GROUP PLC IN 21,135,132 ORDINARY SHARES HELD BY ILFORD TRUSTEES (JERSEY) LIMITED IN RESPECT OF CONTINGENT AWARDS UNDER EXECUTIVE SHARE PLANS;

B. A TECHNICAL INTEREST, TOGETHER WITH ALL EMPLOYEES OF BT GROUP PLC, IN 7,727 ORDINARY SHARES HELD IN THE NAME OF HALIFAX CORPORATE TRUSTEES LIMITED AS TRUSTEE FOR BT GROUP EMPLOYEE SHARE INVESTMENT PLAN.

24. Name of contact and telephone number for queries

GRAEME WHEATLEY 020 7356 6372

Name and signature of duly authorised officer of issuer responsible for making notification

GRAEME WHEATLEY

Date of notification

01.09.06

Enclosure No.5

Friday 01 September 2006

BT GROUP PLC

TRANSACTION IN OWN SHARES

BT Group plc announces that it has today purchased through Merrill Lynch International 1,000,000 ordinary shares at a price of 248.19 pence per share. The purchased shares will all be held as treasury shares.

Following the above transfer, BT Group plc holds 311,135,288 ordinary shares as treasury shares. The total number of ordinary shares in issue (excluding shares held as treasury shares) is 8,327,494,175.

Signatures

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

BT Group PLC
(Registrant)

By: /s/ Patricia Day

Patricia Day, Assistant Secretary.

Date 4 September, 2006

bsp;Range 2010 2009

Wide-body aircraft and related equipment
15 to 30 years $5,897 $5,139
Narrow-body and feeder aircraft and related equipment
5 to 18 years 1,049 709
Package handling and ground support equipment
3 to 30 years 1,895 1,928
Computer and electronic equipment
2 to 10 years 649 782
Vehicles
2 to 15 years 1,095 1,107
Facilities and other
2 to 40 years 3,800 3,752

Substantially all property and equipment have no material residual values. The majority of aircraft costs are depreciated on a straight-line basis over 15 to 18 years. We periodically evaluate the estimated service lives and residual values used to depreciate our property and equipment. This evaluation may result in changes in the estimated lives and residual values. Such changes did not materially affect depreciation expense in any period presented. Depreciation expense, excluding gains and losses on sales of property and equipment used in operations, was $1.9 billion in 2010, $1.8 billion in 2009 and $1.8 billion in 2008. Depreciation and amortization expense includes amortization of assets under capital lease.

CAPITALIZED INTEREST. Interest on funds used to finance the acquisition and modification of aircraft, including purchase deposits, construction of certain facilities, and development of certain software up to the date the asset is ready for its intended use is capitalized and included in the cost of the asset if the asset is actively under construction. Capitalized interest was $80 million in 2010, $71 million in 2009 and $50 million in 2008.

IMPAIRMENT OF LONG-LIVED ASSETS. Long-lived assets are reviewed for impairment when circumstances indicate the carrying value of an asset may not be recoverable. For assets that are to be held and used, an impairment is recognized when the estimated undiscounted cash flows associated with the asset or group of assets is less than their carrying value. If impairment exists, an adjustment is made to write the asset down to its fair value, and a loss is recorded as the difference between the carrying value and fair value. Fair values are determined based on quoted market values, discounted cash flows or internal and external appraisals, as applicable. Assets to be disposed of are carried at the lower of carrying value or estimated net realizable value. We operate integrated transportation networks, and accordingly, cash flows for most of our operating assets are assessed at a network level, not at an individual asset level, for our analysis of impairment.

There were no material property and equipment impairment charges recognized in 2010 or 2008. During 2009, we recorded $202 million in property and equipment impairment charges. These charges were primarily related to our decision to permanently remove from service certain aircraft, along with certain excess aircraft engines, at FedEx Express.

GOODWILL. Goodwill is recognized for the excess of the purchase price over the fair value of tangible and identifiable intangible net assets of businesses acquired. Several factors give rise to goodwill in our acquisitions, such as the expected benefit from synergies of the combination and the existing workforce of the acquired entity. Goodwill is reviewed at least annually for impairment by comparing the fair value of each reporting unit with its carrying value (including attributable goodwill). Fair value for our reporting units is determined using an income or market approach incorporating market participant considerations and management s assumptions on revenue growth rates, operating margins, discount rates and expected capital expenditures. Fair value determinations may include both internal and third-party valuations. Unless circumstances otherwise dictate, we perform our annual impairment testing in the fourth quarter.

INTANGIBLE ASSETS. Intangible assets include customer relationships, trade names, technology assets and contract-based intangibles acquired in business combinations. Intangible assets are amortized over periods ranging from 2 to 15 years, either on a straight-line basis or an accelerated basis depending upon the pattern in which the economic benefits are realized.

PENSION AND POSTRETIREMENT HEALTHCARE PLANS. Our defined benefit plans are measured using actuarial techniques that reflect management s assumptions for discount rate, expected long-term investment returns on plan assets, salary increases, expected retirement, mortality, employee turnover and future increases in healthcare costs. We determine the discount rate (which is required to be the rate at which the projected benefit obligation could be effectively settled as of the measurement date) with the assistance of actuaries, who calculate the yield on a theoretical portfolio of high-grade corporate bonds (rated Aa or better) with cash flows that generally match our expected benefit payments in future years. A calculated-value method is employed for purposes of determining the expected return on the plan asset component of net periodic pension cost for our qualified U.S. pension plans.

The accounting guidance related to employers accounting for defined benefit pension and other postretirement plans requires recognition in the balance sheet of the funded status of defined benefit pension and other postretirement benefit plans, and the recognition in other comprehensive income (OCI) of unrecognized gains or losses and prior service costs or credits. Additionally, the guidance requires the measurement date for plan assets and liabilities to coincide with the plan sponsor s year end.

At May 31, 2010, we recorded a decrease to equity through OCI of $1.0 billion (net of tax) based primarily on mark-to-market adjustments related to increases in our projected benefit obligation due to a decrease in the discount rate used to measure the liability at May 31, 2010. At May 31, 2009, we recorded a decrease of $1.2 billion based primarily on mark-to-market adjustments related to unrealized losses in our pension plan assets during 2009.

INCOME TAXES. Deferred income taxes are provided for the tax effect of temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements. The liability method is used to account for income taxes, which requires deferred taxes to be recorded at the statutory rate expected to be in effect when the taxes are paid.

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We recognize liabilities for uncertain income tax positions based on a two-step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step requires us to estimate and measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. It is inherently difficult and subjective to estimate such amounts, as we must determine the probability of various possible outcomes. We reevaluate these uncertain tax positions on a quarterly basis or when new information becomes available to management. These reevaluations are based on factors including, but not limited to, changes in facts or circumstances, changes in tax law, successfully settled issues under audit and new audit activity. Such a change in recognition or measurement could result in the recognition of a tax benefit or an increase to the related provision.

We classify interest related to income tax liabilities as interest expense, and if applicable, penalties are recognized as a component of income tax expense. The income tax liabilities and accrued interest and penalties that are due within one year of the balance sheet date are presented as current liabilities. The remaining portion of our income tax liabilities and accrued interest and penalties are presented as noncurrent liabilities because payment of cash is not anticipated within one year of the balance sheet date. These noncurrent income tax liabilities are recorded in the caption Other liabilities in our consolidated balance sheets.

SELF-INSURANCE ACCRUALS. We are self-insured for workers compensation claims, vehicle accidents and general liabilities, benefits paid under employee healthcare programs and long-term disability benefits. Accruals are primarily based on the actuarially estimated, undiscounted cost of claims, which includes incurred-but-not-reported claims. Current workers compensation claims, vehicle and general liability, employee healthcare claims and long-term disability are included in accrued expenses. We self-insure up to certain limits that vary by operating company and type of risk. Periodically, we evaluate the level of insurance coverage and adjust insurance levels based on risk tolerance and premium expense.

LEASES. We lease certain aircraft, facilities, equipment and vehicles under capital and operating leases. The commencement date of all leases is the earlier of the date we become legally obligated to make rent payments or the date we may exercise control over the use of the property. In addition to minimum rental payments, certain leases provide for contingent rentals based on equipment usage principally related to aircraft leases at FedEx Express and copier usage at FedEx Office. Rent expense associated with contingent rentals is recorded as incurred. Certain of our leases contain fluctuating or escalating payments and rent holiday periods. The related rent expense is recorded on a straight-line basis over the lease term. The cumulative excess of rent payments over rent expense is accounted for as a deferred lease asset and recorded in Other assets in the accompanying consolidated balance sheets. The cumulative excess of rent expense over rent payments is accounted for as a deferred lease obligation. Leasehold improvements associated with assets utilized under capital or operating leases are amortized over the shorter of the asset s useful life or the lease term.

DEFERRED GAINS. Gains on the sale and leaseback of aircraft and other property and equipment are deferred and amortized ratably over the life of the lease as a reduction of rent expense. Substantially all of these deferred gains are related to aircraft transactions.

FOREIGN CURRENCY TRANSLATION. Translation gains and losses of foreign operations that use local currencies as the functional currency are accumulated and reported, net of applicable deferred income taxes, as a component of accumulated other comprehensive income within common stockholders investment. Transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the local currency are included in the caption Other, net in the accompanying consolidated statements of income and were immaterial for each period presented. Cumulative net foreign currency translation gains in accumulated other comprehensive income were $30 million at May 31, 2010, $56 million at May 31, 2009 and $167 million at May 31, 2008.

EMPLOYEES UNDER COLLECTIVE BARGAINING ARRANGEMENTS. The pilots of FedEx Express, which represent a small number of FedEx Express total employees, are employed under a collective bargaining agreement that will become amendable during the second quarter of 2011. In accordance with applicable labor law, we will continue to operate under our current agreement while we negotiate with our pilots. We cannot estimate the financial impact, if any, the results of these negotiations may have on our future results of operations.

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STOCK-BASED COMPENSATION. We recognize compensation expense for stock-based awards under the provisions of the accounting guidance related to share-based payments. This guidance requires recognition of compensation expense for stock-based awards using a fair value method.

DIVIDENDS DECLARED PER COMMON SHARE. On June 7, 2010, our Board of Directors declared a quarterly dividend of $0.12 per share of common stock. The dividend was paid on July 1, 2010 to stockholders of record as of the close of business on June 17, 2010. Each quarterly dividend payment is subject to review and approval by our Board of Directors, and we evaluate our dividend payment amount on an annual basis at the end of each fiscal year.

USE OF ESTIMATES. The preparation of our consolidated financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, the reported amounts of revenues and expenses and the disclosure of contingent liabilities. Management makes its best estimate of the ultimate outcome for these items based on historical trends and other information available when the financial statements are prepared. Changes in estimates are recognized in accordance with the accounting rules for the estimate, which is typically in the period when new information becomes available to management. Areas where the nature of the estimate makes it reasonably possible that actual results could materially differ from amounts estimated include: self-insurance accruals; retirement plan obligations; long-term incentive accruals; tax liabilities; accounts receivable allowances; obsolescence of spare parts; contingent liabilities; loss contingencies, such as litigation and other claims; and impairment assessments on long-lived assets (including goodwill).

NOTE 2: RECENT ACCOUNTING GUIDANCE

New accounting rules and disclosure requirements can significantly impact our reported results and the comparability of our financial statements. We believe the following new accounting guidance, which has been adopted by us, is relevant to the readers of our financial statements.

On June 1, 2008, we adopted the authoritative guidance issued by the Financial Accounting Standards Board (FASB) on fair value measurements, which provides a common definition of fair value, establishes a uniform framework for measuring fair value and requires expanded disclosures about fair value measurements. On June 1, 2009, we implemented the previously deferred provisions of this guidance for nonfinancial assets and liabilities recorded at fair value, as required. The adoption of this new guidance had no impact on our financial statements.

In December 2007, the FASB issued authoritative guidance on business combinations and the accounting and reporting for noncontrolling interests (previously referred to as minority interests). This guidance significantly changed the accounting for and reporting of business combination transactions, including noncontrolling interests. For example, the acquiring entity is now required to recognize the full fair value of assets acquired and liabilities assumed in the transaction, and the expensing of most transaction and restructuring costs is now required. This guidance became effective for us beginning June 1, 2009 and had no material impact on our financial statements because we have not had any significant business combinations since that date.

In December 2008, the FASB issued authoritative guidance on employers disclosures about postretirement benefit plan assets. This guidance provides objectives that an employer should consider when providing detailed disclosures about assets of a defined benefit pension or other postretirement plan, including disclosures about investment policies and strategies, categories of plan assets, significant concentrations of risk and the inputs and valuation techniques used to measure the fair value of plan assets. This guidance became effective for our 2010 Annual Report. See Note 11 for related disclosures.

In April 2009, the FASB issued new accounting guidance related to interim disclosures about the fair value of financial instruments. This guidance requires disclosures about the fair value of financial instruments for interim reporting periods in addition to annual reporting periods and became effective for us beginning with the first quarter of fiscal year 2010.

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NOTE 3: GOODWILL AND OTHER INTANGIBLE ASSETS

GOODWILL. The carrying amount of goodwill attributable to each reportable operating segment and changes therein are as follows (in millions):

	FedEx Express Segment	FedEx Ground Segment	FedEx Freight Segment	FedEx Services Segment	Total
Goodwill at May 31, 2008	$ 1,123	$ 90	$ 802	$ 1,542	$ 3,557
Accumulated impairment charges			(25)	(367)	(392)
Balance as of May 31, 2008	1,123	90	777	1,175	3,165
Impairment charges			(90)	(810)	(900)
Purchase adjustments and other[1]	(33)			(3)	(36)
Balance as of May 31, 2009	1,090	90	687	362	2,229
Impairment charge			(18)		(18)
Purchase adjustments and other[1]	(11)				(11)
Transfer between segments[2]	66		(66)		
Balance as of May 31, 2010	$ 1,145	$ 90	$ 603	$ 362	$ 2,200
Accumulated goodwill impairment charges as of May 31, 2010	$	$	$ (133)	$ (1,177)	$ (1,310)

(1) Primarily currency translation adjustments.

(2) Transfer of goodwill related to the merger of Caribbean Transportation Services into FedEx Express effective June 1, 2009.

In connection with our annual impairment testing of goodwill conducted in the fourth quarter of 2010, we recorded a charge of $18 million for impairment of the value of the remaining goodwill at our FedEx National LTL reporting unit. Beginning in 2009, the U.S. recession had a significant negative impact on the LTL industry, resulting in volume declines, yield pressures and operating losses. These difficult conditions continued in 2010 and the resulting excess capacity and competitive pricing environment had a significant negative impact on our FedEx National LTL reporting unit. Given these market conditions, our forecast for this business did not support the recoverability of the remaining goodwill attributable to our FedEx National LTL reporting unit.

We evaluated our remaining reporting units during the fourth quarter of 2010, and the estimated fair value of each of our other reporting units significantly exceeded their carrying values in 2010. Although we recorded goodwill impairment charges associated with our FedEx Office reporting unit in 2009 and 2008, better-than-expected results in 2010 combined with an improved long-term outlook drove an improvement in the valuation of this reporting unit. As a result, no additional testing or impairment charges were necessary and we do not believe that any of these reporting units are at risk.

Goodwill Impairment Charges 2009

FEDEX OFFICE. During 2009, in response to the lower revenues and continued operating losses at FedEx Office resulting from the U.S. recession, the company initiated an internal reorganization designed to improve revenue-generating capabilities and reduce costs. This reorganization resulted in actions that included headcount reductions, domestic store closures and the termination of operations in some international locations. In addition, we substantially curtailed future network expansion in light of weak economic conditions.

In connection with our annual impairment testing in 2009, the valuation methodology to estimate the fair value of the FedEx Office reporting unit was based primarily on an income approach that considered market participant assumptions to estimate fair value. Key assumptions considered were the revenue and operating income forecast, the assessed growth rate in the periods beyond the detailed forecast period, and the discount rate.

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For 2009, our discount rate of 12.0% represented our estimated weighted-average cost of capital (WACC) of the FedEx Office reporting unit adjusted for company-specific risk premium to account for the estimated uncertainty associated with our future cash flows. The development of the WACC used in our estimate of fair value considered the current market conditions for the equity-risk premium and risk-free interest rate, the size and industry of the FedEx Office reporting unit, and the risks related to the forecast of future revenues and profitability of the FedEx Office reporting unit.

Upon completion of the impairment test, we concluded that the recorded goodwill was impaired and recorded an impairment charge of $810 million during the fourth quarter of 2009. The goodwill impairment charge is included in 2009 operating expenses in the accompanying consolidated statements of income. This charge was included in the results of the FedEx Services segment and was not allocated to our transportation segments, as the charge was unrelated to the core performance of those businesses.

FEDEX NATIONAL LTL. In 2009, we recorded a goodwill impairment charge of $90 million at our FedEx National LTL unit. This charge was a result of reduced revenues and increased operating losses due to the negative impact of the U.S. recession.

The valuation methodology to estimate the fair value of the FedEx National LTL reporting unit was based primarily on a market approach (revenue multiples and/or earnings multiples) that considered market participant assumptions. We believe use of the market approach for FedEx National LTL was appropriate due to the forecast risk associated with the projections used under the income approach, particularly in the outer years of the forecast period (as described below). Further, there are directly comparable companies to the FedEx National LTL reporting unit for consideration under the market approach. The income approach also was incorporated into the impairment test to ensure the reasonableness of our conclusions under the market approach. Key assumptions considered were the revenue, operating income and capital expenditure forecasts and market participant assumptions on multiples related to revenue and earnings forecasts.

The forecast used in the valuation assumed operating losses would continue in the near-term due to weak economic conditions and excess capacity in the industry. However, the long-term outlook assumed that this excess capacity would exit the market. This assumption drove significant volume and yield improvement into the FedEx National LTL reporting unit in future periods. The decision to include an assumption related to the elimination of excess capacity from the market and the associated cash flows was significant to the valuation and reflected management s outlook on the industry for future periods as of the valuation date.

Goodwill Impairment Charges 2008

FEDEX OFFICE. During 2008, several developments and strategic decisions occurred at FedEx Office, including a reorganization of FedEx Office into the FedEx Services segment, a reorganization of senior management, as well as a decision to minimize the use of the Kinko s trade name over the next several years. We also began implementing revenue growth and cost management plans to improve financial performance and pursuing a more disciplined approach to the long-term expansion of the retail network, reducing the overall level of expansion.

Upon completion of the impairment test, these factors, combined with forecasted losses resulted in our conclusion that the recorded goodwill was impaired and we recorded an impairment charge of $367 million during the fourth quarter of 2008. The goodwill impairment charge is included in 2008 operating expenses in the accompanying consolidated statements of income. This charge was included in the results of the FedEx Services segment and was not allocated to our transportation segments, as the charge was unrelated to the core performance of those businesses.

The valuation methodology to estimate the fair value of the FedEx Office reporting unit was based primarily on an income approach that considered market participant assumptions to estimate fair value. Key assumptions considered were the revenue and operating income forecast, the assessed growth rate in the periods beyond the detailed forecast period, and the discount rate.

In performing our annual impairment test, the most significant assumption used to estimate the fair value of the FedEx Office reporting unit was the discount rate. We used a discount rate of 12.5%, representing the estimated WACC of the FedEx Office reporting unit.

OTHER INTANGIBLE ASSETS. The components of our identifiable intangible assets were as follows (in millions):

	May 31, 2010			May 31, 2009		
	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Customer relationships	$ 209	$ (160)	$ 49	$ 207	$ (133)	$ 74
Trade name and other	195	(175)	20	205	(161)	44
Total	$ 404	$ (335)	$ 69	$ 412	$ (294)	$ 118

Prior to 2008, we had an indefinite-lived intangible asset associated with the Kinko s trade name. During the fourth quarter of 2008, we made the decision to change the name of FedEx Kinko s to FedEx Office and rebrand our retail locations over the next several years. This change converted this asset to a finite life asset and resulted in an impairment charge of $515 million. We estimated the fair value of this intangible asset based on an income approach using the relief-from-royalty method. This change resulted in a remaining trade name balance of $52 million, which we began amortizing in the fourth quarter of 2008 on an accelerated basis, and which will be fully amortized by May 2011. The trade name impairment charge is included in 2008 operating expenses in the accompanying consolidated statements of income. The charge was included in the results of the FedEx Services segment and was not allocated to our transportation segments, as the charge was unrelated to the core performance of those businesses.

Amortization expense for intangible assets was $51 million in 2010, $73 million in 2009 and $60 million in 2008. Estimated amortization expense is expected to be $33 million in 2011 and immaterial in subsequent years.

NOTE 4: SELECTED CURRENT LIABILITIES

The components of selected current liability captions were as follows (in millions):

	May 31,	
	2010	2009
Accrued Salaries and Employee Benefits		
Salaries	$ 230	$ 201
Employee benefits, including variable compensation	386	143
Compensated absences	530	517
	$ 1,146	$ 861
Accrued Expenses		
Self-insurance accruals	$ 675	$ 626
Taxes other than income taxes	347	338
Other	693	674
	$ 1,715	$ 1,638

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NOTE 5: LONG-TERM DEBT AND OTHER FINANCING ARRANGEMENTS

The components of long-term debt (net of discounts), along with maturity dates for the years subsequent to May 31, 2010, are as follows (in millions):

	May 31, 2010		May 31, 2009	
Senior unsecured debt				
Interest rate of 5.50%, due in 2010	$		$	500
Interest rate of 7.25%, due in 2011		250		250
Interest rate of 9.65%, due in 2013		300		300
Interest rate of 7.38%, due in 2014		250		250
Interest rate of 8.00%, due in 2019		750		750
Interest rate of 7.60%, due in 2098		239		239
		1,789		2,289
Capital lease obligations		141		294
		1,930		2,583
Less current portion		262		653
	$	1,668	$	1,930

Interest on our fixed-rate notes is paid semi-annually. Long-term debt, exclusive of capital leases, had carrying values of $1.8 billion compared with estimated fair values of $2.1 billion at May 31, 2010, and $2.3 billion compared with estimated fair values of $2.4 billion at May 31, 2009. The estimated fair values were determined based on quoted market prices or on the current rates offered for debt with similar terms and maturities.

We have a shelf registration statement filed with the Securities and Exchange Commission that allows us to sell, in one or more future offerings, any combination of our unsecured debt securities and common stock.

In January 2009, we issued $1 billion of senior unsecured debt under our shelf registration statement, comprised of fixed-rate notes totaling $250 million due in January 2014 and $750 million due in January 2019. The fixed-rate notes due in January 2014 bear interest at an annual rate of 7.375%, payable semi-annually, and the fixed-rate notes due in January 2019 bear interest at an annual rate of 8.00%, payable semi-annually. During 2010, we repaid our $500 million 5.50% notes that matured on August 15, 2009 using cash from operations and a portion of the proceeds of our January 2009 $1 billion senior unsecured debt offering.

A $1 billion revolving credit facility is available to finance our operations and other cash flow needs and to provide support for the issuance of commercial paper. The revolving credit agreement expires in July 2012. The agreement contains a financial covenant, which requires us to maintain a leverage ratio of adjusted debt (long-term debt, including the current portion of such debt, plus six times our last four fiscal quarters rentals and landing fees) to capital (adjusted debt plus total common stockholders investment) that does not exceed 0.7 to 1.0. Our leverage ratio of adjusted debt to capital was 0.5 at May 31, 2010. We are in compliance with this and all other restrictive covenants of our revolving credit agreement and do not expect the covenants to affect our operations, including our liquidity or borrowing capacity. As of May 31, 2010, no commercial paper was outstanding and the entire $1 billion under the revolving credit facility was available for future borrowings.

We issue other financial instruments in the normal course of business to support our operations, including letters of credit. We had a total of $553 million in letters of credit outstanding at May 31, 2010, with $94 million unused under our primary $500 million letter of credit facility. These instruments are required under certain U.S. self-insurance programs and are also used in the normal course of international operations. The underlying liabilities insured by these instruments are reflected in our balance sheets, where applicable. Therefore, no additional liability is reflected for the letters of credit.

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Our capital lease obligations include leases for aircraft and facilities. Our facility leases include leases that guarantee the repayment of certain special facility revenue bonds that have been issued by municipalities primarily to finance the acquisition and construction of various airport facilities and equipment. These bonds require interest payments at least annually, with principal payments due at the end of the related lease agreement.

NOTE 6: LEASES

We utilize certain aircraft, land, facilities, retail locations and equipment under capital and operating leases that expire at various dates through 2040. We leased 12% of our total aircraft fleet under capital or operating leases as of May 31, 2010 as compared to 13% as of May 31, 2009. A portion of our supplemental aircraft are leased by us under agreements that provide for cancellation upon 30 days notice. Our leased facilities include national, regional and metropolitan sorting facilities, retail facilities and administrative buildings.

The components of property and equipment recorded under capital leases were as follows (in millions):

	May 31, 2010	May 31, 2009
Aircraft	$ 15	$ 50
Package handling and ground support equipment	165	165
Vehicles	17	17
Other, principally facilities	146	147
	343	379
Less accumulated amortization	312	300
	$ 31	$ 79

Rent expense under operating leases for the years ended May 31 was as follows (in millions):

	2010	2009	2008
Minimum rentals	$ 2,001	$ 2,047	$ 1,990
Contingent rentals[1]	152	181	228
	$ 2,153	$ 2,228	$ 2,218

(1) Contingent rentals are based on equipment usage.

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A summary of future minimum lease payments under capital leases and noncancelable operating leases with an initial or remaining term in excess of one year at May 31, 2010 is as follows (in millions):

	Capital Leases	Operating Leases: Aircraft and Related Equipment	Operating Leases: Facilities and Other	Total Operating Leases
2011	$ 20	$ 526	$ 1,250	$ 1,776
2012	8	504	1,085	1,589
2013	119	499	926	1,425
2014	2	473	786	1,259
2015	1	455	717	1,172
Thereafter	14	2,003	4,547	6,550
Total	164	$ 4,460	$ 9,311	$ 13,771
Less amount representing interest	23			
Present value of net minimum lease payments	$ 141			

The weighted-average remaining lease term of all operating leases outstanding at May 31, 2010 was approximately six years. While certain of our lease agreements contain covenants governing the use of the leased assets or require us to maintain certain levels of insurance, none of our lease agreements include material financial covenants or limitations. FedEx Express makes payments under certain leveraged operating leases that are sufficient to pay principal and interest on certain pass-through certificates. The pass-through certificates are not direct obligations of, or guaranteed by, FedEx or FedEx Express.

We are the lessee in a series of operating leases covering a portion of our leased aircraft. The lessors are trusts established specifically to purchase, finance and lease aircraft to us. These leasing entities meet the criteria for variable interest entities. We are not the primary beneficiary of the leasing entities, as the lease terms are consistent with market terms at the inception of the lease and do not include a residual value guarantee, fixed-price purchase option or similar feature that obligates us to absorb decreases in value or entitles us to participate in increases in the value of the aircraft. As such, we are not required to consolidate the entity as the primary beneficiary. Our maximum exposure under these leases is included in the summary of future minimum lease payments shown above.

NOTE 7: PREFERRED STOCK

Our Certificate of Incorporation authorizes the Board of Directors, at its discretion, to issue up to 4,000,000 shares of preferred stock. The stock is issuable in series, which may vary as to certain rights and preferences, and has no par value. As of May 31, 2010, none of these shares had been issued.

NOTE 8: STOCK-BASED COMPENSATION

Our total stock-based compensation expense for the years ended May 31 was as follows (in millions):

	2010	2009	2008
Stock-based compensation expense	$ 101	$ 99	$ 101

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We have two types of equity-based compensation: stock options and restricted stock.

STOCK OPTIONS. Under the provisions of our incentive stock plans, key employees and non-employee directors may be granted options to purchase shares of our common stock at a price not less than its fair market value on the date of grant. Options granted have a maximum term of 10 years. Vesting requirements are determined at the discretion of the Compensation Committee of our Board of Directors. Option-vesting periods range from one to four years, with 83% of our options vesting ratably over four years. Compensation expense associated with these awards is recognized on a straight-line basis over the requisite service period of the award.

RESTRICTED STOCK. Under the terms of our incentive stock plans, restricted shares of our common stock are awarded to key employees. All restrictions on the shares expire ratably over a four-year period. Shares are valued at the market price on the date of award. The terms of our restricted stock provide for continued vesting subsequent to the employee s retirement. Compensation expense associated with these awards is recognized on a straight-line basis over the shorter of the remaining service or vesting period.

VALUATION AND ASSUMPTIONS. We use the Black-Scholes option pricing model to calculate the fair value of stock options. The value of restricted stock awards is based on the stock price of the award on the grant date. We record stock-based compensation expense in the Salaries and employee benefits caption in the accompanying consolidated statements of income.

The key assumptions for the Black-Scholes valuation method include the expected life of the option, stock price volatility, a risk-free interest rate, and dividend yield. Many of these assumptions are judgmental and highly sensitive. Following is a table of the weighted-average Black-Scholes value of our stock option grants, the intrinsic value of options exercised (in millions), and the key weighted-average assumptions used in the valuation calculations for the options granted during the years ended May 31, and then a discussion of our methodology for developing each of the assumptions used in the valuation model:

	2010	2009	2008
Weighted-average Black-Scholes value	$ 20.47	$ 23.66	$ 29.88
Intrinsic value of options exercised	$ 77	$ 7	$ 126
Black-Scholes Assumptions:			
Expected lives	5.7 years	5.5 years	5 years
Expected volatility	32%	23%	19%
Risk-free interest rate	3.24%	3.28%	4.76%
Dividend yield	0.742%	0.492%	0.337%

Expected Lives. This is the period of time over which the options granted are expected to remain outstanding. Generally, options granted have a maximum term of 10 years. We examine actual stock option exercises to determine the expected life of the options. An increase in the expected term will increase compensation expense.

Expected Volatility. Actual changes in the market value of our stock are used to calculate the volatility assumption. We calculate daily market value changes from the date of grant over a past period equal to the expected life of the options to determine volatility. An increase in the expected volatility will increase compensation expense.

Risk-Free Interest Rate. This is the U.S. Treasury Strip rate posted at the date of grant having a term equal to the expected life of the option. An increase in the risk-free interest rate will increase compensation expense.

Dividend Yield. This is the annual rate of dividends per share over the exercise price of the option. An increase in the dividend yield will decrease compensation expense.

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The following table summarizes information about stock option activity for the year ended May 31, 2010:

	Stock Options			
	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value (in millions)[1]
Outstanding at June 1, 2009	17,643,089	$ 79.90		
Granted	5,017,361	60.53		
Exercised	(1,993,967)	47.08		
Forfeited	(428,427)	101.95		
Outstanding at May 31, 2010	20,238,056	$ 78.32	6.0 years	$ 259
Exercisable	12,379,940	$ 80.06	4.4 years	$ 143
Expected to vest	7,229,467	$ 75.58	8.5 years	$ 107
Available for future grants	7,302,029			

(1) Only presented for options with market value at May 31, 2010 in excess of the exercise price of the option.

The options granted during the year ended May 31, 2010 are primarily related to our principal annual stock option grant in June 2009.

The following table summarizes information about vested and unvested restricted stock for the year ended May 31, 2010:

	Restricted Stock	
	Shares	Weighted-Average Grant Date Fair Value
Unvested at June 1, 2009	442,741	$ 100.40
Granted	391,786	57.07
Vested	(193,095)	100.07
Forfeited	(4,136)	76.58
Unvested at May 31, 2010	637,296	$ 74.02

During the year ended May 31, 2009, there were 197,180 shares of restricted stock granted with a weighted-average fair value of $90.57. During the year ended May 31, 2008, there were 174,418 shares of restricted stock granted with a weighted-average fair value of $114.40.

The following table summarizes information about stock option vesting during the years ended May 31:

	Stock Options	
	Vested during the year	Fair value (in millions)
2008	2,694,602	$ 64
2009	2,414,815	64
2010	2,296,211	63

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As of May 31, 2010, there was $139 million of total unrecognized compensation cost, net of estimated forfeitures, related to unvested share-based compensation arrangements. This compensation expense is expected to be recognized on a straight-line basis over the remaining weighted-average vesting period of approximately three years.

Total shares outstanding or available for grant related to equity compensation at May 31, 2010 represented 8% of the total outstanding common and equity compensation shares and equity compensation shares available for grant.

NOTE 9: COMPUTATION OF EARNINGS PER SHARE

The calculation of basic and diluted earnings per common share for the years ended May 31 was as follows (in millions, except per share amounts):

	2010	2009	2008
Basic earnings per common share:			
Net earnings allocable to common shares	$ 1,182	$ 97	$ 1,123
Weighted-average common shares	312	311	309
Basic earnings per common share	$ 3.78	$ 0.31	$ 3.64
Diluted earnings per common share:			
Net earnings allocable to common shares	$ 1,182	$ 97	$ 1,123
Weighted-average common shares	312	311	309
Dilutive effect of share-based awards	2	1	3
Weighted-average diluted shares	314	312	312
Diluted earnings per common share	$ 3.76	$ 0.31	$ 3.60
Anti-dilutive options excluded from diluted earnings per common share	11.5	12.6	4.8

NOTE 10: INCOME TAXES

The components of the provision for income taxes for the years ended May 31 were as follows (in millions):

	2010	2009	2008
Current provision (benefit)			
Domestic:			
Federal	$ 36	$ (35)	$ 514
State and local	54	18	74
Foreign	207	214	242
	297	197	830
Deferred provision (benefit)			
Domestic:			
Federal	408	327	31
State and local	15	48	(2)
Foreign	(10)	7	32
	413	382	61

	$ 710	$ 579	$ 891

Pretax earnings of foreign operations for 2010, 2009 and 2008 were $555 million, $106 million and $803 million, respectively, which represents only a portion of total results associated with international shipments.

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A reconciliation of the statutory federal income tax rate to the effective income tax rate for the years ended May 31 was as follows:

	2010	2009	2008
Statutory U.S. income tax rate	35.0%	35.0%	35.0%
Increase resulting from:			
Goodwill impairment		48.0	6.8
State and local income taxes, net of federal benefit	2.4	1.9	2.1
Other, net	0.1	0.7	0.3
Effective tax rate	37.5%	85.6%	44.2%

Our 2009 and 2008 effective tax rates were significantly impacted by goodwill impairment charges related to the FedEx Office acquisition, which are not deductible for income tax purposes.

The significant components of deferred tax assets and liabilities as of May 31 were as follows (in millions):

	2010		2009	
	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities
Property, equipment, leases and intangibles	$ 377	$ 2,157	$ 406	$ 1,862
Employee benefits	783	36	384	143
Self-insurance accruals	416		392	
Other	490	238	491	222
Net operating loss/credit carryforwards	142		131	
Valuation allowances	(139)		(137)	
	$ 2,069	$ 2,431	$ 1,667	$ 2,227

The net deferred tax liabilities as of May 31 have been classified in the balance sheets as follows (in millions):

	2010	2009
Current deferred tax asset	$ 529	$ 511
Noncurrent deferred tax liability	(891)	(1,071)
	$ (362)	$ (560)

We have $394 million of net operating loss carryovers in various foreign jurisdictions and $489 million of state operating loss carryovers. The valuation allowances primarily represent amounts reserved for operating loss and tax credit carryforwards, which expire over varying periods starting in 2011. As a result of this and other factors, we believe that a substantial portion of these deferred tax assets may not be realized.

Unremitted earnings of our foreign subsidiaries amounted to $325 million in 2010 and $191 million in 2009. We have not recognized deferred taxes for U.S. federal income tax purposes on the unremitted earnings of our foreign subsidiaries that are permanently reinvested. Upon distribution, in the form of dividends or otherwise, these unremitted earnings would be subject to U.S. federal income tax. Unrecognized foreign tax credits would be available to reduce a portion of the U.S. tax liability. Determination of the amount of unrecognized deferred U.S. income tax liability is not practicable.

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Our liabilities recorded for uncertain tax positions totaled $82 million at May 31, 2010 and $72 million at May 31, 2009, including $67 million at May 31, 2010 and $59 million at May 31, 2009 associated with positions that if favorably resolved would provide a benefit to our effective tax rate. We classify interest related to income tax liabilities as interest expense, and if applicable, penalties are recognized as a component of income tax expense. The balance of accrued interest and penalties was $20 million on May 31, 2010 and $19 million on May 31, 2009. Total interest and penalties included in our consolidated statements of income is immaterial.

We file income tax returns in the U.S., various U.S. state and local jurisdictions, and various foreign jurisdictions. During 2010, the Internal Revenue Service (IRS) commenced its audit of our consolidated U.S. income tax returns for the 2007 through 2009 tax years. We are no longer subject to U.S. federal income tax examination for years through 2006 except for specific U.S. federal income tax positions that are in various stages of appeal and/or litigation. No resolution date can be reasonably estimated at this time for these appeals and litigation, but their resolution is not expected to have a material effect on our consolidated financial statements. We are also subject to ongoing audits in state, local and foreign tax jurisdictions throughout the world.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in millions):

	2010	2009	2008
Balance at beginning of year	$ 72	$ 88	$ 72
Increases for tax positions taken in the current year	3	7	16
Increases for tax positions taken in prior years	14	10	12
Decreases for tax positions taken in prior years	(4)	(30)	(9)
Settlements	(3)	(3)	(3)
Balance at end of year	$ 82	$ 72	$ 88

Included in the May 31, 2010 and May 31, 2009 balances are $9 million and $7 million, respectively, of tax positions for which the ultimate deductibility or income inclusion is certain but for which there may be uncertainty about the timing of such deductibility or income inclusion. It is difficult to predict the ultimate outcome or the timing of resolution for tax positions. Changes may result from the conclusion of ongoing audits, appeals or litigation in state, local, federal and foreign tax jurisdictions, or from the resolution of various proceedings between the U.S. and foreign tax authorities. Our liability for uncertain tax positions includes no matters that are individually material to us. It is reasonably possible that the amount of the benefit with respect to certain of our unrecognized tax positions will increase or decrease within the next 12 months, but an estimate of the range of the reasonably possible changes cannot be made. However, we do not expect that the resolution of any of our uncertain tax positions will be material.

NOTE 11: RETIREMENT PLANS

We sponsor programs that provide retirement benefits to most of our employees. These programs include defined benefit pension plans, defined contribution plans and postretirement healthcare plans. The accounting for pension and postretirement healthcare plans includes numerous assumptions, such as: discount rates; expected long-term investment returns on plan assets; future salary increases; employee turnover; mortality; and retirement ages. These assumptions most significantly impact our U.S. domestic pension plans.

We made significant changes to our retirement plans during 2008 and 2009. Beginning January 1, 2008, we increased the annual company-matching contribution under the largest of our 401(k) plans covering most employees from a maximum of $500 to a maximum of 3.5% of eligible compensation. Employees not participating in the 401(k) plan as of January 1, 2008 were automatically enrolled at 3% of eligible pay with a company match of 2% of eligible pay effective March 1, 2008. As a temporary cost-control measure, we suspended 401(k) company-matching contributions effective February 1, 2009. We reinstated these contributions at 50% of previous levels for most employees effective January 1, 2010.

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Effective May 31, 2008, benefits previously accrued under our primary pension plans using a traditional pension benefit formula (based on average earnings and years of service) were capped for most employees, and those benefits will be payable beginning at retirement. Effective June 1, 2008, future pension benefits for most employees began to be accrued under a cash balance formula we call the Portable Pension Account. These changes did not affect the benefits of previously retired and terminated vested participants. In addition, these pension plans were modified to accelerate vesting from five years to three years for most participants.

Under the Portable Pension Account, the retirement benefit is expressed as a dollar amount in a notional account that grows with annual credits based on pay, age and years of credited service, and interest on the notional account balance. Under the tax-qualified plans, the pension benefit is payable as a lump sum or an annuity at retirement at the election of the employee. An employee s pay credits are determined each year under a graded formula that combines age with years of service for points. The plan interest credit rate varies from year to year based on a U.S. Treasury index.

The accounting guidance related to postretirement benefits requires recognition in the balance sheet of the funded status of defined benefit pension and other postretirement benefit plans, and the recognition in accumulated other comprehensive income (AOCI) of unrecognized gains or losses and prior service costs or credits. The funded status is measured as the difference between the fair value of the plan s assets and the projected benefit obligation (PBO) of the plan. At May 31, 2010, under the provisions of this guidance, we recorded a decrease to equity of $1 billion (net of tax) to reflect unrealized actuarial losses during 2010. At May 31, 2009, we recorded a decrease to equity of $1.2 billion (net of tax) attributable to our plans.

Additionally, the accounting guidance requires the measurement date for plan assets and liabilities to coincide with the plan sponsor s year end. On June 1, 2008, we made our transition election for the measurement date provision using the two-measurement approach. Under this approach, we completed two actuarial measurements, one at February 29, 2008 and the other at June 1, 2008. This approach required us to record the net periodic benefit cost for the transition period from March 1, 2008 through May 31, 2008 as an adjustment to beginning retained earnings ($44 million, net of tax) and actuarial gains and losses for the period (a gain of $369 million, net of tax) as an adjustment to the opening balance of AOCI.

A summary of our retirement plans costs over the past three years is as follows (in millions):

	2010	2009	2008
U.S. domestic and international pension plans	$ 308	$ 177	$ 323
U.S. domestic and international defined contribution plans	136	237	216
Postretirement healthcare plans	42	57	77
	$ 486	$ 471	$ 616

PENSION PLANS. Our largest pension plan covers certain U.S. employees age 21 and over, with at least one year of service. We also sponsor or participate in nonqualified benefit plans covering certain of our U.S. employee groups and other pension plans covering certain of our international employees. The international defined benefit pension plans provide benefits primarily based on final earnings and years of service and are funded in compliance with local laws and practices.

POSTRETIREMENT HEALTHCARE PLANS. Certain of our subsidiaries offer medical, dental and vision coverage to eligible U.S. retirees and their eligible dependents. U.S. employees covered by the principal plan become eligible for these benefits at age 55 and older, if they have permanent, continuous service of at least 10 years after attainment of age 45 if hired prior to January 1, 1988, or at least 20 years after attainment of age 35 if hired on or after January 1, 1988. Postretirement healthcare benefits are capped at 150% of the 1993 per capita projected employer cost, which has been reached and, therefore, these benefits are not subject to additional future inflation.

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PENSION PLAN ASSUMPTIONS. Our pension cost is materially affected by the discount rate used to measure pension obligations, the level of plan assets available to fund those obligations and the expected long-term rate of return on plan assets.

Beginning in 2009, we use a measurement date of May 31 for our pension and postretirement healthcare plans. Prior to 2009, our measurement date was February 28 (February 29 in 2008). Management reviews the assumptions used to measure pension costs on an annual basis. Economic and market conditions at the measurement date impact these assumptions from year to year and it is reasonably possible that material changes in pension cost may be experienced in the future. Additional information about our pension plans can be found in the Critical Accounting Estimates section of Management s Discussion and Analysis in this Annual Report.

Actuarial gains or losses are generated for changes in assumptions and to the extent that actual results differ from those assumed. These actuarial gains and losses are amortized over the remaining average service lives of our active employees if they exceed a corridor amount in the aggregate.

The investment strategy for pension plan assets is to utilize a diversified mix of global public and private equity portfolios, together with public and private fixed-income portfolios, to earn a long-term investment return that meets our pension plan obligations. Our pension plan assets are invested primarily in listed securities, and our pension plans hold only a minimal investment in FedEx common stock that is entirely at the discretion of third-party pension fund investment managers. Our largest holding classes, Corporate Fixed Income Securities and U.S. Large Cap Equities, are indexed to an S&P 500 fund. Accordingly, we do not have any significant concentrations of risk. Active management strategies are utilized within the plan in an effort to realize investment returns in excess of market indices. As part of our strategy to manage future pension costs and net funded status volatility, we have transitioned to a liability-driven investment strategy with a greater concentration of fixed-income securities to better align plan assets with liabilities. Our investment strategy also includes the limited use of derivative financial instruments on a discretionary basis to improve investment returns and manage exposure to market risk. In all cases, our investment managers are prohibited from using derivatives for speculative purposes and are not permitted to use derivatives to leverage a portfolio.

The estimated average rate of return on plan assets is a long-term, forward-looking assumption that materially affects our pension cost. It is required to be the expected future long-term rate of earnings on plan assets. Establishing the expected future rate of investment return on our pension assets is a judgmental matter. Management considers the following factors in determining this assumption:

- the duration of our pension plan liabilities, which drives the investment strategy we can employ with our pension plan assets;
- the types of investment classes in which we invest our pension plan assets and the expected compound geometric return we can reasonably expect those investment classes to earn over time; and
- the investment returns we can reasonably expect our investment management program to achieve in excess of the returns we could expect if investments were made strictly in indexed funds.

We review the expected long-term rate of return on an annual basis and revise it as appropriate.

To support our conclusions, we periodically commission asset/liability studies performed by third-party professional investment advisors and actuaries to assist us in our reviews. These studies project our estimated future pension payments and evaluate the efficiency of the allocation of our pension plan assets into various investment categories. These studies also generate probability-adjusted expected future returns on those assets. The studies performed or updated supported the reasonableness of our expected rate of return of 8.0% for 2010 and 8.5% for 2009 and 2008. Our estimated long-term rate of return on plan assets remains at 8.0% for 2011. For the 15-year period ended May 31, 2010, our actual returns were 7.9%.

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Pension expense is also affected by the accounting policy used to determine the value of plan assets at the measurement date. We use a calculated-value method to determine the value of plan assets, which helps mitigate short-term volatility in market performance (both increases and decreases) by amortizing certain actuarial gains or losses over a period no longer than four years. Another method used in practice applies the market value of plan assets at the measurement date. The calculated-value method significantly mitigated the impact of asset value declines in the determination of our 2010 pension expense, reducing our 2010 expense by approximately $135 million. For purposes of valuing plan assets for determining 2011 pension expense, the calculated-value method will result in the same value as the market value, as it did in 2009.

Following is a description of the valuation methodologies used for investments measured at fair value:

Cash and cash equivalents. These investments include cash equivalents valued using exchange rates provided by an industry pricing vendor and commingled funds valued using the net asset value. These investments also include cash.

Domestic and international equities. These investments are valued at the closing price or last trade reported on the major market on which the individual securities are traded. In addition, commingled funds are valued using the net asset value.

Private equity. The valuation of these investments requires significant judgment due to the absence of quoted market prices, the inherent lack of liquidity and the long-term nature of such assets. Investments are valued based upon recommendations of our investment managers incorporating factors such as contributions and distributions, market transactions, market comparables and performance multiples.

Fixed income. The fair values of Corporate, U.S. government securities and other fixed income securities are estimated by using bid evaluation pricing models or quoted prices of securities with similar characteristics.

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The fair values of investments by level and asset category and the weighted-average asset allocations for our domestic pension plans at the measurement date are presented in the following table (in millions):

Plan Assets at Measurement Date

Asset Class	Fair Value	Actual %	Target %	2010 Quoted Prices in Active Markets Level 1	Other Observable Inputs Level 2	Unobservable Inputs Level 3
Cash and cash equivalents	$ 427	3%	1%	$ 145	$ 282	
Domestic equities						
U.S. large cap equity	3,374	26	24		3,374	
U.S. SMID cap equity	1,195	9	9	1,195		
International equities	1,502	12	12	1,262	240	
Private equities	399	3	5			$ 399
Fixed income securities			49			
Corporate	3,546	27			3,546	
U.S. government	2,537	19			2,537	
Mortgage backed and other	122	1			122	
Other	(47)			(46)	(1)	
	$ 13,055	100%	100%	$ 2,556	$ 10,100	$ 399

Asset Class	Fair Value	2009 Actual %	Target %
Cash and cash equivalents	$ 1,022	10%	1%
Domestic equities			
U.S. large cap equity	2,908	27	24
U.S. SMID cap equity	794	8	9
U.S. small cap equity	327	3	
International equities	1,668	16	12
Private equities	341	3	5
Fixed income securities			49
Corporate	1,946	18	
U.S. government	842	8	
Mortgage backed and other	668	6	
Other	90	1	
	$ 10,606	100%	100%

The change in fair value of Level 3 assets that use significant unobservable inputs is shown in the table below (in millions):

Beginning balance May 31, 2009	$	341
Actual return on plan assets:		
Assets held at May 31, 2010		38
Assets sold during the year		24
Purchases, sales and settlements		(4)
Ending balance May 31, 2010	$	399

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The following table provides a reconciliation of the changes in the pension and postretirement healthcare plans benefit obligations and fair value of assets over the two-year period ended May 31, 2010 and a statement of the funded status as of May 31, 2010 and 2009 (in millions):

	Pension Plans		Postretirement Healthcare Plans	
	2010	2009	2010	2009
Accumulated Benefit Obligation (ABO)	$ 14,041	$ 10,745		
Changes in Projected Benefit Obligation (PBO) and Accumulated Postretirement Benefit Obligation (APBO)				
PBO/APBO at the beginning of year	$ 11,050	$ 11,617	$ 433	$ 492
Adjustments due to change in measurement date				
Service cost plus interest cost during gap period		309		16
Additional experience during gap period		(302)		(19)
Changes due to gap period cash flow		(83)		(5)
Service cost	417	499	24	31
Interest cost	823	798	30	33
Actuarial loss (gain)	2,607	(1,420)	102	(94)
Benefits paid	(391)	(351)	(45)	(42)
Other	(22)	(17)	21	21
PBO/APBO at the end of year	$ 14,484	$ 11,050	$ 565	$ 433
Change in Plan Assets				
Fair value of plan assets at the beginning of year	$ 10,812	$ 11,879	$	$
Adjustments due to change in measurement date				
Additional experience during gap period		522		
Changes due to gap period cash flow		(76)		
Actual return on plan assets	1,994	(2,306)		
Company contributions	900	1,146	24	21
Benefits paid	(391)	(351)	(45)	(42)
Other	(20)	(2)	21	21
Fair value of plan assets at the end of year	$ 13,295	$ 10,812	$	$
Funded Status of the Plans	$ (1,189)	$ (238)	$ (565)	$ (433)
Amount Recognized in the Balance Sheet at May 31:				
Noncurrent pension assets	$	$ 311	$	$

Current pension, postretirement healthcare and other benefit obligations		(30)		(31)		(28)		(26)
Noncurrent pension, postretirement healthcare and other benefit obligations		(1,159)		(518)		(537)		(407)
Net amount recognized	$	(1,189)	$	(238)	$	(565)	$	(433)
Amounts Recognized in AOCI and not yet reflected in Net Periodic Benefit Cost:								
Net actuarial loss (gain)	$	5,157	$	3,731	$	(134)	$	(248)
Prior service (credit) cost and other		(1,106)		(1,220)		2		2
Total	$	4,051	$	2,511	$	(132)	$	(246)
Amounts Recognized in AOCI and not yet reflected in Net Periodic Benefit Cost expected to be amortized in next year s Net Periodic Benefit Cost:								
Net actuarial loss (gain)	$	284	$	130	$	(5)	$	(12)
Prior service (credit) cost and other		(113)		(113)				
Total	$	171	$	17	$	(5)	$	(12)

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Our pension plans included the following components at May 31, 2010 and 2009 (in millions):

	ABO	PBO	Fair Value of Plan Assets	Funded Status
2010				
Qualified	$ 13,311	$ 13,635	$ 13,055	$ (580)
Nonqualified	346	348		(348)
International Plans	384	501	240	(261)
Total	$ 14,041	$ 14,484	$ 13,295	$ (1,189)
2009				
Qualified	$ 10,113	$ 10,328	$ 10,606	$ 278
Nonqualified	317	318		(318)
International Plans	315	404	206	(198)
Total	$ 10,745	$ 11,050	$ 10,812	$ (238)

The table above provides the ABO, PBO, fair value of plan assets and funded status of our plans on an aggregated basis. The following table presents our plans on a disaggregated basis to show those plans (as a group) whose assets did not exceed their liabilities. The increase in plans included in the table in 2010 was driven by the decrease in our discount rate at our May 31, 2010 measurement date, which increased the number of plans whose assets did not exceed their liability, including our U.S. domestic pension plans (U.S. Retirement Plans). At May 31, 2010 and 2009, the fair value of plan assets for pension plans with a PBO or ABO in excess of plan assets were as follows (in millions):

	PBO Exceeds the Fair Value of Plan Assets	
	2010	2009
Pension Benefits		
Fair value of plan assets	$ 13,295	$ 375
PBO	(14,484)	(923)
Net funded status	$ (1,189)	$ (548)

	ABO Exceeds the Fair Value of Plan Assets	
	2010	2009
Pension Benefits		
ABO[(1)]	$ (14,014)	$ (778)
Fair value of plan assets	$ 13,263	$ 325
PBO	(14,441)	(869)

Net funded status	$	(1,178)	$	(544)

(1) ABO not used in determination of funded status.

The APBO exceeds plan assets for each of our postretirement healthcare plans.

We made $848 million in tax-deductible contributions, including $495 million in voluntary contributions, to our U.S. Retirement Plans during 2010. During 2009, we made $1.1 billion in tax-deductible voluntary contributions to our U.S. Retirement Plans. Our U.S. Retirement Plans have ample funds to meet expected benefits. For 2011, we anticipate making required contributions to our U.S. Retirement Plans totaling approximately $500 million, a reduction from 2010 due to the use of a portion of our credit balance.

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Net periodic benefit cost for the three years ended May 31 were as follows (in millions):

	Pension Plans			Postretirement Healthcare Plans		
	2010	2009	2008	2010	2009	2008
Service cost	$ 417	$ 499	$ 518	$ 24	$ 31	$ 35
Interest cost	823	798	720	30	33	31
Expected return on plan assets	(955)	(1,059)	(985)			
Recognized actuarial losses (gains) and other	23	(61)	70	(12)	(7)	11
Net periodic benefit cost	$ 308	$ 177	$ 323	$ 42	$ 57	$ 77

The increase in pension costs from 2009 to 2010 was due to the negative impact of market conditions on our pension plan assets at our May 31, 2009 measurement date. The reduction in pension costs from 2008 to 2009 was attributable to the significantly higher discount rate that was used to determine our 2009 expense.
Amounts recognized in OCI for all plans were as follows (in millions):

	2010				2009			
	Pension Plans		Postretirement Healthcare Plans		Pension Plans		Postretirement Healthcare Plans	
	Gross Amount	Net of Tax Amount	Gross Amount	Net of Tax Amount	Gross Amount	Net of Tax Amount	Gross Amount	Net of Tax Amount
Net gain (loss) and other arising during period	$ 1,562	$ 986	$ 102	$ 59	$ 1,944	$ 1,220	$ (94)	$ (61)
Gain from settlements and curtailments					2	1		
Amortizations:								
Prior services credit	113	99			113	71		
Actuarial (losses) gains and other	(130)	(114)	12	12	(49)	(30)	7	4
Total recognized in OCI	$ 1,545	$ 971	$ 114	$ 71	$ 2,010	$ 1,262	$ (87)	$ (57)

Weighted-average actuarial assumptions for our primary U.S. pension plans, which represent substantially all of our PBO, are as follows:

	Pension Plans			Postretirement Healthcare Plans		
	2010	2009	2008	2010	2009	2008
	6.37%	7.68%	6.96%	6.11%	7.27%	6.81%

Discount rate used to determine benefit obligation[1]						
Discount rate used to determine net periodic benefit cost	7.68	7.15	6.01	7.27	7.13	6.08
Rate of increase in future compensation levels used to determine benefit obligation[2]	4.63	4.42	4.51			
Rate of increase in future compensation levels used to determine net periodic benefit cost[2]	4.42	4.49	4.47			
Expected long-term rate of return on assets	8.00	8.50	8.50			

(1) The assumed interest rate used to discount the estimated future benefit payments that have been accrued to date (the PBO) to their present value.

(2) Average future salary increases based on age and years of service.

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Benefit payments, which reflect expected future service, are expected to be paid as follows for the years ending May 31 (millions):

	Pension Plans	Postretirement Healthcare Plans
2011	$ 475	$ 28
2012	532	31
2013	596	32
2014	663	33
2015	732	35
2016-2020	4,988	209

These estimates are based on assumptions about future events. Actual benefit payments may vary significantly from these estimates.

Future medical benefit claims costs are estimated to increase at an annual rate of 8.5% during 2011, decreasing to an annual growth rate of 4.5% in 2029 and thereafter. Future dental benefit costs are estimated to increase at an annual rate of 7% during 2011, decreasing to an annual growth rate of 4.5% in 2029 and thereafter. A 1% change in these annual trend rates would not have a significant impact on the APBO at May 31, 2010 or 2010 benefit expense because the level of these benefits is capped.

NOTE 12: BUSINESS SEGMENT INFORMATION

FedEx Express, FedEx Ground and the FedEx Freight LTL Group represent our major service lines and, along with FedEx Services, form the core of our reportable segments. Our reportable segments include the following businesses:

FedEx Express Segment	FedEx Express (express transportation) FedEx Trade Networks (global trade services) FedEx SupplyChain Systems (logistics services)
FedEx Ground Segment	FedEx Ground (small-package ground delivery) FedEx SmartPost (small-parcel consolidator)
FedEx Freight Segment	FedEx Freight LTL Group: FedEx Freight (fast-transit LTL freight transportation) FedEx National LTL (economical LTL freight transportation) FedEx Custom Critical (time-critical transportation)
FedEx Services Segment	FedEx Services (sales, marketing and information technology functions) FedEx Office (document and business services and package acceptance) FedEx Customer Information Services (FCIS) (customer service, billings and collections)

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FedEx Services Segment

The FedEx Services segment operates combined sales, marketing, administrative and information technology functions in shared services operations that support our transportation businesses and allow us to pursue synergies from the combination of these functions. The FedEx Services segment includes: FedEx Services, which provides sales, marketing and information technology support to our other companies; FCIS, which is responsible for customer service, billings and collections for U.S. customers of our major business units; and FedEx Office, which provides an array of document and business services and retail access to our customers for our package transportation businesses. Effective September 1, 2009, FedEx SupplyChain Systems, formerly included in the FedEx Services reporting segment, was realigned to become part of the FedEx Express reporting segment. Prior year amounts have not been reclassified to conform to the current year segment presentation, as the financial results are materially comparable.

The FedEx Services segment provides direct and indirect support to our transportation businesses and accordingly we allocate all of the net operating costs of the FedEx Services segment (including the net operating results of FedEx Office) to reflect the full cost of operating our transportation businesses in the results of those segments. Within the FedEx Services segment allocation, the net operating results of FedEx Office are allocated to FedEx Express and FedEx Ground. We review and evaluate the performance of our transportation segments based on operating income (inclusive of FedEx Services segment allocations). For the FedEx Services segment, performance is evaluated based on the impact of the total allocated net operating costs of the FedEx Services segment on our transportation segments. The allocations of net operating costs are based on metrics such as relative revenues or estimated services provided. We believe these allocations approximate the net cost of providing these functions. The $810 million 2009 impairment charge for the FedEx Office goodwill and the $891 million 2008 charge predominantly associated with impairment of the Kinko s trade name and goodwill were not allocated to the FedEx Express or FedEx Ground segments, as the charges were unrelated to the core performance of those businesses.

The operating expenses line item Intercompany charges on the accompanying unaudited financial summaries of our transportation segments in Management s Discussion and Analysis of Operations and Financial Condition (MD&A) reflects the allocations from the FedEx Services segment to the respective transportation segments. The Intercompany charges caption also includes charges and credits for administrative services provided between operating companies and certain other costs such as corporate management fees related to services received for general corporate oversight, including executive officers and certain legal and finance functions. We believe these allocations approximate the net cost of providing these functions.

Effective August 1, 2009, approximately 3,600 employees (predominantly from the FedEx Freight segment) were transferred to entities within the FedEx Services segment. This internal reorganization further centralizes most customer support functions, such as sales, customer service and information technology, into our shared services organizations. While the reorganization had no impact on the net operating results of any of our transportation segments, the net intercompany charges to our FedEx Freight segment increased significantly with corresponding decreases to other expense captions, such as salaries and employee benefits. The impact of this internal reorganization to the expense captions in our other segments was immaterial.

Other Intersegment Transactions

Certain FedEx operating companies provide transportation and related services for other FedEx companies outside their reportable segment. Billings for such services are based on negotiated rates, which we believe approximate fair value, and are reflected as revenues of the billing segment. These rates are adjusted from time to time based on market conditions. Such intersegment revenues and expenses are eliminated in the consolidated results and are not separately identified in the following segment information, as the amounts are not material.

The following table provides a reconciliation of reportable segment revenues, depreciation and amortization, operating income (loss) and segment assets to consolidated financial statement totals for the years ended or as of May 31 (in millions):

	FedEx Express Segment[1]	FedEx Ground Segment	FedEx Freight Segment[2]	FedEx Services Segment[3]	Other and Eliminations	Consolidated Total
Revenues						
2010	$ 21,555	$ 7,439	$ 4,321	$ 1,770	$ (351)	$ 34,734
2009	22,364	7,047	4,415	1,977	(306)	35,497
2008	24,421	6,751	4,934	2,138	(291)	37,953
Depreciation and amortization						
2010	$ 1,016	$ 334	$ 198	$ 408	$ 2	$ 1,958
2009	961	337	224	451	2	1,975
2008	944	305	227	469	1	1,946
Operating income (loss)						
2010	$ 1,127	$ 1,024	$ (153)	$	$	$ 1,998
2009	794	807	(44)	(810)		747
2008	1,901	736	329	(891)		2,075
Segment assets[4]						
2010	$ 14,819	$ 4,118	$ 2,786	$ 4,079	$ (900)	$ 24,902
2009	13,483	3,291	3,044	3,240	1,186	24,244
2008	13,416	2,770	3,276	4,651	1,520	25,633

(1) FedEx Express segment 2009 operating expenses include a charge of $260 million primarily related to aircraft-related asset impairments.

(2) FedEx Freight segment 2009 operating expenses include a charge of $100 million primarily related to impairment of goodwill related to the Watkins Motor

Lines (now known as FedEx National LTL) acquisition.

(3) FedEx Services segment 2009 operating expenses include a charge of $810 million related to impairment of goodwill related to the Kinko s (now known as FedEx Office) acquisition. FedEx Services segment 2008 operating expenses include a charge of $891 million predominantly related to impairment of intangible assets from the Kinko s acquisition. The normal, ongoing net operating costs of the FedEx Services segment are allocated back to the transportation segments.

(4) Segment assets include intercompany receivables.

The following table provides a reconciliation of reportable segment capital expenditures to consolidated totals for the years ended May 31 (in millions):

	FedEx Express Segment	FedEx Ground Segment	FedEx Freight Segment	FedEx Services Segment	Other	Consolidated Total

2010	$ 1,864	$ 400	$ 212	$ 340	$	$ 2,816
2009	1,348	636	240	235		2,459
2008	1,716	509	266	455	1	2,947

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The following table presents revenue by service type and geographic information for the years ended or as of May 31 (in millions):

	2010	2009	2008
REVENUE BY SERVICE TYPE			
FedEx Express segment:			
Package:			
U.S. overnight box	$ 5,602	$ 6,074	$ 6,578
U.S. overnight envelope	1,640	1,855	2,012
U.S. deferred	2,589	2,789	2,995
Total domestic package revenue	9,831	10,718	11,585
International Priority (IP)	7,087	6,978	7,666
International domestic[1]	578	565	663
Total package revenue	17,496	18,261	19,914
Freight:			
U.S.	1,980	2,165	2,398
International priority freight	1,303	1,104	1,243
International airfreight	251	369	406
Total freight revenue	3,534	3,638	4,047
Other[2]	525	465	460
Total FedEx Express segment	21,555	22,364	24,421
FedEx Ground segment	7,439	7,047	6,751
FedEx Freight segment	4,321	4,415	4,934
FedEx Services segment	1,770	1,977	2,138
Other and eliminations	(351)	(306)	(291)
	$ 34,734	$ 35,497	$ 37,953
GEOGRAPHICAL INFORMATION[3]			
Revenues:			
U.S.	$ 24,852	$ 25,819	$ 27,306
International:			
FedEx Express segment	9,547	9,363	10,298
FedEx Ground segment	140	124	129
FedEx Freight segment	60	39	36
FedEx Services segment	135	152	184
Total international revenue	9,882	9,678	10,647

	$	34,734	$	35,497	$	37,953
Noncurrent assets:						
U.S.	$	13,343	$	13,560	$	14,920
International		4,275		3,568		3,469
	$	17,618	$	17,128	$	18,389

(1) International domestic revenues include our international domestic express operations, primarily in the United Kingdom, Canada, China, India and Mexico. We reclassified the prior period international domestic revenues previously included within other revenues to conform to the current period presentation.

(2) Other revenues includes FedEx Trade Networks and, beginning in the second quarter of 2010, FedEx SupplyChain Systems.

(3) International revenue

includes shipments that either originate in or are destined to locations outside the United States. Noncurrent assets include property and equipment, goodwill and other long-term assets. Flight equipment is allocated between geographic areas based on usage.

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NOTE 13: SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for interest expense and income taxes for the years ended May 31 was as follows (in millions):

	2010	2009	2008
Cash payments for:			
Interest (net of capitalized interest)	$ 88	$ 61	$ 105
Income taxes	$ 322	$ 517	$ 821
Income tax refunds received	(279)	(8)	(5)
Cash tax payments, net	$ 43	$ 509	$ 816

NOTE 14: GUARANTEES AND INDEMNIFICATIONS

In conjunction with certain transactions, primarily the lease, sale or purchase of operating assets or services in the ordinary course of business, we may provide routine guarantees or indemnifications (e.g., environmental, fuel, tax and software infringement), the terms of which range in duration, and often they are not limited and have no specified maximum obligation. As a result, the overall maximum potential amount of the obligation under such guarantees and indemnifications cannot be reasonably estimated. Historically, we have not been required to make significant payments under our guarantee or indemnification obligations and no amounts have been recognized in our financial statements for the underlying fair value of these obligations.

Special facility revenue bonds have been issued by certain municipalities primarily to finance the acquisition and construction of various airport facilities and equipment. These facilities were leased to us and are accounted for as either capital leases or operating leases. FedEx Express has unconditionally guaranteed $667 million in principal of these bonds (with total future principal and interest payments of approximately $919 million as of May 31, 2010) through these leases. Of the $667 million bond principal guaranteed, $116 million was included in capital lease obligations in our balance sheet at May 31, 2010. The remaining $551 million has been accounted for as operating leases.

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NOTE 15: COMMITMENTS

Annual purchase commitments under various contracts as of May 31, 2010 were as follows (in millions):

	Aircraft(1)	Aircraft-Related(2)	Other(3)	Total
2011	$ 824	$ 104	$ 771	$ 1,699
2012	839	10	166	1,015
2013	622	19	66	707
2014	480		14	494
2015	493		12	505
Thereafter	1,431		113	1,544

(1) Our obligation to purchase 15 of these aircraft (Boeing 777 Freighters, or B777Fs) is conditioned upon there being no event that causes FedEx Express or its employees not to be covered by the Railway Labor Act of 1926, as amended. Also, subsequent to May 31, 2010, we entered into an agreement replacing the previously disclosed non-binding letter of intent with another party to acquire two additional B777Fs and expect to take delivery of these aircraft in 2011. These aircraft are not included in the table

above.

(2) Primarily aircraft modifications.

(3) Primarily vehicles, facilities, advertising, promotions contracts and for 2011, a total of $500 million of required quarterly contributions to our U.S. domestic pension plans.

The amounts reflected in the table above for purchase commitments represent noncancelable agreements to purchase goods or services. Commitments to purchase aircraft in passenger configuration do not include the attendant costs to modify these aircraft for cargo transport unless we have entered into noncancelable commitments to modify such aircraft. Open purchase orders that are cancelable are not considered unconditional purchase obligations for financial reporting purposes and are not included in the table above.

We had $437 million in deposits and progress payments as of May 31, 2010 (a decrease of $107 million from May 31, 2009) on aircraft purchases and other planned aircraft-related transactions. These deposits are classified in the Other assets caption of our consolidated balance sheets. In addition to our commitment to purchase B777Fs, our aircraft purchase commitments include the Boeing 757 (B757) in passenger configuration, which will require additional costs to modify for cargo transport. Aircraft and aircraft-related contracts are subject to price escalations. The following table is a summary of the number and type of aircraft we are committed to purchase as of May 31, 2010, with the year of expected delivery:

	B757	B777F(1)	ATR 72	Total
2011	16	4	8	28
2012	8	5		13
2013		5		5
2014		3		3
2015		3		3
Thereafter		10		10
Total	24	30	8	62

(1) Our obligation to purchase 15 of these aircraft is conditioned upon there being no event

that causes FedEx Express or its employees not to be covered by the Railway Labor Act of 1926, as amended. Also, subsequent to May 31, 2010, we entered into an agreement replacing the previously disclosed non-binding letter of intent with another party to acquire two additional B777Fs and expect to take delivery of these aircraft in 2011. These aircraft are not included in the table above.

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NOTE 16: CONTINGENCIES

Wage-and-Hour. We are a defendant in a number of lawsuits containing various class-action allegations of wage-and-hour violations. The plaintiffs in these lawsuits allege, among other things, that they were forced to work off the clock, were not paid overtime or were not provided work breaks or other benefits. The complaints generally seek unspecified monetary damages, injunctive relief, or both. The following describes the wage-and-hour matters that have been certified as class actions.

In February 2008, *Wiegele v. FedEx Ground* was certified as a class action by a California federal court, and in April 2008, the U.S. Court of Appeals for the Ninth Circuit denied our petition to review the class certification ruling. The certified class initially included FedEx Ground sort managers and dock service managers in California from May 10, 2002 to the present, but the court subsequently approved the dismissal of the sort managers, leaving only the dock service managers in the class. The plaintiffs allege that FedEx Ground has misclassified the managers as exempt from the overtime requirements of California wage-and-hour laws and is correspondingly liable for failing to pay them overtime compensation and provide them with rest and meal breaks. In April 2010, the court granted our motion to decertify the class, and thus the lawsuit continues as a non-class matter. Therefore, any potential loss in this matter is immaterial.

In September 2008, in *Tidd v. Adecco USA, Kelly Services and FedEx Ground*, a Massachusetts federal court conditionally certified a class limited to individuals who were employed by two temporary employment agencies and who worked as temporary pick-up-and-delivery drivers for FedEx Ground in the New England region within the past three years. Potential claimants must voluntarily opt in to the lawsuit in order to be considered part of the class. In addition, in the same opinion, the court granted summary judgment in favor of FedEx Ground with respect to the plaintiffs claims for unpaid overtime wages. The court has since granted judgment in favor of the other two defendants with respect to the overtime claims. Accordingly, the conditionally certified class of plaintiffs is now limited to a claim of failure to pay regular wages due under the federal Fair Labor Standards Act.

In April 2009, in *Bibo v. FedEx Express*, a California federal court granted class certification, certifying several subclasses of FedEx Express couriers in California from April 14, 2006 (the date of the settlement of the *Foster* class action) to the present. The plaintiffs allege that FedEx Express violated California wage-and-hour laws after the date of the *Foster* settlement. In particular, the plaintiffs allege, among other things, that they were forced to work off the clock and were not provided with required meal breaks or split-shift premiums. We asked the U.S. Court of Appeals for the Ninth Circuit to accept a discretionary appeal of the class certification order, but the court refused to accept it at this time.

In September 2009, in *Taylor v. FedEx Freight*, a California state court granted class certification, certifying a class of all current and former drivers employed by FedEx Freight in California who performed linehaul services since June 2003. The plaintiffs allege, among other things, that they were forced to work off the clock and were not provided with required rest or meal breaks. In May 2010, we filed a notice to remove this matter to federal court in California.

These class certification rulings do not address whether we will ultimately be held liable. We have denied any liability and intend to vigorously defend ourselves in these wage-and-hour lawsuits. Given the nature and status of these lawsuits, we cannot yet determine the amount or a reasonable range of potential loss, if any. However, we do not believe that any loss is probable in these lawsuits.

Independent Contractor Lawsuits and State Administrative Proceedings. FedEx Ground is involved in approximately 50 class-action lawsuits (including 29 that are certified as class actions), several individual lawsuits and approximately 40 state tax and other administrative proceedings that claim that the company s owner-operators should be treated as employees, rather than independent contractors.

Most of the class-action lawsuits have been consolidated for administration of the pre-trial proceedings by a single federal court, the U.S. District Court for the Northern District of Indiana. With the exception of more recently filed cases that have been or will be transferred to the multidistrict litigation, discovery on class certification and classification issues is now complete. Thus far, the court has granted class certification in 28 cases and denied it in 14 cases. In June 2010, the court dismissed without prejudice the previously certified nationwide class claim under the Employee Retirement Income Security Act of 1974 based on the plaintiff s failure to exhaust administrative remedies; this claim had been asserted as part of a Kansas case, and the judge has not yet issued a summary judgment decision on the remaining state law claims in that case. Motions for summary judgment on the classification issue (*i.e.,* independent contractor vs. employee) are pending in all 28 of the pending multidistrict litigation cases that are certified as class actions.

In May 2010, in an Illinois case pending in the multidistrict litigation in which class certification was denied, the court granted the three named plaintiffs motion for summary judgment on their claim under the Illinois wage law, holding that the three plaintiffs were employees under that law. The court has not yet ruled on the plaintiffs motion for summary judgment on any of the remaining claims in that case. The classification issue is state-law specific and varies from state to state and from law to law within each state. Accordingly, the court s ruling in the Illinois case is not binding authority for any of the remaining claims in that case or for any of the other cases pending in the multidistrict litigation.

In January 2008, one of the contractor-model lawsuits that is not part of the multidistrict litigation, *Anfinson v. FedEx Ground*, was certified as a class action by a Washington state court. The plaintiffs in *Anfinson* represent a class of FedEx Ground single-route, pickup-and-delivery owner-operators in Washington from December 21, 2001 through December 31, 2005 and allege that the class members should be reimbursed as employees for their uniform expenses and should receive overtime pay. In March 2009, a jury trial in the *Anfinson* case was held, and the jury returned a verdict in favor of FedEx Ground, finding that all 320 class members were independent contractors, not employees. The plaintiffs have appealed the verdict. The other contractor-model purported class actions that are not part of the multidistrict litigation are not as far along procedurally as *Anfinson* and many of the lawsuits are currently stayed pending further developments in the multidistrict litigation.

Adverse determinations in these matters could, among other things, entitle certain of our contractors and their drivers to the reimbursement of certain expenses and to the benefit of wage-and-hour laws and result in employment and withholding tax and benefit liability for FedEx Ground, and could result in changes to the independent contractor status of FedEx Ground s owner-operators. We believe that FedEx Ground s owner-operators are properly classified as independent contractors and that FedEx Ground is not an employer of the drivers of the company s independent contractors. Given the nature and status of these lawsuits, we cannot yet determine the amount or a reasonable range of potential loss, if any, but it is reasonably possible that such potential loss or such changes to the independent contractor status of FedEx Ground s owner-operators could be material. However, we do not believe that a material loss is probable in any of these matters.

ATA Airlines. ATA Airlines has sued FedEx Express in Indiana federal court alleging, among other things, that we breached a contract by not including ATA on our 2009 Civil Reserve Air Fleet (CRAF)/Air Mobility Command (AMC) team, which provides cargo and passenger service to the U.S. military. After being advised that it would not be a part of the 2009 team, ATA ceased operations and filed for bankruptcy. ATA has alleged damages of $94 million, including lost profits and aircraft acquisition costs. We have denied any liability and contend that ATA has suffered no damages. In April 2010, the court granted our motion for partial judgment on the pleadings and dismissed all of ATA s claims except for the breach of contract claim. In June 2010, the court denied our motion for summary judgment on the breach of contract claim, so that claim is still pending. Trial is currently scheduled for August 2010, and we still do not believe that any material loss is probable.

Other. FedEx and its subsidiaries are subject to other legal proceedings that arise in the ordinary course of their business. In the opinion of management, the aggregate liability, if any, with respect to these other actions will not have a material adverse effect on our financial position, results of operations or cash flows.

Additional information about our contingencies can be found in the Critical Accounting Estimates section of Management s Discussion and Analysis.

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NOTE 17: RELATED PARTY TRANSACTIONS

Our Chairman, President and Chief Executive Officer, Frederick W. Smith, currently holds an approximate 10% ownership interest in the National Football League Washington Redskins professional football team (Redskins) and is a member of its board of directors. FedEx has a multi-year naming rights agreement with the Redskins granting us certain marketing rights, including the right to name the Redskins stadium FedExField.

NOTE 18: SUMMARY OF QUARTERLY OPERATING RESULTS (UNAUDITED)

(in millions, except per share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2010				
Revenues	$ 8,009	$ 8,596	$ 8,701	$ 9,428
Operating income	315	571	416	696
Net income	181	345	239	419
Basic earnings per common share	0.58	1.10	0.76	1.34
Diluted earnings per common share(2)	0.58	1.10	0.76	1.33
2009 (1)				
Revenues	$ 9,970	$ 9,538	$ 8,137	$ 7,852
Operating income (loss)	630	784	182	(849)
Net income (loss)	384	493	97	(876)
Basic earnings (loss) per common share	1.23	1.59	0.31	(2.82)
Diluted earnings (loss) per common share(2)	1.23	1.58	0.31	(2.82)

(1) Operating expenses for the fourth quarter of 2009 include charges of $1.2 billion ($1.1 billion, net of tax, or $3.46 per diluted share) primarily related to noncash impairment charges associated with goodwill and aircraft-related asset impairments.

(2) The sum of the quarterly diluted earnings per share may not equal annual amounts due to differences in the weighted-average

number of shares
outstanding
during the
respective period.

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NOTE 19: CONDENSED CONSOLIDATING FINANCIAL STATEMENTS

We are required to present condensed consolidating financial information in order for the subsidiary guarantors (other than FedEx Express) of our public debt to continue to be exempt from reporting under the Securities Exchange Act of 1934.

The guarantor subsidiaries, which are wholly owned by FedEx, guarantee $1.2 billion of our debt. The guarantees are full and unconditional and joint and several. Our guarantor subsidiaries were not determined using geographic, service line or other similar criteria, and as a result, the Guarantor and Non-Guarantor columns each include portions of our domestic and international operations. Accordingly, this basis of presentation is not intended to present our financial condition, results of operations or cash flows for any purpose other than to comply with the specific requirements for subsidiary guarantor reporting.

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Condensed consolidating financial statements for our guarantor subsidiaries and non-guarantor subsidiaries are presented in the following tables (in millions):

CONDENSED CONSOLIDATING BALANCE SHEETS

May 31, 2010

	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	$ 1,310	$ 258	$ 443	$ (59)	$ 1,952
Receivables, less allowances	1	3,425	782	(45)	4,163
Spare parts, supplies, fuel, prepaid expenses and other, less allowances	5	581	54		640
Deferred income taxes		492	37		529
Total current assets	1,316	4,756	1,316	(104)	7,284
PROPERTY AND EQUIPMENT, AT COST	23	29,193	2,086		31,302
Less accumulated depreciation and amortization	18	15,801	1,098		16,917
Net property and equipment	5	13,392	988		14,385
INTERCOMPANY RECEIVABLE			1,132	(1,132)	
GOODWILL		1,551	649		2,200
INVESTMENT IN SUBSIDIARIES	13,850	2,619		(16,469)	
OTHER ASSETS	1,527	801	99	(1,394)	1,033
	$ 16,698	$ 23,119	$ 4,184	$ (19,099)	$ 24,902
LIABILITIES AND STOCKHOLDERS INVESTMENT					
CURRENT LIABILITIES					
Current portion of long-term debt	$ 250	$ 12	$	$	$ 262
Accrued salaries and employee benefits	36	955	155		1,146
Accounts payable	8	1,196	422	(104)	1,522
Accrued expenses	47	1,488	180		1,715
Total current liabilities	341	3,651	757	(104)	4,645
	1,000	668			1,668

LONG-TERM DEBT, LESS CURRENT PORTION					
INTERCOMPANY PAYABLE	702	430		(1,132)	
OTHER LONG-TERM LIABILITIES					
Deferred income taxes		2,253	32	(1,394)	891
Other liabilities	844	2,921	122		3,887
Total other long-term liabilities	844	5,174	154	(1,394)	4,778
STOCKHOLDERS INVESTMENT	13,811	13,196	3,273	(16,469)	13,811
	$ 16,698	$ 23,119	$ 4,184	$ (19,099)	$ 24,902

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CONDENSED CONSOLIDATING BALANCE SHEETS
May 31, 2009

	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	$ 1,768	$ 272	$ 304	$ (52)	$ 2,292
Receivables, less allowances	1	2,717	712	(39)	3,391
Spare parts, supplies, fuel, prepaid expenses and other, less allowances	1	838	83		922
Deferred income taxes		486	25		511
Total current assets	1,770	4,313	1,124	(91)	7,116
PROPERTY AND EQUIPMENT, AT COST	23	26,984	2,253		29,260
Less accumulated depreciation and amortization	17	14,659	1,167		15,843
Net property and equipment	6	12,325	1,086		13,417
INTERCOMPANY RECEIVABLE	758		379	(1,137)	
GOODWILL		1,485	744		2,229
INVESTMENT IN SUBSIDIARIES	11,973	2,129		(14,102)	
PENSION ASSETS	311				311
OTHER ASSETS	911	994	121	(855)	1,171
	$ 15,729	$ 21,246	$ 3,454	$ (16,185)	$ 24,244
LIABILITIES AND STOCKHOLDERS INVESTMENT					
CURRENT LIABILITIES					
Current portion of long-term debt	$ 500	$ 153	$	$	$ 653
Accrued salaries and employee benefits	26	711	124		861
Accounts payable	5	1,078	380	(91)	1,372
Accrued expenses	51	1,426	161		1,638
Total current liabilities	582	3,368	665	(91)	4,524
LONG-TERM DEBT, LESS CURRENT PORTION	1,250	680			1,930

INTERCOMPANY PAYABLE				1,137				(1,137)		
OTHER LONG-TERM LIABILITIES										
Deferred income taxes				1,875		51		(855)		1,071
Other liabilities		271		2,732		90				3,093
Total other long-term liabilities		271		4,607		141		(855)		4,164
STOCKHOLDERS INVESTMENT		13,626		11,454		2,648		(14,102)		13,626
	$	15,729	$	21,246	$	3,454	$	(16,185)	$	24,244

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CONDENSED CONSOLIDATING STATEMENTS OF INCOME
Year Ended May 31, 2010

	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
REVENUES	$	$ 29,360	$ 5,700	$ (326)	$ 34,734
OPERATING EXPENSES:					
Salaries and employee benefits	91	12,026	1,910		14,027
Purchased transportation		3,424	1,392	(88)	4,728
Rentals and landing fees	4	2,118	240	(3)	2,359
Depreciation and amortization	1	1,751	206		1,958
Fuel		2,946	160		3,106
Maintenance and repairs	1	1,589	125		1,715
Impairment and other charges			18		18
Intercompany charges, net	(202)	(109)	311		
Other	105	3,950	1,005	(235)	4,825
		27,695	5,367	(326)	32,736
OPERATING INCOME		1,665	333		1,998
OTHER INCOME (EXPENSE):					
Equity in earnings of subsidiaries	1,184	161		(1,345)	
Interest, net	(100)	41	(12)		(71)
Intercompany charges, net	114	(147)	33		
Other, net	(14)	(18)	(1)		(33)
INCOME BEFORE INCOME TAXES	1,184	1,702	353	(1,345)	1,894
Provision for income taxes		625	85		710
NET INCOME	$ 1,184	$ 1,077	$ 268	$ (1,345)	$ 1,184

CONDENSED CONSOLIDATING STATEMENTS OF INCOME
Year Ended May 31, 2009

	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
REVENUES	$	$ 29,923	$ 5,851	$ (277)	$ 35,497

OPERATING EXPENSES:										
Salaries and employee benefits		82		11,483		2,202				13,767
Purchased transportation				3,362		1,211		(39)		4,534
Rentals and landing fees		4		2,134		296		(5)		2,429
Depreciation and amortization		2		1,706		267				1,975
Fuel				3,554		257				3,811
Maintenance and repairs		1		1,755		142				1,898
Impairment and other charges				1,098		106				1,204
Intercompany charges, net		(193)		81		112				
Other		104		4,198		1,063		(233)		5,132
				29,371		5,656		(277)		34,750
OPERATING INCOME				552		195				747
OTHER INCOME (EXPENSE):										
Equity in earnings of subsidiaries		98		103				(201)		
Interest, net		(73)		28		(14)				(59)
Intercompany charges, net		90		(118)		28				
Other, net		(17)		(3)		9				(11)
INCOME BEFORE INCOME TAXES		98		562		218		(201)		677
Provision for income taxes				514		65				579
NET INCOME	$	98	$	48	$	153	$	(201)	$	98

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CONDENSED CONSOLIDATING STATEMENTS OF INCOME
Year Ended May 31, 2008

	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
REVENUES	$	$ 31,464	$ 6,860	$ (371)	$ 37,953
OPERATING EXPENSES:					
Salaries and employee benefits	98	11,660	2,444		14,202
Purchased transportation		3,392	1,333	(91)	4,634
Rentals and landing fees	4	2,127	313	(3)	2,441
Depreciation and amortization	2	1,651	293		1,946
Fuel		4,095	314		4,409
Maintenance and repairs	1	1,907	160		2,068
Impairment charges		882			882
Intercompany charges, net	(204)	(94)	298		
Other	99	4,400	1,074	(277)	5,296
		30,020	6,229	(371)	35,878
OPERATING INCOME		1,444	631		2,075
OTHER INCOME (EXPENSE):					
Equity in earnings of subsidiaries	1,125	310		(1,435)	
Interest, net	(44)	4	(14)		(54)
Intercompany charges, net	51	(66)	15		
Other, net	(7)	3	(1)		(5)
INCOME BEFORE INCOME TAXES	1,125	1,695	631	(1,435)	2,016
Provision for income taxes		687	204		891
NET INCOME	$ 1,125	$ 1,008	$ 427	$ (1,435)	$ 1,125

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
Year Ended May 31, 2010

	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ (450)	$ 2,942	$ 653	$ (7)	$ 3,138
INVESTING ACTIVITIES					
Capital expenditures		(2,661)	(155)		(2,816)
Proceeds from asset dispositions and other		38	(3)		35
CASH USED IN INVESTING ACTIVITIES		(2,623)	(158)		(2,781)
FINANCING ACTIVITIES					
Net transfers from (to) Parent	531	(397)	(134)		
Payment on loan between subsidiaries		72	(72)		
Intercompany dividends		158	(158)		
Principal payments on debt	(500)	(153)			(653)
Proceeds from stock issuances	94				94
Excess tax benefit on the exercise of stock options	25				25
Dividends paid	(138)				(138)
Other, net	(20)	(5)	5		(20)
CASH USED IN FINANCING ACTIVITIES	(8)	(325)	(359)		(692)
Effect of exchange rate changes on cash		(8)	3		(5)
Net (decrease) increase in cash and cash equivalents	(458)	(14)	139	(7)	(340)
Cash and cash equivalents at beginning of period	1,768	272	304	(52)	2,292
Cash and cash equivalents at end of period	$ 1,310	$ 258	$ 443	$ (59)	$ 1,952

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
Year Ended May 31, 2009

	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ (924)	$ 3,156	$ 573	$ (52)	$ 2,753
INVESTING ACTIVITIES					
Capital expenditures		(2,248)	(211)		(2,459)
Proceeds from asset dispositions and other		69	7		76
CASH USED IN INVESTING ACTIVITIES		(2,179)	(204)		(2,383)
FINANCING ACTIVITIES					
Net transfers from (to) Parent	1,173	(1,066)	(107)		
Payment on loan from Parent	17		(17)		
Payment on loan between subsidiaries		36	(36)		
Intercompany dividends		165	(165)		
Principal payments on debt	(500)		(1)		(501)
Proceeds from debt issuance	1,000				1,000
Proceeds from stock issuances	41				41
Excess tax benefit on the exercise of stock options	4				4
Dividends paid	(137)				(137)
Other, net	(7)				(7)
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	1,591	(865)	(326)		400
Effect of exchange rate changes on cash		(6)	(11)		(17)
Net increase (decrease) in cash and cash equivalents	667	106	32	(52)	753
Cash and cash equivalents at beginning of period	1,101	166	272		1,539
Cash and cash equivalents at end of period	$ 1,768	$ 272	$ 304	$ (52)	$ 2,292

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CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
Year Ended May 31, 2008

	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ (44)	$ 2,889	$ 620	$	$ 3,465
INVESTING ACTIVITIES					
Capital expenditures	(1)	(2,683)	(263)		(2,947)
Collection on (payment of) loan to Parent	(5,971)	5,971			
Proceeds from asset dispositions and other		34	16		50
CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(5,972)	3,322	(247)		(2,897)
FINANCING ACTIVITIES					
Net transfers from (to) Parent	463	(296)	(167)		
Payment on loans between subsidiaries		16	(16)		
Dividend paid (to) from Parent	5,971	(5,971)			
Intercompany dividends		165	(165)		
Principal payments on debt	(551)	(85)	(3)		(639)
Proceeds from stock issuances	108				108
Excess tax benefit on the exercise of stock options	38				38
Dividends paid	(124)				(124)
CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	5,905	(6,171)	(351)		(617)
Effect of exchange rate changes on cash		2	17		19
Net (decrease) increase in cash and cash equivalents	(111)	42	39		(30)
Cash and cash equivalents at beginning of period	1,212	124	233		1,569
Cash and cash equivalents at end of period	$ 1,101	$ 166	$ 272	$	$ 1,539

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QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

INTEREST RATES. While we currently have market risk sensitive instruments related to interest rates, we have no significant exposure to changing interest rates on our long-term debt because the interest rates are fixed on all of our long-term debt. As disclosed in Note 5 to the accompanying consolidated financial statements, we had outstanding fixed-rate, long-term debt (exclusive of capital leases) with estimated fair values of $2.1 billion at May 31, 2010 and $2.4 billion at May 31, 2009. Market risk for fixed-rate, long-term debt is estimated as the potential decrease in fair value resulting from a hypothetical 10% increase in interest rates and amounts to $41 million as of May 31, 2010 and $35 million as of May 31, 2009. The underlying fair values of our long-term debt were estimated based on quoted market prices or on the current rates offered for debt with similar terms and maturities.

FOREIGN CURRENCY. While we are a global provider of transportation, e-commerce and business services, the substantial majority of our transactions are denominated in U.S. dollars. The principal foreign currency exchange rate risks to which we are exposed are in the euro, Chinese yuan, Canadian dollar, British pound and Japanese yen. Historically, our exposure to foreign currency fluctuations is more significant with respect to our revenues than our expenses, as a significant portion of our expenses are denominated in U.S. dollars, such as aircraft and fuel expenses. During 2010, operating income was positively impacted due to foreign currency fluctuations. During 2009, foreign currency fluctuations negatively impacted operating income. However, favorable foreign currency fluctuations also may have had an offsetting impact on the price we obtained or the demand for our services, which is not quantifiable. At May 31, 2010, the result of a uniform 10% strengthening in the value of the dollar relative to the currencies in which our transactions are denominated would result in a decrease in operating income of $33 million for 2011. This theoretical calculation assumes that each exchange rate would change in the same direction relative to the U.S. dollar. This calculation is not indicative of our actual experience in foreign currency transactions. In addition to the direct effects of changes in exchange rates, fluctuations in exchange rates also affect the volume of sales or the foreign currency sales price as competitors services become more or less attractive. The sensitivity analysis of the effects of changes in foreign currency exchange rates does not factor in a potential change in sales levels or local currency prices.

COMMODITY. While we have market risk for changes in the price of jet and vehicle fuel, this risk is largely mitigated by our fuel surcharges because our fuel surcharges are closely linked to market prices for fuel. Therefore, a hypothetical 10% change in the price of fuel would not be expected to materially affect our earnings.

However, our fuel surcharges have a timing lag (approximately six to eight weeks for FedEx Express and FedEx Ground) before they are adjusted for changes in fuel prices. Our fuel surcharge index also allows fuel prices to fluctuate approximately 2% for FedEx Express and approximately 5% for FedEx Ground before an adjustment to the fuel surcharge occurs. Accordingly, our operating income in a specific period may be significantly affected should the spot price of fuel suddenly change by a substantial amount or change by amounts that do not result in an adjustment in our fuel surcharges.

OTHER. We do not purchase or hold any derivative financial instruments for trading purposes.

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SELECTED FINANCIAL DATA

The following table sets forth (in millions, except per share amounts and other operating data) certain selected consolidated financial and operating data for FedEx as of and for the five years ended May 31, 2010. This information should be read in conjunction with the Consolidated Financial Statements, Management s Discussion and Analysis of Results of Operations and Financial Condition and other financial data appearing elsewhere in this Annual Report.

	2010	2009 [1]	2008 [2]	2007 [3]	2006 [4]
Operating Results					
Revenues	$ 34,734	$ 35,497	$ 37,953	$ 35,214	$ 32,294
Operating income	1,998	747	2,075	3,276	3,014
Income before income taxes	1,894	677	2,016	3,215	2,899
Net income	1,184	98	1,125	2,016	1,806
Per Share Data					
Earnings per share:					
Basic	$ 3.78	$ 0.31	$ 3.64	$ 6.57	$ 5.94
Diluted	$ 3.76	$ 0.31	$ 3.60	$ 6.48	$ 5.83
Average shares of common stock outstanding	312	311	309	307	304
Average common and common equivalent shares outstanding	314	312	312	311	310
Cash dividends declared	$ 0.44	$ 0.44	$ 0.30	$ 0.37	$ 0.33
Financial Position					
Property and equipment, net	$ 14,385	$ 13,417	$ 13,478	$ 12,636	$ 10,770
Total assets	24,902	24,244	25,633	24,000	22,690
Long-term debt, less current portion	1,668	1,930	1,506	2,007	1,592
Common stockholders investment	13,811	13,626	14,526	12,656	11,511
Other Operating Data					
FedEx Express aircraft fleet	664	654	677	669	671
Average full-time equivalent employees and contractors	245,109	247,908	254,142	241,903	221,677

(1) Results for 2009 include a charge of $1.2 billion ($1.1 billion, net of tax, or $3.45 per diluted share) primarily related to impairment charges associated with goodwill and aircraft. See

Note 3 to the accompanying consolidated financial statements. Additionally, common stockholders investment includes an other comprehensive income charge of $1.2 billion, net of tax, related to the funded status of our retirement plans at May 31, 2009.

(2) Results for 2008 include a charge of $891 million ($696 million, net of tax, or $2.23 per diluted share) recorded during the fourth quarter, predominantly related to impairment charges associated with intangible assets from the FedEx Office acquisition. See Note 3 to the accompanying consolidated financial statements. Additionally, results for 2008 and 2007 include several 2007 acquisitions.

(3) Results for 2007 include a charge of $143 million at FedEx Express associated with upfront compensation and benefits under our labor contract with our pilots.

(4) Results for 2006 include a charge of $79 million ($49 million, net of tax, or $0.16 per diluted share) to adjust the accounting for certain facility leases, predominantly at FedEx Express.

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REPORT OF INDEPENDENT REGISTERED
PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
FedEx Corporation

We have audited the consolidated financial statements of FedEx Corporation as of May 31, 2010 and 2009, and for each of the three years in the period ended May 31, 2010, and have issued our report thereon dated July 15, 2010 (included elsewhere in this Annual Report on Form 10-K). Our audits also included the financial statement schedule listed in Item 15(a) in this Annual Report on Form 10-K. This schedule is the responsibility of the Company s management. Our responsibility is to express an opinion based on our audits.

In our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ Ernst & Young LLP
Memphis, Tennessee
July 15, 2010

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SCHEDULE II

FEDEX CORPORATION
VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED MAY 31, 2010, 2009, AND 2008
(IN MILLIONS)

DESCRIPTION	BALANCE AT BEGINNING OF YEAR	ADDITIONS CHARGED TO COSTS EXPENSES	ADDITIONS CHARGED TO OTHER ACCOUNTS	DEDUCTIONS	BALANCE AT END OF YEAR
Accounts Receivable Reserves:					
Allowance for Doubtful Accounts					
2010	$ 114	$ 124	$	$ 145(a)	$ 93
2009	88	181		155(a)	114
2008	79	134		125(a)	88
Allowance for Revenue Adjustments					
2010	$ 82	$	$ 430(b)	$ 439(c)	$ 73
2009	70		466(b)	454(c)	82
2008	57		486(b)	473(c)	70
Inventory Valuation Allowance:					
2010	$ 175	$ 12	$	$ 17	$ 170
2009	163	15		3	175
2008	156	10		3	163

(a) Uncollectible accounts written off, net of recoveries.

(b) Principally charged against revenue.

(c) Service failures, rebills and other.

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FEDEX CORPORATION
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(UNAUDITED)
(IN MILLIONS, EXCEPT RATIOS)

	Year Ended May 31,				
	2010	2009	2008	2007	2006
Earnings:					
Income before income taxes	$ 1,894	$ 677	$ 2,016	$ 3,215	$ 2,899
Add back:					
Interest expense, net of capitalized interest	79	85	98	136	142
Amortization of debt issuance costs	14	5	5	6	5
Portion of rent expense representative of interest factor	806	795	784	766	842
Earnings as adjusted	$ 2,793	$ 1,562	$ 2,903	$ 4,123	$ 3,888
Fixed Charges:					
Interest expense, net of capitalized interest	$ 79	$ 85	$ 98	$ 136	$ 142
Capitalized interest	80	71	50	34	33
Amortization of debt issuance costs	14	5	5	6	5
Portion of rent expense representative of interest factor	806	795	784	766	842
	$ 979	$ 956	$ 937	$ 942	$ 1,022
Ratio of Earnings to Fixed Charges	2.9	1.6	3.1	4.4	3.8

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EXHIBIT INDEX

Exhibit Number	Description of Exhibit
	Certificate of Incorporation and Bylaws
3.1	Second Amended and Restated Certificate of Incorporation of FedEx. (Filed as Exhibit 3.1 to FedEx s FY07 First Quarter Report on Form 10-Q, and incorporated herein by reference.)
3.2	Amended and Restated Bylaws of FedEx. (Filed as Exhibit 3.1 to FedEx s Current Report on Form 8-K dated September 29, 2008 and filed October 3, 2008, and incorporated herein by reference.)
	Facility Lease Agreements
10.1	Composite Lease Agreement dated May 21, 2007 (but effective as of January 1, 2007) between the Memphis-Shelby County Airport Authority (the Authority) and FedEx Express. (Filed as Exhibit 10.1 to FedEx s FY07 Annual Report on Form 10-K, and incorporated herein by reference).
10.2	First Amendment dated December 29, 2009 (but effective as of September 1, 2008) to the Composite Lease Agreement dated May 21, 2007 (but effective as of January 1, 2007) between the Authority and FedEx Express. (Filed as Exhibit 10.1 to FedEx s FY10 Third Quarter Report on Form 10-Q, and incorporated herein by reference.)
*10.3	Second Amendment dated March 30, 2010 (but effective as of June 1, 2009) and Third Amendment dated April 27, 2010 (but effective as of July 1, 2009), each amending the Composite Lease Agreement dated May 21, 2007 (but effective as of January 1, 2007) between the Authority and FedEx Express.
10.4	Special Facility Lease Agreement dated as of August 1, 1979 between the Authority and FedEx Express. (Filed as Exhibit 10.15 to FedEx Express s FY90 Annual Report on Form 10-K, and incorporated herein by reference.)
10.5	First Special Facility Supplemental Lease Agreement dated as of May 1, 1982 between the Authority and FedEx Express. (Filed as Exhibit 10.25 to FedEx Express s FY93 Annual Report on Form 10-K, and incorporated herein by reference.)
10.6	Second Special Facility Supplemental Lease Agreement dated as of November 1, 1982 between the Authority and FedEx Express. (Filed as Exhibit 10.26 to FedEx Express s FY93 Annual Report on Form 10-K, and incorporated herein by reference.)
10.7	Third Special Facility Supplemental Lease Agreement dated as of December 1, 1984 between the Authority and FedEx Express. (Filed as Exhibit 10.25 to FedEx Express s FY95 Annual Report on Form 10-K, and incorporated herein by reference.)
10.8	Fourth Special Facility Supplemental Lease Agreement dated as of July 1, 1992 between the Authority and FedEx Express. (Filed as Exhibit 10.20 to FedEx Express s FY92 Annual Report on

Form 10-K, and incorporated herein by reference.)

10.9	Fifth Special Facility Supplemental Lease Agreement dated as of July 1, 1997 between the Authority and FedEx Express. (Filed as Exhibit 10.35 to FedEx Express s FY97 Annual Report on Form 10-K, and incorporated herein by reference.)

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Exhibit Number	Description of Exhibit
10.10	Sixth Special Facility Supplemental Lease Agreement dated as of December 1, 2001 between the Authority and FedEx Express. (Filed as Exhibit 10.28 to FedEx s FY02 Annual Report on Form 10-K, and incorporated herein by reference.)
10.11	Seventh Special Facility Supplemental Lease Agreement dated as of June 1, 2002 between the Authority and FedEx Express. (Filed as Exhibit 10.3 to FedEx s FY03 First Quarter Report on Form 10-Q, and incorporated herein by reference.)
10.12	Special Facility Lease Agreement dated as of July 1, 1993 between the Authority and FedEx Express. (Filed as Exhibit 10.29 to FedEx Express s FY93 Annual Report on Form 10-K, and incorporated herein by reference.)
10.13	Special Facility Ground Lease Agreement dated as of July 1, 1993 between the Authority and FedEx Express. (Filed as Exhibit 10.30 to FedEx Express s FY93 Annual Report on Form 10-K, and incorporated herein by reference.)
10.14	First Amendment dated December 29, 2009 (but effective as of September 1, 2008) to the Special Facility Ground Lease Agreement dated as of July 1, 1993 between the Authority and FedEx Express. (Filed as Exhibit 10.2 to FedEx s FY10 Third Quarter Report on Form 10-Q, and incorporated herein by reference.)
	Aircraft-Related Agreement
10.15	Boeing 777 Freighter Purchase Agreement dated as of November 7, 2006 between The Boeing Company and FedEx Express. Confidential treatment has been granted for confidential commercial and financial information, pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended. (Filed as Exhibit 10.1 to FedEx s FY07 Second Quarter Report on Form 10-Q, and incorporated herein by reference.)
10.16	Supplemental Agreement No. 1 dated as of June 16, 2008 to the Boeing 777 Freighter Purchase Agreement dated as of November 7, 2006 between The Boeing Company and FedEx Express. (Filed as Exhibit 10.13 to FedEx s FY08 Annual Report on Form 10-K, and incorporated herein by reference.)
10.17	Supplemental Agreement No. 2 dated as of July 14, 2008 to the Boeing 777 Freighter Purchase Agreement dated as of November 7, 2006 between The Boeing Company and FedEx Express. (Filed as Exhibit 10.3 to FedEx s FY09 Second Quarter Report on Form 10-Q, and incorporated herein by reference.)
10.18	Supplemental Agreement No. 3 dated as of December 15, 2008 (and related side letters) to the Boeing 777 Freighter Purchase Agreement dated as of November 7, 2006 between The Boeing Company and FedEx Express. Confidential treatment has been granted for confidential commercial and financial information, pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended. (Filed as Exhibit 10.4 to FedEx s FY09 Second Quarter Report on Form 10-Q, and incorporated herein by reference.)

10.19	Supplemental Agreement No. 4 dated as of January 9, 2009 (and related side letters) to the Boeing 777 Freighter Purchase Agreement dated as of November 7, 2006 between The Boeing Company and FedEx Express. Confidential treatment has been granted for confidential commercial and financial information, pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended. (Filed as Exhibit 10.1 to FedEx s FY09 Third Quarter Report on Form 10-Q, and incorporated herein by reference.)

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Exhibit Number	Description of Exhibit
10.20	Side letters dated May 29, 2009 and May 19, 2009, amending the Boeing 777 Freighter Purchase Agreement dated as of November 7, 2006 between The Boeing Company and FedEx Express. Confidential treatment has been granted for confidential commercial and financial information, pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended. (Filed as Exhibit 10.17 to FedEx s FY09 Annual Report on Form 10-K, and incorporated herein by reference.)
10.21	Supplemental Agreement No. 5 dated as of January 11, 2010 to the Boeing 777 Freighter Purchase Agreement dated as of November 7, 2006 between The Boeing Company and FedEx Express. Confidential treatment has been granted for confidential commercial and financial information, pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended. (Filed as Exhibit 10.3 to FedEx s FY10 Third Quarter Report on Form 10-Q, and incorporated herein by reference.)
*10.22	Supplemental Agreement No. 6 dated as of March 17, 2010, Supplemental Agreement No. 7 dated as of March 17, 2010, and Supplemental Agreement No. 8 (and related side letters) dated as of April 30, 2010, each amending the Boeing 777 Freighter Purchase Agreement dated as of November 7, 2006 between The Boeing Company and FedEx Express. Confidential treatment has been requested for confidential commercial and financial information, pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.
	U.S. Postal Service Agreement
10.23	Transportation Agreement dated July 31, 2006 between the United States Postal Service and FedEx Express. Confidential treatment has been granted for confidential commercial and financial information, pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended. (Filed as Exhibit 10.2 to FedEx s FY07 First Quarter Report on Form 10-Q, and incorporated herein by reference.)
10.24	Amendment dated November 30, 2006 to the Transportation Agreement dated July 31, 2006 between the United States Postal Service and FedEx Express. Confidential treatment has been granted for confidential commercial and financial information, pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended. (Filed as Exhibit 10.2 to FedEx s FY07 Second Quarter Report on Form 10-Q, and incorporated herein by reference.)
10.25	Letter Agreement dated March 8, 2007 and Letter Agreement dated May 14, 2007, each amending the Transportation Agreement dated July 31, 2006, as amended, between the United States Postal Service and FedEx Express. Confidential treatment has been granted for confidential commercial and financial information, pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended. (Filed as Exhibit 10.15 to FedEx s FY07 Annual Report on Form 10-K, and incorporated herein by reference.)
10.26	Amendment dated June 20, 2007 and Amendment dated July 31, 2007, each amending the Transportation Agreement dated July 31, 2006, as amended, between the United States Postal Service and FedEx Express. Confidential treatment has been granted for confidential

	commercial and financial information, pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended. (Filed as Exhibit 10.1 to FedEx s FY08 First Quarter Report on Form 10-Q, and incorporated herein by reference.)
10.27	Amendment dated December 4, 2007 to the Transportation Agreement dated July 31, 2006, as amended, between the United States Postal Service and FedEx Express. Confidential treatment has been granted for confidential commercial and financial information, pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended. (Filed as Exhibit 10.1 to FedEx s FY08 Third Quarter Report on Form 10-Q, and incorporated herein by reference.)

Exhibit Number	Description of Exhibit
10.28	Letter Agreement dated October 23, 2008 and Amendment dated October 23, 2008, each amending the Transportation Agreement dated July 31, 2006 between the United States Postal Service and FedEx Express. Confidential treatment has been granted for confidential commercial and financial information, pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended. (Filed as Exhibit 10.1 to FedEx s FY09 Second Quarter Report on Form 10-Q, and incorporated herein by reference.)
10.29	Letter Agreement dated March 4, 2009, amending the Transportation Agreement dated July 31, 2006 between the United States Postal Service and FedEx Express. (Filed as Exhibit 10.24 to FedEx s FY09 Annual Report on Form 10-K, and incorporated herein by reference.)
10.30	Letter Agreement dated September 29, 2009, amending the Transportation Agreement dated July 31, 2006 between the United States Postal Service and FedEx Express. Confidential treatment has been granted for confidential commercial and financial information, pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended. (Filed as Exhibit 10.1 to FedEx s FY10 Second Quarter Report on Form 10-Q, and incorporated herein by reference.)
10.31	Amendment dated December 8, 2009 to the Transportation Agreement dated July 31, 2006 between the United States Postal Service and FedEx Express. Confidential treatment has been granted for confidential commercial and financial information, pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended. (Filed as Exhibit 10.4 to FedEx s FY10 Third Quarter Report on Form 10-Q, and incorporated herein by reference.)
	Financing Agreement
10.32	Three-Year Credit Agreement dated as of July 22, 2009 among FedEx, JPMorgan Chase Bank, N.A., individually and as administrative agent, and certain lenders. (Filed as Exhibit 99.1 to FedEx s Current Report on Form 8-K dated July 22, 2009, and incorporated herein by reference.)
	FedEx is not filing any other instruments evidencing any indebtedness because the total amount of securities authorized under any single such instrument does not exceed 10% of the total assets of FedEx and its subsidiaries on a consolidated basis. Copies of such instruments will be furnished to the Securities and Exchange Commission upon request.
	Management Contracts/Compensatory Plans or Arrangements
10.33	1993 Stock Incentive Plan and Form of Stock Option Agreement pursuant to 1993 Stock Incentive Plan, as amended. (The 1993 Stock Incentive Plan was filed as Exhibit A to FedEx Express s FY93 Definitive Proxy Statement, Commission File No. 1-7806, and is incorporated herein by reference, and the form of stock option agreement was filed as Exhibit 10.61 to FedEx Express s FY94 Annual Report on Form 10-K, and is incorporated herein by reference.)
10.34	Amendment to 1993 Stock Incentive Plan. (Filed as Exhibit 10.63 to FedEx Express s FY94 Annual Report on Form 10-K, and incorporated herein by reference.)

10.35	1995 Stock Incentive Plan and Form of Stock Option Agreement pursuant to 1995 Stock Incentive Plan. (The 1995 Stock Incentive Plan was filed as Exhibit A to FedEx Express s FY95 Definitive Proxy Statement, and is incorporated herein by reference, and the form of stock option agreement was filed as Exhibit 99.2 to FedEx Express s Registration Statement No. 333-03443 on Form S-8, and is incorporated herein by reference.)

Exhibit Number	Description of Exhibit
10.36	Amendment to 1993 and 1995 Stock Incentive Plans. (Filed as Exhibit 10.79 to FedEx Express s FY97 Annual Report on Form 10-K, and incorporated herein by reference.)
10.37	1997 Stock Incentive Plan, as amended, and Form of Stock Option Agreement pursuant to 1997 Stock Incentive Plan. (The 1997 Stock Incentive Plan was filed as Exhibit 4.3 to FedEx s Registration Statement on Form S-8, Registration No. 333-71065, and is incorporated herein by reference, and the form of stock option agreement was filed as Exhibit 4.4 to FedEx s Registration Statement No. 333-71065 on Form S-8, and is incorporated herein by reference.)
10.38	Amendment to 1997 Stock Incentive Plan. (Filed as Exhibit A to FedEx s FY98 Definitive Proxy Statement, and incorporated herein by reference.)
10.39	1999 Stock Incentive Plan and Form of Stock Option Agreement pursuant to 1999 Stock Incentive Plan. (The 1999 Stock Incentive Plan was filed as Exhibit 4.3 to FedEx s Registration Statement No. 333-34934 on Form S-8, and is incorporated herein by reference, and the form of stock option agreement was filed as Exhibit 4.4 to FedEx s Registration Statement No. 333-34934 on Form S-8, and is incorporated herein by reference.)
10.40	2002 Stock Incentive Plan and Form of Stock Option Agreement pursuant to 2002 Stock Incentive Plan. (The 2002 Stock Incentive Plan was filed as Exhibit 4.3 to FedEx s Registration Statement No. 333-100572 on Form S-8, and is incorporated herein by reference, and the form of stock option agreement was filed as Exhibit 4.4 to FedEx s Registration Statement No. 333-100572 on Form S-8, and is incorporated herein by reference.)
10.41	1997 Restricted Stock Plan and Form of Restricted Stock Agreement pursuant to 1997 Restricted Stock Plan. (Filed as Exhibit 10.82 to FedEx Express s FY97 Annual Report on Form 10-K, and incorporated herein by reference.)
10.42	Amendment to 1997 Restricted Stock Plan. (Filed as Exhibit 10.65 to FedEx s FY02 Annual Report on Form 10-K, and incorporated herein by reference.)
10.43	2001 Restricted Stock Plan and Form of Restricted Stock Agreement pursuant to 2001 Restricted Stock Plan. (Filed as Exhibit 10.60 to FedEx s FY01 Annual Report on Form 10-K, and incorporated herein by reference.)
10.44	Amendment to 2001 Restricted Stock Plan. (Filed as Exhibit 10.67 to FedEx s FY02 Annual Report on Form 10-K, and incorporated herein by reference.)
10.45	Amendment to 1995, 1997, 1999 and 2002 Stock Incentive Plans and 1997 and 2001 Restricted Stock Plans. (Filed as Exhibit 10.3 to FedEx s FY04 Second Quarter Report on Form 10-Q, and incorporated herein by reference.)

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Exhibit Number	Description of Exhibit
10.46	FedEx Corporation Incentive Stock Plan, as amended; Amendment to FedEx Corporation Incentive Stock Plan, as amended, and 1997, 1999 and 2002 Stock Incentive Plans; Form of Terms and Conditions of stock option grant pursuant to FedEx Corporation Incentive Stock Plan, as amended; and Form of Restricted Stock Agreement pursuant to FedEx Corporation Incentive Stock Plan, as amended. (The FedEx Corporation Incentive Stock Plan, as amended, was filed as Exhibit 4.1 to FedEx Corporation s Registration Statement No. 333-156333 on Form S-8, and is incorporated herein by reference; the Amendment to FedEx Corporation Incentive Stock Plan, as amended, and 1997, 1999 and 2002 Stock Incentive Plans was filed as Exhibit 4.2 to FedEx Corporation s Registration Statement No. 333-156333 on Form S-8, and is incorporated herein by reference; the Form of Terms and Conditions of stock option grant pursuant to FedEx Corporation Incentive Stock Plan, as amended, was filed as Exhibit 4.3 to FedEx Corporation s Registration Statement No. 333-156333 on Form S-8, and is incorporated herein by reference; and the Form of Restricted Stock Agreement pursuant to FedEx Corporation Incentive Stock Plan, as amended, was filed as Exhibit 4.4 to FedEx Corporation s Registration Statement No. 333-156333 on Form S-8, and is incorporated herein by reference.)
10.47	FedEx Corporation Incentive Stock Plan 2005 Inland Revenue Approved Sub-Plan for the United Kingdom and Form of Share Option Agreement pursuant to the FedEx Corporation Incentive Stock Plan 2005 Inland Revenue Approved Sub-Plan for the United Kingdom. (The United Kingdom Sub-Plan was filed as Exhibit 4.2 to FedEx Corporation s Registration Statement No. 333-130619 on Form S-8, and is incorporated herein by reference, and the form of share option agreement pursuant to the UK Sub-Plan was filed as Exhibit 4.3 to FedEx Corporation s Registration Statement No. 333-130619 on Form S-8, and is incorporated herein by reference.)
*10.48	Amendments to 1993, 1995, 1997, 1999 and 2002 Stock Incentive Plans, as amended, 2001 Restricted Stock Plan, as amended, and FedEx Corporation Incentive Stock Plan, as amended.
10.49	Amended and Restated FedEx Corporation Retirement Parity Pension Plan. (Filed as Exhibit 10.35 to FedEx s FY08 Annual Report on Form 10-K, and incorporated herein by reference.)
*10.50	Compensation Arrangements with Named Executive Officers.
10.51	Compensation Arrangements with Outside Directors. (Filed as Exhibit 10.43 to FedEx s FY09 Annual Report on Form 10-K, and incorporated herein by reference.)
10.52	FedEx s Amended and Restated Retirement Plan for Outside Directors. (Filed as Exhibit 10.2 to FedEx s FY09 Second Quarter Report on Form 10-Q, and incorporated herein by reference.)
10.53	Form of revised Management Retention Agreement, dated March 18, 2010, entered into between FedEx Corporation and each of Frederick W. Smith, David J. Bronczek, Robert B. Carter, T. Michael Glenn, Alan B. Graf, Jr., William J. Logue, David F. Rebholz and Christine P. Richards. (Filed as Exhibit 10.5 to FedEx s FY10 Third Quarter Report on Form 10-Q, and incorporated herein by reference.)

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Exhibit Number	Description of Exhibit
	Other Exhibits
*12	Statement re Computation of Ratio of Earnings to Fixed Charges (presented on page 127 of this Annual Report on Form 10-K).
*21	Subsidiaries of Registrant.
*23	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.
*24	Powers of Attorney.
*31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*32.1	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*32.2	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*101.1	Interactive Data Files.

* Filed herewith.