

NOTE 3: BUSINESS COMBINATIONS

On May 25, 2016, we acquired TNT Express for €4.4 billion (approximately \$4.9 billion). Cash acquired in the acquisition was approximately €250 million (\$280 million). All shares associated with the transaction were tendered or transferred as of the third quarter of 2017. We funded the acquisition with proceeds from an April 2016 debt issuance and existing cash balances. The financial results of this business for 2017 are included in the FedEx Express group and the TNT Express segment. Financial results for 2016 were immaterial from the time of acquisition and are included in "Eliminations, corporate and other."

TNT Express collects, transports and delivers documents, parcels and freight to over 200 countries. This strategic acquisition broadens our portfolio of international transportation solutions with the combined strength of TNT Express's strong European road platform and FedEx Express's strength in other regions globally.

Our purchase price allocation for TNT Express was finalized in the fourth quarter of 2017. As a result of this acquisition, we recognized \$3.5 billion of goodwill, which is primarily attributable to the expected benefits from synergies of the combination with existing businesses and growth opportunities and the TNT Express workforce. The majority of the purchase price allocated to goodwill is not deductible for income tax purposes. The following table summarizes the final amounts of the fair values recognized for the assets acquired and liabilities assumed for this acquisition, as well as adjustments made during the measurement period (in millions):

	Preliminary (May 31, 2016)	Measurement Period Adjustments	Final (May 31, 2017)
Current assets ⁽¹⁾	\$ 1,905	\$ (53)	\$ 1,852
Property and equipment	1,104	(124)	980
Goodwill	2,964	488	3,452
Identifiable intangible assets	920	(390)	530
Other non-current assets	289	183	472
Current liabilities ⁽²⁾	(1,644)	(44)	(1,688)
Long-term liabilities	(644)	(60)	(704)
Total purchase price	\$ 4,894	\$ —	\$ 4,894

(1) Primarily accounts receivable and cash.

(2) Primarily accounts payable and accrued expenses.

Adjustments to the preliminary purchase price allocation as of May 31, 2016 resulted in a net increase to goodwill of \$488 million. These updates were primarily recorded during the second quarter of 2017 and reflect the valuation work completed by third-party experts and the receipt of additional information during the measurement period about facts and circumstances that existed at the acquisition date.

The purchase price was allocated to the identifiable intangible assets acquired as follows (in millions):

Intangible assets with finite lives	
Customer relationships (12-year life)	\$ 430
Technology (3-year life)	20
Trademarks (4-year life)	80
Total intangible assets	\$ 530

See Note 4 for further discussion of our intangible assets.

The following unaudited pro forma consolidated financial information presents the combined operations of FedEx and TNT Express as if the acquisition had occurred at the beginning of 2015 (dollars in millions, except per share amounts):

	(Unaudited)	
	2016	2015
Consolidated revenues	\$ 57,899	\$ 55,862
Consolidated net income	1,600	638
Diluted earnings per share	\$ 5.73	\$ 2.22

The accounting literature establishes guidelines regarding the presentation of this unaudited pro forma information. Therefore, this unaudited pro forma information is not intended to represent, nor do we believe it is indicative of, the consolidated results of operations of FedEx that would have been reported had the acquisition been completed as of the beginning of 2015. Furthermore, this unaudited pro forma information does not give effect to the anticipated business and tax synergies of the acquisition and is not representative or indicative of the anticipated future consolidated results of operations of FedEx.

The unaudited pro forma consolidated financial information reflects our historical financial information and the historical results of TNT Express, after conversion of TNT Express's accounting methods from International Financial Reporting Standards to U.S. generally accepted accounting principles, adjusted to reflect the acquisition had it been completed as of the beginning of 2015. The most significant pro forma adjustments to the historical results of operations relate to the application of purchase accounting and the financing for the acquisition. The unaudited pro forma financial information includes various assumptions, including those related to the finalization of the purchase price allocation. The tax impact of these adjustments was calculated based on TNT Express's statutory rate.