

Item 8. Financial statements and supplementary data**WALGREENS BOOTS ALLIANCE, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS****At August 31, 2017 and 2016****(in millions, except shares and per share amounts)**

	<u>2017</u>	<u>2016</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,301	\$ 9,807
Accounts receivable, net	6,528	6,260
Inventories	8,899	8,956
Other current assets	1,025	860
Total current assets	<u>19,753</u>	<u>25,883</u>
Non-current assets:		
Property, plant and equipment, net	13,642	14,335
Goodwill	15,632	15,527
Intangible assets, net	10,156	10,302
Equity method investments (see note 5)	6,320	6,174
Other non-current assets	506	467
Total non-current assets	<u>46,256</u>	<u>46,805</u>
Total assets	<u>\$66,009</u>	<u>\$72,688</u>
Liabilities and equity		
Current liabilities:		
Short-term borrowings	\$ 251	\$ 323
Trade accounts payable (see note 18)	12,494	11,000
Accrued expenses and other liabilities	5,473	5,484
Income taxes	329	206
Total current liabilities	<u>18,547</u>	<u>17,013</u>
Non-current liabilities:		
Long-term debt	12,684	18,705
Deferred income taxes	2,281	2,644
Other non-current liabilities	4,223	4,045
Total non-current liabilities	<u>19,188</u>	<u>25,394</u>
Commitments and contingencies (see note 11)		
Equity:		
Preferred stock \$.01 par value; authorized 32 million shares, none issued	—	—
Common stock \$.01 par value; authorized 3.2 billion shares; issued 1,172,513,618 at August 31, 2017 and 2016	12	12
Paid-in capital	10,339	10,111
Employee stock loan receivable	—	(1)
Retained earnings	30,137	27,684
Accumulated other comprehensive loss	(3,051)	(2,992)
Treasury stock, at cost; 148,664,548 shares at August 31, 2017 and 89,527,027 at August 31, 2016	(9,971)	(4,934)
Total Walgreens Boots Alliance, Inc. shareholders' equity	<u>27,466</u>	<u>29,880</u>
Noncontrolling interests	808	401
Total equity	<u>28,274</u>	<u>30,281</u>
Total liabilities and equity	<u>\$66,009</u>	<u>\$72,688</u>

The accompanying notes to Consolidated Financial Statements are an integral part of these Statements.

WALGREENS BOOTS ALLIANCE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
For the years ended August 31, 2017, 2016 and 2015
(in millions, except per share amounts)

	2017	2016	2015
Sales	\$118,214	\$117,351	\$103,444
Cost of sales	89,052	87,477	76,691
Gross profit	29,162	29,874	26,753
Selling, general and administrative expenses	23,740	23,910	22,400
Equity earnings in AmerisourceBergen	135	37	—
Equity earnings in Alliance Boots	—	—	315
Operating income	5,557	6,001	4,668
Gain on previously held equity interest	—	—	563
Other income (expense)	(11)	(261)	685
Earnings before interest and income tax provision	5,546	5,740	5,916
Interest expense, net	693	596	605
Earnings before income tax provision	4,853	5,144	5,311
Income tax provision	760	997	1,056
Post tax earnings from other equity method investments	8	44	24
Net earnings	4,101	4,191	4,279
Net earnings attributable to noncontrolling interests	23	18	59
Net earnings attributable to Walgreens Boots Alliance, Inc.	<u>\$ 4,078</u>	<u>\$ 4,173</u>	<u>\$ 4,220</u>
Net earnings per common share:			
Basic	\$ 3.80	\$ 3.85	\$ 4.05
Diluted	\$ 3.78	\$ 3.82	\$ 4.00
Dividends declared per share	\$ 1.525	\$ 1.455	\$ 1.373
Weighted average common shares outstanding:			
Basic	1,073.5	1,083.1	1,043.2
Diluted	1,078.5	1,091.1	1,053.9

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WALGREENS BOOTS ALLIANCE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended August 31, 2017, 2016 and 2015
(in millions)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:			
Net earnings	\$ 4,101	\$ 4,191	\$ 4,279
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	1,654	1,718	1,742
Change in fair value of warrants and related amortization	—	516	(779)
Gain on previously held equity interest	—	—	(563)
Deferred income taxes	(434)	(442)	(32)
Stock compensation expense	91	115	109
Equity earnings from equity method investments	(143)	(81)	(339)
Other	364	148	752
Changes in operating assets and liabilities:			
Accounts receivable, net	(153)	115	(338)
Inventories	98	(644)	719
Other current assets	—	66	22
Trade accounts payable	1,690	1,572	268
Accrued expenses and other liabilities	(128)	313	170
Income taxes	44	202	(335)
Other non-current assets and liabilities	67	58	(11)
Net cash provided by operating activities	<u>7,251</u>	<u>7,847</u>	<u>5,664</u>
Cash flows from investing activities:			
Additions to property, plant and equipment	(1,351)	(1,325)	(1,251)
Proceeds from sale leaseback transactions	444	60	867
Proceeds from sale of businesses	—	74	814
Proceeds from sale of other assets	59	155	184
Alliance Boots acquisition, net of cash acquired	—	—	(4,461)
Business and intangible asset acquisitions, net of cash acquired	(88)	(126)	(371)
Investment in AmerisourceBergen	—	(2,360)	—
Other	93	5	(58)
Net cash used for investing activities	<u>(843)</u>	<u>(3,517)</u>	<u>(4,276)</u>
Cash flows from financing activities:			
Proceeds and payments of short-term borrowings, net	33	29	(226)
Proceeds from issuance of long-term debt	—	5,991	12,285
Payments of long-term debt	(6,196)	(791)	(10,472)
Stock purchases	(5,220)	(1,152)	(1,226)
Proceeds related to employee stock plans	217	235	503
Cash dividends paid	(1,723)	(1,563)	(1,384)
Other	(45)	(143)	(395)
Net cash (used for) provided by financing activities	<u>(12,934)</u>	<u>2,606</u>	<u>(915)</u>
Effect of exchange rate changes on cash and cash equivalents	20	(129)	(119)
Changes in cash and cash equivalents:			
Net (decrease) increase in cash and cash equivalents	(6,506)	6,807	354
Cash and cash equivalents at beginning of period	<u>9,807</u>	<u>3,000</u>	<u>2,646</u>
Cash and cash equivalents at end of period	<u>\$ 3,301</u>	<u>\$ 9,807</u>	<u>\$ 3,000</u>

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