

Item 8. Financial statements and supplementary data**WALGREENS BOOTS ALLIANCE, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS****At August 31, 2018 and 2017****(in millions, except shares and per share amounts)**

	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 785	\$ 3,301
Accounts receivable, net	6,573	6,528
Inventories	9,565	8,899
Other current assets	923	1,025
Total current assets	17,846	19,753
Non-current assets:		
Property, plant and equipment, net	13,911	13,642
Goodwill	16,914	15,632
Intangible assets, net	11,783	10,156
Equity method investments (see note 5)	6,610	6,320
Other non-current assets	1,060	506
Total non-current assets	50,278	46,256
Total assets	\$ 68,124	\$66,009
Liabilities and equity		
Current liabilities:		
Short-term debt	\$ 1,966	\$ 251
Trade accounts payable (see note 17)	13,566	12,494
Accrued expenses and other liabilities	5,862	5,473
Income taxes	273	329
Total current liabilities	21,667	18,547
Non-current liabilities:		
Long-term debt	12,431	12,684
Deferred income taxes	1,815	2,281
Other non-current liabilities	5,522	4,223
Total non-current liabilities	19,768	19,188
Commitments and contingencies (see note 10)		
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, 2018 and 2017	12	12
Paid-in capital	10,493	10,339
Retained earnings	33,551	30,137
Accumulated other comprehensive loss	(3,002)	(3,051)
Treasury stock, at cost; 220,380,200 shares at August 31, 2018 and 148,664,548 at August 31, 2017	(15,047)	(9,971)
Total Walgreens Boots Alliance, Inc. shareholders' equity	26,007	27,466
Noncontrolling interests	682	808
Total equity	26,689	28,274
Total liabilities and equity	\$ 68,124	\$66,009

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, 2018, 2017 and 2016
(in millions, except per share amounts)

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Sales	\$ 131,537	\$118,214	\$117,351
Cost of sales	<u>100,745</u>	<u>89,052</u>	<u>87,477</u>
Gross profit	30,792	29,162	29,874
Selling, general and administrative expenses	24,569	23,740	23,910
Equity earnings in AmerisourceBergen	<u>191</u>	<u>135</u>	<u>37</u>
Operating income	6,414	5,557	6,001
Other income (expense)	<u>177</u>	<u>(11)</u>	<u>(261)</u>
Earnings before interest and income tax provision	6,591	5,546	5,740
Interest expense, net	<u>616</u>	<u>693</u>	<u>596</u>
Earnings before income tax provision	5,975	4,853	5,144
Income tax provision	998	760	997
Post tax earnings from other equity method investments	<u>54</u>	<u>8</u>	<u>44</u>
Net earnings	5,031	4,101	4,191
Net earnings attributable to noncontrolling interests	<u>7</u>	<u>23</u>	<u>18</u>
Net earnings attributable to Walgreens Boots Alliance, Inc.	<u>\$ 5,024</u>	<u>\$ 4,078</u>	<u>\$ 4,173</u>
Net earnings per common share:			
Basic	\$ 5.07	\$ 3.80	\$ 3.85
Diluted	\$ 5.05	\$ 3.78	\$ 3.82
Dividends declared per share	\$ 1.640	\$ 1.525	\$ 1.455
Weighted average common shares outstanding:			
Basic	991.0	1,073.5	1,083.1
Diluted	995.0	1,078.5	1,091.1

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WALGREENS BOOTS ALLIANCE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended August 31, 2018, 2017 and 2016
(in millions)

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:			
Net earnings	\$ 5,031	\$ 4,101	\$ 4,191
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	1,770	1,654	1,718
Change in fair value of warrants and related amortization	—	—	516
Gain on previously held equity interest	(337)	—	—
Deferred income taxes	(322)	(434)	(442)
Stock compensation expense	130	91	115
Equity earnings from equity method investments	(244)	(143)	(81)
Other	296	364	148
Changes in operating assets and liabilities:			
Accounts receivable, net	(391)	(153)	115
Inventories	331	98	(644)
Other current assets	(22)	—	66
Trade accounts payable	1,323	1,690	1,572
Accrued expenses and other liabilities	281	(128)	313
Income taxes	694	44	202
Other non-current assets and liabilities	(275)	67	58
Net cash provided by operating activities	<u>8,265</u>	<u>7,251</u>	<u>7,847</u>
Cash flows from investing activities:			
Additions to property, plant and equipment	(1,367)	(1,351)	(1,325)
Proceeds from sale leaseback transactions	—	444	60
Proceeds from sale of businesses	—	—	74
Proceeds from sale of other assets	655	59	155
Business, investment and asset acquisitions, net of cash acquired	(4,793)	(88)	(126)
Investment in AmerisourceBergen	—	—	(2,360)
Other	4	93	5
Net cash used for investing activities	<u>(5,501)</u>	<u>(843)</u>	<u>(3,517)</u>
Cash flows from financing activities:			
Net change in short-term debt with maturities of 3 months or less	586	33	29
Proceeds from debt	5,900	—	5,991
Payments of debt	(4,890)	(6,196)	(791)
Stock purchases	(5,228)	(5,220)	(1,152)
Proceeds related to employee stock plans	174	217	235
Cash dividends paid	(1,739)	(1,723)	(1,563)
Other	(98)	(45)	(143)
Net cash (used for) provided by financing activities	<u>(5,295)</u>	<u>(12,934)</u>	<u>2,606</u>
Effect of exchange rate changes on cash and cash equivalents	15	20	(129)
Changes in cash and cash equivalents:			
Net (decrease) increase in cash and cash equivalents	(2,516)	(6,506)	6,807
Cash and cash equivalents at beginning of period	<u>3,301</u>	<u>9,807</u>	<u>3,000</u>
Cash and cash equivalents at end of period	<u>\$ 785</u>	<u>\$ 3,301</u>	<u>\$ 9,807</u>

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