



Walgreens Boots Alliance

Fiscal 2017 Third Quarter Results

29 June 2017

Safe harbor and non-GAAP

Cautionary Note Regarding Forward-Looking Statements: All statements in these materials and the related presentation that are not historical including, without limitation, estimates of and goals for future financial and operating performance, as well as forward-looking statements concerning the expected execution and effect of our business strategies, our cost-savings and growth initiatives and restructuring activities and the amounts and timing of their expected impact, the termination of our merger agreement with Rite Aid and the transactions contemplated thereby and the possible effects thereof, and our pending asset purchase agreement with Rite Aid and the transactions contemplated thereby and their possible timing and effects, are forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Words such as “expect,” “likely,” “outlook,” “forecast,” “preliminary,” “would,” “could,” “should,” “can,” “will,” “project,” “intend,” “plan,” “goal,” “guidance,” “target,” “aim,” “continue,” “sustain,” “synergy,” “on track,” “on schedule,” “headwind,” “tailwind,” “believe,” “seek,” “estimate,” “anticipate,” “may,” “possible,” “assume,” and variations of such words and similar expressions are intended to identify such forward-looking statements. These forward-looking statements are not guarantees of future performance and are subject to risks, uncertainties and assumptions, known or unknown, that could cause actual results to vary materially, including, but not limited to, those relating to the impact of private and public third-party payers’ efforts to reduce prescription drug reimbursements, fluctuations in foreign currency exchange rates, the timing and magnitude of the impact of branded to generic drug conversions and changes in generic drug prices, our ability to realize synergies and achieve financial, tax and operating results in the amounts and at the times anticipated, the occurrence of any event, change or other circumstance that could give rise to the termination, cross-termination or modification of any of our contractual obligations, the amount of costs, fees, expenses and charges incurred in connection with strategic transactions, our ability to realize expected savings and benefits from cost-savings initiatives, restructuring activities and acquisitions in the amounts and at the times anticipated, the timing and amount of any impairment or other charges, the timing and severity of cough, cold and flu season, changes in management’s assumptions, changes in economic and business conditions generally or in particular markets in which we participate, changes in financial markets and interest rates, the risks associated with international business operations, including the risks associated with the proposed withdrawal of the United Kingdom from the European Union, the risk of unexpected costs, liabilities or delays, changes in vendor, customer and payer relationships and terms, including changes in network participation and reimbursement terms, risks of inflation, risks associated with acquisitions, divestitures, joint ventures and strategic investments, including those relating to the ability of the parties to satisfy the closing conditions (including, without limitation, the expiration or termination of applicable waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended) and consummate the pending acquisition of certain Rite Aid assets and related matters on a timely basis or at all, the risks associated with the integration of complex businesses, the risks associated with the termination of our merger agreement with Rite Aid and the transactions contemplated thereby (including the termination of the divestiture transaction to sell certain Rite Aid stores and assets to Fred’s, Inc.) and the effects thereof, outcomes of legal and regulatory matters, including with respect to regulatory review and actions in connection with the pending acquisition of certain Rite Aid assets and related matters,, and risks associated with changes in laws, regulations or interpretations thereof. These and other risks, assumptions and uncertainties are described in Item 1A (Risk Factors) of our Form 10-K for the fiscal year ended 31 August 2016, which is incorporated herein by reference, and in other documents that we file or furnish with the SEC. You should not place undue reliance on forward-looking statements, which speak only as of the date they are made. Except to the extent required by law, we do not undertake, and expressly disclaim, any duty or obligation to update publicly any forward-looking statement after the date of this presentation.

Non-GAAP Financial Measures: Today’s presentation includes certain non-GAAP financial measures, and we refer you to the footnotes on page 17 and the Appendix to the presentation materials available on our investor relations website for reconciliations to the most directly comparable U.S. GAAP financial measures and related information.



Highlights



Walgreens Boots Alliance

3Q results in line with our expectations

Growth in U.S. pharmacy volume & market share

Completed \$1 billion share repurchase program

Raised lower end of guidance by 8 cents¹



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3Q financial highlights



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\$ in millions (except EPS & % change)		3Q17	Reported Δ vs. 3Q16	Constant currency ² Δ vs. 3Q16
Sales		\$30,118	+ 2.1%	+ 5.0%
Operating income:	GAAP	\$1,517	- 1.0%	
	Adjusted³	\$1,914	+ 5.5%	+ 7.5%
Net earnings⁴:	GAAP	\$1,162	+ 5.3%	
	Adjusted³	\$1,441	+ 11.9%	+ 13.6%
Diluted net EPS⁴:	GAAP	\$1.07	+ 5.9%	
	Adjusted³	\$1.33	+ 12.7%	+ 14.4%



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Year-to-date FY17 financial highlights



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\$ in millions (except EPS & % change)		YTD17	Reported Δ vs. YTD16	Constant currency ² Δ vs. YTD16
Sales		\$88,065	- 0.7%	+ 2.3%
Operating income:	GAAP	\$4,443	- 8.6%	
	Adjusted³	\$5,656	+ 0.1%	+ 2.2%
Net earnings⁴:	GAAP	\$3,276	+ 4.2%	
	Adjusted³	\$4,118	+ 7.2%	+ 9.3%
Diluted net EPS⁴:	GAAP	\$3.02	+ 4.9%	
	Adjusted³	\$3.79	+ 7.7%	+ 9.9%



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Retail Pharmacy USA - 3Q financials



\$ in millions (except %)	3Q17	Δ vs. 3Q16
Sales	\$22,528	+ 6.3%
Comparable store sales		+ 3.7%
Adjusted gross profit^{3,5}	\$5,665	- 0.5%
Adjusted SG&A % of sales^{3,5}	18.7%	- 1.7%p
Adjusted operating margin^{3,5}	6.5%	-
Adjusted operating income^{3,5}	\$1,463	+ 5.9%



Retail Pharmacy USA - pharmacy



3Q17 vs. 3Q16	Total	Comparable
Pharmacy sales	+ 10.3%	+ 5.8%
Prescriptions ⁶	+ 8.5%	+ 8.3%

Highest quarterly comp. script growth in more than seven years⁶

- Medicare Part D
- strategic pharmacy partnerships

Within sales

- volume growth and brand inflation
- partially offset by reimbursement pressure and generics impact

Market share up approx. 110 bps to 20.5%⁷



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Retail Pharmacy USA - retail

3Q17 vs. 3Q16



Total retail sales down 1.8%

Comparable retail sales down 0.4%

- decline in consumables & general merchandise and personal care
- growth in health & wellness and beauty

Beauty differentiation

- strong No7 and Soap & Glory sales growth
- continued introduction of new brands
- on track to introduce to over 1,000 additional stores¹

Program underway to improve operational performance in certain stores¹



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Retail Pharmacy International - 3Q financials



\$ in millions (except %)	3Q17	Constant currency ² Δ vs. 3Q16
Sales⁸	\$2,809	- 0.2%
Comparable store sales⁸		+ 0.2%

Comparable pharmacy sales down 0.1%^{2,8}

- Boots UK down 0.4%^{2,8}
- reduction in UK pharmacy funding

Comparable retail sales up 0.4%^{2,8}

- Boots UK up 0.1%^{2,8}



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Retail Pharmacy International

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Retail Pharmacy International - 3Q financials



\$ in millions (except %)	3Q17	Constant currency ² Δ vs. 3Q16
Sales⁸	\$2,809	- 0.2%
Comparable store sales⁸		+ 0.2%
Adjusted gross profit^{3,8}	\$1,148	- 1.2%
Adjusted SG&A % of sales^{3,8}	34.0%	+ 0.7%p
Adjusted operating margin^{3,8}	6.9%	- 1.1%p
Adjusted operating income^{3,8}	\$193	- 14.0%



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Retail Pharmacy International



Pharmaceutical Wholesale - 3Q financials



\$ in millions (except %)	3Q17	Constant currency ² Δ vs. 3Q16
Sales¹⁰	\$5,296	+ 2.7%
Comparable sales^{9,10}		+ 3.7%
Adjusted operating margin^{3,10,11}	2.9%	- 0.1%p
Adjusted operating income^{3,10,11}	\$253	+ 53.1%



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3Q capital allocation



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Operating cash flow: \$1.9 billion

Working capital inflow¹²: \$502 million

- improvements in inventories

Cash capital expenditure: \$273 million

- investment in core customer proposition
- includes stores, US beauty, and IT

Free cash flow³: \$1.6 billion



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Fiscal year 2017 guidance¹



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Raised lower end of guidance¹

Anticipated adjusted diluted net EPS^{1,3}
\$4.98 – \$5.08

Guidance assumes¹:

- current exchange rates for rest of fiscal year**



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Walgreens Boots Alliance



We help people across the world lead healthier and happier lives

- Owned businesses
- Equity method investments
- Branded products & franchises*

*Countries where the Company's products are available for purchase or there are Company franchises (other than those countries where there are owned businesses, equity method investments or joint ventures)



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Footnotes

1. Forward-Looking Statements – see cautionary note on slide 2.
2. Presented on a constant currency basis. Non-GAAP financial measure – see appendix. These amounts are calculated by translating current period results at the foreign currency exchange rates used in the comparable period in the prior year. The company presents such constant currency financial information because it has significant operations outside of the United States reporting in currencies other than the U.S. dollar and this presentation provides a framework to assess how its business performed excluding the impact of foreign currency exchange rate fluctuations.
3. Non-GAAP financial measures: see appendix for reconciliations of non-GAAP financial measures and related disclosures.
4. Net earnings and net earnings per common share - diluted figures are attributable to Walgreens Boots Alliance, Inc.
5. Retail Pharmacy USA segment GAAP 3Q17 results, dollars in millions: gross profit \$5,507, selling general and administrative expenses \$4,337, SG&A as a percent of sales 19.3%, operating income \$1,170, and operating margin 5.2% – see appendix.
6. Retail Pharmacy USA Pharmacy prescriptions filled at comparable stores (including immunizations) are reported on a 30 day adjusted basis.
7. Based on data from IMS Health (as of 31 May 2017). Due to an enhancement to the IMS panel, market shares have been restated by IMS for the comparable year-ago period.
8. Retail Pharmacy International segment GAAP 3Q17 results, dollars in millions: gross profit \$1,148, selling general and administrative expenses \$1,006, SG&A as a percent of sales 35.8%, operating income \$142, and operating margin 5.1% – see appendix. In 3Q17 compared to the prior year quarter, the division's gross profit on a reported currency basis decreased 11.6%, selling general and administrative expense on a reported currency basis decreased 6.4%, selling general and administrative expense as a percent of sales on a reported currency basis increased 1.5 percentage points, operating income on a reported currency basis decreased 36.3%, operating margin on a reported currency basis decreased 2.0 percentage points, sales on a reported currency basis decreased 10.3%, comparable store sales on a reported currency basis decreased 9.9%, comparable pharmacy sales on a reported currency basis decreased 9.9%, comparable retail sales on a reported currency basis decreased 10.0%, Boots UK comparable pharmacy sales on a reported currency basis decreased 12.4% and Boots UK comparable retail sales on a reported currency basis decreased 11.9%.
9. Presented on a constant currency basis and excluding acquisitions and dispositions.
10. Pharmaceutical Wholesale segment GAAP 3Q17 results, dollars in millions: operating income \$200, and operating margin 2.2% – see appendix. In 3Q17 compared to the prior year quarter, the division's operating income on a reported currency basis increased 37.0%, operating margin on a reported currency basis decreased 0.3 percentage points, sales on a reported currency basis decreased 7.9%, and comparable sales excluding acquisitions and dispositions on a reported currency basis decreased 7.0%.
11. Pharmaceutical Wholesale adjusted operating income includes adjusted equity earnings in AmerisourceBergen, which were \$101 million and \$8 million in the three months ended May 31, 2017 and three months ended May 31, 2016 respectively. See appendix for details. Pharmaceutical Wholesale adjusted operating margin has been calculated excluding adjusted equity earnings in AmerisourceBergen.
12. Working capital includes changes in the following operating assets and liabilities: accounts receivable net, inventories, other current assets, trade accounts payable, and accrued expenses and other liabilities.



Appendix

The following information provides reconciliations of the supplemental non-GAAP financial measures, as defined under SEC rules, presented in this presentation to the most directly comparable financial measures calculated and presented in accordance with generally accepted accounting principles in the United States (GAAP). The company has provided the non-GAAP financial measures in the presentation, which are not calculated or presented in accordance with GAAP, as supplemental information and in addition to the financial measures that are calculated and presented in accordance with GAAP. These supplemental non-GAAP financial measures are presented because management has evaluated the company's financial results both including and excluding the adjusted items or the effects of foreign currency translation, as applicable, and believe that the supplemental non-GAAP financial measures presented provide additional perspective and insights when analyzing the core operating performance of the company's business from period to period and trends in the company's historical operating results. These supplemental non-GAAP financial measures should not be considered superior to, as a substitute for or as an alternative to, and should be considered in conjunction with, the GAAP financial measures presented in the presentation. The company does not provide a reconciliation for non-GAAP estimates on a forward-looking basis (including the information under Fiscal year 2017 guidance) where it is unable to provide a meaningful or accurate calculation or estimation of reconciling items and the information is not available without unreasonable effort. This is due to the inherent difficulty of forecasting the timing or amount of various items that have not yet occurred, are out of the company's control and/or cannot be reasonably predicted, and that would impact diluted net earnings per share, the most directly comparable forward-looking GAAP financial measure. For the same reasons, the company is unable to address the probable significance of the unavailable information. Forward-looking non-GAAP financial measures provided without the most directly comparable GAAP financial measures may vary materially from the corresponding GAAP financial measures.

The company also presents certain information related to current period operating results in "constant currency," which is a non-GAAP financial measure. These amounts are calculated by translating current period results at the foreign currency exchange rates used in the comparable period in the prior year. The company presents such constant currency financial information because it has significant operations outside of the United States reporting in currencies other than the U.S. dollar and this presentation provides a framework to assess how its business performed excluding the impact of foreign currency exchange rate fluctuations.

For our Retail Pharmacy divisions, comparable stores are defined as those that have been open for at least 12 consecutive months and that have not been closed for seven or more consecutive days, undergone a major remodel or been subject to a natural disaster during the past 12 months. Relocated and acquired stores are not included as comparable stores for the first 12 months after the relocation or acquisition. Comparable store sales, comparable pharmacy sales and comparable retail sales refer to total sales, pharmacy sales and retail sales, respectively, in such stores. For our Pharmaceutical Wholesale division, comparable sales are defined as sales excluding acquisitions and dispositions. The method of calculating comparable sales varies across the industries in which we operate. As a result, our method of calculating comparable sales may not be the same as other companies' methods.



Reconciliation of Non-GAAP financial measures

Walgreens Boots Alliance, Inc. and Subsidiaries Supplemental Information (unaudited)

Reconciliation of Net Earnings

(in millions)

	Three months ended				Nine months ended			
	May 31, 2017	May 31, 2016	Change vs. 3Q16		May 31, 2017	May 31, 2016	Change vs. YTD16	
			Amount	Percent			Amount	Percent
Net earnings attributable to Walgreens Boots Alliance, Inc. (GAAP)	\$ 1,162	\$ 1,103	\$ 59	5.3%	\$ 3,276	\$ 3,143	\$ 133	4.2%
Adjustments to operating income:								
Cost transformation ¹	171	73			592	191		
Acquisition-related amortization ¹	83	96			247	278		
LIFO provision ¹	97	92			204	206		
Adjustments to equity earnings in AmerisourceBergen ¹	17	5			95	5		
Acquisition-related costs ¹	29	15			75	82		
Asset impairment ¹	-	-			-	30		
Total adjustments to operating income	397	281			1,213	792		
Adjustments to other income (expense):								
Net investment hedging (gain) loss ¹	1	(4)			15	(37)		
Decrease in fair market value of AmerisourceBergen warrants ¹	-	259			-	845		
Impact of change in accounting method for AmerisourceBergen equity investment ¹	-	(268)			-	(268)		
Total adjustments to other income (expense)	1	(13)			15	540		
Adjustments to interest expense, net:								
Prefunded interest expenses ¹	34	4			123	4		
Total adjustments to interest expense, net	34	4			123	4		
Adjustments to income tax provision:								
United Kingdom tax rate change ²	-	-			(77)	(178)		
Tax impact of adjustments ³	(153)	(87)			(432)	(458)		
Total adjustments to income tax provision	(153)	(87)			(509)	(636)		
Adjusted net earnings attributable to Walgreens Boots Alliance, Inc. (Non-GAAP measure)	\$ 1,441	\$ 1,288	\$ 153	11.9%	\$ 4,118	\$ 3,843	\$ 275	7.2%

1. Presented on a pre-tax basis. The comparable prior periods have been recast in the fourth quarter fiscal 2016 accordingly to reflect the tax impact of adjustments as a single adjustment. There has been no change in net earnings attributable to Walgreens Boots Alliance, Inc., diluted net earnings per share, adjusted net earnings attributable to Walgreens Boots Alliance, Inc. or adjusted diluted net earnings per share from those previously reported.

2. Discrete tax-only items.

3. Represents the adjustment to the GAAP basis tax provision commensurate with non-GAAP adjustments.



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Reconciliation of Non-GAAP financial measures

Walgreens Boots Alliance, Inc. and Subsidiaries
Supplemental Information (unaudited)

Reconciliation of Diluted Net Earnings Per Share

	Three months ended				Nine months ended			
	May 31, 2017	May 31, 2016	Change vs. 3Q16		May 31, 2017	May 31, 2016	Change vs. YTD16	
			Amount	Percent			Amount	Percent
Diluted net earnings per common share (GAAP)	\$ 1.07	\$ 1.01	\$ 0.06	5.9%	\$ 3.02	\$ 2.88	\$ 0.14	4.9%
Adjustments to operating income	0.37	0.26			1.12	0.73		
Adjustments to other income (expense)	-	(0.01)			0.01	0.49		
Adjustments to interest expense, net	0.03	-			0.11	-		
Adjustments to income tax provision	(0.14)	(0.08)			(0.47)	(0.58)		
Adjusted diluted net earnings per common share (Non-GAAP measure)	\$ 1.33	\$ 1.18	\$ 0.15	12.7%	\$ 3.79	\$ 3.52	\$ 0.27	7.7%



Reconciliation of Non-GAAP financial measures

Walgreens Boots Alliance, Inc. and Subsidiaries
Supplemental Information (unaudited)

Reconciliation of Adjusted Effective Tax Rate

(in millions)

	Three months ended May 31, 2017			Three months ended May 31, 2016		
	Earnings before income tax provision	Income tax provision	Effective tax rate	Earnings before income tax provision	Income tax provision	Effective tax rate
Effective tax rate (GAAP)	\$ 1,354	\$ 168	12.4%	\$ 1,414	\$ 322	22.8%
Cost transformation	171	39		73	18	
Acquisition-related amortization	83	19		96	25	
LIFO provision	97	25		92	25	
Adjustments to equity earnings in AmerisourceBergen	17	(24)		5	-	
Acquisition-related costs	29	5		19	5	
Asset impairment	-	-		-	(1)	
Net investment hedging (gain) loss	1	-		(4)	-	
Decrease in fair market value of AmerisourceBergen warrants	-	-		259	66	
Impact of change in accounting method for AmerisourceBergen equity investment	-	-		(268)	(99)	
Prefunded interest expenses	34	9		-	-	
Adjusted tax rate true-up	-	80		-	48	
Subtotal	\$ 1,786	\$ 321		\$ 1,686	\$ 409	
Exclude adjusted equity earnings in AmerisourceBergen	(101)	-		(8)	-	
Adjusted effective tax rate excluding adjusted equity earnings in AmerisourceBergen (Non-GAAP measure)	\$ 1,685	\$ 321	19.1%	\$ 1,678	\$ 409	24.4%



Reconciliation of Non-GAAP financial measures

Walgreens Boots Alliance, Inc. and Subsidiaries
Supplemental Information (unaudited)

Reconciliation of Adjusted Effective Tax Rate

(in millions)

	Nine months ended May 31, 2017			Nine months ended May 31, 2016		
	Earnings before income tax provision	Income tax provision	Effective tax rate	Earnings before income tax provision	Income tax provision	Effective tax rate
Effective tax rate (GAAP)	\$ 3,921	\$ 634	16.2%	\$ 3,911	\$ 790	20.2%
Cost transformation	592	150		191	52	
Acquisition-related amortization	247	62		278	77	
LIFO provision	204	53		206	57	
Adjustments to equity earnings in AmerisourceBergen	95	(34)		5	-	
Acquisition-related costs	75	17		86	24	
Asset impairment	-	-		30	8	
Net investment hedging (gain) loss	-	-		(37)	(1)	
Decrease in fair market value of AmerisourceBergen warrants	-	-		845	232	
Impact of change in accounting method for AmerisourceBergen equity investment	15	4		(268)	(99)	
Prefunded interest expenses	123	33		-	-	
United Kingdom tax rate change	-	77		-	178	
Adjusted tax rate true-up	-	147		-	108	
Subtotal	\$ 5,272	\$ 1,143		\$ 5,247	\$ 1,426	
Exclude adjusted equity earnings in AmerisourceBergen	(238)	-		(8)	-	
Adjusted effective tax rate excluding adjusted equity earnings in AmerisourceBergen (Non-GAAP measure)	\$ 5,034	\$ 1,143	22.7%	\$ 5,239	\$ 1,426	27.2%



Reconciliation of Non-GAAP financial measures

Walgreens Boots Alliance, Inc. and Subsidiaries Supplemental Information (unaudited)

Reconciliation of Gross Profit by Division (in millions)

	Three months ended May 31, 2017				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations	Walgreens Boots Alliance, Inc.
Gross profit (GAAP)	\$ 5,507	\$ 1,148	\$ 491	\$ (1)	\$ 7,145
Cost transformation	61	-	-	-	61
LIFO provision	97	-	-	-	97
Adjusted gross profit (Non-GAAP measure)	\$ 5,665	\$ 1,148	\$ 491	\$ (1)	\$ 7,303
Sales	\$ 22,528	\$ 2,809	\$ 5,296	\$ (515)	\$ 30,118
Gross margin (GAAP)	24.4%	40.9%	9.3%		23.7%
Adjusted gross margin (Non-GAAP measure)	25.1%	40.9%	9.3%		24.2%

	Three months ended May 31, 2016				
	Retail Pharmacy USA	Retail Pharmacy International ¹	Pharmaceutical Wholesale	Eliminations ¹	Walgreens Boots Alliance, Inc. ¹
Gross profit (GAAP)	\$ 5,603	\$ 1,298	\$ 537	\$ (5)	\$ 7,433
LIFO provision	92	-	-	-	92
Adjusted gross profit (Non-GAAP measure)	\$ 5,695	\$ 1,298	\$ 537	\$ (5)	\$ 7,525
Sales	\$ 21,185	\$ 3,132	\$ 5,748	\$ (567)	\$ 29,498
Gross margin (GAAP)	26.4%	41.4%	9.3%		25.2%
Adjusted gross margin (Non-GAAP measure)	26.9%	41.4%	9.3%		25.5%



Reconciliation of Non-GAAP financial measures

Walgreens Boots Alliance, Inc. and Subsidiaries Supplemental Information (unaudited)

Reconciliation of Gross Profit by Division (in millions)

	Nine months ended May 31, 2017				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations	Walgreens Boots Alliance, Inc.
Gross profit (GAAP)	\$ 16,822	\$ 3,527	\$ 1,478	\$ (5)	\$ 21,822
Cost transformation	61	-	-	-	61
LIFO provision	204	-	-	-	204
Adjusted gross profit (Non-GAAP measure)	\$ 17,087	\$ 3,527	\$ 1,478	\$ (5)	\$ 22,087
Sales	\$ 65,001	\$ 8,872	\$ 15,743	\$ (1,551)	\$ 88,065
Gross margin (GAAP)	25.9%	39.8%	9.4%		24.8%
Adjusted gross margin (Non-GAAP measure)	26.3%	39.8%	9.4%		25.1%

	Nine months ended May 31, 2016				
	Retail Pharmacy USA	Retail Pharmacy International ¹	Pharmaceutical Wholesale	Eliminations ¹	Walgreens Boots Alliance, Inc. ¹
Gross profit (GAAP)	\$ 16,943	\$ 4,159	\$ 1,629	\$ (12)	\$ 22,719
LIFO provision	206	-	-	-	206
Adjusted gross profit (Non-GAAP measure)	\$ 17,149	\$ 4,159	\$ 1,629	\$ (12)	\$ 22,925
Sales	\$ 63,055	\$ 10,219	\$ 17,171	\$ (1,730)	\$ 88,715
Gross margin (GAAP)	26.9%	40.7%	9.5%		25.6%
Adjusted gross margin (Non-GAAP measure)	27.2%	40.7%	9.5%		25.8%

1. To improve comparability, certain classification changes were made to prior period sales, cost of sales and selling, general and administrative expenses. These changes had no impact on operating income. The reclassifications were made in the fourth quarter of fiscal 2016 and were set out in the appendix to the presentation of that quarter's earnings.



Reconciliation of Non-GAAP financial measures

Walgreens Boots Alliance, Inc. and Subsidiaries Supplemental Information (unaudited)

Reconciliation of Selling, General & Administrative Expenses by Division

(in millions)

	Three months ended May 31, 2017				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations	Walgreens Boots Alliance, Inc.
Selling, general and administrative expenses (GAAP)	\$ 4,337	\$ 1,006	\$ 375	\$ (6)	\$ 5,712
Cost transformation	(68)	(26)	(16)	-	(110)
Acquisition-related amortization	(38)	(25)	(20)	-	(83)
Acquisition-related costs	(29)	-	-	-	(29)
Adjusted selling, general and administrative expenses (Non-GAAP measure)	\$ 4,202	\$ 955	\$ 339	\$ (6)	\$ 5,490
Sales	\$ 22,528	\$ 2,809	\$ 5,296	\$ (515)	\$ 30,118
<i>Selling, general and administrative expenses percent to sales (GAAP)</i>	19.3%	35.8%	7.1%		19.0%
<i>Adjusted selling, general and administrative expenses percent to sales (Non-GAAP measure)</i>	18.7%	34.0%	6.4%		18.2%

	Three months ended May 31, 2016				
	Retail Pharmacy USA	Retail Pharmacy International ¹	Pharmaceutical Wholesale	Eliminations ¹	Walgreens Boots Alliance, Inc. ¹
Selling, general and administrative expenses (GAAP)	\$ 4,434	\$ 1,075	\$ 394	\$ -	\$ 5,903
Cost transformation	(60)	(6)	(7)	-	(73)
Acquisition-related amortization	(46)	(29)	(21)	-	(96)
Acquisition-related costs	(15)	-	-	-	(15)
Adjusted selling, general and administrative expenses (Non-GAAP measure)	\$ 4,313	\$ 1,040	\$ 366	\$ -	\$ 5,719
Sales	\$ 21,185	\$ 3,132	\$ 5,748	\$ (567)	\$ 29,498
<i>Selling, general and administrative expenses percent to sales (GAAP)</i>	20.9%	34.3%	6.9%		20.0%
<i>Adjusted selling, general and administrative expenses percent to sales (Non-GAAP measure)</i>	20.4%	33.2%	6.4%		19.4%

1. To improve comparability, certain classification changes were made to prior period sales, cost of sales and selling, general and administrative expenses. These changes had no impact on operating income. The reclassifications were made in the fourth quarter of fiscal 2016 and were set out in the appendix to the presentation of that quarter's earnings.



Reconciliation of Non-GAAP financial measures

Walgreens Boots Alliance, Inc. and Subsidiaries Supplemental Information (unaudited)

Reconciliation of Selling, General & Administrative Expenses by Division

(in millions)

	Nine months ended May 31, 2017				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations	Walgreens Boots Alliance, Inc.
Selling, general and administrative expenses (GAAP)	\$ 13,427	\$ 3,005	\$ 1,096	\$ (6)	\$ 17,522
Cost transformation	(456)	(51)	(24)	-	(531)
Acquisition-related amortization	(113)	(75)	(59)	-	(247)
Acquisition-related costs	(75)	-	-	-	(75)
Adjusted selling, general and administrative expenses (Non-GAAP measure)	\$ 12,783	\$ 2,879	\$ 1,013	\$ (6)	\$ 16,669
Sales	\$ 65,001	\$ 8,872	\$ 15,743	\$ (1,551)	\$ 88,065
<i>Selling, general and administrative expenses percent to sales (GAAP)</i>	20.7%	33.9%	7.0%		19.9%
<i>Adjusted selling, general and administrative expenses percent to sales (Non-GAAP measure)</i>	19.7%	32.5%	6.4%		18.9%
	Nine months ended May 31, 2016				
	Retail Pharmacy USA	Retail Pharmacy International ¹	Pharmaceutical Wholesale	Eliminations ¹	Walgreens Boots Alliance, Inc. ¹
Selling, general and administrative expenses (GAAP)	\$ 13,317	\$ 3,335	\$ 1,209	\$ -	\$ 17,861
Cost transformation	(170)	(14)	(7)	-	(191)
Acquisition-related amortization	(143)	(70)	(65)	-	(278)
Acquisition-related costs	(82)	-	-	-	(82)
Asset impairment	(30)	-	-	-	(30)
Adjusted selling, general and administrative expenses (Non-GAAP measure)	\$ 12,892	\$ 3,251	\$ 1,137	\$ -	\$ 17,280
Sales	\$ 63,055	\$ 10,219	\$ 17,171	\$ (1,730)	\$ 88,715
<i>Selling, general and administrative expenses percent to sales (GAAP)</i>	21.1%	32.6%	7.0%		20.1%
<i>Adjusted selling, general and administrative expenses percent to sales (Non-GAAP measure)</i>	20.4%	31.8%	6.6%		19.5%

1. To improve comparability, certain classification changes were made to prior period sales, cost of sales and selling, general and administrative expenses. These changes had no impact on operating income. The reclassifications were made in the fourth quarter of fiscal 2016 and were set out in the appendix to the presentation of that quarter's earnings.



Reconciliation of Non-GAAP financial measures

Walgreens Boots Alliance, Inc. and Subsidiaries Supplemental Information (unaudited)

Reconciliation of Operating Income by Division

(in millions)

	Three months ended May 31, 2017				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale ^{1,2}	Eliminations	Walgreens Boots Alliance, Inc. ²
Operating income (GAAP)	\$ 1,170	\$ 142	\$ 200	\$ 5	\$ 1,517
Cost transformation	129	26	16	-	171
Acquisition-related amortization	38	25	20	-	83
LIFO provision	97	-	-	-	97
Adjustments to equity earnings in AmerisourceBergen	-	-	17	-	17
Acquisition-related costs	29	-	-	-	29
Adjusted operating income (Non-GAAP measure)	\$ 1,463	\$ 193	\$ 253	\$ 5	\$ 1,914
Sales	\$ 22,528	\$ 2,809	\$ 5,296	\$ (515)	\$ 30,118
<i>Operating margin (GAAP)²</i>	5.2%	5.1%	2.2%		4.8%
<i>Adjusted operating margin (Non-GAAP measure)²</i>	6.5%	6.9%	2.9%		6.0%

	Three months ended May 31, 2016				
	Retail Pharmacy USA	Retail Pharmacy International ³	Pharmaceutical Wholesale ^{1,2}	Eliminations ³	Walgreens Boots Alliance, Inc. ²
Operating income (GAAP)	\$ 1,169	\$ 223	\$ 146	\$ (5)	\$ 1,533
Cost transformation	60	6	7	-	73
Acquisition-related amortization	46	29	21	-	96
LIFO provision	92	-	-	-	92
Adjustments to equity earnings in AmerisourceBergen	-	-	5	-	5
Acquisition-related costs	15	-	-	-	15
Adjusted operating income (Non-GAAP measure)	\$ 1,382	\$ 258	\$ 179	\$ (5)	\$ 1,814
Sales	\$ 21,185	\$ 3,132	\$ 5,748	\$ (567)	\$ 29,498
<i>Operating margin (GAAP)</i>	5.5%	7.1%	2.5%		5.2%
<i>Adjusted operating margin (Non-GAAP measure)</i>	6.5%	8.2%	3.0%		6.1%

1. Operating income for Pharmaceutical Wholesale includes equity earnings in AmerisourceBergen. As a result of the two month reporting lag, operating income for the three month period ended May 31, 2017 includes AmerisourceBergen equity earnings for the period of January 1, 2017 through March 31, 2017. Operating income for the three month period ended May 31, 2016 includes AmerisourceBergen equity earnings for the period March 18, 2016 through March 31, 2016.

2. Operating margins and adjusted operating margins have been calculated excluding equity earnings in AmerisourceBergen.

3. To improve comparability, certain classification changes were made to prior period sales, cost of sales and selling, general and administrative expenses. These changes had no impact on operating income. The reclassifications were made in the fourth quarter of fiscal 2016 and were set out in the appendix to the presentation of that quarter's earnings.



Reconciliation of Non-GAAP financial measures

Walgreens Boots Alliance, Inc. and Subsidiaries Supplemental Information (unaudited)

Reconciliation of Operating Income by Division (in millions)

	Nine months ended May 31, 2017				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale ^{1,2}	Eliminations	Walgreens Boots Alliance, Inc. ²
Operating income (GAAP)	\$ 3,395	\$ 522	\$ 525	\$ 1	\$ 4,443
Cost transformation	517	51	24	-	592
Acquisition-related amortization	113	75	59	-	247
LIFO provision	204	-	-	-	204
Adjustments to equity earnings in AmerisourceBergen	-	-	95	-	95
Acquisition-related costs	75	-	-	-	75
Adjusted operating income (Non-GAAP measure)	\$ 4,304	\$ 648	\$ 703	\$ 1	\$ 5,656
Sales	\$ 65,001	\$ 8,872	\$ 15,743	\$ (1,551)	\$ 88,065
<i>Operating margin (GAAP)²</i>	5.2%	5.9%	2.4%		4.9%
<i>Adjusted operating margin (Non-GAAP measure)²</i>	6.6%	7.3%	3.0%		6.2%

	Nine months ended May 31, 2016				
	Retail Pharmacy USA	Retail Pharmacy International ³	Pharmaceutical Wholesale ^{1,2}	Eliminations ³	Walgreens Boots Alliance, Inc. ²
Operating income (GAAP)	\$ 3,626	\$ 824	\$ 423	\$ (12)	\$ 4,861
Cost transformation	170	14	7	-	191
Acquisition-related amortization	143	70	65	-	278
LIFO provision	206	-	-	-	206
Adjustments to equity earnings in AmerisourceBergen	-	-	5	-	5
Acquisition-related costs	82	-	-	-	82
Asset impairment	30	-	-	-	30
Adjusted operating income (Non-GAAP measure)	\$ 4,257	\$ 908	\$ 500	\$ (12)	\$ 5,653
Sales	\$ 63,055	\$ 10,219	\$ 17,171	\$ (1,730)	\$ 88,715
<i>Operating margin (GAAP)</i>	5.8%	8.1%	2.4%		5.5%
<i>Adjusted operating margin (Non-GAAP measure)</i>	6.8%	8.9%	2.9%		6.4%

1. Operating income for Pharmaceutical Wholesale includes equity earnings in AmerisourceBergen. As a result of the two month reporting lag, operating income for the nine month period ended May 31, 2017 includes AmerisourceBergen equity earnings for the period of July 1, 2016 through March 31, 2017. Operating income for the nine month period ended May 31, 2016 includes AmerisourceBergen equity earnings for the period of March 18, 2016 through March 31, 2016.

2. Operating margins and adjusted operating margins have been calculated excluding equity earnings in AmerisourceBergen.

3. To improve comparability, certain classification changes were made to prior period sales, cost of sales and selling, general and administrative expenses. These changes had no impact on operating income. The reclassifications were made in the fourth quarter of fiscal 2016 and were set out in the appendix to the presentation of that quarter's earnings.



Reconciliation of Non-GAAP financial measures

Walgreens Boots Alliance, Inc. and Subsidiaries
Supplemental Information (unaudited)

Equity Earnings in AmerisourceBergen

(In millions)

	Three months ended		Nine months ended	
	May 31, 2017	May 31, 2016	May 31, 2017	May 31, 2016
Equity earnings in AmerisourceBergen (GAAP)	\$ 84	\$ 3	\$ 143	\$ 3
Acquisition-related amortization	29	4	80	4
LIFO provision	(14)	1	(21)	1
Change in fair market value of AmerisourceBergen warrants	-	-	29	-
Other	2	-	7	-
Adjusted equity earnings in AmerisourceBergen (Non-GAAP measure)	\$ 101	\$ 8	\$ 238	\$ 8



Reconciliation of Non-GAAP financial measures

Walgreens Boots Alliance, Inc. and Subsidiaries
Supplemental Information (unaudited)

Free Cash Flow

(in millions)

	Three months ended		Nine months ended	
	May 31, 2017	May 31, 2016	May 31, 2017	May 31, 2016
Net cash provided by operating activities (GAAP)	\$ 1,855	\$ 2,104	\$ 5,237	\$ 5,189
Less: Additions to property, plant and equipment	(273)	(247)	(912)	(904)
Free cash flow (Non-GAAP measure)¹	\$ 1,582	\$ 1,857	\$ 4,325	\$ 4,285



Certain assumptions and supplemental information

Unless otherwise indicated or the context otherwise requires:

- *This presentation assumes constant currency exchange rates after the date hereof based on current rates;*
- *All financial estimates and goals assume constant currency exchange rates after the date hereof based on current rates and no major mergers, acquisitions, divestitures or strategic transactions.*

References in this presentation to the “Company,” “we,” “us” or “our” refer to Walgreens Boots Alliance, Inc. and its subsidiaries, and do not include unconsolidated partially-owned entities, except as otherwise indicated or the context otherwise requires. Our fiscal year ends on 31 August, and references herein to “fiscal 2017” refer to our fiscal year ended 31 August 2017.

We account for our investment in AmerisourceBergen common stock using the equity method of accounting on a two-month lag. All descriptions in this presentation of the agreements relating to the strategic long-term relationship with AmerisourceBergen announced by the Company and Alliance Boots on 18 March 2013 and the arrangements and transactions contemplated thereby are qualified in their entirety by reference to the description and the full text of the agreements in the Company’s filings with the SEC, including the Form 8-K filed on 20 March 2013, the Form 10-Q filed on 6 July 2016 and the Schedule 13D filed on 15 April 2014, as amended to date.

