



Walgreens Boots Alliance

Fiscal 2018 Second Quarter Results

28 March 2018

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 tax, financial and operating performance and results, 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, and our amended and restated 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,” “upcoming,” “to come,” “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 from those indicated or anticipated, 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 arrangements and transactions contemplated by our agreements with AmerisourceBergen and their possible effects, 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, whether the costs and charges associated with our store optimization program will exceed estimates, our ability to realize expected savings and benefits from cost-savings initiatives, restructuring activities and acquisitions and joint ventures 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 related to competition, risks associated with new business areas and activities, risks associated with acquisitions, divestitures, joint ventures and strategic investments, including those relating to the ability of the parties to satisfy the closing conditions and consummate the phased acquisition of certain assets pursuant to our amended and restated asset purchase agreement with Rite Aid on a timely basis or at all, the risks associated with the integration of complex businesses, outcomes of legal and regulatory matters, and risks associated with changes in laws, including those related to the December 2017 U.S. tax legislation, 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 2017 and our Form 10-Q for the fiscal quarter ended 30 November 2017, each of 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 18 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.



Overview



Walgreens Boots Alliance

- ✓ **Good 2Q financial performance**
- ✓ **Increase in key sales and profit metrics**
- ✓ **Significant future opportunities¹**



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Refer to footnotes on page 18

Market dynamics



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Socioeconomics

Increased life expectancy

Increased cost of care

Increased use of medication-based treatments



Relentless systemic growth & opportunities¹



Strategic growth drivers



Business initiatives



Next generation systems¹

- retail, pharmacy and data insights
- investment: >\$500m to date, anticipate investing >\$500m in next 3 years¹



Pharmacy access¹

- value, volume, market share and specialty
- grown prescription market share by over 200 bps in last 3 years²



Retail transformation¹

- promotions, cost discipline, merchandising & product mix, and beauty differentiation
- retail front end gross margin improved by over 300 bps in last 3 years



Digital expansion¹

- access across healthcare, retail and services
- ~21% of all 2Q retail refill scripts initiated via digital channel³, up ~300 bps yoy



2Q financial highlights



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\$ in millions (except EPS & % change)		2Q18	Reported Δ vs. 2Q17	Constant currency ⁴ Δ vs. 2Q17
Sales		\$33,021	+ 12.1%	+ 9.4%
Operating income:	GAAP	\$1,980	+ 33.9%	
	Adjusted⁵	\$2,163	+ 7.3%	+ 5.9%
Net earnings⁶:	GAAP	\$1,349	+ 27.3%	
	Adjusted⁵	\$1,721	+ 16.6%	+ 15.1%
Diluted net EPS⁶:	GAAP	\$1.36	+ 38.8%	
	Adjusted⁵	\$1.73	+ 27.2%	+ 25.7%



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Refer to footnotes on page 18

First half FY18 financial highlights



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\$ in millions (except EPS & % change)		1H18	Reported Δ vs. 1H17	Constant currency ⁴ Δ vs. 1H17
Sales		\$63,761	+ 10.0%	+ 8.3%
Operating income:	GAAP	\$3,302	+ 12.9%	
	Adjusted⁵	\$3,972	+ 6.1%	+ 5.2%
Net earnings⁶:	GAAP	\$2,170	+ 2.6%	
	Adjusted⁵	\$3,016	+ 12.7%	+ 11.6%
Diluted net EPS⁶:	GAAP	\$2.16	+ 11.3%	
	Adjusted⁵	\$3.01	+ 22.4%	+ 21.1%



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Retail Pharmacy USA – 2Q financials



\$ in millions (except %)	2Q18	Δ vs. 2Q17
Sales	\$24,478	+ 12.2%
Comparable store sales⁷		+ 2.4%
Adjusted gross profit^{5,8}	\$6,318	+ 6.6%
Adjusted SG&A % of sales^{5,8}	19.1%	- 0.9%p
Adjusted operating margin^{5,8}	6.7%	- 0.4%p
Adjusted operating income^{5,8}	\$1,649	+ 6.3%



Retail Pharmacy USA – pharmacy



2Q18 vs. 2Q17	Total	Comparable⁷
Pharmacy sales	+ 18.7%	+ 5.1%
Prescriptions⁹	+ 9.1%	+ 4.0%

Strong prescription volume growth

Market share 21.4%²: up ~100 bps

Higher gross profit



Retail Pharmacy USA – retail

2Q18 vs. 2Q17



Total retail sales down 0.7%

Comparable retail sales down 2.7%⁷

Higher gross margin and gross profit



Retail Pharmacy International – 2Q financials



\$ in millions (except %)	2Q18	Constant currency⁴ Δ vs. 2Q17
Sales¹⁰	\$3,317	- 2.6%
Comparable store sales^{7,10}		- 1.7%
Comparable pharmacy sales^{7,10}		+ 0.6%
Comparable retail sales^{7,10}		- 2.8%
Adjusted operating margin^{5,10}	8.4%	+ 0.7%p
Adjusted operating income^{5,10}	\$280	+ 6.6%

Pharmaceutical Wholesale – 2Q financials



\$ in millions (except %)	2Q18	Constant currency⁴ Δ vs. 2Q17
Sales¹¹	\$5,755	+ 3.4%
Comparable sales^{11,12}		+ 3.4%
Adjusted operating margin^{5,11,13}	2.5%	- 0.3%p
Adjusted operating income^{5,11,13}	\$231	- 1.3%



2Q cash flow



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Operating cash flow: \$2.2 billion

Working capital inflow¹⁴: \$502 million

Cash capital expenditure: \$288 million

Free cash flow⁵: \$1.9 billion and \$2.5 billion in 1H18



Tax



		Reported	Reported Δ vs. 2017
2Q18 effective tax rate:	GAAP	27.4%	+ 8.4%p
	Adjusted ¹⁵	16.5%	- 7.2%p
1H18 effective tax rate:	GAAP	25.4%	+ 7.2%p
	Adjusted ¹⁵	20.3%	- 4.2%p

FY18 cash tax benefit expected to be in excess of \$350 million¹



Fiscal year 2018 guidance¹



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Adjusted diluted net EPS^{1,5}: \$5.85 - \$6.05

- incorporates U.S. tax law changes¹
- no significant impact from Rite Aid¹
- assumes current exchange rates for rest of fiscal year¹



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Refer to footnotes on page 18



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. This information is an estimate derived from the use of information under license from the following IQVIA (formerly IMS Health) information service: IQVIA Prescription Services as of 28 February 2018 and includes prescriptions filled at stores acquired from Rite Aid from and after the cutover date. IQVIA expressly reserves all rights, including rights of copying, distribution and republication.
3. Retail refill scripts initiated via digital channel is inclusive of prescriptions filled at Walgreens and Duane Reade. For this purpose, total number of 2Q retail refill prescriptions does not include prescriptions filled at acquired Rite Aid stores.
4. 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.
5. Non-GAAP financial measures: see appendix for reconciliations of non-GAAP financial measures and related disclosures.
6. Net earnings and net earnings per common share - diluted figures are attributable to Walgreens Boots Alliance, Inc.
7. Comparable stores are defined as those that have been open for at least twelve consecutive months without closure for seven or more consecutive days and without a major remodel or subject to a natural disaster in the past twelve months. Relocated and acquired stores are not included as comparable stores for the first twelve months after the relocation or acquisition. 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.
8. Retail Pharmacy USA segment GAAP 2Q18 results, dollars in millions: gross profit \$6,267, selling general and administrative expenses \$4,865, SG&A as a percent of sales 19.9%, operating income \$1,402, and operating margin 5.7% – see appendix.
9. Retail Pharmacy USA Pharmacy prescriptions (including immunizations) are reported on a 30 day equivalent basis.
10. Retail Pharmacy International segment GAAP 2Q18 results, dollars in millions: gross profit \$1,294, selling general and administrative expenses \$1,042, SG&A as a percent of sales 31.4%, operating income \$252, and operating margin 7.6% – see appendix. In 2Q18 compared to the prior year quarter, the division's gross profit on a reported currency basis increased 7.5%, selling general and administrative expense on a reported currency basis increased 3.6%, selling general and administrative expense as a percent of sales on a reported currency basis decreased 1.0 percentage points, operating income on a reported currency basis increased 27.3%, operating margin on a reported currency basis increased 1.2 percentage points, sales on a reported currency basis increased 7.0%, comparable store sales on a reported currency basis increased 8.0%, comparable pharmacy sales on a reported currency basis increased 10.6%, comparable retail sales on a reported currency basis increased 6.7%, Boots UK comparable pharmacy sales on a reported currency basis increased 11.5% and Boots UK comparable retail sales on a reported currency basis increased 6.0%.
11. Pharmaceutical Wholesale segment GAAP 2Q18 results, dollars in millions: operating income \$323, and operating margin 2.1% – see appendix. In 2Q18 compared to the prior year quarter, the division's operating income on a reported currency basis increased 95.8%, operating margin on a reported currency basis decreased 0.3 percentage points, sales on a reported currency basis increased 14.4%, and comparable sales excluding acquisitions and dispositions on a reported currency basis increased 14.4%.
12. Comparable sales are defined as sales excluding acquisitions and dispositions.
13. Pharmaceutical Wholesale adjusted operating income includes adjusted equity earnings in AmerisourceBergen, which were \$89 million and \$79 million in the three months ended February 28, 2018 and three months ended February 28, 2017 respectively. See appendix for details. Pharmaceutical Wholesale adjusted operating margin has been calculated excluding adjusted equity earnings in AmerisourceBergen.
14. 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.
15. Non-GAAP financial measures: see appendix for reconciliations of non-GAAP financial measures and related disclosures. Adjusted effective tax rate is calculated excluding income from the company's equity investment in AmerisourceBergen.



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 2018 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) (in millions)

NET EARNINGS	Three months ended February 28,		Change vs. 2Q17		Six months ended February 28,		Change vs. FY17	
	2018	2017	Amount	Percent	2018	2017	Amount	Percent
Net earnings attributable to Walgreens Boots Alliance, Inc. (GAAP)	\$ 1,349	\$ 1,060	\$ 289	27.3%	\$ 2,170	\$ 2,114	\$ 56	2.6 %
Adjustments to operating income:								
Acquisition-related amortization	113	82			198	164		
Acquisition-related costs	65	29			116	46		
Certain legal and regulatory accruals and settlements	90	—			115	—		
LIFO provision	43	49			97	107		
Hurricane-related costs	—	—			83	—		
Adjustments to equity earnings in AmerisourceBergen	(113)	37			76	78		
Cost transformation	—	340			—	421		
Asset recovery	(15)	—			(15)	—		
Total adjustments to operating income	183	537			670	816		
Adjustments to other income (expense):								
Impairment of equity method investment	—	—			170	—		
Net investment hedging (gain) loss	1	15			(33)	14		
Total adjustments to other income (expense)	1	15			137	14		
Adjustments to interest expense, net:								
Prefunded acquisition financing costs	5	48			29	89		
Total adjustments to interest expense, net	5	48			29	89		
Adjustments to income tax provision:								
U.S. tax law changes ¹	184	—			184	—		
Equity method non-cash tax	61	8			11	10		
UK tax rate change ¹	—	—			—	(77)		
Tax impact of adjustments ²	(62)	(192)			(185)	(289)		
Total adjustments to income tax provision	183	(184)			10	(356)		
Adjusted net earnings attributable to Walgreens Boots Alliance, Inc. (Non-GAAP measure)	\$ 1,721	\$ 1,476	\$ 245	16.6%	\$ 3,016	\$ 2,677	\$ 339	12.7 %

¹ Discrete tax-only items.

² Represents the adjustment to the GAAP basis tax provision commensurate with non-GAAP adjustments.



Reconciliation of Non-GAAP financial measures

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

DILUTED NET EARNINGS PER SHARE

	Three months ended February 28,		Change vs. 2Q17		Six months ended February 28,		Change vs. FY17	
	2018	2017	Amount	Percent	2018	2017	Amount	Percent
Diluted net earnings per common share (GAAP)	\$ 1.36	\$ 0.98	\$ 0.38	38.8%	\$ 2.16	\$ 1.94	\$ 0.22	11.3%
Adjustments to operating income	0.18	0.50			0.67	0.76		
Adjustments to other income (expense)	—	0.01			0.14	0.01		
Adjustments to interest expense, net	0.01	0.04			0.03	0.08		
Adjustments to income tax provision	0.18	(0.17)			0.01	(0.33)		
Adjusted diluted net earnings per common share (Non-GAAP measure)	\$ 1.73	\$ 1.36	\$ 0.37	27.2%	\$ 3.01	\$ 2.46	\$ 0.55	22.4%
Weighted average common shares outstanding, diluted	995.5	1,085.5			1,003.3	1,086.9		



Reconciliation of Non-GAAP financial measures

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

GROSS PROFIT BY DIVISION

	Three months ended February 28, 2018				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations	Walgreens Boots Alliance, Inc.
Gross profit (GAAP)	\$ 6,267	\$ 1,294	\$ 532	\$ 3	\$ 8,096
Acquisition-related amortization	8	—	—	—	8
LIFO provision	43	—	—	—	43
Adjusted gross profit (Non-GAAP measure)	\$ 6,318	\$ 1,294	\$ 532	\$ 3	\$ 8,147
Sales	\$ 24,478	\$ 3,317	\$ 5,755	\$ (529)	\$ 33,021
Gross margin (GAAP)	25.6%	39.0%	9.2%		24.5%
Adjusted gross margin (Non-GAAP measure)	25.8%	39.0%	9.2%		24.7%

	Three months ended February 28, 2017				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations	Walgreens Boots Alliance, Inc.
Gross profit (GAAP)	\$ 5,876	\$ 1,204	\$ 485	\$ (4)	\$ 7,561
LIFO provision	49	—	—	—	49
Adjusted gross profit (Non-GAAP measure)	\$ 5,925	\$ 1,204	\$ 485	\$ (4)	\$ 7,610
Sales	\$ 21,814	\$ 3,101	\$ 5,030	\$ (499)	\$ 29,446
Gross margin (GAAP)	26.9%	38.8%	9.6%		25.7%
Adjusted gross margin (Non-GAAP measure)	27.2%	38.8%	9.6%		25.8%



Reconciliation of Non-GAAP financial measures

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

GROSS PROFIT BY DIVISION

	Six months ended February 28, 2018				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations	Walgreens Boots Alliance, Inc.
Gross profit (GAAP)	\$ 11,869	\$ 2,518	\$ 1,054	\$ (4)	\$ 15,437
Acquisition-related amortization	8	—	—	—	8
LIFO provision	97	—	—	—	97
Hurricane-related costs	43	—	—	—	43
Adjusted gross profit (Non-GAAP measure)	\$ 12,017	\$ 2,518	\$ 1,054	\$ (4)	\$ 15,585
Sales	\$ 46,967	\$ 6,400	\$ 11,473	\$ (1,079)	\$ 63,761
Gross margin (GAAP)	25.3%	39.3%	9.2%		24.2%
Adjusted gross margin (Non-GAAP measure)	25.6%	39.3%	9.2%		24.4%

	Six months ended February 28, 2017				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations	Walgreens Boots Alliance, Inc.
Gross profit (GAAP)	\$ 11,315	\$ 2,379	\$ 987	\$ (4)	\$ 14,677
LIFO provision	107	—	—	—	107
Adjusted gross profit (Non-GAAP measure)	\$ 11,422	\$ 2,379	\$ 987	\$ (4)	\$ 14,784
Sales	\$ 42,473	\$ 6,063	\$ 10,447	\$ (1,036)	\$ 57,947
Gross margin (GAAP)	26.6%	39.2%	9.4%		25.3%
Adjusted gross margin (Non-GAAP measure)	26.9%	39.2%	9.4%		25.5%



Reconciliation of Non-GAAP financial measures

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

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES BY DIVISION

	Three months ended February 28, 2018				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations	Walgreens Boots Alliance, Inc.
Selling, general and administrative expenses (GAAP)	\$ 4,865	\$ 1,042	\$ 411	\$ —	\$ 6,318
Acquisition-related amortization	(56)	(28)	(21)	—	(105)
Acquisition-related costs	(65)	—	—	—	(65)
Certain legal and regulatory accruals and settlements	(90)	—	—	—	(90)
Asset recovery	15	—	—	—	15
Adjusted selling, general and administrative expenses (Non-GAAP measure)	\$ 4,669	\$ 1,014	\$ 390	\$ —	\$ 6,073
Sales	\$ 24,478	\$ 3,317	\$ 5,755	\$ (529)	\$ 33,021
Selling, general and administrative expenses percent to sales (GAAP)	19.9%	31.4%	7.1%		19.1%
Adjusted selling, general and administrative expenses percent to sales (Non-GAAP measure)	19.1%	30.6%	6.8%		18.4%

	Three months ended February 28, 2017				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations	Walgreens Boots Alliance, Inc.
Selling, general and administrative expenses (GAAP)	\$ 4,756	\$ 1,006	\$ 362	\$ —	\$ 6,124
Acquisition-related amortization	(38)	(25)	(19)	—	(82)
Acquisition-related costs	(29)	—	—	—	(29)
Cost transformation	(316)	(19)	(5)	—	(340)
Adjusted selling, general and administrative expenses (Non-GAAP measure)	\$ 4,373	\$ 962	\$ 338	\$ —	\$ 5,673
Sales	\$ 21,814	\$ 3,101	\$ 5,030	\$ (499)	\$ 29,446
Selling, general and administrative expenses percent to sales (GAAP)	21.8%	32.4%	7.2%		20.8%
Adjusted selling, general and administrative expenses percent to sales (Non-GAAP measure)	20.0%	31.0%	6.7%		19.3%



Reconciliation of Non-GAAP financial measures

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

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES BY DIVISION

	Six months ended February 28, 2018				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations	Walgreens Boots Alliance, Inc.
Selling, general and administrative expenses (GAAP)	\$ 9,341	\$ 2,082	\$ 807	\$ (5)	\$ 12,225
Acquisition-related amortization	(94)	(54)	(42)	—	(190)
Acquisition-related costs	(116)	—	—	—	(116)
Certain legal and regulatory accruals and settlements	(115)	—	—	—	(115)
Hurricane-related costs	(40)	—	—	—	(40)
Asset recovery	15	—	—	—	15
Adjusted selling, general and administrative expenses (Non-GAAP measure)	\$ 8,991	\$ 2,028	\$ 765	\$ (5)	\$ 11,779
Sales	\$ 46,967	\$ 6,400	\$ 11,473	\$ (1,079)	\$ 63,761
Selling, general and administrative expenses percent to sales (GAAP)	19.9%	32.5%	7.0%		19.2%
Adjusted selling, general and administrative expenses percent to sales (Non-GAAP measure)	19.1%	31.7%	6.7%		18.5%

	Six months ended February 28, 2017				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations	Walgreens Boots Alliance, Inc.
Selling, general and administrative expenses (GAAP)	\$ 9,090	\$ 1,999	\$ 721	—	\$ 11,810
Acquisition-related amortization	(75)	(50)	(39)	—	(164)
Acquisition-related costs	(46)	—	—	—	(46)
Cost transformation	(388)	(25)	(8)	—	(421)
Adjusted selling, general and administrative expenses (Non-GAAP measure)	\$ 8,581	\$ 1,924	\$ 674	\$ —	\$ 11,179
Sales	\$ 42,473	\$ 6,063	\$ 10,447	\$ (1,036)	\$ 57,947
Selling, general and administrative expenses percent to sales (GAAP)	21.4%	33.0%	6.9%		20.4%
Adjusted selling, general and administrative expenses percent to sales (Non-GAAP measure)	20.2%	31.7%	6.5%		19.3%



Reconciliation of Non-GAAP financial measures

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

EQUITY EARNINGS IN AMERISOURCEBERGEN

	Three months ended February 28,		Six months ended February 28,	
	2018	2017	2018	2017
Equity earnings in AmerisourceBergen (GAAP)	\$ 202	\$ 42	\$ 90	\$ 59
Litigation settlements and other	5	—	178	—
Acquisition-related amortization	29	32	57	55
Early debt extinguishment	5	—	5	—
Change in fair market value of AmerisourceBergen warrants	—	—	—	30
LIFO provision	—	5	(12)	(7)
U.S. tax law changes	(152)	—	(152)	—
Adjusted equity earnings in AmerisourceBergen (Non-GAAP measure)	\$ 89	\$ 79	\$ 166	\$ 137



Reconciliation of Non-GAAP financial measures

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

OPERATING INCOME BY DIVISION

	Three months ended February 28, 2018				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale ¹	Eliminations	Walgreens Boots Alliance, Inc.
Operating income (GAAP)	\$ 1,402	\$ 252	\$ 323	\$ 3	\$ 1,980
Acquisition-related amortization	64	28	21	—	113
Acquisition-related costs	65	—	—	—	65
Certain legal and regulatory accruals and settlements	90	—	—	—	90
LIFO provision	43	—	—	—	43
Adjustments to equity earnings in AmerisourceBergen	—	—	(113)	—	(113)
Asset recovery	(15)	—	—	—	(15)
Adjusted operating income (Non-GAAP measure)	\$ 1,649	\$ 280	\$ 231	\$ 3	\$ 2,163
Sales	\$ 24,478	\$ 3,317	\$ 5,755	\$ (529)	\$ 33,021
Operating margin (GAAP) ²	5.7%	7.6%	2.1%		5.4%
Adjusted operating margin (Non-GAAP measure) ²	6.7%	8.4%	2.5%		6.3%

	Three months ended February 28, 2017				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale ¹	Eliminations	Walgreens Boots Alliance, Inc.
Operating income (GAAP)	\$ 1,120	\$ 198	\$ 165	\$ (4)	\$ 1,479
Acquisition-related amortization	38	25	19	—	82
Acquisition-related costs	29	—	—	—	29
LIFO provision	49	—	—	—	49
Adjustments to equity earnings in AmerisourceBergen	—	—	37	—	37
Cost transformation	316	19	5	—	340
Adjusted operating income (Non-GAAP measure)	\$ 1,552	\$ 242	\$ 226	\$ (4)	\$ 2,016
Sales	\$ 21,814	\$ 3,101	\$ 5,030	\$ (499)	\$ 29,446
Operating margin (GAAP) ²	5.1%	6.4%	2.4%		4.9%
Adjusted operating margin (Non-GAAP measure) ²	7.1%	7.8%	2.9%		6.6%

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 February 28, 2018 includes AmerisourceBergen equity earnings for the period of October 1, 2017 through December 31, 2017. Operating income for the three month period ended February 28, 2017 includes AmerisourceBergen equity earnings for the period of October 1, 2016 through December 31, 2016.

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



Reconciliation of Non-GAAP financial measures

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

OPERATING INCOME BY DIVISION

	Six months ended February 28, 2018				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale ¹	Eliminations	Walgreens Boots Alliance, Inc.
Operating income (GAAP)	\$ 2,528	\$ 436	\$ 337	\$ 1	\$ 3,302
Acquisition-related amortization	102	54	42	—	198
Acquisition-related costs	116	—	—	—	116
Certain legal and regulatory accruals and settlements	115	—	—	—	115
LIFO provision	97	—	—	—	97
Hurricane-related costs	83	—	—	—	83
Adjustments to equity earnings in AmerisourceBergen	—	—	76	—	76
Asset recovery	(15)	—	—	—	(15)
Adjusted operating income (Non-GAAP measure)	\$ 3,026	\$ 490	\$ 455	\$ 1	\$ 3,972
Sales	\$ 46,967	\$ 6,400	\$ 11,473	\$ (1,079)	\$ 63,761
Operating margin (GAAP) ²	5.4%	6.8%	2.2%		5.0%
Adjusted operating margin (Non-GAAP measure) ²	6.4%	7.7%	2.5%		6.0%

	Six months ended February 28, 2017				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale ¹	Eliminations	Walgreens Boots Alliance, Inc.
Operating income (GAAP)	\$ 2,225	\$ 380	\$ 325	\$ (4)	\$ 2,926
Acquisition-related amortization	75	50	39	—	164
Acquisition-related costs	46	—	—	—	46
LIFO provision	107	—	—	—	107
Adjustments to equity earnings in AmerisourceBergen	—	—	78	—	78
Cost transformation	388	25	8	—	421
Adjusted operating income (Non-GAAP measure)	\$ 2,841	\$ 455	\$ 450	\$ (4)	\$ 3,742
Sales	\$ 42,473	\$ 6,063	\$ 10,447	\$ (1,036)	\$ 57,947
Operating margin (GAAP) ²	5.2%	6.3%	2.5%		4.9%
Adjusted operating margin (Non-GAAP measure) ²	6.7%	7.5%	3.0%		6.2%

¹ Operating income for Pharmaceutical Wholesale includes equity earnings in AmerisourceBergen. As a result of the two month reporting lag, operating income for the six month period ended February, 2018 includes AmerisourceBergen equity earnings for the period of July 1, 2017 through December 31, 2017. Operating income for the six month period ended February 28, 2017 includes AmerisourceBergen equity earnings for the period July 1, 2016 through December 31, 2016.

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



Reconciliation of Non-GAAP financial measures

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

ADJUSTED EFFECTIVE TAX RATE¹

	Three months ended February 28, 2018			Three months ended February 28, 2017		
	Earnings before income tax provision	Income tax	Effective tax Rate	Earnings before income tax provision	Income tax	Effective tax Rate
Effective tax rate (GAAP)	\$ 1,838	\$ 503	27.4%	\$ 1,292	\$ 246	19.0%
Impact of non-GAAP adjustments	189	39		600	149	
U.S. tax law changes	—	(184)		—	—	
Equity method non-cash	—	(61)		—	(8)	
Adjusted tax rate true-up	—	23		—	43	
Subtotal	\$ 2,027	\$ 320		\$ 1,892	\$ 430	
Exclude adjusted equity earnings in AmerisourceBergen	(89)	—		(79)	—	
Adjusted effective tax rate excluding adjusted equity earnings in AmerisourceBergen (Non-GAAP measure)	\$ 1,938	\$ 320	16.5%	\$ 1,813	\$ 430	23.7%

¹ A change to the presentation of this table was made to reflect the tax impact of non-GAAP excluded items as a single adjustment for the three and six months ended February, 2018 and 2017. No change in calculation methodology was made.



Reconciliation of Non-GAAP financial measures

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

ADJUSTED EFFECTIVE TAX RATE¹

	Six months ended February 28, 2018			Six months ended February 28, 2017		
	Earnings before income tax provision	Income tax	Effective Tax Rate	Earnings before income tax provision	Income tax	Effective Tax Rate
Effective tax rate (GAAP)	\$ 2,874	\$ 730	25.4%	\$ 2,567	\$ 466	18.2%
Impact of non-GAAP adjustments	836	142		919	222	
U.S. tax law changes	—	(184)		—	—	
Equity method non-cash	—	(11)		—	(10)	
UK tax rate change	—	—		—	77	
Adjusted tax rate true-up	—	43		—	67	
Subtotal	\$ 3,710	\$ 720		\$ 3,486	\$ 822	
Exclude adjusted equity earnings in AmerisourceBergen	(166)	—		(137)	—	
Adjusted effective tax rate excluding adjusted equity earnings in AmerisourceBergen (Non-GAAP measure)	\$ 3,544	\$ 720	20.3%	\$ 3,349	\$ 822	24.5%

¹ A change to the presentation of this table was made to reflect the tax impact of non-GAAP excluded items as a single adjustment for the three and six months ended February 28, 2018 and 2017. No change in calculation methodology was made.



Reconciliation of Non-GAAP financial measures

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

FREE CASH FLOW

	Three months ended February 28,		Six months ended February 28, 2018	
	2018	2017	2018	2017
Net cash provided by operating activities (GAAP)	\$ 2,215	\$ 2,857	\$ 3,176	\$ 3,382
Less: Additions to property, plant and equipment	(288)	(261)	(666)	(639)
Free cash flow (Non-GAAP measure)¹	\$ 1,927	\$ 2,596	\$ 2,510	\$ 2,743

¹ Free cash flow is defined as net cash provided by operating activities in a period less additions to property, plant and equipment (capital expenditures) made in that period. This measure does not represent residual cash flows available for discretionary expenditures as the measure does not deduct the payments required for debt service and other contractual obligations or payments for future business acquisitions. Therefore, we believe it is important to view free cash flow as a measure that provides supplemental information to our entire statements of cash flows.



Historical adjusted SG&A expense

Retail Pharmacy USA Supplemental Information (unaudited)

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	2016				2017				2018	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Selling, general and administrative expenses (GAAP)	\$ 4,417	\$ 4,466	\$ 4,434	\$ 4,601	\$ 4,334	\$ 4,756	\$ 4,337	\$ 4,828	\$ 4,476	\$ 4,865
Acquisition-related amortization	(50)	(47)	(46)	(42)	(37)	(38)	(38)	(39)	(38)	(56)
Acquisition-related costs	(34)	(33)	(15)	(20)	(17)	(29)	(29)	(399)	(51)	(65)
Certain legal and regulatory accruals and settlements	—	—	—	(47)	—	—	—	—	(25)	(90)
Hurricane-related costs	—	—	—	—	—	—	—	—	(40)	—
Cost transformation	(85)	(25)	(60)	(204)	(72)	(316)	(68)	(186)	—	—
Asset (impairment) recovery	—	(30)	—	—	—	—	—	11	—	15
Adjusted selling, general and administrative expenses (Non-GAAP measure)	\$ 4,248	\$ 4,331	\$ 4,313	\$ 4,288	\$ 4,208	\$ 4,373	\$ 4,202	\$ 4,215	\$ 4,322	\$ 4,669
Sales	\$ 20,370	\$ 21,500	\$ 21,185	\$ 20,747	\$ 20,659	\$ 21,814	\$ 22,528	\$ 22,301	\$ 22,489	\$ 24,478
Selling, general and administrative expenses percent to sales (GAAP)	21.7%	20.8%	20.9%	22.2%	21.0%	21.8%	19.3%	21.6%	19.9%	19.9%
Adjusted selling, general and administrative expenses percent to sales (Non-GAAP measure)	20.9%	20.1%	20.4%	20.7%	20.4%	20.0%	18.7%	18.9%	19.2%	19.1%
Adjusted SG&A as a percentage of sales vs. comparable quarter	-1.3%p	-0.4%p	-0.5%p	-0.9%p	-0.5%p	-0.1%p	-1.7%p	-1.8%p	-1.2%p	-0.9%p



Historical adjusted SG&A expense

Retail Pharmacy USA¹ Supplemental Information (unaudited)

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	2012				2013				2014				2015			
	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			
Selling, general and administrative expenses (GAAP)	\$ 4,249	\$ 4,398	\$ 4,497	\$ 4,362	\$ 4,286	\$ 4,379	\$ 4,569	\$ 4,551	\$ 4,493	\$ 4,456	\$ 4,555	\$ 4,494	\$ 4,742			
Acquisition-related amortization	(70)	(74)	(75)	(67)	(73)	(70)	(73)	(71)	(68)	(67)	(59)	(52)	(52)			
Acquisition-related costs	(50)	(37)	(21)	(27)	(24)	(25)	(17)	(20)	(20)	(24)	(52)	(4)	—			
Certain legal and regulatory accruals and settlements	—	—	—	(28)	—	—	—	—	—	—	—	—	—			
Hurricane-related costs	—	(39)	—	—	—	—	—	—	—	—	—	—	—			
Cost transformation	—	—	—	—	—	—	—	—	—	—	—	(151)	(372)			
Asset (impairment) recovery	—	—	—	—	—	—	—	—	—	—	(110)	—	—			
Store closures & optimization costs	—	—	—	—	—	(19)	(2)	(99)	(139)	(28)	(16)	(7)	(5)			
(Loss)/Gain on sale of business	—	—	—	—	—	—	—	—	9	—	—	(12)	(5)			
Adjusted selling, general and administrative expenses (Non-GAAP measure)	\$ 4,129	\$ 4,248	\$ 4,401	\$ 4,240	\$ 4,189	\$ 4,265	\$ 4,477	\$ 4,361	\$ 4,275	\$ 4,337	\$ 4,318	\$ 4,268	\$ 4,308			
Sales	\$ 17,073	\$ 17,316	\$ 18,647	\$ 18,313	\$ 17,941	\$ 18,329	\$ 19,605	\$ 19,401	\$ 19,057	\$ 19,554	\$ 21,048	\$ 20,425	\$ 19,947			
Selling, general and administrative expenses percent to sales (GAAP)	24.9%	25.4%	24.1%	23.8%	23.9%	23.9%	23.3%	23.5%	23.6%	22.8%	21.6%	22.0%	23.8%			
Adjusted selling, general and administrative expenses percent to sales (Non-GAAP measure)	24.2%	24.5%	23.6%	23.2%	23.3%	23.3%	22.8%	22.5%	22.4%	22.2%	20.5%	20.9%	21.6%			
Adjusted SG&A as a percentage of sales vs. comparable quarter					-0.9%p	-1.2%p	-0.8%p	-0.7%p	-0.9%p	-1.1%p	-2.3%p	-1.6%p	-0.8%p			

¹ Financial information presented for periods subsequent to 31 December 2014 is for the Retail Pharmacy USA segment of Walgreens Boots Alliance, Inc. and include an allocation of procurement rebates and corporate-related overhead costs. Financial information for periods prior to this date is for Walgreen Co. which had one reportable segment. Period-over-period comparisons of results require consideration of the foregoing factors.



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 2018” refer to our fiscal year ended 31 August 2018.

