

Walgreens Boots Alliance 3Q15 Earnings Conference Call



Walgreens Boots Alliance

9 July 2015

3Q15 Earnings Call Agenda

Topic	Speaker
Introduction & Safe Harbor	Gerald Gradwell <i>Senior Vice President, Investor Relations and Special Projects of Walgreens Boots Alliance, Inc.</i>
3Q15 Business Overview	Stefano Pessina <i>Executive Vice Chairman and Chief Executive Officer of Walgreens Boots Alliance, Inc.</i>
3Q15 Financial Review	George Fairweather <i>Executive Vice President, Global Chief Financial Officer and Principal Accounting Officer of Walgreens Boots Alliance, Inc.</i>
Closing Remarks	Stefano Pessina
Questions & Answers	Stefano Pessina George Fairweather Alex Gourlay <i>Executive Vice President of Walgreens Boots Alliance, Inc. and President of Walgreens</i>



Safe Harbor and Non-GAAP

- Certain statements and projections of future results made in this presentation constitute forward-looking statements that are based on our current market, competitive and regulatory expectations and are subject to risks and uncertainties that could cause actual results to vary materially. Except to the extent required by the law, we undertake no obligation to update publicly any forward-looking statement after this presentation, whether as a result of new information, future events, changes in assumptions or otherwise.
- Please see our latest Form 10-K, Form 10-Q and other filings for a discussion of risk factors as they relate to forward-looking statements.
- Today's presentation includes certain non-GAAP financial measures, and we refer you to the Appendix to the presentation materials available on our investor relations website for reconciliations to the most directly comparable GAAP financial measures and related information.



Walgreens Boots Alliance Business Overview

Stefano Pessina

Executive Vice Chairman and Chief Executive Officer



Walgreens Boots Alliance

9 July 2015

Walgreens Boots Alliance Financial Review

George Fairweather

Executive Vice President, Global Chief Financial Officer and
Principal Accounting Officer



Walgreens Boots Alliance

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Walgreens Boots Alliance Consolidated Results

\$ in Millions (except Diluted and Adjusted Diluted EPS)

GAAP	3Q15	3Q14
Net Sales	\$28,795	\$19,401
Operating Income	\$1,401	\$1,024
Interest Expense, Net	\$151	\$35
Tax Rate	23.8%	32.1%
Net Earnings*	\$1,302	\$714
Diluted EPS*	\$1.18	\$0.74

Non-GAAP [†]	3Q15**	3Q14**
Adjusted Operating Income	\$1,749	\$1,221
Adjusted Tax Rate	30.0%	28.8%
Adjusted Net Earnings*	\$1,123	\$803
Adjusted Diluted EPS*	\$1.02	\$0.83

* Net Earnings and Earnings per share figures are attributable to Walgreens Boots Alliance, Inc.

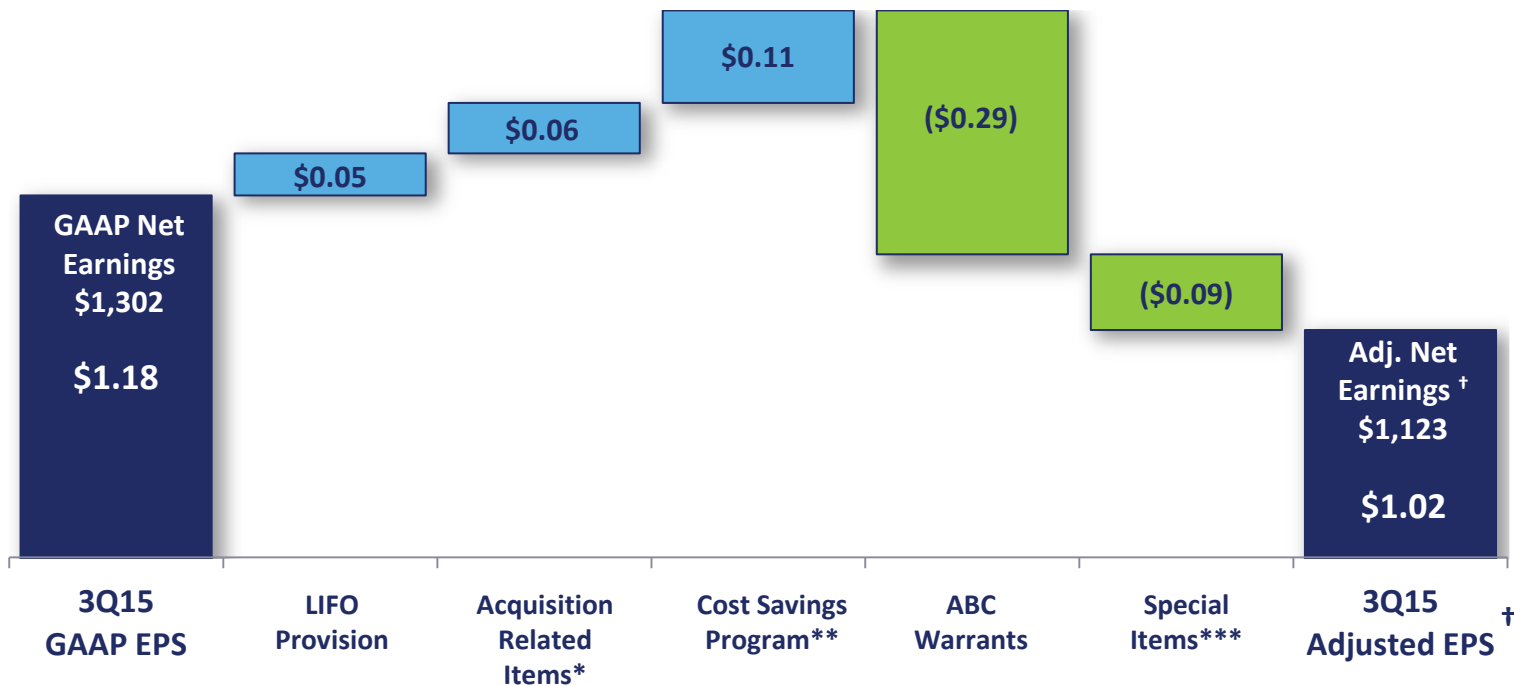
** Excludes LIFO provision, acquisition-related amortization, acquisition-related costs, cost transformation, store closure and other optimization costs, loss on sale of Walgreens Infusion Services, partial release of capital loss valuation allowance, Alliance Boots equity method non-cash tax, and the impact of fair value adjustments and amortization related to the AmerisourceBergen warrants in all periods presented. See attached Appendix.

† Non-GAAP financial measures – see attached Appendix.



Adjusted 3Q15 EPS Walk

\$ in Millions (except Diluted and Adjusted Diluted EPS)



* Includes acquisition-related amortization and acquisition-related costs. See attached Appendix.

** Includes costs associated with cost transformation program, store closure and other optimization costs. See attached Appendix.

*** Includes a partial release of a capital loss valuation allowance, loss on sale of Walgreens Infusion Services and an adjusted tax rate true-up. See attached Appendix.

† Non-GAAP financial measures – See attached Appendix.



Walgreens Boots Alliance – Segment Structure



Walgreens Boots Alliance

Walgreens



Alliance Healthcare™

A leading drugstore chain
in the USA

The largest retail pharmacy
chain in Europe

A leading global
pharmaceutical wholesaler
and distributor

The first global pharmacy-led, health and wellbeing enterprise in the world



3Q15 Financial Performance – Retail Pharmacy USA

GAAP	\$ million
Total Sales	\$20,425
Gross Profit	\$5,527
SG&A	\$4,494
Operating Income	\$1,033
Operating Margin	5.1%

Non-GAAP*	\$ million
Adjusted Gross Profit	\$5,596
Adjusted SG&A	\$4,268
Adjusted Operating Income	\$1,328
Adjusted Operating Margin	6.5%



Retail Pharmacy USA – Pharmacy

Pharmacy	3Q (y-o-y change)
• Rx Sales Comps	9.1%
• Rx Script Comps*	4.1%
• Strong Medicare Part D script growth	
• Market share increased 20bps y-o-y to 19.3%**	



Retail Pharmacy USA – Retail Products

Retail Products	3Q (y-o-y change)
<ul style="list-style-type: none"> Retail Product Sales 	2.0%
<ul style="list-style-type: none"> Retail Product Sales Comps 	1.6%
<ul style="list-style-type: none"> Balancing price and promotion 	
<ul style="list-style-type: none"> Balance® Rewards program with “every day” points 	



3Q15 Financial Performance – Retail Pharmacy International

GAAP	\$ million
Total Sales	\$3,268
Gross Profit	\$1,393
SG&A	\$1,188
Operating Income	\$205
Operating Margin	6.3%

Non-GAAP*	\$ million
Adjusted Gross Profit	\$1,393
Adjusted SG&A	\$1,144
Adjusted Operating Income	\$249
Adjusted Operating Margin	7.6%



Operating Commentary – Retail Pharmacy International

Pro-forma constant currency basis	3Q (y-o-y change)
Total Sales Comps	3.1%
Pharmacy Sales Comps	5.0%
Retail Sales Comps	2.1%

Key highlights	3Q (y-o-y change)
Boots UK Sales Comps	2.4%
Online ordering	~50%



Developing our Product Brands



N°7

The UK's first serum
clinically proven to deliver
anti-wrinkle results that
get even better over time

*Ta
Dah!*

**GROUND
BREAKING
RESULTS**

N°7
Protect & Perfect
Intense
ADVANCED
Serum
Hydro-Cellulose



Acquisition of Liz Earle



3Q15 Financial Performance – Pharmaceutical Wholesale

GAAP	\$ million
Total Sales	\$5,708
Gross Profit	\$560
SG&A	\$398
Operating Income	\$162
Operating Margin	2.8%

Non-GAAP*	\$ million
Adjusted Gross Profit	\$560
Adjusted SG&A	\$389
Adjusted Operating Income	\$171
Adjusted Operating Margin	3.0%



Synergy Update

- 3Q15 combined net synergies of \$194 million, fiscal YTD \$504 million

Timeframe	Expected Combined Net Synergies [†]
Fiscal Year 2015	At least \$650 million
Fiscal Year 2016	At least \$1.0 billion

- Synergies are allocated across each segment and exclude any benefits from AmerisourceBergen relationship



Cost Savings Program Update[†]

Program Overview – Recap

- Previously announced \$1.5 billion savings program through FY17
- Expect \$1.6-\$1.8 billion in pre-tax charges through FY17
- Cash component expected to be ~60 percent of charges

Progress in 3Q

- Closed 9 of planned 200 USA stores- expect additional 70-80 by end of FY15
- Pre-tax charges of \$160 million:
 - \$102 million asset impairment
 - \$34 million severance costs
 - \$24 million real estate costs



Cash Flows and Capital Deployment

3Q update

- **Operating Cash Flow: \$1.8 billion**
- **Free Cash Flow*: \$1.6 billion**
- **Net Debt 31 May 2015*: \$11.8 billion**

Priorities for Capital

- **Purchased \$237 million worth of stock in the quarter**
- **Intend to redeem \$1.75 billion of legacy Walgreen Co. debt in August**
- **Increased quarterly dividend to 6.7% to 36 cents per share**



Fiscal Year 2015 Guidance[†]

Metric	Guidance [†]
Adjusted EPS*	\$3.70 - \$3.80

Key Assumptions [†]	
Adjusted Interest Expense	Approximately \$150 million in 4Q
Annual Adjusted Tax Rate	Approximately 29%
FY15 Weighted Avg. Diluted Share Count	Approximately 1.05 billion
Currency	Reflects current market rates



Fiscal Year 2016 Goals[†]

Metric	Goal [†]
Adjusted EPS*	\$4.25 - \$4.60
Combined Net Synergies	At least \$1 billion

Key Assumptions [†]	
Annual Adjusted Tax Rate	High 20s
FY16 Weighted Avg. Diluted Share Count	Approximately 1.1 billion
Currency	Reflects current market rates



Closing Remarks

Stefano Pessina

Executive Vice Chairman and Chief Executive Officer



Walgreens Boots Alliance

9 July 2015



Walgreens Boots Alliance

Questions & Answers





Walgreens Boots Alliance

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 these non-GAAP financial measures in the presentation, which are not calculated or presented in accordance with GAAP, as supplemental information 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 and believes that the 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. The company does not provide a non-GAAP reconciliation for non-GAAP estimates on a forward-looking basis 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. The supplemental non-GAAP financial measures presented 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.



Reconciliation of Non-GAAP Financial Measures

Walgreens Boots Alliance, Inc. and Subsidiaries Supplemental Information (unaudited) (In millions, except per share amounts)

Net Earnings and Earnings Per Share	Three months ended		Nine months ended	
	May 31, 2015	May 31, 2014	May 31, 2015	May 31, 2014
Net earnings attributable to Walgreens Boots Alliance, Inc. (GAAP)	\$ 1,302	\$ 714	\$ 4,194	\$ 2,153
Acquisition-related amortization	68	62	283	180
Transaction foreign currency hedging loss	-	-	166	-
LIFO provision	49	28	125	98
Cost transformation	114	-	114	-
Asset impairment	-	-	78	-
Alliance Boots equity method non-cash tax	-	37	71	139
Acquisition-related costs	3	14	62	41
Store closure and other optimization costs	5	68	35	84
Prefunded interest expenses	-	-	30	-
Loss on sale of business	12	-	12	-
Increase in fair market value of warrants	(320)	(120)	(975)	(270)
Gain on previously held equity interest	-	-	(814)	-
Partial release of capital loss valuation allowance	(129)	-	(215)	-
Adjusted tax rate true-up	19	-	(50)	-
Adjusted net earnings attributable to Walgreens Boots Alliance, Inc. (Non-GAAP measure)	<u>\$ 1,123</u>	<u>\$ 803</u>	<u>\$ 3,116</u>	<u>\$ 2,425</u>
Net earnings per common share attributed to Walgreens Boots Alliance, Inc. – diluted (GAAP)	\$ 1.18	\$ 0.74	\$ 4.04	\$ 2.23
Acquisition-related amortization	0.06	0.06	0.27	0.18
Transaction foreign currency hedging loss	-	-	0.16	-
LIFO provision	0.05	0.03	0.12	0.11
Cost transformation	0.10	-	0.11	-
Asset impairment	-	-	0.08	-
Alliance Boots equity method non-cash tax	-	0.04	0.07	0.14
Acquisition-related costs	-	0.01	0.06	0.04
Store closure and other optimization costs	0.01	0.07	0.03	0.09
Prefunded interest expenses	-	-	0.03	-
Loss on sale of business	0.01	-	0.01	-
Increase in fair market value of warrants	(0.29)	(0.12)	(0.94)	(0.27)
Gain on previously held equity interest	-	-	(0.78)	-
Partial release of capital loss valuation allowance	(0.12)	-	(0.21)	-
Adjusted tax rate true-up	0.02	-	(0.05)	-
Adjusted net earnings per common share attributable to Walgreens Boots Alliance, Inc. – diluted (Non-GAAP measure)	<u>\$ 1.02</u>	<u>\$ 0.83</u>	<u>\$ 3.00</u>	<u>\$ 2.52</u>



Reconciliation of Non-GAAP Financial Measures

Walgreens Boots Alliance, Inc. and Subsidiaries Supplemental Information (unaudited) (In millions, except per share amounts)

Net Earnings and Earnings Per Share by Quarter Fiscal 2015	Three months ended		
	November 30,	February 28,	May 31,
	2014	2015	2015
Net earnings attributable to Walgreens Boots Alliance, Inc. (GAAP)	\$ 850	\$ 2,042	\$ 1,302
Acquisition-related amortization	58	157	68
Transaction foreign currency hedging loss	96	70	-
LIFO provision	34	42	49
Cost transformation	-	-	114
Asset impairment	-	78	-
Alliance Boots equity method non-cash tax	33	38	-
Acquisition-related costs	16	43	3
Store closure and other optimization costs	18	12	5
Prefunded interest expenses	9	21	-
Loss on sale of business	-	-	12
Increase in fair market value of warrants	(279)	(376)	(320)
Gain on previously held equity interest	-	(814)	-
Partial release of capital loss valuation allowance	(86)	-	(129)
Adjusted tax rate true-up	-	(69)	19
Adjusted net earnings attributable to Walgreens Boots Alliance, Inc. (Non-GAAP measure)	<u>\$ 749</u>	<u>\$ 1,244</u>	<u>\$ 1,123</u>
Net earnings per common share attributable to Walgreens Boots Alliance, Inc. – diluted (GAAP)	\$ 0.89	\$ 1.93	\$ 1.18
Acquisition-related amortization	0.06	0.15	0.06
Transaction foreign currency hedging loss	0.10	0.07	-
LIFO provision	0.03	0.04	0.05
Cost transformation	-	-	0.10
Asset impairment	-	0.07	-
Alliance Boots equity method non-cash tax	0.03	0.04	-
Acquisition-related costs	0.02	0.04	-
Store closure and other optimization costs	0.02	0.01	0.01
Prefunded interest expenses	0.01	0.02	-
Loss on sale of business	-	-	0.01
Increase in fair market value of warrants	(0.29)	(0.35)	(0.29)
Gain on previously held equity interest	-	(0.77)	-
Partial release of capital loss valuation allowance	(0.09)	-	(0.12)
Adjusted tax rate true-up	-	(0.07)	0.02
Adjusted net earnings per common share attributable to Walgreens Boots Alliance, Inc. – diluted (Non-GAAP measure)	<u>\$ 0.78</u>	<u>\$ 1.18</u>	<u>\$ 1.02</u>

Reconciliation of Non-GAAP Financial Measures

Walgreens Boots Alliance, Inc. and Subsidiaries Supplemental Information (unaudited) (In millions, except per share amounts)

	Three months ended May 31, 2015				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations and Other	Walgreens Boots Alliance, Inc.
Gross Profit by Segment					
Gross Profit (GAAP)	\$ 5,527	\$ 1,393	\$ 560	\$ 1	\$ 7,481
LIFO provision	69	-	-	-	69
Adjusted gross profit (Non-GAAP measure)	<u>\$ 5,596</u>	<u>\$ 1,393</u>	<u>\$ 560</u>	<u>\$ 1</u>	<u>\$ 7,550</u>
Total Sales	\$ 20,425	\$ 3,268	\$ 5,708	\$ (606)	\$ 28,795
Gross Margin (GAAP)	27.1%	42.6%	9.8%	NMF	26.0%
Adjusted gross margin (Non-GAAP measure)	27.4%	42.6%	9.8%	NMF	26.2%
	Three months ended May 31, 2014				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations and Other	Walgreens Boots Alliance, Inc.
Gross Profit (GAAP)	\$ 5,440	\$ -	\$ -	\$ -	\$ 5,440
LIFO provision	41	-	-	-	41
Adjusted gross profit (Non-GAAP measure)	<u>\$ 5,481</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,481</u>
Total Sales	\$ 19,401	\$ -	\$ -	\$ -	\$ 19,401
Gross Margin (GAAP)	28.1%	-%	-%	-%	28.1%
Adjusted gross margin (Non-GAAP measure)	28.3%	-%	-%	-%	28.3%

Reconciliation of Non-GAAP Financial Measures

Walgreens Boots Alliance, Inc. and Subsidiaries Supplemental Information (unaudited) (In millions, except per share amounts)

Nine months ended May 31, 2015

Gross Profit by Segment	Retail	Retail	Pharmaceutical	Eliminations	Walgreens
	Pharmacy USA	Pharmacy International	Wholesale	and Other	Boots Alliance, Inc.
Gross Profit (GAAP)	\$ 16,569	\$ 2,146	\$ 947	\$ (3)	\$ 19,659
LIFO provision	176	-	-	-	176
Acquisition-related amortization	-	100	6	-	106
Adjusted gross profit (Non-GAAP measure)	<u>\$ 16,745</u>	<u>\$ 2,246</u>	<u>\$ 953</u>	<u>\$ (3)</u>	<u>\$ 19,941</u>
Total Sales	\$ 61,027	\$ 5,315	\$ 9,573	\$ (993)	\$ 74,922
Gross Margin (GAAP)	27.2%	40.4%	9.9%	NMF	26.2%
Adjusted gross margin (Non-GAAP measure)	27.4%	42.3%	10.0%	NMF	26.6%

Nine months ended May 31, 2014

Gross Profit by Segment	Retail	Retail	Pharmaceutical	Eliminations	Walgreens
	Pharmacy USA	Pharmacy International	Wholesale	and Other	Boots Alliance, Inc.
Gross Profit (GAAP)	\$ 16,242	\$ -	\$ -	\$ -	\$ 16,242
LIFO provision	150	-	-	-	150
Store closure and other optimization costs	5	-	-	-	5
Adjusted gross profit (Non-GAAP measure)	<u>\$ 16,397</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,397</u>
Total Sales	\$ 57,335	\$ -	\$ -	\$ -	\$ 57,335
Gross Margin (GAAP)	28.3%	-%	-%	-%	28.3%
Adjusted gross margin (Non-GAAP measure)	28.6%	-%	-%	-%	28.6%

NMF Not meaningful

Reconciliation of Non-GAAP Financial Measures

Walgreens Boots Alliance, Inc. and Subsidiaries Supplemental Information (unaudited) (In millions, except per share amounts)

SG&A by Segment

	Three months ended May 31, 2015				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations and Other	Walgreens Boots Alliance, Inc.
Selling, general and administrative expenses (GAAP)	\$ 4,494	\$ 1,188	\$ 398	\$ -	\$ 6,080
Cost transformation	151	9	-	-	160
Acquisition-related amortization	52	35	9	-	96
Acquisition-related costs	4	-	-	-	4
Other optimization costs	7	-	-	-	7
Loss on sale of business	12	-	-	-	12
Adjusted selling, general and administrative expenses (Non-GAAP measure)	<u>\$ 4,268</u>	<u>\$ 1,144</u>	<u>\$ 389</u>	<u>\$ -</u>	<u>\$ 5,801</u>
Total Sales	\$ 20,425	\$ 3,268	\$ 5,708	\$ (606)	\$ 28,795
Selling, general and administrative expenses percent to sales (GAAP)	22.0%	36.4%	7.0%	-	21.1%
Adjusted selling, general and administrative expenses percent to sales (Non-GAAP measure)	20.9%	35.0%	6.8%	-	20.1%

	Three months ended May 31, 2014				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations and Other	Walgreens Boots Alliance, Inc.
Selling, general and administrative expenses (GAAP)	\$ 4,551	\$ -	\$ -	\$ -	\$ 4,551
Store closure and other optimization costs	99	-	-	-	99
Acquisition-related amortization	71	-	-	-	71
Acquisition-related costs	20	-	-	-	20
Adjusted selling, general and administrative expenses (Non-GAAP measure)	<u>\$ 4,361</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,361</u>
Total Sales	\$ 19,401	\$ -	\$ -	\$ -	\$ 19,401
Selling, general and administrative expenses percent to sales (GAAP)	23.5%	-%	-%	-%	23.5%
Adjusted selling, general and administrative expenses percent to sales (Non-GAAP measure)	22.5%	-%	-%	-%	22.5%



Reconciliation of Non-GAAP Financial Measures

Walgreens Boots Alliance, Inc. and Subsidiaries Supplemental Information (unaudited) (In millions, except per share amounts)

SG&A by Segment	Nine months ended May 31, 2015				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations and Other	Walgreens Boots Alliance, Inc.
Selling, general and administrative expenses (GAAP)	\$ 13,505	\$ 1,933	\$ 704	\$ -	\$ 16,142
Cost transformation	151	9	-	-	160
Asset impairment	110	-	-	-	110
Acquisition-related amortization	178	52	36	-	266
Acquisition-related costs	80	-	7	-	87
Other optimization costs	51	-	-	-	51
Loss on sale of business	12	-	-	-	12
Adjusted selling, general and administrative expenses (Non-GAAP measure)	<u>\$ 12,923</u>	<u>\$ 1,872</u>	<u>\$ 661</u>	<u>\$ -</u>	<u>\$ 15,456</u>
Total Sales	\$ 61,027	\$ 5,315	\$ 9,573	\$ (993)	\$ 74,922
Selling, general and administrative expenses percent to sales (GAAP)	22.1%	36.4%	7.4%	-%	21.5%
Adjusted selling, general and administrative expenses percent to sales (Non-GAAP measure)	21.2%	35.2%	6.9%	-%	20.6%
	Nine months ended May 31, 2014				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations and Other	Walgreens Boots Alliance, Inc.
Selling, general and administrative expenses (GAAP)	\$ 13,499	\$ -	\$ -	\$ -	\$ 13,499
Acquisition-related amortization	214	-	-	-	214
Store closure and other optimization costs	120	-	-	-	120
Acquisition-related costs	62	-	-	-	62
Adjusted selling, general and administrative expenses (Non-GAAP measure)	<u>\$ 13,103</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,103</u>
Total Sales	\$ 57,335	\$ -	\$ -	\$ -	\$ 57,335
Selling, general and administrative expenses percent to sales (GAAP)	23.5%	-%	-%	-%	23.5%
Adjusted selling, general and administrative expenses percent to sales (Non-GAAP measure)	22.9%	-%	-%	-%	22.9%



Reconciliation of Non-GAAP Financial Measures

Walgreens Boots Alliance, Inc. and Subsidiaries Supplemental Information (unaudited) (In millions, except per share amounts)

Operating Income by Segment	Three months ended May 31, 2015				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations and Other	Walgreens Boots Alliance, Inc.
Operating Income (GAAP)	\$ 1,033	\$ 205	\$ 162	\$ 1	\$ 1,401
Cost transformation	151	9	-	-	160
Acquisition-related amortization	52	35	9	-	96
LIFO provision	69	-	-	-	69
Acquisition-related costs	4	-	-	-	4
Other optimization costs	7	-	-	-	7
Loss on sale of business	12	-	-	-	12
Adjusted Operating Income (Non-GAAP measure)	<u>\$ 1,328</u>	<u>\$ 249</u>	<u>\$ 171</u>	<u>\$ 1</u>	<u>\$ 1,749</u>
Total Sales	\$ 20,425	\$ 3,268	\$ 5,708	\$ (606)	\$ 28,795
Operating Margin (GAAP)	5.1%	6.3%	2.8%	NMF	4.9%
Adjusted operating margin (Non-GAAP measure)	6.5%	7.6%	3.0%	NMF	6.1%

Operating Income by Segment	Three months ended May 31, 2014				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations and Other	Walgreens Boots Alliance, Inc.
Operating Income (GAAP)	\$ 1,024	\$ -	\$ -	\$ -	\$ 1,024
Store closure and other optimization costs	99	-	-	-	99
Acquisition-related amortization	91	-	-	-	91
LIFO provision	41	-	-	-	41
Acquisition-related costs	20	-	-	-	20
Increase in fair market value of warrants	(54)	-	-	-	(54)
Adjusted Operating Income (Non-GAAP measure)	<u>\$ 1,221</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,221</u>
Total Sales	\$ 19,401	\$ -	\$ -	\$ -	\$ 19,401
Operating Margin (GAAP)	5.3%	-%	-%	-%	5.3%
Adjusted operating margin (Non-GAAP measure)	6.3%	-%	-%	-%	6.3%

Reconciliation of Non-GAAP Financial Measures

Walgreens Boots Alliance, Inc. and Subsidiaries Supplemental Information (unaudited) (In millions, except per share amounts)

Operating Income by Segment	Nine months ended May 31, 2015				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations and Other	Walgreens Boots Alliance, Inc.
Operating Income (GAAP)	\$ 3,379	\$ 213	\$ 243	\$ (3)	\$ 3,832
Cost transformation	151	9	-	-	160
Asset impairment	110	-	-	-	110
Acquisition-related amortization	208	152	42	-	402
LIFO provision	176	-	-	-	176
Acquisition-related costs	80	-	7	-	87
Other optimization costs	51	-	-	-	51
Loss on sale of business	12	-	-	-	12
Increase in fair market value of warrants	(123)	-	-	-	(123)
Adjusted Operating Income (Non-GAAP measure)	<u>\$ 4,044</u>	<u>\$ 374</u>	<u>\$ 292</u>	<u>\$ (3)</u>	<u>\$ 4,707</u>
Total Sales	\$ 61,027	\$ 5,315	\$ 9,573	\$ (993)	\$ 74,922
Operating Margin (GAAP)	5.5%	4.0%	2.5%	NMF	5.1%
Adjusted operating margin (Non-GAAP measure)	6.6%	7.0%	3.1%	NMF	6.3%

Operating Income by Segment	Nine months ended May 31, 2014				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations and Other	Walgreens Boots Alliance, Inc.
Operating Income (GAAP)	\$ 3,208	\$ -	\$ -	\$ -	\$ 3,208
Acquisition-related amortization	274	-	-	-	274
LIFO provision	150	-	-	-	150
Store closure and other optimization costs	125	-	-	-	125
Acquisition-related costs	62	-	-	-	62
Increase in fair market value of warrants	(126)	-	-	-	(126)
Adjusted Operating Income (Non-GAAP measure)	<u>\$ 3,693</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,693</u>
Total Sales	\$ 57,335	\$ -	\$ -	\$ -	\$ 57,335
Operating Margin (GAAP)	5.6%	-%	-%	-%	5.6%
Adjusted operating margin (Non-GAAP measure)	6.4%	-%	-%	-%	6.4%

NMF Not meaningful

Reconciliation of Non-GAAP Financial Measures

Walgreens Boots Alliance, Inc. and Subsidiaries Supplemental Information (unaudited) (In millions, except per share amounts)

Adjusted Effective Tax Rate

	Three months ended May 31, 2015		
	Earnings Before Income Tax Provision	Income tax provision	Effective Tax Rate
GAAP – measure	\$ 1,711	\$ 408	23.8%
Acquisition-related amortization	96	28	
LIFO provision	69	20	
Cost transformation	160	46	
Acquisition-related costs	4	1	
Store closure and other optimization costs	7	2	
Loss on sale of business	12	-	
Increase in fair market value of warrants	(454)	(134)	
Partial release of capital loss valuation allowance	-	129	
Adjusted tax rate true-up	-	(19)	
Non – GAAP measure	<u>\$ 1,605</u>	<u>\$ 481</u>	30.0%

	Three months ended May 31, 2014		
	Earnings Before Income Tax Provision	Income tax provision	Effective Tax Rate
GAAP – measure	\$ 1,113	\$ 357	32.1%
Acquisition-related amortization	91	29	
LIFO provision	41	13	
Alliance Boots equity method non-cash tax	-	(37)	
Acquisition-related costs	20	6	
Store closure and other optimization costs	99	31	
Increase in fair market value of warrants	(178)	(58)	
Non – GAAP measure	<u>\$ 1,186</u>	<u>\$ 341</u>	28.8%

Reconciliation of Non-GAAP Financial Measures

Walgreens Boots Alliance, Inc. and Subsidiaries
Supplemental Information (unaudited)
(In millions, except per share amounts)

Free Cash Flow

	Three months ended	Nine months ended
	May 31, 2015	May 31, 2015
Net cash provided by operating activities (GAAP)	\$ 1,822	\$ 4,159
Less: Additions to property, plant and equipment	247	890
Free cash flow(1)	<u>\$ 1,575</u>	<u>\$ 3,269</u>

(1) Free cash flow is defined as net cash provided by operating activities in a period minus additions to property 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.



Reconciliation of Non-GAAP Financial Measures

Walgreens Boots Alliance, Inc. and Subsidiaries
Supplemental Information (unaudited)
(In millions, except per share amounts)

Net Debt

	May 31, 2015
Short-term borrowings (GAAP)	\$ 1,192
Long-term debt (GAAP)	<u>15,055</u>
	16,247
Less: Cash and cash equivalents (GAAP)	<u>4,449</u>
Net debt (Non-GAAP measure)	<u><u>\$ 11,798</u></u>

Certain Definitions and Assumptions

CERTAIN ASSUMPTIONS: *Unless the context otherwise indicates or requires:*

- *This presentation assumes constant currency exchange rates after the date hereof based on current rates;*
- *Walgreens' transaction with Alliance Boots did not include the benefit of Alliance Boots minority interest in Galenica Ltd., a Swiss healthcare group, so Walgreens shareholders did not benefit from the financial performance of Galenica Ltd. even though Alliance Boots proportionate interest in their profits is reflected in Alliance Boots financial statements for periods prior to May 10, 2013; and*
- *All financial goals assume no major mergers and acquisitions or other strategic transactions.*

Historical Alliance Boots Financial Information – *Alliance Boots' audited consolidated financial statements, comprised of the Group statements of financial position at March 31, 2014 and 2013, and the related Group income statements, Group statements of comprehensive income, Group statements of changes in equity and Group statements of cash flows for each of the years in the three-year period ended March 31, 2014, were filed as Exhibit 99.1 to the Walgreen Co. Form 8-K filed on May 15, 2014. Such financial statements of Alliance Boots were prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS) and audited in accordance with auditing standards generally accepted in the United States. All descriptions of the company's agreements relating to Alliance Boots and the arrangements and transactions contemplated thereby in this presentation are qualified in their entirety by reference to the full text of the agreements, copies of which have been filed with the SEC.*

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 March 18, 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 Form 8-K filing on March 20, 2013 and Schedule 13D filing on April 15, 2014, as amended on January 16, 2015.



Cautionary Note Regarding Forward-Looking Statements

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, 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, 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," "continue," "sustain," "synergy," "on track," "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 that could cause actual results to vary materially from those indicated, including, but not limited to, those relating to our ability to successfully integrate operations, systems and employees following completion of the strategic combination of Walgreen Co. and Alliance Boots GmbH, the impact of private and public third-party payers efforts to reduce prescription drug reimbursements, the impact of generic prescription drug inflation, the timing and magnitude of the impact of branded to generic drug conversions, our ability to realize anticipated synergies and achieve anticipated financial, tax and operating results in the amounts and at the times anticipated, supply arrangements including our commercial agreement with AmerisourceBergen Corporation, the arrangements and transactions contemplated by our framework agreement with AmerisourceBergen and their possible effects, the risks associated with equity investments in AmerisourceBergen including whether the warrants to invest in AmerisourceBergen will be exercised and the ramifications thereof, 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, whether the actual costs associated with restructuring activities will exceed estimates, our ability to realize expected savings and benefits from cost-savings initiatives and restructuring activities in the amounts and at the times anticipated, changes in management's assumptions, the risks associated with governance and control matters, the ability to retain key personnel, changes in economic and business conditions generally or in the markets in which we participate, changes in financial markets, interest rates and foreign currency exchange rates, the risks associated with international business operations, 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 in the cost of goods, risks associated with the operation and growth of our customer loyalty programs, risks associated with acquisitions, divestitures, joint ventures and strategic investments, including those associated with cross border transactions and the integration of complex businesses, subsequent adjustments to preliminary purchase accounting determinations, outcomes of legal and regulatory matters, and changes in legislation or regulations. These and other risks, assumptions and uncertainties are described in Item 1A (Risk Factors) of our Quarterly Report on Form 10-Q for the fiscal quarter ended February 28, 2015, which is incorporated herein by reference, and in other documents that we file or furnish with the Securities and Exchange Commission. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those indicated or anticipated by such forward-looking statements. Accordingly, you are cautioned not to place undue reliance on these 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, whether as a result of new information, future events, changes in assumptions or otherwise.

