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, pilot programs and 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. All statements in the future tense and all statements accompanied by words such as “expect,” “likely,” “outlook,” “forecast,” “preliminary,” “pilot,” “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 restructuring initiatives including 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, risks related to pilot programs and new business initiatives and ventures generally, including the risks that anticipated benefits may not be realized, changes in management’s plans and assumptions, changes in economic and business conditions generally or in particular markets in which we participate, changes in financial markets, credit ratings and interest rates, the risks relating to the terms, timing, and magnitude of any share repurchase activity, 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 including changes in market dynamics, participants, product and service offerings, retail formats and competitive positioning and the associated impacts on volume and operating results, risks of inflation, risks associated with the operation and growth of our customer loyalty programs, 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 acquisition of certain assets pursuant to our amended and restated asset purchase agreement with Rite Aid, 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 law changes, 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 August 31, 2018 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 information below and the Appendix to the 4Q18 earnings presentation materials available on our investor relations website for reconciliations to the most directly comparable U.S. GAAP financial measures and related information.

Walgreens Boots Alliance

Non-GAAP financial measures

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 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[1]
Supplemental Information (unaudited)
(in millions)

NET EARNINGS	Twelve Months Ended		Change v. FY14	
	August 31, 2018	August 31, 2014[1]	Total	Compound annual growth rate[3]
Net earnings attributable to Walgreens Boots Alliance, Inc. (GAAP)	$ 5,024	$ 1,932	160.0%	27.0%
Adjustments to operating income:				
Acquisition-related amortization	448	282		
Certain legal and regulatory accruals and settlements[2]	284	—		
Acquisition-related costs	231	82		
Adjustments to equity earnings in AmerisourceBergen	175	—		
Store optimization	100	—		
LIFO provision	84	132		
Hurricane-related costs	83	—		
Store closures and other optimization costs	—	271		
Adjustments to equity earnings in Alliance Boots	—	(86)		
Gain on sale of business	—	(9)		
Asset recovery	(15)	—		
Total Adjustments to operating income	1,390	672		
Adjustments to other income (expense):				
Impairment of equity method investment	178	—		
Alliance Boots call option loss	—	866		
Change in fair market value of AmerisourceBergen warrants	—	(385)		
Net investment hedging (gain) loss	(21)	—		
Gain on sale of equity method investment	(322)	—		
Total Adjustments to other income (expense)	(165)	481		
Adjustments to interest expense, net:				
Prefunded acquisition financing costs	29	—		
Total Adjustments to interest expense, net	29	—		
Adjustments to income tax provision:				
Equity method non-cash tax[4]	25	180		
U.S. tax law changes[4]	(125)	—		
Tax impact of adjustments[5]	(193)	(95)		
Total Adjustments to income tax provision	(293)	85		
Adjusted net earnings attributable to Walgreens Boots Alliance, Inc. (Non-GAAP measure)	$ 5,985	$ 3,170	88.8%	17.2%

[1] On December 31, 2014, Walgreens Boots Alliance, Inc. became the successor of Walgreen Co. pursuant to a merger to effect a reorganization of Walgreen Co. into a holding company structure, with Walgreens Boots Alliance, Inc. becoming the parent holding company. Financial information reflects the results of operations and financial position of Walgreen Co. and its subsidiaries for periods prior to December 31, 2014 and of Walgreens Boots Alliance, Inc. and its subsidiaries for periods as of and after December 31, 2014. As a result of the completion of the acquisition by Walgreens Boots Alliance, Inc. of the remaining 55% of Alliance Boots GmbH that Walgreen Co. did not already own on December 31, 2014, there are a number of items that affect comparability of reported results for the periods presented and comparisons of results are not directly comparable. For further information, please see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations--Comparability" in our Annual Report on Form 10-K for the fiscal year ended 31 August 2015 and in our subsequent filings with the Securities and Exchange Commission.

[2] Beginning in the quarter ended August 31, 2018, management reviewed and refined its practice to include all charges related to the matters included in Certain legal and regulatory accruals and settlements. In order to present non-GAAP measures on a consistent basis for fiscal year 2018, the Company included adjustments in the quarter ended August 31, 2018 of $14 million, $50 million and $5 million which were previously accrued in the Company's financial statements for the quarters ended November 30, 2017, February 28, 2018, and May 31, 2018, respectively. These additional adjustments impact the comparability of such results to the results reported in prior and future quarters.

[3] The compound annual growth rate is defined as the implied annual rate of return of net earnings from fiscal 2014 to fiscal 2018.

[4] Discrete tax-only items.

[5] Represents the adjustment to the GAAP basis tax provision commensurate with non-GAAP adjustments and the adjusted tax rate true-up.

Walgreens Boots Alliance

Reconciliation of Non-GAAP financial measures

Walgreens Boots Alliance, Inc. and Subsidiaries[1]
Supplemental Information (unaudited)

DILUTED NET EARNINGS PER COMMON SHARE COMPOUND ANNUAL GROWTH RATE

	Twelve Months Ended		Change v. FY14	
	August 31, 2018	**August 31, 2014[1]**	**Total**	**Compound annual growth rate[2]**
Diluted net earnings per common share (GAAP)	**$ 5.05**	**$ 2.00**	**152.5%**	**26.1%**
Adjustments to operating income	1.40	0.69		
Adjustments to other income (expense)	(0.17)	0.50		
Adjustments to interest expense, net	0.03	—		
Adjustments to income tax provision	(0.29)	0.09		
Adjusted diluted net earnings per common share (Non-GAAP measure)	**$ 6.02**	**$ 3.28**	**83.5%**	**16.4%**
Weighted average common shares outstanding, diluted (in millions)	995.0	965.2		

[1] On December 31, 2014, Walgreens Boots Alliance, Inc. became the successor of Walgreen Co. pursuant to a merger to effect a reorganization of Walgreen Co. into a holding company structure, with Walgreens Boots Alliance, Inc. becoming the parent holding company. Financial information reflects the results of operations and financial position of Walgreen Co. and its subsidiaries for periods prior to December 31, 2014 and of Walgreens Boots Alliance, Inc. and its subsidiaries for periods as of and after December 31, 2014. As a result of the completion of the acquisition by Walgreens Boots Alliance, Inc. of the remaining 55% of Alliance Boots GmbH that Walgreen Co. did not already own on December 31, 2014, there are a number of items that affect comparability of reported results for the periods presented and comparisons of results are not directly comparable. For further information, please see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations--Comparability" in our Annual Report on Form 10-K for the fiscal year ended 31 August 2015 and in our subsequent filings with the Securities and Exchange Commission.

[2] The compound annual growth rate is defined as the implied annual rate of return of earnings per share from fiscal 2014 to fiscal 2018.

Reconciliation of Non-GAAP financial measures

Walgreens Boots Alliance, Inc. and Subsidiaries[1]
Supplemental Information (unaudited)
(in millions)

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Twelve Months Ended	
	August 31, 2018	August 31, 2014[1]
Selling, general and administrative expenses (GAAP)[2]	**$ 24,694**	**$ 17,987**
Acquisition-related amortization	(437)	(282)
Certain legal and regulatory accruals and settlements[3]	(284)	—
Acquisition-related costs	(231)	(82)
Store optimization	(100)	—
Hurricane-related costs	(40)	—
Asset recovery	15	—
Store closures and other optimization costs	—	(259)
Gain on sale of business	—	9
Adjusted selling, general and administrative expenses (Non-GAAP measure)[2]	**$ 23,617**	**$ 17,373**
Sales	$ 131,537	$ 76,392
Selling, general and administrative expenses percent to sales (GAAP)	18.8%	23.5%
Adjusted selling, general and administrative expenses percent to sales (Non-GAAP measure)	18.0%	22.7%

[1] On December 31, 2014, Walgreens Boots Alliance, Inc. became the successor of Walgreen Co. pursuant to a merger to effect a reorganization of Walgreen Co. into a holding company structure, with Walgreens Boots Alliance, Inc. becoming the parent holding company. Financial information reflects the results of operations and financial position of Walgreen Co. and its subsidiaries for periods prior to December 31, 2014 and of Walgreens Boots Alliance, Inc. and its subsidiaries for periods as of and after December 31, 2014. As a result of the completion of the acquisition by Walgreens Boots Alliance, Inc. of the remaining 55% of Alliance Boots GmbH that Walgreen Co. did not already own on December 31, 2014, there are a number of items that affect comparability of reported results for the periods presented and comparisons of results are not directly comparable. For further information, please see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations--Comparability" in our Annual Report on Form 10-K for the fiscal year ended 31 August 2015 and in our subsequent filings with the Securities and Exchange Commission.

[2] The Company adopted new accounting guidance in Accounting Standards Update 2017-07 as of September 1, 2018 (fiscal 2019) on a retrospective basis for the Consolidated Condensed Statements of Earnings presentation. This change resulted in reclassification of the all other net cost components (excluding service cost component) of net pension cost and net postretirement benefit cost from selling, general and administrative expenses to other income (expense) with no impact on the Company's net earnings.

[3] Beginning in the quarter ended August 31, 2018, management reviewed and refined its practice to include all charges related to the matters included in Certain legal and regulatory accruals and settlements. In order to present non-GAAP measures on a consistent basis for fiscal year 2018, the Company included adjustments in the quarter ended August 31, 2018 of $14 million, $50 million and $5 million which were previously accrued in the Company's financial statements for the quarters ended November 30, 2017, February 28, 2018, and May 31, 2018, respectively. These additional adjustments impact the comparability of such results to the results reported in prior and future quarters.

Walgreens Boots Alliance

Reconciliation of Non-GAAP financial measures

Walgreens Boots Alliance, Inc. and Subsidiaries[1]
Supplemental Information (unaudited)
(in millions)

FREE CASH FLOW[2]

	Twelve Months Ended				FY15 - FY18[1]
	August 31, 2018	August 31, 2017	August 31, 2016	August 31, 2015	Total
Net cash provided by operating activities (GAAP)	**$ 8,265**	**$ 7,251**	**$ 7,847**	**$ 5,664**	**$ 29,027**
Less: Additions to property, plant and equipment	(1,367)	(1,351)	(1,325)	(1,251)	(5,294)
Free cash flow (Non-GAAP measure)[2]	**$ 6,898**	**$ 5,900**	**$ 6,522**	**$ 4,413**	**$ 23,733**

[1] On December 31, 2014, Walgreens Boots Alliance, Inc. became the successor of Walgreen Co. pursuant to a merger to effect a reorganization of Walgreen Co. into a holding company structure, with Walgreens Boots Alliance, Inc. becoming the parent holding company. Financial information reflects the results of operations and financial position of Walgreen Co. and its subsidiaries for periods prior to December 31, 2014 and of Walgreens Boots Alliance, Inc. and its subsidiaries for periods as of and after December 31, 2014. As a result of the completion of the acquisition by Walgreens Boots Alliance, Inc. of the remaining 55% of Alliance Boots GmbH that Walgreen Co. did not already own on December 31, 2014, there are a number of items that affect comparability of reported results for the periods presented and comparisons of results are not directly comparable. For further information, please see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations--Comparability" in our Annual Report on Form 10-K for the fiscal year ended 31 August 2015 and in our subsequent filings with the Securities and Exchange Commission.

2 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.

Walgreens Boots Alliance