



Walgreens Boots Alliance

Fiscal 2017 Second Quarter Results

5 April 2017

Safe harbor and non-GAAP

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

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



Highlights



Walgreens Boots Alliance

Performance in line with our expectations

Growth in U.S. pharmacy volume & market share

Working towards securing clearance for Rite Aid transaction¹



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2Q financial highlights



Walgreens Boots Alliance

\$ in millions (except EPS & % change)		2Q17	Reported Δ vs. 2Q16	Constant currency ² Δ vs. 2Q16
Sales		\$29,446	- 2.4%	+ 0.9%
Operating income:	GAAP	\$1,479	- 20.5%	
	Adjusted³	\$2,016	- 4.9%	- 2.7%
Net earnings⁴:	GAAP	\$1,060	+ 14.0%	
	Adjusted³	\$1,476	+ 3.7%	+ 6.2%
Diluted net EPS⁴:	GAAP	\$0.98	+ 15.3%	
	Adjusted³	\$1.36	+ 3.8%	+ 6.1%



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First half FY17 financial highlights



Walgreens Boots Alliance

\$ in millions (except EPS & % change)		YTD17	Reported Δ vs. YTD16	Constant currency ² Δ vs. YTD16
Sales		\$57,947	- 2.1%	+ 1.0%
Operating income:	GAAP	\$2,926	- 12.1%	
	Adjusted³	\$3,742	- 2.5%	- 0.3%
Net earnings⁴:	GAAP	\$2,114	+ 3.6%	
	Adjusted³	\$2,677	+ 4.8%	+ 7.1%
Diluted net EPS⁴:	GAAP	\$1.94	+ 3.7%	
	Adjusted³	\$2.46	+ 5.1%	+ 7.7%



Retail Pharmacy USA - 2Q financials



\$ in millions (except %)	2Q17	Δ vs. 2Q16
Sales	\$21,814	+ 1.5%
Comparable store sales⁵		+ 2.4%
Adjusted gross profit^{3,6}	\$5,925	- 0.6%
Adjusted SG&A % of sales^{3,6}	20.0%	- 0.1%p
Adjusted operating margin^{3,6}	7.1%	- 0.5%p
Adjusted operating income^{3,6}	\$1,552	- 4.9%



Refer to footnotes on page 17



Retail Pharmacy USA - pharmacy



2Q17 vs. 2Q16	Total	Comparable ⁵
Pharmacy sales	+ 3.7%	+ 4.2%
Prescriptions	+ 5.9%	+ 7.9% ⁷

Highest quarterly comp. script growth in more than seven years^{5,7}

- Medicare Part D
- strategic pharmacy partnerships

Volume growth and brand inflation partially offset by reimbursement pressure and generics

Market share up approx. 100 bps to 20.4%⁸



Refer to footnotes on page 17

Retail Pharmacy USA - retail

vs. 2Q16



Total retail sales down 2.7%

Comparable retail sales down 0.8%⁵

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

Market share gains⁹: health & wellness, beauty and personal care

Actions to drive future performance¹:

- simplified product offering
- further emphasis on omni-channel and beauty differentiation



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Retail Pharmacy USA - beauty differentiation

Walgreens



Our best ever
BEAUTY CLEANS

GENTLE & EFFECTIVE
 RE-ENERGISES YOUR COMPLEXION IN TWO MINUTES.

SMOOTHES & PURIFIES
 FOR SUPER CLEAN, FRESH AND BRIGHT SKIN!

SOAPER'S GLORY
PEACHES AND CLEAN
 4-IN-1 WASH OFF DEEP CLEANSING MILK
 MELTS AWAY MAKEUP

SOAPER'S GLORY
FACE SOAP ONLY CLARITY
 VITAMINIC FACIAL WASH
 SMOOTHS & PURIFIES



No7

SOAP & GLORY

BOTANICS
 NATURE INSPIRED
 THE POWER OF PLANTS
 In partnership with the Royal Botanic Gardens, Kew

Cost transformation program



Walgreens Boots Alliance

\$1.5 billion target savings
- delivered ahead of plan

Anticipated total pre-tax charges

- approx. \$1.8 billion¹
- in line with April 2015 expectations¹
- approx. 60% cash¹



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Retail Pharmacy International - 2Q financials



\$ in millions (except %)	Constant currency ²	
	2Q17	Δ vs. 2Q16
Sales¹⁰	\$3,101	- 1.9%
Comparable store sales^{5,10}		- 0.9%

Comparable pharmacy sales down 3.7%^{2,5,10}

- Boots UK down 5.2%^{2,5,10}
- reduction in UK pharmacy funding

Comparable retail sales up 0.6%^{2,5,10}

- Boots UK up 0.7%^{2,5,10}



Refer to footnotes on page 17

Retail Pharmacy International - 2Q financials



\$ in millions (except %)	Constant currency ²	
	2Q17	Δ vs. 2Q16
Sales¹⁰	\$3,101	- 1.9%
Comparable store sales^{5,10}		- 0.9%
Adjusted gross profit^{3,10}	\$1,204	- 4.0%
Adjusted SG&A % of sales^{3,10}	31.0%	+ 0.6%p
Adjusted operating margin^{3,10}	7.8%	- 1.4%p
Adjusted operating income^{3,10}	\$242	- 16.7%



Pharmaceutical Wholesale - 2Q financials



\$ in millions (except %)	Constant currency ²	
	2Q17	Δ vs. 2Q16
Sales^{11,12}	\$5,030	+ 0.6%
Comparable sales^{5,11,12}		+ 5.2%
Adjusted operating margin^{3,12,13}	2.9%	+ 0.2%p
Adjusted operating income^{3,12,13}	\$226	+ 59.4%



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2Q capital allocation



Walgreens Boots Alliance

Operating cash flow: \$2.9 billion

Working capital inflow: \$1.4 billion

- seasonal reduction in inventories
- improved receivables position

Cash capital expenditure: \$261 million

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

Free cash flow³: \$2.6 billion



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Fiscal year 2017 guidance¹



Walgreens Boots Alliance

Continue to expect adjusted diluted net EPS^{1,3}
\$4.90 – \$5.08

Key assumptions include¹:

- current exchange rates for rest of fiscal year
- no material accretion from Rite Aid or Prime strategic alliance



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Walgreens Boots Alliance



We help people across the world lead healthier and happier lives

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

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



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Footnotes

1. Forward-Looking Statements – see cautionary note on slide 2.
2. Presented on a constant currency basis. Non-GAAP financial measure – see appendix. These amounts are calculated by translating current period results at the foreign currency exchange rates used in the comparable period in the prior year. The company presents such constant currency financial information because it has significant operations outside of the United States reporting in currencies other than the U.S. dollar and this presentation provides a framework to assess how its business performed excluding the impact of foreign currency exchange rate fluctuations.
3. Non-GAAP financial measures: see appendix for reconciliations of non-GAAP financial measures and related disclosures.
4. Net earnings and Net earnings per common share - diluted figures are attributable to Walgreens Boots Alliance, Inc.
5. All comparable sales and prescription figures are adjusted for the leap year in 2016, by excluding 29 February 2016 from the calculations.
6. Retail Pharmacy USA segment GAAP 2Q17 results, dollars in millions: gross profit \$5,876, selling general and administrative expenses \$4,756, SG&A as a percent of sales 21.8%, operating income \$1,120, and operating margin 5.1% – see Appendix.
7. Retail Pharmacy USA Pharmacy prescriptions filled at comparable stores (including immunizations) are reported on a 30 day adjusted basis.
8. Based on data from IMS Health (as of 28 February 2017). Due to an enhancement to the IMS panel, market shares have been restated by IMS for the comparable year-ago period.
9. Based on dollar market share data from A.C. Nielsen for the 13 weeks ended 25 February 2017.
10. Retail Pharmacy International segment GAAP 2Q17 results, dollars in millions: gross profit \$1,204, selling general and administrative expenses \$1,006, SG&A as a percent of sales 32.4%, operating income \$198, and operating margin 6.4% – see Appendix. In 2Q17 compared to the prior year quarter, the division’s gross profit on a reported currency basis decreased 16.3%, selling general and administrative expense on a reported currency basis decreased 11.8%, selling general and administrative expense as a percent of sales on a reported currency basis increased 1.0 percentage points, operating income on a reported currency basis decreased 33.8%, operating margin on a reported currency basis decreased 1.8 percentage points, sales on a reported currency basis decreased 14.5%, comparable store sales on a reported currency basis decreased 13.7%, comparable pharmacy sales on a reported currency basis decreased 15.4%, comparable retail sales on a reported currency basis decreased 12.8%, Boots UK comparable pharmacy sales on a reported currency basis decreased 19.2% and Boots UK comparable retail sales on a reported currency basis decreased 14.8%.
11. Presented on a constant currency basis and excluding acquisitions and dispositions.
12. Pharmaceutical Wholesale segment GAAP 2Q17 results, dollars in millions: operating income \$165, and operating margin 2.4% – see Appendix. In 2Q17 compared to the prior year quarter, the division’s operating income on a reported currency basis increased 23.1%, operating margin on a reported currency basis remained at 2.4%, sales on a reported currency basis decreased 10.6%, and comparable sales excluding acquisitions and dispositions on a reported currency basis decreased 6.5%.
13. Pharmaceutical Wholesale adjusted operating income for the three month period ended February 28, 2017 includes \$79 million of adjusted equity earnings in AmerisourceBergen. See appendix for details. Pharmaceutical Wholesale adjusted operating margin for the three month periods ended February 28, 2017 has been calculated excluding adjusted equity earnings 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 2017 guidance) where it is unable to provide a meaningful or accurate calculation or estimation of reconciling items and the information is not available without unreasonable effort. This is due to the inherent difficulty of forecasting the timing or amount of various items that have not yet occurred, are out of the company's control and/or cannot be reasonably predicted, and that would impact diluted net earnings per share, the most directly comparable forward-looking GAAP financial measure. For the same reasons, the company is unable to address the probable significance of the unavailable information. Forward-looking non-GAAP financial measures provided without the most directly comparable GAAP financial measures may vary materially from the corresponding GAAP financial measures.

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

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



Reconciliation of Non-GAAP financial measures

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

Reconciliation of Net Earnings

(in millions)

	Three Months Ended				Six Months Ended			
	February 28, 2017	February 29, 2016	Change vs. 2Q16 Amount	Change vs. 2Q16 Percent	February 28, 2017	February 29, 2016	Change vs. YTD16 Amount	Change vs. YTD16 Percent
Net earnings attributable to Walgreens Boots Alliance, Inc. (GAAP)	\$ 1,060	\$ 930	\$ 130	14.0%	\$ 2,114	\$ 2,040	\$ 74	3.6%
Adjustments to Operating Income:								
Cost transformation ¹	340	28			421	118		
Acquisition-related amortization ¹	82	101			164	182		
LIFO provision ¹	49	68			107	114		
Adjustments to equity earnings in AmerisourceBergen ¹	37	-			78	-		
Acquisition-related costs ¹	29	33			46	67		
Asset impairment ¹	-	30			-	30		
Total Adjustments to Operating Income	537	260			816	511		
Adjustments to Other income (expense):								
Decrease in fair market value of AmerisourceBergen warrants ¹	-	529			-	586		
Net investment hedging (gain) loss ¹	15	(33)			14	(33)		
Total Adjustments to Other income (expense)	15	496			14	553		
Adjustments to Interest expense, net:								
Prefunded interest expenses ¹	48	-			89	-		
Total Adjustments to Interest expense, net	48	-			89	-		
Adjustments to Income tax provision:								
United Kingdom tax rate change ²	-	-			(77)	(178)		
Tax impact of adjustments ³	(184)	(263)			(279)	(371)		
Total Adjustments to Income tax provision	(184)	(263)			(356)	(549)		
Adjusted net earnings attributable to Walgreens Boots Alliance, Inc. (Non-GAAP measure)	\$ 1,476	\$ 1,423	\$ 53	3.7%	\$ 2,677	\$ 2,555	\$ 122	4.8%

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

2. Discrete tax-only items.

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



Reconciliation of Non-GAAP financial measures

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

Reconciliation of Diluted Net Earnings Per Share

	Three Months Ended				Six Months Ended			
	February 28, 2017	February 29, 2016	Change vs. 2Q16 Amount	Change vs. 2Q16 Percent	February 28, 2017	February 29, 2016	Change vs. YTD16 Amount	Change vs. YTD16 Percent
Diluted net earnings per common share (GAAP)	\$ 0.98	\$ 0.85	\$ 0.13	15.3%	\$ 1.94	\$ 1.87	\$ 0.07	3.7%
Adjustments to Operating Income	0.50	0.24			0.76	0.47		
Adjustments to Other income (expense)	0.01	0.46			0.01	0.50		
Adjustments to Interest expense, net	0.04	-			0.08	-		
Adjustments to Income tax provision	(0.17)	(0.24)			(0.33)	(0.50)		
Adjusted diluted net earnings per common share (Non-GAAP measure)	\$ 1.36	\$ 1.31	\$ 0.05	3.8%	\$ 2.46	\$ 2.34	\$ 0.12	5.1%



Reconciliation of Non-GAAP financial measures

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

Reconciliation of Adjusted Effective Tax Rate

(in millions)

	Three Months Ended February 28, 2017			Three Months Ended February 29, 2016		
	Earnings Before Income Tax Provision	Income Tax Provision	Effective Tax Rate	Earnings Before Income Tax Provision	Income Tax Provision	Effective Tax Rate
Effective Tax Rate (GAAP)	\$ 1,292	\$ 246	19.0%	\$ 1,224	\$ 301	24.6%
Cost transformation	340	90		28	8	
Acquisition-related amortization	82	21		101	29	
LIFO provision	49	13		68	19	
Adjustments to equity earnings in AmerisourceBergen	37	(8)		-	-	
Acquisition-related costs	29	8		33	9	
Asset impairment	-	-		30	9	
Decrease in fair market value of AmerisourceBergen warrants	-	-		529	150	
Net investment hedging (gain) loss	15	4		(33)	(1)	
Prefunded interest expenses	48	13		-	-	
Adjusted tax rate true-up	-	43		-	40	
Subtotal	\$ 1,892	\$ 430		\$ 1,980	\$ 564	
Exclude adjusted equity earnings in AmerisourceBergen	(79)	-		-	-	
Adjusted Effective Tax Rate excluding adjusted equity earnings in AmerisourceBergen (Non-GAAP measure)	\$ 1,813	\$ 430	23.7%	\$ 1,980	\$ 564	28.5%



Reconciliation of Non-GAAP financial measures

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

Reconciliation of Adjusted Effective Tax Rate (in millions)

	Six Months Ended February 28, 2017			Six Months Ended February 29, 2016		
	Earnings Before Income Tax Provision	Income Tax Provision	Effective Tax Rate	Earnings Before Income Tax Provision	Income Tax Provision	Effective Tax Rate
Effective Tax Rate (GAAP)	\$ 2,567	\$ 466	18.2%	\$ 2,497	\$ 468	18.7%
Cost transformation	421	111		118	34	
Acquisition-related amortization	164	43		182	52	
LIFO provision	107	28		114	32	
Adjustments to equity earnings in AmerisourceBergen	78	(10)		-	-	
Acquisition-related costs	46	12		67	19	
Asset impairment	-	-		30	9	
Decrease in fair market value of AmerisourceBergen warrants	-	-		586	166	
Net investment hedging (gain) loss	14	4		(33)	(1)	
Prefunded interest expenses	89	24		-	-	
United Kingdom tax rate change	-	77		-	178	
Adjusted tax rate true-up	-	67		-	60	
Subtotal	\$ 3,486	\$ 822		\$ 3,561	\$ 1,017	
Exclude adjusted equity earnings in AmerisourceBergen	(137)	-		-	-	
Adjusted Effective Tax Rate excluding adjusted equity earnings in AmerisourceBergen (Non-GAAP measure)	\$ 3,349	\$ 822	24.5%	\$ 3,561	\$ 1,017	28.6%



Reconciliation of Non-GAAP financial measures

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

Reconciliation of Gross Profit by Division (in millions)

	Three Months Ended 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%

	Three Months Ended February 29, 2016				
	Retail Pharmacy USA	Retail Pharmacy International ¹	Pharmaceutical Wholesale	Eliminations ¹	Walgreens Boots Alliance, Inc. ¹
Gross Profit (GAAP)	\$ 5,895	\$ 1,439	\$ 535	\$ (2)	\$ 7,867
LIFO provision	68	-	-	-	68
Adjusted Gross Profit (Non-GAAP measure)	\$ 5,963	\$ 1,439	\$ 535	\$ (2)	\$ 7,935
Sales	\$ 21,500	\$ 3,628	\$ 5,627	\$ (571)	\$ 30,184
Gross Margin (GAAP)	27.4%	39.7%	9.5%		26.1%
Adjusted Gross Margin (Non-GAAP measure)	27.7%	39.7%	9.5%		26.3%



Reconciliation of Non-GAAP financial measures

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

Reconciliation of Gross Profit by Division (in millions)

	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%

	Six Months Ended February 29, 2016				
	Retail Pharmacy USA	Retail Pharmacy International ¹	Pharmaceutical Wholesale	Eliminations ¹	Walgreens Boots Alliance, Inc. ¹
Gross Profit (GAAP)	\$ 11,340	\$ 2,861	\$ 1,092	\$ (7)	\$ 15,286
LIFO provision	114	-	-	-	114
Adjusted Gross Profit (Non-GAAP measure)	\$ 11,454	\$ 2,861	\$ 1,092	\$ (7)	\$ 15,400
Sales	\$ 41,870	\$ 7,087	\$ 11,423	\$ (1,163)	\$ 59,217
Gross Margin (GAAP)	27.1%	40.4%	9.6%		25.8%
Adjusted Gross Margin (Non-GAAP measure)	27.4%	40.4%	9.6%		26.0%



Reconciliation of Non-GAAP financial measures

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

Reconciliation of Selling, General & Administrative Expenses by Division

(in millions)

	Three Months Ended 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
Cost transformation	(316)	(19)	(5)	-	(340)
Acquisition-related amortization	(38)	(25)	(19)	-	(82)
Acquisition-related costs	(29)	-	-	-	(29)
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
<i>Selling, general and administrative expenses percent to Sales (GAAP)</i>	21.8%	32.4%	7.2%		20.8%
<i>Adjusted Selling, general and administrative expenses percent to Sales (Non-GAAP measure)</i>	20.0%	31.0%	6.7%		19.3%

	Three Months Ended February 29, 2016				
	Retail Pharmacy USA	Retail Pharmacy International ¹	Pharmaceutical Wholesale	Eliminations ¹	Walgreens Boots Alliance, Inc. ¹
Selling, general and administrative expenses (GAAP)	\$ 4,466	\$ 1,140	\$ 401	\$ -	\$ 6,007
Cost transformation	(25)	(3)	-	-	(28)
Acquisition-related amortization	(47)	(33)	(21)	-	(101)
Acquisition-related costs	(33)	-	-	-	(33)
Asset impairment	(30)	-	-	-	(30)
Adjusted Selling, general and administrative expenses (Non-GAAP measure)	\$ 4,331	\$ 1,104	\$ 380	\$ -	\$ 5,815
Sales	\$ 21,500	\$ 3,628	\$ 5,627	\$ (571)	\$ 30,184
<i>Selling, general and administrative expenses percent to Sales (GAAP)</i>	20.8%	31.4%	7.1%		19.9%
<i>Adjusted Selling, general and administrative expenses percent to Sales (Non-GAAP measure)</i>	20.1%	30.4%	6.8%		19.3%

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



Reconciliation of Non-GAAP financial measures

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

Reconciliation of Selling, General & Administrative Expenses by Division

(in millions)

	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
Cost transformation	(388)	(25)	(8)	-	(421)
Acquisition-related amortization	(75)	(50)	(39)	-	(164)
Acquisition-related costs	(46)	-	-	-	(46)
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
<i>Selling, general and administrative expenses percent to Sales (GAAP)</i>	21.4%	33.0%	6.9%		20.4%
<i>Adjusted Selling, general and administrative expenses percent to Sales (Non-GAAP measure)</i>	20.2%	31.7%	6.5%		19.3%

	Six Months Ended February 29, 2016				
	Retail Pharmacy USA	Retail Pharmacy International ¹	Pharmaceutical Wholesale	Eliminations ¹	Walgreens Boots Alliance, Inc. ¹
Selling, general and administrative expenses (GAAP)	\$ 8,883	\$ 2,260	\$ 815	\$ -	\$ 11,958
Cost transformation	(110)	(8)	-	-	(118)
Acquisition-related amortization	(97)	(41)	(44)	-	(182)
Acquisition-related costs	(67)	-	-	-	(67)
Asset impairment	(30)	-	-	-	(30)
Adjusted Selling, general and administrative expenses (Non-GAAP measure)	\$ 8,579	\$ 2,211	\$ 771	\$ -	\$ 11,561
Sales	\$ 41,870	\$ 7,087	\$ 11,423	\$ (1,163)	\$ 59,217
<i>Selling, general and administrative expenses percent to Sales (GAAP)</i>	21.2%	31.9%	7.1%		20.2%
<i>Adjusted Selling, general and administrative expenses percent to Sales (Non-GAAP measure)</i>	20.5%	31.2%	6.7%		19.5%

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



Reconciliation of Non-GAAP financial measures

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

Reconciliation of Operating Income by Division (in millions)

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

	Three Months Ended February 29, 2016				
	Retail Pharmacy USA	Retail Pharmacy International ³	Pharmaceutical Wholesale	Eliminations ³	Walgreens Boots Alliance, Inc.
Operating Income (GAAP)	\$ 1,429	\$ 299	\$ 134	\$ (2)	\$ 1,860
Cost transformation	25	3	-	-	28
Acquisition-related amortization	47	33	21	-	101
LIFO provision	68	-	-	-	68
Acquisition-related costs	33	-	-	-	33
Asset impairment	30	-	-	-	30
Adjusted Operating Income (Non-GAAP measure)	\$ 1,632	\$ 335	\$ 155	\$ (2)	\$ 2,120
Sales	\$ 21,500	\$ 3,628	\$ 5,627	\$ (571)	\$ 30,184
<i>Operating Margin (GAAP)</i>	6.6%	8.2%	2.4%		6.2%
<i>Adjusted Operating Margin (Non-GAAP measure)</i>	7.6%	9.2%	2.8%		7.0%

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, 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.

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



Reconciliation of Non-GAAP financial measures

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

Reconciliation of Operating Income by Division

(in millions)

	Six Months Ended February 28, 2017				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale ^{1,2}	Eliminations	Walgreens Boots Alliance, Inc. ²
Operating Income (GAAP)	\$ 2,225	\$ 380	\$ 325	\$ (4)	\$ 2,926
Cost transformation	388	25	8	-	421
Acquisition-related amortization	75	50	39	-	164
LIFO provision	107	-	-	-	107
Acquisition-related costs	46	-	-	-	46
Adjustments to equity earnings in AmerisourceBergen	-	-	78	-	78
Adjusted Operating Income (Non-GAAP measure)	\$ 2,841	\$ 455	\$ 450	\$ (4)	\$ 3,742
Sales	\$ 42,473	\$ 6,063	\$ 10,447	\$ (1,036)	\$ 57,947
<i>Operating Margin (GAAP)²</i>	5.2%	6.3%	2.5%		4.9%
<i>Adjusted Operating Margin (Non-GAAP measure)²</i>	6.7%	7.5%	3.0%		6.2%
	Six Months Ended February 29, 2016				
	Retail Pharmacy USA	Retail Pharmacy International ³	Pharmaceutical Wholesale	Eliminations ³	Walgreens Boots Alliance, Inc.
Operating Income (GAAP)	\$ 2,457	\$ 601	\$ 277	\$ (7)	\$ 3,328
Cost transformation	110	8	-	-	118
Acquisition-related amortization	97	41	44	-	182
LIFO provision	114	-	-	-	114
Acquisition-related costs	67	-	-	-	67
Asset impairment	30	-	-	-	30
Adjusted Operating Income (Non-GAAP measure)	\$ 2,875	\$ 650	\$ 321	\$ (7)	\$ 3,839
Sales	\$ 41,870	\$ 7,087	\$ 11,423	\$ (1,163)	\$ 59,217
<i>Operating Margin (GAAP)</i>	5.9%	8.5%	2.4%		5.6%
<i>Adjusted Operating Margin (Non-GAAP measure)</i>	6.9%	9.2%	2.8%		6.5%

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 28, 2017 includes AmerisourceBergen equity earnings for the period of July 1, 2016 through December 31, 2016.

2. Operating Margins and Adjusted Operating Margins have been calculated excluding Equity earnings in AmerisourceBergen.

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



Reconciliation of Non-GAAP financial measures

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

Equity Earnings in AmerisourceBergen <i>(In millions)</i>	Three Months Ended February 28, 2017	Six Months Ended February 28, 2017
Equity earnings in AmerisourceBergen (GAAP)	\$ 42	\$ 59
Change in fair market value of AmerisourceBergen warrants	-	30
Acquisition-related amortization	32	55
LIFO provision	5	(7)
Adjusted Equity earnings in AmerisourceBergen (Non-GAAP measure)	\$ 79	\$ 137



Reconciliation of Non-GAAP financial measures

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

Free Cash Flow <i>(in millions)</i>	Three Months Ended		Six Months Ended	
	February 28, 2017	February 29, 2016	February 28, 2017	February 29, 2016
Net cash provided by operating activities (GAAP)	\$ 2,857	\$ 2,353	\$ 3,382	\$ 3,085
Less: Additions to property, plant and equipment	(261)	(317)	(639)	(657)
Free cash flow (Non-GAAP measure)¹	\$ 2,596	\$ 2,036	\$ 2,743	\$ 2,428

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 USA¹ Supplemental Information (unaudited)

Selling, general and administrative expenses

(in millions)

	2012	2013				2014				2015				2016				2017	
	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
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	\$4,417	\$4,466	\$4,434	\$4,601	\$4,334	\$4,756
Cost transformation	-	-	-	-	-	-	-	-	-	-	-	(151)	(372)	(85)	(25)	(60)	(204)	(72)	(316)
Acquisition-related amortization	(70)	(74)	(75)	(67)	(73)	(70)	(73)	(71)	(68)	(67)	(59)	(52)	(52)	(50)	(47)	(46)	(42)	(37)	(38)
Acquisition-related costs	(50)	(37)	(21)	(27)	(24)	(25)	(17)	(20)	(20)	(24)	(52)	(4)	-	(34)	(33)	(15)	(20)	(17)	(29)
Asset impairment	-	-	-	-	-	-	-	-	-	-	(110)	-	-	-	(30)	-	-	-	-
Legal settlement	-	-	-	(28)	-	-	-	-	-	-	-	-	-	-	-	-	(47)	-	-
Store closures and other optimization costs	-	-	-	-	-	(19)	(2)	(99)	(139)	(28)	(16)	(7)	(5)	-	-	-	-	-	-
(Loss)/Gain on sale of business	-	-	-	-	-	-	-	-	9	-	-	(12)	(5)	-	-	-	-	-	-
Hurricane Sandy	-	(39)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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	\$4,248	\$4,331	\$4,313	\$4,288	\$4,208	\$4,373
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	\$20,370	\$21,500	\$21,185	\$20,747	\$20,659	\$21,814
<i>Selling, general and administrative expenses percent to Sales</i>	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%	21.7%	20.8%	20.9%	22.2%	21.0%	21.8%
<i>Adjusted Selling, general and administrative expenses percent to Sales (Non-GAAP measure)</i>	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%	20.9%	20.1%	20.4%	20.7%	20.4%	20.0%
<i>Adjusted SG&A as a percentage of sales v. comparable quarter</i>					-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	-1.3%p	-0.4%p	-0.5%p	-0.9%p	-0.5%p	-0.1%p



Walgreens Boots Alliance

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1. Financial information presented for periods subsequent to 31 December 2014 is for the Retail Pharmacy USA segment of Walgreens Boots Alliance, Inc. and includes 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 2017” refer to our fiscal year ended 31 August 2017.

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

