



Walgreens Boots Alliance

Fiscal 2017 First Quarter Results

5 January 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 our ability to satisfy the closing conditions 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 changes in legislation, regulations or interpretations thereof. These and other risks, assumptions and uncertainties are described in Item 1A (Risk Factors) of our Form 10-K for the fiscal year ended 31 August 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 16 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

1Q results were in line with our expectations

Made good progress towards completing Rite Aid transaction¹

Raised low end of guidance



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Refer to footnotes on page 16

1Q financial highlights



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\$ in millions (except EPS & % change)		1Q17	Reported Δ vs. 1Q16	Constant currency ² Δ vs. 1Q16
Sales		\$28,501	- 1.8%	+ 1.1%
Operating income:	GAAP	\$1,447	- 1.4%	
	Adjusted³	\$1,726	+ 0.4%	+ 2.8%
Net earnings⁴:	GAAP	\$1,054	- 5.0%	
	Adjusted³	\$1,201	+ 6.1%	+ 8.2%
Diluted net EPS⁴:	GAAP	\$0.97	- 4.0%	
	Adjusted³	\$1.10	+ 6.8%	+ 9.7%



Walgreens Boots Alliance

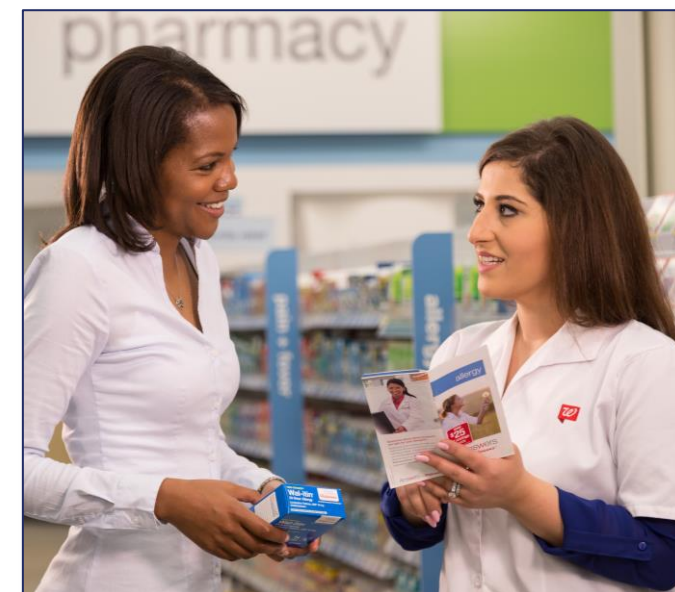
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Retail Pharmacy USA - 1Q financials



<i>\$ in millions (except %)</i>	1Q17	Δ vs. 1Q16
Sales	\$20,659	+ 1.4%
Comparable store sales		+ 1.1%
Adjusted gross profit^{3,5}	\$5,497	+ 0.1%
Adjusted SG&A % of sales^{3,5}	20.4%	- 0.5%p
Adjusted operating margin^{3,5}	6.2%	+ 0.1%p
Adjusted operating income^{3,5}	\$1,289	+ 3.7%



Retail Pharmacy USA - pharmacy



1Q17 vs. 1Q16	Total	Comparable
Pharmacy sales	+ 2.5%	+ 2.0%
Prescriptions	+ 3.0%	+ 3.4% ⁶

Continued Med Part D volume growth

Moderation of branded drug price inflation

Market share up approx. 40 bps to 19.5%⁷



Refer to footnotes on page 16



Retail Pharmacy USA - retail

vs. 1Q16



Total retail sales down 0.9%

- includes closure of certain e-commerce operations

Comparable retail sales down 0.5%

- declines in consumables & general merchandise and personal care categories
- partially offset by increases in health & wellness and beauty categories



Refer to footnotes on page 16



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Retail Pharmacy USA - beauty differentiation



Completed first phase in more than 1,800 stores

Increased beauty sales in remodeled stores

Introducing new product lines and further store expansions in 2017¹



Retail Pharmacy International - 1Q financials



\$ in millions (except %)	Constant currency ²	
	1Q17	Δ vs. 1Q16
Sales ⁸	\$2,962	+ 0.5%
Comparable store sales ^{2,8}		- 0.1%

Comparable pharmacy sales down 0.5%^{2,8}

- Boots UK down 0.8%^{2,8}
- reduction in UK pharmacy funding

Comparable retail sales up 0.2%^{2,8}

- Boots UK flat^{2,8}



Retail Pharmacy International - 1Q financials



\$ in millions (except %)	Constant currency ²	
	1Q17	Δ vs. 1Q16
Sales⁸	\$2,962	+ 0.5%
Comparable store sales^{2,8}		- 0.1%
Adjusted gross profit^{3,8}	\$1,175	- 2.7%
Adjusted SG&A % of sales^{3,8}	32.5%	+ 0.7%p
Adjusted operating margin^{3,8}	7.2%	- 2.0%p
Adjusted operating income^{3,8}	\$213	- 21.6%



Pharmaceutical Wholesale - 1Q financials



\$ in millions (except %)	Constant currency ²	
	1Q17	Δ vs. 1Q16
Sales⁹	\$5,417	+ 0.6%
Comparable sales^{9,10}		+ 4.7%
Adjusted operating margin^{3,10,11}	3.1%	+ 0.3%p
Adjusted operating income^{3,10,11}	\$224	+ 45.2%



Refer to footnotes on page 16



1Q capital allocation



Walgreens Boots Alliance

Operating cash flow: \$525 million

- typical seasonal builds in inventory
- inventory builds for certain new initiatives
- improved payable days

Cash capital expenditure: \$378 million

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

Free cash flow:³ \$147 million



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Pending Rite Aid acquisition¹



Fiscal year 2017 guidance¹



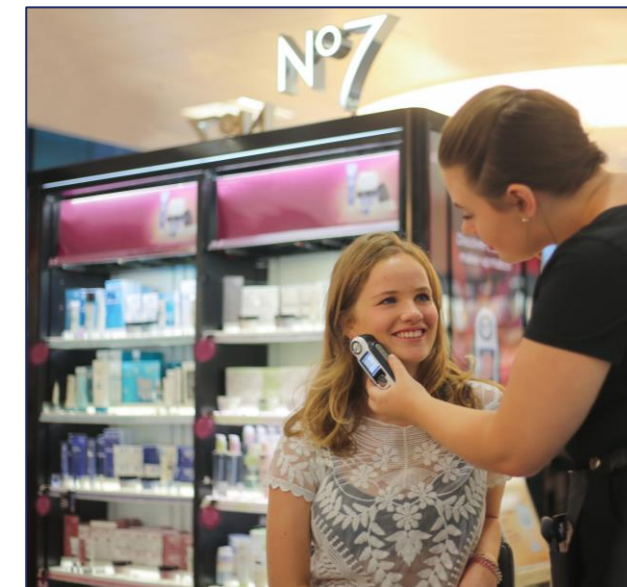
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Raised low end of guidance by five cents

**Anticipated adjusted diluted net EPS^{1,3}
\$4.90 - \$5.20**

Key assumptions include:¹

- Rite Aid net EPS accretion \$0.05 - \$0.12
- current exchange rates for rest of fiscal year



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Refer to footnotes on page 16



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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Refer to footnotes on page 16

Footnotes

1. Forward-Looking Statements – see cautionary note on slide 2.
2. Presented on a constant currency basis. Non-GAAP financial measure – see appendix. These amounts are calculated by translating current period results at the foreign currency exchange rates used in the comparable period in the prior year. The company presents such constant currency financial information because it has significant operations outside of the United States reporting in currencies other than the U.S. dollar and this presentation provides a framework to assess how its business performed excluding the impact of foreign currency exchange rate fluctuations.
3. Non-GAAP financial measures: see appendix for reconciliations of non-GAAP financial measures and related disclosures.
4. Net earnings and Net earnings per common share - diluted figures are attributable to Walgreens Boots Alliance, Inc.
5. Retail Pharmacy USA segment GAAP 1Q17 results, dollars in millions: gross profit \$5,439, selling general and administrative expenses \$4,334, SG&A as a percent of sales 21.0%, operating income \$1,105, and operating margin 5.3% – see Appendix.
6. Retail Pharmacy USA Pharmacy prescriptions filled at comparable stores (including immunizations) are reported on a 30 day adjusted basis.
7. Based on data from IMS Health (as of 30 November 2016). Due to an enhancement to the IMS panel, market shares have been restated by IMS for the comparable year-ago period.
8. Retail Pharmacy International segment GAAP 1Q17 results, dollars in millions: gross profit \$1,175, selling general and administrative expenses \$993, SG&A as a percent of sales 33.5%, operating income \$182, and operating margin 6.1% – see Appendix. In 1Q17 compared to the prior year quarter, the division's operating income on a reported currency basis decreased 39.7%, operating margin on a reported currency basis decreased 2.6 percentage points, sales on a reported currency basis decreased 14.4%, comparable store sales on a reported currency basis decreased 14.8%, comparable pharmacy sales on a reported currency basis decreased 14.6%, comparable retail sales on a reported currency basis decreased 15.0%, Boots UK comparable pharmacy sales on a reported currency basis decreased 18.0% and Boots UK comparable retail sales on a reported currency basis decreased 17.5%.
9. Presented on a constant currency basis and excluding acquisitions and dispositions.
10. Pharmaceutical Wholesale segment GAAP 1Q17 results, dollars in millions: operating income \$160, and operating margin 2.6% – see Appendix. In 1Q17 compared to the prior year quarter, the division's operating income on a reported currency basis increased 11.9%, operating margin on a reported currency basis increased 0.1 percentage points, sales on a reported currency basis decreased 6.5%, and comparable sales excluding acquisitions and dispositions on a reported currency basis decreased 2.7%.
11. Pharmaceutical Wholesale adjusted operating income for the three month period ended November 30, 2016 includes \$58 million of adjusted equity earnings in AmerisourceBergen. See appendix for details. Pharmaceutical Wholesale adjusted operating margin for the three month periods ended November 30, 2016 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 press release 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 press release, 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 press release. The company does not provide a reconciliation for non-GAAP estimates on a forward-looking basis (including the information under "Company Outlook" above) 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			
	November 30, 2016	November 30, 2015	Change vs. 1Q16	
			Amount	Percent
Net earnings attributable to Walgreens Boots Alliance, Inc. (GAAP)	\$ 1,054	\$ 1,110	\$ (56)	-5.0%
Adjustments to Operating Income:				
Acquisition-related amortization ¹	82	81		
Cost transformation ¹	81	90		
LIFO provision ¹	58	46		
Adjustments to equity earnings in AmerisourceBergen ¹	41	-		
Acquisition-related costs ¹	17	34		
Total Adjustments to Operating Income	279	251		
Adjustments to Other income (expense):				
Decrease in fair market value of AmerisourceBergen warrants ¹	-	57		
Net investment hedging gain ¹	(1)	-		
Total Adjustments to Other income (expense)	(1)	57		
Adjustments to Interest expense, net:				
Prefunded interest expenses ¹	41	-		
Total Adjustments to Interest expense, net	41	-		
Adjustments to Income tax provision:				
United Kingdom tax rate change ²	(77)	(178)		
Tax impact of adjustments ³	(95)	(108)		
Total Adjustments to Income tax provision	(172)	(286)		
Adjusted net earnings attributable to Walgreens Boots Alliance, Inc. (Non-GAAP measure)	\$ 1,201	\$ 1,132	\$ 69	6.1%

1. Presented on a pre-tax basis. The comparable prior period has 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			
	November 30, 2016	November 30, 2015	Change vs. 1Q16	
			Amount	Percent
Diluted net earnings per common share (GAAP)	\$ 0.97	\$ 1.01	\$ (0.04)	-4.0%
Adjustments to Operating Income	0.25	0.23		
Adjustments to Other income (expense)	-	0.05		
Adjustments to Interest expense, net	0.04	-		
Adjustments to Income tax provision	(0.16)	(0.26)		
Adjusted diluted net earnings per common share (Non-GAAP measure)	\$ 1.10	\$ 1.03	\$ 0.07	6.8%



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 November 30, 2016			Three Months Ended November 30, 2015		
	Earnings Before Income Tax Provision	Income Tax Provision	Effective Tax Rate	Earnings Before Income Tax Provision	Income Tax Provision	Effective Tax Rate
GAAP-measure	\$ 1,275	\$ 220	17.3%	\$ 1,273	\$ 167	13.1%
Acquisition-related amortization	82	22		81	23	
Cost transformation	81	21		90	26	
LIFO provision	58	15		46	13	
Adjustments to equity earnings in AmerisourceBergen	41	(2)		-	-	
Acquisition-related costs	17	4		34	10	
Decrease in fair market value of AmerisourceBergen warrants	-	-		57	16	
Net investment hedging gain	(1)	-		-	-	
Prefunded interest expenses	41	11		-	-	
United Kingdom tax rate change	-	77		-	178	
Adjusted tax rate true-up	-	24		-	20	
Non-GAAP measure	\$ 1,594	\$ 392		\$ 1,581	\$ 453	
Exclude adjusted equity earnings in AmerisourceBergen	(58)	-		-	-	
Non-GAAP measure (excluding equity earnings in AmerisourceBergen)¹	\$ 1,536	\$ 392	25.5%	\$ 1,581	\$ 453	28.7%



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 November 30, 2016				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations	Walgreens Boots Alliance, Inc.
Gross Profit (GAAP)	\$ 5,439	\$ 1,175	\$ 502	\$ -	\$ 7,116
LIFO provision	58	-	-	-	58
Adjusted Gross Profit (Non-GAAP measure)	\$ 5,497	\$ 1,175	\$ 502	\$ -	\$ 7,174
Sales	\$ 20,659	\$ 2,962	\$ 5,417	\$ (537)	\$ 28,501
Gross Margin (GAAP)	26.3%	39.7%	9.3%		25.0%
Adjusted Gross Margin (Non-GAAP measure)	26.6%	39.7%	9.3%		25.2%

	Three Months Ended November 30, 2015				
	Retail Pharmacy USA	Retail Pharmacy International ¹	Pharmaceutical Wholesale	Eliminations ¹	Walgreens Boots Alliance, Inc. ¹
Gross Profit (GAAP)	\$ 5,445	\$ 1,422	\$ 557	\$ (5)	\$ 7,419
LIFO provision	46	-	-	-	46
Adjusted Gross Profit (Non-GAAP measure)	\$ 5,491	\$ 1,422	\$ 557	\$ (5)	\$ 7,465
Sales	\$ 20,370	\$ 3,459	\$ 5,796	\$ (592)	\$ 29,033
Gross Margin (GAAP)	26.7%	41.1%	9.6%		25.6%
Adjusted Gross Margin (Non-GAAP measure)	27.0%	41.1%	9.6%		25.7%



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 November 30, 2016				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations	Walgreens Boots Alliance, Inc.
Selling, general and administrative expenses (GAAP)	\$ 4,334	\$ 993	\$ 359	\$ -	\$ 5,686
Acquisition-related amortization	(37)	(25)	(20)	-	(82)
Cost transformation	(72)	(6)	(3)	-	(81)
Acquisition-related costs	(17)	-	-	-	(17)
Adjusted Selling, general and administrative expenses (Non-GAAP measure)	\$ 4,208	\$ 962	\$ 336	\$ -	\$ 5,506
Sales	\$ 20,659	\$ 2,962	\$ 5,417	\$ (537)	\$ 28,501
<i>Selling, general and administrative expenses percent to Sales (GAAP)</i>	21.0%	33.5%	6.6%		20.0%
<i>Adjusted Selling, general and administrative expenses percent to Sales (Non-GAAP measure)</i>	20.4%	32.5%	6.2%		19.3%

	Three Months Ended November 30, 2015				
	Retail Pharmacy USA	Retail Pharmacy International ¹	Pharmaceutical Wholesale	Eliminations ¹	Walgreens Boots Alliance, Inc. ¹
Selling, general and administrative expenses (GAAP)	\$ 4,417	\$ 1,120	\$ 414	\$ -	\$ 5,951
Acquisition-related amortization	(50)	(8)	(23)	-	(81)
Cost transformation	(85)	(5)	-	-	(90)
Acquisition-related costs	(34)	-	-	-	(34)
Adjusted Selling, general and administrative expenses (Non-GAAP measure)	\$ 4,248	\$ 1,107	\$ 391	\$ -	\$ 5,746
Sales	\$ 20,370	\$ 3,459	\$ 5,796	\$ (592)	\$ 29,033
<i>Selling, general and administrative expenses percent to Sales (GAAP)</i>	21.7%	32.4%	7.1%		20.5%
<i>Adjusted Selling, general and administrative expenses percent to Sales (Non-GAAP measure)</i>	20.9%	32.0%	6.7%		19.8%



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 November 30, 2016				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale ^{1,2}	Eliminations	Walgreens Boots Alliance, Inc. ²
Operating Income (GAAP)	\$ 1,105	\$ 182	\$ 160	\$ -	\$ 1,447
Acquisition-related amortization	37	25	20	-	82
Cost transformation	72	6	3	-	81
LIFO provision	58	-	-	-	58
Adjustments to equity earnings in AmerisourceBergen	-	-	41	-	41
Acquisition-related costs	17	-	-	-	17
Adjusted Operating Income (Non-GAAP measure)	\$ 1,289	\$ 213	\$ 224	\$ -	\$ 1,726
Sales	\$ 20,659	\$ 2,962	\$ 5,417	\$ (537)	\$ 28,501
Operating Margin (GAAP) ²	5.3%	6.1%	2.6%		5.0%
Adjusted Operating Margin (Non-GAAP measure) ²	6.2%	7.2%	3.1%		5.9%

	Three Months Ended November 30, 2015				
	Retail Pharmacy USA	Retail Pharmacy International ³	Pharmaceutical Wholesale	Eliminations ³	Walgreens Boots Alliance, Inc.
Operating Income (GAAP)	\$ 1,028	\$ 302	\$ 143	\$ (5)	\$ 1,468
Acquisition-related amortization	50	8	23	-	81
Cost transformation	85	5	-	-	90
LIFO provision	46	-	-	-	46
Acquisition-related costs	34	-	-	-	34
Adjusted Operating Income (Non-GAAP measure)	\$ 1,243	\$ 315	\$ 166	\$ (5)	\$ 1,719
Sales	\$ 20,370	\$ 3,459	\$ 5,796	\$ (592)	\$ 29,033
Operating Margin (GAAP)	5.0%	8.7%	2.5%		5.1%
Adjusted Operating Margin (Non-GAAP measure)	6.1%	9.1%	2.9%		5.9%

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 November 30, 2016 includes AmerisourceBergen equity earnings for the period of July 1, 2016 through September 30, 2016.

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

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



Reconciliation of Non-GAAP financial measures

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

Equity Earnings in AmerisourceBergen

(In millions)

**Three Months Ended
November 30, 2016**

Equity earnings in AmerisourceBergen (GAAP)	\$	17
Change in fair market value of AmerisourceBergen warrants		30
Acquisition-related amortization		23
LIFO provision		(12)
Adjusted Equity earnings in AmerisourceBergen (Non-GAAP measure)	\$	58



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 November 30, 2016	Three Months Ended November 30, 2015
Net cash provided by operating activities (GAAP)	\$ 525	\$ 732
Less: Additions to property, plant and equipment	(378)	(340)
Free cash flow (Non-GAAP measure)¹	\$ 147	\$ 392

1. Free cash flow is defined as net cash provided by operating activities in a period minus 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.



Certain assumptions and supplemental information

Unless the context otherwise indicates or 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.

