UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

☑ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended May 31, 2019

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period From _______to _______

Commission File Number
001-36759

WALGREENS BOOTS ALLIANCE, INC.

(Exact name of registrant as specified in its charter)

Delaware	47-1758322
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
108 Wilmot Road, Deerfield, Illinois	60015
(Address of principal executive offices)	(Zip Code)

(847) 315-2500
(Registrant's telephone number, including area code)

____
Former name, former address and former fiscal year, if changed since last report

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value	WBA	The NASDAQ Stock Market LLC
2.875% Walgreens Boots Alliance, Inc. notes due 2020	WBA20	The NASDAQ Stock Market LLC
3.600% Walgreens Boots Alliance, Inc. notes due 2025	WBA25	The NASDAQ Stock Market LLC
2.125% Walgreens Boots Alliance, Inc. notes due 2026	WBA26	The NASDAQ Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☑	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☐
	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☑

The number of shares outstanding of the registrant’s Common Stock, $0.01 par value, as of May 31, 2019 was 903,143,463 .

WALGREENS BOOTS ALLIANCE, INC.

FORM 10-Q FOR THE THREE AND NINE MONTHS ENDED MAY 31, 2019

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

PART II. OTHER INFORMATION

Part I. Financial Information

Item 1. Consolidated Condensed Financial Statements (Unaudited)

WALGREENS BOOTS ALLIANCE, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS
(UNAUDITED)
(in millions, except shares and per share amounts)

	May 31, 2019	August 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	$ 839	$ 785
Accounts receivable, net	7,239	6,573
Inventories	9,874	9,565
Other current assets	1,070	923
Total current assets	19,021	17,846
Non-current assets:		
Property, plant and equipment, net	13,717	13,911
Goodwill	16,717	16,914
Intangible assets, net	11,325	11,783
Equity method investments (see note 5)	6,673	6,610
Other non-current assets	1,133	1,060
Total non-current assets	49,565	50,278
Total assets	**$ 68,586**	**$ 68,124**
Liabilities and equity		
Current liabilities:		
Short-term debt	$ 5,483	$ 1,966
Trade accounts payable (see note 16)	14,130	13,566
Accrued expenses and other liabilities	5,185	5,862
Income taxes	263	273
Total current liabilities	25,060	21,667
Non-current liabilities:		
Long-term debt	12,127	12,431
Deferred income taxes	1,860	1,815
Other non-current liabilities	4,768	5,522
Total non-current liabilities	18,754	19,768
Commitments and contingencies (see note 10)		
Equity:		
Preferred stock $.01 par value; authorized 32 million shares, none issued	—	—
Common stock $.01 par value; authorized 3.2 billion shares; issued 1,172,513,618 at May 31, 2019 and August 31, 2018	12	12
Paid-in capital	10,605	10,493
Retained earnings	35,547	33,551
Accumulated other comprehensive loss	(3,393)	(3,002)
Treasury stock, at cost; 269,370,155 shares at May 31, 2019 and 220,380,200 at August 31, 2018	(18,638)	(15,047)
Total Walgreens Boots Alliance, Inc. shareholders' equity	24,133	26,007
Noncontrolling interests	638	682
Total equity	24,771	26,689
Total liabilities and equity	**$ 68,586**	**$ 68,124**

The accompanying notes to Consolidated Condensed Financial Statements are an integral part of these statements.

WALGREENS BOOTS ALLIANCE, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF EQUITY
(UNAUDITED)
For the three and nine months ended May 31, 2019 and May 31, 2018
(in millions, except shares)

	Equity attributable to Walgreens Boots Alliance, Inc.							
	Common stock shares	Common stock amount	Treasury stock amount	Paid-in capital	Accumulated other comprehensive income (loss)	Retained earnings	Noncontrolling interests	Total equity
February 28, 2019	914,176,442	$ 12	$ (18,036)	$ 10,571	$ (2,705)	$ 34,928	$ 643	$ 25,413
Net earnings (loss)	—	—	—	—	—	1,025	12	1,037
Other comprehensive income (loss), net of tax	—	—	—	—	(683)	—	(13)	(696)
Dividends declared	—	—	—	—	—	(399)	—	(399)
Treasury stock purchases	(11,394,049)	—	(612)	—	—	—	—	(612)
Employee stock purchase and option plans	361,070	—	11	7	—	—	—	18
Stock-based compensation	—	—	—	24	—	—	—	24
Other	—	—	—	3	(6)	(6)	(4)	(13)
May 31, 2019	903,143,463	$ 12	$ (18,638)	$ 10,605	$ (3,393)	$ 35,547	$ 638	$ 24,771

	Equity attributable to Walgreens Boots Alliance, Inc.							
	Common stock shares	Common stock amount	Treasury stock amount	Paid-in capital	Accumulated other comprehensive income (loss)	Retained earnings	Noncontrolling interests	Total equity
August 31, 2018	952,133,418	$ 12	$ (15,047)	$ 10,493	$ (3,002)	$ 33,551	$ 682	$ 26,689
Net earnings (loss)	—	—	—	—	—	3,305	(29)	3,275
Other comprehensive income (loss), net of tax	—	—	—	—	(393)	—	(6)	(399)
Dividends declared	—	—	—	—	—	(1,219)	(3)	(1,222)
Treasury stock purchases	(53,491,968)	—	(3,726)	—	—	—	—	(3,726)
Employee stock purchase and option plans	4,502,013	—	135	21	—	—	—	156
Stock-based compensation	—	—	—	87	—	—	—	87
Adoption of new accounting standards	—	—	—	—	—	(88)	—	(88)
Other	—		—	4	—	—	(6)	(2)
May 31, 2019	903,143,463	$ 12	$ (18,638)	$ 10,605	$ (3,393)	$ 35,547	$ 638	$ 24,771

	Equity attributable to Walgreens Boots Alliance, Inc.							
	Common stock shares	**Common stock amount**	**Treasury stock amount**	**Paid-in capital**	**Accumulated other comprehensive income (loss)**	**Retained earnings**	**Noncontrolling interests**	**Total equity**
February 28, 2018	991,665,577	$ 12	$ (12,415)	$ 10,408	$ (2,163)	$ 31,513	$ 823	$ 28,178
Net earnings	—	—	—	—	—	1,342	4	1,346
Other comprehensive income (loss), net of tax	—	—	—	—	(629)	—	(13)	(642)
Dividends declared	—	—	—	—	—	(395)	(80)	(475)
Employee stock purchase and option plans	746,245	—	27	8	—	—	—	35
Stock-based compensation	—	—	—	28	—	—	—	28
Noncontrolling interests contribution	—	—	—	—	—	—	—	—
May 31, 2018	992,411,822	$ 12	$ (12,388)	$ 10,444	$ (2,792)	$ 32,460	$ 734	$ 28,470

	Equity attributable to Walgreens Boots Alliance, Inc.							
	Common stock shares	**Common stock amount**	**Treasury stock amount**	**Paid-in capital**	**Accumulated other comprehensive income (loss)**	**Retained earnings**	**Noncontrolling interests**	**Total equity**
August 31, 2017	1,023,849,070	$ 12	$ (9,971)	$ 10,339	$ (3,051)	$ 30,137	$ 808	$ 28,274
Net earnings	—	—	—	—	—	3,512	5	3,517
Other comprehensive income (loss), net of tax	—	—	—	—	259	—	7	266
Dividends declared	—	—	—	—	—	(1,189)	(86)	(1,275)
Treasury stock purchases	(34,499,913)	—	(2,525)	—	—	—	—	(2,525)
Employee stock purchase and option plans	3,062,665	—	108	10	—	—	—	118
Stock-based compensation	—	—	—	91	—	—	—	91
Noncontrolling interests contribution	—	—	—	4	—	—	—	4
May 31, 2018	992,411,822	$ 12	$ (12,388)	$ 10,444	$ (2,792)	$ 32,460	$ 734	$ 28,470

The accompanying notes to Consolidated Condensed Financial Statements are an integral part of these statements.

WALGREENS BOOTS ALLIANCE, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF EARNINGS
(UNAUDITED)
(in millions, except per share amounts)

	Three months ended May 31,		Nine months ended May 31,	
	2019	**2018**	**2019**	**2018**
Sales	$ 34,591	$ 34,334	$ 102,912	$ 98,095
Cost of sales	27,138	26,554	80,063	74,878
Gross profit	7,453	7,780	22,849	23,217
Selling, general and administrative expenses	6,235	6,235	18,834	18,466
Equity earnings (loss) in AmerisourceBergen	(16)	52	105	142
Operating income	1,203	1,597	4,120	4,893
Other income (expense)	182	—	227	(122)
Earnings before interest and income tax provision	1,385	1,597	4,347	4,771
Interest expense, net	187	157	529	457
Earnings before income tax provision	1,198	1,440	3,819	4,314
Income tax provision	156	109	562	839
Post tax earnings (loss) from other equity method investments	(5)	15	19	42
Net earnings	1,037	1,346	3,275	3,517
Net earnings (loss) attributable to noncontrolling interests	12	4	(29)	5
Net earnings attributable to Walgreens Boots Alliance, Inc.	**$ 1,025**	**$ 1,342**	**$ 3,305**	**$ 3,512**
Net earnings per common share:				
Basic	$ 1.13	$ 1.35	$ 3.56	$ 3.52
Diluted	$ 1.13	$ 1.35	$ 3.55	$ 3.51
Weighted average common shares outstanding:				
Basic	909.9	992.1	928.8	996.4
Diluted	911.2	995.3	931.1	1,000.6

The accompanying notes to Consolidated Condensed Financial Statements are an integral part of these statements.

WALGREENS BOOTS ALLIANCE, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)
(in millions)

	Three months ended May 31,		Nine months ended May 31,	
	2019	**2018**	**2019**	**2018**
Comprehensive Income:				
Net earnings	$ 1,037	$ 1,346	$ 3,275	$ 3,517
Other comprehensive income (loss), net of tax:				
Pension/postretirement obligations	(2)	(2)	(8)	(4)
Unrealized gain (loss) on hedges	44	1	33	2
Share of other comprehensive income (loss) of equity method investments	1	11	(1)	13
Currency translation adjustments	(745)	(652)	(422)	255
Total other comprehensive income (loss)	(702)	(642)	(399)	266
Total comprehensive income	335	704	2,877	3,783
Comprehensive income (loss) attributable to noncontrolling interests	(1)	(9)	(35)	12
Comprehensive income attributable to Walgreens Boots Alliance, Inc.	**$ 336**	**$ 713**	**$ 2,912**	**$ 3,771**

The accompanying notes to Consolidated Condensed Financial Statements are an integral part of these statements.

WALGREENS BOOTS ALLIANCE, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(in millions)

	Nine months ended May 31, 2019	Nine months ended May 31, 2018
Cash flows from operating activities :		
Net earnings	$ 3,275	$ 3,517
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	1,512	1,300
Deferred income taxes	109	(382)
Stock compensation expense	87	91
Equity (earnings) from equity method investments	(124)	(184)
Other	42	266
Changes in operating assets and liabilities:		
Accounts receivable, net	(730)	(762)
Inventories	(354)	230
Other current assets	(80)	(4)
Trade accounts payable	662	675
Accrued expenses and other liabilities	(642)	16
Income taxes	(372)	793
Other non-current assets and liabilities	(171)	(110)
Net cash provided by operating activities	3,215	5,446
Cash flows from investing activities :		
Additions to property, plant and equipment	(1,246)	(983)
Proceeds from sale of other assets	95	221
Business, investment and asset acquisitions, net of cash acquired	(467)	(4,220)
Other	51	(129)
Net cash used for investing activities	(1,569)	(5,111)
Cash flows from financing activities :		
Net change in short-term debt with maturities of 3 months or less	299	596
Proceeds from debt	10,291	5,043
Payments of debt	(7,332)	(3,507)
Stock purchases	(3,726)	(2,525)
Proceeds related to employee stock plans	156	118
Cash dividends paid	(1,244)	(1,291)
Other	(17)	(217)
Net cash used for financing activities	(1,573)	(1,783)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(12)	27
Changes in cash, cash equivalents and restricted cash:		
Net increase (decrease) in cash, cash equivalents and restricted cash	62	(1,422)
Cash, cash equivalents and restricted cash at beginning of period	975	3,496
Cash, cash equivalents and restricted cash at end of period	**$ 1,038**	**$ 2,074**

The accompanying notes to Consolidated Condensed Financial Statements are an integral part of these statements.

WALGREENS BOOTS ALLIANCE, INC. AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
(UNAUDITED)

Note 1. Accounting policies

Basis of presentation

The Consolidated Condensed Financial Statements of Walgreens Boots Alliance, Inc. ("Walgreens Boots Alliance" or the "Company") included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission regarding interim financial reporting. The Consolidated Condensed Financial Statements include all subsidiaries in which the Company holds a controlling interest. The Company uses the equity-method of accounting for equity investments in less than majority-owned companies if the investment provides the ability to exercise significant influence. All intercompany transactions have been eliminated.

The Consolidated Condensed Financial Statements included herein are unaudited. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States ("GAAP") have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. These unaudited Consolidated Condensed Financial Statements should be read in conjunction with the audited financial statements and the notes thereto included in the Walgreens Boots Alliance Annual Report on Form 10-K for the fiscal year ended August 31, 2018 .

In the opinion of management, the unaudited Consolidated Condensed Financial Statements for the interim periods presented include all adjustments (consisting only of normal recurring adjustments) necessary to present a fair statement of the results for such interim periods. The influence of certain holidays, seasonality, foreign currency rates, changes in vendor, payer and customer relationships and terms, strategic transactions including acquisitions, changes in laws and general economic conditions in the markets in which the Company operates and other factors on the Company's operations and net earnings for any period may not be comparable to the same period in previous years.

Certain amounts in the Consolidated Condensed Financial Statements and associated notes may not add due to rounding. All percentages have been calculated using unrounded amounts for the three and nine months ended May 31, 2019 .

Note 2. Acquisitions

Acquisition of certain Rite Aid Corporation (" Rite Aid ") assets

On September 19, 2017, the Company announced that it had secured regulatory clearance for an amended and restated asset purchase agreement to purchase 1,932 stores, three distribution centers and related inventory from Rite Aid for $4.375 billion in cash and other consideration. The purchases of these stores have been accounted for as business combinations and occurred in waves during fiscal 2018. The Company purchased 1,932 stores for total cash consideration of $4.2 billion for the fiscal year ended August 31, 2018.

As of May 31, 2019 , the Company completed the analysis to assign fair values for assets acquired and liabilities assumed for the acquired stores. During the three months ended May 31, 2019 , the Company did not record any measurement period adjustments. The following table summarizes the consideration paid and the amounts of identified assets acquired and liabilities assumed for purchase of 1,932 stores as of May 31, 2019 (in millions):

Consideration	**$**	**4,330**
Identifiable assets acquired and liabilities assumed		
Inventories	$	1,171
Property, plant and equipment		490
Intangible assets		2,039
Accrued expenses and other liabilities		(55)
Deferred income taxes		291
Other non-current liabilities		(937)
Total identifiable net assets		2,999
Goodwill	**$**	**1,331**

The identified definite-lived intangible assets were as follows:

Definite-lived intangible assets	Weighted-average useful life (in years)	Amount (in millions)
Customer relationships	12	$ 1,800
Favorable lease interests	10	219
Trade names	2	20
Total		**$ 2,039**

Consideration included cash of $4,157 million and the fair value of the option granted to Rite Aid to become a member of the Company's group purchasing organization, Walgreens Boots Alliance Development GmbH. The fair value for this option was determined using the income approach methodology. The fair value estimates are based on the market compensation for such services and appropriate discount rate, as relevant, that market participants would consider when estimating fair values.

The goodwill of $1,331 million arising from the business combinations primarily reflects the expected operational synergies and cost savings generated from the Store Optimization Program as well as the expected growth from new customers. See note 3 , exit and disposal activities , for additional information. The goodwill was allocated to the Retail Pharmacy USA segment. Substantially all of the goodwill recognized is expected to be deductible for income tax purposes.

The fair value for customer relationships was determined using the multi-period excess earnings method, a form of the income approach. Real property fair values were determined using primarily the income approach and sales comparison approach. The fair value measurements of the intangible assets are based on significant inputs not observable in the market and thus represent Level 3 measurements. The fair value estimates for the intangible assets are based on projected discounted cash flows, historical and projected financial information and attrition rates, as relevant, that market participants would consider when estimating fair values.

The following table presents supplemental unaudited condensed pro forma consolidated sales for the three and nine months ended May 31, 2018 and gives effect to the acquisition of all 1,932 stores acquired under the amended and restated asset purchase agreement as if such had been acquired on September 1, 2017. Pro forma net earnings of the Company for the three and nine months ended May 31, 2018 , assuming these purchases had occurred at the beginning of each period presented, would not be materially different from the results reported. See note 3 , exit and disposal activities , for additional disclosures. The unaudited condensed pro forma information has been prepared for comparative purposes only and is not intended to be indicative of what the Company's results would have been had the purchases occurred at the beginning of the periods presented or results which may occur in the future.

	Three months ended May 31,	Nine months ended May 31,
(in millions)	2018	2018
Sales	$ 34,366	$ 102,059

The Company acquired the first distribution center and related inventory for cash consideration of $ 61 million during the nine months ended May 31, 2019 . The transition of the remaining two distribution centers and related inventory remains subject to closing conditions set forth in the amended and restated asset purchase agreement.

Other acquisitions
The Company acquired certain prescription files and related pharmacy inventory from Fred's Inc. for the aggregate purchase price of $ 177 million during the nine months ended May 31, 2019 .

Note 3. Exit and disposal activities

Transformational Cost Management Program
On December 20, 2018, the Company announced a multi-faceted program (the "Transformational Cost Management Program"), which includes divisional optimization initiatives, global smart spending, global smart organization and digitalization of the enterprise to transform long-term capabilities. Divisional optimization within each of our segments include activities such as optimization of stores, distribution centers and offices and efficient supply chain. Additionally, the Company has initiated global smart spending and smart organization programs and digitalization, initially focused on the Company's

Retail Pharmacy USA division, its retail business in the UK and its global functions. Actions under the Transformational Cost Management Program announced on December 20, 2018 are expected to be complete by fiscal 2022.

As of the date of this report, the Company is not able to make a determination of the total estimated charge or range of charges that may be incurred for each major type of cost nor the future cash expenditures or charges, including non-cash impairment charges, it may incur.

Costs related to the Transformational Cost Management Program, which were primarily recorded within selling, general and administrative expenses were as follows (in millions):

Three months ended May 31, 2019	**Retail Pharmacy USA**	**Retail Pharmacy International**	**Pharmaceutical Wholesale**	**Walgreens Boots Alliance, Inc.**
Employee severance and other exit costs	$ 7	$ 5	$ 11	$ 24
Asset impairments [1]	5	16	11	32
Total costs	**$ 13**	**$ 21**	**$ 22**	**$ 56**

Nine months ended May 31, 2019	**Retail Pharmacy USA**	**Retail Pharmacy International**	**Pharmaceutical Wholesale**	**Walgreens Boots Alliance, Inc.**
Employee severance and other exit costs	$ 24	$ 39	$ 22	$ 86
Asset impairments [1]	5	48	96	149
Total costs	**$ 29**	**$ 88**	**$ 119**	**$ 235**

1 Primarily includes write down of certain software and inventory.

The changes in liabilities related to the Transformational Cost Management Program include the following (in millions):

	Employee severance and other exit costs	**Asset impairments**	**Total**
Balance at August 31, 2018	$ —	$ —	$ —
Costs	86	149	235
Payments	(57)	—	(57)
Other - non cash	—	(149)	(149)
Balance at May 31, 2019	**$ 28**	**$ —**	**$ 28**

Store Optimization Program
On October 24, 2017, the Company's Board of Directors approved a plan to implement a program (the "Store Optimization Program") to optimize store locations through the planned closure of approximately 600 stores and related assets within the Company's Retail Pharmacy USA segment upon completion of the acquisition of certain stores and related assets from Rite Aid. As of the date of this report, the Company expects to close approximately 750 stores. The actions under the Store Optimization Program commenced in March 2018 and are expected to be complete by end of fiscal 2020.

The Company currently estimates that it will recognize cumulative pre-tax charges to its GAAP financial results of approximately $350 million , including costs associated with lease obligations and other real estate costs and employee severance and other exit costs. The Company expects to incur pre-tax charges of approximately $160 million for lease obligations and other real estate costs and approximately $190 million for employee severance and other exit costs. The Company estimates that substantially all of these cumulative pre-tax charges will result in cash expenditures.

Since approval of the Store Optimization Program, the Company has recognized cumulative pre-tax charges to its financial results in accordance with GAAP totaling $200 million , which were primarily recorded within selling, general and administrative expenses. These charges included $64 million related to lease obligations and other real estate costs and $136 million in employee severance and other exit costs.

Costs related to the Store Optimization Program were as follows (in millions):

	Three months ended May 31, 2019	Nine months ended May 31, 2019
Lease obligations and other real estate costs	$ 44	$ 45
Employee severance and other exit costs	5	54
Total costs	**$ 49**	**$ 99**

The changes in liabilities related to the Store Optimization Program include the following (in millions):

	Lease obligations and other real estate costs	Employee severance and other exit costs	Total
Balance at August 31, 2018	$ 308	$ 21	$ 329
Costs	45	54	99
Payments	(125)	(69)	(194)
Other - non cash [1]	104	—	104
Balance at May 31, 2019	**$ 332**	**$ 6**	**$ 338**

[1] Primarily represents unfavorable lease liabilities from acquired Rite Aid stores.

Cost Transformation Program
On April 8, 2015, the Walgreens Boots Alliance Board of Directors approved a plan to implement a restructuring program (the "Cost Transformation Program") as part of an initiative to reduce costs and increase operating efficiencies. The Cost Transformation Program implemented and built on the cost-reduction initiative previously announced by the Company on August 6, 2014 and included plans to close stores across the United States; reorganize corporate and field operations; drive operating efficiencies; and streamline information technology and other functions. The actions under the Cost Transformation Program focused primarily on the Retail Pharmacy USA segment, but included activities from all segments. The Company completed the Cost Transformation Program in the fourth quarter of fiscal 2017.

The changes in liabilities related to the Cost Transformation Program include the following (in millions):

	Real estate costs	Severance and other business transition and exit costs	Total
Balance at August 31, 2018	$ 414	$ 7	$ 421
Payments	(67)	(3)	(70)
Other - non cash	51	—	51
Balance at May 31, 2019	**$ 399**	**$ 4**	**$ 403**

Note 4. Operating leases
During the three and nine months ended May 31, 2019 , the Company recorded charges of $53 million and $95 million for facilities that were closed or relocated. This compares to $21 million and $88 million for the three and nine months ended May 31, 2018 . These charges are reported in selling, general and administrative expenses in the Consolidated Condensed Statements of Earnings.

The changes in reserve for facility closings and related lease termination charges include the following (in millions):

	For the nine months ended May 31, 2019	For the twelve months ended August 31, 2018
Balance at beginning of period	$ 964	$ 718
Provision for present value of non-cancellable lease payments on closed facilities	11	52
Changes in assumptions	54	19
Accretion expense	30	58
Other - non cash [1]	124	338
Cash payments, net of sublease income	(240)	(221)
Balance at end of period	**$ 943**	**$ 964**

[1] Represents unfavorable lease liabilities from acquired Rite Aid stores.

Note 5. Equity method investments

Equity method investments as of May 31, 2019 and August 31, 2018 , were as follows (in millions, except percentages):

	May 31, 2019		August 31, 2018	
	Carrying value	Ownership percentage	Carrying value	Ownership percentage
AmerisourceBergen	$ 5,175	27%	$ 5,138	26%
Others	1,498	8% - 50%	1,472	8% - 50%
Total	**$ 6,673**		**$ 6,610**	

AmerisourceBergen Corporation (“AmerisourceBergen”) investment

As of May 31, 2019 and August 31, 2018 , the Company owned 56,854,867 AmerisourceBergen common shares, representing approximately 27% and 26% of the outstanding AmerisourceBergen common stock, respectively. The Company accounts for its equity investment in AmerisourceBergen using the equity method of accounting, with the net earnings attributable to the Company’s investment being classified within the operating income of its Pharmaceutical Wholesale segment. Due to the timing and availability of financial information of AmerisourceBergen, the Company accounts for this equity method investment on a financial reporting lag of two months . Equity earnings from AmerisourceBergen are reported as a separate line in the Consolidated Condensed Statements of Earnings. The Level 1 fair market value of the Company’s equity investment in AmerisourceBergen common stock at May 31, 2019 was $4.4 billion .

As of May 31, 2019 , the Company’s investment in AmerisourceBergen carrying value exceeded its proportionate share of the net assets of AmerisourceBergen by $4.4 billion . This premium of $4.4 billion was recognized as part of the carrying value in the Company’s equity investment in AmerisourceBergen. The difference was primarily related to goodwill and the fair value of AmerisourceBergen intangible assets.

Other investments

The Company’s other equity method investments include its investments in Guangzhou Pharmaceuticals Corporation and Nanjing Pharmaceutical Corporation Limited, the Company’s pharmaceutical wholesale investments in China; Sinopharm Holding GuoDa Drugstores Co., Ltd., the Company's retail pharmacy investment in China and Option Care Inc., the Company's investment in the United States.

The Company reported $5 million of post-tax equity losses and $15 million of post-tax equity earnings from other equity method investments, including equity method investments classified as operating, for the three months ended May 31, 2019 and 2018 , respectively. The Company reported $19 million and $42 million of post-tax equity earnings from other equity method investments for the nine months ended May 31, 2019 and 2018 , respectively.

Note 6. Goodwill and other intangible assets

Goodwill and indefinite-lived intangible assets are evaluated for impairment annually during the fourth quarter, or more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit or intangible asset below its carrying value. During the three months ended May 31, 2019 , the Company completed quantitative impairment analysis for goodwill and certain indefinite-lived intangible assets related to the two reporting units within the

Retail Pharmacy International division, Boots and Other international. Based on this analysis, the fair value of the Boots reporting unit is in excess of its carrying value by approximately 9% and the fair value of the Pharmacy licenses is in excess of its carrying value by 5% . The Company will continue to monitor industry trends, market trends and the impact it may have on the Boots reporting unit. The determination of the fair value of the reporting units requires us to make significant estimates and assumptions. Although we believe our estimates of fair value are reasonable, actual financial results could differ from those estimates due to the inherent uncertainty involved in making such estimates. Changes in assumptions concerning future financial results or other underlying assumptions could have a significant impact on either the fair value of the reporting units, the amount of any goodwill impairment charge, or both. Our indefinite-lived intangible assets fair values are estimated using the relief from royalty method and excess earnings method of the income approach. These estimates can be affected by a number of factors including, but not limited to, general economic conditions, availability of market information as well as our profitability.

Changes in the carrying amount of goodwill by reportable segment consist of the following (in millions):

	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Walgreens Boots Alliance, Inc.
Balance at August 31, 2018	$ 10,483	$ 3,370	$ 3,061	$ 16,914
Acquisitions	8	—	—	8
Disposals	—	(8)	—	(8)
Currency translation adjustments	—	(104)	(93)	(197)
Balance at May 31, 2019	**$ 10,491**	**$ 3,258**	**$ 2,968**	**$ 16,717**

The carrying amount and accumulated amortization of intangible assets consist of the following (in millions):

	May 31, 2019	August 31, 2018
Gross amortizable intangible assets		
Customer relationships and loyalty card holders	$ 4,329	$ 4,235
Favorable lease interests and non-compete agreements	661	680
Trade names and trademarks	545	489
Purchasing and payer contracts	382	390
Total gross amortizable intangible assets	5,917	5,794
Accumulated amortization		
Customer relationships and loyalty card holders	$ 1,194	$ 997
Favorable lease interests and non-compete agreements	396	359
Trade names and trademarks	247	206
Purchasing and payer contracts	93	78
Total accumulated amortization	1,930	1,640
Total amortizable intangible assets, net	**$ 3,987**	**$ 4,154**
Indefinite-lived intangible assets		
Trade names and trademarks	$ 5,326	$ 5,557
Pharmacy licenses	2,012	2,072
Total indefinite-lived intangible assets	**$ 7,338**	**$ 7,629**
Total intangible assets, net	**$ 11,325**	**$ 11,783**

Amortization expense for intangible assets was $142 million and $415 million for the three and nine months ended May 31, 2019 , respectively, and $146 million and $363 million for the three and nine months ended May 31, 2018 , respectively.

Estimated future annual amortization expense for the next five fiscal years for intangible assets recorded at May 31, 2019 is as follows (in millions):

	2020	2021	2022	2023	2024
Estimated annual amortization expense	$ 481	$ 432	$ 412	$ 377	$ 356

Note 7. Debt

Debt consists of the following (all amounts are presented in millions of U.S. dollars and debt issuances are denominated in U.S. dollars, unless otherwise noted):

	May 31, 2019	August 31, 2018
Short-term debt [1]		
Commercial paper	$ 2,820	$ 430
Credit facilities [2]	948	999
$8 billion note issuance [3,4]		
2.700% unsecured notes due 2019	1,249	—
$1 billion note issuance [5]		
5.250% unsecured notes due 2019 [6]	—	249
Other [7]	465	288
Total short-term debt	**$ 5,483**	**$ 1,966**
Long-term debt [1]		
$6 billion note issuance [3,4]		
3.450% unsecured notes due 2026	$ 1,889	$ 1,888
4.650% unsecured notes due 2046	591	590
$8 billion note issuance [3,4]		
2.700% unsecured notes due 2019	—	1,248
3.300% unsecured notes due 2021	1,246	1,245
3.800% unsecured notes due 2024	1,991	1,990
4.500% unsecured notes due 2034	495	495
4.800% unsecured notes due 2044	1,492	1,492
£700 million note issuance [3,4]		
2.875% unsecured Pound sterling notes due 2020	503	517
3.600% unsecured Pound sterling notes due 2025	376	387
€750 million note issuance [3,4]		
2.125% unsecured Euro notes due 2026	833	868
$4 billion note issuance [3,5]		
3.100% unsecured notes due 2022	1,197	1,196
4.400% unsecured notes due 2042	493	492
Credit facilities [2]	996	—
Other [8]	25	23
Total long-term debt, less current portion	**$ 12,127**	**$ 12,431**

1 Carrying values are presented net of unamortized discount and debt issuance costs, where applicable, and foreign currency denominated debt has been translated using the spot rates at May 31, 2019 and August 31, 2018 , respectively.

2 Credit facilities include debt outstanding under the various credit facilities described in more detail below.

3 The $6 billion , $8 billion , £0.7 billion , €0.75 billion and $4 billion note issuances as of May 31, 2019 had fair values and carrying values of $2.5 billion and $2.5 billion , $6.4 billion and $6.5 billion , $0.9 billion and $0.9 billion , $0.9 billion and $0.8 billion and $1.7 billion and $1.7 billion , respectively. The fair values of the notes outstanding are Level 1 fair value measures and determined based on quoted market price and translated at the May 31, 2019 spot rate, as applicable. The fair values and carrying values of these issuances do not include notes that have been redeemed or repaid as of May 31, 2019 .

[4] Notes are unsubordinated debt obligations of Walgreens Boots Alliance and rank equally in right of payment with all other unsecured and unsubordinated indebtedness of Walgreens Boots Alliance from time to time outstanding.
[5] Notes are senior debt obligations of Walgreen Co. and rank equally with all other unsecured and unsubordinated indebtedness of Walgreen Co. On December 31, 2014, Walgreens Boots Alliance fully and unconditionally guaranteed the outstanding notes on an unsecured and unsubordinated basis. The guarantee, for so long as it is in place, is an unsecured, unsubordinated debt obligation of Walgreens Boots Alliance and will rank equally in right of payment with all other unsecured and unsubordinated indebtedness of Walgreens Boots Alliance.
[6] Includes interest rate swap fair market value adjustments. See note 9 , fair value measurements , for additional fair value disclosures.
[7] Other short-term debt represents a mix of fixed and variable rate debt with various maturities and working capital facilities denominated in various currencies.
[8] Other long-term debt represents a mix of fixed and variable rate debt in various currencies with various maturities.

January 2019 364-Day Revolving Credit Agreement
On January 18, 2019, the Company entered into a $2.0 billion 364-day revolving credit agreement (the "January 2019 364-Day Revolving Credit Agreement") with the lenders from time to time party thereto. The January 2019 364-Day Revolving Credit Agreement is a senior unsecured 364-day revolving credit facility, with a facility termination date of the earlier of (a) 364 days following January 31, 2019, the date of the effectiveness of the commitments pursuant to the January 364-Day Revolving Credit Agreement, subject to extension thereof pursuant to the January 2019 364-Day Revolving Credit Agreement and (b) the date of termination in whole of the aggregate amount of the commitments pursuant to the January 2019 364-Day Revolving Credit Agreement. As of May 31, 2019 , there were $0.2 billion of borrowings outstanding under the January 364-Day Revolving Credit Agreement.

December 2018 Revolving Credit Agreement
On December 21, 2018, the Company entered into a $1.0 billion revolving credit agreement (the "December 2018 Revolving Credit Agreement") with the lenders from time to time party thereto. The December 2018 Revolving Credit Agreement is a senior unsecured revolving credit facility with a facility termination date of the earlier of (a) 18 months following January 28, 2019, the date of the effectiveness of the commitments pursuant to the December 2018 Revolving Credit Agreement, subject to extension thereof pursuant to the December 2018 Revolving Credit Agreement and (b) the date of termination in whole of the aggregate amount of the commitments pursuant to the December 2018 Revolving Credit Agreement. As of May 31, 2019 , there were no borrowings outstanding under the December 2018 Revolving Credit Agreement.

December 2018 Term Loan Credit Agreement
On December 5, 2018, Walgreens Boots Alliance entered into a $1.0 billion term loan credit agreement (the "December 2018 Term Loan Credit Agreement") with the lenders from time to time party thereto. The December 2018 Term Loan Credit Agreement is a senior unsecured term loan facility with a facility termination date of the earlier of (a) January 29, 2021 and (b) the date of acceleration of all term loans pursuant to the December 2018 Term Loan Credit Agreement. As of May 31, 2019 , there were $1.0 billion of borrowings outstanding under the December 2018 Term Loan Credit Agreement.

November 2018 Credit Agreement
On November 30, 2018, the Company entered into a credit agreement (as amended, the "November 2018 Credit Agreement") with the lenders from time to time party thereto and, on March 25, 2019, the Company entered into an amendment to such credit agreement reflecting certain changes to the borrowing notice provisions thereto. The November 2018 Credit Agreement includes a $500 million senior unsecured revolving credit facility and a $500 million senior unsecured term loan facility. The facility termination date is, with respect to the revolving credit facility, the earlier of (a) May 30, 2020 and (b) the date of termination in whole of the aggregate amount of the revolving commitments pursuant to the November 2018 Credit Agreement and, with respect to the term loan facility, the earlier of (a) May 30, 2020 and (b) the date of acceleration of all term loans pursuant to the November 2018 Credit Agreement. As of May 31, 2019 , there were $0.8 billion of borrowings outstanding under the November 2018 Credit Agreement.

August 2018 Revolving Credit Agreement
On August 29, 2018, the Company entered into a revolving credit agreement (the "August 2018 Revolving Credit Agreement") with the lenders and letter of credit issuers from time to time party thereto. The August 2018 Revolving Credit Agreement is an unsecured revolving credit facility with an aggregate commitment in the amount of $3.5 billion , with a letter of credit subfacility commitment amount of $500 million . The facility termination date is the earlier of (a) August 29, 2023, subject to the extension thereof pursuant to the August 2018 Revolving Credit Agreement and (b) the date of termination in whole of the aggregate amount of the revolving commitments pursuant to the August 2018 Revolving Credit Agreement. As of May 31, 2019 , there were no borrowings outstanding under the August 2018 Revolving Credit Agreement.

August 2017 Credit Agreements
On August 24, 2017, the Company entered into a $1.0 billion revolving credit agreement with the lenders from time to time party thereto (the “August 2017 Revolving Credit Agreement”) and a $1.0 billion term loan credit agreement with Sumitomo Mitsui Banking Corporation (the “2017 Term Loan Credit Agreement”). On November 30, 2018, in connection with the entrance into the November 2018 Credit Agreement, the Company terminated the 2017 Term Loan Credit Agreement in accordance with its terms and as of such date paid all amounts due in connection therewith. On January 31, 2019, the August 2017 Revolving Credit Agreement matured and the Company paid all amounts due in connection therewith.

February 2017 Revolving Credit Agreement
On February 1, 2017, the Company entered into a $1.0 billion revolving credit facility (as amended, the “February 2017 Revolving Credit Agreement”) with the lenders from time to time party thereto and, on August 1, 2017, the Company entered into an amendment agreement thereto. On January 31, 2019, the February 2017 Revolving Credit Agreement matured and the Company paid all amounts due in connection therewith.

Debt covenants
Each of the Company’s credit facilities contain a covenant to maintain, as of the last day of each fiscal quarter, a ratio of consolidated debt to total capitalization not to exceed 0.60 :1.00, subject to increase in certain circumstances set forth in the applicable credit agreement. The credit facilities contain various other customary covenants.

Commercial paper
The Company periodically borrows under its commercial paper program and may borrow under it in future periods. The Company had average daily commercial paper outstanding of $2.6 billion and $1.4 billion at a weighted average interest rate of 3.08% and 2.00% for the nine months ended May 31, 2019 and 2018 , respectively.

Interest
Interest paid was $570 million and $450 million for the nine months ended May 31, 2019 and 2018 , respectively.

Note 8. Financial instruments
The Company uses derivative instruments to manage its exposure to interest rate and foreign currency exchange risks.

The notional amounts and fair value of derivative instruments outstanding were as follows (in millions):

May 31, 2019	Notional	Fair value	Location in Consolidated Condensed Balance Sheets
Derivatives designated as hedges:			
Foreign currency forwards	$ 37	$ 1	Other current assets
Cross currency interest rate swaps	800	39	Other non-current assets
Derivatives not designated as hedges:			
Foreign currency forwards	3,105	107	Other current assets
Foreign currency forwards	658	3	Accrued expenses and other liabilities

August 31, 2018	Notional	Fair value	Location in Consolidated Condensed Balance Sheets
Derivatives designated as hedges:			
Interest rate swaps	$ 250	$ 1	Accrued expenses and other liabilities
Foreign currency forwards	15	—	Other current assets
Derivatives not designated as hedges:			
Foreign currency forwards	3,273	52	Other current assets
Foreign currency forwards	825	4	Accrued expenses and other liabilities

The Company has non-U.S. dollar denominated net investments and uses foreign currency denominated financial instruments, specifically foreign currency derivatives and foreign currency denominated debt, to hedge its foreign currency risk.

The Company utilizes foreign currency forward contracts and other foreign currency derivatives to hedge significant committed and highly probable future transactions and cash flows denominated in currencies other than the functional currency of the Company or its subsidiaries.

The Company uses interest rate swaps from time to time to manage the interest rate exposure associated with some of its fixed-rate debt and designates them as fair value hedges. From time to time, the Company uses forward starting interest rate swaps to hedge its interest rate exposure of some of its anticipated debt issuances.

Net investment hedges
The Company uses cross currency interest rate swaps as hedges of net investments in subsidiaries with non-U.S. dollar functional currencies. For qualifying net investment hedges, changes in the fair value of the derivatives are recorded in the currency translation adjustment within accumulated other comprehensive income (loss).

Derivatives not designated as hedges
The Company enters into derivative transactions that are not designated as accounting hedges. These derivative instruments are economic hedges of foreign currency risks. The income and (expense) due to changes in fair value of these derivative instruments were as follows (in millions):

		Three months ended May 31,		Nine months ended May 31,	
	Location in Consolidated Condensed Statements of Earnings	**2019**	**2018**	**2019**	**2018**
Foreign currency forwards	Selling, general and administrative expenses	$ 140	$ 108	$ 80	$ (75)
Foreign currency forwards	Other income (expense)	(8)	3	(10)	36

Derivatives credit risk
Counterparties to derivative financial instruments expose the Company to credit-related losses in the event of counterparty nonperformance, and the Company regularly monitors the credit worthiness of each counterparty.

Derivatives offsetting
The Company does not offset the fair value amounts of derivative instruments subject to master netting agreements in the Consolidated Condensed Balance Sheets.

Note 9. Fair value measurements
The Company measures certain assets and liabilities in accordance with Accounting Standards Codification ("ASC") Topic 820, Fair Value Measurements and Disclosures, which defines fair value as the price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. In addition, it establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels:

Level 1 - Quoted prices in active markets that are accessible at the measurement date for identical assets and liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
Level 2 - Observable inputs other than quoted prices in active markets.
Level 3 - Unobservable inputs for which there is little or no market data available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

Assets and liabilities measured at fair value on a recurring basis were as follows (in millions):

	May 31, 2019	Level 1	Level 2	Level 3
Assets :				
Money market funds [1]	$ 177	$ 177	$ —	$ —
Investments in equity securities [2]	4	4	—	—
Foreign currency forwards [3]	108	—	108	—
Cross currency interest rate swaps [4]	39	—	39	—
Liabilities :				
Foreign currency forwards [3]	3	—	3	—
Cross currency interest rate swaps [4]	—	—	—	—

	August 31, 2018	Level 1	Level 2	Level 3
Assets :				
Money market funds [1]	$ 227	$ 227	$ —	$ —
Available-for-sale investments [2]	1	1	—	—
Foreign currency forwards [3]	52	—	52	—
Liabilities :				
Interest rate swaps [4]	1	—	1	—
Foreign currency forwards [3]	4	—	4	—

1 Money market funds are valued at the closing price reported by the fund sponsor.
2 Fair value of quoted investments are based on current bid prices as of May 31, 2019 and August 31, 2018 .
3 The fair value of forward currency contracts is estimated by discounting the difference between the contractual forward price and the current available forward price for the residual maturity of the contract using observable market rates.
4 The fair value of interest rate swaps and cross currency interest rate swaps is calculated by discounting the estimated future cash flows based on the applicable observable yield curves. See note 8 , financial instruments , for additional information.

There were no transfers between Levels for the three and nine months ended May 31, 2019 .

The Company reports its debt instruments under the guidance of ASC Topic 825, Financial Instruments, which requires disclosure of the fair value of the Company’s debt in the footnotes to the consolidated financial statements. Unless otherwise noted, the fair value for all notes was determined based upon quoted market prices and therefore categorized as Level 1. See note 7 , debt , for further information. The carrying values of accounts receivable and trade accounts payable approximated their respective fair values due to their short-term nature.

Note 10. Commitments and contingencies

The Company is involved in legal proceedings, including litigation, arbitration and other claims, and investigations, inspections, audits, claims, inquiries and similar actions by pharmacy, healthcare, tax and other governmental authorities, arising in the normal course of the Company’s business, including the matters described below. Legal proceedings, in general, and securities, class action and multi-district litigation, in particular, can be expensive and disruptive. Some of these suits may purport or may be determined to be class actions and/or involve parties seeking large and/or indeterminate amounts, including punitive or exemplary damages, and may remain unresolved for several years. The Company also may be named from time to time in qui tam actions initiated by private third parties. In such actions, the private parties purport to act on behalf of federal or state governments, allege that false claims have been submitted for payment by the government and may receive an award if their claims are successful. After a private party has filed a qui tam action, the government must investigate the private party's claim and determine whether to intervene in and take control over the litigation. These actions may remain under seal while the government makes this determination. If the government declines to intervene, the private party may nonetheless continue to pursue the litigation on his or her own purporting to act on behalf of the government. From time to time, the Company is also involved in legal proceedings as a plaintiff involving antitrust, tax, contract, intellectual property and other matters. Gain contingencies, if any, are recognized when they are realized.

The results of legal proceedings are often uncertain and difficult to predict, and the costs incurred in litigation can be substantial, regardless of the outcome. With respect to litigation and other legal proceedings where the Company has determined that a loss is reasonably possible, the Company is unable to estimate the amount or range of reasonably possible loss due to the inherent difficulty of predicting the outcome of and uncertainties regarding such litigation and legal proceedings. The Company believes that its defenses and assertions in pending legal proceedings have merit and does not believe that any of these pending matters, after consideration of applicable reserves and rights to indemnification, will have a material adverse effect on the Company’s consolidated financial position. However, substantial unanticipated verdicts, fines and rulings do sometimes occur. As a result, the Company could from time to time incur judgments, enter into settlements or revise its expectations regarding the outcome of certain matters, and such developments could have a material adverse effect on its results of operations in the period in which the amounts are accrued and/or its cash flows in the period in which the amounts are paid.

On December 29, 2014, a putative shareholder filed a derivative action in federal court in the Northern District of Illinois against certain current and former directors and officers of Walgreen Co., and Walgreen Co. as a nominal defendant, arising out of certain public statements the Company made regarding its former fiscal 2016 goals. The action asserts claims for breach of fiduciary duty, waste and unjust enrichment. On April 10, 2015, the defendants filed a motion to dismiss. On May 18, 2015, the case was stayed in light of a securities class action that was filed on April 10, 2015. After a ruling issued on September 30, 2016 in the securities class action, which is described below, on November 3, 2016, the Court entered a stipulation and order extending the stay until the resolution of the securities case.

On April 10, 2015, a putative shareholder filed a securities class action in federal court in the Northern District of Illinois against Walgreen Co. and certain former officers of Walgreen Co. The action asserts claims for violation of the federal securities laws arising out of certain public statements the Company made regarding its former fiscal 2016 goals. On June 16, 2015, the Court entered an order appointing a lead plaintiff. Pursuant to the Court's order, lead plaintiff filed a consolidated class action complaint on August 17, 2015, and defendants moved to dismiss the complaint on October 16, 2015. On September 30, 2016, the Court issued an order granting in part and denying in part defendants' motion to dismiss. Defendants filed their answer to the complaint on November 4, 2016 and filed an amended answer on January 16, 2017. Plaintiff filed its motion for class certification on April 21, 2017. The Court granted plaintiffs' motion on March 29, 2018 and merits discovery is proceeding. On December 19, 2018, plaintiffs filed a first amended complaint and defendants moved to dismiss the new complaint on February 19, 2019. The motion has been fully briefed.

As of the date of this report, the Company was aware of two previously disclosed putative class action lawsuits filed by purported Rite Aid stockholders against Walgreens Boots Alliance and certain of its officers regarding the transactions contemplated by the original merger agreement between the Company and Rite Aid (prior to its amendment on January 29, 2017) (such transactions, the "Rite Aid Transactions"). One of the Rite Aid actions was filed in the State of Pennsylvania in the Court of Common Pleas of Cumberland County (the "Pennsylvania action") and primarily alleged that Walgreens Boots Alliance and one of its subsidiaries aided and abetted certain alleged breaches of fiduciary duty by the board of directors of Rite Aid in connection with the Rite Aid Transactions. This action was terminated by the court for lack of prosecution in December 2018. The other action was filed in the United States District Court for the Middle District of Pennsylvania (the "federal action") and alleges, among other things, that the Company and certain of its officers made false or misleading statements regarding the Rite Aid Transactions. The court denied the Company's motion to dismiss the federal action.

In December 2017, the United States Judicial Panel on Multidistrict Litigation consolidated numerous cases filed against an array of defendants by various plaintiffs such as counties, cities, hospitals, Indian tribes and others, alleging claims generally concerning the impacts of widespread opioid abuse. The consolidated multidistrict litigation, captioned In re National Prescription Opiate Litigation (MDL No. 2804), is pending in the U.S. District Court for the Northern District of Ohio. The Company is named as a defendant in a subset of the cases included in this multidistrict litigation. The Company also has been named as a defendant in numerous lawsuits brought in state courts relating to opioid matters. The relief sought by various plaintiffs is compensatory and punitive damages, as well as injunctive relief. Additionally, the Company has received from the Attorney Generals of several states subpoenas, civil investigative demands and/or other requests concerning opioid matters.

On September 28, 2018, the Company announced that it had reached an agreement with the SEC to fully resolve an investigation into certain forward-looking financial goals and related disclosures by Walgreens. The disclosures at issue were made prior to the strategic combination with Alliance Boots and the merger pursuant to which Walgreens Boots Alliance became the parent holding company on December 31, 2014. The settlement does not involve any of the Company's current officers or executives, nor does it allege intentional or reckless conduct by the Company. In agreeing to the settlement, the Company neither admitted nor denied the SEC's allegations. Pursuant to the agreement with the SEC, the Company consented to the SEC's issuance of an administrative order, and the Company paid a $34.5 million penalty, which was fully reserved for in the Company's Consolidated Financial Statements as of August 31, 2018.

On January 22, 2019, the Company announced that it had reached an agreement to resolve a civil investigation involving allegations under the False Claims Act by a United States Attorney's Office, working in conjunction with several states, regarding certain dispensing practices. Pursuant to the agreement, the Company paid $209.2 million to the United States and the various states involved in the matter, substantially all of which was reserved for in the Company's Consolidated Financial Statements as of November 30, 2018.

Note 11. Income taxes

The effective tax rate for the three and nine months ended May 31, 2019 was 13.0% and 14.7% respectively, compared to 7.6% and 19.4% for the three and nine months ended May 31, 2018 , respectively. The increase in the effective tax rate for the three months ended May 31, 2019 was primarily due to net discrete tax benefits in the prior year as a result of the U.S. tax law changes. The decrease in the effective tax rate for the nine months ended May 31, 2019 was primarily due to the net discrete tax expense in the prior year as a result of the U.S. tax law changes.

Income taxes paid for the nine months ended May 31, 2019 were $824 million , compared to $428 million for the nine months ended May 31, 2018 .

On June 21, 2019, the Internal Revenue Service issued final regulations relating to the global intangible low-taxed income ("GILTI") and foreign tax credit provisions of the U.S. tax law changes enacted in December 2017. The Company is evaluating any potential impact on its financial statements.

Note 12. Retirement benefits

The Company sponsors several retirement plans, including defined benefit plans, defined contribution plans and a postretirement health plan.

Defined benefit pension plans (non-U.S. plans)

The Company has various defined benefit pension plans outside the United States. The principal defined benefit pension plan is the Boots Pension Plan (the "Boots Plan"), which covers certain employees in the United Kingdom. The Boots Plan is a funded final salary defined benefit plan providing pensions and death benefits to members. The Boots Plan was closed to future accrual effective July 1, 2010, with pensions calculated based on salaries up until that date. The Boots Plan is governed by a trustee board, which is independent of the Company. The plan is subject to a full funding actuarial valuation on a triennial basis.

Components of net periodic pension costs for the defined benefit pension plans (in millions):

		Three months ended May 31,		Nine months ended May 31,	
	Location in Consolidated Condensed Statements of Earnings	**2019**	**2018**	**2019**	**2018**
Service costs	Selling, general and administrative expenses	$ 2	$ 2	$ 4	$ 5
Interest costs	Other expense [1]	49	50	148	146
Expected returns on plan assets/other	Other income [1]	(61)	(54)	(186)	(158)
Total net periodic pension costs (income)		**$ (10)**	**$ (2)**	**$ (34)**	**$ (7)**

[1] Shown as Other income (expense) on Consolidated Condensed Statements of Earnings.

The Company made cash contributions to its defined benefit pension plans of $28 million for the nine months ended May 31, 2019 , which primarily related to committed funded payments. The Company plans to contribute an additional $6 million to its defined benefit pension plans in fiscal 2019 .

Defined contribution plans

The principal retirement plan for U.S. employees is the Walgreen Profit-Sharing Retirement Trust, to which both the Company and participating employees contribute. The Company's contribution is in the form of a guaranteed match which is made pursuant to the applicable plan document approved by the Walgreen Co. Board of Directors. Plan activity is reviewed periodically by certain Committees of the Walgreens Boots Alliance Board of Directors. The profit-sharing provision was an expense of $58 million and $183 million for the three and nine months ended May 31, 2019 compared to an expense of $53 million and $164 million in the three and nine months ended May 31, 2018 .

The Company also has certain contract-based defined contribution arrangements. The principal one is the Alliance Healthcare & Boots Retirement Savings Plan, which is United Kingdom based and to which both the Company and participating employees contribute. The cost recognized for the three and nine months ended May 31, 2019 was $32 million and $96 million compared to a cost of $33 million and $94 million in the three and nine months ended May 31, 2018 .

Note 13. Accumulated other comprehensive income (loss)

The following is a summary of net changes in accumulated other comprehensive income (loss) ("AOCI") by component and net of tax for the three and nine months ended May 31, 2019 and May 31, 2018 (in millions):

	Pension/ post-retirement obligations	Unrealized gain (loss) on hedges	Share of AOCI of equity method investments	Cumulative translation adjustments	Total
Balance at February 28, 2019	$ 95	$ (40)	$ 2	$ (2,762)	$ (2,705)
Other comprehensive income (loss) before reclassification adjustments	1	56	1	(733)	(675)
Amounts reclassified from AOCI	(4)	1	—	—	(2)
Tax benefit (provision)	1	(14)	—	1	(12)
Net change in other comprehensive income (loss)	(2)	44	1	(732)	(689)
Balance at May 31, 2019	**$ 93**	**$ 4**	**$ 4**	**$ (3,493)**	**$ (3,393)**

	Pension/ post-retirement obligations	Unrealized gain (loss) on hedges	Share of AOCI of equity method investments	Cumulative translation adjustments	Total
Balance at August 31, 2018	$ 101	$ (30)	$ 3	$ (3,076)	$ (3,002)
Other comprehensive income (loss) before reclassification adjustments	1	40	(1)	(415)	(376)
Amounts reclassified from AOCI	(12)	4	—	—	(8)
Other	—	—	—	—	—
Tax benefit (provision)	3	(10)	—	(1)	(8)
Net change in other comprehensive income (loss)	(8)	33	(1)	(416)	(393)
Balance at May 31, 2019	**$ 93**	**$ 4**	**$ 4**	**$ (3,493)**	**$ (3,393)**

	Pension/ post-retirement obligations	Unrealized gain (loss) on hedges	Share of AOCI of equity method investments	Cumulative translation adjustments	Total
Balance at February 28, 2018	$ (141)	$ (32)	$ —	$ (1,990)	$ (2,163)
Other comprehensive income (loss) before reclassification adjustments	—	—	3	(647)	(644)
Amounts reclassified from AOCI	(2)	1	11	8	18
Tax benefit (provision)	—	—	(3)	—	(3)
Net change in other comprehensive income (loss)	(2)	1	11	(639)	(629)
Balance at May 31, 2018	**$ (143)**	**$ (31)**	**$ 11**	**$ (2,629)**	**$ (2,792)**

	Pension/ post-retirement obligations	Unrealized gain (loss) on hedges	Share of AOCI of equity method investments	Cumulative translation adjustments	Total
Balance at August 31, 2017	$ (139)	$ (33)	$ (2)	$ (2,877)	$ (3,051)
Other comprehensive income (loss) before reclassification adjustments	(1)	—	7	240	246
Amounts reclassified from AOCI	(5)	3	11	8	17
Tax benefit (provision)	2	(1)	(5)	—	(4)
Net change in other comprehensive income (loss)	(4)	2	13	248	259
Balance at May 31, 2018	**$ (143)**	**$ (31)**	**$ 11**	**$ (2,629)**	**$ (2,792)**

Note 14. Segment reporting
The Company has aligned its operations into three reportable segments: Retail Pharmacy USA; Retail Pharmacy International; and Pharmaceutical Wholesale. The operating segments have been identified based on the financial data utilized by the Company’s Chief Executive Officer (the chief operating decision maker) to assess segment performance and allocate resources among the Company’s operating segments, which have been aggregated as described below. The chief operating decision maker uses adjusted operating income to assess segment profitability. The chief operating decision maker does not use total assets by segment to make decisions regarding resources, therefore the total asset disclosure by segment has not been included.

Retail Pharmacy USA
The Retail Pharmacy USA segment consists of the Walgreens business, which includes the operation of retail drugstores, convenient care clinics and mail and central specialty pharmacy services. Sales for the segment are principally derived from the sale of prescription drugs and a wide assortment of retail products, including health and wellness, beauty and personal care and consumables and general merchandise.

Retail Pharmacy International
The Retail Pharmacy International segment consists of pharmacy-led health and beauty retail businesses and optical practices. These businesses include Boots branded stores in the United Kingdom, Thailand, Norway, the Republic of Ireland and the Netherlands, Benavides in Mexico and Ahumada in Chile. Sales for the segment are principally derived from the sale of prescription drugs and health and wellness, beauty and personal care and other consumer products.

Pharmaceutical Wholesale
The Pharmaceutical Wholesale segment consists of the Alliance Healthcare pharmaceutical wholesaling and distribution businesses and an equity method investment in AmerisourceBergen. Wholesale operations are located in the United Kingdom, Germany, France, Turkey, Spain, the Netherlands, Egypt, Norway, Romania, Czech Republic and Lithuania. Sales for the segment are principally derived from wholesaling and distribution of a comprehensive offering of brand-name pharmaceuticals (including specialty pharmaceutical products) and generic pharmaceuticals, health and beauty products, home healthcare supplies and equipment and related services to pharmacies and other healthcare providers.

The results of operations for each reportable segment include procurement benefits and an allocation of corporate-related overhead costs.

The following table reflects results of operations and reconciles adjusted operating income to operating income for the Company's reportable segments (in millions):

	Retail Pharmacy USA		Retail Pharmacy International		Pharmaceutical Wholesale		Eliminations [1]		Walgreens Boots Alliance, Inc.	
Three months ended May 31, 2019										
Sales	$	26,513	$	2,776	$	5,865	$	(563)	$	34,591
Adjusted operating income	$	1,286	$	165	$	265	$	1	$	1,717
Acquisition-related amortization										(127)
Transformational cost management										(86)
Acquisition-related costs										(80)
Adjustments to equity earnings in AmerisourceBergen										(137)
Store optimization										(49)
LIFO provision										(29)
Certain legal and regulatory accruals and settlements										(7)
Operating income									**$**	**1,203**
Three months ended May 31, 2018										
Sales	$	25,917	$	2,995	$	5,965	$	(543)	$	34,334
Adjusted operating income [3]	$	1,492	$	193	$	258	$	—	$	1,943
Acquisition-related amortization										(131)
Acquisition-related costs										(57)
Adjustments to equity earnings in AmerisourceBergen										(60)
Store optimization										(24)
LIFO provision										(69)
Certain legal and regulatory accruals and settlements [2]										(5)
Operating income [3]									**$**	**1,597**

	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations [1]	Walgreens Boots Alliance, Inc.
Nine months ended May 31, 2019					
Sales	$ 78,491	$ 8,759	$ 17,311	$ (1,649)	$ 102,912
Adjusted operating income	$ 4,119	$ 553	$ 710	$ 1	$ 5,384
Acquisition-related amortization					(373)
Transformational cost management					(265)
Acquisition-related costs					(228)
Adjustments to equity earnings in AmerisourceBergen					(191)
Store optimization					(99)
LIFO provision					(77)
Certain legal and regulatory accruals and settlements					(31)
Operating income					**$ 4,120**
Nine months ended May 31, 2018					
Sales	$ 72,884	$ 9,395	$ 17,438	$ (1,622)	$ 98,095
Adjusted operating income [3]	$ 4,520	$ 674	$ 714	$ 1	$ 5,909
Acquisition-related amortization					(329)
Acquisition-related costs					(173)
Adjustments to equity earnings in AmerisourceBergen					(136)
Store optimization					(24)
LIFO provision					(166)
Certain legal and regulatory accruals and settlements [2]					(120)
Asset recovery					15
Hurricane-related costs					(83)
Operating income [3]					**$ 4,893**

1 Eliminations relate to intersegment sales between the Pharmaceutical Wholesale and the Retail Pharmacy International segments.

2 As previously disclosed, 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 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. See note 17 , new accounting pronouncements , for further information.

Note 15 . Sales

The following table summarizes the Company’s sales by segment and by major source (in millions):

	Three months ended May 31, 2019	Three months ended May 31, 2018	Nine months ended May 31, 2019	Nine months ended May 31, 2018
Retail Pharmacy USA				
Pharmacy	$ 19,585	$ 18,790	$ 57,624	$ 52,258
Retail	6,928	7,127	20,867	20,626
Total	26,513	25,917	78,491	72,884
Retail Pharmacy International				
Pharmacy	1,047	1,111	3,096	3,316
Retail	1,730	1,884	5,662	6,079
Total	2,776	2,995	8,759	9,395
Pharmaceutical Wholesale	5,865	5,965	17,311	17,438
Eliminations [1]	(563)	(543)	(1,649)	(1,622)
Walgreens Boots Alliance, Inc.	**$ 34,591**	**$ 34,334**	**$ 102,912**	**$ 98,095**

[1] Eliminations relate to intersegment sales between the Pharmaceutical Wholesale and the Retail Pharmacy International segments.

Contract balances with customers

Contract liabilities primarily represent the Company’s obligation to transfer additional goods or services to a customer for which the Company has received consideration, for example the Company’s Balance Rewards® and Boots Advantage Card loyalty programs. Under such programs, customers earn reward points on purchases for redemption at a later date. See note 18 , supplemental information , for further information on receivables from contracts with customers.

Note 16. Related parties

The Company has a long-term pharmaceutical distribution agreement with AmerisourceBergen pursuant to which the Company sources branded and generic pharmaceutical products from AmerisourceBergen principally for its U.S. operations. Additionally, AmerisourceBergen receives sourcing services for generic pharmaceutical products.

Related party transactions with AmerisourceBergen (in millions):

	Three months ended May 31, 2019	Three months ended May 31, 2018	Nine months ended May 31, 2019	Nine months ended May 31, 2018
Purchases, net	$ 14,684	$ 15,830	$ 43,070	$ 39,566

	May 31, 2019	August 31, 2018
Trade accounts payable, net	$ 6,520	$ 6,274

Note 17 . New accounting pronouncements

Adoption of new accounting pronouncements

Presentation of net periodic pension cost and net periodic postretirement benefit cost

In March 2017, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update ("ASU") 2017-07, Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. This ASU requires an employer to report the service cost component of net periodic pension cost and net periodic postretirement benefit cost in the same line item in the statement of earnings as other compensation costs arising from services rendered by the related employees during the period. All other net cost components are required to be presented in the statement of earnings separately from the service cost component and outside a subtotal of income from operations. Additionally, the line item used in the statement of earnings to present the other net cost components must be disclosed in the notes to the financial statements. The Company adopted this new accounting guidance as of September 1, 2018 (fiscal 2019) on a retrospective basis and the adoption did not have a material impact on the Company's results of operations, cash flows or financial position. The impact on our previously reported net periodic costs as a result of the retrospective adoption of this standard results in a reclassification from selling, general and administrative expenses to other income (expense) of $125 million , $73 million and $(69) million for the fiscal years ended August 31, 2018, 2017 and 2016, respectively. The updated accounting policy for pension and postretirement benefits is as follows:

Pension and postretirement benefits
The Company has various defined benefit pension plans, which cover some of its non-U.S. employees. The Company also has a postretirement healthcare plan, which covers qualifying U.S. employees. Eligibility and the level of benefits for these plans vary depending on participants' status, date of hire and or length of service. Pension and postretirement plan expenses and valuations are dependent on assumptions used by third-party actuaries in calculating those amounts. These assumptions include discount rates, healthcare cost trends, long-term return on plan assets, retirement rates, mortality rates and other factors. The Company funds its pension plans in accordance with applicable regulations. The Company records the service cost component of net pension cost and net postretirement benefit cost in selling, general and administrative expenses. The Company records all other net cost components of net pension cost and net postretirement benefit cost in other income (expense). See note 12, retirement benefits, for further information.

The following is a reconciliation of the effect of the reclassification of 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) in the Company's Consolidated Condensed Statements of Earnings (in millions):

	As reported	Adjustments	As revised
Three months ended May 31, 2018			
Selling, general and administrative expenses	$ 6,231	$ 4	$ 6,235
Operating income	1,601	(4)	1,597
Other income (expense)	(4)	4	—

	As reported	Adjustments	As revised
Nine months ended May 31, 2018			
Selling, general and administrative expenses	$ 18,456	$ 10	$ 18,466
Operating income	4,903	(10)	4,893
Other income (expense)	(132)	10	(122)

Restricted cash
In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. This ASU requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the Statement of Cash Flows. The Company adopted this new accounting guidance as of September 1, 2018 (fiscal 2019) on a full retrospective basis and the adoption did not have a material impact on the Company's Statement of Cash Flows.

The following is a reconciliation of the effect on the relevant line items on the Consolidated Condensed Statements of Cash Flows for the nine months ended May 31, 2018 as a result of adopting this new accounting guidance (in millions):

	As reported	Adjustments	As revised
Nine months ended May 31, 2018			
Trade accounts payable	$ 627	$ 48	$ 675
Accrued expenses and other liabilities	10	6	16
Other non-current assets and liabilities	(117)	7	(110)
Net cash provided by operating activities	5,385	61	5,446
Effect of exchange rate changes on cash, cash equivalents and restricted cash	26	1	27
Net increase (decrease) in cash, cash equivalents and restricted cash	(1,483)	61	(1,422)
Cash, cash equivalents and restricted cash at beginning of period	3,301	195	3,496
Cash, cash equivalents and restricted cash at end of period	**$ 1,818**	**$ 256**	**$ 2,074**

Tax accounting for intra-entity asset transfers
In October 2016, the FASB issued ASU 2016-16, Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory. This ASU prohibits the recognition of current and deferred income taxes for an intra-entity asset transfer until the asset has been sold to an outside party. In addition, interpretations of this guidance have developed in practice for transfers of certain intangible and tangible assets. This prohibition on recognition is an exception to the principle of comprehensive recognition of current and deferred income taxes. To more faithfully represent the economics of intra-entity asset transfers, the amendments in this ASU require that entities recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. This ASU does not change the pre-tax effects of an intra-entity asset transfer under Topic 810, Consolidation, or for an intra-entity transfer of inventory. The Company adopted this new accounting guidance as of September 1, 2018 (fiscal 2019) on a modified retrospective basis and the adoption did not have a material impact on the Company's results of operations.

Classification of certain cash receipts and cash payments
In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. This ASU addresses the classification of certain specific cash flow issues including debt prepayment or extinguishment costs, settlement of certain debt instruments, contingent consideration payments made after a business combination, proceeds from the settlement of certain insurance claims, and distributions received from equity method investees. The Company adopted this new accounting guidance as of September 1, 2018 (fiscal 2019) and adoption did not have a material impact on the Company’s Statement of Cash Flows.

Revenue recognition on contracts with customers
In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). Subsequently, the FASB issued additional ASUs, which further clarify this guidance. This ASU provides a single principles-based revenue recognition model with a five-step analysis of transactions to determine when and how revenue is recognized. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company adopted this new accounting guidance on September 1, 2018 (fiscal 2019) using the modified retrospective transition approach for all contracts and the adoption did not have a material impact on the Company’s results of operations. The adoption mainly resulted in changes to recognition of revenues related to loyalty programs and gift card breakage. Prior to adoption, the Company used the cost approach to account for loyalty programs. Upon adoption, the Company uses the deferred revenue approach. Prior to adoption, gift card breakage was primarily recognized at point of sale. Upon adoption, all gift card breakage is recognized based on the redemption pattern. The changes in accounting for loyalty programs and gift card breakage resulted in a cumulative transition adjustment of $98 million in retained earnings. See note 15, sales, for additional disclosures. The updated accounting policy for revenue recognition and loyalty programs are as follows:

Revenue recognition
Retail Pharmacy USA and Retail Pharmacy International
The Company recognizes revenue, net of taxes and expected returns, at the time it sells merchandise or dispenses prescription drugs to the customer. The Company estimates revenue based on expected reimbursements from third-party payers (e.g., pharmacy benefit managers, insurance companies and governmental agencies) for dispensing prescription drugs. The estimates are based on all available information including historical experience and are updated to actual reimbursement amounts.

Pharmaceutical Wholesale
Wholesale revenue is recognized, net of taxes and expected returns, upon shipment of goods, which is generally also the day of delivery. Returns are estimated using expected returns.

Loyalty programs and gift card
The Company's loyalty rewards programs represent a separate performance obligation and are accounted for using the deferred revenue approach. When goods are sold, the transaction price is allocated between goods sold and loyalty points awarded based upon the relative standalone selling price. The revenue allocated to the loyalty points is recognized upon redemption. Loyalty program breakage is recognized as revenue based on the redemption pattern.

Customer purchases of gift cards are not recognized as revenue until the card is redeemed. Gift card breakage (i.e., unused gift card) is recognized as revenue based on the redemption pattern.

Classification and measurement of financial instruments
In January 2016, the FASB issued ASU 2016-01, Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. Subsequently, the FASB issued additional ASUs, which further clarify this guidance. This ASU requires equity investments (except those under the equity method of accounting or those that result in the consolidation of an investee) to be measured at fair value with changes in fair value recognized in net income. However, an entity may choose to measure equity investments that do not have readily determinable fair values at cost less impairment, if any, and changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. This simplifies the impairment assessment of equity investments previous held at cost. Separate presentation of financial assets and liabilities by measurement category is required. The Company adopted this new accounting guidance as of September 1, 2018 (fiscal 2019) and adoption did not have a material impact on the Company's results of operations, cash flows or financial position. The new guidance was applied on a modified retrospective basis, with the exception of the amendments related to the measurement alternative for equity investments without readily determinable fair values, which was applied on a prospective basis.

New accounting pronouncements not yet adopted
Investments - equity securities
In April 2019, the FASB issued ASU 2019-04, Codification Improvements to Financial Instruments-Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Financial Instruments (Topic 825). This extensive ASU provides clarifications for three topics related to financial instruments accounting, some of which apply to the Company. For example, this ASU clarifies the disclosure requirements that apply to equity securities without a readily determinable fair value for which the measurement alternative is elected. The adoption of this ASU is not expected to have a significant impact on the Company's results of operations, cash flows or financial position.

Collaborative arrangements
In November 2018, the FASB issued ASU 2018-18, Collaborative Arrangements (Topic 808). This ASU clarifies the interaction between Topic 808, Collaborative Arrangements, and Topic 606, Revenue from Contracts with Customers. This ASU is effective for fiscal years beginning after December 15, 2019 (fiscal 2021). The adoption of this ASU is not expected to have a significant impact on the Company's results of operations, cash flows or financial position.

Financial instruments - hedging and derivatives
In October 2018, the FASB issued ASU 2018-16, Derivatives and Hedging (Topic 815): Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as Benchmark Interest Rate for Hedge Accounting Purposes. This ASU permits use of the OIS rate based on the SOFR as a U.S. benchmark interest rate for hedge accounting purposes. This ASU is effective for fiscal years beginning after December 15, 2018 (fiscal 2020), and interim periods within those fiscal years, with early adoption permitted. The new guidance must be applied on a prospective basis. The adoption of this ASU is not expected to have a significant impact on the Company's results of operations, cash flows or financial position.

Intangibles – goodwill and other – internal-use software

In August 2018, the FASB issued ASU 2018-15, Intangibles-Goodwill and Other- Internal-Use Software (Subtopic 350-40). This ASU addresses customer's accounting for implementation costs incurred in a cloud computing arrangement that is a service contract and also adds certain disclosure requirements related to implementation costs incurred for internal-use software and cloud computing arrangements. This ASU aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). This ASU is effective for fiscal years beginning after December 15, 2019 (fiscal 2021), and interim periods within those fiscal years, with early adoption permitted. The amendments in this ASU can be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. The Company is evaluating the effect of adopting this new accounting guidance, but does not expect adoption will have a material impact on the Company's financial position or results of operations.

Compensation – retirement benefits – defined benefit plans
In August 2018, the FASB issued ASU 2018-14, Compensation - Retirement benefits (Topic 715-20). This ASU amends ASC 715 to add, remove and clarify disclosure requirements related to defined benefit pension and other postretirement plans. The ASU eliminates the requirement to disclose the amounts in accumulated other comprehensive income expected to be recognized as part of net periodic benefit cost over the next year. The ASU also removes the disclosure requirements for the effects of a one-percentage-point change on the assumed health care costs and the effect of this change in rates on service cost, interest cost and the benefit obligation for postretirement health care benefits. This ASU is effective for fiscal years ending after December 15, 2020 (fiscal 2022) and must be applied on a full retrospective basis. The Company is evaluating the effect of adopting this new accounting guidance, but does not expect adoption will have a material impact on the Company's financial position and disclosures.

Fair value measurement
In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820). This ASU eliminates such disclosures as the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy. The ASU adds new disclosure requirements for Level 3 measurements. This ASU is effective for fiscal years beginning after December 15, 2019 (fiscal 2021), and interim periods within those fiscal years, with early adoption permitted for any eliminated or modified disclosures. The Company is evaluating the effect of adopting this new accounting guidance, but does not expect adoption will have a material impact on the Company's disclosures.

Compensation – stock compensation
In June 2018, the FASB issued ASU 2018-07, Compensation-Stock Compensation (Topic 718). This ASU eliminated most of the differences between accounting guidance for share-based compensation granted to nonemployees and the guidance for share-based compensation granted to employees. The ASU supersedes the guidance for nonemployees and expands the scope of the guidance for employees to include both. This ASU is effective for annual periods beginning after December 15, 2018 (fiscal 2020), and interim periods within those years. The Company is evaluating the effect of adopting this new accounting guidance, but does not expect adoption will have a material impact on the Company's financial position.

Accounting for reclassification of certain tax effects from accumulated other comprehensive income
In February 2018, the FASB issued ASU 2018-02, Income Statement-Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income. This ASU addresses the income tax effects of items in accumulated other comprehensive income ("AOCI") that were originally recognized in other comprehensive income, rather than in income from continuing operations. Specifically, it permits a reclassification from AOCI to retained earnings for the adjustment of deferred taxes due to the reduction of the historical corporate income tax rate to the newly enacted corporate income tax rate resulting from the U.S. tax law changes enacted in December 2017. It also requires certain disclosures about these reclassifications. This ASU is effective for fiscal years beginning after December 15, 2018 (fiscal 2020), and interim periods within those fiscal years, with early adoption permitted. The new guidance must be applied either on a prospective basis in the period of adoption or retrospectively to each period in which the effect of the change in the U.S. federal corporate income tax rate are recognized. The Company is evaluating the effect of adopting this new accounting guidance, but does not expect adoption will have a material impact on the Company's financial position.

Leases
In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which supersedes Topic 840, Leases. Subsequently, the FASB issued additional ASUs, which further clarify this guidance. This ASU increases the transparency and comparability of organizations by requiring the capitalization of substantially all leases on the balance sheet and disclosures of key information about leasing arrangements. Under this new guidance, at the lease commencement date, a lessee recognizes a right-of-use asset and lease liability. The lease liability is initially measured at the present value of the future lease payments and the asset is based on the liability, subject to certain adjustments. For income statement purposes, a dual model was retained for lessees, requiring leases to be classified as either operating or finance leases. Under the operating lease model, lease expense is

recognized on a straight-line basis over the lease term. Under the finance lease model, interest on the lease liability is recognized separately from amortization of the right-of-use asset. The new guidance is effective for fiscal years beginning after December 15, 2018 (fiscal 2020), and interim periods within those fiscal years. In transition, lessees are required to recognize and measure leases at the beginning of the earliest period presented (fiscal 2018) using a modified retrospective approach which includes a number of optional practical expedients that entities may elect to apply. In July 2018, a new ASU was issued to provide relief to the companies from restating the comparative period. Pursuant to this ASU, WBA will not restate comparative periods presented in the Company's financial statements in the period of adoption.

The Company will adopt this ASU and related amendments on September 1, 2019 (fiscal 2020). The Company continues to plan for adoption and implementation of this ASU, including implementing a new global lease accounting system, evaluating practical expedient and accounting policy elections and assessing the overall financial statement impact. This ASU will have a material impact on the Company's financial position. The impact on the Company's results of operations is being evaluated. The impact of this ASU is non-cash in nature and will not affect the Company's cash flows.

Note 18. Supplemental information

Accounts receivable

Accounts receivable are stated net of allowances for doubtful accounts. Accounts receivable balances primarily consist of trade receivables due from customers, including amounts due from third party providers (e.g., pharmacy benefit managers, insurance companies and governmental agencies), clients and members. Trade receivables were $5.9 billion and $5.4 billion at May 31, 2019 and August 31, 2018 , respectively. Other accounts receivable balances, which consist primarily of receivables from vendors and manufacturers, including receivables from AmerisourceBergen (see note 16, related parties), were $1.3 billion and $1.2 billion at May 31, 2019 and August 31, 2018 , respectively.

Depreciation and amortization

The Company has recorded the following depreciation and amortization expense in the Consolidated Condensed Statements of Earnings (in millions):

	Three months ended May 31,		Nine months ended May 31,	
	2019	2018	2019	2018
Depreciation expense	$ 379	$ 358	$ 1,096	$ 1,040
Intangible asset and other amortization	142	84	415	260
Total depreciation and amortization expense	**$ 522**	**$ 442**	**$ 1,512**	**$ 1,300**

Accumulated depreciation and amortization on property, plant and equipment was $ 11.2 billion at May 31, 2019 and $ 10.5 billion at August 31, 2018 .

Restricted cash

The Company is required to maintain cash deposits with certain banks which consist of deposits restricted under contractual agency agreements and cash restricted by law and other obligations. As of May 31, 2019 and August 31, 2018 , the amount of such restricted cash was $199 million and $190 million , respectively, and is reported in other current assets on the Consolidated Condensed Balance Sheets.

The following represents a reconciliation of cash and cash equivalents in the Consolidated Condensed Balance Sheets to total cash, cash equivalents and restricted cash in the Consolidated Condensed Statements of Cash Flows as of May 31, 2019 and August 31, 2018 (in millions):

	May 31, 2019	August 31, 2018
Cash and cash equivalents	$ 839	$ 785
Restricted cash (included in other current assets)	199	190
Cash, cash equivalents and restricted cash	**$ 1,038**	**$ 975**

Earnings per share

The dilutive effect of outstanding stock options on earnings per share is calculated using the treasury stock method. Stock options are anti-dilutive and excluded from the earnings per share calculation if the exercise price exceeds the average market price of the common shares. There were 17.0 million outstanding options to purchase common shares that were anti-dilutive and excluded from the third quarter earnings per share calculation as of May 31, 2019 compared to 12.1 million as of May 31, 2018 .

Cash dividends declared per common share
Cash dividends per common share declared during the nine months ended fiscal 2019 and the nine months ended fiscal 2018 were as follows:

Quarter ended	**2019**	**2018**
November	$ 0.440	$ 0.400
February	0.440	0.400
May	0.440	0.400
	$ 1.320	**$ 1.200**

Item 2. Management's discussion and analysis of financial condition and results of operations
The following discussion and analysis of our financial condition and results of operations should be read together with the financial statements and the related notes included elsewhere herein and the Consolidated Financial Statements, accompanying notes and management's discussion and analysis of financial condition and results of operations and other disclosures contained in the Walgreens Boots Alliance, Inc. Annual Report on Form 10-K for the fiscal year ended August 31, 2018 . This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those discussed in forward-looking statements. Factors that might cause a difference include, but are not limited to, those discussed under "Cautionary note regarding forward-looking statements" and in item 1A risk factors, in our Form 10-K for the fiscal year ended August 31, 2018 and our Form 10-Q for the fiscal quarter ended February 28, 2019. References herein to the "Company", "we", "us", or "our" refer to Walgreens Boots Alliance, Inc. and its subsidiaries, except as otherwise indicated or the context otherwise requires.

Certain amounts in the Consolidated Condensed Financial Statements and associated notes may not add due to rounding. All percentages have been calculated using unrounded amounts for the three and nine months ended May 31, 2019 .

INTRODUCTION AND SEGMENTS
Walgreens Boots Alliance, Inc. ("Walgreens Boots Alliance") and its subsidiaries are a global pharmacy-led health and wellbeing enterprise. Its operations are conducted through three reportable segments:
- Retail Pharmacy USA;
- Retail Pharmacy International; and
- Pharmaceutical Wholesale.

See note 14 , segment reporting , for further information.

FACTORS AFFECTING OUR RESULTS AND COMPARABILITY
The Company has been, and we expect it to continue to be, affected by a number of factors that may cause actual results to differ from our current expectations. These factor include: the influence of certain holidays; seasonality; foreign currency rates; changes in vendor; payer and customer relationships and terms; strategic transactions and acquisitions, for example the acquisition of stores and other assets from Rite Aid; joint ventures and other strategic collaborations; changes in laws, for example the U.S. tax law changes; changes in trade, tariff and international relations, including the U.K.'s proposed withdrawal from the European Union and its impact on our operations and prospects and those of our customers and counterparties; the timing and magnitude of cost reduction initiatives; fluctuations in variable costs; and general economic conditions in the markets in which the Company operates. These and other factors can affect the Company's operations and net earnings for any period and may cause such results not to be comparable to the same period in previous years. The results presented in this report are not necessarily indicative of future operating results.

TRANSFORMATIONAL COST MANAGEMENT PROGRAM
On December 20, 2018, the Company announced a multi-faceted program (the "Transformational Cost Management Program"), which includes divisional optimization initiatives, global smart spending, global smart organization and digitalization of the enterprise to transform long-term capabilities. Divisional optimization within each of our segments include activities such as optimization of stores, distribution centers and offices and efficient supply chain. Additionally, the Company has initiated global smart spending, smart organization programs and digitalization, initially focused on the Company's Retail Pharmacy USA division, its retail business in the UK and its global functions. Actions under the Transformational Cost Management Program announced on December 20, 2018 are expected to deliver in excess of $1.5 billion of annual cost savings by fiscal 2022.

Additional significant actions under the Transformational Cost Management Program continue to be evaluated and are expected to commence in future periods, subject to receipt of necessary corporate approvals. The Company expects that it will incur approximately $600 million in charges for actions that have been approved to date under the Transformational Cost Management Program, of which approximately $450 million will be recorded as exit and disposal activities. These amounts include charges recognized through the nine months ended May 31, 2019 as discussed below.

As of the date of this report, the Company is not able to make a determination of the total estimated charges or range of charges that may be incurred for each major type of cost nor the future cash expenditures or charges, including non-cash impairment charges (if any), it may incur. The Company will update this disclosure upon the determination of such amounts.

Transformational Cost Management Program charges are recognized as the costs are incurred over time in accordance with GAAP. The Company treats charges related to the Transformational Cost Management Program as special items impacting comparability of results in its earnings disclosures. As of May 31, 2019 , the Company has recognized cumulative pre-tax charges to its financial results in accordance with GAAP relating to the Transformational Cost Management Program of $265 million , of which $ 235 million are recorded as exit and disposal activities. See note 3, exit and disposal activities, for additional information. Transformational Cost Management Program charges were primarily recorded within selling, general and administrative expenses and relate to actions taken across all divisions.

The amounts and timing of all estimates are subject to change until finalized. The actual amounts and timing may vary materially based on various factors. See “cautionary note regarding forward-looking statements” below.

ACQUISITION OF CERTAIN RITE AID CORPORATION (“RITE AID”) ASSETS

On September 19, 2017, the Company announced it had secured regulatory clearance for an amended and restated asset purchase agreement to purchase 1,932 stores, three distribution centers and related inventory from Rite Aid for $4.375 billion in cash and other consideration. The Company has completed the acquisition of all 1,932 Rite Aid stores. The transition of the first distribution center and related inventory occurred in September 2018 and the transition of the remaining two distribution centers and related inventory remains subject to closing conditions set forth in the amended and restated asset purchase agreement.

The Company continues to expect to complete integration of the acquired stores and related assets by the end of fiscal 2020, at an estimated total cost of approximately $850 million, which is reported as acquisition-related costs. The Company has recognized cumulative pre-tax charges for the fiscal year 2018 and for the nine months ended May 31, 2019 of $221 million and $224 million, respectively, related to integration of the acquired stores and related assets. In addition, the Company continues to expect to spend approximately $500 million on store conversions and related activities. The Company expects annual synergies from the transaction of more than $325 million, which are expected to be fully realized within four years of the initial closing of this transaction and derived primarily from procurement, cost savings and other operational matters.

See Store Optimization Program in item 2, management's discussion and analysis of financial condition and results of operations, for information on the Store Optimization Program.

The amounts and timing of all estimates are subject to change until finalized. The actual amounts and timing may vary materially based on various factors. See “cautionary note regarding forward-looking statements” below.

STORE OPTIMIZATION PROGRAM

On October 24, 2017, the Company’s Board of Directors approved a plan to implement a program (the “Store Optimization Program”) to optimize store locations through the planned closure of approximately 600 stores and related assets within the Company’s Retail Pharmacy USA segment upon completion of the acquisition of certain stores and related assets from Rite Aid. As of the date of this report, the Company expects to close approximately 750 stores. The actions under the Store Optimization Program commenced in March 2018 and are expected to be complete by end of fiscal 2020. The Store Optimization Program is expected to result in cost savings of approximately $350 million per year to be fully delivered by the end of fiscal 2020.

The Company currently estimates that it will recognize cumulative pre-tax charges to its GAAP financial results of approximately $350 million, including costs associated with lease obligations and other real estate costs and employee severance and other exit costs. The Company expects to incur pre-tax charges of approximately $160 million for lease obligations and other real estate costs and approximately $190 million for employee severance and other exit costs. The Company estimates that substantially all of these cumulative pre-tax charges will result in cash expenditures.

The Company has recognized cumulative pre-tax charges for the fiscal year 2018 and for the nine months ended May 31, 2019 in accordance with GAAP totaling $200 million which were primarily recorded within selling, general and administrative expenses. These charges included $64 million related to lease obligations and other real estate costs and $136 million in employee severance and other exit costs.

Store Optimization Program charges are recognized as the costs are incurred over time in accordance with GAAP. The Company treats charges related to the Store Optimization Program as special items impacting comparability of results in its earnings disclosures.

The amounts and timing of all estimates are subject to change until finalized. The actual amounts and timing may vary materially based on various factors. See "cautionary note regarding forward-looking statements" below.

U.S. TAX LAW CHANGES

In connection with the U.S. tax law changes enacted in December 2017 and in accordance with SEC Staff Accounting Bulletin 118 ("SAB 118"), the Company completed its analysis of the income tax effects of the U.S. tax law changes during the three months ended February 28, 2019. The incremental net tax benefit recorded upon completion of the analysis of the income tax effects of the U.S. tax law changes was not material to our Consolidated Condensed Financial Statements.

While the Company completed its analysis of the income tax effects of the U.S. tax law changes, the final impact of the U.S. tax law changes may differ from this analysis, due to, among other things, technical clarifications from the U.S. Department of the Treasury and the Internal Revenue Service ("IRS"), interpretations of the U.S. tax law changes and actions the Company may take. The Company will continue to evaluate the impact of any future authoritative guidance with respect to the U.S. tax law changes.

As we repatriate the undistributed earnings of our foreign subsidiaries for use in the United States, the earnings from our foreign subsidiaries will generally not be subject to U.S. federal tax. We continuously evaluate the amount of foreign earnings that are not necessary to be permanently reinvested in our foreign subsidiaries.

EXECUTIVE SUMMARY

The following table presents certain key financial statistics:

	(in millions, except per share amounts)			
	Three months ended May 31,		Nine months ended May 31,	
	2019	2018	2019	2018
Sales	$ 34,591	$ 34,334	$ 102,912	$ 98,095
Gross profit	7,453	7,780	22,849	23,217
Selling, general and administrative expenses	6,235	6,235	18,834	18,466
Equity earnings (loss) in AmerisourceBergen	(16)	52	105	142
Operating income	1,203	1,597	4,120	4,893
Adjusted operating income (Non-GAAP measure) [1]	1,717	1,943	5,384	5,909
Earnings before interest and income tax provision	1,385	1,597	4,347	4,771
Net earnings attributable to Walgreens Boots Alliance, Inc.	1,025	1,342	3,305	3,512
Adjusted net earnings attributable to Walgreens Boots Alliance, Inc. (Non-GAAP measure) [1]	1,338	1,522	4,246	4,538
Net earnings per common share – diluted	1.13	1.35	3.55	3.51
Adjusted net earnings per common share – diluted (Non-GAAP measure) [1]	1.47	1.53	4.56	4.54

	Percentage increases (decreases)			
	Three months ended May 31,		Nine months ended May 31,	
	2019	2018	2019	2018
Sales	0.7	14.0	4.9	11.4
Gross profit	(4.2)	8.9	(1.6)	6.4
Selling, general and administrative expenses	—	7.2	2.0	4.9
Operating income	(24.7)	13.1	(15.8)	12.3
Adjusted operating income (Non-GAAP measure) [1]	(11.7)	7.4	(8.9)	6.1
Earnings before interest and income tax provision	(13.3)	5.8	(8.9)	7.9
Net earnings attributable to Walgreens Boots Alliance, Inc.	(23.6)	15.5	(5.9)	7.2
Adjusted net earnings attributable to Walgreens Boots Alliance, Inc. (Non-GAAP measure) [1]	(12.1)	5.6	(6.4)	10.2
Net earnings per common share – diluted	(16.5)	26.2	1.1	16.2
Adjusted net earnings per common share – diluted (Non-GAAP measure) [1]	(4.0)	15.0	0.6	19.8

	Percent to sales			
	Three months ended May 31,		Nine months ended May 31,	
	2019	2018	2019	2018
Gross margin	21.5	22.7	22.2	23.7
Selling, general and administrative expenses	18.0	18.2	18.3	18.8

[1] See “--Non-GAAP Measures” below for a reconciliation to the most directly comparable financial measure calculated in accordance with GAAP.

WALGREENS BOOTS ALLIANCE RESULTS OF OPERATIONS

Net earnings attributable to Walgreens Boots Alliance for the three months ended May 31, 2019 decrease d 23.6% to $1.0 billion compared with the prior year period, while diluted net earnings per share decrease d 16.5% to $1.13 compared with the prior year period. The decrease in net earnings and diluted net earnings per share for the three month period ended May 31, 2019 primarily reflect operating performance, including costs related to the Transformational Cost Management Program, and loss from the Company's share of equity earnings in AmerisourceBergen, partially offset by gain recognition in other income resulting from the termination of the option granted to Rite Aid to become a member of the Company's group purchasing organization. Diluted net earnings per share was positively affected by a lower number of shares outstanding compared to the prior year period. Net earnings and diluted net earnings per share were negatively impacted by 0.9 percentage points and 1.0 percentage points, respectively, as a result of currency translation.

Net earnings attributable to Walgreens Boots Alliance for the nine months ended May 31, 2019 decrease d 5.9% to $3.3 billion compared with the prior year period, while diluted net earnings per share increased 1.1% to $3.55 compared with the prior year period. The decrease in net earnings for the nine month period ended May 31, 2019 primarily reflect operating performance including costs related to the Transformational Cost Management Program partially offset by the lower effective tax rate, gain recognition in other income resulting from the termination of the option granted to Rite Aid and impairment of the Company's equity method investment in Guangzhou Pharmaceuticals in the prior year period. The increase in diluted net earnings per share was positively affected by a lower number of shares outstanding compared to the prior year period. Net earnings and diluted net earnings per share were negatively impacted by 0.8 percentage points and 0.9 percentage points, respectively, as a result of currency translation.

Other income (expense) for the three months ended May 31, 2019 was income of $182 million compared to income of $0 million for the three months ended May 31, 2018 , which primarily reflects gain recognition in other income resulting from the termination of the option granted to Rite Aid to become a member of the Company's group purchasing organization in the current period. Other income (expense) for the nine months ended May 31, 2019 was income of $227 million , compared to an expense of $122 million , for the nine months ended May 31, 2018 . Results for the nine months ended May 31, 2018 primarily reflects the impairment of the Company's equity method investment in Guangzhou Pharmaceuticals.

Interest was a net expense of $187 million and $529 million for the three and nine months ended May 31, 2019 , respectively, compared to $157 million and $457 million for the three and nine months ended May 31, 2018 , respectively.

The effective tax rate for the three and nine months ended May 31, 2019 was 13.0% and 14.7% , respectively, compared to 7.6% and 19.4% for the three and nine months ended May 31, 2018 , respectively. The increase in the effective tax rate for the three months ended May 31, 2019 was primarily due to net discrete tax benefits in the prior year as a result of the U.S. tax law changes. The decrease in the effective tax rate for the nine months ended May 31, 2019 was primarily due to the net discrete tax expense in the prior year as a result of the U.S. tax law changes.

Adjusted diluted net earnings per share (Non-GAAP measure)

Adjusted net earnings attributable to Walgreens Boots Alliance for the three months ended May 31, 2019 decrease d 12.1% to $1.3 billion , compared with the year-ago quarter. Adjusted diluted net earnings per share decrease d 4.0% to $1.47 , compared with the year-ago quarter. Adjusted net earnings and adjusted diluted net earnings per share were each negatively impacted by 1.4 percentage points and 1.5 percentage points, respectively, as a result of currency translation.

Excluding the impact of currency translation, the decrease in adjusted net earnings and adjusted diluted net earnings per share for the three months ended May 31, 2019 reflects operating performance primarily due to lower U.S. pharmacy margin and lower retail volume. Adjusted diluted net earnings per share was positively affected by a lower number of shares outstanding compared to the prior year period.

Adjusted net earnings attributable to Walgreens Boots Alliance for the nine months ended May 31, 2019 decrease d 6.4% to $4.2 billion , compared with the year-ago period. Adjusted diluted net earnings per share increase d 0.6% to $4.56 , compared with the year-ago period. Adjusted net earnings and adjusted diluted net earnings per share were negatively impacted by 1.0 percentage points and 1.1 percentage points, respectively, as a result of currency translation.

Excluding the impact of currency translation, the decrease in adjusted net earnings for the nine months ended May 31, 2019 was primarily due to operating performance partially offset by a decrease in adjusted effective tax rate. Adjusted diluted net earnings per share was positively affected by a lower number of shares outstanding compared to the prior year period. See "--Non-GAAP Measures" below for a reconciliation to the most directly comparable GAAP measure.

RESULTS OF OPERATIONS BY SEGMENT

Retail Pharmacy USA

This division comprises the retail pharmacy businesses operating in the U.S.

	(in millions, except location amounts)			
	Three months ended May 31,		Nine months ended May 31,	
	2019	2018	2019	2018
Sales	$ 26,513	$ 25,917	$ 78,491	$ 72,884
Gross profit	5,813	6,029	17,880	17,898
Selling, general and administrative expenses	4,818	4,776	14,492	14,115
Operating income	995	1,253	3,388	3,783
Adjusted operating income (Non-GAAP measure) [1]	1,286	1,492	4,119	4,520
Number of prescriptions [2]	212.3	215.2	640.8	615.8
30-day equivalent prescriptions [2,3]	290.7	285.2	866.9	814.6
Number of locations at period end	9,390	9,964	9,390	9,964

	Percentage increases (decreases)			
	Three months ended May 31,		Nine months ended May 31,	
	2019	2018	2019	2018
Sales	2.3	15.0	7.7	12.1
Gross profit	(3.6)	9.5	(0.1)	6.4
Selling, general and administrative expenses	0.9	7.5	2.7	4.3
Operating income	(20.6)	17.9	(10.5)	14.9
Adjusted operating income (Non-GAAP measure) [1]	(13.8)	10.0	(8.9)	7.6
Comparable store sales [4]	3.8	(1.2)	1.6	1.9
Pharmacy sales	4.3	19.3	10.2	17.4
Comparable pharmacy sales [4]	6.0	—	3.6	4.1
Retail sales	(2.9)	5.2	1.3	0.6
Comparable retail sales [4]	(1.1)	(3.8)	(2.7)	(2.5)
Comparable number of prescriptions [2,4]	1.4	(2.4)	(0.1)	1.5
Comparable 30-day equivalent prescriptions [2,3,4]	4.7	—	2.8	4.2

	Percent to sales			
	Three months ended May 31,		Nine months ended May 31,	
	2019	2018	2019	2018
Gross margin	21.9	23.3	22.8	24.6
Selling, general and administrative expenses	18.2	18.4	18.5	19.4

1 See “--Non-GAAP Measures” below for a reconciliation to the most directly comparable financial measure calculated in accordance with GAAP.
2 Includes immunizations.
3 Includes the adjustment to convert prescriptions greater than 84 days to the equivalent of three 30-day prescriptions. This adjustment reflects the fact that these prescriptions include approximately three times the amount of product days supplied compared to a normal prescription.

[4] Comparable stores are defined as those that have been open for at least twelve consecutive months without closure for seven or more consecutive days and without a major remodel or being subject to a natural disaster in the past twelve months. Relocated stores are not included as comparable stores for the first twelve months after the relocation. Acquired stores are not included as comparable stores for the first twelve months after acquisition or conversion, when applicable, whichever is later. The method of calculating comparable sales varies across the retail industry. As a result, our method of calculating comparable sales may not be the same as other retailers' methods.

Sales for the three months ended May 31, 2019 and 2018
Retail Pharmacy USA division's sales for the three months ended May 31, 2019 increase d by 2.3% to $26.5 billion . Sales in comparable stores increased 3.8% compared with the year-ago quarter.

Pharmacy sales increase d by 4.3% for the three months ended May 31, 2019 and accounted for 73.9% of the division's sales. The increase in the current quarter is mainly due to higher brand inflation and prescription volumes and strong growth in central specialty. In the year-ago quarter, pharmacy sales increased 19.3% and accounted for 72.5% of the division's sales. Comparable pharmacy sales increased by 6.0% for the three months ended May 31, 2019 , compared to remaining unchanged in the year-ago quarter. The effect of generic drugs, which have a lower retail price, replacing brand name drugs reduced pharmacy sales by 1.2% in the three months ended May 31, 2019 compared to a reduction of 1.1% in the year-ago quarter. On division sales, this effect was a reduction of 0.8% for the three months ended May 31, 2019 compared to a reduction of 0.7% for the year-ago quarter. The total number of prescriptions (including immunizations) filled for the three months ended May 31, 2019 was 212.3 million compared to 215.2 million in the year-ago quarter. Prescriptions (including immunizations) filled adjusted to 30-day equivalents were 290.7 million in the three months ended May 31, 2019 compared to 285.2 million in the year-ago quarter.

Retail sales decrease d 2.9% for the three months ended May 31, 2019 and were 26.1% of the division's sales. In the year-ago quarter, retail sales increase d 5.2% and represented 27.5% of the division's sales. The decrease in the current quarter is mainly due to the continued de-emphasis of tobacco. Comparable retail sales decrease d 1.1% in the three months ended May 31, 2019 compared to a decrease of 3.8% in the year-ago quarter. The decrease in comparable retail sales in the current period was primarily due to the continued de-emphasis of tobacco.

Operating income for the three months ended May 31, 2019 and 2018
Retail Pharmacy USA division's operating income for the three months ended May 31, 2019 decrease d 20.6% to $1.0 billion . The decrease was primarily due to lower gross margin partially offset by a reduction in selling, general and administrative expenses as a percentage of sales.

Gross margin was 21.9% for the three months ended May 31, 2019 compared to 23.3% in the year-ago quarter. Pharmacy margins in the current period were negatively impacted by continued reimbursement pressure and the adverse mix associated with brand inflation and a faster growing specialty business. These impacts were partially offset by procurement gains.

Selling, general and administrative expenses as a percentage of sales were 18.2% in the three months ended May 31, 2019 compared to 18.4% in the year-ago quarter. As a percentage of sales, expenses were lower in the current period due to pharmacy sales growth and a higher mix of specialty sales.

Adjusted operating income (Non-GAAP measure) for the three months ended May 31, 2019 and 2018
Retail Pharmacy USA division's adjusted operating income for the three months ended May 31, 2019 decrease d 13.8% to $1.3 billion . The decrease was primarily due to lower gross margins partially offset by a reduction in selling, general and administrative expenses as a percentage of sales. See "--Non-GAAP Measures" below for a reconciliation to the most directly comparable GAAP measure.

Sales for the nine months ended May 31, 2019 and 2018
Retail Pharmacy USA division's total sales for the nine months ended May 31, 2019 increase d 7.7% to $78.5 billion . Sales in comparable stores increase d 1.6% compared with the year-ago period.

Pharmacy sales increase d by 10.2% for the nine months ended May 31, 2019 and represented 73.4% of the division's sales. The increase is primarily due to prescription volume, brand inflation and growth in central specialty. In the nine months ended May 31, 2018 , pharmacy sales were up 17.4% and represented 71.7% of the division's sales. Comparable pharmacy sales were up 3.6% in the nine months ended May 31, 2019 compared to an increase of 4.1% in the nine months ended May 31, 2018 . The effect of generic drugs, which have a lower retail price, replacing brand name drugs reduced pharmacy sales by 1.0% in the nine month period ended May 31, 2019 compared to a reduction of 1.5% in the year-ago period. The effect of generics on division sales was a reduction of 0.7% in the current nine month period compared to a reduction of 0.9% in the year-ago period.

Third party sales, where reimbursement is received from managed care organizations, governmental agencies, employers or private insurers, were 97.1% of prescription sales for the nine month period ended May 31, 2019 compared to 98.0% for the nine months ended May 31, 2018 . The total number of prescriptions (including immunizations) filled for the nine months ended May 31, 2019 was 640.8 million compared to 615.8 million for the year-ago period. Prescriptions (including immunizations) filled adjusted to 30-day equivalents were 866.9 million in the nine months ended May 31, 2019 compared to 814.6 million in the year-ago period.

Retail sales increase d 1.3% for the nine months ended May 31, 2019 and were 26.6% of the division's sales. In comparison, for the nine months ended May 31, 2018 retail sales increase d 0.6% and represented 28.3% of the division's sales. The increase in the current period is mainly due to sales from acquired Rite Aid stores. Comparable retail sales decrease d 2.7% for the current nine month period compared to a decrease of 2.5% in the year-ago period. The decrease in comparable retail sales in the nine months ended May 31, 2019 was primarily due to the continued de-emphasis of tobacco.

Operating income for the nine months ended May 31, 2019 and 2018
Retail Pharmacy USA division's operating income for the nine months ended May 31, 2019 decrease d 10.5% to $3.4 billion . The decrease was primarily due to lower gross margins partially offset by a reduction in selling, general and administrative expenses as a percentage of sales.

Gross margin was 22.8% for the nine months ended May 31, 2019 compared to 24.6% in the year-ago period. Pharmacy margins in the current period were negatively impacted by reimbursement pressure and adverse mix associated with brand inflation and continued growth from central specialty, partially offset by the favorable impact of procurement efficiencies.

Selling, general and administrative expenses as a percentage of sales were 18.5% for the nine month period ended May 31, 2019 compared to 19.4% in the year-ago period. As a percentage of sales, expenses were lower in the current period primarily due to a higher mix of specialty sales and continued cost saving initiatives.

Adjusted operating income (Non-GAAP measure) for the nine months ended May 31, 2019 and 2018
Retail Pharmacy USA division's adjusted operating income for the nine months ended May 31, 2019 decrease d 8.9% to $4.1 billion . The decrease was primarily due to lower gross margins partially offset by a reduction in selling, general and administrative expenses as a percentage of sales. See "--Non-GAAP Measures" below for a reconciliation to the most directly comparable GAAP measure.

Retail Pharmacy International

This division comprises retail pharmacy businesses operating in countries outside of the United States and in currencies other than the U.S. dollar, including the British pound sterling, Euro, Chilean peso and Mexican peso and therefore the division's results are impacted by movements in foreign currency exchange rates. See item 3. quantitative and qualitative disclosure about market risk, foreign currency exchange rate risk for further information on currency risk.

	(in millions, except location amounts)			
	Three months ended May 31,		Nine months ended May 31,	
	2019	2018	2019	2018
Sales	$ 2,776	$ 2,995	$ 8,759	$ 9,395
Gross profit	1,112	1,215	3,418	3,733
Selling, general and administrative expenses	993	1,048	3,029	3,139
Operating income	119	167	389	594
Adjusted operating income (Non-GAAP measure) [1]	165	193	553	674
Number of locations at period end	4,612	4,734	4,612	4,734

	Percentage increases (decreases)			
	Three months ended May 31,		Nine months ended May 31,	
	2019	2018	2019	2018
Sales	(7.3)	6.6	(6.8)	5.9
Gross profit	(8.5)	5.8	(8.4)	5.8
Selling, general and administrative expenses	(5.3)	4.4	(3.5)	5.1
Operating income	(28.6)	16.0	(34.5)	10.0
Adjusted operating income (Non-GAAP measure) [1]	(14.9)	(1.0)	(18.0)	1.2
Comparable store sales [2]	(6.8)	7.4	(6.4)	6.5
Comparable store sales in constant currency [2,3]	(1.0)	(1.4)	(1.6)	(1.3)
Pharmacy sales	(5.9)	6.7	(6.5)	7.0
Comparable pharmacy sales [2]	(4.9)	6.8	(5.7)	7.3
Comparable pharmacy sales in constant currency [2,3]	1.0	(1.7)	(0.8)	(0.4)
Retail sales	(8.1)	6.6	(6.9)	5.3
Comparable retail sales [2]	(7.9)	7.7	(6.7)	6.1
Comparable retail sales in constant currency [2,3]	(2.3)	(1.3)	(2.1)	(1.7)

	Percent to sales			
	Three months ended May 31,		Nine months ended May 31,	
	2019	2018	2019	2018
Gross margin	40.0	40.6	39.0	39.7
Selling, general and administrative expenses	35.8	35.0	34.6	33.4

1 See “--Non-GAAP Measures” below for reconciliations to the most directly comparable GAAP measure and related disclosures.

2 Comparable stores are defined as those that have been open for at least twelve consecutive months without closure for seven or more consecutive days and without a major remodel or being subject to a natural disaster in the past twelve months. Relocated stores are not included as comparable stores for the first twelve months after the relocation. Acquired stores are not included as comparable stores for the first twelve months after acquisition or conversion, when applicable, whichever is later. The method of calculating comparable sales varies across the retail industry. As a result, our method of calculating comparable sales may not be the same as other retailers’ methods.

3 The Company 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. See “--Non-GAAP Measures” below.

Sales for the three months ended May 31, 2019 and 2018

Retail Pharmacy International division’s sales for the three months ended May 31, 2019 decrease d 7.3% to $2.8 billion . Sales in comparable stores decrease d 6.8% from the year-ago quarter. The negative impact of currency translation on each of sales and comparable sales was 5.7 percentage points. Comparable store sales in constant currency decrease d 1.0% from the year-ago quarter.

Pharmacy sales decrease d 5.9% in the three months ended May 31, 2019 and represented 37.7% of the division’s sales. Comparable pharmacy sales decrease d 4.9% from the year-ago quarter. The negative impact of currency translation on pharmacy sales and comparable pharmacy sales was 5.9 percentage points and 5.9 percentage points, respectively. Comparable pharmacy sales in constant currency increase d 1.0% from the year-ago quarter.

Retail sales decrease d 8.1% for the three months ended May 31, 2019 and were 62.3% of the division’s sales. Comparable retail sales decrease d 7.9% from the year-ago quarter. The negative impact of currency translation on retail sales and comparable retail sales was 5.6 percentage points and 5.6 percentage points, respectively. Comparable retail sales in constant currency decrease d 2.3% from the year-ago quarter reflecting lower Boots UK retail sales in a challenging market place.

Operating income for the three months ended May 31, 2019 and 2018
Retail Pharmacy International division's operating income for the three months ended May 31, 2019 decrease d 28.6% to $119 million of which 3.6 percentage points ($6 million) was as a result of the negative impact of currency translation. The remaining decrease was primarily due to lower sales and charges related to the Transformational Cost Management Program in the current quarter.

Gross profit decrease d 8.5% from the year-ago quarter of which 5.5 percentage points ($67 million) was as a result of the negative impact of currency translation. Excluding the impact of currency translation, the decrease was primarily due to charges related to Transformational Cost Management Program and lower sales.

Selling, general and administrative expenses decrease d 5.3% from the year-ago quarter. Expenses were positively impacted by 5.8 percentage points ($61 million) as a result of currency translation. As a percentage of sales, selling, general and administrative expenses were 35.8% in the current quarter, compared to 35.0% in the year-ago quarter.

Adjusted operating income (Non-GAAP measure) for the three months ended May 31, 2019 and 2018
Retail Pharmacy International division's adjusted operating income for the three months ended May 31, 2019 decrease d 14.9% to $165 million , of which 4.4 percentage points ($8 million) was as a result of the negative impact of currency translation. Excluding the impact of currency translation the decrease was due to lower sales, partially offset by lower selling, general and administrative expenses. See "--Non-GAAP Measures" below for a reconciliation to the most directly comparable GAAP measure.

Sales for the nine months ended May 31, 2019 and 2018
Retail Pharmacy International division's sales for the nine months ended May 31, 2019 decrease d 6.8% to $8.8 billion . Sales in comparable stores decrease d 6.4% from the year-ago period. Of the decrease s in sales and comparable store sales, 4.7 percentage points and 4.8 percentage points, respectively, were as a result of the negative impact of currency translation. Comparable store sales in constant currency decrease d 1.6% from the year-ago period.

Pharmacy sales decrease d by 6.5% in the nine months ended May 31, 2019 and represented 35.3% of the division's sales. Comparable pharmacy sales decrease d 5.7% from the year-ago period. Of the decrease s in pharmacy sales and comparable pharmacy sales, 7.4 percentage points and 4.9 percentage points, respectively, were as a result of the negative impact of currency translation. Comparable pharmacy sales in constant currency decrease d 0.8% from the year-ago period.

Retail sales decrease d 6.9% for the nine months ended May 31, 2019 and were 64.7% of the division's sales. Comparable retail sales decrease d 6.7% from the year-ago period. Retail sales and comparable retail sales were negatively impacted by 3.2 percentage points and 4.6 percentage points, respectively, as a result of currency translation. Comparable retail sales in constant currency decrease d 2.1% from the year-ago period reflecting lower Boots UK retail sales in a challenging market place.

Operating income for the nine months ended May 31, 2019 and 2018
Retail Pharmacy International division's operating income for the nine months ended May 31, 2019 decrease d 34.5% to $389 million , of which 2.4 percentage points ($14 million) was as a result of the negative impact of currency translation. The remaining decrease was due to lower sales, higher selling, general and administrative expenses as a percentage of sales and Transformational Cost Management Program charges.

Gross profit decrease d 8.4% from the year-ago period, of which 4.5 percentage points ($167 million) was as a result of the negative impact of currency translation. Excluding the impact of currency translation the decrease was primarily due lower sales.

Selling, general and administrative expenses decrease d 3.5% from the year-ago period. Expenses were positively impacted by 4.9 percentage points ($153 million) as a result of currency translation. As a percentage of sales, selling, general and administrative expenses were 34.6% in the current period, compared to 33.4% in the year-ago period.

Adjusted operating income (Non-GAAP measure) for the nine months ended May 31, 2019 and 2018
Retail Pharmacy International division's adjusted operating income for the nine months ended May 31, 2019 decrease d 18.0% to $553 million , of which 3.5 percentage points ($24 million) was as a result of the negative impact of currency translation. Excluding the impact of currency translation the decrease was primarily due to lower sales and gross margin, and higher

selling, general and administrative expenses as a percentage of sales. See “--Non-GAAP Measures” below for a reconciliation to the most directly comparable GAAP measure.

Pharmaceutical Wholesale

This division includes pharmaceutical wholesale businesses operating in currencies other than the U.S. dollar including the British pound sterling, Euro, and Turkish lira, and thus the division’s results are impacted by movements in foreign currency exchange rates. See item 3. quantitative and qualitative disclosure about market risk, foreign currency exchange rate risk for further information on currency risk.

	(in millions)			
	Three months ended May 31,		Nine months ended May 31,	
	2019	2018	2019	2018
Sales	$ 5,865	$ 5,965	$ 17,311	$ 17,438
Gross profit	527	536	1,549	1,590
Selling, general and administrative expenses	424	411	1,313	1,217
Equity earnings (loss) in AmerisourceBergen	(16)	52	105	142
Operating income	87	177	342	515
Adjusted operating income (Non-GAAP measure) [1]	265	258	710	714

	Percentage increases (decreases)			
	Three months ended May 31,		Nine months ended May 31,	
	2019	2018	2019	2018
Sales	(1.7)	12.6	(0.7)	10.8
Gross profit	(1.9)	9.2	(2.6)	7.6
Selling, general and administrative expenses	2.9	9.6	7.9	10.9
Operating income	(51.1)	(11.5)	(33.6)	(1.7)
Adjusted operating income (Non-GAAP measure) [1]	2.6	2.0	(0.5)	1.7
Comparable sales [2]	(1.7)	12.6	(0.7)	10.8
Comparable sales in constant currency [2,3]	8.3	4.0	8.0	4.0

	Percent to sales			
	Three months ended May 31,		Nine months ended May 31,	
	2019	2018	2019	2018
Gross margin	9.0	9.0	9.0	9.1
Selling, general and administrative expenses	7.2	6.9	7.6	7.0

1 See “--Non-GAAP Measures” below for reconciliations to the most directly comparable GAAP measure and related disclosures.
2 Comparable sales are defined as sales excluding acquisitions and dispositions.
3 The Company 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. See “--Non-GAAP Measures” below.

Sales for the three months ended May 31, 2019 and 2018

Pharmaceutical Wholesale division’s sales for the three months ended May 31, 2019 decrease d 1.7% to $5.9 billion . Comparable sales, which exclude acquisitions and disposals, decrease d 1.7% .

Sales and comparable sales were negatively impacted by 10.0 percentage points as a result of currency translation. Comparable sales in constant currency increase d 8.3% , mainly reflecting growth in emerging markets and the UK.

Operating income for the three months ended May 31, 2019 and 2018
Pharmaceutical Wholesale division's operating income for the three months ended May 31, 2019 , which included a $16 million loss from the Company's share of equity earnings in AmerisourceBergen, decrease d 51.1% to $87 million , compared to the year-ago quarter, primarily as a result of the impairment of AmerisourceBergen's PharMEDium long lived assets in the quarter. Operating income was negatively impacted by 5.4 percentage points ($10 million) as a result of currency translation.

Gross profit decrease d 1.9% from the year-ago quarter. Gross profit was negatively impacted by 9.3 percentage points ($50 million) as a result of currency translation. Excluding the impact of currency translation, the increase in gross profit was primarily due to sales growth, partially offset by lower gross margin.

Selling, general and administrative expenses increase d 2.9% from the year-ago quarter, primarily due to Transformational Cost Management Program expenses in the current quarter. Selling, general and administrative expenses were positively impacted by 9.8 percentage points ($40 million) as a result of currency translation. As a percentage of sales, selling, general and administrative expenses were 7.2% in the current quarter, compared to 6.9% in the year-ago quarter.

Adjusted operating income (Non-GAAP measure) for the three months ended May 31, 2019 and 2018
Pharmaceutical Wholesale division's adjusted operating income for the three months ended May 31, 2019 , which included $121 million from the Company's share of adjusted equity earnings in AmerisourceBergen, increase d 2.6% to $265 million . Adjusted operating income was negatively impacted by 6.8 percentage points ($18 million) as a result of currency translation.

Excluding the contribution from the Company's share of adjusted equity earnings in AmerisourceBergen and the negative impact of currency translation, adjusted operating income increase d 10.4% over the year-ago quarter, primarily due to higher sales and lower selling, general and administrative expenses as a percentage of sales, partially offset by lower gross margin. See "--Non-GAAP Measures" below for a reconciliation to the most directly comparable GAAP measure.

Sales for the nine months ended May 31, 2019 and 2018
Pharmaceutical Wholesale division's sales for the nine months ended May 31, 2019 decrease d 0.7% to $17.3 billion . Comparable sales decrease d 0.7% .

Sales and comparable sales were each negatively impacted by 8.7 percentage points as a result of currency translation. Comparable sales in constant currency increase d 8.0% , mainly reflecting growth in emerging markets and the UK.

Operating income for the nine months ended May 31, 2019 and 2018
Pharmaceutical Wholesale division's operating income for the nine months ended May 31, 2019 , which included $105 million from the Company's share of equity earnings in AmerisourceBergen, decrease d 33.6% to $342 million . The decrease was primarily due to Transformational Cost Management Program expenses in the current period. Operating income was negatively impacted by 6.4 percentage points ($33 million) as a result of currency translation.

Gross profit decrease d 2.6% from the year-ago period. The negative impact of currency translation was 7.9 percentage points ($126 million). Excluding the impact of currency translation, the increase in gross profit was primarily due to sales growth, partially offset by lower gross margin.

Selling, general and administrative expenses increase d 7.9% from the year-ago period, which included 7.7 percentage points ($93 million) as a result of the positive impact of currency translation. Excluding the impact of currency translation, the increase was primarily related to the Transformational Cost Management Program expenses in the current period. As a percentage of sales, selling, general and administrative expenses were 7.6% in the current period, compared to 7.0% in the year-ago period.

Adjusted operating income (Non-GAAP measure) for the nine months ended May 31, 2019 and 2018
Pharmaceutical Wholesale division's adjusted operating income for the nine months ended May 31, 2019 , which included $296 million from the Company's share of adjusted equity earnings in AmerisourceBergen, decrease d 0.5% to $710 million . Adjusted operating income was negatively impacted by 6.2 percentage points ($44 million) as a result of currency translation.

Excluding the contribution from the Company's share of adjusted equity earnings in AmerisourceBergen and the negative impact of currency translation, adjusted operating income increase d 5.0% over the year-ago period, primarily due to higher sales and lower selling, general and administrative expenses as a percentage of sales, partially offset by lower gross margin. See “--Non-GAAP Measures” below for a reconciliation to the most directly comparable GAAP measure.

NON-GAAP MEASURES

The following information provides reconciliations of the supplemental non-GAAP financial measures, as defined under the rules of the Securities and Exchange Commission, presented herein to the most directly comparable financial measures calculated and presented in accordance with GAAP. The Company has provided the non-GAAP financial measures, 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 Company's 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 believes that the supplemental non-GAAP financial measures presented provide additional perspective and insights when analyzing the core operating performance of the Company from period to period and trends in 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.

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 such presentation provides a framework to assess how its business performed excluding the impact of foreign currency exchange rate fluctuations.

	(in millions)				
	Three months ended May 31, 2019				
	Retail Pharmacy USA	**Retail Pharmacy International**	**Pharmaceutical Wholesale**	**Eliminations**	**Walgreens Boots Alliance, Inc.**
Operating income (GAAP)	**$ 995**	**$ 119**	**$ 87**	**$ 1**	**$ 1,203**
Acquisition-related amortization	82	25	20	—	127
Transformational cost management	43	21	22	—	86
Acquisition-related costs	80	—	—	—	80
Adjustments to equity earnings in AmerisourceBergen	—	—	137	—	137
Store optimization	49	—	—	—	49
LIFO provision	29	—	—	—	29
Certain legal and regulatory accruals and settlements	7	—	—	—	7
Adjusted operating income (Non-GAAP measure)	**$ 1,286**	**$ 165**	**$ 265**	**$ 1**	**$ 1,717**

	(in millions)				
	Three months ended May 31, 2018				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations	Walgreens Boots Alliance, Inc.
Operating income (GAAP) [1]	**$ 1,253**	**$ 167**	**$ 177**	**$ —**	**$ 1,597**
Acquisition-related amortization	84	26	21	—	131
Acquisition-related costs	57	—	—	—	57
Adjustments to equity earnings in AmerisourceBergen	—	—	60	—	60
Store optimization	24	—	—	—	24
LIFO provision	69	—	—	—	69
Certain legal and regulatory accruals and settlements [2]	5	—	—	—	5
Adjusted operating income (Non-GAAP measure) [1]	**$ 1,492**	**$ 193**	**$ 258**	**$ —**	**$ 1,943**

	(in millions)				
	Nine months ended May 31, 2019				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations	Walgreens Boots Alliance, Inc.
Operating income (GAAP)	**$ 3,388**	**$ 389**	**$ 342**	**$ 1**	**$ 4,120**
Acquisition-related amortization	237	76	59	—	373
Transformational cost management	59	88	119	—	265
Acquisition-related costs	228	—	—	—	228
Adjustments to equity earnings in AmerisourceBergen	—	—	191	—	191
Store optimization	99	—	—	—	99
LIFO provision	77	—	—	—	77
Certain legal and regulatory accruals and settlements	31	—	—	—	31
Adjusted operating income (Non-GAAP measure)	**$ 4,119**	**$ 553**	**$ 710**	**$ 1**	**$ 5,384**

	(in millions)				
	Nine months ended May 31, 2018				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations	Walgreens Boots Alliance, Inc.
Operating income (GAAP) [1]	**$ 3,783**	**$ 594**	**$ 515**	**$ 1**	**$ 4,893**
Acquisition-related amortization	186	80	63	—	329
Acquisition-related costs	173	—	—	—	173
Adjustments to equity earnings in AmerisourceBergen	—	—	136	—	136
Store optimization	24	—	—	—	24
LIFO provision	166	—	—	—	166
Certain legal and regulatory accruals and settlements [2]	120	—	—	—	120
Asset recovery	(15)	—	—	—	(15)
Hurricane-related costs	83	—	—	—	83
Adjusted operating income (Non-GAAP measure) [1]	**$ 4,520**	**$ 674**	**$ 714**	**$ 1**	**$ 5,909**

1 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 all the 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.

2 As previously disclosed, 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.

	(in millions, except per share amounts)			
	Three months ended May 31,		Nine months ended May 31,	
	2019	2018	2019	2018
Net earnings attributable to Walgreens Boots Alliance, Inc. (GAAP)	**$ 1,025**	**$ 1,342**	**$ 3,305**	**$ 3,512**
Adjustments to operating income:				
Acquisition-related amortization	127	131	373	329
Transformational cost management	86	—	265	—
Acquisition-related costs	80	57	228	173
Adjustments to equity earnings in AmerisourceBergen	137	60	191	136
Store optimization	49	24	99	24
LIFO provision	29	69	77	166
Certain legal and regulatory accruals and settlements [1]	7	5	31	120
Asset recovery	—	—	—	(15)
Hurricane-related costs	—	—	—	83
Total adjustments to operating income	515	346	1,264	1,016
Adjustments to other income (expense):				
Net investment hedging (gain) loss	8	(3)	10	(36)
Impairment of equity method investment	—	8	—	178
Termination of option granted to Rite Aid	(173)	—	(173)	—
Total adjustments to other income (expense)	(165)	5	(163)	142
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	(10)	8	9	19
U.S. tax law changes [2]	—	(140)	(3)	44
Tax impact of adjustments [3]	(50)	(39)	(189)	(224)
Total adjustments to income tax provision	(60)	(171)	(183)	(161)
Adjustments to post tax equity earnings from other equity method investments:				
Adjustments to equity earnings in other equity method investments [4]	23	—	23	—
Total adjustments to post tax equity earnings from other equity method investments	23	—	23	—
Adjusted net earnings attributable to Walgreens Boots Alliance, Inc. (Non-GAAP measure)	**$ 1,338**	**$ 1,522**	**$ 4,246**	**$ 4,538**
Diluted net earnings per common share (GAAP)	**$ 1.13**	**$ 1.35**	**$ 3.55**	**$ 3.51**
Adjustments to operating income	0.56	0.35	1.36	1.02
Adjustments to other income (expense)	(0.18)	0.01	(0.17)	0.14
Adjustments to interest expense, net	—	—	—	0.03

Adjustments to income tax provision	(0.07)	(0.18)	(0.20)	(0.16)
Adjustments to equity earnings in other equity method investments	$ 0.02	—	$ 0.02	—
Adjusted diluted net earnings per common share (Non-GAAP measure)	**$ 1.47**	**$ 1.53**	**$ 4.56**	**$ 4.54**
Weighted average common shares outstanding, diluted	911.2	995.3	931.1	1,000.6

[1] As previously disclosed, 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.

[2] Discrete tax-only items.

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

[4] Beginning in the quarter ended May 31, 2019, management reviewed and refined its practice to reflect the proportionate share of certain equity method investees' non-cash items or unusual or infrequent items consistent with the Company's non-GAAP measures in order to provide investors with a comparable view of performance across periods. These adjustments include acquisition-related amortization and acquisition-related costs and were immaterial for the prior periods presented. Although the Company may have shareholder rights and board representation commensurate with its ownership interests in these equity method investees, adjustments relating to equity method investments are not intended to imply that the Company has direct control over their operations and resulting revenue and expenses. Moreover, these non-GAAP financial measures have limitations in that they do not reflect all revenue and expenses of these equity method investees.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents were $839 million (including $274 million in non-U.S. jurisdictions) as of May 31, 2019 , compared to $1.8 billion (including $730 million in non-U.S. jurisdictions) at May 31, 2018 . Short-term investment objectives are primarily to minimize risk and maintain liquidity. To attain these objectives, investment limits are placed on the amount, type and issuer of securities. Investments are principally in U.S. Treasury money market funds and AAA-rated money market funds.

The Company's long-term capital policy is to maintain a strong balance sheet and financial flexibility; reinvest in its core strategies; invest in strategic opportunities that reinforce its core strategies and meet return requirements; and return surplus cash flow to stockholders in the form of dividends and share repurchases over the long term. In June 2018, the Company's Board of Directors reviewed and refined the Company's dividend policy to set forth the Company's current intention to increase its dividend each year.

Cash provided by operations and the incurrence of debt are the principal sources of funds for expansion, investments, acquisitions, remodeling programs, dividends to stockholders and share repurchases. Net cash provided by operating activities for the nine months ended May 31, 2019 was $3.2 billion , compared to $5.4 billion for the year-ago period. The $2.2 billion decrease in cash provided by operating activities reflects higher cash outflows from accrued expenses and other liabilities, inventories and income taxes paid. Changes in income taxes paid are mainly due to the payment of transition tax resulting from the U.S. tax law changes. Changes in accrued expenses and other liabilities are mainly driven by cash payments for certain legal and regulatory settlements and timing of accruals. Changes in accounts receivable, net and inventories are mainly driven by timing.

Net cash used for investing activities was $1.6 billion for the nine months ended May 31, 2019 , compared to $5.1 billion for the year-ago period. Business, investment and asset acquisitions for the nine months ended May 31, 2019 were $0.5 billion compared to $4.2 billion for the year-ago period.

For the nine months ended May 31, 2019 , additions to property, plant and equipment were $1.2 billion compared to $1.0 billion in the year-ago period. Capital expenditures by reporting segment were as follows (in millions):

	Nine months ended May 31,	
	2019	2018
Retail Pharmacy USA	$ 968	$ 726
Retail Pharmacy International	202	182
Pharmaceutical Wholesale	76	75
Total	**$ 1,246**	**$ 983**

Significant capital expenditures primarily relate to investments in our stores and information technology projects.

Net cash used for financing activities for the nine months ended May 31, 2019 was $1.6 billion , compared to $1.8 billion in the year-ago period. The Company repurchased shares as part of the stock repurchase programs described below and to support the needs of the employee stock plans totaling $3.7 billion in the nine months ended May 31, 2019 , compared to $2.5 billion in the year-ago period. Proceeds related to employee stock plans were $0.2 billion during the nine months ended May 31, 2019 , compared to $118 million for the nine months ended May 31, 2018 . Cash dividends paid were $1.2 billion during the nine months ended May 31, 2019 , compared to $1.3 billion for the same period a year ago.

The Company believes that cash flow from operations, availability under our existing credit facilities and arrangements, current cash and investment balances and our ability to obtain other financing, if necessary, will provide adequate cash funds for the foreseeable working capital needs, capital expenditures at existing facilities, pending acquisitions, dividend payments and debt service obligations for at least the next 12 months. The Company's cash requirements are subject to change as business conditions warrant and opportunities arise. The timing and size of any new business ventures or acquisitions that the Company may complete may also impact its cash requirements.

See item 3, qualitative and quantitative disclosures about market risk, below for a discussion of certain financing and market risks.

Stock repurchase programs
In June 2017, Walgreens Boots Alliance authorized a stock repurchase program, which authorized the repurchase of up to $5.0 billion of Walgreens Boots Alliance common stock prior to the program's expiration on August 31, 2018, which authorization was increased by an additional $1.0 billion in October 2017 (as expanded, the "June 2017 stock repurchase program"). In October 2017, the Company completed the June 2017 stock repurchase program, purchasing 77.4 million shares. In June 2018, Walgreens Boots Alliance authorized a new stock repurchase program (the "June 2018 stock repurchase program"), which authorized the repurchase of up to $10.0 billion of Walgreens Boots Alliance common stock of which the Company had repurchased $6.1 billion as of May 31, 2019 . The June 2018 stock repurchase program has no specified expiration date.

The Company determines the timing and amount of repurchases, including repurchases to offset anticipated dilution from equity incentive plans, based on our assessment of various factors, including prevailing market conditions, alternate uses of capital, liquidity and the economic environment. The Company has repurchased, and may from time to time in the future repurchase, shares on the open market through Rule 10b5-1 plans, which enable us to repurchase shares at times when we otherwise might be precluded from doing so under the federal securities laws.

Commercial paper
The Company periodically borrows under its commercial paper program and may continue to borrow under it in future periods. The Company had $2.8 billion commercial paper outstanding as of May 31, 2019 and $0.4 billion as of August 31, 2018 . The Company had average daily commercial paper outstanding of $2.6 billion and $1.4 billion at a weighted average interest rate of 3.08% and 2.00% for the nine months ended May 31, 2019 and 2018 , respectively.

Financing actions
On June 1, 2016, Walgreens Boots Alliance issued in an underwritten public offering $1.2 billion of 1.750% notes due 2018 (the "2018 notes"), $1.5 billion of 2.600% notes due 2021 (the "2021 notes"), $0.8 billion of 3.100% notes due 2023 (the "2023 notes"), $1.9 billion of 3.450% notes due 2026 (the "2026 notes") and $0.6 billion of 4.650% notes due 2046 (the "2046 notes"). Because the merger with Rite Aid was not consummated on or prior to June 1, 2017, the 2018 notes, the 2021 notes and the 2023 notes were redeemed on June 5, 2017 under the special mandatory redemption terms of the indenture governing such notes. The 2026 notes and 2046 notes remain outstanding in accordance with their respective terms.

On February 1, 2017, Walgreens Boots Alliance entered into a $1.0 billion revolving credit facility (as amended, the "February 2017 Revolving Credit Agreement") with the lenders from time to time party thereto and, on August 1, 2017, Walgreens Boots

Alliance entered into an amendment agreement thereto. On January 31, 2019, the February 2017 Revolving Credit Agreement matured and the Company paid all amounts due in connection therewith.

On August 24, 2017, Walgreens Boots Alliance entered into a $1.0 billion revolving credit agreement with the lenders from time to time party thereto (the “August 2017 Revolving Credit Agreement”) and a $1.0 billion term loan credit agreement with Sumitomo Mitsui Banking Corporation (the “2017 Term Loan Credit Agreement”). On November 30, 2018, in connection with the entrance into the November 2018 Credit Agreement (described below), Walgreens Boots Alliance terminated the 2017 Term Loan Credit Agreement in accordance with its terms and as of such date paid all amounts due in connection therewith. On January 31, 2019, the August 2017 Revolving Credit Agreement matured and the Company paid all amounts due in connection therewith.

On August 29, 2018, Walgreens Boots Alliance entered into a revolving credit agreement (the “August 2018 Revolving Credit Agreement”) with the lenders and letter of credit issuers from time to time party thereto. The August 2018 Revolving Credit Agreement is an unsecured revolving credit facility with an aggregate commitment in the amount of $3.5 billion, with a letter of credit subfacility commitment amount of $500 million. The facility termination date is the earlier of (a) August 29, 2023, subject to the extension thereof pursuant to the August 2018 Revolving Credit Agreement and (b) the date of termination in whole of the aggregate amount of the revolving commitments pursuant to the August 2018 Revolving Credit Agreement. Borrowings under the August 2018 Revolving Credit Agreement will bear interest at a fluctuating rate per annum equal to, at Walgreens Boots Alliance’s option, the alternate base rate or the Eurocurrency rate, in each case, plus an applicable margin calculated based on Walgreens Boots Alliance’s credit ratings. As of May 31, 2019 , there were no borrowings under the August 2018 Revolving Credit Agreement.

On November 30, 2018, Walgreens Boots Alliance entered into a credit agreement (as amended the “November 2018 Credit Agreement”) with the lenders from time to time party thereto and, on March 25, 2019, the Company entered into an amendment to such credit agreement reflecting certain changes to the borrowing notice provisions thereto. The November 2018 Credit Agreement includes a $500 million senior unsecured revolving credit facility and a $500 million senior unsecured term loan facility. The facility termination date is, with respect to the revolving credit facility, the earlier of (a) May 30, 2020 and (b) the date of termination in whole of the aggregate amount of the revolving commitments pursuant to the November 2018 Credit Agreement and, with respect to the term loan facility, the earlier of (a) May 30, 2020 and (b) the date of acceleration of all term loans pursuant to the November 2018 Credit Agreement. Borrowings under the November 2018 Credit Agreement will bear interest at a fluctuating rate per annum equal to, at Walgreens Boots Alliance’s option, the alternate base rate or the Eurocurrency rate, in each case, plus an applicable margin calculated based on Walgreens Boots Alliance’s credit ratings. As of May 31, 2019 , there were $0.8 billion of borrowings under the November 2018 Credit Agreement.

On December 5, 2018, Walgreens Boots Alliance entered into a $1.0 billion term loan credit agreement (the “December 2018 Term Loan Credit Agreement”) with the lenders from time to time party thereto. The December 2018 Term Loan Credit Agreement is a senior unsecured term loan facility with a facility termination date of the earlier of (a) January 29, 2021 and (b) the date of acceleration of all term loans pursuant to the December 2018 Term Loan Credit Agreement. Borrowings under the December 2018 Term Loan Credit Agreement will bear interest at a fluctuating rate per annum equal to, at Walgreens Boots Alliance’s option, the alternate base rate or the Eurocurrency rate, plus an applicable margin of 0.75% in the case of Eurocurrency rate loans. As of May 31, 2019 , there were $1 billion of borrowings outstanding under the December 2018 Term Loan Credit Agreement.

On December 21, 2018, the Company entered into a $1.0 billion revolving credit agreement (the “December 2018 Revolving Credit Agreement”) with the lenders from time to time party thereto. The December 2018 Revolving Credit Agreement is a senior unsecured revolving credit facility with a facility termination date of the earlier of (a) 18 months following January 28, 2019, the date of the effectiveness of the commitments pursuant to the December 2018 Revolving Credit Agreement, subject to extension thereof pursuant to the December 2018 Revolving Credit Agreement and (b) the date of termination in whole of the aggregate amount of the commitments pursuant to the December 2018 Revolving Credit Agreement. Borrowings under the December 2018 Revolving Credit Agreement will bear interest at a fluctuating rate per annum equal to, at Walgreens Boots Alliance’s option, the alternate base rate or the Eurocurrency rate (including, at the Walgreens Boots Alliance’s election, a LIBOR daily floating rate), plus an applicable margin of 0.75% in the case of Eurocurrency rate loans. As of May 31, 2019 , there were no borrowings outstanding under the December 2018 Revolving Credit Agreement.

On January 18, 2019, the Company entered into a $2.0 billion 364-day revolving credit agreement (the “January 2019 364-Day Revolving Credit Agreement”) with the lenders from time to time party thereto. The January 2019 364-Day Revolving Credit Agreement is a senior unsecured 364-day revolving credit facility, with a facility termination date of the earlier of (a) 364 days following January 31, 2019, the date of the effectiveness of the commitments pursuant to the January 364-Day Revolving Credit Agreement, subject to extension thereof pursuant to the January 2019 364-Day Revolving Credit Agreement and (b) the date of termination in whole of the aggregate amount of the commitments pursuant to the January 2019 364-Day Revolving Credit Agreement. Borrowings under the January 2019 364-Day Revolving Credit Agreement will bear interest at a fluctuating rate per annum equal to, at Walgreens Boots Alliance's option, the alternate base rate or the Eurocurrency rate, in each case, plus an applicable margin calculated based on the Company's credit ratings. As of May 31, 2019 , there were $0.2 billion of borrowings outstanding under the January 364-Day Revolving Credit Agreement.

From time to time, the Company may also enter into other credit facilities or financing arrangements.

Debt covenants
Each of the Company's credit facilities described above contain a covenant to maintain, as of the last day of each fiscal quarter, a ratio of consolidated debt to total capitalization not to exceed 0.60:1.00, subject to increase in certain circumstances set forth in the applicable credit agreement. The credit facilities contain various other customary covenants. As of May 31, 2019 , the Company was in compliance with all such applicable covenants.

Credit ratings
As of June 26, 2019, the credit ratings of Walgreens Boots Alliance were:

Rating agency	Long-term debt rating	Commercial paper rating	Outlook
Fitch	BBB	F2	Negative
Moody's	Baa2	P-2	Stable
Standard & Poor's	BBB	A-2	Stable

In assessing the Company's credit strength, each rating agency considers various factors including the Company's business model, capital structure, financial policies and financial performance. There can be no assurance that any particular rating will be assigned or maintained. The Company's credit ratings impact its borrowing costs, access to capital markets and operating lease costs. The rating agency ratings are not recommendations to buy, sell or hold the Company's debt securities or commercial paper. Each rating may be subject to revision or withdrawal at any time by the assigning rating agency and should be evaluated independently of any other rating.

AmerisourceBergen relationship
As of May 31, 2019 , the Company owned 56,854,867 AmerisourceBergen common shares representing approximately 27% of the outstanding AmerisourceBergen common stock and had designated one member of AmerisourceBergen's board of directors. As of May 31, 2019 , the Company can acquire up to an additional 8,398,752 AmerisourceBergen shares in the open market and thereafter designate another member of AmerisourceBergen's board of directors, subject in each case to applicable legal and contractual requirements. The amount of permitted open market purchases is subject to increase or decrease in certain circumstances. Subject to applicable legal and contractual requirements, share purchases may be made from time to time in open market transactions or pursuant to instruments and plans complying with Rule 10b5-1. See note 5 , equity method investments , to the Consolidated Condensed Financial Statements included herein for further information.

OFF-BALANCE SHEET ARRANGEMENTS
The Company does not have any unconsolidated special purpose entities and, except as described herein, the Company does not have significant exposure to any off-balance sheet arrangements. The term "off-balance sheet arrangement" generally means any transaction, agreement or other contractual arrangement to which an entity not consolidated by the Company is a party, under which we have: (i) any obligation arising under a guarantee contract, derivative instrument or variable interest; or (ii) a retained or contingent interest in assets transferred to such entity or similar arrangement that serves as credit, liquidity or market risk support for such assets.

As of May 31, 2019 , the Company had $50 million of guarantees to various suppliers outstanding. The Company remains secondarily liable on 15 leases. The maximum potential undiscounted future payments related to these leases was $21 million as of May 31, 2019 .

CONTRACTUAL OBLIGATIONS AND COMMITMENTS
There have been no material changes, outside of the ordinary course of business, in the Company's outstanding contractual obligations disclosed in the Walgreens Boots Alliance Annual Report on Form 10-K for the year ended August 31, 2018 .

CRITICAL ACCOUNTING POLICIES
The Consolidated Condensed Financial Statements are prepared in accordance with GAAP and include amounts based on management's prudent judgments and estimates. Actual results may differ from these estimates. Management believes that any

reasonable deviation from those judgments and estimates would not have a material impact on our consolidated financial position or results of operations. To the extent that the estimates used differ from actual results, however, adjustments to the statement of earnings and corresponding balance sheet accounts would be necessary. These adjustments would be made in future periods. For a discussion of our significant accounting policies, please see the Walgreens Boots Alliance Annual Report on Form 10-K for the fiscal year ended August 31, 2018. Some of the more significant estimates include business combinations, goodwill and indefinite-lived intangible asset impairment, cost of sales and inventory, equity method investments, pension and postretirement benefits and income taxes. There have been no material changes in those accounting policies for the nine months ended May 31, 2019 .

NEW ACCOUNTING PRONOUNCEMENTS

A discussion of new accounting pronouncements is described in note 17 , new accounting pronouncements , to the Consolidated Condensed Financial Statements (Unaudited) of this Quarterly Report on Form 10-Q and is incorporated herein by reference.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report and other documents that we file or furnish with the SEC contain forward-looking statements that are based on current expectations, estimates, forecasts and projections about our future performance, our business, our beliefs and our management's assumptions. In addition, we, or others on our behalf, may make forward-looking statements in press releases or written statements, on the Company's website or in our communications and discussions with investors and analysts in the normal course of business through meetings, webcasts, phone calls, conference calls and other communications. Some of such forward-looking statements may be based on certain data and forecasts relating to our business and industry that we have obtained from internal surveys, market research, publicly available information and industry publications. Industry publications, surveys and market research generally state that the information they provide has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Statements that are not historical facts are forward-looking statements, including, without limitation, those regarding 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, pilot programs and initiatives and restructuring activities and the amounts and timing of their expected impact and delivery of annual cost savings, our amended and restated asset purchase agreement with Rite Aid and the transactions contemplated thereby and their possible timing and effects, our commercial agreement with AmerisourceBergen, the arrangements and transactions contemplated by our framework agreement with AmerisourceBergen and their possible effects, estimates of the impact of developments on our earnings, earnings per share and other financial and operating metrics, cough, cold and flu season, prescription volume, pharmacy sales trends, prescription margins, changes in generic prescription drug prices, retail margins, number and location of new store openings, network participation, vendor, payer and customer relationships and terms, possible new contracts or contract extensions, the proposed withdrawal of the United Kingdom from the European Union and its possible effects, competition, economic and business conditions, outcomes of litigation and regulatory matters, the level of capital expenditures, industry trends, demographic trends, growth strategies, financial results, cost reduction initiatives, impairment or other charges, acquisition and joint venture synergies, competitive strengths and changes in legislation or regulations. 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," "transform," "accelerate," "model," "long-term," "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, which are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995.

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 inherent risks, challenges and uncertainties associated with forecasting financial results of large, complex organizations in rapidly evolving industries, particularly over longer time periods, supply arrangements including our commercial agreement with AmerisourceBergen, the arrangements and transactions contemplated by our framework agreement with AmerisourceBergen and their possible effects, the risks associated with our equity method investment in AmerisourceBergen, circumstances 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 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, the risks associated with governance and control matters, the ability to retain key personnel, 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 and international trade policies, tariffs, particularly tariff negotiations between the United States and China, and relations, the risks associated with cybersecurity or privacy breaches related to customer information, changes in vendor, customer and payer relationships and terms, including changes in network participation and reimbursement terms and the associated impacts on volume and operating results, risks related to competition including changes in market dynamics, participants, product and service offerings, retail formats and competitive positioning, risks associated with new business areas and activities, risks associated with acquisitions, divestitures, joint ventures and strategic investments, including those relating to the asset acquisition from Rite Aid, the risks associated with the integration of complex businesses, the impact of regulatory restrictions and 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, in our Annual Report on Form 10-K for the fiscal year ended August 31, 2018 and our Quarterly Report on Form 10-Q for the fiscal quarter ended February 28, 2019 and in other documents that we file or furnish with the SEC. 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 report, whether as a result of new information, future events, changes in assumptions or otherwise.

Item 3. Quantitative and qualitative disclosure about market risk

Interest rate risk

The Company is exposed to interest rate volatility with regard to existing debt issuances. Primary exposures include LIBOR and commercial paper rates. From time to time, the Company uses interest rate swaps and forward-starting interest rate swaps to hedge its exposure to the impact of interest rate changes on existing debt and future debt issuances respectively, to reduce the volatility of financing costs and, based on current and projected market conditions, achieve a desired proportion of fixed versus floating-rate debt. Generally under these swaps, the Company agrees with a counterparty to exchange the difference between fixed-rate and floating-rate interest amounts based on an agreed upon notional principal amount.

Information regarding the Company's transactions are set forth in note 8 , financial instruments , to the Consolidated Condensed Financial Statements. These financial instruments are sensitive to changes in interest rates. On May 31, 2019 , the Company had no material long-term debt obligations that had floating interest rates. The amounts exclude the impact of any associated derivative contracts.

Foreign currency exchange rate risk

The Company is exposed to fluctuations in foreign currency exchange rates, primarily with respect to the British pound sterling and Euro, and certain other foreign currencies, which may affect its net investment in foreign subsidiaries and may cause fluctuations in cash flows related to foreign denominated transactions. The Company is also exposed to the translation of foreign currency earnings to the U.S. dollar. The Company enters into foreign currency forward contracts to hedge against the effect of exchange rate fluctuations on non-functional currency cash flows. These transactions are almost exclusively less than 12 months in maturity. In addition, the Company enters into foreign currency forward contracts that are not designated in hedging relationships to offset, in part, the impacts of certain intercompany activities (primarily associated with intercompany financing transactions).

Under certain market conditions, the Company may seek to protect against possible declines in the reported net investments of our foreign subsidiaries by using foreign currency cross-currency swaps, foreign currency forward-exchange contracts or foreign currency debt.

The Company’s foreign currency derivative instruments are sensitive to changes in exchange rates. A hypothetical 1% change in foreign currency exchange rates versus the U.S. dollar would change the fair value of the foreign currency derivatives held as of May 31, 2019 , by approximately $29 million. The foreign currency derivatives are intended to partially hedge anticipated transactions, foreign currency trade payables and receivables and net investments in foreign subsidiaries.

Equity price risk

Changes in AmerisourceBergen common stock price may have a significant impact on the fair value of the equity investment in AmerisourceBergen described in note 5 , equity method investments , to the Consolidated Condensed Financial Statements. See “-- AmerisourceBergen relationship” above.

Item 4. Controls and procedures

Evaluation of disclosure controls and procedures

Management conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this Form 10-Q. The controls evaluation was conducted under the supervision and with the participation of the Company’s management, including its Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”). Based upon the controls evaluation, our CEO and CFO have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified by the SEC, and that such information is accumulated and communicated to management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

Changes in internal control over financial reporting

In connection with the evaluation pursuant to Exchange Act Rule 13a-15(d) of the Company’s internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f)) by the Company’s management, including its CEO and CFO, no changes during the quarter ended May 31, 2019 were identified that have materially affected, the Company’s internal control over financial reporting. We are implementing a new enterprise resource planning (ERP) system which affects many of our financial processes. This project is expected to improve the efficiency and effectiveness of certain financial and business transaction processes, as well as the underlying systems environment. The new ERP system will be a significant component of our internal control over financial reporting.

Inherent limitations on effectiveness of controls

Our management, including the CEO and CFO, do not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

Part II. Other Information

Item 1. Legal proceedings

The information in response to this item is incorporated herein by reference to note 10 , commitments and contingencies , to the Consolidated Condensed Financial Statements of this Quarterly Report.

Item 1A. Risk factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Item 1A. "Risk factors" in the Walgreens Boots Alliance Annual Report on Form 10-K for the fiscal year ended August 31, 2018 and the Quarterly Report on Form 10-Q for the fiscal quarter ended February 28, 2019, which could materially affect our business, financial condition or future results.

Item 2. Unregistered sales of equity securities and use of proceeds

The following table provides information about purchases by the Company during the quarter ended May 31, 2019 of equity securities that are registered by the Company pursuant to Section 12 of the Exchange Act. Subject to applicable law, share purchases may be made from time to time in open market transactions, privately negotiated transactions including accelerated share repurchase agreements, or pursuant to instruments and plans complying with Rule 10b5-1.

	Issuer purchases of equity securities			
Period	**Total number of shares purchased by month**	**Average price paid per share**	**Total number of shares purchased by month as part of publicly announced repurchase programs [1]**	**Approximate dollar value of shares that may yet be purchased under the plans or program [1]**
03/01/19 – 03/31/19	—	$ —	—	$ 4,490,085,284
04/01/19 – 04/30/19	7,216,669	54.35	7,216,669	4,097,811,612
05/01/19 – 05/31/19	4,177,380	52.78	4,177,380	3,877,285,685
	11,394,049	$ 53.77	11,394,049	$ 3,877,285,685

[1] In June 2018, Walgreens Boots Alliance authorized a stock repurchase program, which authorized the repurchase of up to $10.0 billion of Walgreens Boots Alliance common stock. This program has no specified expiration date.

Item 6. Exhibits

The agreements included as exhibits to this report are included to provide information regarding their terms and not intended to provide any other factual or disclosure information about the Company or the other parties to the agreements. The agreements may contain representations and warranties by each of the parties to the applicable agreement that were made solely for the benefit of the other parties to the applicable agreement, and:

- should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate;
- may have been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement;

- may apply standards of materiality in a way that is different from what may be viewed as material to you or other investors; and
- were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement and are subject to more recent developments.

Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time.

Exhibit No.	Description	SEC Document Reference
3.1	Amended and Restated Certificate of Incorporation of Walgreens Boots Alliance, Inc.	Incorporated by reference to Exhibit 3.1 to Walgreens Boots Alliance, Inc.'s Current Report on Form 8-K12B (File No. 1-36759) filed with the SEC on December 31, 2014.
3.2	Amended and Restated Bylaws of Walgreens Boots Alliance, Inc.	Incorporated by reference to Exhibit 3.1 to Walgreens Boots Alliance, Inc.'s Current Report on Form 8-K (File No. 1-36759) filed with the SEC on June 10, 2016.
10.1	Amendment No. 1 to Credit Agreement, dated as of March 25, 2019, by and between Walgreens Boots Alliance, Inc. and Sumitomo Mitsui Banking Corporation, as sole lead arranger and administrative agent, amending that certain Credit Agreement, dated as of November 30, 2018, by and among Walgreens Boots Alliance, Inc., the lenders from time to time party thereto, and Sumitomo Mitsui Banking Corporation, as sole lead arranger and administrative agent.	Incorporated by reference to Exhibit 10.5 to Walgreens Boots Alliance, Inc.'s Quarterly Report on Form 10-Q (File No. 1-36759) filed with the SEC on April 2, 2019.
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
32.1	Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.	Furnished herewith.
32.2	Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.	Furnished herewith.
101.INS	XBRL Instance Document	Filed herewith.
101.SCH	XBRL Taxonomy Extension Schema Document	Filed herewith.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	Filed herewith.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	Filed herewith.

101.LAB	XBRL Taxonomy Extension Label Linkbase Document	Filed herewith.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	Walgreens Boots Alliance, Inc. (Registrant)
Dated: June 27, 2019	/s/ James Kehoe James Kehoe Executive Vice President and Global Chief Financial Officer
Dated: June 27, 2019	/s/ Heather Dixon Heather Dixon Senior Vice President, Global Controller and Chief Accounting Officer (Principal Accounting Officer)

EXHIBIT 31.1

CERTIFICATION

I, Stefano Pessina, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Walgreens Boots Alliance, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the registrant and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/	Stefano Pessina	Chief Executive Officer	Date: June 27, 2019
	Stefano Pessina		

EXHIBIT 31.2

CERTIFICATION

I, James Kehoe, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Walgreens Boots Alliance, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/	James Kehoe	Global Chief Financial Officer	Date: June 27, 2019
	James Kehoe		

Exhibit 32.1

CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)

In connection with the Quarterly Report of Walgreens Boots Alliance, Inc., a Delaware corporation (the "Company"), on Form 10-Q for the quarter ended May 31, 2019 as filed with the Securities and Exchange Commission (the "Report"), I, Stefano Pessina, Chief Executive Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Stefano Pessina
Stefano Pessina
Chief Executive Officer
Dated: June 27, 2019

A signed original of this written statement required by Section 906 has been provided to Walgreens Boots Alliance, Inc. and will be retained by Walgreens Boots Alliance, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)

In connection with the Quarterly Report of Walgreens Boots Alliance, Inc., a Delaware corporation (the "Company"), on Form 10-Q for the quarter ended May 31, 2019 as filed with the Securities and Exchange Commission (the "Report"), I, James Kehoe, Global Chief Financial Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ James Kehoe
James Kehoe
Global Chief Financial Officer
Dated: June 27, 2019

A signed original of this written statement required by Section 906 has been provided to Walgreens Boots Alliance, Inc. and will be retained by Walgreens Boots Alliance, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.