



**Walgreens Boots Alliance**

**Fiscal 2019 Third Quarter Results**

June 27, 2019

# Safe harbor and non-GAAP

**Cautionary Note Regarding Forward-Looking Statements:** All statements in these materials and the related presentation that are not historical including, without limitation, estimates of and goals for future tax, financial and operating performance and results (including the statements appearing on the slides entitled “Fiscal year 2019 guidance,” and “Transformational Cost Management Program”, 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, including statements relating to our expected cost savings under our Store Optimization and Transformational Cost Management programs, are forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. All statements in the future tense and all statements accompanied by words such as “expect,” “likely,” “outlook,” “forecast,” “preliminary,” “pilot,” “would,” “could,” “should,” “can,” “will,” “project,” “intend,” “plan,” “goal,” “guidance,” “target,” “aim,” “continue,” “sustain,” “synergy,” “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.

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, the arrangements and transactions contemplated by our agreements with AmerisourceBergen and their possible effects, 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, 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, including tariff negotiations between the United States and China, and relations, risks associated with cybersecurity or privacy breaches related to customer information, 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, regulatory restrictions and outcomes of legal and regulatory, and risks associated with changes in laws, including those related to the December 2017 U.S. tax law changes, regulations or interpretations thereof. These and other risks, assumptions and uncertainties are described in Item 1A (Risk Factors) of our Form 10-K for the fiscal year ended August 31, 2018 and Item 1A (Risk Factors) of our Form 10-Q for the fiscal quarter ended February 28, 2019 and in other documents that we file or furnish with the SEC. You should not place undue reliance on forward-looking statements, which speak only as of the date they are made. Except to the extent required by law, we do not undertake, and expressly disclaim, any duty or obligation to update publicly any forward-looking statement after the date of this presentation.

**Non-GAAP Financial Measures:** Today’s presentation includes certain non-GAAP financial measures, including all measures whose label includes the words “adjusted”, “constant currency”, “organic”, or “free cash flow” or variations of such words and similar expressions, and we refer you to the endnotes on page 17 and the Appendix to the presentation materials available on our investor relations website for reconciliations to the most directly comparable U.S. GAAP financial measures and related information.

These presentation materials, the appendix hereto and the related management presentation are integrally related and are intended to be presented, considered and understood together.





# Walgreens Boots Alliance

## Fiscal 2019 Third Quarter Results



# 3Q highlights



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- **Results slightly ahead of our expectations, including some timing benefits from 4Q**
- **Improved U.S. comparable performance vs. 1H19**
- **Transformational Cost Management Program on track**
- **Reaffirming FY19 constant currency adjusted EPS guidance**



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# 3Q financial highlights



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		\$ in millions (except EPS and % change)		
		3Q19	Reported currency Δ vs. 3Q18	Constant currency Δ vs. 3Q18
<b>Sales</b>		<b>\$34,591</b>	<b>+ 0.7%</b>	<b>+ 2.9%</b>
<b>Operating income:</b>	<b>GAAP</b>	<b>\$1,203</b>	<b>- 24.7%</b>	
	<b>Adjusted</b>	<b>\$1,717</b>	<b>- 11.7%</b>	<b>- 10.4%</b>
<b>Net earnings:</b>	<b>GAAP</b>	<b>\$1,025</b>	<b>- 23.6%</b>	
	<b>Adjusted</b>	<b>\$1,338</b>	<b>- 12.1%</b>	<b>- 10.7%</b>
<b>EPS:</b>	<b>GAAP</b>	<b>\$1.13</b>	<b>- 16.5%</b>	
	<b>Adjusted</b>	<b>\$1.47</b>	<b>- 4.0%</b>	<b>- 2.4%</b>



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# Year-to-date FY19 financial highlights



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\$ in millions (except EPS and % change)		YTD19	Reported currency Δ vs. YTD18	Constant currency Δ vs. YTD18
<b>Sales</b>		<b>\$102,912</b>	<b>+ 4.9%</b>	<b>+ 6.8%</b>
<b>Operating income:</b>	<b>GAAP</b>	<b>\$4,120</b>	<b>- 15.8%</b>	
	<b>Adjusted</b>	<b>\$5,384</b>	<b>- 8.9%</b>	<b>- 7.8%</b>
<b>Net earnings:</b>	<b>GAAP</b>	<b>\$3,305</b>	<b>- 5.9%</b>	
	<b>Adjusted</b>	<b>\$4,246</b>	<b>- 6.4%</b>	<b>- 5.4%</b>
<b>EPS:</b>	<b>GAAP</b>	<b>\$3.55</b>	<b>+ 1.1%</b>	
	<b>Adjusted</b>	<b>\$4.56</b>	<b>+ 0.6%</b>	<b>+ 1.6%</b>



# Retail Pharmacy USA – financials



<i>\$ in millions (except %)</i>	3Q19	Δ vs. 3Q18	YTD19	Δ vs. YTD18
<b>Sales</b>	<b>\$26,513</b>	<b>+ 2.3%</b>	<b>\$78,491</b>	<b>+ 7.7%</b>
<b>Adj. gross profit</b>	<b>\$5,864</b>	<b>- 3.9%</b>	<b>\$18,009</b>	<b>- 0.6%</b>
<b>Adj. SG&amp;A % of sales</b>	<b>17.3%</b>	<b>- 0.5%p</b>	<b>17.7%</b>	<b>- 1.0%p</b>
<b>Adj. operating margin</b>	<b>4.9%</b>	<b>- 0.9%p</b>	<b>5.2%</b>	<b>- 1.0%p</b>
<b>Adj. operating income</b>	<b>\$1,286</b>	<b>- 13.8%</b>	<b>\$4,119</b>	<b>- 8.9%</b>

- **Adj. operating income includes a ~270 bps impact from select investments**



# Retail Pharmacy USA – pharmacy



3Q19 vs. 3Q18   YTD19 vs. YTD18	3Q Total	3Q Comparable	YTD Total	YTD Comparable
Pharmacy sales	+ 4.3%	+ 6.0%	+ 10.2%	+ 3.6%
Prescriptions	+ 1.9%	+ 4.7%	+ 6.4%	+ 2.8%

- **Comp. script growth of +4.7% vs. +1.9% in 1H19**
- **3Q market share 21.2%: down 50 bps due to Store Optimization Program**
- **Gross margin declined ~150 bps:**
  - continued reimbursement headwind, partially offset by generic procurement
  - adverse mix associated with brand inflation & 50 bps impact due to faster growing specialty business
- **Scale, efficiencies & services key to offsetting long-term reimbursement pressure**





# Retail Pharmacy USA – retail



3Q19 vs. 3Q18   YTD19 vs. YTD18	3Q	YTD
Total retail sales	- 2.9%	+ 1.3%
Comp. retail sales	- 1.1%	- 2.7%

- Improvement in comp. retail sales, -1.1% vs. -3.5% in 1H19:
  - de-emphasis of tobacco (150 bps)
  - cough cold flu season 65 bps
- Total retail sales adversely impacted by Store Optimization Program
- Gross margin slightly down but improved vs. 1H19



# Retail Pharmacy International – financials



\$ in millions (except %)	Constant currency		Constant currency	
	3Q19	Δ vs. 3Q18	YTD19	Δ vs. YTD18
<b>Sales</b>	<b>\$2,776</b>	<b>- 1.6%</b>	<b>\$8,759</b>	<b>- 2.1%</b>
<b>Adj. operating margin</b>	<b>5.9%</b>	<b>- 0.6%p</b>	<b>6.3%</b>	<b>- 0.9%p</b>
<b>Adj. operating income</b>	<b>\$165</b>	<b>- 10.5%</b>	<b>\$553</b>	<b>- 14.5%</b>
<b>Boots UK comp. pharmacy sales</b>		<b>+ 0.8%</b>		<b>- 1.4%</b>
<b>Boots UK comp. retail sales</b>		<b>- 2.6%</b>		<b>- 2.5%</b>

- UK Pharmacy impacted by temporary industry-wide NHS underfunding and higher generic pricing; partially offset by prescription volume growth
- Continued market share gains in Boots UK retail; beauty reinvention now in 26 stores & on track for 25 new brands in 2019



# Pharmaceutical Wholesale – financials



\$ in millions (except %)	3Q19	Constant currency Δ vs. 3Q18	YTD19	Constant currency Δ vs. YTD18
<b>Sales</b>	<b>\$5,865</b>	<b>+ 8.3%</b>	<b>\$17,311</b>	<b>+ 8.0%</b>
<b>Adj. operating margin</b>	<b>2.5%</b>	<b>+ 0.1%p</b>	<b>2.4%</b>	<b>-0.1%p</b>
<b>Adj. operating income</b>	<b>\$265</b>	<b>+ 9.4%</b>	<b>\$710</b>	<b>+ 5.7%</b>

- **Strong sales performance led by emerging markets**
  - 3Q includes a 2.3% revenue tailwind from UK customer contract change
- **Adjusted operating income growth reflects strong gains in Turkey and solid results from our European business**



# Cash flow



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<b>\$ in millions</b>	<b>3Q19</b>	<b>Δ vs. 3Q18</b>	<b>YTD19</b>	<b>Δ vs. YTD18</b>
<b>Operating cash flow</b>	<b>\$2,021</b>	<b>- \$217</b>	<b>\$3,215</b>	<b>- \$2,230</b>
<b>Cash capital expenditure</b>	<b>\$453</b>	<b>- \$136</b>	<b>\$1,246</b>	<b>- \$264</b>
<b>Free cash flow</b>	<b>\$1,568</b>	<b>- \$352</b>	<b>\$1,969</b>	<b>- \$2,494</b>

- **YTD operating cash flow impacted by headwinds of \$1.4 billion**
  - **prior year Rite Aid acquisition working capital benefits**
  - **cash tax payments, mainly U.S. tax reform**
  - **legal settlements**
  - **ongoing Rite Aid store optimization & integration programs and Transformational Cost Management Program**
- **Underlying working capital increase primarily due to higher sales**
- **Higher capital expenditure is mostly due to impact of Rite Aid store conversions**



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# Transformational Cost Management Program



**On target to deliver \$1.5 billion in annual cost savings by FY22**



**Smart Spend**

- Benchmarking complete
- Targets and execution plans are set up
- Accelerating programs to reduce pharmacy cost to fill



**Smart Organization**

- Functional visibility, benchmarking, value targeting complete
- Execution complete for Boots UK headquarters
- US field supervision organization changes complete



**Digitalization**

- Microsoft cloud migration began in 3Q
- IT vendor optimization work underway
- Customer value proposition work started



**Divisional Optimization**

- Started Boots UK optimization program of around 200 locations
- Real estate footprint review being conducted in the US
- Accelerating pace of change, especially in the US



# Fiscal year 2019 guidance



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**Constant currency adjusted EPS growth: roughly flat**  
*(Reported currency adjusted EPS negatively impacted by ~6 cents of currency translation)*

- 3Q performance includes timing benefit from 4Q
- Reaffirming full year adjusted EPS guidance in constant currency
- Certain assumptions:
  - Currency headwind (*\$0.02 higher than prior guidance*): **\$0.06**
  - Share repurchases (*excluding anti-dilutive*): **~\$3.8 billion**
  - Adjusted effective tax rate (*reflects positive discrete items*): **~15.5%**
  - Select store, labor & digital investments: **~\$175 million**



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## Continued progress on strategic priorities

**Accelerate digitalization of company**

**Transform and restructure retail offering**

**Create neighborhood health destinations**

## Transformational Cost Management Program





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We help people across the world lead healthier and happier lives

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

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



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# Endnotes

- Please see appendix for reconciliations of non-GAAP financial measures and related disclosures.
  - 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.
  - Retail Pharmacy USA segment GAAP results, dollars in millions – 3Q19: gross profit \$5,813, selling, general and administrative expenses \$4,818, SG&A as a percent of sales 18.2%, operating income \$995, and operating margin 3.8%. YTD19: gross profit \$17,880, SG&A expenses \$14,492, SG&A as a percent of sales 18.5%, operating income \$3,388 and operating margin 4.3% – see appendix.
  - Retail Pharmacy International segment GAAP results on a reported currency basis, dollars in millions – 3Q19: operating income \$119, and operating margin 4.3%. In 3Q19 compared to the prior year quarter, the division's operating income decreased 28.6% and operating margin decreased 1.3 percentage points. YTD19: operating income \$389, and operating margin 4.4%. In YTD19 compared to the prior year, the division's operating income decreased 34.5% and operating margin decreased 1.9 percentage points.
  - Retail Pharmacy International segment GAAP results – 3Q19: on a constant currency basis, sales decreased 1.6%, comparable store sales decreased 1.0%, comparable pharmacy sales increased 1.0% and comparable retail sales decreased 2.3%. On a reported currency basis, sales decreased 7.3%, comparable store sales decreased 6.8%, comparable pharmacy sales decreased 4.9%, comparable retail sales decreased 7.9%, Boots UK comparable pharmacy sales decreased 5.1% and Boots UK comparable retail sales decreased 8.3%. YTD19: on a constant currency basis, sales decreased 2.1%, comparable store sales decreased 1.6%, comparable pharmacy sales decreased 0.8% and comparable retail sales decreased 2.1%. On a reported currency basis, sales decreased 6.8%, comparable store sales decreased 6.4%, comparable pharmacy sales decreased 5.7%, comparable retail sales decreased 6.7%, Boots UK comparable pharmacy sales decreased 6.1% and Boots UK comparable retail sales decreased 7.1%.
  - Pharmaceutical Wholesale segment GAAP results on a reported currency basis, dollars in millions – 3Q19: operating income \$87, and operating margin 1.7%. In 3Q19 compared to the prior year quarter, the division's operating income decreased 51.1%, operating margin decreased 0.3 percentage points, sales decreased 1.7%. YTD19: operating income \$342, and operating margin 1.4%. In YTD19 compared to the prior year, the division's operating income decreased 33.6%, operating margin decreased 0.8 percentage points, sales decreased 0.7%.
  - Pharmaceutical Wholesale adjusted operating income includes adjusted equity earnings in AmerisourceBergen, which were \$121 million and \$112 million in the three months ended May 31, 2019 and three months ended May 31, 2018, respectively. See appendix for details. Pharmaceutical Wholesale adjusted operating margin has been calculated excluding adjusted equity earnings in AmerisourceBergen.
  - Organic sales are defined as sales excluding non-comparable acquisitions and divestitures including joint ventures and are considered a non-GAAP financial measure. Retail Pharmacy USA 3Q19 sales increased 2.3% to \$26.5 billion, which includes a negative impact of 0.6 percentage points or \$(99) from non-comparable acquisitions and divestitures including joint ventures.
- Net earnings and net earnings per common share – diluted figures are attributable to Walgreens Boots Alliance, Inc.
- For our Retail Pharmacy divisions, comparable stores are defined as those that have been open for at least 12 consecutive months and that have not been closed for seven or more consecutive days, undergone a major remodel or been subject to a natural disaster during the past 12 months. Relocated 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. Comparable store sales, comparable pharmacy sales and comparable retail sales refer to total sales, pharmacy sales and retail sales, respectively, in such stores. For our Pharmaceutical Wholesale division, comparable sales are defined as sales excluding acquisitions and dispositions. The method of calculating comparable sales varies across the retail industry. As a result, our method of calculating comparable sales may not be the same as other retailers' methods.
- Retail Pharmacy USA Pharmacy prescriptions (including immunizations) are reported on a 30-day equivalent basis.
- Prescription market share information is an estimate derived from the use of information under license from the following IQVIA information service: IQVIA Prescription Services as of May 31, 2019 and includes prescriptions filled at stores acquired from Rite Aid from and after the cutover date. IQVIA expressly reserves all rights, including rights of copying, distribution and republication. Due to revisions made by IQVIA to methodology used for its retail prescription database, market share has been restated for the comparable year-ago period. See restatement in the appendix.
- Retail Pharmacy USA retail refill scripts initiated via digital channel is inclusive of prescriptions filled at Walgreens and Duane Reade. For this purpose, the total number of 3Q retail refill prescriptions does not include prescriptions filled at non-converted Rite Aid stores.
- Boots UK market share data as of May 18, 2019.
- Working capital includes changes in the following operating assets and liabilities: accounts receivable net, inventories, other current assets, trade accounts payable, and accrued expenses and other liabilities.



# Appendix

*The following information provides reconciliations of the supplemental non-GAAP financial measures, as defined under SEC rules, presented in this presentation to the most directly comparable financial measures calculated and presented in accordance with generally accepted accounting principles in the United States (GAAP). The company has provided the non-GAAP financial measures in the presentation, which are not calculated or presented in accordance with GAAP, as supplemental information and in addition to the financial measures that are calculated and presented in accordance with GAAP. These supplemental non-GAAP financial measures are presented because management has evaluated the company's financial results both including and excluding the adjusted items or the effects of foreign currency translation, as applicable, and believe that the supplemental non-GAAP financial measures presented provide additional perspective and insights when analyzing the core operating performance of the company's business from period to period and trends in the company's historical operating results. These supplemental non-GAAP financial measures should not be considered superior to, as a substitute for or as an alternative to, and should be considered in conjunction with, the GAAP financial measures presented in the presentation. The company does not provide a reconciliation for non-GAAP estimates on a forward-looking basis (including the information under "Fiscal year 2019 guidance") where it is unable to provide a meaningful or accurate calculation or estimation of reconciling items and the information is not available without unreasonable effort. This is due to the inherent difficulty of forecasting the timing or amount of various items that have not yet occurred, are out of the company's control and/or cannot be reasonably predicted, and that would impact diluted net earnings per share, the most directly comparable forward-looking GAAP financial measure. For the same reasons, the company is unable to address the probable significance of the unavailable information. Forward-looking non-GAAP financial measures provided without the most directly comparable GAAP financial measures may vary materially from the corresponding GAAP financial measures.*

*Amounts may not add due to rounding. All percentages have been calculated using unrounded amounts for the three and nine months ended May 31, 2019.*

## **Certain assumptions and supplemental information**

*Unless otherwise indicated or the context otherwise requires:*

- This presentation assumes constant currency exchange rates after the date hereof based on current rates; and*
- All financial estimates and goals assume constant currency exchange rates after the date hereof based on current rates and no major mergers, acquisitions, divestitures or strategic transactions.*

*References in this presentation to the "Company," "we," "us" or "our" refer to Walgreens Boots Alliance, Inc. and its subsidiaries, and do not include unconsolidated partially-owned entities, except as otherwise indicated or the context otherwise requires. Our fiscal year ends on August 31, and references herein to "fiscal 2019" refer to our fiscal year ended August 31, 2019.*



# Reconciliation of Non-GAAP financial measures

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

NET EARNINGS	Three months ended May 31.		Change vs. 3Q18		Nine months ended May 31.		Change vs. FY18	
	2019	2018	Amount	Percent	2019	2018	Amount	Percent
Net earnings attributable to Walgreens Boots Alliance, Inc. (GAAP)	\$ 1,025	\$ 1,342	\$ (317)	(23.6)%	\$ 3,305	\$ 3,512	\$ (207)	(5.9)%
<b>Adjustments to operating income:</b>								
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 <sup>1</sup>	7	5			31	120		
Asset recovery	—	—			—	(15)		
<u>Hurricane-related costs</u>	<u>—</u>	<u>—</u>			<u>—</u>	<u>83</u>		
Total adjustments to operating income	515	346			1,264	1,016		
<b>Adjustments to other income (expense):</b>								
Net investment hedging (gain) loss	8	(3)			10	(36)		
Impairment of equity method investment	—	8			—	178		
<u>Termination of option granted to Rite Aid</u>	<u>(173)</u>	<u>—</u>			<u>(173)</u>	<u>—</u>		
Total adjustments to other income (expense)	(165)	5			(163)	142		
<b>Adjustments to interest expense, net:</b>								
<u>Prefunded acquisition financing costs</u>	<u>—</u>	<u>—</u>			<u>—</u>	<u>29</u>		
Total adjustments to interest expense, net	—	—			—	29		
<b>Adjustments to income tax provision:</b>								
Equity method non-cash tax	(10)	8			9	19		
U.S. tax law changes <sup>2</sup>	—	(140)			(3)	44		
<u>Tax impact of adjustments<sup>3</sup></u>	<u>(50)</u>	<u>(39)</u>			<u>(189)</u>	<u>(224)</u>		
Total adjustments to income tax provision	(60)	(171)			(183)	(161)		
<b>Adjustments to post tax equity earnings from other equity method investments:</b>								
<u>Adjustments to equity earnings in other equity method investments<sup>4</sup></u>	<u>23</u>	<u>—</u>			<u>23</u>	<u>—</u>		
Total adjustments to post tax equity earnings from other equity method investments	23	—			23	—		
<b>Adjusted net earnings attributable to Walgreens Boots Alliance, Inc. (Non-GAAP measure)</b>	<b>\$ 1,338</b>	<b>\$ 1,522</b>	<b>\$ (184)</b>	<b>(12.1)%</b>	<b>\$ 4,246</b>	<b>\$ 4,538</b>	<b>\$ (292)</b>	<b>(6.4)%</b>

<sup>1</sup> 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.

<sup>2</sup> Discrete tax-only items.

<sup>3</sup> Represents the adjustment to the GAAP basis tax provision commensurate with non-GAAP adjustments and the adjusted tax rate true-up.

<sup>4</sup> 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.



# Reconciliation of Non-GAAP financial measures

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

## DILUTED NET EARNINGS PER SHARE

	Three months ended May 31,		Change vs. 3Q18		Nine months ended May 31,		Change vs. FY18	
	2019	2018	Amount	Percent	2019	2018	Amount	Percent
<b>Diluted net earnings per common share (GAAP)</b>	\$ 1.13	\$ 1.35	\$ (0.22)	(16.5)%	\$ 3.55	\$ 3.51	\$ 0.04	1.1%
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	—		
<b>Adjusted diluted net earnings per common share (Non-GAAP measure)</b>	<b>\$ 1.47</b>	<b>\$ 1.53</b>	<b>\$ (0.06)</b>	<b>(4.0)%</b>	<b>\$ 4.56</b>	<b>\$ 4.54</b>	<b>\$ 0.02</b>	<b>0.6%</b>
Weighted average common shares outstanding, diluted	911.2	995.3			931.1	1,000.6		



# Reconciliation of Non-GAAP financial measures

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

## GROSS PROFIT BY DIVISION

	Three months ended May 31, 2019				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations	Walgreens Boots Alliance, Inc.
<b>Gross profit (GAAP)</b>	\$ 5,813	\$ 1,112	\$ 527	\$ 2	\$ 7,453
Transformational cost management	—	16	—	—	16
Acquisition-related costs	21	—	—	—	21
Store optimization	1	—	—	—	1
LIFO provision	29	—	—	—	29
<b>Adjusted gross profit (Non-GAAP measure)</b>	<b>\$ 5,864</b>	<b>\$ 1,128</b>	<b>\$ 527</b>	<b>\$ 2</b>	<b>\$ 7,521</b>
Sales	\$ 26,513	\$ 2,776	\$ 5,865	\$ (563)	\$ 34,591
Gross margin (GAAP)	21.9%	40.0%	9.0%		21.5%
Adjusted gross margin (Non-GAAP measure)	22.1%	40.6%	9.0%		21.7%

	Three months ended May 31, 2018				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations	Walgreens Boots Alliance, Inc.
<b>Gross profit (GAAP)</b>	\$ 6,029	\$ 1,215	\$ 536	\$ —	\$ 7,780
Acquisition-related amortization	6	—	—	—	6
LIFO provision	69	—	—	—	69
<b>Adjusted gross profit (Non-GAAP measure)</b>	<b>\$ 6,104</b>	<b>\$ 1,215</b>	<b>\$ 536</b>	<b>\$ —</b>	<b>\$ 7,855</b>
Sales	\$ 25,917	\$ 2,995	\$ 5,965	\$ (543)	\$ 34,334
Gross margin (GAAP)	23.3%	40.6%	9.0%		22.7%
Adjusted gross margin (Non-GAAP measure)	23.6%	40.6%	9.0%		22.9%



# Reconciliation of Non-GAAP financial measures

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

## GROSS PROFIT BY DIVISION

	Nine months ended May 31, 2019				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations	Walgreens Boots Alliance, Inc.
<b>Gross profit (GAAP)</b>	\$ 17,880	\$ 3,418	\$ 1,549	\$ 1	\$ 22,849
Transformational cost management	—	41	—	—	41
Acquisition-related costs	50	—	—	—	50
Store optimization	2	—	—	—	2
LIFO provision	77	—	—	—	77
<b>Adjusted gross profit (Non-GAAP measure)</b>	<b>\$ 18,009</b>	<b>\$ 3,459</b>	<b>\$ 1,549</b>	<b>\$ 1</b>	<b>\$ 23,018</b>
Sales	\$ 78,491	\$ 8,759	\$ 17,311	\$ (1,649)	\$ 102,912
Gross margin (GAAP)	22.8%	39.0%	9.0%		22.2%
Adjusted gross margin (Non-GAAP measure)	22.9%	39.5%	9.0%		22.4%

	Nine months ended May 31, 2018				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations	Walgreens Boots Alliance, Inc.
<b>Gross profit (GAAP)</b>	\$ 17,898	\$ 3,733	\$ 1,590	\$ (4)	\$ 23,217
Acquisition-related amortization	14	—	—	—	14
LIFO provision	166	—	—	—	166
Hurricane-related costs	43	—	—	—	43
<b>Adjusted gross profit (Non-GAAP measure)</b>	<b>\$ 18,121</b>	<b>\$ 3,733</b>	<b>\$ 1,590</b>	<b>\$ (4)</b>	<b>\$ 23,440</b>
Sales	\$ 72,884	\$ 9,395	\$ 17,438	\$ (1,622)	\$ 98,095
Gross margin (GAAP)	24.6%	39.7%	9.1%		23.7%
Adjusted gross margin (Non-GAAP measure)	24.9%	39.7%	9.1%		23.9%



# Reconciliation of Non-GAAP financial measures

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

## SELLING, GENERAL AND ADMINISTRATIVE EXPENSES BY DIVISION

	Three months ended May 31, 2019				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations	Walgreens Boots Alliance, Inc.
<b>Selling, general and administrative expenses (GAAP)</b>	<b>\$ 4,818</b>	<b>\$ 993</b>	<b>\$ 424</b>	<b>\$ 1</b>	<b>\$ 6,235</b>
Acquisition-related amortization	(82)	(25)	(20)	—	(127)
Transformational cost management	(43)	(5)	(22)	—	(70)
Acquisition-related costs	(59)	—	—	—	(59)
Store optimization	(48)	—	—	—	(48)
Certain legal and regulatory accruals and settlements	(7)	—	—	—	(7)
<b>Adjusted selling, general and administrative expenses (Non-GAAP measure)</b>	<b>\$ 4,578</b>	<b>\$ 963</b>	<b>\$ 382</b>	<b>\$ 1</b>	<b>\$ 5,924</b>
Sales	\$ 26,513	\$ 2,776	\$ 5,865	\$ (563)	\$ 34,591
Selling, general and administrative expenses percent to sales (GAAP)	18.2%	35.8%	7.2%		18.0%
Adjusted selling, general and administrative expenses percent to sales (Non-GAAP measure)	17.3%	34.7%	6.5%		17.1%

	Three months ended May 31, 2018				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations	Walgreens Boots Alliance, Inc.
<b>Selling, general and administrative expenses (GAAP)<sup>1</sup></b>	<b>\$ 4,776</b>	<b>\$ 1,048</b>	<b>\$ 411</b>	<b>—</b>	<b>\$ 6,235</b>
Acquisition-related amortization	(78)	(26)	(21)	—	(125)
Acquisition-related costs	(57)	—	—	—	(57)
Store optimization	(24)	—	—	—	(24)
Certain legal and regulatory accruals and settlements <sup>2</sup>	(5)	—	—	—	(5)
<b>Adjusted selling, general and administrative expenses (Non-GAAP measure)<sup>1</sup></b>	<b>\$ 4,612</b>	<b>\$ 1,022</b>	<b>\$ 390</b>	<b>—</b>	<b>\$ 6,024</b>
Sales	\$ 25,917	\$ 2,995	\$ 5,965	\$ (543)	\$ 34,334
Selling, general and administrative expenses percent to sales (GAAP)	18.4%	35.0%	6.9%		18.2%
Adjusted selling, general and administrative expenses percent to sales (Non-GAAP measure)	17.8%	34.1%	6.5%		17.5%

<sup>1</sup> 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.

<sup>2</sup> See note 1 on page 19.



# Reconciliation of Non-GAAP financial measures

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

## SELLING, GENERAL AND ADMINISTRATIVE EXPENSES BY DIVISION

	Nine months ended May 31, 2019				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations	Walgreens Boots Alliance, Inc.
<b>Selling, general and administrative expenses (GAAP)</b>	\$ 14,492	\$ 3,029	\$ 1,313	\$ —	\$ 18,834
Acquisition-related amortization	(237)	(76)	(59)	—	(373)
Transformational cost management	(59)	(46)	(119)	—	(224)
Acquisition-related costs	(178)	—	—	—	(178)
Store optimization	(97)	—	—	—	(97)
Certain legal and regulatory accruals and settlements	(31)	—	—	—	(31)
<b>Adjusted selling, general and administrative expenses (Non-GAAP measure)</b>	<b>\$ 13,889</b>	<b>\$ 2,906</b>	<b>\$ 1,135</b>	<b>\$ —</b>	<b>\$ 17,930</b>
Sales	\$ 78,491	\$ 8,759	\$ 17,311	\$ (1,649)	\$ 102,912
Selling, general and administrative expenses percent to sales (GAAP)	18.5%	34.6%	7.6%		18.3%
Adjusted selling, general and administrative expenses percent to sales (Non-GAAP measure)	17.7%	33.2%	6.6%		17.4%

	Nine months ended May 31, 2018				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations	Walgreens Boots Alliance, Inc.
<b>Selling, general and administrative expenses (GAAP) <sup>1</sup></b>	\$ 14,115	\$ 3,139	\$ 1,217	(5)	\$ 18,466
Acquisition-related amortization	(172)	(80)	(63)	—	(315)
Acquisition-related costs	(173)	—	—	—	(173)
Store optimization	(24)	—	—	—	(24)
Certain legal and regulatory accruals and settlements <sup>2</sup>	(120)	—	—	—	(120)
Asset recovery	15	—	—	—	15
Hurricane-related costs	(40)	—	—	—	(40)
<b>Adjusted selling, general and administrative expenses (Non-GAAP measure)<sup>1</sup></b>	<b>\$ 13,601</b>	<b>\$ 3,059</b>	<b>\$ 1,154</b>	<b>\$ (5)</b>	<b>\$ 17,809</b>
Sales	\$ 72,884	\$ 9,395	\$ 17,438	\$ (1,622)	\$ 98,095
Selling, general and administrative expenses percent to sales (GAAP)	19.4%	33.4%	7.0%		18.8%
Adjusted selling, general and administrative expenses percent to sales (Non-GAAP measure)	18.7%	32.6%	6.6%		18.2%

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

<sup>2</sup> See note 1 on page 19 .





# Reconciliation of Non-GAAP financial measures

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

## EQUITY EARNINGS IN AMERISOURCEBERGEN

	Three months ended May 31,		Nine months ended May 31,	
	2019	2018	2019	2018
<b>Equity earnings (loss) in AmerisourceBergen (GAAP)</b>	\$ (16)	\$ 52	\$ 105	\$ 142
Asset Impairment	115	8	120	8
Acquisition-related amortization	32	30	95	87
PharMEDium remediation costs	3	4	12	4
Litigation settlements and other	13	7	8	185
LIFO provision	(13)	—	2	(12)
Gain on sale of equity investment	(3)	—	(3)	—
U.S. tax law changes	—	—	(17)	(152)
Anti-Trust	(9)	—	(28)	—
Loss on previously held equity interest	—	11	—	11
Early debt extinguishment	—	—	—	5
<b>Adjusted equity earnings in AmerisourceBergen (Non-GAAP measure)</b>	<b>\$ 121</b>	<b>\$ 112</b>	<b>\$ 296</b>	<b>\$ 278</b>



# Reconciliation of Non-GAAP financial measures

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

## OPERATING INCOME BY DIVISION

	Three months ended May 31, 2019				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale <sup>1</sup>	Eliminations	Walgreens Boots Alliance, Inc.
<b>Operating income (GAAP)</b>	\$ 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
<b>Adjusted operating income (Non-GAAP measure)</b>	<b>\$ 1,286</b>	<b>\$ 165</b>	<b>\$ 265</b>	<b>\$ 1</b>	<b>\$ 1,717</b>
Sales	\$ 26,513	\$ 2,776	\$ 5,865	\$ (563)	\$ 34,591
Operating margin (GAAP) <sup>2</sup>	3.8%	4.3%	1.7%		3.5%
Adjusted operating margin (Non-GAAP measure) <sup>2</sup>	4.9%	5.9%	2.5%		4.6%

  

	Three months ended May 31, 2018				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale <sup>1</sup>	Eliminations	Walgreens Boots Alliance, Inc.
<b>Operating income (GAAP)<sup>3</sup></b>	\$ 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 <sup>4</sup>	5	—	—	—	5
<b>Adjusted operating income (Non-GAAP measure)<sup>3</sup></b>	<b>\$ 1,492</b>	<b>\$ 193</b>	<b>\$ 258</b>	<b>\$ —</b>	<b>\$ 1,943</b>
Sales	\$ 25,917	\$ 2,995	\$ 5,965	\$ (543)	\$ 34,334
Operating margin (GAAP) <sup>2</sup>	4.8%	5.6%	2.1%		4.5%
Adjusted operating margin (Non-GAAP measure) <sup>2</sup>	5.8%	6.4%	2.4%		5.3%

<sup>1</sup> Operating income for Pharmaceutical Wholesale includes equity earnings in AmerisourceBergen. As a result of the two month reporting lag, operating income for the three month period ended May 31, 2019 includes AmerisourceBergen equity earnings for the period of January 1, 2019 through March 31, 2019. Operating income for the three month period ended May 31, 2018 includes AmerisourceBergen equity earnings for the period of January 1, 2018 to March 31, 2018.

<sup>2</sup> Operating margins and adjusted operating margins have been calculated excluding equity earnings in AmerisourceBergen.

<sup>3</sup> See note 1 on page 23.

<sup>4</sup> See note 1 on page 19.



Walgreens Boots Alliance

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# Reconciliation of Non-GAAP financial measures

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

## OPERATING INCOME BY DIVISION

	Nine months ended May 31, 2019				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale <sup>1</sup>	Eliminations	Walgreens Boots Alliance, Inc.
<b>Operating income (GAAP)</b>	\$ 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
<b>Adjusted operating income (Non-GAAP measure)</b>	<b>\$ 4,119</b>	<b>\$ 553</b>	<b>\$ 710</b>	<b>\$ 1</b>	<b>\$ 5,384</b>
Sales	\$ 78,491	\$ 8,759	\$ 17,311	\$ (1,649)	\$ 102,912
Operating margin (GAAP) <sup>2</sup>	4.3%	4.4%	1.4%		3.9%
Adjusted operating margin (Non-GAAP measure) <sup>2</sup>	5.2%	6.3%	2.4%		4.9%

	Nine months ended May 31, 2018				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale <sup>1</sup>	Eliminations	Walgreens Boots Alliance, Inc.
<b>Operating income (GAAP)<sup>3</sup></b>	\$ 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 <sup>4</sup>	120	—	—	—	120
Asset recovery	(15)	—	—	—	(15)
Hurricane-related costs	83	—	—	—	83
<b>Adjusted operating income (Non-GAAP measure)<sup>3</sup></b>	<b>\$ 4,520</b>	<b>\$ 674</b>	<b>\$ 714</b>	<b>\$ 1</b>	<b>\$ 5,909</b>
Sales	\$ 72,884	\$ 9,395	\$ 17,438	\$ (1,622)	\$ 98,095
Operating margin (GAAP) <sup>2</sup>	5.2%	6.3%	2.1%		4.8%
Adjusted operating margin (Non-GAAP measure) <sup>2</sup>	6.2%	7.2%	2.5%		5.7%

<sup>1</sup> Operating income for Pharmaceutical Wholesale includes equity earnings in AmerisourceBergen. As a result of the two month reporting lag, operating income for the nine month period ended May 31, 2019 includes AmerisourceBergen equity earnings for the period of July 1, 2018 through March 31, 2019. Operating income for the nine month period ended May 31, 2018 includes AmerisourceBergen equity earnings for the period of July 1, 2017 to March 31, 2018.

<sup>2</sup> Operating margins and adjusted operating margins have been calculated excluding equity earnings in AmerisourceBergen.

<sup>3</sup> See note 1 on page 23.

<sup>4</sup> See note 1 on page 19.



Walgreens Boots Alliance

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# Reconciliation of Non-GAAP financial measures

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

## ADJUSTED EFFECTIVE TAX RATE

	Three months ended May 31, 2019			Three months ended May 31, 2018		
	Earnings before income tax provision	Income tax provision	Effective tax rate	Earnings before income tax provision	Income tax provision	Effective tax rate
Effective tax rate (GAAP)	\$ 1,198	\$ 156	13.0%	\$ 1,440	\$ 109	7.6%
Impact of non-GAAP adjustments	350	42		351	71	
U.S. tax law changes	—	—		—	140	
Equity method non-cash	—	10		—	(8)	
Adjusted tax rate true-up	—	8		—	(32)	
Subtotal	\$ 1,548	\$ 216		\$ 1,791	\$ 280	
Exclude adjusted equity earnings in AmerisourceBergen	(121)	—		(112)	—	
<b>Adjusted effective tax rate excluding adjusted equity earnings in AmerisourceBergen (Non-GAAP measure)</b>	<b>\$ 1,427</b>	<b>\$ 216</b>	<b>15.1%</b>	<b>\$ 1,679</b>	<b>\$ 280</b>	<b>16.7%</b>



# Reconciliation of Non-GAAP financial measures

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

## ADJUSTED EFFECTIVE TAX RATE

	Nine months ended May 31, 2019			Nine months ended May 31, 2018		
	Earnings before income tax provision	Income tax provision	Effective tax rate	Earnings before income tax provision	Income tax provision	Effective tax rate
Effective tax rate (GAAP)	\$ 3,819	\$ 562	14.7%	\$ 4,314	\$ 839	19.4%
Impact of non-GAAP adjustments	1,101	181		1,187	213	
U.S. tax law changes	—	3		—	(44)	
Equity method non-cash	—	(9)		—	(19)	
Adjusted tax rate true-up	—	8		—	11	
Subtotal	\$ 4,920	\$ 745		\$ 5,501	\$ 1,000	
Exclude adjusted equity earnings in AmerisourceBergen	(296)	—		(278)	—	
<b>Adjusted effective tax rate excluding adjusted equity earnings in AmerisourceBergen (Non-GAAP measure)</b>	<b>\$ 4,624</b>	<b>\$ 745</b>	<b>16.1%</b>	<b>\$ 5,223</b>	<b>\$ 1,000</b>	<b>19.1%</b>



# Reconciliation of Non-GAAP financial measures

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

## FREE CASH FLOW

	Three months ended May 31,		Nine months ended May 31,	
	2019	2018	2019	2018
Net cash provided by operating activities (GAAP) <sup>1</sup>	\$ 2,021	\$ 2,237	\$ 3,215	\$ 5,446
Less: Additions to property, plant and equipment	(453)	(317)	(1,246)	(983)
<b>Free cash flow (Non-GAAP measure)<sup>2</sup></b>	<b>\$ 1,568</b>	<b>\$ 1,920</b>	<b>\$ 1,969</b>	<b>\$ 4,463</b>

<sup>1</sup> The Company adopted new accounting guidance in Accounting Standards Update 2016-18 as of September 1, 2018 (fiscal 2019) on a retrospective basis for the Consolidated Condensed Statements of Cash Flows presentation. This change resulted in restricted cash being included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the Consolidated Condensed Statement of Cash Flows.

<sup>2</sup> Free cash flow is defined as net cash provided by operating activities in a period less additions to property, plant and equipment (capital expenditures) made in that period. This measure does not represent residual cash flows available for discretionary expenditures as the measure does not deduct the payments required for debt service and other contractual obligations or payments for future business acquisitions. Therefore, we believe it is important to view free cash flow as a measure that provides supplemental information to our entire statements of cash flows.



# Pension and postretirement benefit reclassification<sup>1</sup>

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

	Three months ended November 30, 2017			Three months ended February 28, 2018			Three months ended May 31, 2018			Three months ended August 31, 2018			Twelve months ended August 31, 2018		
	As reported	Adjustments	As revised	As reported	Adjustments	As revised	As reported	Adjustments	As revised	As reported	Adjustments	As revised	As reported	Adjustments	As revised
<b>Retail Pharmacy USA</b>															
Selling, general and administrative expenses	4,476	(1)	4,475	4,865	(1)	4,864	4,776	—	4,776	4,745	111	4,856	18,862	109	18,971
<b>Operating income</b>	<b>\$ 1,126</b>	<b>\$ 1</b>	<b>\$ 1,127</b>	<b>\$ 1,402</b>	<b>\$ 1</b>	<b>\$ 1,403</b>	<b>\$ 1,253</b>	<b>\$ —</b>	<b>\$ 1,253</b>	<b>\$ 1,115</b>	<b>\$ (111)</b>	<b>\$ 1,004</b>	<b>\$ 4,896</b>	<b>\$ (109)</b>	<b>\$ 4,787</b>
<b>Retail Pharmacy International</b>															
Selling, general and administrative expenses	1,040	5	1,045	1,042	4	1,046	1,043	5	1,048	991	4	995	4,116	18	4,134
<b>Operating income</b>	<b>\$ 184</b>	<b>\$ (5)</b>	<b>\$ 179</b>	<b>\$ 252</b>	<b>\$ (4)</b>	<b>\$ 248</b>	<b>\$ 172</b>	<b>\$ (5)</b>	<b>\$ 167</b>	<b>\$ 234</b>	<b>\$ (4)</b>	<b>\$ 230</b>	<b>\$ 842</b>	<b>\$ (18)</b>	<b>\$ 824</b>
<b>Pharmaceutical Wholesale</b>															
Selling, general and administrative expenses	396	(1)	395	411	—	411	412	(1)	411	377	—	377	1,596	(2)	1,594
<b>Operating income</b>	<b>\$ 14</b>	<b>\$ 1</b>	<b>\$ 15</b>	<b>\$ 323</b>	<b>\$ —</b>	<b>\$ 323</b>	<b>\$ 176</b>	<b>\$ 1</b>	<b>\$ 177</b>	<b>\$ 163</b>	<b>\$ —</b>	<b>\$ 163</b>	<b>\$ 676</b>	<b>\$ 2</b>	<b>\$ 678</b>
<b>Eliminations</b>															
Selling, general and administrative expenses	(5)	—	(5)	—	—	—	—	—	—	—	—	—	(5)	—	(5)
<b>Operating income</b>	<b>\$ (2)</b>	<b>\$ —</b>	<b>\$ (2)</b>	<b>\$ 3</b>	<b>\$ —</b>	<b>\$ 3</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ (1)</b>	<b>\$ —</b>	<b>\$ (1)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>
<b>Walgreens Boots Alliance, Inc.</b>															
Selling, general and administrative expenses	5,907	3	5,910	6,318	3	6,321	6,231	4	6,235	6,113	115	6,228	24,569	125	24,694
<b>Operating income</b>	<b>\$ 1,322</b>	<b>\$ (3)</b>	<b>\$ 1,319</b>	<b>\$ 1,980</b>	<b>\$ (3)</b>	<b>\$ 1,977</b>	<b>\$ 1,601</b>	<b>\$ (4)</b>	<b>\$ 1,597</b>	<b>\$ 1,511</b>	<b>\$ (115)</b>	<b>\$ 1,396</b>	<b>\$ 6,414</b>	<b>\$ (125)</b>	<b>\$ 6,289</b>
Other income (expense)	(137)	3	(134)	9	3	12	(4)	4	—	309	115	424	177	125	302

<sup>1</sup> See note 1 on page 23.

# Pension and postretirement benefit reclassification<sup>1</sup>

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

	Three months ended November 30, 2016			Three months ended February 28, 2017			Three months ended May 31, 2017			Three months ended August 31, 2017			Twelve months ended August 31, 2017		
	As reported	Adjustments	As revised	As reported	Adjustments	As revised	As reported	Adjustments	As revised	As reported	Adjustments	As revised	As reported	Adjustments	As revised
<b>Retail Pharmacy USA</b>															
Selling, general and administrative expenses	4,334	(2)	4,332	4,756	(2)	4,754	4,337	107	4,444	4,828	(2)	4,826	18,255	101	18,356
<b>Operating income</b>	<b>\$ 1,105</b>	<b>\$ 2</b>	<b>\$ 1,107</b>	<b>\$ 1,120</b>	<b>\$ 2</b>	<b>\$ 1,122</b>	<b>\$ 1,170</b>	<b>\$ (107)</b>	<b>\$ 1,063</b>	<b>\$ 800</b>	<b>\$ 2</b>	<b>\$ 802</b>	<b>\$ 4,195</b>	<b>\$ (101)</b>	<b>\$ 4,094</b>
<b>Retail Pharmacy International</b>															
Selling, general and administrative expenses	993	(6)	987	1,006	(10)	996	1,006	(2)	1,004	1,007	(12)	995	4,012	(30)	3,982
<b>Operating income</b>	<b>\$ 182</b>	<b>\$ 6</b>	<b>\$ 188</b>	<b>\$ 198</b>	<b>\$ 10</b>	<b>\$ 208</b>	<b>\$ 142</b>	<b>\$ 2</b>	<b>\$ 144</b>	<b>\$ 219</b>	<b>\$ 12</b>	<b>\$ 231</b>	<b>\$ 741</b>	<b>\$ 30</b>	<b>\$ 771</b>
<b>Pharmaceutical Wholesale</b>															
Selling, general and administrative expenses	359	—	359	362	1	363	375	—	375	383	1	384	1,479	2	1,481
<b>Operating income</b>	<b>\$ 160</b>	<b>\$ —</b>	<b>\$ 160</b>	<b>\$ 165</b>	<b>\$ (1)</b>	<b>\$ 164</b>	<b>\$ 200</b>	<b>\$ —</b>	<b>\$ 200</b>	<b>\$ 96</b>	<b>\$ (1)</b>	<b>\$ 95</b>	<b>\$ 621</b>	<b>\$ (2)</b>	<b>\$ 619</b>
<b>Eliminations</b>															
Selling, general and administrative expenses	—	—	—	—	—	—	(6)	—	(6)	—	—	—	(6)	—	(6)
<b>Operating income</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ (4)</b>	<b>\$ —</b>	<b>\$ (4)</b>	<b>\$ 5</b>	<b>\$ —</b>	<b>\$ 5</b>	<b>\$ (1)</b>	<b>\$ —</b>	<b>\$ (1)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>
<b>Walgreens Boots Alliance, Inc.</b>															
Selling, general and administrative expenses	5,686	(8)	5,678	6,124	(11)	6,113	5,712	105	5,817	6,218	(13)	6,205	23,740	73	23,813
<b>Operating income</b>	<b>\$ 1,447</b>	<b>\$ 8</b>	<b>\$ 1,455</b>	<b>\$ 1,479</b>	<b>\$ 11</b>	<b>\$ 1,490</b>	<b>\$ 1,517</b>	<b>\$ (105)</b>	<b>\$ 1,412</b>	<b>\$ 1,114</b>	<b>\$ 13</b>	<b>\$ 1,127</b>	<b>\$ 5,557</b>	<b>\$ (73)</b>	<b>\$ 5,484</b>
Other income (expense)	1	(8)	(7)	(15)	(11)	(26)	(8)	105	97	11	(13)	(2)	(11)	73	62

<sup>1</sup> See note 1 on page 23 .



# Restatement of Pharmacy Market Share IQVIA<sup>1</sup>

Walgreens Boots Alliance, Inc. and Subsidiaries  
Retail Pharmacy USA  
Restatement of US Pharmacy Market Share as reported by IQVIA

	Fiscal Year 2019		Fiscal Year 2018			
	Three months ended November 30, 2018	Three months ended February 28, 2019	Three months ended November 30, 2017	Three months ended February 28, 2018	Three months ended May 31, 2018	Three months ended August 31, 2018
US Pharmacy Prescription Market Share - previously reported	22.4 %	22.3 %	20.6 %	21.4 %	22.4 %	22.3 %
Methodology change impact	(0.9)%	(0.9)%	(0.8)%	(0.8)%	(0.7)%	(0.8)%
<b>US Pharmacy Prescription Market Share - post restatement</b>	<b>21.5 %</b>	<b>21.4 %</b>	<b>19.8 %</b>	<b>20.5 %</b>	<b>21.7 %</b>	<b>21.6 %</b>

<sup>1</sup>Due to revisions made by IQVIA to methodology used for its retail prescription database, market share has been restated for the comparable year-ago period



# Currency sensitivity

Exchange Rates/Impact	FY18	Mar '19 Sensitivity	Jun '19 Sensitivity
<b>GBP/USD</b>	<b>1.34</b>	<b>1.31</b>	<b>1.29</b>
<b>EUR/USD</b>	<b>1.19</b>	<b>1.14</b>	<b>1.13</b>
<b>TRY/USD</b>	<b>0.25</b>	<b>0.18</b>	<b>0.18</b>
<b>Fx Sales Impact vs. FY18</b>		<b>~(\$1,850m)</b>	<b>~(\$2,195m)</b>
<b>Fx Adj. Operating Income Impact vs. FY18</b>		<b>~(\$55m)</b>	<b>~(\$75m)</b>
<b>Fx Adj. EPS Impact vs. FY18</b>		<b>\$(0.04)</b>	<b>\$(0.06)</b>

- Every 1% move in GBP/USD has ~\$145m impact to WBA group sales
- Every 1% move in EUR/USD has ~\$120m impact to WBA group sales
- Every 10% move in TRY/USD has ~\$200m impact to WBA group sales

