



Walgreens-Alliance Boots Investor Call

August 6, 2014



Investor Call Agenda	
Introduction & Safe Harbor	Rick Hans, CFA Divisional Vice President, Investor Relations & Finance, Walgreens
Alliance Boots Step 2 Update	Greg Wasson President & Chief Executive Officer, Walgreens
Global Management Structure	<i>Introducing:</i> Tim McLevish EVP & Chief Financial Officer, Walgreens
Corporate Structure	
Fiscal Year 2016 Goals	
Cost Savings Plan	
Capital Structure	
Near Term Outlook	
Long Term Opportunities	
Global Outlook and Opportunities	Stefano Pessina Executive Chairman, Alliance Boots
Questions & Answers	Greg Wasson Stefano Pessina

Safe Harbor and Non-GAAP

- Certain statements and projections of future results made in these presentations constitute forward-looking statements that are based on current market, competitive and regulatory expectations that involve risk and uncertainty that could cause results to vary materially. Except to the extent required by the law, we undertake no obligation to update publicly any forward-looking statement after these presentations, whether as a result of new information, future events, changes in assumptions or otherwise.
- Please see our latest Form 10-K & 10-Q filings for a discussion of risk factors as they relate to forward-looking statements.
- Today's presentation includes certain non-GAAP financial measures, and we refer you to the Appendix to the presentation materials available on our investor relations website for reconciliations to the most directly comparable GAAP financial measures and related information.

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Walgreens-Alliance Boots Investor Call

Greg Wasson
President & CEO, Walgreens

August 6, 2014



Walgreens to Combine with Alliance Boots

- ✓ Walgreens exercises option to acquire remaining 55% of Alliance Boots
- ✓ New holding company name to be Walgreens Boots Alliance, Inc.
- ✓ Transaction expected to close in 1st quarter of calendar year 2015[†]

† Forward-Looking Statements – See Cautionary Note in attached Appendix 5

Compelling Strategic and Financial Rationale

COMPLEMENTARY CAPABILITIES & ASSETS





SUBSTANTIAL SYNERGY POTENTIAL

<p>Procurement</p> <ul style="list-style-type: none"> Prescription drugs Branded goods Private brands Indirect spend 	<p>Revenue Enhancing</p> <ul style="list-style-type: none"> Beauty Own brands Wellness solutions
<p>Best & Next Practices</p> <ul style="list-style-type: none"> Store formats Loyalty E-commerce Pharmacy 	

REVENUE & PROFIT POOL DIVERSIFICATION

Walgreens Today



Combined Vision



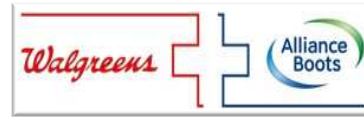
PLATFORM FOR FUTURE GROWTH



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Leader on a Global Scale

Our Combined Assets



Employees	350,000
Stores	~11,000*
Distribution Centers	370
Global Pharmacy Distribution Points	~180,000
Global Healthcare Service Providers	~92,000
Active Loyalty Members	~100,000,000

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*Excludes the pending 1,400 store FASA acquisition by Alliance Boots

Step 2 - Transaction Terms

	Step 1	Step 2 [†]	Total [†]
Cash	\$4.0 B	\$5.3 B*	\$9.3 B*
Walgreens Shares Issued	83.4 M	144.3 M	227.7M

TERMS	STEP TWO (Option Exercise) [†]
Structure	<ul style="list-style-type: none"> • Purchase of remaining 55% equity interest in Alliance Boots
Consideration	<ul style="list-style-type: none"> • 3.1 B Pounds Sterling (\$5.3 B*) • Shares fixed at 144.3 M • WAG assumes outstanding Alliance Boots net debt
Timing	<ul style="list-style-type: none"> • Option exercised on August 5, 2014 • Expect to close in 1st quarter of calendar year 2015
Conditions	<ul style="list-style-type: none"> • Subject to Walgreens shareholder approval • Subject to regulatory approvals

[†] Forward-Looking Statements – See Cautionary Note in attached Appendix
 * Based on current \$1.69 = £ 1 exchange rate

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Blended Management Team

Title	Name
President & CEO, Walgreens Boots Alliance, Inc.	Greg Wasson
Executive Vice Chairman, Strategy & New Market Development	Stefano Pessina
EVP, Walgreens Boots Alliance, President & Chief Executive, Global Wholesale & International Retail	Ornella Barra
EVP, Walgreens Boots Alliance, President of Pharma & Global Market Access	Jeff Berkowitz
EVP, Walgreens Boots Alliance, President, Walgreens	Alex Gourlay
EVP and Global Chief Financial Officer, Walgreens Boots Alliance	Tim McLevish
EVP, Walgreens Boots Alliance, President, Global Brands	Ken Murphy
EVP, Walgreens Boots Alliance, President, Boots	Simon Roberts
EVP, Global Chief Legal & Administrative Officer, Walgreens Boots Alliance	Tom Sabatino
EVP & Global Chief Information Officer, Walgreens Boots Alliance	Tim Theriault
EVP & Global Chief Human Resource Officer, Walgreens Boots Alliance	Kathleen Wilson-Thompson

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Domicile of Combined Enterprise

Walgreens Boots Alliance, Inc.	U.S. Domicile Global Headquarters in Chicago area
Walgreens Operational Headquarters	Deerfield, IL
Boots Operational Headquarters	Nottingham, U.K.

Rationale of U.S. Domicile

- ✓ The Company and Board undertook a balanced, rigorous, and extensive analysis of the inversion question.
- ✓ The Company and Board looked at the full range of issues, including the potential opportunities and benefits, as well as the risks associated with an inversion, and determined that an inversion was not in the long term best interests of our company and its shareholders.

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Next Chapter Plan

3 Focus Areas to Accelerate Core Business Performance



**Differentiated
Retail Experience**



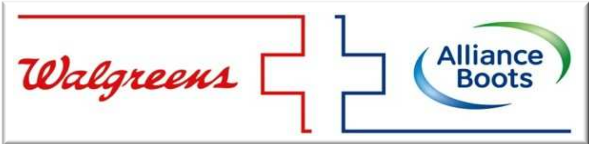
**Integrated Pharmacy
and Health Care**



**Global Pharmaceutical
Services**

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Establishing New Fiscal 2016 Goals



	FY 2016 Goals†
Revenue*	\$126 - \$130 Billion
Adjusted EPS**	\$4.25 - \$4.60

†Forward-Looking Statements – See cautionary note in attached Appendix. All figures assume constant currency and current management assumptions regarding future interest rates. Also assumes closing of Step 2 in the first calendar quarter of 2015. All financial goals assume no major mergers and acquisitions or strategic transactions.
 *Revenue excludes Alliance Boots share of associates and joint venture sales
 **Non-GAAP Financial Measures – see Appendix.

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Cost Savings Plan

- ✓ Accelerating a broad \$1B cost savings plan for Walgreens by FY 2017

Walgreens **Key Areas of Cost Focus**

Store

Field

Distribution

Corporate

- ✓ Additional cost savings opportunities beyond 2016 will come from combined entity post integration

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Capital Structure


- ✓ Balanced and disciplined approach to capital allocation
- ✓ Returning cash to shareholders through dividends and share repurchases

Capital Allocation Priorities

Invest in Core Business	Investing across core businesses at suitable returns to drive organic growth
Pursue Strategic Opportunities	Pursuing strategic opportunities, including mergers and acquisitions, that are consistent with our strategy, meet return requirements, and are accretive and drive long-term growth
Return Cash To Shareholders	Commitment to 30%-35% long-term dividend payout ratio <ul style="list-style-type: none"> ➢ Increased quarterly dividend per share by 7.1% to \$0.3375 per share ➢ Pursue share repurchases with excess capacity ➢ \$3 billion repurchase program effective immediately through end of Fiscal Year 2016
Maintain Strong Balance Sheet and Financial Flexibility	Commitment to solid investment grade credit ratings

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Near Term Outlook – 4Q14



Metrics	Expectations [†]
Adjusted Gross Profit Margin*	Expected to be down Year over Year similar to 3Q14
Adjusted SG&A \$ Growth*	Last Year's 4Q included net gains from certain litigation matters that reduced adjusted SG&A \$ growth by 90bps

[†]Forward-Looking Statements – See cautionary note in attached Appendix.
 * Non-GAAP Financial Measures – See Appendix.

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Longer Term Opportunities[†]

- ✓ Additional Synergies
- ✓ Aging Population
- ✓ Owned Brand Expansion
- ✓ Bigger in Beauty
- ✓ Growth in Pharmacy, Health and Wellness
- ✓ International Expansion









[†] Forward-Looking Statements – See Cautionary Note in attached Appendix.

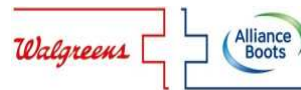
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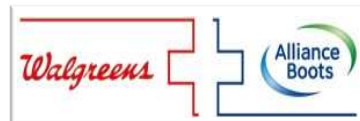
Global Outlook

Stefano Pessina
Executive Chairman, Alliance Boots

August 6, 2014



Global Outlook



Two Iconic Retail Pharmacy Brands
Focused on Creating Shareholder Value



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 these non-GAAP financial measures in the presentation, which are not calculated or presented in accordance with GAAP, as supplemental information 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 and believes that the 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. The company does not provide a non-GAAP reconciliation for non-GAAP estimates on a forward-looking basis where it is unable to provide a meaningful or accurate calculation or estimation of reconciling items and the information is not available without unreasonable effort. The supplemental non-GAAP financial measures presented 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.

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Reconciliation of Adjusted Gross Profit & Margin

\$ in Millions

	4Q08	1Q09	2Q09	3Q09	4Q09
Net sales (GAAP)	\$ 14,597	\$ 14,947	\$ 16,475	\$ 16,210	\$ 15,703
Gross profit (GAAP)	\$ 4,035	\$ 4,151	\$ 4,657	\$ 4,459	\$ 4,346
LIFO provision	24	43	49	32	48
Adjusted gross profit (Non-GAAP)	\$ 4,059	\$ 4,194	\$ 4,706	\$ 4,491	\$ 4,394
YOY Change					
Gross profit \$ (GAAP)					\$ 311
Gross profit % (GAAP)					
Gross profit % 2-year stack (GAAP)					
Adjusted gross profit \$ (Non-GAAP)					\$ 335
Adjusted gross profit % (Non-GAAP)					
Adjusted gross profit % 2-year stack (Non-GAAP)					
Gross profit margin (GAAP)					
Year over year basis point impact (GAAP)					
Adjusted gross profit margin (Non-GAAP)					
Adjusted year over year basis point impact (Non-GAAP)					

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Reconciliation of Adjusted Gross Profit & Margin

\$ in Millions

	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11
Net sales (GAAP)	\$ 16,364	\$ 16,987	\$ 17,199	\$ 16,870	\$ 17,344	\$ 18,502	\$ 18,371	\$ 17,967
Gross profit (GAAP)	\$ 4,538	\$ 4,897	\$ 4,749	\$ 4,792	\$ 4,945	\$ 5,324	\$ 5,154	\$ 5,069
LIFO provision	34	27	18	61	42	56	50	60
Adjusted gross profit (Non-GAAP)	\$ 4,572	\$ 4,924	\$ 4,767	\$ 4,853	\$ 4,987	\$ 5,380	\$ 5,204	\$ 5,129
YOY Change								
Gross profit \$ (GAAP)	\$ 387	\$ 240	\$ 290	\$ 446	\$ 407	\$ 427	\$ 405	\$ 277
Gross profit % (GAAP)					9.0%	8.7%	8.5%	5.8%
Gross profit % 2-year stack (GAAP)								
Adjusted gross profit \$ (Non-GAAP)	\$ 378	\$ 218	\$ 276	\$ 459	\$ 415	\$ 456	\$ 437	\$ 276
Adjusted gross profit % (Non-GAAP)					9.1%	9.3%	9.2%	5.7%
Adjusted gross profit % 2-year stack (Non-GAAP)								
Gross profit margin (GAAP)				28.4%	28.5%	28.8%	28.1%	28.2%
Year over year basis point impact (GAAP)								-0.2%
Adjusted gross profit margin (Non-GAAP)				28.8%	28.8%	29.1%	28.3%	28.5%
Adjusted year over year basis point impact (Non-GAAP)								-0.3%

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Reconciliation of Adjusted Gross Profit & Margin

\$ in Millions

	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13
Net sales (GAAP)	\$ 18,157	\$ 18,651	\$ 17,752	\$ 17,073	\$ 17,316	\$ 18,647	\$ 18,313	\$ 17,941
Gross profit (GAAP)	\$ 5,104	\$ 5,389	\$ 5,014	\$ 4,835	\$ 5,099	\$ 5,607	\$ 5,222	\$ 5,191
LIFO provision	45	72	60	132	55	72	120	(8)
Adjusted gross profit (Non-GAAP)	\$ 5,149	\$ 5,461	\$ 5,074	\$ 4,967	\$ 5,154	\$ 5,679	\$ 5,342	\$ 5,183
YOY Change								
Gross profit \$ (GAAP)	\$ 159	\$ 65	\$ (140)	\$ (234)	\$ (5)	\$ 218	\$ 208	\$ 356
Gross profit % (GAAP)	3.2%	1.2%	-2.7%	-4.6%	-0.1%	4.0%	4.1%	7.4%
Gross profit % 2-year stack (GAAP)	12.2%	9.9%	5.8%	1.2%	3.1%	5.2%	1.4%	2.8%
Adjusted gross profit \$ (Non-GAAP)	\$ 162	\$ 81	\$ (130)	\$ (162)	\$ 5	\$ 218	\$ 268	\$ 216
Adjusted gross profit % (Non-GAAP)	3.2%	1.5%	-2.5%	-3.2%	0.1%	4.0%	5.3%	4.3%
Adjusted gross profit % 2-year stack (Non-GAAP)	12.3%	10.8%	6.7%	2.5%	3.3%	5.5%	2.8%	1.1%
Gross profit margin (GAAP)	28.1%	28.9%	28.2%	28.3%	29.4%	30.1%	28.5%	28.9%
Year over year basis point impact (GAAP)	-0.4%	0.1%	0.1%	0.1%	1.30%	1.2%	0.3%	0.6%
Adjusted gross profit margin (Non-GAAP)	28.4%	29.3%	28.6%	29.1%	29.8%	30.5%	29.2%	28.9%
Adjusted year over year basis point impact (Non-GAAP)	-0.4%	0.2%	0.3%	0.6%	1.40%	1.2%	0.6%	-0.2%

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Reconciliation of Adjusted Gross Profit & Margin

\$ in Millions

	1Q14	2Q14	3Q14
Net sales (GAAP)	\$ 18,329	\$ 19,605	\$ 19,401
Gross profit (GAAP)	\$ 5,152	\$ 5,650	\$ 5,440
LIFO provision	58	51	41
Organizational Efficiency Costs	5	-	-
Adjusted gross profit (Non-GAAP)	\$ 5,215	\$ 5,701	\$ 5,481
YOY Change			
Gross profit \$ (GAAP)	\$ 53	\$ 43	\$ 218
Gross profit % (GAAP)	1.0%	0.8%	4.2%
Gross profit % 2-year stack (GAAP)	0.9%	4.8%	8.3%
Adjusted gross profit \$ (Non-GAAP)	\$ 61	\$ 22	\$ 139
Adjusted gross profit % (Non-GAAP)	1.2%	0.4%	2.6%
Adjusted gross profit % 2-year stack (Non-GAAP)	1.3%	4.4%	7.9%
Gross profit margin (GAAP)	28.1%	28.8%	28.1%
Year over year basis point impact (GAAP)	-1.3%	-1.3%	-0.4%
Adjusted gross profit margin (Non-GAAP)	28.5%	29.1%	28.3%
Adjusted year over year basis point impact (Non-GAAP)	-1.3%	-1.4%	-0.9%

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Reconciliation of Adjusted SG&A

\$ in Millions

	4Q08	1Q09	2Q09	3Q09	4Q09
Selling general and administrative expenses (GAAP)	\$ 3,324	\$ 3,482	\$ 3,627	\$ 3,613	\$ 3,644
Acquisition-related amortization	26	35	35	38	40
Alliance Boots transaction costs	-	-	-	-	-
Adjusted selling general and administrative expenses (Non-GAAP)	\$ 3,298	\$ 3,447	\$ 3,592	\$ 3,575	\$ 3,604
YOY Change					
Selling general and administrative expenses \$ (GAAP)					\$ 320
Selling general and administrative expenses % (GAAP)					9.6%
Selling general and administrative expenses % 2-year stack (GAAP)					
Adjusted selling general and administrative expenses \$ (Non-GAAP)					\$ 306
Adjusted selling general and administrative expenses % (Non-GAAP)					9.3%
Adjusted selling general and administrative expenses % 2-year stack (Non-GAAP)					

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Reconciliation of Adjusted SG&A

\$ in Millions

	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11
Selling general and administrative expenses (GAAP)	\$ 3,741	\$ 3,811	\$ 3,920	\$ 4,046	\$ 4,004	\$ 4,117	\$ 4,203	\$ 4,237
Acquisition-related amortization	39	38	52	53	52	46	54	67
Alliance Boots transaction costs	-	-	-	-	-	-	-	-
Adjusted selling general and administrative expenses (Non-GAAP)	\$ 3,702	\$ 3,773	\$ 3,868	\$ 3,993	\$ 3,952	\$ 4,071	\$ 4,149	\$ 4,170
YOY Change								
Selling general and administrative expenses \$ (GAAP)	\$ 259	\$ 184	\$ 307	\$ 402	\$ 263	\$ 306	\$ 283	\$ 191
Selling general and administrative expenses % (GAAP)	7.4%	5.1%	8.6%	11.0%	7.0%	8.0%	7.2%	4.8%
Selling general and administrative expenses % 2-year stack (GAAP)				20.6%	14.4%	13.1%	15.8%	15.8%
Adjusted selling general and administrative expenses \$ (Non-GAAP)	\$ 255	\$ 181	\$ 293	\$ 389	\$ 250	\$ 298	\$ 281	\$ 177
Adjusted selling general and administrative expenses % (Non-GAAP)	7.4%	5.0%	8.2%	10.8%	6.8%	7.9%	7.3%	4.4%
Adjusted selling general and administrative expenses % 2-year stack (Non-GAAP)				20.1%	14.2%	12.9%	15.5%	15.2%

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Reconciliation of Adjusted SG&A

\$ in Millions

	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13
Selling general and administrative expenses (GAAP)	\$ 4,204	\$ 4,284	\$ 4,141	\$ 4,249	\$ 4,398	\$ 4,497	\$ 4,362	\$ 4,286
Acquisition-related amortization	60	61	64	70	74	75	67	73
Acquisition-related costs	-	-	19	50	37	21	27	11
Hurricane Sandy	-	-	-	-	39	-	-	-
DEA Settlement Costs	-	-	-	-	-	-	28	-
Organizational Efficiency costs	-	-	-	-	-	-	-	13
Adjusted selling general and administrative expenses (Non-GAAP)	\$ 4,144	\$ 4,223	\$ 4,058	\$ 4,129	\$ 4,248	\$ 4,401	\$ 4,240	\$ 4,189
YOY Change								
Selling general and administrative expenses \$ (GAAP)	\$ 200	\$ 167	\$ (62)	\$ 12	\$ 194	\$ 213	\$ 221	\$ 37
Selling general and administrative expenses % (GAAP)	5.0%	4.0%	-1.6%	0.2%	4.6%	5.0%	5.3%	0.9%
Selling general and administrative expenses % 2-year stack (GAAP)	12.0%	12.0%	5.6%	5.0%	9.6%	9.0%	3.7%	1.1%
Adjusted selling general and administrative expenses \$ (Non-GAAP)	\$ 192	\$ 152	\$ (91)	\$ (41)	\$ 104	\$ 178	\$ 182	\$ 60
Adjusted selling general and administrative expenses % (Non-GAAP)	4.9%	3.7%	-2.2%	-1.0%	2.5%	4.2%	4.5%	1.5%
Adjusted selling general and administrative expenses % 2-year stack (Non-GAAP)	11.7%	11.6%	5.1%	3.4%	7.4%	7.9%	2.3%	0.5%

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Reconciliation of Adjusted SG&A

\$ in Millions

	1Q14	2Q14	3Q14
Selling general and administrative expenses (GAAP)	\$ 4,379	\$ 4,569	\$ 4,551
Acquisition-related amortization	70	73	71
Acquisition-related costs	25	17	20
Hurricane Sandy	-	-	-
DEA Settlement Costs	-	-	-
Store Closures and other optimization costs	19	2	99
Adjusted selling general and administrative expenses (Non-GAAP)	\$ 4,265	\$ 4,477	\$ 4,361
YOY Change			
Selling general and administrative expenses \$ (GAAP)	\$ (19)	\$ 72	\$ 189
Selling general and administrative expenses % (GAAP)	(0.4%)	1.6%	4.3%
Selling general and administrative expenses % 2-year stack (GAAP)	4.2%	6.6%	9.6%
Adjusted selling general and administrative expenses \$ (Non-GAAP)	\$ 17	\$ 76	\$ 121
Adjusted selling general and administrative expenses % (Non-GAAP)	0.4%	1.7%	2.9%
Adjusted selling general and administrative expenses % 2-year stack (Non-GAAP)	2.9%	5.9%	7.4%

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Reconciliation of Adjusted Operating Income

\$ in Millions

	Operating Income (GAAP)	Acquisition Related Costs	Hurricane Sandy	Acquisition Related Amortization	LIFO Provision	DEA Settlement Costs	Alliance Boots Fair Value of Warrant Adjustment	Gain on WHI Sale	Organizational Efficiency Costs	Adjusted Operating Income (Non-GAAP)
Fiscal 2010										
Q1	797	-	-	39	34	-	-	-	-	870
Q2	1,086	-	-	38	27	-	-	-	-	1,151
Q3	829	-	-	52	18	-	-	-	-	899
Q4	746	-	-	53	61	-	-	-	-	860
Full Year	3,458	-	-	182	140	-	-	-	-	3,780
Fiscal 2011										
Q1	941	-	-	52	42	-	-	-	-	1,035
Q2	1,207	-	-	46	56	-	-	-	-	1,309
Q3	951	-	-	54	50	-	-	-	-	1,055
Q4	1,266	-	-	67	60	-	-	(434)	-	959
Full Year	4,365	-	-	219	208	-	-	(434)	-	4,358
Fiscal 2012										
Q1	900	-	-	60	45	-	-	-	-	1,005
Q2	1,105	-	-	61	72	-	-	-	-	1,238
Q3	873	19	-	64	60	-	-	-	-	1,016
Q4	586	50	-	70	132	-	-	-	-	838
Full Year	3,464	69	-	255	309	-	-	-	-	4,097
Fiscal 2013										
Q1	705	37	39	88	55	-	-	-	-	924
Q2	1,215	21	-	110	72	-	-	(20)	-	1,398
Q3	991	27	-	83	120	28	-	-	-	1,249
Q4	1,029	11	-	92	(8)	-	(34)	-	13	1,103
Full Year	3,940	96	39	373	239	28	(34)	(20)	13	4,674

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Reconciliation of Free Cash Flow

\$ in Millions

	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13
Cash Flow from Operations (GAAP)	\$1,165	\$886	\$1,230	\$362	\$809	\$1,007	\$1,847	\$768	\$601	\$1,198	\$1,379	\$1,123
Capital Expenditures (GAAP)	(273)	(196)	(230)	(514)	(419)	(304)	(379)	(448)	(336)	(245)	(293)	(338)
Free Cash Flow (Non-GAAP)*	\$892	\$690	\$1,000	(\$152)	\$390	\$703	\$1,468	\$320	\$265	\$953	\$1,086	\$785

*Free cash flow is defined as net cash provided by operating activities in a period minus additions to property 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.

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Reconciliation of Free Cash Flow

\$ in Millions

	1Q14	2Q14	3Q14
Cash Flow from Operations (GAAP)	\$133	1,104	1,272
Capital Expenditures (GAAP)	(364)	(227)	(230)
Free Cash Flow (Non-GAAP)*	(231)	877	1,042

*Free cash flow is defined as net cash provided by operating activities in a period minus additions to property 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.

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Reconciliation of FIFO Inventory

\$ in Millions except as indicated

	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14
Total LIFO Inventory	\$8,231	\$7,347	\$7,004	\$7,036	\$7,821	\$7,253	\$6,881	\$6,852	\$7,729	\$7,213	\$6,439
YOY % Change	4.1%	(3.4%)	(7.3%)	(12.5%)	(5.0%)	(1.3%)	(1.8%)	(2.6%)	(1.2%)	(0.6%)	(6.4%)
LIFO Reserve	1,633	1,704	1,764	1,897	1,952	2,024	2,144	2,136	2,194	2,246	2,286
Total FIFO Inventory	\$9,864	\$9,051	\$8,768	\$8,933	\$9,773	\$9,277	\$9,025	\$8,988	\$9,923	9,459	8,725
YOY % Change	5.7%	(0.4%)	(3.4%)	(7.3%)	(0.9%)	2.5%	2.9%	0.6%	1.5%	2.0%	(3.3%)
# of Drugstores	7,812	7,841	7,890	7,930	8,058	8,072	8,097	8,116	8,200	8,210	8,217
LIFO Inventory per Drugstore (000's)	1,054	937	888	887	971	899	850	844	943	879	784
YOY % Change	1.9%	(5.3%)	(9.3%)	(14.4%)	(7.9%)	(4.1%)	(4.3%)	(4.8%)	(2.9%)	(2.2%)	(7.8%)
FIFO Inventory per Drugstore (000's)	1,263	1,154	1,111	1,126	1,213	1,149	1,115	1,107	1,210	1,152	1,062
YOY % Change	3.6%	(2.3%)	(5.6%)	(9.3%)	(4.0%)	(0.4%)	0.4%	(1.7%)	(0.2%)	0.3%	(4.8%)

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Certain Definitions & Assumptions

CERTAIN ASSUMPTIONS: Unless the context otherwise indicates or requires:

- All figures assume constant currency and current management assumptions regarding future interest rates.
- References to the combined company and pro forma combined financial and other information assume closing of Step 2 in the first calendar quarter of 2015;
- Walgreens transaction with Alliance Boots does not include the benefit of Alliance Boots minority interest in Galenica Ltd., a Swiss healthcare group, so Walgreens shareholders will not benefit from the financial performance of Galenica Ltd. even though Alliance Boots proportionate interest in their profits is reflected in Alliance Boots financial statements for periods prior to May 10, 2013; and
- All financial goals assume no major mergers and acquisitions or other strategic transactions.

Trading Profit - Profit from operations before amortization of customer relationships and brands, exceptional items and share of post-tax earnings of associates and joint ventures

Historical Alliance Boots Financial Information – Alliance Boots' audited consolidated financial statements, comprised of the Group statements of financial position at March 31, 2014 and 2013, and the related Group income statements, Group statements of comprehensive income, Group statements of changes in equity and Group statements of cash flows for each of the years in the three-year period ended March 31, 2014, were filed as Exhibit 99.1 to the Walgreen Co. Form 8-K filed on May 15, 2014. Such financial statements of Alliance Boots were prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS) and audited in accordance with auditing standards generally accepted in the United States. All descriptions of the company's agreements relating to Alliance Boots and the arrangements and transactions contemplated thereby in this presentation are qualified in their entirety by reference to the full text of the agreements, copies of which have been filed with the SEC. See the Company's Form 8-K filings on June 19, 2012, August 6, 2012, September 10, 2012, September 13, 2012, May 15, 2013, May 15, 2014, and August 6, 2014.

All descriptions in this presentation of the agreements relating to the strategic long-term relationship with AmerisourceBergen announced by the Company and Alliance Boots on March 18, 2013 and the arrangements and transactions contemplated thereby are qualified in their entirety by reference to the description and the full text of the agreements in the Company's Form 8-K filing on March 20, 2013 and Schedule 13D filing on April 15, 2014.

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Cautionary Note Regarding Forward-Looking Statements

Cautionary Note Regarding Forward-Looking Statements. Statements in these materials and the accompanying presentation and remarks that are not historical are forward-looking statements for purposes of applicable securities laws. Words such as "expect," "likely," "outlook," "forecast," "would," "could," "should," "can," "will," "project," "intend," "plan," "goal," "target," "continue," "sustain," "synergy," "on track," "believe," "seek," "estimate," "anticipate," "may," "possible," "assume," 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 involve risks, assumptions and uncertainties, including: the risks that one or more closing conditions to the transactions may not be satisfied or waived, on a timely basis or otherwise, including that a governmental entity may prohibit, delay or refuse to grant approval for the consummation of the transactions or that the required approvals by the Company's shareholders may not be obtained; the risk of a material adverse change that the Company or Alliance Boots or either of their respective businesses may suffer as a result of disruption or uncertainty relating to the transactions; risks associated with changes in economic and business conditions generally or in the markets in which we or Alliance Boots participate; risks associated with new business areas and activities; risks associated with acquisitions, joint ventures, strategic investments and divestitures, including those associated with cross-border transactions; risks associated with governance and control matters; risks associated with the Company's ability to timely arrange for and consummate financing for the contemplated transactions on acceptable terms; risks relating to the Company and Alliance Boots' ability to successfully integrate our operations, systems and employees, realize anticipated synergies and achieve anticipated financial results, tax and operating results in the amounts and at the times anticipated; the potential impact of announcement of the transactions or consummation of the transactions on relationships and terms, including with employees, vendors, payers, customers and competitors; the amounts and timing of costs and charges associated with our optimization initiatives; our ability to realize expected savings and benefits in the amounts and at the times anticipated; changes in management's assumptions; the risks associated with transitions in supply arrangements; risks that legal proceedings may be initiated related to the transactions; the amount of costs, fees, expenses and charges incurred by Walgreens and Alliance Boots related to the transactions; the ability to retain key personnel; changes in financial markets, interest rates and foreign currency exchange rates; the risks associated with international business operations; the risk of unexpected costs, liabilities or delays; changes in network participation and reimbursement and other terms; risks associated with the operation and growth of our customer loyalty program; risks associated with outcomes of legal and regulatory matters, and changes in legislation, regulations or interpretations thereof; and other factors described in Item 1A (Risk Factors) of our most recent Form 10-K and Form 10-Q, each of which is incorporated herein by reference, 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, Walgreens does not undertake, and expressly disclaims, any duty or obligation to update publicly any forward-looking statement after the date of this presentation, whether as a result of new information, future events, changes in assumptions or otherwise.

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Cautionary Note Regarding Forward-Looking Statements

Important Information for Investors and Shareholders

This communication does not constitute an offer to sell or the solicitation of an offer to buy any securities or a solicitation of any vote or approval, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offer of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended. In connection with the proposed transaction between Walgreens and Alliance Boots, Walgreens Boots Alliance will file with the Securities and Exchange Commission (SEC) a registration statement on Form S-4 that will include a proxy statement of Walgreens that also constitutes a prospectus of Walgreens Boots Alliance. After the registration statement has been declared effective by the SEC, the definitive proxy statement/prospectus will be delivered to shareholders of Walgreens. **INVESTORS AND SECURITY HOLDERS OF WALGREENS ARE URGED TO READ THE DEFINITIVE PROXY STATEMENT/PROSPECTUS (INCLUDING ALL AMENDMENTS AND SUPPLEMENTS THERETO) AND OTHER DOCUMENTS RELATING TO THE TRANSACTION THAT WILL BE FILED WITH THE SEC CAREFULLY AND IN THEIR ENTIRETY WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTION.** Investors and security holders will be able to obtain free copies of the registration statement and the definitive proxy statement/prospectus (when available) and other documents filed with the SEC by Walgreens or Walgreens Boots Alliance through the website maintained by the SEC at www.sec.gov. Copies of the documents filed with the SEC by Walgreens or Walgreens Boots Alliance will be available free of charge on Walgreens' internet website at www.walgreens.com under the heading "Investor Relations" and then under the heading "SEC Filings" or by contacting Walgreen's Investor Relations Department at (847) 315-2500.

Participants in the Solicitation

Walgreens, Alliance Boots and their respective directors, executive officers and certain other members of management and employees may be deemed to be participants in the solicitation of proxies from the holders of Walgreens common stock in respect of the proposed transaction. Information regarding the persons who are, under the rules of the SEC, participants in the solicitation of proxies in favor of the proposed transaction will be set forth in the proxy statement/prospectus when it is filed with the SEC. You can find information about Walgreens' directors and executive officers in Walgreens' Annual Report on Form 10-K for the year ended August 31, 2013 and definitive proxy statement filed with the SEC on November 25, 2013. You can obtain free copies of these documents, which are filed with the SEC, from Walgreens using the contact information above.

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