

REFINITIV

DELTA REPORT

10-Q

WBA - WALGREENS BOOTS ALLIANCE,
10-Q - MAY 31, 2024 COMPARED TO 10-Q - FEBRUARY 29, 2024

The following comparison report has been automatically generated

TOTAL DELTAS	1887
<div>CHANGES</div>	551
<div>DELETIONS</div>	535
<div>ADDITIONS</div>	801

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 **February 29, 2024** **May 31, 2024**

☐ 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) 315-3700

(Registrant's telephone number, including area code)

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
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**
p 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 p** 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 **p**

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 **Exchange Act**). Yes ☐ **No p**

The number of shares outstanding of the registrant's Common Stock, \$0.01 par value, as of **February 29, 2024** **May 31, 2024** was **862,713,366** **863,275,037**.

WALGREENS BOOTS ALLIANCE, INC.

FORM 10-Q FOR THE THREE AND SIX NINE MONTHS ENDED FEBRUARY 29, MAY 31, 2024

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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)

	February 29, 2024	August 31, 2023	May 31, 2024	August 31, 2023
Assets	Assets		Assets	
Current assets:	Current assets:		Current assets:	
Cash and cash equivalents				
Accounts receivable, net				
Inventories				
Other current assets				
Total current assets				
Non-current assets:	Non-current assets:		Non-current assets:	
Property, plant and equipment, net				
Operating lease right-of-use assets				
Goodwill				
Intangible assets, net				
Equity method investments (see Note 5)				
Other non-current assets				
Total non-current assets				
Total assets				
Liabilities, redeemable non-controlling interests and equity				
Liabilities, redeemable non-controlling interests and equity				
Liabilities, redeemable non-controlling interests and equity				
Current liabilities:	Current liabilities:		Current liabilities:	
Short-term debt				
Trade accounts payable (see Note 16)				
Operating lease obligations				
Accrued expenses and other liabilities				
Income taxes				
Total current liabilities				
Non-current liabilities:	Non-current liabilities:		Non-current liabilities:	
Long-term debt				
Operating lease obligations				
Deferred income taxes				
Accrued litigation obligations				
Other non-current liabilities				
Total non-current liabilities				
Commitments and contingencies (see Note 10)	Commitments and contingencies (see Note 10)		Commitments and contingencies (see Note 10)	
Total liabilities				
Redeemable non-controlling interests				
Equity:				
Preferred stock \$.01 par value; authorized 32 million shares, none issued				
Preferred stock \$.01 par value; authorized 32 million shares, none issued				
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 February 29, 2024 and August 31, 2023				

Common stock \$.01 par value; authorized 3.2 billion shares; issued 1,172,513,618 at May 31, 2024 and August 31, 2023

Paid-in capital

Retained earnings

Accumulated other comprehensive loss

Treasury stock, at cost; 309,800,252 shares at February 29, 2024 and 308,839,832 shares at August 31, 2023

Treasury stock, at cost; 309,238,581 shares at May 31, 2024 and 308,839,832 shares at August 31, 2023

Total Walgreens Boots Alliance, Inc. shareholders' equity

Non-controlling interests

Total equity

Total liabilities, redeemable non-controlling interests and equity

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

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WALGREENS BOOTS ALLIANCE, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF EQUITY
(UNAUDITED)
(in millions, except shares)

Three months ended February 29, 2024

Three months ended May 31, 2024

Equity attributable to Walgreens Boots Alliance, Inc.

Common
stock
shares

Common
stock
shares

	Three months ended February 29, 2024							Three months ended May 31, 2024						
	Common stock amount	Treasury stock amount	Paid-in capital	Accumulated other comprehensive loss	Retained earnings	Non-controlling interests	Total equity	Common stock amount	Treasury stock amount	Paid-in capital	Accumulated other comprehensive loss	Retained earnings	Non-controlling interests	Total equity

November 30, 2023

Net loss

February 29, 2024

Net earnings (loss)

Other comprehensive income, net of tax

Dividends declared and distributions

Employee stock purchase and option plans

Stock-based compensation

Other

February 29, 2024

May 31, 2024

Six months ended February 29, 2024								Nine months ended May 31, 2024							
Equity attributable to Walgreens Boots Alliance, Inc.															
Common stock shares															
Common stock shares															
Common stock shares	Accumulated							Accumulated							
	Common stock amount	Treasury stock amount	Paid-in capital	other comprehensive loss	Retained earnings	Non-controlling interests	Total equity	Common stock amount	Treasury stock amount	Paid-in capital	other comprehensive loss	Retained earnings	Non-controlling interests	Total equity	
August 31, 2023															
Net loss															
Other comprehensive income (loss), net of tax															
Other comprehensive income, net of tax															
Dividends declared and distributions															
Treasury stock purchases															
Employee stock purchase and option plans															
Stock-based compensation															
Other															
February 29, 2024															
May 31, 2024															

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)
(in millions, except shares)

Three months ended February 28, 2023								Three months ended May 31, 2023							
Equity attributable to Walgreens Boots Alliance, Inc.								Equity attributable to Walgreens Boots Alliance, Inc.							
Common stock shares	Accumulated							Common stock shares	Accumulated						
	Common stock amount	Treasury stock amount	Paid-in capital	other comprehensive loss	Retained earnings	Non-controlling interests	Total equity		Common stock amount	Treasury stock amount	Paid-in capital	other comprehensive loss	Retained earnings	Non-controlling interests	Total equity
November 30, 2022															
February 28, 2023															

Net earnings (loss)
Other comprehensive income, net of tax
Dividends declared and distributions
Employee stock purchase and option plans
Employee stock purchase and option plans
Employee stock purchase and option plans
Stock-based compensation
Acquisition of non-controlling interests
Business combination
Redeemable non-controlling interests redemption price adjustments and other
February 28, 2023
May 31, 2023

	Six months ended February 28, 2023								Nine months ended May 31, 2023							
	Equity attributable to Walgreens Boots Alliance, Inc.								Equity attributable to Walgreens Boots Alliance, Inc.							
	Accumulated								Accumulated							
	Common stock shares	Common stock amount	Treasury stock amount	Paid-in capital	other comprehensive loss	Retained earnings	Non-controlling interests	Total equity	Common stock shares	Common stock amount	Treasury stock amount	Paid-in capital	other comprehensive loss	Retained earnings	Non-controlling interests	Total equity
August 31, 2022																
Net loss																
Other comprehensive income, net of tax																
Dividends declared and distributions																
Treasury stock purchases																
Employee stock purchase and option plans																
Stock-based compensation																
Acquisition of non-controlling interests																
Business combination																

Redeemable non-controlling interests
redemption price
adjustments and
other

February 28, 2023

May 31, 2023

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

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

	Three months ended		Six months ended		Three months ended	Nine months ended		
	February 29, 2024	February 28, 2023	February 29, 2024	February 28, 2023	May 31, 2024	May 31, 2023	2024	2023
Sales								
Cost of sales								
Gross profit								
Selling, general and administrative expenses								
Impairment of goodwill								
Equity earnings in Cencora								
Operating (loss) income								
Other income (expense), net								
(Loss) earnings before interest and income tax (benefit) provision								
Operating income (loss)								
Other income, net								
Earnings (loss) before interest and income tax provision (benefit)								
Interest expense, net								
(Loss) earnings before income tax (benefit) provision								
Income tax (benefit) provision								
Post-tax earnings from other equity method investments								
Net (loss) earnings								
Earnings (loss) before income tax provision (benefit)								
Income tax provision (benefit)								
Post-tax (loss) earnings from other equity method investments								
Net earnings (loss)								
Net loss attributable to non-controlling interests								

Net (loss) earnings attributable to Walgreens Boots Alliance, Inc.
Net earnings (loss) attributable to Walgreens Boots Alliance, Inc.
Net (loss) earnings per common share:
Net (loss) earnings per common share:
Net (loss) earnings per common share:
Net earnings (loss) per common share:
Net earnings (loss) per common share:
Net earnings (loss) per common share:
Basic
Basic
Basic
Diluted
Weighted average common shares outstanding:
Weighted average common shares outstanding:
Weighted average common shares outstanding:
Basic
Basic
Basic
Diluted

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		Six months ended	
	February 29, 2024	February 28, 2023	February 29, 2024	February 28, 2023
Net (loss) earnings	\$ (12,322)	\$ 544	\$ (12,600)	\$ (3,272)
Other comprehensive income, net of tax:				
Pension/post-retirement obligations	34	(5)	90	(10)
Unrealized (loss) gain on cash flow hedges and other	—	(1)	5	(3)
Net investment hedges (loss) gain	(1)	(43)	2	(73)
Share of other comprehensive income of equity method investments	48	88	33	92
Cumulative translation adjustments	19	124	(35)	147
Total other comprehensive income	100	164	95	153
Total comprehensive (loss) income	(12,222)	707	(12,505)	(3,118)
Comprehensive loss attributable to non-controlling interests	(6,413)	(157)	(6,626)	(251)
Comprehensive (loss) income attributable to Walgreens Boots Alliance, Inc.	\$ (5,809)	\$ 864	\$ (5,879)	\$ (2,868)

	Three months ended May 31,		Nine months ended May 31,	
	2024	2023	2024	2023
Net earnings (loss)	\$ 230	\$ (48)	\$ (12,370)	\$ (3,320)
Other comprehensive income, net of tax:				
Pension/post-retirement obligations	(5)	(5)	85	(15)
Unrealized gain (loss) on cash flow hedges and other	—	(1)	5	(4)
Net investment hedges loss	(8)	(31)	(6)	(104)
Share of other comprehensive (loss) income of equity method investments	(4)	12	29	104
Cumulative translation adjustments	21	147	(14)	294
Total other comprehensive income	5	121	100	274
Total comprehensive income (loss)	235	73	(12,270)	(3,046)
Comprehensive loss attributable to non-controlling interests	(112)	(161)	(6,739)	(411)
Comprehensive income (loss) attributable to Walgreens Boots Alliance, Inc.	\$ 347	\$ 233	\$ (5,532)	\$ (2,634)

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)

	Six months ended	Nine months ended May 31,	
		February 29, 2024	February 28, 2023
Cash flows from operating activities:	Cash flows from operating activities:	Cash flows from operating activities:	
Net loss			
Adjustments to reconcile net loss to net cash (used for) provided by operating activities:	Adjustments to reconcile net loss to net cash (used for) provided by operating activities:	Adjustments to reconcile net loss to net cash (used for) provided by operating activities:	
Depreciation and amortization			
Deferred income taxes			
Stock compensation expense			
Earnings from equity method investments			
Impairment of goodwill, intangibles and long-lived assets			
Gain on sale of equity method investments			
Gain on sale-leaseback transactions			
Loss on variable prepaid forward contracts			
Other			

Changes in certain assets and liabilities:	Changes in certain assets and liabilities:	Changes in certain assets and liabilities:
Accounts receivable, net		
Inventories		
Other current assets		
Trade accounts payable		
Accrued expenses and other liabilities		
Income taxes		
Accrued litigation obligations		
Other non-current assets and liabilities		
Net cash (used for) provided by operating activities		
Cash flows from investing activities:	Cash flows from investing activities:	Cash flows from investing activities:
Additions to property, plant and equipment		
Proceeds from sale-leaseback transactions		
Proceeds from sale of other assets		
Business, investment and asset acquisitions, net of cash acquired		
Other		
Net cash provided by (used for) investing activities		
Cash flows from financing activities:	Cash flows from financing activities:	Cash flows from financing activities:
Net change in short-term debt with maturities of 3 months or less		
Proceeds from debt		
Payments of debt		
Acquisition of non-controlling interests		
Proceeds from issuance of non-controlling interests		
Proceeds from variable prepaid forward contracts		
Treasury stock purchases		
Cash dividends paid		
Other		
Net cash (used for) provided by financing activities		
Effect of exchange rate changes on cash, cash equivalents and restricted cash		
Changes in cash, cash equivalents and restricted cash:	Changes in cash, cash equivalents and restricted cash:	Changes in cash, cash equivalents and restricted cash:
Net decrease in cash, cash equivalents and restricted cash		
Cash, cash equivalents and restricted cash at beginning of period		
Cash, cash equivalents and restricted cash at end of period		

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

(UNAUDITED)

Note 1. Accounting policies

Basis of presentation

The Consolidated Condensed Financial Statements of Walgreens Boots Alliance, Inc. and its subsidiaries ("Walgreens Boots Alliance" or the "Company") included herein have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission ("SEC") regarding interim financial reporting. The Consolidated Condensed Financial Statements include all subsidiaries in which the Company holds a controlling interest and certain variable interest entities ("VIEs") for which the Company is the primary beneficiary. 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, 2023, as amended by Form 10-K/A for the fiscal year ended August 31, 2023 filed on November 22, 2023.

The preparation of financial statements in accordance with GAAP requires management to use judgment in the application of accounting policies, including making estimates and assumptions. The Company bases its estimates on the information available at the time, its experiences and various other assumptions believed to be reasonable under the circumstances. Adjustments may be made in subsequent periods to reflect more current estimates and assumptions about matters that are inherently uncertain. Actual results may differ.

In the opinion of management, the unaudited Consolidated Condensed Financial Statements for the interim periods presented include all adjustments necessary to present a fair statement of the results for such interim periods. Adverse global macroeconomic conditions, the impact of opioid-related claims and litigation settlements, the influence of certain holidays, seasonality, foreign currency rates, changes in vendor, payor and customer relationships and terms, strategic transactions including acquisitions and dispositions, asset impairments, changes in laws and regulations 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 accompanying notes may not add sum due to rounding. Percentages have been calculated using unrounded amounts for all periods presented. Certain prior period data has been reclassified in the Consolidated Condensed Financial Statements and accompanying notes to conform to the current period presentation.

Note 2. Acquisitions and other investments

Summit acquisition

On January 3, 2023, Village Practice Management Company, LLC ("VillageMD"), through its parent company, following an internal reorganization, completed the acquisition of WP CityMD TopCo ("Summit"), a provider of primary, specialty and urgent care, in exchange for \$7.0 billion aggregate consideration, consisting of \$4.85 billion of cash consideration paid, \$2.05 billion in preferred units of VillageMD issued to Summit equity holders and \$100 million of cash to be paid one year following closing. The cash consideration includes \$87 million of cash paid to fund acquisition-related bonuses to Summit employees which was recognized as a compensation expense of the Company. In addition, VillageMD paid off approximately \$1.9 billion in net debt of Summit. In connection with the amended Agreement and Plan of Merger, and in order to finance the acquisition, the Company and Cigna Health & Life Insurance Company acquired preferred units of VillageMD in exchange for \$1.75 billion and \$2.5 billion in aggregate consideration, respectively. Following the Summit acquisition, the Company remains the largest and consolidating equity holder of VillageMD with ownership of approximately 53% of the outstanding equity interests on a fully diluted basis.

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

Further, the Company entered into a credit agreement with VillageMD pursuant to which the Company provided VillageMD senior secured credit facilities in the aggregate amount of \$2.25 billion, consisting of (i) a senior secured term loan facility in an aggregate original principal amount of \$1.75 billion to support the acquisition of Summit; and (ii) a senior secured revolving credit facility in an aggregate original committed amount of \$500 million available for general corporate purposes. In connection with the issuance of the senior secured credit facilities, the Company received a \$220 million credit for certain fees payable by VillageMD in the form of preferred units of VillageMD. The intercompany facilities eliminate in consolidation.

The Company accounted for this acquisition as a business combination resulting in consolidation of Summit within the U.S. Healthcare segment in its financial statements. In the three months ended February 29, 2024, the Company completed the purchase price allocation.

The following table summarizes the consideration for the acquisition and the amounts of identified assets acquired and liabilities assumed at the date of the transaction (in millions):

Purchase price allocation

Cash consideration ¹	\$	4,778
Deferred consideration		100
Summit debt paid at closing		1,963
Fair value of equity consideration ²		1,971
Fair value of non-controlling interests		13
Total	\$	8,825

Identifiable assets acquired and liabilities assumed:

Cash and cash equivalents	\$	69
Accounts receivable, net		381
Property, plant and equipment		607
Intangible assets ³		3,359
Operating lease right-of-use assets		756
Other assets		174
Operating lease obligations		(773)
Deferred tax liability		(735)
Other liabilities		(466)
Total identifiable net assets	\$	3,372
Goodwill	\$	5,454

1. Cash consideration excludes \$87 million of cash paid to fund acquisition-related bonuses to Summit employees which was recognized as compensation expense of the Company.
2. The fair value of the non-controlling interests was calculated based on the implied equity value of VillageMD, allocated to all units on an as-converted basis.
3. Intangibles acquired include provider networks and trade names with fair values of \$1.9 billion and \$1.5 billion, respectively. Estimated useful lives are 15 years and 11 to 15 years, respectively.

The goodwill represents anticipated future growth and expansion opportunities into new healthcare offerings and new markets. \$416 million of the goodwill is expected to be tax deductible.

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

Supplemental pro forma information - Summit

The following table represents unaudited supplemental pro forma consolidated sales for the three and six nine months ended February 28, 2023 May 31, 2023, as if the acquisition of Summit had occurred at the beginning of each period presented. The unaudited 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 acquisition occurred at the beginning of each period presented or results which may occur in the future.

Three months ended			Six months ended	
Three months ended May 31,			Nine months ended May 31,	
(Unaudited, in millions)	(Unaudited, in millions)	February 28, 2023	(Unaudited, in millions)	2023
Sales				

Actual sales of Summit, from the acquisition date, for the three and six nine months ended February 28, 2023 May 31, 2023, included in the Consolidated Condensed Statements of Earnings are as follows:

		Three and six months ended	
		February 28, 2023	
(in millions)			
Sales		\$	463

(Unaudited, in millions)	Three months ended May 31,		Nine months ended May 31,	
	2023		2023	
Sales	\$	730	\$	1,193

Pro forma net earnings of the Company, assuming the Summit acquisition had occurred at the beginning of each period presented, would not be materially different from the results reported.

Shields acquisition

On December 28, 2022, the Company acquired the non-controlling interests in Shields Health Solutions Parent, LLC ("Shields") for \$1.4 billion of cash consideration.

CareCentrix acquisition

On March 31, 2023, the Company acquired the non-controlling interests in CCX Next, LLC ("CareCentrix") for approximately \$378 million of cash consideration.

Other acquisitions

On March 3, 2023, the Company completed the acquisition of Starling MSO Holdings, LLC ("Starling"), a primary care and multi-specialty group, for total consideration of \$284 million. Total consideration includes \$222 million of cash consideration and \$62 million of VillageMD equity issued to Starling equity holders, including employees. VillageMD equity issued to employees will be recognized as compensation expense in the future. As a result of the acquisition, the Company recognized goodwill and intangible assets of \$107 \$103 million and \$128 million, respectively. As of February 29, 2024 In the three months ended May 31, 2024, the Company had not completed the analysis to assign fair values to all tangible and intangible assets acquired and liabilities assumed. As such, the preliminary purchase price allocation will be allocation.

On May 8, 2024, the Company executed an asset purchase agreement to acquire prescription files and related pharmacy inventory for an aggregate purchase price up to \$375 million. The acquisition is expected to close by the end of fiscal 2024, subject to further refinement and may change customary closing conditions.

The Company acquired other certain prescription files and related pharmacy inventory primarily in the United States ("U.S.") for the an aggregate purchase price of \$69 \$49 million and \$172 \$221 million during the three and six nine months ended February 29, 2024 May 31, 2024, respectively, and \$35 \$37 million and \$90 \$127 million during the three and six nine months ended February 28, 2023 May 31, 2023, respectively.

Note 3. Exit and disposal activities

Transformational Cost Management Program

On December 20, 2018, the Company announced a transformational cost management program that was expected to deliver in excess of \$2.0 billion of annual cost savings by fiscal 2022 (the "Transformational Cost Management Program"). The Company achieved this goal at the end of fiscal 2021.

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

On October 12, 2021, the Company expanded and extended the Transformational Cost Management Program through the end of fiscal 2024 and increased its annual cost savings target to \$3.3 billion by the end of fiscal 2024. In fiscal 2022, the Company increased its annual cost savings target from \$3.3 billion to \$3.5 billion, by the end of fiscal 2024. In fiscal 2023, the Company increased its annual cost savings target from \$3.5 billion to \$4.5 billion, by the end of fiscal 2024. We believe the Company is currently on track to achieve the savings target.

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

The Transformational Cost Management Program, which is multi-faceted and includes divisional optimization initiatives, global smart spending, global smart organization and the transformation of the Company's information technology ("IT") capabilities, is designed to help the Company achieve increased cost efficiencies. To date, the Company has taken actions across all aspects of the Transformational Cost Management Program which focus primarily on the U.S. Retail Pharmacy and International reportable segments along with the Company's global functions. Divisional optimization within the Company's segments includes activities such as optimization of stores. Through the Transformational Cost Management Program the Company plans to reduce its presence by up to 650 Boots stores in the United Kingdom ("UK") and approximately 650 to 700 stores in the U.S. As of February 29, 2024 May 31, 2024, the Company has closed 484 581 and 625 673 stores in the UK and U.S., respectively.

The Company estimates cumulative pre-tax charges to its GAAP financial results for the Transformational Cost Management Program to be between \$4.1 billion to and \$4.4 billion, of which pre-tax charges for exit and disposal activities are estimated to be between \$3.8 billion to and \$4.1 billion. In addition to the impacts discussed above, as a result of the actions related to store closures taken under the Transformational Cost Management Program, the Company recorded \$508 million of transition adjustments to decrease retained earnings due to the adoption of the new lease accounting standard (Topic 842) that became effective on September 1, 2019.

From the inception of the Transformational Cost Management Program to February 29, 2024 May 31, 2024, the Company has recognized cumulative pre-tax charges to its financial results in accordance with GAAP of \$3.4 billion \$3.5 billion, which were primarily recorded in Selling, general and administrative expenses within the Consolidated Condensed Statements of Earnings. These charges included \$1.3 billion related to lease obligations and other real estate costs, \$932 \$950 million in asset impairments, \$934 \$959 million in employee severance and business transition costs and \$260 \$275 million of IT transformation and other exit costs.

Costs related to exit and disposal activities under the Transformational Cost Management Program for the three and six nine months ended February 29, 2024 May 31, 2024 and February 28, 2023 May 31, 2023, respectively, were as follows (in millions):

Three months ended February 29, 2024	U.S. Retail Pharmacy	International	U.S. Healthcare	Corporate and Other	Walgreens Boots Alliance, Inc.
Three months ended May 31, 2024	U.S. Retail Pharmacy	International	U.S. Healthcare	Corporate and Other	Walgreens Boots Alliance, Inc.
Lease obligations and other real estate costs					
Asset impairments					
Employee severance and business transition costs					
Information technology transformation and other exit costs					
Total pre-tax exit and disposal charges					

Six months ended February 29, 2024	U.S. Retail Pharmacy	International	U.S. Healthcare	Corporate and Other	Walgreens Boots Alliance, Inc.
Nine months ended May 31, 2024	U.S. Retail Pharmacy	International	U.S. Healthcare	Corporate and Other	Walgreens Boots Alliance, Inc.
Lease obligations and other real estate costs					
Asset impairments					
Employee severance and business transition costs					
Information technology transformation and other exit costs					
Total pre-tax exit and disposal charges					

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Three months ended February 28, 2023	U.S. Retail Pharmacy	International	U.S. Healthcare	Corporate and Other	Walgreens Boots Alliance, Inc.
Three months ended May 31, 2023	U.S. Retail Pharmacy	International	U.S. Healthcare	Corporate and Other	Walgreens Boots Alliance, Inc.
Lease obligations and other real estate costs					
Asset impairments					
Employee severance and business transition costs					
Information technology transformation and other exit costs					
Total pre-tax exit and disposal charges					

Six months ended February 28, 2023	U.S. Retail Pharmacy	International	U.S. Healthcare	Corporate and Other	Walgreens Boots Alliance, Inc.
Nine months ended May 31, 2023	U.S. Retail Pharmacy	International	U.S. Healthcare	Corporate and Other	Walgreens Boots Alliance, Inc.
Lease obligations and other real estate costs					
Asset impairments					
Employee severance and business transition costs					
Information technology transformation and other exit costs					
Total pre-tax exit and disposal charges					

The changes in liabilities and assets related to the exit and disposal activities under Transformational Cost Management Program include the following (in millions):

	Lease obligations and other real estate costs			Lease obligations and other real estate costs									
	Lease obligations and other real estate costs	Asset impairments	Employee severance and business transition costs	Information technology transformation and other exit costs	Total	Asset impairments	Employee severance and business transition costs	Information technology transformation and other exit costs	Total				
Balance at August 31, 2023													
Costs													
Payments													
Other													
Balance at February 29, 2024													
Balance at May 31, 2024													

Other exit and disposal activities

During the three and six months ended February 29, 2024, VillageMD approved the closure of approximately 90 and 160 clinics, respectively, clinics. As a result, long-lived and intangible assets of \$179 million and \$303 million were impaired within the U.S. Healthcare segment, respectively, segment. The impairment charges were recorded in Selling, general and administrative expenses within the Consolidated Condensed Statements of Earnings.

During the three months ended February 29, 2024, management ceased development of, and abandoned, a multi-year internal software development project within the U.S. Retail Pharmacy segment. As a result, previously capitalized internally-developed software of \$455 million was impaired. The impairment charge was recorded in Selling, general and administrative expenses within the Consolidated Condensed Statements of Earnings.

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Note 4. Leases

The Company leases certain retail stores, clinics, warehouses, distribution centers, office space, land, and equipment. Initial terms for leased premises in the U.S. are typically 10 to 25 years, followed by additional terms containing renewal options at five-year intervals, and may include rent escalation clauses. Non-U.S. leases are typically for shorter terms and may include cancellation clauses or renewal options. Lease commencement is the date the Company has the right to control the property. The Company recognizes operating lease rent expense on a straight line basis over the lease term. In addition to minimum fixed rentals, some leases provide for contingent rentals based on sales volume.

Supplemental balance sheet information related to leases was as follows (in millions):

Balance sheet supplemental information:	Balance sheet supplemental information:	February 29, 2024	August 31, 2023	Balance sheet supplemental information:	May 31, 2024	August 31, 2023
Operating leases:						
Operating lease right-of-use assets						
Operating lease right-of-use assets						
Operating lease right-of-use assets						
Operating lease obligations - current						
Operating lease obligations - current						
Operating lease obligations - current						
Operating lease obligations - non-current						
Total operating lease obligations						
Finance leases:						
Finance leases:						
Finance leases:						
Right-of-use assets included in:						
Right-of-use assets included in:						
Right-of-use assets included in:						
Property, plant and equipment, net						
Property, plant and equipment, net						
Property, plant and equipment, net						
Lease obligations included in:						
Lease obligations included in:						
Lease obligations included in:						
Accrued expenses and other liabilities						
Accrued expenses and other liabilities						
Accrued expenses and other liabilities						
Other non-current liabilities						
Total finance lease obligations						

Supplemental income statement information related to leases was as follows (in millions):

		Three months ended		Six months ended					
		Three months ended May 31,		Nine months ended May 31,					
Statement of earnings supplemental information:	Statement of earnings supplemental information:	February 29, 2024	February 28, 2023	February 29, 2024	February 28, 2023	Statement of earnings supplemental information:	2024	2023	2024
Operating lease cost									
Fixed									
Fixed									
Fixed									
Variable ¹									
Finance lease cost									
Amortization									
Amortization									
Amortization									
Interest									

Sublease income ²
Sublease income ²
Sublease income ²
Impairment of right-of-use assets
Gain on sale-leaseback transactions ²
Gain on sale-leaseback transactions ²
Gain on sale-leaseback transactions ²
U.S. Retail Pharmacy
U.S. Retail Pharmacy
U.S. Retail Pharmacy
International ³
Total gain on sale-leaseback ²

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- Includes real estate property taxes, common area maintenance, insurance and rental payments based on sales volume.
- Recorded in Selling, general and administrative expenses within the Consolidated Condensed Statements of Earnings.
- Includes gain on sale-leaseback related to the Germany wholesale business of \$132 \$30 million and \$148 \$178 million for the three and six nine months ended February 2023, respectively, May 31, 2023, of which \$24 \$6 million and \$41 \$47 million, respectively, related to the optimization of warehouse locations as part of acquisition integration activities.

Other supplemental information was as follows (in millions):

		Six months ended		Nine months ended May 31,	
Other supplemental information:	Other supplemental information:	February 29, 2024	February 28, 2023	Other supplemental information:	2024 2023
Cash paid for amounts included in the measurement of lease obligations					
Cash paid for amounts included in the measurement of lease obligations					
Cash paid for amounts included in the measurement of lease obligations					
Operating cash flows from operating leases					
Operating cash flows from operating leases					
Operating cash flows from operating leases					
Operating cash flows from finance leases					
Financing cash flows from finance leases					
Total					
Right-of-use assets obtained in exchange for new lease obligations					
Right-of-use assets obtained in exchange for new lease obligations					
Right-of-use assets obtained in exchange for new lease obligations					
Operating leases					

Operating leases
Operating leases
Finance leases
Total

Weighted average lease term and discount rate for real estate leases were as follows:							
Weighted average lease terms and discount rates:	Weighted average lease terms and discount rates:	February 29, 2024	August 31, 2023	Weighted average lease terms and discount rates:	May 31, 2024	August 31, 2023	
Weighted average remaining lease term in years							
Operating leases							
Operating leases							
Operating leases		9.5	9.6		9.3	9.6	
Finance leases	Finance leases	17.0	17.4	Finance leases	17.7	17.4	
Weighted average discount rate							
Weighted average discount rate							
Weighted average discount rate							
Operating leases							
Operating leases							
Operating leases		5.55 %	5.35 %		5.55 %	5.35 %	
Finance leases	Finance leases	5.26 %	5.25 %	Finance leases	5.18 %	5.25 %	

The aggregate future lease payments for operating and finance leases as of February 29, 2024 May 31, 2024 were as follows (in millions):							
Future lease payments (fiscal years):	Future lease payments (fiscal years):	Finance lease	Operating lease 1,2	Future lease payments (fiscal years):	Finance lease	Operating lease 1,2	
2024 (Remaining period)							
2025							
2026							
2027							
2028							
2029							
Later							
Total undiscounted minimum lease payments							
Less: Present value discount							
Lease liability							

1. Total undiscounted minimum lease payments include approximately \$3.7 \$3.6 billion of payments related to optional renewal periods that have not been contractually exercised, but are reasonably certain of being exercised.
2. Total undiscounted minimum lease payments exclude sublease rental income of approximately \$609 \$597 million due to the Company under non-cancelable sublease terms.

Equity method investments were as follows (in millions, except percentages):

		February 29, 2024			August 31, 2023			May 31, 2024			August 31, 2023		
		Carrying value		Ownership percentage	Carrying value		Ownership percentage	Carrying value		Ownership percentage	Carrying value		Ownership percentage
Cencora	Cencora	\$ 2,183	14%	14%	\$ 2,534	16%	16%	Cencora	\$1,896	12%	12%	\$2,534	16%
			8% -			8% -	8% -			8% -	8% -		8% -
Others	Others	1,073	50%	8% - 50%	963	50%	50%	Others	1,065	50%	50%	963	8% - 50%
Total	Total	\$ 3,256			\$ 3,497			Total	\$2,961			\$3,497	

Cencora investment

As of February 29, 2024, May 31, 2024 and August 31, 2023, the Company owned 26.3 million and 31.8 million shares of Cencora, Inc. ("Cencora") common stock, respectively, representing approximately 13.5% 12.4% and 15.9% of its outstanding common stock based on the share count publicly reported by Cencora in its most recent filings with the SEC.

During the three months ended February 29, 2024, May 31, 2024 and February 28, 2023, May 31, 2023, the Company sold shares of Cencora common stock for total consideration of approximately \$992 \$400 million and \$984 \$50 million, respectively. These transactions resulted in the Company recording pre-tax gains, inclusive of \$619 equity method basis difference adjustments, of \$88 million and \$492 \$25 million, respectively, in Other income, (expense), net within the Consolidated Condensed Statements of Earnings, including \$20 \$10 million and \$40 \$2 million of losses, respectively, reclassified from within Accumulated other comprehensive loss in the Consolidated Condensed Balance Sheets.

During the six nine months ended February 29, 2024, May 31, 2024 and February 28, 2023, May 31, 2023, the Company sold shares of Cencora common stock for total consideration of approximately \$1.2 \$1.6 billion and \$3.0 \$3.1 billion, respectively. These transactions resulted in the Company recording pre-tax gains, inclusive of \$758 equity method basis difference adjustments, of \$847 million and \$1.5 billion, respectively, in Other income, (expense), net within the Consolidated Condensed Statements of Earnings, including \$28 million \$39 million and \$150 million \$152 million of losses, respectively, reclassified from within Accumulated other comprehensive loss in the Consolidated Condensed Balance Sheets.

As of February 29, 2024, May 31, 2024 and August 31, 2023, the Company has pledged 20.0 million and 17.3 million shares of Cencora common stock, respectively, as collateral upon entering into variable prepaid forward ("VPF") transactions. See Note 8. Financial instruments for further information.

The Company accounts for its equity investment in Cencora using the equity method of accounting, with the net earnings attributable to the Company's investment being classified within the operating income of its U.S. Retail Pharmacy segment. Due to the timing and availability of financial information of Cencora, the Company accounts for this equity method investment on a financial reporting lag of two months. Equity earnings from Cencora are reported as a separate line item in the Consolidated Condensed Statements of Earnings.

The Level 1 fair market value of the Company's equity investment in Cencora common stock at February 29, 2024, May 31, 2024 and August 31, 2023 was \$6.2 billion \$5.5 billion and \$5.6 billion, respectively. As of February 29, 2024, May 31, 2024 the carrying value of the Company's investment in Cencora exceeded its proportionate share of the net assets of Cencora by \$2.1 billion \$1.8 billion. This premium of \$2.1 billion \$1.8 billion was recognized as part of the carrying value in the Company's equity investment in Cencora. The difference is primarily related to goodwill and the fair value of Cencora intangible assets.

Other investments

At February 29, 2024, May 31, 2024, the Company's other equity method investments primarily include its U.S. investment in BrightSpring Health Services, and the Company's investments in China in Sinopharm Medicine Holding Guoda Drugstores Co., Ltd and Nanjing Pharmaceutical Company Limited. On June 8, 2023 and December 15, 2022, the Company sold its remaining investments ownership interest in Option Care Health and Guangzhou Pharmaceuticals Corporation respectively.

for total consideration of approximately \$150 million.

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On March 3, 2023, the Company sold approximately 15.5 million shares of Option Care Health common stock for total consideration of approximately \$469 million. The transaction resulted in the Company recording a pre-tax gain of \$154 million in Other income, net in the Consolidated Condensed Statements of Earnings. In the three months ended May 31, 2023, the Company also recognized a pre-tax gain of \$76 million included in Other income, net within the Consolidated Condensed Statements of Earnings,

related to the change in classification of its previously held equity method investment in Option Care Health to an investment in equity security held at fair value, and the related fair value adjustments. On June 8, 2023, the Company sold the remaining 10.8 million shares of Option Care Health for total consideration of approximately \$330 million.

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 February 29, 2024, the Company completed a quantitative impairment analysis for goodwill related to its VillageMD reporting unit within the U.S. Healthcare segment due to downward revisions in its longer term forecast received during the quarter, including the impact of closing approximately 90 additional clinics, slower than expected trends in patient panel growth and multi-specialty productivity trends, and recent changes in Medicare reimbursement models. These impacts were partly offset by cost savings initiatives. Based on this analysis, the Company recorded a goodwill impairment charge of \$12.4 billion, prior to attribution of loss to non-controlling interests, in Operating (loss) income loss within the Consolidated Condensed Statements of Earnings. The impairment charge reflects lower than previously expected longer term financial performance expectations, a reduction in the multiples for publicly traded peer companies, and increases in discount rates. As of May 31, 2024, the Company believes the carrying value of the VillageMD reporting unit approximates its fair value.

As part of the Company's impairment analysis, fair value of the reporting unit was determined using both the income and market approaches. The income approach requires management to estimate a number of factors, including the projected future operating results, economic projections, anticipated future cash flows and discount rates. The market approach estimates fair value using comparable marketplace fair value data from within a comparable industry grouping as well as recent guideline transactions.

The determination of the fair value of the reporting units requires the Company to make significant estimates and assumptions related to the business and financial performance of the Company's reporting units. These estimates and assumptions primarily include, but are not limited to: the selection of appropriate peer group companies, control premiums appropriate for acquisitions in the industries in which the Company competes, discount rates, terminal growth rates, forecasts of revenue, operating income, depreciation, amortization, working capital requirements and capital expenditures. Future increases in discount rates or deterioration in the observable prices for guideline companies could result in further goodwill impairment in subsequent periods.

The changes in the carrying amount of goodwill by reportable segment are as follows (in millions):

	Goodwill roll forward:	U.S. Retail Pharmacy	International	U.S. Healthcare	Walgreens Boots Alliance, Inc.	Goodwill roll forward:	U.S. Retail Pharmacy	International	U.S. Healthcare	Walgreens Boots Alliance, Inc.
Goodwill roll forward:										
August 31, 2023										
Adjustments 1										
Adjustments 1										
Adjustments 1										
Impairments										
Cumulative translation adjustments and other										
February 29, 2024										
May 31, 2024										

1 Includes measurement period adjustments related to VillageMD's fiscal 2023 acquisitions. See Note 2. Acquisitions and other investments for further information.

The Company evaluates the recoverability of definite-lived intangible assets whenever events or changes in circumstances indicate that the carrying value of such an asset may not be recoverable. The evaluation of definite-lived intangible assets is

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performed at the lowest level of identifiable cash flows. During the three months ended February 29, 2024, as a result of the factors leading to the interim goodwill impairment analysis performed, the Company evaluated VillageMD's other intangible and long-lived assets for impairment. The assessment resulted in an impairment charge of \$266 million recognized primarily within the U.S. Healthcare segment as a component of Selling, general, and administrative expenses within the Consolidated Condensed Statements of Earnings. As part of this impairment analysis, the fair values of asset groups and intangible assets were determined using the income approach.

During the three months ended May 31, 2023, as a result of pharmacy performance and the decision to close additional stores, the Company completed a quantitative impairment analysis for certain indefinite-lived intangible assets related to the Boots reporting unit within the International segment. Based on this analysis, the Company recorded an impairment loss of \$431 million in Selling, general and administrative expenses within the Consolidated Condensed Statements of Earnings

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related to pharmacy license intangible assets.

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

Intangible assets:	Intangible assets:	February 29, 2024	August 31, 2023	Intangible assets:	May 31, 2024	August 31, 2023
Gross amortizable intangible assets	Gross amortizable intangible assets			Gross amortizable intangible assets		
Customer relationships and loyalty card holders ¹						
Provider networks						
Trade names and trademarks						
Developed technology						
Others						
Total gross amortizable intangible assets						
Accumulated amortization						
Accumulated amortization						
Accumulated amortization						
Customer relationships and loyalty card holders ¹						
Provider networks						
Trade names and trademarks						
Developed technology						
Others						
Total accumulated amortization						
Total amortizable intangible assets, net						
Indefinite-lived intangible assets						
Indefinite-lived intangible assets						
Indefinite-lived intangible assets						
Trade names and trademarks						
Pharmacy licenses						
Total indefinite-lived intangible assets						
Total intangible assets, net						
Total intangible assets, net						
Total intangible assets, net						

¹ Includes purchased prescription files.

Amortization expense for intangible assets was \$239 million \$238 million and \$478 million \$717 million for the three and six nine months ended February 29, 2024 May 31, 2024, respectively, and \$199 million \$226 million and \$357 million \$583 million for the three and six nine months ended February 28, 2023 May 31, 2023, respectively.

Estimated future annual amortization expense for the next five fiscal years for intangible assets recorded at February 29, 2024 May 31, 2024 is as follows (in millions):

--

	2024 (Remaining period)	2025	2026	2027	2028	2029
Estimated annual amortization expense	\$ 468	\$ 904	\$ 865	\$ 782	\$ 705	\$ 652

	2024 (Remaining period)	2025	2026	2027	2028	2029
Estimated annual amortization expense	\$ 235	\$ 915	\$ 875	\$ 791	\$ 714	\$ 657

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Note 7. Debt

Debt carrying values are presented net of unamortized discount and debt issuance costs, where applicable, and foreign currency denominated debt is translated to the U.S. dollar using the spot rates as of the balance sheet date. 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):

	February 29, 2024	August 31, 2023	May 31, 2024	August 31, 2023
Short-term debt	Short-term debt		Short-term debt	
<i>Commercial paper</i> ¹				
<i>Credit facilities</i> ¹				
<i>Credit facilities</i> ¹				
<i>Credit facilities</i> ¹				
November 2021 DDTL due November 2024				
November 2021 DDTL due November 2024				
November 2021 DDTL due November 2024				
\$850 million note issuance ¹				
0.9500% unsecured notes due 2023				
0.9500% unsecured notes due 2023				
0.9500% unsecured notes due 2023				
\$8 billion note issuance ¹				
3.800% unsecured notes due 2024				
3.800% unsecured notes due 2024				
3.800% unsecured notes due 2024				
<i>Other</i> ²				
Total short-term debt				
Long-term debt				
Long-term debt				
Long-term debt				
<i>Credit facilities</i> ¹				
November 2021 DDTL due November 2024				
November 2021 DDTL due November 2024				
November 2021 DDTL due November 2024				
December 2022 DDTL due January 2026				
August 2023 DDTL due November 2026				
August 2023 RCF due August 2026				
\$1.5 billion note issuance ¹				

3.200% unsecured notes due 2030		
3.200% unsecured notes due 2030		
3.200% unsecured notes due 2030		
4.100% unsecured notes due 2050		
\$6 billion note issuance ¹	\$6 billion note issuance ¹	\$6 billion note issuance ¹
3.450% unsecured notes due 2026		
4.650% unsecured notes due 2046		
\$8 billion note issuance ¹		
3.800% unsecured notes due 2024		
3.800% unsecured notes due 2024		
3.800% unsecured notes due 2024		
4.500% unsecured notes due 2034		
4.800% unsecured notes due 2044		
£700 million note issuance ¹		
3.600% unsecured Pound Sterling notes due 2025		
3.600% unsecured Pound Sterling notes due 2025		
3.600% unsecured Pound Sterling notes due 2025		
€750 million note issuance ¹		
2.125% unsecured Euro notes due 2026		
2.125% unsecured Euro notes due 2026		
2.125% unsecured Euro notes due 2026		
\$4 billion note issuance ³		
4.400% unsecured notes due 2042		
4.400% unsecured notes due 2042		
4.400% unsecured notes due 2042		
Other ²		
Total long-term debt, less current portion		

¹ Notes, borrowings under credit facilities and commercial paper are unsecured and unsubordinated debt obligations of the Company and rank equally in right of payment with all other unsecured and unsubordinated indebtedness of the Company from time to time outstanding.

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² Other debt represents a mix of fixed and variable rate debt with various maturities and working capital facilities denominated in various currencies.

³ Notes are senior debt obligations of Walgreen Co.

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\$850 million Note Issuance

On November 17, 2021, the Company issued, in an underwritten public offering, \$850 million of 0.95% notes due 2023. The notes contained a call option which allowed for the notes to be repaid, in full or in part, at 100% of the principal amount of the notes to be redeemed, in each case plus accrued and unpaid interest. On November 17, 2023, the Company repaid the note in full.

Credit facilities

August 2023 Revolving Credit Agreement

On August 9, 2023, the Company entered into a \$2.25 billion unsecured three-year revolving credit facility (the "August 2023 Revolving Credit Agreement" or "August 2023 RCF"). Interest on borrowings under the revolving credit facility accrues at applicable margins based on the Company's Index Debt Rating by Moody's or S&P and ranges from 75 basis points to 150 basis points over specified benchmark rates for Secured Overnight Financing Rate ("SOFR") loans, as applicable. Additionally, the Company pays commitment fees to maintain the availability under the August 2023 Revolving Credit Agreement at applicable fee rates based upon certain criteria at an annual rate on the unutilized portion of the total credit commitment. The August 2023 Revolving Credit Agreement's termination date is August 9, 2026, or earlier, subject to the Company's discretion to terminate the agreement. As of February 29, 2024 May 31, 2024, there were \$40 million was \$70 million in borrowings outstanding under the August 2023 Revolving Credit Agreement.

August 2023 Delayed Draw Term Loan

On August 9, 2023, the Company entered into a \$1 billion senior unsecured delayed draw term loan credit agreement (the "August 2023 DDTL"). Interest on borrowings under the August 2023 DDTL accrues at applicable margins based on the Company's Index Debt Rating by Moody's or S&P and ranges from 75 basis points to 150 basis points over specified benchmark rates for SOFR loans, as applicable. The August 2023 DDTL was drawn for the purpose of funding the consideration due for the purchase of Summit and paying fees and expenses related to it. The December 2022 DDTL matures on January 3, 2026. As of February 29, 2024 May 31, 2024, there was \$1 billion in borrowing borrowings outstanding under the August 2023 DDTL. Amounts borrowed under the August 2023 DDTL that are repaid or prepaid may not be reborrowed.

December 2022 Delayed Draw Term Loan

On December 19, 2022, the Company entered into a \$1.0 billion senior unsecured delayed draw term loan credit agreement (the "December 2022 DDTL"). Interest on borrowings under the December 2022 DDTL accrues at applicable margins based on the Company's Index Debt Rating by Moody's or S&P and ranges from 87.5 basis points to 150 basis points over specified benchmark rates for SOFR loans, as applicable. The December 2022 DDTL was drawn for the purpose of funding the consideration due for the purchase of Summit and paying fees and expenses related to it. The December 2022 DDTL matures on January 3, 2026. As of February 29, 2024 May 31, 2024, there was \$1 billion in borrowing borrowings outstanding under the December 2022 DDTL. Amounts borrowed under the December 2022 DDTL that are repaid or prepaid may not be reborrowed.

June 2022 Revolving Credit Agreements

On June 17, 2022, the Company entered into a \$3.5 billion unsecured five-year revolving credit facility and a \$1.5 billion unsecured 18-month revolving credit facility, with designated borrowers from time to time party thereto and lenders from time to time party thereto (the "2022 Revolving Credit Agreements"). Interest on borrowings under the revolving credit facilities accrues at applicable margins based on the Company's Index Debt Rating by S&P or Moody's and ranges from 80 basis points to 150 basis points over specified benchmark rates for SOFR loans, as applicable. Additionally, the Company pays commitment fees to maintain the availability under the revolving credit facility at applicable fee rates based upon certain criteria at an annual rate on the unutilized portion of the total credit commitment. The five-year facility's termination date is June 17, 2027, or earlier, subject to the Company's discretion to terminate the agreement. The 18-month facility's termination date was December 15, 2023, or earlier, subject to the Company's discretion to terminate the agreement. On August 9, 2023 the Company terminated the 18-month facility under the 2022 Revolving Credit Agreements. All outstanding obligations under the 18-month revolving credit facility have been paid and satisfied in full. As of February 29, May 31, 2024, there were no borrowings outstanding under the five-year revolving credit facility.

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

November 2021 Delayed Draw Term Loan

On November 15, 2021, the Company entered into a \$5.0 billion senior unsecured multi-tranche delayed draw term loan credit facility, (the "November 2021 DDTL") consisting of (i) a 364-day senior unsecured delayed draw term loan facility in an aggregate principal amount of \$2.0 billion (the "364-day loan"), (ii) a two-year senior unsecured delayed draw term loan facility in an aggregate principal amount of \$2.0 billion (the "two-year loan") and (iii) a three-year senior unsecured delayed draw term loan facility in an aggregate principal amount of \$1.0 billion (the "three-year loan"). Borrowings under the November 2021 DDTL bear interest at a fluctuating rate per annum equal to SOFR, plus an applicable margin. The applicable margins for the 364-day and two-year loans were 0.75% and 0.88%, respectively. The applicable margin for the three-year loan is 1.05%. An aggregate amount of \$3.0 billion or more of the November 2021 DDTL was drawn for the purpose of funding the purchase of the increased equity interest in VillageMD, and paying fees and expenses related to the foregoing, with the remainder used for general corporate purposes. In fiscal 2023, the Company repaid the 364-day loan and the two-year loan in full. The maturity date on the three-year loan is November 24, 2024. As of February 29, 2024 May 31, 2024, there was \$290 million in borrowings outstanding under the November 2021 DDTL. Amounts borrowed under the November 2021 DDTL and repaid or prepaid may not be reborrowed.

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 financial covenants. As of February 29, 2024 May 31, 2024, the Company was in compliance with all such applicable financial covenants.

Commercial paper

Interest

Credit ratings

Note 8. Financial instruments

The Company economically hedges a portion of its exposure to equity price risk related to its investment in Cencora through VPE derivative contracts.

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

	February 29, 2024	Notional	Fair Value	Location in Consolidated Condensed Balance Sheets
				Location in Consolidated Condensed Balance Sheets
	May 31, 2024	Notional	Fair Value	
Derivatives designated as hedges:				
Cross currency interest rate swaps				
Cross currency interest rate swaps				
Cross currency interest rate swaps	\$ 350	\$	\$ 8	Other current assets
				Other current assets
Foreign currency forwards	283		1	Other current assets

Cross currency interest rate swaps	Cross currency interest rate swaps	300	14	14	Other non-current assets		Other non-current assets	Cross currency interest rate swaps	250	10	10	Other non-current assets	Other non-current assets
Foreign currency forwards		4		—		Other non-current assets							
Foreign currency forwards		614		2		Other current liabilities							
Foreign currency forwards	Foreign currency forwards	874	3	3	Other current liabilities		Other current liabilities	Foreign currency forwards	2	—	—	Other non-current liabilities	Other non-current liabilities

Derivatives not designated as hedges:

Foreign currency forwards
Foreign currency forwards

Foreign currency forwards		\$ 537	\$	\$ 1	Other current assets		Other current assets	\$ 1,593	\$	\$1	Other current assets	Other current assets	
Foreign currency forwards													
Total return swaps	Total return swaps	174	3	3	Other current assets		Other current assets	Total return swaps	159	1	1	Other current assets	Other current assets
Foreign currency forwards	Foreign currency forwards	3,480	12	12	Other current liabilities		Other current liabilities	Foreign currency forwards	2,415	9	9	Other current liabilities	Other current liabilities
Total return swaps	Total return swaps	28	—	—	Other current liabilities		Other current liabilities	Total return swaps	43	—	—	Other current liabilities	Other current liabilities
Variable prepaid forward contracts	Variable prepaid forward contracts	3,726	3,861	3,861	Other non-current liabilities		Other non-current liabilities	Variable prepaid forward contracts	408	407	407	Other current liabilities	Other current liabilities
Variable prepaid forward contracts		3,318		3,298	Other non-current liabilities								

August 31, 2023	Notional	Fair Value	Location in Consolidated Condensed Balance Sheets
Derivatives designated as hedges:			
Foreign currency forwards	\$ 31	\$ 1	Other current assets
Cross currency interest rate swaps	650	28	Other non-current assets
Foreign currency forwards	805	2	Other current liabilities
Cross currency interest rate swaps	102	2	Other current liabilities
Foreign currency forwards	4	—	Other non-current liabilities
Derivatives not designated as hedges:			
Foreign currency forwards	\$ 3,139	\$ 6	Other current assets
Total return swaps	168	1	Other current assets
Foreign currency forwards	817	2	Other current liabilities
Total return swaps	26	1	Other current liabilities
Variable prepaid forward contracts	3,195	2,548	Other non-current liabilities

Net investment hedges

The Company uses cross currency interest rate swaps and foreign currency forward contracts to hedge 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 Cumulative translation adjustments within Accumulated other

comprehensive loss in the Consolidated Condensed Balance Sheets.

Cash flow hedges

The Company may use foreign currency forwards and interest rate swaps to hedge the variability in forecasted transactions and cash flows of certain floating-rate debt. For qualifying cash flow hedges, changes in the fair value of the derivatives are recorded in Unrealized gain (loss) on cash flow hedges in within Accumulated other comprehensive loss within in the Consolidated Condensed Balance Sheets, and released to the Consolidated Condensed Statements of Earnings when the hedged cash flows affect earnings.

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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 and equity price risk. The Company also uses total return swaps to economically hedge variability in compensation charges related to certain deferred compensation obligations.

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In fiscal 2023 and fiscal 2024, the Company entered into VPF transactions with third-party financial institutions and received upfront prepayments related to the forward sale of shares of Cencora common stock. The upfront prepayments are recorded within Other non-current liabilities in the Consolidated Condensed Balance Sheets as derivatives. The Company has pledged shares of Cencora common stock as collateral upon entering into the VPF transactions. The VPF transactions provide the Company with current liquidity while allowing it to maintain voting and dividend rights in the Cencora common stock, as well as the ability to participate in future stock price appreciation during the term of the contracts up to a cap price specified in the contracts. The VPF transactions are expected to settle per their respective forward settlement dates, at which time the Company will be obligated, unless it elects to settle otherwise as described below, to deliver the full number of shares of Cencora common stock specified in the contracts to settle the agreements. The Company may receive additional cash payments to be determined based on the price of the Cencora common stock at the forward settlement dates relative to the forward floor and cap price specified in the contracts. Subject to certain conditions, the Company may elect to net settle the contract by delivery of shares (or payment of the cash value thereof) in lieu of receiving any additional cash. The aggregate number of Cencora shares to be delivered in connection with the VPF transactions will not exceed the shares subject to forward sale.

The terms of the VPF transactions were as follows (in millions):

Transaction date	Shares pledged and maximum shares subject to forward sale	Prepayment amount	Forward settlement date
May 11, 2023	4.6	\$ 644	Fourth quarter, fiscal 2025
June 15, 2023	2.2	325	Third quarter, fiscal 2025
August 3, 2023	5.3	801	First quarter, fiscal 2026
August 4, 2023	5.3	797	Third quarter, fiscal 2026
November 9, 2023	2.7	424	Fourth quarter, fiscal 2026
	20.0	\$ 2,991	

The income (expenses) (expense) due to changes in fair value of derivative instruments were recognized in the Consolidated Condensed Statements of Earnings as follows (in millions):

	Three months ended	Six months ended		Three months ended May 31,	Nine months ended May 31,
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	Location in Consolidated Condensed Statements of Earnings	February 29, 2024	February 28, 2023	February 29, 2024	February 28, 2023	Location in Consolidated Condensed Statements of Earnings	2024	2023	2024	2023
Total return swap										
Total return swaps										
Foreign currency forwards										
Variable prepaid forward										

1. Excludes remeasurement gains and losses on economically hedged assets and liabilities.

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. The Company and its counterparties are subject to collateral requirements for certain derivative instruments which mitigates credit risk for both parties.

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.

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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:

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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):

	February 29, 2024	Level 1	Level 2	Level 3	May 31, 2024	Level 1	Level 2	Level 3
Assets:	Assets:				Assets:			
Money market funds ¹								
Cross currency interest rate swaps ²								

Foreign currency forwards ³
Investments in equity securities ⁴
Investments in debt securities ⁵
Total return swaps
Total return swaps
Total return swaps
Liabilities:
Liabilities:
Liabilities:
Variable prepaid forward ⁶
Foreign currency forwards ³

	August 31, 2023	Level 1	Level 2	Level 3
Assets:				
Money market funds ¹	\$ 11	\$ 11	\$ —	\$ —
Cross currency interest rate swaps ²	28	—	28	—
Foreign currency forwards ³	6	—	6	—
Investments in equity securities ⁴	17	17	—	—
Investments in debt securities ⁵	15	—	15	—
Total return swaps	1	—	1	—
Liabilities:				
Variable prepaid forward ⁶	\$ 2,548	\$ —	\$ —	\$ 2,548
Foreign currency forwards ³	5	—	5	—
Total return swaps	1	—	1	—
Cross currency interest rate swaps ²	2	—	2	—

- ¹ Money market funds are valued at the closing price reported by the fund sponsor and classified as Cash and cash equivalents within the Consolidated Condensed Balance Sheets.
- ² The fair value of 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.
- 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. See Note 8. Financial instruments, for additional information.
- ⁴ Fair values of quoted investments are based on current bid prices as of February 29, 2024 May 31, 2024 and August 31, 2023.
- ⁵ Includes investments in Treasury debt securities.

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- ⁶ The fair value of the derivative was derived from a Black-Scholes valuation. The inputs used in valuing the derivative included observable inputs such as the floor and cap prices of the VPF, dividend yield of Cencora shares, risk free interest rate, and contractual term of the instrument, as well as unobservable inputs such as implied volatility of Cencora shares. The implied volatility ranged from 25.4% 24.7% - 29.2% 29.0% for the lower strike and 20.1% 19.4% - 22.6% 22.2% for the upper strike as of February 29, 2024 May 31, 2024, and 23.2% - 24.7% for the lower strike and 18.1% - 19.1% for the upper strike as of August 31, 2023.

There were no transfers between Levels for the three and six nine months ended February 29, 2024 May 31, 2024.

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The roll forward of the fair value of the VPF derivatives associated with the forward sale of shares of Cencora common stock, classified as Level 3, is as follows (in millions):

	Three months ended	Three months ended	February 29, 2024	Six months ended	Three months ended	May 31, 2024	Nine months ended
Opening balance							
VPF derivative additions							
Unrealized losses recorded in Other income (expense), net							
Unrealized gains (losses) recorded in Other income, net							
Ending balance							

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 Condensed Financial Statements. As of February 29, 2024 May 31, 2024 the carrying amounts and estimated fair values of long term notes outstanding including the current portion were \$6.6 billion \$6.5 billion and \$6.0 billion \$5.9 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 February 29, 2024 May 31, 2024 rate, as applicable. The fair values and carrying values of these issuances do not include notes that have been redeemed or repaid as of February 29, 2024 May 31, 2024. The carrying value of the Company's commercial paper, credit facilities, 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 arising in the normal course of its business, including litigation, arbitration and other claims, and investigations, inspections, subpoenas, audits, claims, inquiries and similar actions by governmental authorities in pharmacy, healthcare, tax and other areas. Some of these proceedings may be class actions, and some involve claims for large or indeterminate amounts, including punitive or exemplary damages, and they may remain unresolved for several years. Legal proceedings in general, and securities, class action and multi-district litigation, in particular, can be expensive and disruptive.

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 Company has been involved or is currently involved in numerous legal proceedings, including litigation, arbitration, government investigations, audits, reviews and claims. These include routine, regular and special investigations, audits and reviews by CMS, state insurance and health and welfare departments, the U.S. Department of Justice (the "DOJ"), state Attorneys General, the U.S. Drug Enforcement Administration (the "DEA"), the U.S. Federal Trade Commission (the "FTC") and other governmental authorities.

The Company is subject to extensive regulation by national, state and local government agencies in the U.S. and other countries in which it operates. The Company's business, compliance and reporting practices are subject to intensive scrutiny under applicable regulation, including review or audit by regulatory authorities. As a result, the Company regularly is the subject of government actions of the types described herein. The Company also may be named from time to time in qui tam actions initiated by private parties. In such an action, a private party purports to act on behalf of federal or state governments, alleges that false claims have been submitted for payment by the government and may receive an award if its 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 its own purporting to act on behalf of the government.

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The results of legal proceedings, including government investigations, are often uncertain and difficult to predict, and the costs incurred in these matters can be substantial, regardless of the outcome. In addition, as a result of governmental investigations or proceedings, the Company may be subject to damages, civil or criminal fines or penalties,

or other sanctions, including the possible suspension or loss of licensure and suspension or exclusion from participation in government programs.

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The Company describes below certain proceedings involving the Company in which the amount of loss could be material or the nature of the dispute is qualitatively material. The Company accrues for legal claims when, and to the extent that, the amount or range of probable loss can be reasonably estimated. If only a range of probable loss can be determined, and no one estimate within that range is a better or more probable estimate than any other estimate, we accrue the low end of the range. The Company believes there are meritorious defenses with respect to the claims asserted against it, and it intends to defend each of these cases vigorously, but there can be no assurance as to the ultimate outcome. With respect to litigation and other legal proceedings where the Company has determined a material loss is reasonably possible, except as otherwise disclosed, the Company is not able to make a reasonable estimate of the amount or range of loss that is reasonably possible above any accrued amounts in these proceedings, due to various reasons, including: the existence of factual and legal arguments that, if successful, will eliminate or sharply reduce the possibility of loss; lack of sufficient information about the arguments and the evidence plaintiffs will advance with respect to their damages; some of the cases have been stayed; certain proceedings present novel and complex questions of public policy; legal and factual determinations and judicial and governmental procedure; the large number of parties involved; and the inherent uncertainties related to such legal proceedings.

Securities Claims Relating to Rite-Aid Merger

On December 11, 2017, purported Rite-Aid shareholders filed an amended complaint in a putative class action lawsuit in the U.S. District Court for the Middle District of Pennsylvania (the "M.D. Pa. class action") arising out of transactions contemplated by the merger agreement between the Company and Rite-Aid. The amended complaint alleges that the Company and certain of its officers made false or misleading statements regarding the transactions. The plaintiffs sought monetary damages for the foregoing alleged claims. Fact and expert discovery have concluded. The Court denied both plaintiffs' partial motion for summary judgement and the Company's motion for summary judgment on March 31, 2023. On August 23, 2023, the Company, the other defendants in the M.D. Pa. class action, and the lead plaintiffs entered into a binding agreement to settle all claims in the M.D. Pa. class action. The settlement of approximately \$193 million provides for the dismissal of the M.D. Pa. class action with prejudice. Defendants admitted no liability and denied all allegations of wrongdoing. The Company is fully accrued for this matter. The court granted preliminary approval of the settlement on October 23, 2023 and final approval on February 7, 2024. This settlement is fully paid.

In October and December 2020, two separate purported Rite-Aid shareholders filed actions in the same court opting out of the class in the M.D. Pa. class action and making nearly identical allegations and demands for relief as those in the M.D. Pa. class action (the "Opt-out Actions"). On March 5, 2024 the parties reached an agreement to resolve this litigation. The Court has prohibited further opt-out litigation with respect to the M.D. Pa. class action.

On March 19, 2021, a putative shareholder filed a derivative suit in the District Court of Delaware (*Clem v. Skinner, et al.*, 21-CV-406 Del Dist. Ct.) against certain current and former Walgreens directors and officers, seeking damages based on alleged breaches of fiduciary duty and seeking contribution under Section 21D of the Exchange Act of 1934, as amended, in connection with the M.D. Pa. class action. The plaintiff's allegations in this derivative suit concern the same public statements at issue in the M.D. Pa. class action. The parties have reached an agreement in principle to resolve this matter.

Claims Relating to Opioid Abuse

On May 5, 2022, the Company announced that it had entered into a settlement agreement with the State of Florida to resolve all claims related to the distribution and dispensing of prescription opioid medications across the Company's pharmacies in the State of Florida. This settlement agreement was not an admission of liability or wrongdoing and resolved all pending and future opioid litigation by state and government subdivisions in the State of Florida. The settlement amount of \$683 million includes \$620 million in remediation payments, which will be paid to the State of Florida in equal installments over 18 years, and will be applied as opioid remediation, as well as a one-time payment of \$63 million for attorneys' fees. In fiscal 2022, the Company recorded a \$683 million liability associated with this settlement.

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On November 2, 2022, the Company announced that it had agreed to financial amounts and payment terms as part of settlement frameworks (the "Settlement Frameworks") that had the potential to resolve a substantial majority of opioid-related lawsuits filed against the Company by the attorneys general of participating states and political subdivisions (the "Settling States") and litigation brought by counsel for tribes. Under the Settlement Frameworks with the Settling States and counsel for tribes, the Company announced that it expected to settle all opioid claims against it by such Settling States, their participating political subdivisions, and participating tribes for up to approximately \$4.8 billion and \$155 million, respectively in remediation payments to be paid out over 15 years. The Settlement Frameworks provided for the payment of up to approximately

\$754 million in attorneys' fees and costs over six years beginning in year two of the Settlement Frameworks. The Settlement Frameworks included no admission of wrongdoing or liability by the Company.

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As of November 30, 2022, the Company concluded that Settlement Frameworks discussions had advanced to a stage where a broad settlement of opioid claims by Settling States was probable, and for which the related loss was reasonably estimable. As a result of those conclusions and the Company's ongoing assessment of other opioid-related claims, the Company recorded a \$6.5 billion liability associated with the Settlement Frameworks and other opioid-related claims and litigation settlements during the three months ended November 30, 2022. The settlement accrual was reflected in the Consolidated Condensed Statements of Earnings within Selling, general and administrative expenses as part of the U.S. Retail Pharmacy segment.

On December 9, 2022, the Company committed the Settlement Frameworks to a proposed settlement agreement (the "Proposed Settlement Agreement") that was contingent on (1) a sufficient number of Settling States, including those that had not sued, agreeing to the Proposed Settlement Agreement following a sign-on period, and (2) following a notice period, a sufficient number of political subdivisions within Settling States, including those that had not sued, agreeing to the Proposed Settlement Agreement (or otherwise having their claims foreclosed). On June 8, 2023 the Company informed the Settling States that there was sufficient State participation, sufficient Subdivision participation, and sufficient resolution of the claims of Litigating Subdivisions in the Settling States to proceed with the multistate settlement. The Company has now resolved its litigation with all states, territories, tribes and 99.5% of litigating subdivisions within Settling States included in the Proposed Settlement or in separate agreements. Estimated liabilities for these settlements are fully accrued. Incentive payments to Settling States with non-participating political subdivisions are subject to reduction and those subdivisions are still entitled to pursue their claims against the Company.

The Proposed Settlement Agreement became effective on August 7, 2023 (the "Multistate Settlement Agreement"). The Company will continue to vigorously defend against any litigation not covered by the Multistate Settlement Agreement, including private plaintiff litigation. The Company continues to believe it has strong legal defenses and appellate arguments in all of these cases.

As of February 29, 2024 May 31, 2024, the Company has accrued a total of \$6.6 billion liability associated with the Multistate Settlement Agreement and other opioid-related claims and litigation settlements, including \$450 \$744 million and \$6.1 \$5.9 billion of the estimated settlement liability in Accrued expenses and other liabilities, and Accrued litigation obligations, respectively, in the Consolidated Condensed Balance Sheets.

The Company remains a defendant in multiple actions in federal courts alleging claims generally concerning the impacts of widespread opioid abuse, which have been commenced by various plaintiffs. In December 2017, the U.S. Judicial Panel on Multidistrict Litigation consolidated many of these cases in a consolidated multidistrict litigation, captioned *In re National Prescription Opiate Litigation* (MDL No. 2804, Case No. 17-MD-2804), which is pending in the U.S. District Court for the Northern District of Ohio ("N.D. Ohio"). The Company is a defendant in the following multidistrict litigation bellwether cases:

- Two consolidated cases in N.D. Ohio (*Cnty. of Lake, Ohio v. Purdue Pharma L.P., et al.*, Case No. 18-op-45032; *Cnty. of Trumbull, Ohio v. Purdue Pharma L.P., et al.*, Case No. 18-op-45079). In November 2021, the jury returned a verdict in favor of the plaintiffs as to liability, and a second trial regarding remedies took place in May 2022. In August 2022, the court entered orders providing for injunctive relief and requiring the defendants to pay \$651 million over a 15-year period to fund abatement programs. The court found that the damages are subject to joint and several liability and as such made no determination as to apportionment. These decisions are currently on appeal.
- *Louisiana Assessors Ins. Fund v. AmerisourceBergen Drug Corp., et al.*, 1:18-op-46223 (M.D. La.).
- *Pioneer Tele. Coop. Inc. Employee Benefits Plan v. Purdue Pharma LP et al.*, 1:18-op-46186 (W.D. Okla.).
- *United Food and Comm. Workers Health and Welfare Fund of Northeastern Pennsylvania v. Purdue Pharma, LP et al.*, 1:17-op-45117 (E.D. Pa.).
- *Sheet Metal Workers Local No. 25 Health & Welfare Fund v. Purdue Pharma, LP et al.*, 1:18-op-45002 (E.D. Pa.).

The Company also has been named as a defendant in multiple actions brought in state courts relating to opioid matters. Trial dates have been set in cases pending in state courts in the following states:

- Maryland (*Mayor and City Council of Baltimore v. Purdue Pharma L.P., et al.*, Case No. 24-C-18-000515, Circuit Court for Baltimore City, Baltimore, Maryland - September 2024).

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- Florida (*Florida Health Sciences Center, Inc., et al. v. Richard Sackler, et al.*, Case No. CACE 19-018882, Seventeenth Judicial Circuit Court, Broward County, Florida - September 2025).

The relief sought by various plaintiffs in these matters includes compensatory, abatement, restitution and punitive damages, as well as injunctive relief. Additionally, the Company has received from the U.S. Department of Justice ("DOJ") and the Attorneys General of numerous states subpoenas, civil investigative demands, and other requests concerning opioid-related matters. The Company continues to communicate with the DOJ regarding purported violations of the federal Controlled Substances Act and the federal False Claims Act in dispensing prescriptions for opioids and other controlled substances at its pharmacies nationwide.

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On September 23, 2022, a putative shareholder filed a derivative suit in the United States District Court for the Northern District of Ohio (*Vladimir Gusinsky Revocable Trust v. Pessina et al.*, 22-CV-1717) against certain current and former Walgreens directors and officers, seeking damages based on alleged breaches of fiduciary duty, unjust enrichment and violations of section 14A of the Securities and Exchange Act of 1934 in connection with the oversight of risks related to opioids. A motion to dismiss for improper venue was filed on December 12, 2022. That motion was granted on September 22, 2023, and the case was dismissed without prejudice. The case was refiled on November 4, 2023, in the United States District Court for the Northern District of Illinois (*Vladimir Gusinsky Revocable Trust v. Pessina et al.*, 23-CV-15654). On November 14, 2023, the case was stayed to permit the parties to explore the possibility of settlement. The parties have reached an agreement in principle court granted preliminary approval of the settlement on April 17, 2024 and final approval on June 18, 2024. The settlement includes a net \$28 million payment to resolve this matter, the Company from insurers and certain corporate governance changes. Defendants admitted no liability and denied all allegations of wrongdoing.

Usual and Customary Pricing Litigation

The Company is defending a number of claims, lawsuits and investigations that allege that the Company's retail pharmacies overcharged for prescription drugs by not submitting the correct usual and customary price during the claims adjudication process. The Company has accrued a total liability of \$335 \$310 million for all usual and customary pricing litigation in Accrued expenses and other liabilities within the Consolidated Condensed Balance Sheets.

In one such case, Humana initiated an arbitration before the American Arbitration Association on August 13, 2019, seeking monetary damages on the basis of the aforementioned allegation. At the conclusion of that matter, the arbitrator issued an award in Humana's favor in the amount of \$642 million. The Company asked a federal court to vacate that award. On December 29, 2023, the parties reached an agreement to resolve the Humana dispute for \$360 million.

On March 23, 2017, a putative class of employee and union benefit funds and individual insureds filed suit in the United States District Court for the Northern District of Illinois (*Russo et al. v. Walgreen Co. et al.*, Case No. 1:17-cv-02246) making similar allegations and seeking monetary damages. The plaintiffs' motion for class certification is fully briefed but stayed pending a mediation scheduled for June 6, 2024, the outcome of settlement discussions. Additionally, a group of Blue Cross Blue Shield-affiliated plans filed suit in federal and state courts in Illinois making similar allegations and seeking similar damages (*BCBSM, Inc. et al v. Walgreen Co. et al.*, Case 1:20-cv-01853; *Healthcare Service Corp. v. Walgreen Co., et al.*, Case No. 2021 L 000621).

Derivative Suit Relating to Insulin Pens

On March 19, 2021, a putative shareholder filed a derivative suit in the Delaware Court of Chancery (*Clem v. Skinner et al.*, 2021-0240) against certain current and former Walgreens directors and officers, seeking damages based on alleged breaches of fiduciary duty and unjust enrichment in connection with certain allegedly false reimbursement claims to government healthcare payors related to insulin pens. On October 8, 2021, an amended complaint was filed. On December 17, 2021, the defendants moved to dismiss that amended complaint. On February 20, 2024 the matter was dismissed with prejudice. On March 20, 2024 plaintiff filed a notice of appeal. On May 7, 2024 plaintiff withdrew his appeal.

Commercial Arbitration Award

On June 10, 2022, Everly Health Solutions, formerly known as PWNHealth LLC ("Everly/PWN"), initiated an arbitration with the American Arbitration Association alleging that an agreement between Everly/PWN and the Company was exclusive, and that the Company breached the agreement when it in-sourced certain enabling services previously performed by Everly/PWN related to the ordering and oversight of Covid testing. Everly/PWN also alleged fraudulent inducement, misappropriation, and improper use of PWN's mark. Everly/PWN sought monetary damages for its alleged claims.

On March 19, 2024, the arbitrator issued a Final Award in the amount of \$988 million including interest. The Company disputes the alleged claims and the Final Award in part because it believes it is in contravention of a contractual cap on damages in the agreement, which limits damages to \$79 million. The Company has petitioned a federal court in Delaware to vacate the final award, but there can be no assurance as to the ultimate outcome. The Company has accrued \$79 million for this matter.

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Note 11. Income taxes

The effective tax rate for the three months ended February 29, 2024 May 31, 2024 was a benefit an expense of 6.0% 8.0% primarily due to the impact of the goodwill impairment, which is primarily not deductible for tax purposes, and U.S. tax on non-U.S. earnings, partially offset by tax benefits related to the initial recognition of deferred tax assets valuation allowance releases in foreign jurisdictions, net of valuation allowance, jurisdictions. The effective tax rate for the three months ended February 28, 2023 May 31, 2023 was an expense a benefit of 11.5% 86.3%, primarily due to the reduction in the valuation allowance previously recorded against tax benefits from changes to deferred tax assets taxes as a result of internal legal entity restructuring related to capital loss carryforwards. The reduction is primarily due to capital loss carryforwards utilized in previous business acquisitions, and additional tax benefits claimed upon filing the three months ended February 28, 2023 against capital gains recognized on the sale of shares in Cencora. Company's prior year tax returns.

The effective tax rate for the six nine months ended February 29, 2024 May 31, 2024 was a benefit of 6.4% 6.3% due to the impact of the goodwill impairment, which is primarily not deductible for tax purposes, and U.S. tax on non-U.S. earnings, partially offset by tax benefits related to the initial recognition of tax basis in assets in foreign jurisdictions, net of valuation allowance. The effective tax rate for the six nine months ended February 28, 2023 May 31, 2023 was a benefit of 29.5% 33.8%, primarily due to tax benefits on the reduction in the valuation allowance previously recorded against deferred tax assets related to capital loss carryforwards. The reduction is was primarily due to capital loss carryforwards utilized against capital gains recognized on the sale of shares in Cencora and based on forecasted capital gains. This benefit was partially offset by the impact of certain nondeductible opioid-related claims recorded in the six nine months ended February 28, 2023 May 31, 2023.

Income taxes paid for the six nine months ended February 29, 2024 May 31, 2024 and February 28, 2023 May 31, 2023 were \$216 million \$238 million and \$131 million \$170 million, respectively.

The Company is subject to income taxes and tax audits in many jurisdictions and is regularly audited by the Internal Revenue Service (the "IRS"). During the three months ended February 29, 2024, the IRS issued the Company a Revenue Agent's Report (the "RAR") for tax years 2014 through 2017. The Company disagrees with the RAR and will appeal has appealed certain disputed issues. The primary disputed issue relates to the valuation of the call option exercised to acquire Alliance Boots GmbH ("Alliance Boots"), described in more detail below.

On August 2, 2012, the Company acquired a transfer pricing matter where 45% equity interest in Alliance Boots along with a call option to acquire the remaining 55% equity interest in Alliance Boots, initially valued at \$866 million. During the fiscal year ended August 31, 2014 ("fiscal 2014"), the Company entered into an amendment to the Purchase and Option Agreement which accelerated the option period. Upon the amendment, the Company was required to fair value the amended option, which was estimated to be zero as a result of the option being out of the money at that time. As a result, the Company recognized a non-cash loss on the exercise of the call option of \$866 million in its fiscal 2014 financial statements. Subsequently, the rights and obligations from the exercised option were transferred to a foreign subsidiary of the Company during the fiscal year ended August 31, 2015 as part of the Company's reorganization in connection with the acquisition of the remaining 55% equity interest in Alliance Boots. As the fair value of the transferred rights and obligations from the exercised option was estimated to be zero at the time, no income was recognized for U.S. tax purposes. The IRS disagrees with the Company's conclusion and is seeking an additional tax of \$2.7 billion plus penalties and interest. The Company intends to vigorously defend its position on the transfer pricing matter through the IRS's administrative appeals office and, if necessary, judicial proceedings and is confident in its ability to prevail on the merits.

As of February 29, 2024 May 31, 2024, we believe our reserves for uncertain tax positions are appropriate based on the technical merits of the Company's tax positions. However, the ultimate outcome of a settlement or litigation is uncertain and final resolution of these matters may have a material adverse impact on the Company's consolidated financial statements. We do not expect a final resolution of these matters in the next 12 months. Based on the information currently available, we do not anticipate a significant increase or decrease to our tax contingencies for these issues within the next 12 months.

Note 12. Retirement benefits

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

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

The Company has various defined benefit pension plans outside the U.S. The principal defined benefit pension plan is the Boots Pension Plan (the "Boots Plan"), which covers certain employees in the UK. 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.

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Boots Plan Annuitization
On November 23, 2023, with financial support from the Company, Boots Pensions Limited (“Trustee”), in its capacity as trustee of the Boots Plan, entered into a Bulk Purchase Annuity Agreement (“BPA”) with Legal & General Assurance Society Limited (“Legal & General”) to insure the benefits of all 53,000 of its members.

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Under the BPA, the Trustee acquired a bulk annuity policy (the “Buy-In”) from Legal & General which will fund ongoing and future pension benefit payments to the Boots Plan members. The BPA is being funded through the existing Boots Plan assets, as well as incremental pre-tax contributions by the Company to the Boots Plan. The Company will accelerate approximately \$210 million of already committed contributions to the Boots Plan, to be paid over the next two years. Additionally, the Company has committed to make an incremental contribution to the Boots Plan, which is expected to be approximately \$760 million to \$820 million, of which approximately \$375 million was paid on December 7, 2023 and the remaining amount is expected to be paid within the next two years.

In conjunction with the Buy-In, the Boots Plan was amended resulting in an interim remeasurement of the Boots Plan. The remeasurement resulted in an increase in the funded status of the Boots Plan of \$127 \$124 million. The change resulting from the remeasurement is was recorded in Accumulated other comprehensive loss within the Consolidated Condensed Balance Sheets. The BPA allows for the future potential conversion of the BPA into a buy-out where Legal & General would assume full responsibility to directly provide pensions or other benefits to the Boots Plan members, at which time the Boots Plan can be terminated.

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

	Location in Consolidated Condensed Statements of Earnings	Three months ended		Six months ended		Location in Consolidated Condensed Statements of Earnings	Three months ended May 31,		Nine months ended May 31,	
		February 29, 2024	February 28, 2023	February 29, 2024	February 28, 2023		2024	2023	2024	2023
Service costs										
Interest costs										
Expected returns on plan assets/other										
Total net periodic pension expense (income)										
Total net periodic pension income										

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 is an expense of \$51 million \$55 million and \$111 million \$166 million for the three and six nine months ended February 29, 2024 May 31, 2024, respectively, and an expense of \$60 \$59 million and \$125 \$184 million for the three and six nine months ended February 28, 2023 May 31, 2023, respectively.

The Company also has certain contract based defined contribution arrangements. The principal one is in the UK in which both the Company and participating employees contribute. The cost recognized in the Consolidated Condensed Statements of Earnings was \$24 million \$23 million and \$46 million \$68 million for the three and six nine months ended February 29, 2024 May 31, 2024, respectively, and \$21 million and \$41 \$62 million for the three and six nine months ended February 28, 2023 May 31, 2023, respectively.

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Note 13. Accumulated other comprehensive income (loss), 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 **six** **nine** months ended **February 29, 2024** **May 31, 2024** and **February 28, 2023** **May 31, 2023** (in millions):

	Pension/ post-retirement obligations	Unrealized loss on cash flow hedges and other	Net investment hedges	Share of OCI of equity method investments	Cumulative translation adjustments	Total
Balance at November 30, 2023	\$ (642)	\$ (1)	\$ 86	\$ (147)	\$ (2,291)	\$ (2,995)
Other comprehensive income (loss) before reclassification adjustments	51	—	(1)	41	17	108
Amounts reclassified from AOCI	(4)	1	—	20	—	17
Tax provision	(12)	—	—	(14)	—	(26)
Net change in other comprehensive income (loss)	34	—	(1)	48	17	99
Balance at February 29, 2024	\$ (608)	\$ —	\$ 85	\$ (100)	\$ (2,274)	\$ (2,897)

	Pension/ post-retirement obligations	Net investment hedges	Share of OCI of equity method investments	Cumulative translation adjustments	Total
Balance at February 29, 2024	\$ (608)	\$ 85	\$ (100)	\$ (2,274)	\$ (2,897)
Other comprehensive (loss) income before reclassification adjustments	(3)	(13)	(16)	20	(13)
Amounts reclassified from AOCI	(3)	3	10	—	10
Tax benefit (provision)	2	3	2	—	6
Net change in other comprehensive (loss) income	(5)	(8)	(4)	20	3
Balance at May 31, 2024	\$ (613)	\$ 77	\$ (104)	\$ (2,254)	\$ (2,894)

	Pension/ post-retirement obligations	Pension/ post-retirement obligations	Unrealized loss on cash flow hedges and other	Net investment hedges	Share of OCI of equity method investments	Cumulative translation adjustments	Total	Pension/ post-retirement obligations	Unrealized loss on cash flow hedges and other	Net investment hedges	Share of OCI of equity method investments	Cumulative translation adjustments	Total
Balance at August 31, 2023													
Other comprehensive income (loss) before reclassification adjustments													

Amounts reclassified from AOCI

Tax provision

Tax (provision) benefit

Net change in other comprehensive income (loss)

Balance at February 29, 2024

Balance at May 31, 2024

	Pension/ post- retirement obligations	Pension/ post- retirement obligations	Unrealized loss on cash flow hedges and other	Net investment hedges	Share of OCI of equity method investments	Cumulative translation adjustments	Total	Pension/ post- retirement obligations	Unrealized loss on cash flow hedges and other	Net investment hedges	Share of OCI of equity method investments	Cumulative translation adjustments	Total
Balance at November 30, 2022													
Balance at February 28, 2023													
Other comprehensive (loss) income before reclassification adjustments													
Amounts reclassified from AOCI													
Tax benefit (provision)													
Net change in other comprehensive (loss) income													
Balance at February 28, 2023													
Balance at May 31, 2023													

	Pension/ post- retirement obligations	Pension/ post- retirement obligations	Unrealized loss on cash flow hedges and other	Net investment hedges	Share of OCI of equity method investments	Cumulative translation adjustments	Total	Pension/ post- retirement obligations	Unrealized loss on cash flow hedges and other	Net investment hedges	Share of OCI of equity method investments	Cumulative translation adjustments	Total
Balance at August 31, 2022													
Other comprehensive (loss) income before reclassification adjustments													
Amounts reclassified from AOCI													
Tax benefit (provision)													
Net change in other comprehensive (loss) income													
Balance at February 28, 2023													
Balance at May 31, 2023													

Note 14. Segment reporting

The Company is aligned into three reportable segments: U.S. Retail Pharmacy, International and U.S. Healthcare.

The operating segments have been identified based on the financial data utilized by the Company's Chief Executive Officer (the chief "chief operating decision maker" maker") to assess segment performance and allocate resources among the Company's operating segments. 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.

U.S. Retail Pharmacy

The Company's U.S. Retail Pharmacy segment includes the Walgreens business, which is comprised of the operations of retail drugstores, health and wellness services, specialty and home delivery pharmacy services, and its equity method investment in Cencora. 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, personal care and consumables and general merchandise.

International

The Company's International segment consists of pharmacy-led health and beauty retail businesses outside the U.S. and a pharmaceutical wholesaling and distribution business in Germany. Pharmacy-led health and beauty retail businesses include Boots branded stores in the UK, the Republic of Ireland and Thailand, and the Benavides brand in Mexico. In the three months ended November 30, 2023, the Company completed the sale of the Farmacias Ahumada business in Chile. Sales for these businesses are principally derived from the sale of prescription drugs and health and wellness, beauty, personal care and other consumer products.

U.S. Healthcare

The Company's U.S. Healthcare segment is a consumer-centric, technology-enabled healthcare business that engages consumers through a personalized, omni-channel experience across the care journey. The U.S. Healthcare segment delivers improved health outcomes and lower costs for payors and providers by delivering care through owned and partnered assets.

The U.S. Healthcare segment currently consists of a majority position in VillageMD, a national provider of value-based care with primary, multi-specialty, and urgent care providers serving patients in traditional clinic settings, in patients' homes and online appointments; Shields, a specialty pharmacy integrator and accelerator for hospitals; CCX Next, LLC ("CareCentrix"), CareCentrix, a participant in the post-acute and home care management sectors, and the Walgreens Health organic business that contracts with payors and providers to deliver clinical healthcare services to their members and members' caregivers through both digital and physical channels.

The results of operations for reportable segments include procurement benefits. Corporate-related overhead costs are not allocated to reportable segments and are reported in "Corporate and Other".

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The following table reflects results of operations of the Company's reportable segments (in millions):

	Three months ended		Six months ended	
	February 29, 2024	February 28, 2023	February 29, 2024	February 28, 2023
	Three months ended May 31,		Nine months ended May 31,	
	2024	2023	2024	2023
Sales:				
U.S. Retail Pharmacy				
U.S. Retail Pharmacy				
U.S. Retail Pharmacy				
International				
International				
International				
U.S. Healthcare				
U.S. Healthcare				
U.S. Healthcare				
Corporate and Other ¹				
Walgreens Boots Alliance, Inc.				
Adjusted operating income:				
Adjusted operating income:				
Adjusted operating income:				
U.S. Retail Pharmacy				
U.S. Retail Pharmacy				
U.S. Retail Pharmacy				
International				
U.S. Healthcare				
Corporate and Other ¹				
Walgreens Boots Alliance, Inc.				

¹ Includes certain eliminations.

The following table reconciles adjusted operating income to operating income (loss) income (in millions):

	Three months ended		Six months ended	
	February 29, 2024	February 28, 2023	February 29, 2024	February 28, 2023
	Three months ended May 31,		Nine months ended May 31,	
	2024	2023	2024	2023
Adjusted operating income (Non-GAAP measure)				
Acquisition-related amortization				
Transformational cost management				

Acquisition-related costs
Adjustments to equity earnings in Cencora
Certain legal and regulatory accruals and settlements
LIFO provision
Impairment of goodwill, intangibles and long-lived assets
Acquisition-related amortization
Acquisition-related costs
Certain legal and regulatory accruals and settlements
Transformational cost management
Adjustments to equity earnings in Cencora
LIFO provision
Operating (loss) income (GAAP measure)
Operating income (loss) (GAAP measure)

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Note 15. Sales

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

	Three months ended		Six months ended	
	February 29, 2024	February 28, 2023	February 29, 2024	February 28, 2023
	Three months ended May 31,		Nine months ended May 31,	
	2024	2023	2024	2023
U.S. Retail Pharmacy				
Pharmacy				
Pharmacy				
Pharmacy				
Retail				
Total				
International				
International				
International				
Pharmacy				
Pharmacy				
Pharmacy				
Retail				
Wholesale				
Total				
U.S. Healthcare				
U.S. Healthcare				
U.S. Healthcare				
Corporate and Other 1				
Corporate and Other 1				
Corporate and Other 1				

Walgreens Boots Alliance, Inc.
Walgreens Boots Alliance, Inc.
Walgreens Boots Alliance, Inc.

1. Includes certain eliminations.

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 Cencora pursuant to which the Company sources branded and generic pharmaceutical products from Cencora. Additionally, Cencora receives sourcing services for generic pharmaceutical products.

Related party transactions with Cencora (in millions):

	Three months ended		Six months ended	
	February 29, 2024	February 28, 2023	February 29, 2024	February 28, 2023
Purchases, net	\$ 17,804	\$ 15,759	\$ 36,114	\$ 31,199

	Three months ended May 31,		Nine months ended May 31,	
	2024	2023	2024	2023
Purchases, net	\$ 18,181	\$ 16,573	\$ 54,296	\$ 47,772

	February 29, 2024	August 31, 2023
Trade accounts payable, net of receivables	\$ 8,308	\$ 7,814

	May 31, 2024	August 31, 2023
Trade accounts payable, net of receivables	\$ 8,756	\$ 7,814

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Note 17. New accounting pronouncements

Adoption of new accounting pronouncements

Acquired contract assets and contract liabilities in a business combination

In October 2021, the FASB issued Accounting Standards Update ("ASU") 2021-08, Business Combinations (Topic 805) - Accounting for Contract Assets and Contract Liabilities from Contracts with Customers. This ASU requires an entity to recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606 (Revenue from Contracts with Customers). This ASU is expected to reduce diversity in practice and increase comparability for both the recognition and measurement of acquired revenue contracts with customers at the date of and after a business combination. This ASU is effective for business combinations completed in fiscal years beginning after December 15, 2022 (fiscal 2024). The Company adopted this ASU effective September 1, 2023 and the adoption did not impact the Company's results of operations, cash flows, or financial position.

Liabilities — Supplier Finance Programs

In September 2022, the FASB issued ASU 2022-04, Liabilities—Supplier Finance Programs (Topic 405-50) - Disclosure of Supplier Finance Program Obligations. This ASU requires that a buyer in a supplier finance program disclose sufficient information about the program to allow a user of financial statements to understand the program's nature, activity during the period, changes from period to period, and potential magnitude. This ASU is expected to improve financial reporting by requiring new disclosures

about the programs, thereby allowing financial statement users to better consider the effect of the programs on an entity's working capital, liquidity, and cash flows. This ASU is effective for fiscal years beginning after December 15, 2022 (fiscal 2024), except for the amendment on roll forward information which is effective for fiscal years beginning after December 15, 2023 (fiscal 2025). The Company adopted this ASU effective September 1, 2023 and the adoption did not impact the Company's disclosures within these Consolidated Condensed Financial Statements.

New accounting pronouncements not yet adopted

Leases — Common Control Arrangements

In March 2023, the FASB issued ASU 2023-01, Leases (Topic 842) – Common Control Arrangements. The ASU amends the accounting for leasehold improvements in common control arrangements by requiring a lessee in a common control lease arrangement to amortize leasehold improvements that it owns over the improvements' useful life to the common control group, regardless of the lease term, if the lessee continues to control the use of the underlying asset through a lease. Further, a lessee that no longer controls the use of the underlying asset will derecognize the remaining carrying amount of the improvements through an adjustment to equity, reflecting the transfer of the asset to the lessor under common control. This ASU is effective for fiscal years beginning after December 15, 2023 (fiscal 2025), including interim periods within those fiscal years. Early adoption is permitted in any annual or interim period as of the beginning of the related fiscal year. The Company is evaluating the effect of adopting this new accounting guidance.

Segment Reporting - Improvements to Reportable Segment Disclosures

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280) - Improvements to Reportable Segment Disclosures. This ASU is expected to improve disclosures related to an entity's reportable segments and provide additional, more detailed information about a reportable segment's expenses. This ASU is effective for fiscal years beginning after December 15, 2023 (fiscal 2025) and interim periods within fiscal years beginning after December 15, 2024 (fiscal 2026). The amendments in this ASU must be applied on a retrospective basis to all prior periods presented in the financial statements and early adoption is permitted. The Company is currently evaluating the effect of adopting this new accounting guidance.

Improvements to Income Tax Disclosures

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740) - Improvements to Income Tax Disclosures. This ASU is expected to enhance the transparency and decision usefulness of income tax disclosures by requiring public business entities on an annual basis to disclose specific categories in the rate reconciliation, additional information for reconciling items that meet a quantitative threshold, and certain information about income taxes paid. This ASU is effective for fiscal years beginning after December 15, 2024 (fiscal 2026). The amendments in this ASU are required to be applied on a prospective basis and retrospective adoption is permitted. The Company is currently evaluating the effect of adopting this new accounting guidance.

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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 payors (e.g., pharmacy benefit managers, insurance companies and governmental agencies). Trade receivables were \$4.8 billion and \$4.3 billion at February 29, 2024 May 31, 2024 and August 31, 2023, respectively. Other accounts receivable balances, which consist primarily of receivables from vendors and manufacturers, including receivables from Cencora, were \$1.4 billion \$1.2 billion and \$1.1 billion at February 29, 2024 May 31, 2024 and August 31, 2023, respectively. See Note 16. Related parties for further information.

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		Six months ended	
	February 29, 2024	February 28, 2023	February 29, 2024	February 28, 2023
	Three months ended May 31,		Nine months ended May 31,	
	2024	2023	2024	2023
Depreciation expense				
Intangible assets amortization				
Total depreciation and amortization expense				

Accumulated depreciation and amortization on property, plant and equipment was \$13.2 billion \$13.5 billion and \$13.0 billion as at February 29, 2024 May 31, 2024 and August 31, 2023, respectively.

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. 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 February 29, 2024 May 31, 2024 and August 31, 2023, respectively (in millions):

	February 29, 2024	August 31, 2023
	May 31, 2024	August 31, 2023
Cash and cash equivalents		
Cash and cash equivalents - assets held for sale (included in other current assets)		
Restricted cash - (included in other current and non-current assets)		
Cash, cash equivalents and restricted cash		

Redeemable non-controlling interest interests

The following represents a roll forward of the redeemable non-controlling interest interests in the Consolidated Condensed Balance Sheets (in millions):

	Three months ended		Six months ended	
	February 29, 2024	February 28, 2023	February 29, 2024	February 28, 2023
	Three months ended May 31,		Nine months ended May 31,	
	2024	2023	2024	2023
Opening balance				
Net loss attributable to Redeemable non-controlling interests				
Net loss attributable to Redeemable non-controlling interests				
Net loss attributable to Redeemable non-controlling interests				
Net (loss) income attributable to Redeemable non-controlling interests				
Net (loss) income attributable to Redeemable non-controlling interests				
Net (loss) income attributable to Redeemable non-controlling interests				
Redemption price adjustments and other ¹				
Reclassifications to Accrued expenses and other liabilities ²				
Ending balance				

1. Remeasurement of non-controlling interests, probable of redemption but not currently redeemable, to their redemption value, is recorded to in Paid in capital in within the Consolidated Condensed Balance Sheets. During the three months ended

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- November 30, 2022, Shields and CareCentrix redeemable non-controlling interests were recorded to redemption value as the Company announced the acceleration of its plans for their full ownership.
2. Represents the reclassification of the Shields and CareCentrix redeemable non-controlling interests to Accrued expenses and other liabilities within the Consolidated Condensed Balance Sheets, resulting from the Company's full acquisition of Shields and CareCentrix.

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 14.1 13.6 million and 14.9 14.3 million weighted outstanding options to purchase common shares that were anti-dilutive and excluded from the earnings per share calculation for the three and six nine months ended February 29, 2024 May 31, 2024, respectively, compared to 16.0 17.4 million and 16.8 17.8 million for the three and six nine months ended February 28, 2023 May 31, 2023, respectively.

Due to the anti-dilutive effect resulting from the reported net loss, an incremental 8.5 7.0 million and 6.3 3.3 million shares of potentially dilutive securities were omitted from the calculation of weighted-average common shares outstanding for the three and six nine months ended February 29, 2024 May 31, 2024 and May 31, 2023, respectively.

Due to the anti-dilutive effect resulting from the reported net loss, an incremental 4.8 million of potentially dilutive securities were omitted from the calculation of weighted-average common shares outstanding for the six months ended February 28, 2023.

Cash dividends declared per common share
Cash dividends per common share declared were as follows:

Quarter ended	Quarter ended	2024	2023	Quarter ended	2024	2023
November						
February						
May						
Total						

WALGREENS BOOTS ALLIANCE, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS

Item 2. Management's discussion and analysis of financial condition and results of operations

The following discussion and analysis of the Company's 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, 2023 as amended by Form 10-K/A for the fiscal year ended August 31, 2023 filed on November 22, 2023 (the "2023 10-K"). This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those discussed in forward-looking statements that involve risks and uncertainties. Factors that might cause a difference include, but are not limited to, those discussed under "Cautionary note regarding forward-looking statements" below and in Item 1A, Risk factors, in our 2023 10-K. References herein to the "Company," "we," "us," or "our" refer to Walgreens Boots Alliance, Inc. and its subsidiaries, and in each case do not include unconsolidated partially-owned entities, except as otherwise indicated or the context otherwise requires.

Certain amounts in the management's discussion and analysis of financial condition and results of operations may not add due to rounding. All percentages have been calculated using unrounded amounts for each of the periods presented.

INTRODUCTION AND SEGMENTS

Walgreens Boots Alliance, Inc. and its subsidiaries ("Walgreens Boots Alliance" or the "Company"), is an integrated healthcare, pharmacy and retail leader with a 170-year heritage of caring for customers and patients. Its operations are conducted through three reportable segments:

- U.S. Retail Pharmacy,
- International, and
- U.S. Healthcare.

FACTORS, TRENDS AND UNCERTAINTIES 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 historical results or current expectations. These factors include: the impact of opioid-related claims and litigation settlements; the impact of adverse global macroeconomic conditions caused by factors including, among others, inflation, high interest rates, labor shortages, supply chain disruptions and pandemics like COVID-19 on our operations and financial results; the financial performance of our equity method investees, including Cencora, Inc. ("Cencora"); the financial performance of our consolidated subsidiaries in the United States ("U.S.") Healthcare segment; the amount of goodwill impairment charge (which is based in part on estimates of future performance); the influence of certain holidays; seasonality; foreign currency rates; changes in vendor, payor and customer relationships and terms and associated reimbursement pressure; strategic transactions and acquisitions, dispositions, joint ventures and other strategic collaborations; changes in laws and regulations, including the tax law changes in the U.S. and the United Kingdom ("UK"); changes in trade tariffs, including trade relations between the U.S. and China, and international relations, including the UK's 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, including under our Transformational Cost Management Program (as defined below); the timing and severity of the cough, cold and flu season; fluctuations in variable costs; adjustments to Centers for Medicare and Medicaid Services, Medicare Advantage and Medicare rates; the impacts of looting, natural disasters, war, terrorism and other catastrophic events, and changes to management, including turnover of our top executives, and our ability to retract and retain qualified associates in the markets in which the Company operates.

Opioid litigation settlements

On November 2, 2022, the Company announced that it had agreed to financial amounts and payment terms as part of settlement frameworks (the "Settlement Frameworks") that have the potential to resolve a substantial majority of opioid-related lawsuits filed against the Company by the attorneys general of participating states and political subdivisions (the "Settling States") and litigation brought by counsel for tribes. On December 9, 2022, the Company committed the Settlement Frameworks to a proposed settlement agreement (the "Proposed Settlement Agreement"). The Proposed Settlement Agreement became effective on August 7, 2023 (the "Multistate Settlement Agreement"). As of February 29, 2024 May 31, 2024, the Company has accrued a total \$6.6 billion liability associated with the Multistate Settlement Agreement and other opioid-related claims and litigation settlements. The cost of the settlements is reflected in the Consolidated Condensed Statements of Earnings within Selling, general and administrative expenses as part of the U.S. Retail Pharmacy segment.

See Note 10. Commitments and contingencies to the Consolidated Condensed Financial Statements for further information.

WALGREENS BOOTS ALLIANCE, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS

U.S. Healthcare

The Company's U.S. Healthcare segment is a consumer-centric, technology-enabled healthcare business that engages consumers through a personalized, omni-channel experience across the care journey. The U.S. Healthcare segment delivers improved health outcomes and lower costs for payors and providers by delivering care through owned and partnered assets.

The U.S. Healthcare segment currently consists of a majority position in Village Practice Management Company, LLC ("VillageMD"), a national provider of value-based care with primary multi-specialty, and urgent care providers serving patients in traditional clinic settings, in patients' homes and online appointments; Shields Health Solutions Parent, LLC ("Shields"), a specialty pharmacy integrator and accelerator for hospitals, CCX Next, LLC ("CareCentrix"), a participant in the post-acute and home care management sectors; and the Walgreens Health organic business that contracts with payors and providers to deliver clinical healthcare services to their members and members' caregivers through both digital and physical channels.

See Note 14. Segment reporting to the Consolidated Condensed Financial Statements for further information.

Further, in the three months ended February 29, 2024, second quarter of fiscal 2024, the Company recognized a \$12.4 billion goodwill impairment charge, prior to attribution of loss to non-controlling interests, related to its VillageMD reporting unit. See Note 6. Goodwill and other intangible assets to the Consolidated Condensed Financial Statements for further information.

Strategic Initiatives

Earlier this fiscal year, the Company initiated a strategic and operational review of its business and strategy. In connection with the strategic review, the Company is analyzing several opportunities that may impact the future results of operations and cash flows, including finalizing a significant multi-year U.S. footprint optimization program to close certain underperforming stores; launching a U.S. Retail Pharmacy action plan to invest in and deliver an improved customer and patient experience across channels; aligning U.S. Pharmacy and Healthcare organizations for enhanced go-to-market capabilities; and simplifying and focusing the U.S. Healthcare portfolio, including the assessment of the Company's investment in VillageMD. The Company continues to evaluate its overall portfolio of assets and investments and may take action in line with the Company's strategic direction.

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.

RECENT DEVELOPMENTS

Change of Executive Leadership

On October 10, 2023, the Company announced that its board of directors (the "Board of Directors") appointed Timothy C. Wentworth as Chief Executive Officer ("CEO") of the Company and a member of the Board of Directors, effective as of October 23, 2023. Mr. Wentworth has previously served as CEO of Evernorth Health Services, a division of The Cigna Group ("Cigna"); as President, Health Services of Cigna; and as President and CEO of Express Scripts.

On February 6, 2024, the Company announced that its Board of Directors appointed Manmohan Mahajan as Executive Vice President and Global Chief Financial Officer ("CFO"), effective as of March 1, 2024. Mr. Mahajan has previously served as the Company's Interim Global CFO since July 2023. Prior to such interim appointment, Mr. Mahajan served as Senior Vice President, Global Controller and Chief Accounting Officer from July 2021 to July 2023.

Boots Plan Annuity

On November 23, 2023, with financial support from the Company, Boots Pensions Limited ("Trustee"), in its capacity as trustee of the Boots Pension Plan (the "Boots Plan"), entered into a Bulk Purchase Annuity Agreement ("BPA") with Legal & General Assurance Society Limited ("Legal & General") to insure the benefits of all 53,000 of its members.

See Note 12. Retirement benefits to the Consolidated Condensed Financial Statements for further information.

Sale of Farmacias Ahumada

On October 31, 2023, the Company completed the sale of the Farmacias Ahumada business in Chile.

WALGREENS BOOTS ALLIANCE, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS

Sale of Cencora common stock

On November 9, 2023, the Company entered into variable prepaid forward ("VPF") transactions with third-party financial institutions and received prepayments of \$424 million related to the forward sale of up to 2.7 million shares of Cencora common stock.

On November 9, 2023, in the three and February 7, 2024, nine months ended May 31, 2024, the Company sold shares of Cencora common stock for total consideration of approximately \$250 \$400 million and \$992 million, \$1.6 billion, respectively.

See Note 5. Equity method investments to the Consolidated Condensed Financial Statements for further information.

Prescription files and pharmacy inventory acquisitions

WALGREENS BOOTS ALLIANCE, INC. AND SUBSIDIARIES On May 8, 2024, the Company executed an asset purchase agreement to acquire prescription files and related pharmacy inventory for an aggregate purchase price up to \$375 million. The acquisition is expected to close by the end of fiscal 2024, subject to customary closing conditions.

MANAGEMENT'S DISCUSSION AND ANALYSIS**TRANSFORMATIONAL COST MANAGEMENT PROGRAM**

On December 20, 2018, the Company announced a transformational cost management program that was expected to deliver in excess of \$2.0 billion of annual cost savings by fiscal 2022 (the "Transformational Cost Management Program"). The Company achieved this goal at the end of fiscal 2021.

On October 12, 2021, the Company expanded and extended the Transformational Cost Management Program through the end of fiscal 2024 and increased its annual cost savings target to \$3.3 billion by the end of fiscal 2024. In fiscal 2022, the Company increased its annual cost savings target from \$3.3 billion to \$3.5 billion by the end of fiscal 2024. In fiscal 2023, the Company increased its annual cost savings target from \$3.5 billion to \$4.5 billion by the end of fiscal 2024. We believe the Company is currently on track to achieve the savings target.

The Transformational Cost Management Program, which is multi-faceted and includes divisional optimization initiatives, global smart spending, global smart organization and the transformation of the Company's information technology ("IT") capabilities, is designed to help the Company achieve increased cost efficiencies. To date, the Company has taken actions across all aspects of the Transformational Cost Management Program which focus primarily on the U.S. Retail Pharmacy and International reportable segments along with the Company's global functions. Divisional optimization within the Company's segments includes activities such as optimization of stores. Through the Transformational Cost Management Program the Company plans to reduce its presence by up to 650 Boots stores in the UK and approximately 650 to 700 stores in the U.S. As of February 29, 2024 May 31, 2024, the Company has closed 484 581 and 625 673 stores in the UK and U.S., respectively.

The Company estimates cumulative pre-tax charges to its GAAP financial results for the Transformational Cost Management Program to be between \$4.1 billion to and \$4.4 billion, of which pre-tax charges for exit and disposal activities are estimated to be between \$3.8 billion to and \$4.1 billion.

WALGREENS BOOTS ALLIANCE, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS

The Company currently estimates that it will recognize aggregate pre-tax charges to its GAAP financial results related to the Transformational Cost Management Program as follows:

Transformational Cost Management Program Activities	Range of Charges
Lease obligations and other real estate costs ¹	\$1,600 to \$1,650 million \$1,690 million
Asset impairments ²	\$1,000 to \$1,040 million \$1,010 million
Employee severance and business transition costs	\$900 to \$1,000 million \$1,010 million
Information technology transformation and other exit costs	\$300 to \$400 million
Total cumulative pre-tax exit and disposal charges	\$3.8 to \$4.1 billion
Other IT transformation costs	\$300 to \$330 million
Total estimated pre-tax charges	\$4.1 to \$4.4 billion

1. Includes impairments relating to operating lease right-of-use and finance lease assets.
2. Primarily related to store closures and other asset impairments.

The Company estimates that approximately 75% of the cumulative pre-tax charges relating to the Transformational Cost Management Program represent current or future cash expenditures, primarily related to employee severance and business transition costs, IT transformation and lease and other real estate payments. 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".

The total pre-tax charges under the Transformational Cost Management Program, which were primarily recorded in Selling, general and administrative expenses were as follows (in millions):

Three months ended February 29, 2024	U.S. Retail Pharmacy	International	U.S. Healthcare	Corporate and Other	Walgreens Boots Alliance, Inc.
Three months ended May 31, 2024	U.S. Retail Pharmacy	International	U.S. Healthcare	Corporate and Other	Walgreens Boots Alliance, Inc.
Total pre-tax exit and disposal charges					
Total pre-tax exit and disposal charges					
Total pre-tax exit and disposal charges					
Other IT transformation costs					
Total pre-tax charges					
Total pre-tax charges					
Total pre-tax charges					

Nine months ended May 31, 2024	U.S. Retail Pharmacy	International	U.S. Healthcare	Corporate and Other	Walgreens Boots Alliance, Inc.
Total pre-tax exit and disposal charges	\$ 320	\$ 37	\$ 5	\$ 6	\$ 368
Other IT transformation costs	34	—	—	—	34
Total pre-tax charges	\$ 354	\$ 37	\$ 5	\$ 6	\$ 402

Three months ended May 31, 2023	U.S. Retail Pharmacy	International	U.S. Healthcare	Corporate and Other	Walgreens Boots Alliance, Inc.
Total pre-tax exit and disposal charges	\$ 104	\$ 193	\$ 113	\$ 4	\$ 414
Other IT transformation costs	(1)	1	—	—	—
Total pre-tax charges	\$ 103	\$ 194	\$ 113	\$ 4	\$ 414

Six months ended February 29, 2024	U.S. Retail Pharmacy	International	U.S. Healthcare	Corporate and Other	Walgreens Boots Alliance, Inc.
Total pre-tax exit and disposal charges	\$ 240	\$ 22	\$ 5	\$ 5	\$ 272
Other IT transformation costs	34	—	—	—	34
Total pre-tax charges	\$ 274	\$ 22	\$ 5	\$ 5	\$ 306

Three months ended February 28, 2023	U.S. Retail Pharmacy	International	U.S. Healthcare	Corporate and Other	Walgreens Boots Alliance, Inc.
Total pre-tax exit and disposal charges	\$ 131	\$ 4	\$ —	\$ 2	\$ 138
Other IT transformation costs	6	—	—	—	7
Total pre-tax charges	\$ 138	\$ 5	\$ —	\$ 2	\$ 145

Six months ended February 28, 2023	U.S. Retail Pharmacy	International	U.S. Healthcare	Corporate and Other	Walgreens Boots Alliance, Inc.
Nine months ended May 31, 2023	U.S. Retail Pharmacy	International	U.S. Healthcare	Corporate and Other	Walgreens Boots Alliance, Inc.
Total pre-tax exit and disposal charges					
Total pre-tax exit and disposal charges					
Total pre-tax exit and disposal charges					
Other IT transformation costs					
Total pre-tax charges					

See Note 3. Exit and disposal activities to the Consolidated Condensed Financial Statements for further information.

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WALGREENS BOOTS ALLIANCE, INC. AND SUBSIDIARIES MANAGEMENT'S DISCUSSION AND ANALYSIS

EXECUTIVE SUMMARY

The following table presents certain key financial statistics.

	(in millions, except per share amounts)		(in millions, except per share amounts)			
	Three months ended	Six months ended	Three months ended	Nine months ended		
	February 29, 2024	February 28, 2023	February 29, 2024	February 28, 2023	May 31, 2024	May 31, 2023
Sales						
Gross profit						
Selling, general and administrative expenses						
Impairment of goodwill						
Equity earnings in Cencora						
Operating (loss) income (GAAP)						
Operating income (loss) (GAAP)						
Adjusted operating income (Non-GAAP measure) ¹						
(Loss) earnings before interest and income tax (benefit) provision						
Net (loss) earnings attributable to Walgreens Boots Alliance, Inc. (GAAP)						
Earnings (loss) before interest and income tax provision (benefit)						

Net earnings (loss) attributable to Walgreens Boots Alliance, Inc. (GAAP)

Adjusted net earnings attributable to Walgreens Boots Alliance, Inc. (Non-GAAP measure) ¹

Diluted net (loss) earnings per common share (GAAP)

Diluted net earnings (loss) per common share (GAAP)

Adjusted diluted net earnings per common share (Non-GAAP measure) ¹

		Percentage increases (decreases)				Percentage increases (decreases)			
		Three months ended		Six months ended		Three months ended May 31,		Nine months ended May 31,	
		February 29, 2024	February 28, 2023	February 29, 2024	February 28, 2023	2024	2023	2024	2023
Sales	Sales	6.3	3.3	8.1	0.9	Sales	2.6	8.6	6.2
Gross profit	Gross profit	(0.2)	(8.5)	(1.4)	(8.3)	Gross profit	(2.0)	0.2	(1.6)
Selling, general and administrative expenses ²	Selling, general and administrative expenses ²	192.6	5.6	35.1	55.1	Selling, general and administrative expenses ²	(10.3)	1.5	23.2
Impairment of goodwill	Impairment of goodwill	NM	—	NM	—	Impairment of goodwill	—	—	NM
Operating (loss) income (GAAP)		NM	(84.2)	121.8	NM				
Operating income (loss) (GAAP)		NM	49.2	103.7	NM				
Adjusted operating income (Non-GAAP measure) ¹	Adjusted operating income (Non-GAAP measure) ¹	(25.9)	(26.7)	(28.8)	(35.1)	Adjusted operating income (Non-GAAP measure) ¹	(36.1)	0.4	(31.0)
(Loss) earnings before interest and income tax (benefit) provision		NM	(28.5)	NM	(189.2)				
Net (loss) earnings attributable to Walgreens Boots Alliance, Inc. (GAAP)		NM	(20.4)	98.0	(167.6)				
Earnings (loss) before interest and income tax provision (benefit)		NM	NM	178.6	NM				
Net earnings (loss) attributable to Walgreens Boots Alliance, Inc. (GAAP)		190.8	(59.1)	94.2	NM				
Adjusted net earnings attributable to Walgreens Boots Alliance, Inc. (Non-GAAP measure) ¹	Adjusted net earnings attributable to Walgreens Boots Alliance, Inc. (Non-GAAP measure) ¹	3.5	(27.4)	(19.8)	(29.2)	Adjusted net earnings attributable to Walgreens Boots Alliance, Inc. (Non-GAAP measure) ¹	(36.6)	3.1	(24.9)
Diluted net (loss) earnings per common share (GAAP)		NM	(20.3)	98.0	(167.9)				
Diluted net earnings (loss) per common share (GAAP)		190.7	(59.0)	94.2	NM				
Adjusted diluted net earnings per common share (Non-GAAP measure) ¹	Adjusted diluted net earnings per common share (Non-GAAP measure) ¹	3.4	(27.2)	(19.9)	(29.0)	Adjusted diluted net earnings per common share (Non-GAAP measure) ¹	(36.6)	3.3	(24.9)

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WALGREENS BOOTS ALLIANCE, INC. AND SUBSIDIARIES MANAGEMENT'S DISCUSSION AND ANALYSIS

Percent to sales

Percent to sales

		Three months ended		Six months ended		Three months ended May 31,		Nine months ended May 31,		
		February 29, 2024	February 28, 2023	February 29, 2024	February 28, 2023		2024	2023	2024	2023
Gross margin	Gross margin	19.0	20.2	18.7	20.5	Gross margin	17.8	18.6	18.4	19.9
Selling, general and administrative expenses ²	Selling, general and administrative expenses ²	54.8	19.9	36.8	29.4	Selling, general and administrative expenses ²	17.6	20.1	30.5	26.3

¹ See "—Non-GAAP Measures" below for a reconciliation to the most directly comparable financial measure calculated in accordance with GAAP and related disclosures.

² Includes goodwill impairment of \$12.4 billion in both the three and six nine month periods period ended February 29, 2024 May 31, 2024.

NM - Not meaningful. Percentage increases above 200% or when one period includes income and other period includes loss are considered not meaningful.

WALGREENS BOOTS ALLIANCE RESULTS OF OPERATIONS

Net loss earnings attributable to Walgreens Boots Alliance, Inc. (GAAP) for the three months ended February 29, 2024 May 31, 2024 compared to net earnings for three months ended February 28, 2023 May 31, 2023

Net loss earnings attributable to the Company for the three months ended February 29, 2024 was \$5.9 billion compared May 31, 2024 increased 190.8 percent to net earnings \$344 million, an increase of \$703 million for the year-ago quarter, \$225 million, reflecting non-cash impairment charges. Net loss per share was \$6.85 compared to diluted higher operating income. Diluted net earnings per share increased 190.7 percent to \$0.40, reflecting an increase of \$0.81 for the year-ago quarter. Net loss and net loss per share in the current quarter includes a non-cash impairment charge related to VillageMD goodwill, \$0.26.

Operating loss income was \$13.2 billion \$111 million for the three months ended February 29, 2024 May 31, 2024 compared to operating income loss of \$197 million \$477 million for the year-ago quarter. Operating loss quarter, an increase of \$588 million. Year over year improvement in operating income reflects a \$431 million non-cash impairment of pharmacy license intangible assets in Boots UK in the year-ago quarter, includes a \$12.4 billion non-cash impairment charge related to VillageMD goodwill, which resulted in a \$5.8 billion charge attributable to WBA, net of tax cost savings initiatives, and non-controlling interest, a \$455 million non-cash impairment charge related to certain long-lived assets in the U.S. Retail Pharmacy segment, lower sale and leaseback gains, and softer U.S. retail performance, partly offset by improved profitability in the U.S. Healthcare segment, segment, partially offset by lower sale-leaseback gains and softer U.S. retail and pharmacy performance.

Other income, net for the three months ended February 29, 2024 May 31, 2024 was \$195 million \$254 million compared to Other income, net of \$552 million \$268 million for the year-ago quarter. quarter, a decrease of \$14 million. The decrease in Other income, net is mainly due to the gains from the partial sale of the Company's investments in Cencora and Option Care Health in the year-ago quarter, partly offset by a \$522 million \$155 million pre-tax charge gain for fair value adjustments on financial derivatives related to the monetization forward sale of Cencora shares in the current quarter, partly offset by higher pre-tax gains from the partial sale of the Company's equity method investment in Cencora compared to the year-ago quarter.

Interest expense, net was \$138 million \$113 million and \$141 million \$173 million for the three months ended February 29, 2024 May 31, 2024 and February 28, 2023 May 31, 2023, respectively. respectively, a decrease of \$60 million. The decrease in interest expense was primarily the result of gains on the early extinguishment of debt and lower net borrowings in the current quarter.

The Company's effective tax rate for the three months ended February 29, 2024 May 31, 2024 was a benefit an expense of 6.0 8.0 percent primarily due to the impact of the goodwill impairment, which is primarily not deductible for tax purposes, and U.S. tax on non-U.S. earnings, partially offset by tax benefits related to the initial recognition of deferred tax assets valuation allowance releases in foreign jurisdictions, net of valuation allowance. jurisdictions. The effective tax rate for the three months ended February 28, 2023 May 31, 2023 was an expense a benefit of 11.5 86.3 percent, primarily due to the reduction in the valuation allowance previously recorded against tax benefits from changes to deferred tax assets taxes as a result of internal legal entity restructuring related to capital loss carryforwards. The reduction is primarily due to capital loss carryforwards utilized in previous business acquisitions, and additional tax benefits claimed upon filing the three months ended February 28, 2023 against capital gains recognized on the sale of shares in Cencora. Company's prior year tax returns.

Adjusted net earnings attributable to Walgreens Boots Alliance, Inc. (Non-GAAP measure) for the three months ended February 29, 2024 May 31, 2024 compared to three months ended February 28, 2023 May 31, 2023

Adjusted net earnings attributable to the Company for the three months ended February 29, 2024 increased 3.5 May 31, 2024 decreased 36.6 percent to \$1.0 billion \$545 million compared with the year-ago quarter. Adjusted diluted net earnings per share for the three months ended February 29, 2024 increased 3.4 May 31, 2024 decreased 36.6 percent to \$1.20 \$0.63 compared with the year-ago quarter.

WALGREENS BOOTS ALLIANCE, INC. AND SUBSIDIARIES MANAGEMENT'S DISCUSSION AND ANALYSIS

The ~~increase~~ ~~decrease~~ in adjusted net earnings for the three months ended ~~February 29, 2024~~ ~~May 31, 2024~~ primarily reflects ~~the favorable impact of a lower adjusted effective tax rate compared with the year-ago quarter due to the recognition of deferred tax assets in foreign jurisdictions, partially offset by lower adjusted operating income due to lower sale and leaseback gains and softer U.S. retail environment and pharmacy performance as well as lower sale-leaseback gains, partly offset by cost savings initiatives and improved profitability in the U.S. Healthcare and International segment.~~

See “—Non-GAAP Measures” below for a reconciliation to the most directly comparable financial measure calculated in accordance with GAAP and related disclosures.

WALGREENS BOOTS ALLIANCE, INC. AND SUBSIDIARIES MANAGEMENT'S DISCUSSION AND ANALYSIS

Net loss attributable to Walgreens Boots Alliance, Inc. (GAAP) for the ~~six~~ ~~nine~~ months ended ~~February 29, 2024~~ ~~May 31, 2024~~ compared to ~~six~~ ~~nine~~ months ended ~~February 28, 2023~~ ~~May 31, 2023~~

Net loss attributable to the Company for the ~~six~~ ~~nine~~ months ended ~~February 29, 2024~~ was \$6.0 billion compared ~~May 31, 2024~~ increased 94.2 percent to a net loss of \$3.0 billion for the year-ago period, ~~\$5.6 billion~~, reflecting non-cash impairment charges. Net loss per share was ~~\$6.93~~ compared increased 94.2 percent to net loss per share of ~~\$3.50~~ for the year-ago period, ~~\$6.53~~. Net loss and net loss per share in the current period includes a ~~\$5.8 billion~~ non-cash impairment charge related to VillageMD goodwill. Prior year period net loss and net loss per share reflects a ~~\$5.5 billion~~ after-tax charge for opioid-related claims and litigation, partially offset by a ~~\$1.5 billion~~ after-tax gain on the sale of Cencora and Option Care Health shares.

Operating loss was ~~\$13.2 billion~~ ~~\$13.1 billion~~ for the ~~six~~ ~~nine~~ months ended ~~February 29, 2024~~ ~~May 31, 2024~~ compared to operating loss of ~~\$6.0 billion~~ ~~\$6.4 billion~~ for the year-ago period. The year-over-year period, an increase in operating loss of ~~\$6.7 billion~~. Operating loss reflects a ~~\$12.4 billion~~ ~~\$12.4 billion~~ non-cash impairment charge related to VillageMD goodwill, which resulted in a ~~\$5.8 billion~~ charge attributable to WBA, net of tax and non-controlling interest, interest. Operating loss in the current period also reflects a ~~\$455 million~~ non-cash impairment charge related to certain long-lived assets in the U.S. Retail Pharmacy segment in the current segment. Prior year period softer U.S. retail performance, and lower sale and leaseback gains, partly offset by the operating loss reflects a ~~\$6.8 billion~~ pre-tax charge for opioid-related claims and litigation recorded and a ~~\$431 million~~ non-cash impairment of pharmacy license intangible assets in the year-ago period, and improved current period profitability in the U.S. Healthcare segment. Boots UK.

Other ~~expense~~, ~~income~~, net for the ~~six~~ ~~nine~~ months ended ~~February 29, 2024~~ ~~May 31, 2024~~ was ~~\$25 million~~ ~~\$229 million~~ compared to Other income, net of ~~\$1.5 billion~~ ~~\$1.8 billion~~ for the year-ago period. period, a decrease of ~~\$1.6 billion~~. The decrease in Other income, net is mainly due to an ~~\$888 million~~ a ~~\$733 million~~ charge for fair value adjustments on financial derivatives related to the monetization of Cencora shares, and lower gains from the partial sale of the Company's equity method investment in Cencora in the current period.

Interest expense, net was ~~\$237 million~~ ~~\$351 million~~ and ~~\$252 million~~ ~~\$425 million~~ for the ~~six~~ ~~nine~~ months ended ~~February 29, 2024~~ ~~May 31, 2024~~ and ~~February 28, 2023~~ ~~May 31, 2023~~, respectively, respectively, a decrease of ~~\$74 million~~. The decrease in interest expense was primarily the result of a gain on early extinguishment of debt and lower net borrowings in the current period partly offset by higher interest rates in the current period.

The Company's effective tax rate for the ~~six~~ ~~nine~~ months ended ~~February 29, 2024~~ ~~May 31, 2024~~ was a benefit of ~~6.4~~ ~~6.3~~ percent due to the impact of the goodwill impairment, which is primarily not deductible for tax purposes, and U.S. tax on non-U.S. earnings, partially offset by tax benefits related to the initial recognition of tax basis in assets in foreign jurisdictions, net of valuation allowance. The effective tax rate for the ~~six~~ ~~nine~~ months ended ~~February 28, 2023~~ ~~May 31, 2023~~ was a benefit of ~~29.5~~ ~~33.8~~ percent, primarily due to tax benefits on the reduction in the valuation allowance previously recorded against deferred tax assets related to capital loss carryforwards. The reduction ~~is~~ ~~was~~ primarily due to capital loss carryforwards utilized against capital gains recognized on the sale of shares in Cencora and based on forecasted capital gains. This benefit was partially offset by the impact of certain nondeductible opioid-related claims recorded in the ~~six~~ ~~nine~~ months ended ~~February 28, 2023~~ ~~May 31, 2023~~.

Adjusted net earnings attributable to Walgreens Boots Alliance, Inc. (Non-GAAP measure) for ~~six~~ ~~nine~~ months ended ~~February 29, 2024~~ ~~May 31, 2024~~ compared to the ~~six~~ ~~nine~~ months ended ~~February 28, 2023~~ ~~May 31, 2023~~

Adjusted net earnings attributable to the Company for the ~~six~~ ~~nine~~ months ended ~~February 29, 2024~~ ~~May 31, 2024~~ decreased ~~19.8~~ ~~24.9~~ percent to ~~\$1.6 billion~~ ~~\$2.2 billion~~ compared with the year-ago period. Adjusted diluted net earnings per share for the ~~six~~ ~~nine~~ months ended ~~February 29, 2024~~ ~~May 31, 2024~~ decreased ~~19.9~~ ~~24.9~~ percent to ~~\$1.86~~ ~~\$2.49~~ compared with the year-ago period.

The decrease in adjusted net earnings for the ~~six~~ ~~nine~~ months ended ~~February 29, 2024~~ ~~May 31, 2024~~ primarily reflects lower adjusted operating income due to softer a continued challenging U.S. retail environment, pharmacy performance and including reimbursement pressure as well as lower sale and leaseback sale-leaseback gains, partly offset by cost savings, improved profitability in the U.S. Healthcare segment, and a lower adjusted effective tax rate due to the recognition of deferred tax assets in foreign jurisdictions, jurisdictions in the second quarter of fiscal 2024.

See “—Non-GAAP Measures” below for a reconciliation to the most directly comparable financial measure calculated in accordance with GAAP and related disclosures.

WALGREENS BOOTS ALLIANCE, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS BY SEGMENT

U.S. Retail Pharmacy

The Company's U.S. Retail Pharmacy segment includes the Walgreens business which is comprised of the operations of retail drugstores, health and wellness services, specialty and home delivery pharmacy services, and its equity method investment in Cencora. 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, personal care and consumables and general merchandise.

FINANCIAL PERFORMANCE	FINANCIAL PERFORMANCE				FINANCIAL PERFORMANCE						
	(in millions, except location amounts)				(in millions, except location amounts)						
	Three months ended			Six months ended		Three months ended		Nine months ended			
	May 31,			May 31,		May 31,		May 31,			
	February 29, 2024	February 28, 2023	February 29, 2024		February 28, 2023	February 28, 2023	2024	2023	2024	2023	
Sales											
Gross profit											
Selling, general and administrative expenses											
Equity earnings in Cencora											
Operating (loss) income											
Operating income (loss)											
Adjusted operating income ¹											
Number of prescriptions ²											
Number of prescriptions ²											
Number of prescriptions ²											
30-day equivalent prescriptions ^{2,3}											
Number of locations at period end											

		Percentage increases (decreases)				Percentage increases (decreases)						
		Three months ended		Six months ended		Three months ended May 31,			Nine months ended May 31,			
		February 29, 2024	February 28, 2023	February 29, 2024		February 28, 2023		2024	2023		2024	2023
Sales	Sales	4.7	(0.3)	5.5		(1.6)	Sales	2.3		4.4		0.3
Gross profit	Gross profit	(4.5)	(10.2)	(6.1)		(8.7)	Gross profit	(5.5)	(3.1)		(5.9)	(7.1)
Selling, general and administrative expenses	Selling, general and administrative expenses	7.4	6.3	(35.5)		67.4	Selling, general and administrative expenses	(3.0)	(12.7)		(28.2)	38.8
Operating (loss) income		NM	(73.2)		NM							
Operating income (loss)		(40.0)			NM							
Adjusted operating income ¹	Adjusted operating income ¹	(29.5)	(32.8)	(33.4)		(33.7)	Adjusted operating income ¹	(47.9)	(0.4)		(37.9)	(26.1)
Comparable sales ⁴												
Comparable sales ⁴												

Comparable sales ⁴		4.8	3.1	6.5		3.5	3.5	7.0		5.5		4.6
Pharmacy sales	Pharmacy sales	8.2	0.3	9.5		(2.0)	Pharmacy sales	4.4	6.3		7.7	0.7
Comparable pharmacy sales ⁴	Comparable pharmacy sales ⁴	8.7	4.9	10.9		4.9	Comparable pharmacy sales ⁴	5.7	9.8		9.1	6.5
Retail sales	Retail sales	(4.5)	(1.8)	(5.3)		(0.6)	Retail sales	(4.0)	(1.0)		(4.9)	(0.7)
Comparable retail sales ⁴	Comparable retail sales ⁴	(4.3)	(1.0)	(4.6)		0.1	Comparable retail sales ⁴	(2.3)	(0.2)		(3.9)	0.0
Comparable number of prescription ^{2,4}	Comparable number of prescription ^{2,4}	0.9	(2.2)	0.1		(2.3)	Comparable number of prescription ^{2,4}	(0.6)	0.5		(0.1)	1.4
Comparable 30-day equivalent prescriptions ^{2,3,4}	Comparable 30-day equivalent prescriptions ^{2,3,4}	2.7	0.2	2.0		0.1	Comparable 30-day equivalent prescriptions ^{2,3,4}	1.6	1.6		1.9	0.6

	Percent to sales			
	Three months ended May 31,		Nine months ended May 31,	
	2024	2023	2024	2023
Gross margin	17.7	19.1	18.6	20.6
Selling, general and administrative expenses	17.0	17.9	18.5	26.9

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WALGREENS BOOTS ALLIANCE, INC. AND SUBSIDIARIES MANAGEMENT'S DISCUSSION AND ANALYSIS

	Percent to sales			
	Three months ended		Six months ended	
	February 29, 2024	February 28, 2023	February 29, 2024	February 28, 2023
Gross margin	19.3	21.1	19.0	21.4
Selling, general and administrative expenses	20.6	20.0	19.2	31.4

- See "—Non-GAAP Measures" below for a reconciliation to the most directly comparable financial measure calculated in accordance with GAAP and related disclosures.
- Includes vaccinations, including COVID-19. Total prescriptions represents total prescription volume dispensed at Walgreens' retail drugstores, health and wellness services, and specialty and home delivery pharmacy services.
- Includes the adjustment to convert prescriptions greater than 84 days to the equivalent of three 30-day prescriptions. This adjustment reflects that these prescriptions include approximately three times the amount of product days supplied compared to a normal prescription.
- Comparable sales are defined as sales from stores that have been open for at least twelve consecutive months without closure for seven or more consecutive days, including due to looting or store damage, and without a major remodel or being subject to a natural disaster, in the past twelve months as well as e-commerce sales. E-commerce sales include digitally initiated sales online or through mobile applications. Relocated stores are not included as comparable sales for the first twelve months after the relocation. Acquired stores are not included as comparable sales for the first twelve months after acquisition or conversion, when applicable, whichever is later. Comparable sales, comparable pharmacy sales, comparable retail sales, comparable number of prescriptions and comparable number of 30-day equivalent prescriptions refer to total sales, pharmacy sales, retail sales, number of prescriptions and number of 30-day equivalent prescriptions, respectively. The method of calculating comparable sales varies across the retail industry and our method of calculating comparable sales may not be the same as other retailers' methods. The three and six nine months periods ended February 29, 2024 May 31, 2024 figures include an adjustment to remove February 29, 2024 results due to the leap year.

NM - Not meaningful. Percentage increases above 200% or when one period includes income and other period includes loss are considered not meaningful.

Sales for the three months ended February 29, 2024 May 31, 2024 compared to three months ended February 28, 2023 May 31, 2023

Sales for the three months ended February 29, 2024 May 31, 2024 increased by 4.7 2.3 percent to \$28.9 billion, \$28.5 billion driven by pharmacy sales, partly offset by a retail decline. Comparable sales increased by 4.8 3.5 percent for the three months ended February 29, 2024, driven almost entirely by comparable pharmacy sales. Comparable sales data has been adjusted to remove the effects of February 29, 2024 due to the leap year. May 31, 2024.

Pharmacy sales increased by 8.2 4.4 percent for the three months ended February 29, 2024, and represented 74.5 percent of the segment's sales, compared to 72.1 percent of the segment's sales in the year-ago quarter. Comparable pharmacy sales increased 8.7 percent for the three months ended February 29, 2024 May 31, 2024, benefiting from higher branded drug inflation and strong execution in script growth. Comparable pharmacy services sales increased 5.7 percent for the three months ended May 31, 2024. Comparable prescriptions filled in the second third quarter, adjusted to 30-day equivalents increased 2.7 1.6 percent from the year-ago quarter while comparable prescriptions excluding immunizations increased 2.9 1.7 percent, in line with the market, which remains impacted by Medicaid redeterminations. Total prescriptions filled in the quarter, including immunizations, adjusted to 30-day equivalents was 305.7 million 306.4 million, an increase of 2.6 0.5 percent from the year-ago quarter.

Retail Pharmacy sales decreased by 4.5 percent for the three months ended February 29, 2024 and were 25.5 represented 76.5 percent of the segment's sales, compared to 27.9 75.0 percent of the segment's sales in the year-ago quarter. quarter

Retail sales decreased by 4.0 percent for the three months ended May 31, 2024, reflecting a challenging retail environment, and continued channel shift, partly offset by an increase in owned brand penetration, reflecting new product launches and value-seeking consumer behavior. Comparable retail sales decreased 4.3 2.3 percent in the three months ended February 29, 2024, reflecting a challenging retail environment, channel shift, and a weaker respiratory season, including a 170 basis point impact from lower seasonal and general merchandise May 31, 2024. Retail sales a 90 basis point direct impact from softer cold cough flu trends, and a 40 basis point impact from adverse weather were 23.5 percent of the segment's sales compared to 25.0 percent of the segment's sales in January. the year-ago quarter.

Operating loss income for the three months ended February 29, 2024 May 31, 2024 compared to operating income for three months ended February 28, 2023 May 31, 2023 Gross profit was \$5.6 \$5.0 billion for the three months ended February 29, 2024 May 31, 2024 compared to \$5.8 billion \$5.3 billion in the year-ago quarter. Gross profit decreased 4.5 5.5 percent, primarily driven by negative brand mix impacts, generic prescription launches and increased reimbursement pressure, including the impact of unfavorable National Average Drug Acquisition Cost ("NADAC") changes, net of procurement savings. Within gross profit, retail margins were negatively affected by increased promotional activity, which was increased in the quarter as a result of continued challenges in the U.S. retail environment, and higher shrink levels, partly offset by the positive impact on gross margin from category performance improvement initiatives.

Selling, general and administrative expenses as a percentage of sales were 17.0 percent for the three months ended May 31, 2024 and 17.9 percent for the three months ended May 31, 2023. The decrease was primarily driven by lower legal expense, lower project spend and cost savings, partially offset by phasing of reimbursement lower sale-leaseback gains.

Operating income for the three months ended May 31, 2024 decreased by 40.0 percent to \$237 million, compared to \$395 million in the year-ago quarter. The decrease was primarily driven by lower pharmacy and a challenging retail environment, channel shift, a weaker respiratory season gross profit, and higher shrink, lower sale-leaseback gains, partially offset by a category performance improvement program. lower legal expense, lower project spend, and cost savings.

WALGREENS BOOTS ALLIANCE, INC. AND SUBSIDIARIES MANAGEMENT'S DISCUSSION AND ANALYSIS

Selling, general and administrative expenses as a percentage of sales were 20.6 percent for the three months ended February 29, 2024 and 20.0 percent for the three months ended February 28, 2023. The increase was primarily driven by a \$455 million non-cash impairment charge related to certain long-lived assets, and lower sale and leaseback gains, partially offset by lower project spend and cost savings.

Operating loss for the three months ended February 29, 2024 was \$297 million, compared to \$373 million of operating income in the year-ago quarter. The decrease was primarily driven by the \$455 million non-cash impairment charge related to certain long-lived assets, lower retail gross profit, and lower sale and leaseback gains.

Adjusted operating income for the three months ended February 29, 2024 May 31, 2024 compared to three months ended February 28, 2023 May 31, 2023

Adjusted operating income for the three months ended February 29, 2024 May 31, 2024 decreased by 29.5 47.9 percent to \$752 million \$501 million. The decrease reflects a challenging retail environment, generic prescription launches and increased reimbursement pressure, including the impact of unfavorable NADAC changes, net of procurement savings, as well as lower retail scan profit, higher retail shrink, sale-leaseback gains, reduced incentive accruals in the year-ago quarter and lower sale and leaseback gains. Cencora equity income, partly offset by cost savings initiatives.

See "—Non-GAAP Measures" below for a reconciliation to the most directly comparable financial measure calculated in accordance with GAAP and related disclosures.

Sales for the six nine months ended February 29, 2024 May 31, 2024 compared to six nine months ended February 28, 2023 May 31, 2023

Sales for the six nine months ended February 29, 2024 May 31, 2024 increased by 5.5 4.4 percent to \$57.8 billion. Comparable sales increased by 6.5 percent for the six months ended February 29, 2024 \$86.3 billion, driven almost entirely by comparable pharmacy sales. Comparable sales data has been adjusted to remove increased by 5.5 percent for the effects of February 29, 2024 due to the leap year. nine months ended May 31, 2024.

Pharmacy sales increased by 9.5 7.7 percent for the six nine months ended February 29, 2024 and represented 75.9 percent of the segment's sales, compared to 73.2 percent of the segment's sales in the year-ago period. Comparable pharmacy sales increased 10.9 percent for the six months ended February 29, 2024 May 31, 2024,

benefiting from higher branded drug inflation and strong execution in pharmacy services. Comparable pharmacy sales increased 9.1 percent for the nine months ended May 31, 2024. Comparable prescriptions for the six nine months ended February 29, 2024 May 31, 2024, excluding immunizations, adjusted to 30-day equivalents, increased 2.3 2.1 percent, from the year-ago period, impacted by lower market growth due to a weaker flu and respiratory season, and Medicaid redeterminations. period. Total prescriptions filled in for the quarter, nine months ended May 31, 2024, including immunizations, adjusted to 30-day equivalents was 617.3 million 923.6 million, an increase of 1.3 1.0 percent versus the year-ago period.

Retail Pharmacy sales decreased by 5.3 percent for the six months ended February 29, 2024 and were 24.1 represented 76.1 percent of the segment's sales, compared to 26.8 73.8 percent of the segment's sales in the year-ago period. Comparable retail period

Retail sales decreased 4.6 by 4.9 percent in for the six nine months ended February 29, 2024 May 31, 2024, reflecting a challenging retail environment, channel shift, a weaker respiratory season, and lower seasonal sales. Comparable retail sales decreased 3.9 percent in the nine months ended May 31, 2024. Retail sales were 23.9 percent of the segment's sales compared to 26.2 percent of the segment's sales in the year-ago period

Operating income for the six nine months ended February 29, 2024 May 31, 2024 compared to operating loss for six nine months ended February 28, 2023 May 31, 2023

Gross profit was \$11.0 \$16.0 billion for the six nine months ended February 29, 2024 May 31, 2024 compared to \$11.7 \$17.0 billion in the year-ago period. Gross profit decreased 6.1 5.9 percent, primarily driven by continued pharmacy brand mix impacts, generic prescription launches and increased reimbursement pressure, including the impact of unfavorable NADAC changes in the current period, net of procurement savings, and lower retail scan volume driven by softer US market trends and higher shrink levels, partly offset by strong execution in pharmacy services. services and the positive impact on gross margin from category performance improvement initiatives.

Selling, general and administrative expenses as a percentage of sales were 19.2 18.5 percent for the six nine months ended February 29, 2024 May 31, 2024 and 31.4 26.9 percent for the six nine months ended February 28, 2023 May 31, 2023. The decrease was almost entirely driven by the \$6.8 billion charge for opioid-related claims and litigation settlements in the year ago year-ago period, partly offset by the \$455 million non-cash impairment charge related to certain long-lived assets and lower sale and leaseback sale-leaseback gains in the current period.

Operating income for the six nine months ended February 29, 2024 was \$1 million May 31, 2024 increased \$5.2 billion to \$238 million, compared to \$5.4 billion \$5.0 billion of operating loss in the year-ago period. The increase was primarily driven by a \$6.8 billion pre-tax charge for opioid-related claims and litigation settlements in the year ago year-ago period, partly offset by lower pharmacy and retail gross profit and the \$455 million non-cash impairment charge related to certain long-lived assets in the current period.

Adjusted operating income for the six nine months ended February 29, 2024 May 31, 2024 compared to six nine months ended February 28, 2023 May 31, 2023

Adjusted operating income for the six nine months ended February 29, 2024 May 31, 2024 decreased by 33.4 percent \$1.2 billion to \$1.4 billion \$1.9 billion. The decrease reflects lower pharmacy and retail gross profit due to generic prescription launches and continued increased pharmacy reimbursement pressure, including the impact of unfavorable NADAC changes, net of procurement savings, as well as reduced incentive accruals in the year-ago period and lower Cencora equity income, partly offset by execution in pharmacy services and cost savings.

See "—Non-GAAP Measures" below for a reconciliation to the most directly comparable financial measure calculated in accordance with GAAP and related disclosures.

WALGREENS BOOTS ALLIANCE, INC. AND SUBSIDIARIES MANAGEMENT'S DISCUSSION AND ANALYSIS

International

The Company's International segment consists of pharmacy-led health and beauty retail businesses outside the U.S. and the Company's pharmaceutical wholesale and distribution business in Germany. Pharmacy-led health and beauty retail businesses include Boots branded stores in the UK, the Republic of Ireland and Thailand, and the Benavides brand in Mexico. Sales for these businesses are principally derived from the sale of prescription drugs and health and wellness, beauty, personal care and other consumer products. In the three months ended November 30, 2023, the Company completed the sale of the Farmacias Ahumada business in Chile.

The International segment operates in currencies other than the U.S. dollar, including the British pound sterling, euro Chilean peso and Mexican peso and therefore the segment's results are impacted by movements in foreign currency exchange rates. See Item 3, Quantitative and qualitative disclosure about market risk, for further information on currency risk.

The Company presents certain information related to operating results in "constant currency," which is a non-GAAP financial measure. Comparable sales in constant currency, comparable pharmacy sales in constant currency and comparable retail sales in constant currency exclude the effects of fluctuations in foreign currency exchange rates. See "—Non-GAAP Measures."

FINANCIAL PERFORMANCE	FINANCIAL PERFORMANCE					FINANCIAL PERFORMANCE				
	(in millions, except location amounts)					(in millions, except location amounts)				
	Three months ended			Six months ended		Three months ended May 31,		Nine months ended May 31,		
	February 29, 2024	February 28, 2023		February 29, 2024		February 28, 2023	2024	2023	2024	2023
Sales										
Gross profit										
Selling, general and administrative expenses										
Operating income										
Operating income (loss)										
Adjusted operating income ¹										
Number of locations at period end										
Number of locations at period end										
Number of locations at period end										
	Percentage increases (decreases)				Percentage increases (decreases)					
		Three months ended		Six months ended		Three months ended May 31,			Nine months ended May 31,	
		February 29, 2024	February 28, 2023	February 29, 2024		February 28, 2023	2024	2023	2024	2023
Sales	Sales	6.6	1.6	9.4		(4.7)	Sales	2.8	5.0	(1.6)
Gross profit	Gross profit	7.4	(0.7)	11.1		(6.8)	Gross profit	4.2	7.1	(2.5)
Selling, general and administrative expenses	Selling, general and administrative expenses	27.5	(18.2)	21.4		(18.2)	Selling, general and administrative expenses	(26.9)	48.2	(0.4)
Operating income		(40.9)	104.0	(29.2)		102.2				
Operating income (loss)		NM	NM	199.4		(52.1)				
Adjusted operating income ¹	Adjusted operating income ¹	(30.3)	55.8	(17.3)		20.2	Adjusted operating income ¹	(15.8)	19.8	(16.8)
Comparable sales in constant currency ²										
Comparable sales in constant currency ²										
Comparable sales in constant currency ²		5.0	10.8	5.8		8.4	5.3	10.7	5.6	9.1
Pharmacy sales	Pharmacy sales	(0.1)	(6.2)	3.3		(10.6)	Pharmacy sales	(5.5)	2.5	0.3
Comparable pharmacy sales in constant currency ²	Comparable pharmacy sales in constant currency ²	2.6	3.1			2.1	Comparable pharmacy sales in constant currency ²	6.4	3.2	3.5
Retail sales	Retail sales	8.3	6.1	12.3		(0.9)	Retail sales	4.0	9.3	9.6
Comparable retail sales in constant currency ²	Comparable retail sales in constant currency ²	6.1	14.7	7.5		11.8	Comparable retail sales in constant currency ²	5.3	13.1	6.8

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WALGREENS BOOTS ALLIANCE, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS

		Percent to sales				Percent to sales			
		Three months ended		Six months ended		Three months ended May 31,		Nine months ended May 31,	
		February 29, 2024	February 28, 2023	February 29, 2024	February 28, 2023	2024	2023	2024	2023
Gross margin	Gross margin	21.4	21.2	21.1	20.7	Gross margin	21.3	21.0	21.2
Selling, general and administrative expenses	Selling, general and administrative expenses	17.9	15.0	18.3	16.5	Selling, general and administrative expenses	18.8	26.5	18.5
								19.9	20.8

- 1 See "—Non-GAAP Measures" below for a reconciliation to the most directly comparable financial measure calculated in accordance with GAAP and related disclosures.
- 2 Comparable sales in constant currency are defined as sales from stores that have been open for at least twelve consecutive months without closure for seven or more consecutive days, including due to looting or store damage, and without a major remodel or being subject to a natural disaster, in the past twelve months as well as e-commerce sales. Comparable sales in constant currency exclude wholesale sales in Germany and sales from dispositions in the current period. E-commerce sales include digitally initiated sales online or through mobile applications. Relocated stores are not included as comparable sales for the first twelve months after the relocation. Acquired stores are not included as comparable sales for the first twelve months after acquisition or conversion, when applicable, whichever is later. Comparable sales in constant currency, comparable pharmacy sales in constant currency and comparable retail sales in constant currency refer to total sales, pharmacy sales and retail sales, respectively. The method of calculating comparable sales in constant currency varies across the retail industry and our method of calculating comparable sales in constant currency may not be the same as other retailers' methods. The three and six nine months periods ended February 29, 2024 May 31, 2024 figures include an adjustment to remove February 29, 2024 results due to the leap year.

NM - Not meaningful. Percentage increases above 200% or when one period includes income and other period includes loss are considered not meaningful.

Sales for the three months ended February 29, 2024 May 31, 2024 compared to three months ended February 28, 2023 May 31, 2023

Sales for the three months ended February 29, 2024 May 31, 2024 increased 6.6 2.8 percent to \$6.0 billion \$5.7 billion. The favorable impact of currency translation on sales was 3.4 1.1 percentage points. Sales increased 3.2 1.6 percent on a constant currency basis, with the Germany wholesale business growing 5.3 4.9 percent and Boots UK sales growing 3.0 1.6 percent. Comparable sales data has been adjusted to remove the effects of February 29, 2024 due to the leap year.

Pharmacy sales decreased 0.1 5.5 percent in the three months ended February 29, 2024 and represented 14.9 percent of May 31, 2024 driven by the segment's sales, Chile business disposal. The favorable impact of currency translation on pharmacy sales was 5.1 3.1 percentage points. Comparable pharmacy sales in constant currency increased 2.6 5.4 percent compared to the year-ago quarter, reflecting Boots UK comparable pharmacy sales in constant currency increasing 1.7 5.8 percent. Pharmacy sales represented 15.3 percent driven by higher pharmacy services in of the UK, and prescription drug inflation in Mexico, segment's sales.

Retail sales increased 8.3 4.0 percent for the three months ended February 29, 2024 May 31, 2024 driven by growth across all retail categories in Boots UK and represented 35.8 percent of the segment's sales, increased total retail market share. The favorable impact of currency translation on retail sales was 4.3 2.4 percentage points. Comparable retail sales in constant currency increased 6.1 5.3 percent, driven by Boots UK comparable retail sales in constant currency increasing 5.9 6.0 percent compared to the year-ago quarter with growth across all categories, and increased total retail market share. quarter. Retail sales represented 32.1 percent of the segment's sales.

Pharmaceutical wholesale sales increased 7.5 4.7 percent for the three months ended February 29, 2024 May 31, 2024 and represented 49.3 52.6 percent of the segment's sales. The favorable adverse impact of currency translation on pharmaceutical wholesale sales was 2.2 0.2 percentage points. Excluding the impact of currency translation, the increase in pharmaceutical wholesale sales represents market growth in Germany.

Operating income for the three months ended February 29, 2024 May 31, 2024 compared to operating loss for the three months ended February 28, 2023 May 31, 2023

Gross profit increased 7.4 4.2 percent for the three months ended February 29, 2024 May 31, 2024. Gross profit was favorably impacted by 4.2 2.2 percentage points, or \$50 \$26 million, as a result of currency translation. Excluding the impact of currency translation, the increase was primarily due to higher retail sales in the UK.

WALGREENS BOOTS ALLIANCE, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS

Selling, general and administrative expenses in the quarter increased 27.5 decreased 26.9 percent from the year-ago quarter to \$1.1 billion, reflecting an adverse currency impact of 5.2 1.6 percent. Excluding the impact of currency transaction, the increase decrease primarily reflects real estate gains the non-cash impairment of pharmacy license intangible assets in the UK in the year-ago quarter, and higher inflation in the UK. quarter.

Operating income for the three months ended February 29, 2024 decreased 40.9 percent May 31, 2024 increased \$446 million to \$209 million \$143 million. Operating income was favorably impacted by 1.7 percentage points, or \$6 million as a result of currency translation. Excluding the impact of currency translation, the decrease The increase in operating income reflects real estate gains the non-cash impairment of pharmacy license intangible assets in the UK in the year-ago quarter.

Adjusted operating income for the three months ended February 29, 2024 May 31, 2024 compared to three months ended February 28, 2023 May 31, 2023

Adjusted operating income for the three months ended February 29, 2024 May 31, 2024 decreased 30.3 percent \$33 million to \$245 million \$175 million. Adjusted operating income in the quarter was favorably impacted by 2.1 percentage points, or \$7 million, of currency translation. Excluding the impact of currency translation, the The decrease in adjusted operating income reflects real estate gains in the year-ago quarter. Underlying growth offset inflationary pressures. quarter.

See “—Non-GAAP Measures” below for a reconciliation to the most directly comparable financial measure calculated in accordance with GAAP and related disclosures.

Sales for the six nine months ended February 29, 2024 May 31, 2024 compared to six nine months ended February 28, 2023 May 31, 2023

Sales for the six nine months ended February 29, 2024 May 31, 2024 increased 9.4 7.1 percent to \$11.9 billion \$17.6 billion. The favorable impact of currency translation on sales was 5.6 4.1 percentage points. Sales increased 3.8 3.0 percent on a constant currency basis, with the Germany wholesale business growing 4.5 4.7 percent and Boots UK sales growing 4.5 3.5 percent. Comparable sales data has been adjusted to remove the effects of February 29, 2024 due to the leap year.

Pharmacy sales increased 3.3 0.3 percent in the six nine months ended February 29, 2024 and represented 15.4 percent of the segment's sales. May 31, 2024. The favorable impact of currency translation on pharmacy sales was 6.7 percent 5.5 percentage points. Comparable pharmacy sales in constant currency increased 2.1 3.2 percent compared to the year-ago period, reflecting Boots UK comparable pharmacy sales in constant currency increasing 1.2 2.7 percent. Pharmacy sales represented 15.3 percent driven by higher pharmacy services in of the UK, and prescription drug inflation in Mexico. segment's sales.

Retail sales increased 12.3 9.6 percent for the six nine months ended February 29, 2024 May 31, 2024 reflecting growth across all categories in Boots UK, and represented 34.5 percent of the segment's sales. increased total retail market share. The favorable impact of currency translation on retail sales was 6.2 4.9 percentage points. Comparable retail sales in constant currency increased 7.5 6.8 percent, driven by Boots UK comparable retail sales in constant currency increasing 7.6 7.1 percent. Retail sales represented 33.7 percent reflecting growth across all categories, and increased total retail market share. of the segment's sales.

Pharmaceutical wholesale sales increased 9.4 7.7 percent for the six nine months ended February 29, 2024 May 31, 2024 and represented 50.1 50.9 percent of the segment's sales. The favorable impact of currency translation on pharmaceutical wholesale sales was 4.9 3.1 percentage points. Excluding the impact of currency translation, the increase in pharmaceutical wholesale sales reflects market growth in Germany.

Operating income for the six nine months ended February 29, 2024 May 31, 2024 compared to six nine months ended February 28, 2023 May 31, 2023

Gross profit increased 11.1 8.7 percent for the six nine months ended February 29, 2024 May 31, 2024. Gross profit was favorably impacted by 6.1 4.8 percentage points, or \$137 \$163 million, as a result of currency translation. Excluding the impact of currency translation, the increase was primarily due to higher retail sales in the UK, and market growth in our Germany wholesale business.

Selling, general and administrative expenses for the six nine months ended February 29, 2024 increased 21.4 May 31, 2024 decreased 0.4 percent from the year-ago period to \$2.2 \$3.3 billion, reflecting an adverse currency impact of 6.9 4.5 percentage points reflecting points. Excluding the impact of currency translation, the decrease reflects the pharmacy license intangible assets impairment in the UK in the year-ago period, partially offset by real estate gains in the year-ago period and higher inflation and increased investment in IT information technology in the UK.

Operating income for the six nine months ended February 29, 2024 decreased 29.2 May 31, 2024 increased 199.4 percent to \$325 \$468 million. Operating income was favorably impacted by 2.8 9.1 percentage points, or \$13 \$14 million as a result of currency translation. Excluding the impact of currency translation, the decrease increase in operating income reflects real estate gains in the year-ago period, lower selling, general and higher inflation administrative expenses and increased investment in IT in the UK, partially offset by higher retail sales in the UK.

WALGREENS BOOTS ALLIANCE, INC. AND SUBSIDIARIES MANAGEMENT'S DISCUSSION AND ANALYSIS

Adjusted operating income for the six nine months ended February 29, 2024 May 31, 2024 compared to six nine months ended February 28, 2023 May 31, 2023

Adjusted operating income for the six nine months ended February 29, 2024 May 31, 2024 decreased 17.3 16.8 percent to \$387 \$562 million. Adjusted operating income in the quarter was favorably impacted by 3.4 2.6 percentage points, or \$16 \$17 million, of currency translation. Excluding the impact of currency translation, the decrease in adjusted operating income reflects real estate gains in the year-ago period, and higher inflation and increased investment in IT information technology in the UK, partially offset by higher retail sales in the UK.

See “—Non-GAAP Measures” below for a reconciliation to the most directly comparable financial measure calculated in accordance with GAAP and related disclosures.

WALGREENS BOOTS ALLIANCE, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS

U.S. Healthcare

The Company's U.S. Healthcare segment is a consumer-centric, technology-enabled healthcare business that engages consumers through a personalized, omni-channel experience across the care journey. The U.S. Healthcare segment delivers improved health outcomes and lower costs for payors and providers by delivering care through owned and partnered assets.

The U.S. Healthcare segment currently consists of a majority position in VillageMD, a national provider of value-based care with primary, multi-specialty, and urgent care providers serving patients in traditional clinic settings, in patients' homes and online appointments; Shields, a specialty pharmacy integrator and accelerator for hospitals; CareCentrix, a participant in the post-acute and home care management sectors, and the Walgreens Health business that contracts with payors and providers to deliver clinical healthcare services and care management programs through both digital and physical channels, provides data insights, and partners with sponsors to facilitate clinical trials.

FINANCIAL PERFORMANCE	FINANCIAL PERFORMANCE (in millions, except location amounts)				FINANCIAL PERFORMANCE (in millions, except location amounts)			
	Three months ended		Six months ended		Three months ended May 31,		Nine months ended May 31,	
	February 29, 2024	February 28, 2023	February 29, 2024		February 28, 2023	2024	2023	2024 2023
Sales								
Gross profit								
Selling, general and administrative expenses								
Impairment of goodwill								
Operating loss (GAAP)								
Adjusted operating loss ¹								
Adjusted EBITDA (Non-GAAP measure) ¹								

¹ See "—Non-GAAP Measures" below for a reconciliation to the most directly comparable financial measure calculated in accordance with GAAP and related disclosures.

Sales for the three months ended February 29, 2024 May 31, 2024 compared to three months ended February 28, 2023 May 31, 2023

Sales for the three months ended February 29, 2024 May 31, 2024 increased \$542 \$150 million to \$2.2 billion \$2.1 billion, reflecting the acquisition of Summit by VillageMD, and growth led by VillageMD and Shields compared to the year-ago quarter. VillageMD sales, inclusive of Summit, increased \$533 million 6.6 percent to \$1.6 billion reflecting same clinic growth additional risk and additional full-risk fee-for-service lives under management, management, partly offset by the impact of clinic closures. Shields sales increased 12.6 23.5 percent to \$141 \$143 million, driven by recent contract wins and further expansion of growth within existing partnerships.

Operating loss for the three months ended February 29, 2024 May 31, 2024 compared to three months ended February 28, 2023 May 31, 2023

Gross profit for the three months ended February 29, 2024 May 31, 2024 was \$191 \$181 million, an increase of \$159 \$93 million compared to the year-ago quarter reflecting the acquisition of Summit by VillageMD and growth led by VillageMD and Shields.

Selling, general and administrative expenses were \$13.2 billion \$402 million for the three months ended February 29, 2024 May 31, 2024 compared to \$504 million \$611 million for the three months ended February 28, 2023 May 31, 2023. The increase decrease compared to the year-ago quarter was primarily driven by the \$12.4 billion non-cash impairment charge higher costs related to the Transformational Cost Management Program in the year-ago quarter, continued cost discipline, and lower acquisition-related costs.

Operating loss for the three months ended May 31, 2024 was \$220 million, compared to a loss of \$522 million in the year-ago quarter, a decrease of \$302 million. The decrease was driven by the lower selling, general and administrative expenses and growth led by VillageMD goodwill and Shields.

Adjusted operating loss for the acquisition three months ended May 31, 2024 compared to three months ended May 31, 2023

Adjusted operating loss for the three months ended May 31, 2024 was \$22 million, compared to a loss of Summit \$172 million in the year-ago quarter. The improvement compared to the year-ago quarter was driven by VillageMD, cost discipline and growth from VillageMD and Shields.

WALGREENS BOOTS ALLIANCE, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS

Operating loss for the three months ended February 29, 2024 was \$13.1 billion, an increase of \$12.6 billion versus the year-ago quarter. The increase was driven by the \$12.4 billion non-cash impairment charge related to VillageMD goodwill, partly offset by growth from VillageMD and Shields, and continued cost discipline.

Adjusted operating loss for the three months ended February 29, 2024 compared to three months ended February 28, 2023

Adjusted operating loss was \$34 million for the three months ended February 29, 2024 compared to a loss of \$159 million in the year-ago quarter. The improvement compared to the year-ago quarter was driven by growth from VillageMD and Shields, and continued cost discipline.

Adjusted EBITDA (Non-GAAP measure) for the three months ended February 29, 2024 May 31, 2024 compared to three months ended February 28, 2023 May 31, 2023

Adjusted EBITDA of \$17 million \$23 million improved by \$127 million \$136 million compared to the year-ago quarter reflecting growth from VillageMD and Shields, and continued cost discipline.

See "—Non-GAAP Measures" below for a reconciliation to the most directly comparable financial measure calculated in accordance with GAAP and related disclosures.

Sales for the six nine months ended February 29, 2024 May 31, 2024 compared to six nine months ended February 28, 2023 May 31, 2023

Sales for the six nine months ended February 29, 2024 May 31, 2024 increased \$1.5 billion \$1.6 billion to \$4.1 billion \$6.2 billion, reflecting the acquisition of Summit by VillageMD, and growth led by VillageMD and Shields compared to the year-ago period. VillageMD sales, inclusive of Summit, increased \$1.4 billion \$1.5 billion to \$3.1 billion \$4.7 billion reflecting same clinic growth, additional full-risk lives, and increased multi-specialty productivity. Shields sales increased \$44 million \$71 million to \$273 million \$416 million, driven by recent contract wins and further expansion of growth within existing partnerships.

Operating loss for the six nine months ended February 29, 2024 May 31, 2024 compared to six nine months ended February 28, 2023 May 31, 2023

Gross profit for the six nine months ended February 29, 2024 May 31, 2024 was \$316 million \$498 million, an increase of \$267 million \$360 million compared to the year-ago period primarily reflecting the acquisition of Summit by VillageMD and growth led by VillageMD and Shields.

Selling, general and administrative expenses were \$13.8 billion \$14.2 billion for the six nine months ended February 29, 2024 May 31, 2024 compared to \$958 million \$1.6 billion for the six nine months ended February 28, 2023 May 31, 2023. The increase compared to the year-ago period was primarily driven by the \$12.4 billion non-cash impairment charge related to VillageMD goodwill and planned clinic closures.

Operating loss for the six nine months ended February 29, 2024 May 31, 2024 was \$13.5 billion \$13.7 billion, compared to a loss of \$1.4 billion in the year-ago period, an increase of \$12.6 billion versus the year-ago period. \$12.3 billion. The increase was primarily driven by the \$12.4 billion \$12.4 billion non-cash impairment charge related to VillageMD goodwill and planned clinic closures, partially offset by growth from VillageMD and Shields, and continued cost discipline. closures.

Adjusted operating loss for the six nine months ended February 29, 2024 May 31, 2024 compared to six nine months ended February 28, 2023 May 31, 2023

Adjusted operating loss was \$129 million for the six nine months ended February 29, 2024 May 31, 2024 was \$151 million, compared to a loss of \$311 million \$483 million in the year-ago period. The improvement compared to the year-ago period was driven by growth from VillageMD and Shields, and continued cost discipline.

Adjusted EBITDA (Non-GAAP measure) for the six nine months ended February 29, 2024 May 31, 2024 compared to six nine months ended February 28, 2023 May 31, 2023

Adjusted EBITDA loss of \$22 million \$1 million improved by \$211 million \$347 million compared to the year-ago period reflecting growth from VillageMD and Shields, and continued cost discipline.

See "—Non-GAAP Measures" below for a reconciliation to the most directly comparable financial measure calculated in accordance with GAAP and related disclosures.

WALGREENS BOOTS ALLIANCE, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS

NON-GAAP MEASURES

The following information provides reconciliations of the supplemental non-GAAP financial measures, as defined under the SEC rules, presented herein 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 herein, 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. See notes to the "Net earnings (loss) earnings to Adjusted net earnings & Diluted net earnings (loss) earnings per share to Adjusted diluted net earnings per share" and "Operating loss to Adjusted EBITDA for the U.S. Healthcare segment" reconciliation tables for definitions of non-GAAP financial measures and related adjustments presented below.

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 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 the Company's historical operating results. We also use non-GAAP financial measures as a basis for certain compensation programs sponsored by the Company. 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 herein.

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 U.S. 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.

WALGREENS BOOTS ALLIANCE, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS

NON-GAAP RECONCILIATIONS

Operating income (loss) income to Adjusted operating income (loss) by segments (in millions)

The following are reconciliations of segment GAAP operating income (loss) income to segment adjusted operating income (loss), as well as reconciliations of consolidated operating income (loss) (GAAP measure) to consolidated adjusted operating income (Non-GAAP measure):

	Three months ended February 29, 2024					Three months ended May 31, 2024					
	U.S. Retail Pharmacy	U.S. Retail Pharmacy	International	U.S. Healthcare	Corporate and Other	Walgreens Boots Alliance, Inc.	U.S. Retail Pharmacy	International	U.S. Healthcare	Corporate and Other	Walgreens Boots Alliance, Inc.
Operating (loss) income (GAAP)											
Impairment of goodwill, intangibles and long-lived assets											
Operating income (loss) (GAAP)											
Acquisition-related amortization											
Transformational cost management											
Acquisition-related costs											
Adjustments to equity earnings in Cencora											
Certain legal and regulatory accruals and settlements											
Transformational cost management											

Transformational cost management
Transformational cost management
Adjustments to equity earnings in Cencora
LIFO provision
LIFO provision
LIFO provision
Adjusted operating income (loss) (Non-GAAP measure)
Adjusted operating income (loss) (Non-GAAP measure)
Adjusted operating income (loss) (Non-GAAP measure)

Three months ended February 28, 2023					Three months ended May 31, 2023					
U.S. Retail Pharmacy	U.S. Retail Pharmacy	International	U.S. Healthcare	Corporate and Other	Walgreens Boots Alliance, Inc.	U.S. Retail Pharmacy	International	U.S. Healthcare	Corporate and Other	Walgreens Boots Alliance, Inc.

Operating income (loss) (GAAP)
Transformational cost management
Impairment of intangible assets
Acquisition-related amortization
Certain legal and regulatory accruals and settlements
Transformational cost management
Acquisition-related amortization
Acquisition-related costs
Adjustments to equity earnings in Cencora
LIFO provision
Adjusted operating income (loss) (Non-GAAP measure)
Adjusted operating income (loss) (Non-GAAP measure)
Adjusted operating income (loss) (Non-GAAP measure)

**Adjusted operating
income (loss) (Non-GAAP
measure)**

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**WALGREENS BOOTS ALLIANCE, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS**

	Six months ended February 29, 2024				
	U.S. Retail Pharmacy	International	U.S. Healthcare	Corporate and Other	Walgreens Boots Alliance, Inc.
Operating income (loss) (GAAP)	\$ 1	\$ 325	\$ (13,494)	\$ (41)	\$ (13,209)
Impairment of goodwill, intangibles and long-lived assets	478	—	12,579	34	13,090
Acquisition-related amortization	189	31	324	—	545
Acquisition-related costs	60	9	458	(115)	412
Certain legal and regulatory accruals and settlements	324	—	—	—	324
Transformational cost management	274	22	5	5	306
Adjustments to equity earnings in Cencora	72	—	—	—	72
LIFO provision	48	—	—	—	48
Adjusted operating income (loss) (Non-GAAP measure)	\$ 1,446	\$ 387	\$ (129)	\$ (117)	\$ 1,588

	Six months ended February 28, 2023				
	U.S. Retail Pharmacy	International	U.S. Healthcare	Corporate and Other	Walgreens Boots Alliance, Inc.
Operating (loss) income (GAAP)	\$ (5,385)	\$ 459	\$ (909)	\$ (119)	\$ (5,954)
Certain legal and regulatory accruals and settlements	6,981	—	—	—	6,981
Transformational cost management	265	11	—	7	283
Acquisition-related amortization	155	29	392	—	577
Acquisition-related costs	1	(32)	206	12	187
Adjustments to equity earnings in Cencora	117	—	—	—	117
LIFO provision	38	—	—	—	38
Adjusted operating income (loss) (Non-GAAP measure)	\$ 2,172	\$ 468	\$ (311)	\$ (100)	\$ 2,229

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**WALGREENS BOOTS ALLIANCE, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Net (loss) earnings to Adjusted net earnings & Diluted Net (loss) earnings per share to Adjusted diluted net earnings per share (in millions):

	Three months ended		Six months ended	
	February 29, 2024	February 28, 2023	February 29, 2024	February 28, 2023
Net (loss) earnings attributable to Walgreens Boots Alliance, Inc. (GAAP)	\$ (5,908)	\$ 703	\$ (5,975)	\$ (3,018)

Adjustments to operating (loss) income:				
Acquisition-related amortization ¹	270	247	545	577
Acquisition-related costs ²	249	148	412	187
Transformational cost management ³	197	145	306	283
Adjustments to equity earnings in Cencora ⁴	22	31	72	117
LIFO provision ⁵	—	20	48	38
Impairment of goodwill, intangibles and long-lived assets ⁶	13,090	—	13,090	—
Certain legal and regulatory accruals and settlements ⁷	242	427	324	6,981
Total adjustments to operating (loss) income	14,071	1,018	14,797	8,183
Adjustments to other income (expense), net:				
Loss on certain non-hedging derivatives ⁸	522	—	888	—
Gain on sale of equity method investment ⁹	(712)	(544)	(852)	(1,513)
Loss on disposal of business ¹⁰	—	—	4	—
Total adjustments to other income (expense), net	(190)	(544)	40	(1,513)
Adjustments to interest expense, net:				
Interest expense on debt ¹¹	6	—	6	—
Total adjustments to interest expense, net	6	—	6	—
Adjustments to income tax (benefit) provision:				
Tax impact of adjustments ¹²	(595)	(122)	(798)	(1,560)
Equity method non-cash tax ¹²	11	14	15	23
Total adjustments to income tax (benefit) provision	(584)	(108)	(783)	(1,537)
Adjustments to post-tax earnings from other equity method investments:				
Adjustments to earnings in other equity method investments ¹³	9	13	19	22
Total adjustments to post-tax earnings from other equity method investments	9	13	19	22
Adjustments to net loss attributable to non-controlling interests:				
Impairment of goodwill, intangibles and long-lived assets ⁶	(6,195)	—	(6,195)	—
Acquisition-related costs ²	(116)	(40)	(186)	(54)
Acquisition-related amortization ¹	(58)	(42)	(116)	(78)
Total adjustments to net loss attributable to non-controlling interests	(6,369)	(82)	(6,497)	(133)

	Nine months ended May 31, 2024				
	U.S. Retail Pharmacy	International	U.S. Healthcare	Corporate and Other	Walgreens Boots Alliance, Inc.
Operating income (loss) (GAAP)	\$ 238	\$ 468	\$ (13,715)	\$ (90)	\$ (13,099)
Impairment of goodwill, intangibles and long-lived assets	478	—	12,579	34	13,091
Acquisition-related amortization	287	47	478	—	811
Acquisition-related costs	75	11	502	(108)	480
Transformational cost management	354	37	5	6	401
Certain legal and regulatory accruals and settlements	376	—	—	—	376
Adjustments to equity earnings in Cencora	129	—	—	—	129
LIFO provision	11	—	—	—	11
Adjusted operating income (loss) (Non-GAAP measure)	\$ 1,947	\$ 562	\$ (151)	\$ (158)	\$ 2,200

	Nine months ended May 31, 2023				
	U.S. Retail Pharmacy	International	U.S. Healthcare	Corporate and Other	Walgreens Boots Alliance, Inc.
Operating (loss) income (GAAP)	\$ (4,990)	\$ 156	\$ (1,431)	\$ (167)	\$ (6,431)
Certain legal and regulatory accruals and settlements	7,249	—	—	—	7,249
Acquisition-related amortization	236	45	570	—	851
Transformational cost management	368	206	113	10	697
Impairment of intangible assets	—	299	—	—	299
Acquisition-related costs	4	(29)	265	18	257
Adjustments to equity earnings in Cencora	178	—	—	—	178
LIFO provision	89	—	—	—	89
Adjusted operating income (loss) (Non-GAAP measure)	\$ 3,134	\$ 676	\$ (483)	\$ (139)	\$ 3,188

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**WALGREENS BOOTS ALLIANCE, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Adjusted net earnings attributable to Walgreens Boots Alliance, Inc. (Non-GAAP measure)	\$ 1,036	\$ 1,000	\$ 1,607	\$ 2,004
Diluted net (loss) earnings per common share (GAAP) ¹⁴	\$ (6.85)	\$ 0.81	\$ (6.93)	\$ (3.50)
Adjustments to operating (loss) income	16.27	1.18	17.12	9.47
Adjustments to other income (expense), net	(0.22)	(0.63)	0.05	(1.75)
Adjustments to interest expense, net	0.01	—	0.01	—
Adjustments to income tax (benefit) provision	(0.68)	(0.12)	(0.91)	(1.78)
Adjustments to post-tax earnings from other equity method investments	0.01	0.02	0.02	0.03
Adjustments to net loss attributable to non-controlling interests	(7.37)	(0.09)	(7.52)	(0.15)
Adjusted diluted net earnings per common share (Non-GAAP measure) ¹⁵	\$ 1.20	\$ 1.16	\$ 1.86	\$ 2.32
Weighted average common shares outstanding, diluted (in millions) ¹⁵	864.6	863.4	864.3	863.8

Net earnings (loss) to Adjusted net earnings & Diluted Net earnings (loss) per share to Adjusted diluted net earnings per share (in millions):

	Three months ended May 31,		Nine months ended May 31,	
	2024	2023	2024	2023
Net earnings (loss) attributable to Walgreens Boots Alliance, Inc. (GAAP)	\$ 344	\$ 118	\$ (5,631)	\$ (2,900)
Adjustments to operating income (loss):				
Impairment of goodwill, intangibles and long-lived assets ¹	—	299	13,091	299
Acquisition-related costs ²	68	70	480	257
Acquisition-related amortization ³	266	274	811	851
Certain legal and regulatory accruals and settlements ⁴	52	268	376	7,249
Transformational cost management ⁵	95	414	401	697
Adjustments to equity earnings in Cencora ⁶	57	61	129	178
LIFO provision ⁷	(36)	51	11	89
Total adjustments to operating income (loss)	502	1,436	15,299	9,620
Adjustments to other income, net:				

(Gain) loss on certain non-hedging derivatives ⁸	(155)	26	733	26
Gain on sale of equity method investment ⁹	(88)	(179)	(940)	(1,692)
Gain on investments, net ¹⁰	—	(76)	—	(76)
Loss on disposal of business ¹¹	—	—	4	—
Total adjustments to other income, net	(244)	(229)	(203)	(1,742)
Adjustments to interest expense, net:				
Interest expense on debt ¹²	6	—	12	—
Total adjustments to interest expense, net	6	—	12	—
Adjustments to income tax provision (benefit):				
Tax impact of adjustments ¹³	(23)	(408)	(821)	(1,968)
Equity method non-cash tax ¹³	6	10	20	33
Total adjustments to income tax provision (benefit)	(17)	(397)	(800)	(1,935)
Adjustments to post-tax (loss) earnings from other equity method investments:				
Adjustments to earnings in other equity method investments ¹⁴	6	9	25	31
Total adjustments to post-tax (loss) earnings from other equity method investments	6	9	25	31
Adjustments to net loss attributable to non-controlling interests:				
Transformational cost management ⁵	(1)	—	(1)	—
Impairment of goodwill, intangibles and long-lived assets ¹	—	—	(6,195)	—
Acquisition-related costs ²	(14)	(16)	(200)	(71)
Acquisition-related amortization ³	(37)	(61)	(153)	(139)

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WALGREENS BOOTS ALLIANCE, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS

Total adjustments to net loss attributable to non-controlling interests	(52)	(77)	(6,549)	(210)
Adjusted net earnings attributable to Walgreens Boots Alliance, Inc. (Non-GAAP measure)	\$ 545	\$ 860	\$ 2,152	\$ 2,864
Diluted net earnings (loss) per common share (GAAP) ¹⁵	\$ 0.40	\$ 0.14	\$ (6.53)	\$ (3.36)
Adjustments to operating income (loss)	0.58	1.66	17.70	11.14
Adjustments to other income, net	(0.28)	(0.27)	(0.23)	(2.02)
Adjustments to interest expense, net	0.01	—	0.01	—
Adjustments to income tax provision (benefit)	(0.02)	(0.46)	(0.93)	(2.24)
Adjustments to post-tax (loss) earnings from other equity method investments	0.01	0.01	0.03	0.04
Adjustments to net loss attributable to non-controlling interests	(0.06)	(0.09)	(7.58)	(0.24)
Adjusted diluted net earnings per common share (Non-GAAP measure) ¹⁶	\$ 0.63	\$ 1.00	\$ 2.49	\$ 3.32
Weighted average common shares outstanding, diluted (in millions) ¹⁶	864.3	863.8	864.3	863.8

Operating loss to Adjusted EBITDA for U.S. Healthcare segment (in millions):

	Three months ended		Six months ended	
	February 29, 2024	February 28, 2023	February 29, 2024	February 28, 2023
Operating loss (GAAP) ¹⁶	\$ (13,059)	\$ (472)	\$ (13,494)	\$ (909)
Impairment of goodwill, intangibles and long-lived assets ⁶	12,579	—	12,579	—
Acquisition-related amortization ¹	159	154	324	392
Acquisition-related costs ²	285	158	458	206
Transformational cost management ³	3	—	5	—
Adjusted operating loss	(34)	(159)	(129)	(311)
Depreciation expense	38	34	81	49
Stock-based compensation expense ¹⁷	13	16	26	29
Adjusted EBITDA (Non-GAAP measure)	\$ 17	\$ (109)	\$ (22)	\$ (233)

	Three months ended May 31,		Nine months ended May 31,	
	2024	2023	2024	2023
Operating loss (GAAP) ¹⁷	\$ (220)	\$ (522)	\$ (13,715)	\$ (1,431)
Impairment of goodwill, intangibles and long-lived assets ¹	—	—	12,579	—
Acquisition-related amortization ³	154	178	478	570
Acquisition-related costs ²	44	59	502	265
Transformational cost management ⁵	1	113	5	113
Adjusted operating loss	(22)	(172)	(151)	(483)
Depreciation expense	32	43	113	92
Stock-based compensation expense ¹⁸	13	16	39	45
Adjusted EBITDA (Non-GAAP measure)	\$ 23	\$ (113)	\$ 1	\$ (346)

- ¹ Impairment of goodwill, intangibles and long-lived assets recognized in the nine months ended May 31, 2024 resulted from the interim goodwill impairment assessment for the VillageMD reporting unit. These charges do not relate to the ordinary course of the Company's business. The Company excludes these charges when evaluating operating performance because it does not incur such charges on a predictable basis and exclusion of such charges enables more consistent evaluation of the Company's operating performance. These charges are recorded in Selling, general and administrative expenses and Impairment of goodwill within the Consolidated Condensed Statements of Earnings.
- ² Acquisition-related costs are transaction and integration costs associated with certain merger, acquisition and divestitures related activities recorded in Operating income (loss) within the Consolidated Condensed Statement of Earnings. Examples of such costs include deal costs, severance, stock-based compensation, employee transaction success bonuses, and other integration related exit and disposal charges. These charges are primarily recorded within Selling, general and administrative expenses within the Consolidated Condensed Statements of Earnings. These costs are significantly impacted by the timing and complexity of the underlying merger, acquisition and divestitures related activities and do not reflect the Company's current operating performance.

WALGREENS BOOTS ALLIANCE, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS

- 3 Acquisition-related amortization includes amortization of acquisition-related intangible assets, inventory valuation adjustments and stock-based compensation fair valuation adjustments. Amortization of acquisition-related intangible assets includes amortization of intangible assets such as customer relationships, trade names, trademarks, developed technology and contract intangibles. Intangible asset amortization excluded from the related non-GAAP measure represents the entire amount recorded within the Company's GAAP financial statements. The revenue generated by the associated intangible assets has not been excluded from the related non-GAAP measures. Amortization expense, unlike the related revenue, is not affected by operations of any particular period unless an intangible asset becomes impaired, or the estimated useful life of an intangible asset is revised. These charges are primarily recorded within in Selling, general and administrative expenses within the Consolidated Condensed Statements of Earnings. The stock-based compensation fair valuation adjustment reflects the difference between the fair value based remeasurement of awards under purchase accounting and the grant date fair valuation. Post-acquisition compensation expense recognized in excess of the original grant date fair value of acquiree awards are excluded from the related non-GAAP measures as these arise from acquisition-related accounting requirements or agreements, and are not reflective of normal operating activities.
- 2 Acquisition-related costs are transaction and integration costs associated with certain merger, acquisition and divestitures related activities recorded in Operating (loss) income within the Consolidated Condensed Statement of Earnings. Examples of such costs include deal costs, severance, stock-based compensation, employee transaction success bonuses, and other integration related exit and disposal charges. These charges are primarily recorded within Selling, general and administrative expenses within the Consolidated Condensed Statements of Earnings. These costs are significantly impacted by the timing and complexity of the underlying merger, acquisition and divestitures related activities and do not reflect the Company's current operating performance.

WALGREENS BOOTS ALLIANCE, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS

- 3 Transformational Cost Management Program charges are costs associated with a formal restructuring plan. These charges are primarily recorded in Selling, general and administrative expenses within the Consolidated Condensed Statements of Earnings. These costs do not reflect current operating performance and are impacted by the timing of restructuring activity.
- 4 Adjustments to equity earnings in Cencora consist of the Company's proportionate share of non-GAAP adjustments reported by Cencora consistent with the Company's non-GAAP measures.
- 5 The Company's U.S. Retail Pharmacy segment inventory is accounted for using the last-in-first-out ("LIFO") method. This adjustment represents the impact on cost of sales as if the U.S. Retail Pharmacy segment inventory is accounted for using first-in first-out ("FIFO") method. The LIFO provision is affected by changes in inventory quantities, product mix, and manufacturer pricing practices, which may be impacted by market and other external influences. Therefore, the Company cannot control the amounts recognized or timing of these items.
- 6 Impairment of goodwill, intangibles and long-lived assets recognized in the three months ended February 29, 2024 resulting from the interim goodwill impairment assessment for the VillageMD reporting unit. These charges do not relate to the ordinary course of the Company's business. The Company excludes these charges when evaluating operating performance because it does not incur such charges on a predictable basis and exclusion of such charges enables more consistent evaluation of the Company's operating performance. These charges are recorded within Selling, general and administrative expenses and Impairment of goodwill within the Consolidated Condensed Statements of Earnings.
- 7 Certain legal and regulatory accruals and settlements relate to significant charges associated with certain legal proceedings, including legal defense costs. The Company excludes these charges when evaluating operating performance because it does not incur such charges on a predictable basis and exclusion of such charges enables more consistent evaluation of the Company's operating performance. These charges are recorded in Selling, general and administrative expenses within the Consolidated Condensed Statements of Earnings. In fiscal 2023, the Company recorded charges related to the opioid litigation settlement frameworks and certain other legal matters.
- 5 Transformational Cost Management Program charges are costs associated with a formal restructuring plan. These charges are primarily recorded in Selling, general and administrative expenses within the Consolidated Condensed Statements of Earnings. These costs do not reflect current operating performance and are impacted by the timing of restructuring activity.
- 6 Adjustments to equity earnings in Cencora consist of the Company's proportionate share of non-GAAP adjustments reported by Cencora consistent with the Company's non-GAAP measures.
- 7 The Company's U.S. Retail Pharmacy segment inventory is accounted for using the last-in-first-out ("LIFO") method. This adjustment represents the impact on cost of sales as if the U.S. Retail Pharmacy segment inventory is accounted for using first-in first-out ("FIFO") method. The LIFO provision is affected by changes in inventory quantities, product mix, and manufacturer pricing practices, which may be impacted by market and other external influences. Therefore, the Company cannot control the amounts recognized or timing of these items.
- 8 Includes fair value gains or losses on the VPF derivatives and certain derivative instruments used as economic hedges of the Company's net investments in foreign subsidiaries. These charges are recorded within Other income, (expense), net. The Company does not believe this volatility related to the mark-to-market adjustments on the underlying derivative instruments reflects the Company's operational performance.
- 9 Gains on the sale of equity method investments are recorded in Other income, (expense), net within the Consolidated Condensed Statements of Earnings. The Company excludes these charges when evaluating operating performance because these do not relate to the ordinary course of the Company's business.
- 10 Includes significant gains resulting from the change in classification of investments as well as the fair value adjustments recorded to Other income, net. During the three months ended May 31, 2023, the Company recorded pre-tax gains of \$76 million related to the change in classification of its previously held equity method investment in Option Care Health to an investment in equity security held at fair value.
- 11 Includes losses related to the sale of businesses. These charges are recorded in Other income (expense), net, within the Consolidated Condensed Statements of Earnings.
- 11 12 Includes interest expense on external debt to fund incremental contributions to the Boots Plan required to complete the Trustee's acquisition of a bulk annuity policy (the "Buy-In") from Legal & General. The payments and related incremental interest expense are not indicative of normal operating performance.
- 12 13 Adjustments to income tax provision (benefit) provision include adjustments to the GAAP basis tax benefit commensurate with non-GAAP adjustments and certain discrete tax items including U.S. and UK tax law changes and equity method non-cash tax. These charges are recorded in Income tax provision (benefit) provision within the Consolidated Condensed Statements of Earnings.
- 13 14 Adjustments to post-tax (loss) earnings from other equity method investments consist of the proportionate share of certain equity method investees' non-cash items or unusual or infrequent items consistent with the Company's non-GAAP adjustments. These charges are recorded in Post-tax (loss) earnings from other equity method investments within the Consolidated Condensed Statements of Earnings. 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.
- 14 15 Due to the anti-dilutive effect resulting from periods where the Company reports a net loss, the impact of potentially dilutive securities on the per share amounts has been omitted from the calculation of weighted-average common shares outstanding for diluted net loss per common share.
- 15 16 Includes impact of potentially dilutive securities in the calculation of weighted-average common shares, diluted for adjusted diluted net earnings per common share calculation purposes.

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16 17 The Company reconciles Adjusted EBITDA for the U.S. Healthcare segment to Operating loss as the closest GAAP measure for the segment profitability. The Company does not measure Net earnings attributable to Walgreens Boots Alliance, Inc. for its segments.

17 18 Includes GAAP stock-based compensation expense excluding expenses related to acquisition-related amortization and acquisition-related costs.

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The Company considers certain metrics presented in this report, such as comparable sales (in constant currency), comparable pharmacy sales (in constant currency), comparable retail sales (in constant currency), comparable number of prescriptions, and comparable 30-day equivalent prescriptions to be key performance indicators because the Company's management has evaluated its results of operations using these metrics and believes that these key performance indicators presented provide additional perspective and insights when analyzing the core operating performance of the Company from period to period and trends in its historical operating results. These key performance indicators 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 herein. These measures may not be comparable to similarly-titled performance indicators used by other companies.

LIQUIDITY AND CAPITAL RESOURCES

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. The Company has paid cash dividends every quarter since 1933. As part of an evaluation of strategic and operational options, including those related to capital allocation, the Company announced a 48 percent reduction in its quarterly dividend payment to 25 cents per share, to strengthen the Company's long-term balance sheet and cash position, starting with the quarterly dividend payable in March 2024. This action reinforces the Company's goals of increasing cash flow, while freeing up capital to invest in sustainable growth initiatives in the pharmacy and healthcare businesses, which the Company believes will ultimately improve shareholder value. Further, the Company is dependent on funding from its subsidiaries to pay dividends and meet its obligations. If the Company's subsidiaries' financial performance and earnings are not sufficient to make dividend payments to the Company while maintaining adequate capital levels, the Company may reduce or may not be able to make dividend payments to its stockholders. Future dividends will be determined based on earnings, capital requirements, financial condition, and other debt obligations, fines and/or adverse rulings by courts or arbitrators in legal or regulatory matters, changes in federal, state or foreign income tax law, adverse global macroeconomic conditions, changes to the Company's business model and other factors considered relevant by the Company's Board of Directors at its sole discretion. For further information regarding the Company's dependence on its subsidiaries to pay dividends and meet its obligations, please see Part I, Item 1A, Risk factors in the fiscal 2023 10-K.

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. Additionally, the Company's cash requirements, and its ability to generate cash flow, have been and may continue to be adversely affected by adverse global macroeconomic conditions caused by factors including, among others, inflation, high interest rates, labor shortages, supply chain disruptions, and pandemics like COVID-19. For further information regarding the impact of adverse macroeconomic conditions on the Company, including on its liquidity and capital resources, please see Part I, Item 1A, Risk factors in the fiscal 2023 10-K.

The Company expects to fund its working capital needs, capital expenditures, expansion, acquisitions, dividend payments, stock repurchases and debt service obligations from liquidity sources including cash flow from operations, availability under existing credit facilities, working capital financing arrangements, debt offerings, sale of marketable securities, current cash, and monetization of investments and other assets. The Company believes that these sources, and the ability to obtain other financing will provide adequate cash funds to meet the Company's needs for at least the next 12 months. See Part I, Item 3, Qualitative and quantitative disclosures about market risk, below for a discussion of certain financing and market risks. See Note 7. Debt to the Consolidated Condensed Financial Statements for further information on the Company's debt instruments and its recent financing actions.

Cash, cash equivalents and restricted cash were \$715 million \$740 million (including \$162 million \$147 million in non-U.S. jurisdictions) as of February 29, 2024 May 31, 2024 compared to \$856 million (including \$144 million in non-U.S. jurisdictions) as of August 31, 2023. 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.

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On November 23, 2023, with financial support from the Company, Boots Pensions Limited, in its capacity as trustee of the Boots Pension Plan, entered into a Bulk Purchase Annuity Agreement with Legal & General Assurance Society Limited to insure the benefits of all 53,000 of its members. The Company has committed to contributing approximately \$970 million to \$1.0 billion to the Boots Plan (including the acceleration of previously committed contributions) to fund the purchase of a bulk annuity policy. On December 7, 2023 During the three and nine months ended May 31, 2024, the Company paid \$375 \$32 million and \$411 million, respectively, of the commitment, with the remaining amount expected to be paid within the next two years. See Note 12. Retirement benefits to the Consolidated Condensed Financial Statements for further information.

At February 29, 2024 May 31, 2024, the Company had no guarantees outstanding and the letters of credit issued were not material. See Note 7. Debt to the Consolidated Condensed Financial Statements for further information on the Company's debt instruments and its recent financing actions.

Cash flows from operating activities

Net cash used for operating activities was \$918 million \$314 million compared to net cash provided by operating activities of \$1.2 billion for the six nine months ended February 29, 2024 May 31, 2024 and February 28, 2023 May 31, 2023, respectively. The decrease in cash provided by operating activities is primarily driven by \$780 million higher in payments related to legal matters, and the Boots Pension Plan Annuity premium payments, changes in net working capital, lower earnings and lower earnings, underlying seasonality. Changes in net working capital are primarily driven by lower cash flows from timing higher levels of accounts receivable and trade accounts payable, inventory as compared to year-ago period.

Cash flows from investing activities

Net cash provided by investing activities was \$902 million \$1.1 billion compared to net cash used for investing activities of \$3.6 billion \$3.2 billion for the six nine months ended February 29, 2024 May 31, 2024 and February 28, 2023 May 31, 2023, respectively.

Net cash provided by investing activities for the six nine months ended February 29, 2024 May 31, 2024 includes proceeds from sale-leaseback transactions of \$727 million \$773 million and sale proceeds of \$1.2 \$1.6 billion related to the Company's sale of Cencora common stock offset by additions to property, plant and equipment of \$858 million. \$1.1 billion.

Net cash used for investing activities for the six nine months ended February 28, 2023 May 31, 2023 includes the Summit business acquisition, net of cash acquired of \$6.7 billion, partially offset by sale cash proceeds of \$3.0 \$3.5 billion related to the Company's sale of 19.2 million shares of Cencora and Option Care common stock, and cash proceeds of \$1.5 billion from sale-leaseback transactions of \$942 million. transactions.

See Note 2. Acquisitions and other investments and Note 5. Equity method investments to the Consolidated Condensed Financial Statements for further information.

Capital Expenditure

Capital expenditure primarily includes information technology projects and other growth initiatives. Additions to property, plant and equipment were as follows (in millions):

	Six months ended		Nine months ended May 31,	
	February 29, 2024	February 28, 2023	2024	2023
U.S. Retail Pharmacy				
International				
U.S. Healthcare				
Total additions to property, plant and equipment				

The decrease in capital expenditure represents the reprioritization of growth initiatives, including the reduction in VillageMD footprint expansion, the rollout of micro-fulfillment centers, and digital transformation initiatives.

Cash flows from financing activities

Net cash used for financing activities for the six nine months ended February 29, 2024 May 31, 2024 was \$127 million \$912 million compared to net cash provided by financing activities of \$1.8 billion \$573 million in the year-ago period.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

In the six nine months ended February 29, 2024 May 31, 2024, there were \$15.4 billion \$23.1 billion in proceeds from debt, primarily from revolving credit facilities and issuance of commercial paper, compared to \$2.8 billion \$5.4 billion in proceeds from debt, primarily from issuance of commercial paper and credit facilities, in the year-ago period. In the six nine months ended February 29, 2024 May 31, 2024 there were \$14.9 billion \$23.1 billion in payments of debt made primarily for revolving credit facilities and commercial paper compared to \$1.5 billion \$5.2 billion in payments of credit facilities and commercial paper, in the year-ago period. See Note 7. Debt, to the Consolidated Condensed Financial Statements for further information.

In the **six** **nine** months ended **February 29, 2024** **May 31, 2024**, the Company entered into VPF transactions with third-party financial institutions and received prepayments of \$424 million related to the forward sale of up to 2.7 million shares of Cencora common **stock**. **stock**, and \$644 million in prepayments related to the forward sale of 4.6 million shares in the year-ago period. See Note 5. Equity method investments and Note 8. Financial instruments, to the Consolidated Condensed Financial Statements for further information.

The Company purchased treasury shares to support the needs of the employee stock plans totaling \$69 million and \$150 million during the **six** **nine** months ended **February 29, 2024** **May 31, 2024** and **February 28, 2023** **May 31, 2023**, respectively. The Company did not repurchase stock pursuant to the stock repurchase programs described below.

In the nine months ended May 31, 2023, the Company received \$2.7 billion in proceeds from the issuance of preferred units in VillageMD to Cigna as part of the Summit acquisition and subsequent exercise of tranche rights.

Cash dividends paid were **\$828 million** **\$1.0 billion** and **\$829 million** **\$1.2 billion** during the **six** **nine** months ended **February 29, 2024** **May 31, 2024** and **February 28, 2023** **May 31, 2023**, respectively.

Stock repurchase program

In June 2018, the Company's Board of Director's approved a stock repurchase program (the "June 2018 stock repurchase program"), which authorized the repurchase of up to \$10.0 billion of the Company's common stock of which the Company had repurchased \$8.0 billion as of **February 29, 2024** **May 31, 2024**. The June 2018 stock repurchase program has no specified expiration date. In July 2020, the Company suspended repurchases under this program. The Company may continue to repurchase stock to offset anticipated dilution from equity incentive plans.

The Company determines the timing and amount of repurchases, including repurchases to offset anticipated dilution from equity incentive plans, based on its 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 the Company to repurchase shares at times when we otherwise might be precluded from doing so under federal securities laws.

Debt covenants

Each of the Company's credit facilities described in Note 7. Debt, to the Consolidated Condensed Financial Statements, 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. As of **February 29, 2024** **May 31, 2024**, the Company was in compliance with all such applicable financial covenants.

Credit ratings

As of **March 27, 2024** **June 26, 2024**, the credit ratings of Walgreens Boots Alliance were:

Rating agency	Senior unsecured debt rating	Commercial paper rating	Outlook
Moody's	Ba2	NP	Stable outlook
Standard & Poor's	BBB-	A-3	Negative outlook

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.

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The Company's senior unsecured debt ratings were lowered to BBB- with a negative outlook by Standard and Poor's in October 2023 and Ba2 (below investment grade) with a stable outlook by Moody's in December 2023. The reduction in the Company's credit ratings has limited impact to the cost of interest on existing debt, but has minimally increased borrowing margins under certain credit facilities that are tied to ratings grids or similar terms. The Company's current credit ratings

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significantly reduce the Company's ability to issue commercial paper, may increase the cost of new financing for the Company, and may decrease access to credit and debt capital markets. As of February 29, 2024 May 31, 2024, the Company had an aggregate borrowing capacity under committed revolving credit facilities of \$5.8 billion, with \$40 \$70 million in funds drawn under these facilities.

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WALGREENS BOOTS ALLIANCE, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS

CRITICAL ACCOUNTING ESTIMATES

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 Consolidated Condensed Statements of Earnings and corresponding Consolidated Condensed Balance Sheets accounts would be necessary. These adjustments would be made in future periods. For a discussion of our significant accounting policies, please see the Company's fiscal 2023 Form 10-K. Some of the more significant estimates include business combinations, leases, goodwill and indefinite-lived intangible asset impairments, cost of sales and inventory, equity method investments, pension and postretirement benefits, legal contingencies, and income taxes.

NEW ACCOUNTING PRONOUNCEMENTS

A discussion of new accounting pronouncements is described in Note 17. New accounting pronouncements, to the Consolidated Condensed Financial Statements 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 made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These include, without limitation, any statements regarding the Company's future operations, financial or operating results, capital allocation, anticipated debt levels and ratios, future earnings, planned activities, anticipated growth, goodwill impairment, market opportunities, strategies, competition, and other expectations and targets for future periods. Words such as "expect," "outlook," "forecast," "would," "could," "should," "can," "will," "project," "intend," "plan," "goal," "opportunity," "guidance," "projection," "target," "aim," "continue," "transform," "strive," "enable," "create," "position," "accelerate," "model," "long-term," "believe," "seek," "estimate," "anticipate," "may," "possible," "assume," "potential," "preliminary," 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. These risks, assumptions and uncertainties include those described in the 2023 Form 10-K, Item 1A, Risk factors which are incorporated herein by reference, and in other documents that we file or furnish with the SEC. If one or more of these risks or uncertainties materializes, or if underlying assumptions prove incorrect, actual results may vary materially from those indicated or anticipated by such forward-looking statements. All forward-looking statements we make or that are made on our behalf are qualified by these cautionary statements. Accordingly, you should not place undue reliance on these forward-looking statements, which speak only as of the date they are made.

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.

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WALGREENS BOOTS ALLIANCE, INC. AND SUBSIDIARIES
ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Item 3. Quantitative and qualitative disclosure about market risk

Interest rate risk

The Company is exposed to interest rate volatility with regard to existing variable-rate debt instruments and future incurrences of fixed or variable-rate debt, which exposure primarily relates to movements in various interest rates, such as U.S. treasury rates 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-rate 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 and financial instruments are set forth in Note 8. Financial instruments, to the Consolidated Condensed Financial Statements. These financial instruments are sensitive to changes in interest rates. As of February 29, 2024 May 31, 2024, the Company had \$2.3 \$2.4 billion of debt obligations at floating interest rates. A hypothetical 100 basis points increase in prevailing interest rates would increase annual interest expense on floating rate debt by approximately \$28 \$24 million.

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 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).

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 February 29, 2024 May 31, 2024, by approximately \$44 \$43 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 Cencora common stock price may have a significant impact on the fair value of the equity method investment in Cencora. As of February 29, 2024 May 31, 2024, a hypothetical 10% increase or decrease in the market price of Cencora common stock would increase or decrease the fair value of the Cencora common stock held by the Company by \$619 \$553 million.

Changes in Cencora common stock price may have a significant impact on the fair value of the variable prepaid forward derivative contracts. As of February 29, 2024 May 31, 2024, a hypothetical 10% increase or decrease in the market price of Cencora common stock would increase or decrease the fair value of the Company's variable prepaid forward contract liabilities by \$426 \$397 million and \$389 \$352 million, respectively.

See Note 5. Equity method investments and Note 8. Financial instruments to the Consolidated Condensed Financial Statements for further details.

WALGREENS BOOTS ALLIANCE, INC. AND SUBSIDIARIES

ITEM 4. CONTROLS AND PROCEDURES

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 Quarterly Report on 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 the ordinary course of business, the Company reviews its internal control over financial reporting and makes changes to its systems and processes that are intended to enhance such controls and increase efficiency while maintaining an effective internal control environment. Changes may include such activities as updating existing systems, automating manual processes, standardizing controls and modifying monitoring controls.

As we transform our business processes, we continue to make strategic changes in how we perform certain key business functions. These changes include the continued leveraging of extended workforces via third-party outsource arrangements as well as our continued implementation of new information systems. These initiatives are not being implemented in response to any identified internal control deficiency or weakness. As these changes occur, we will evaluate quarterly whether such changes materially affect, or are reasonably likely to materially affect, the Company's 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 February 29, 2024 May 31, 2024 were identified that have materially affected, or are reasonably likely to materially affect, the Company's 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 a 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.

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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 2023 10-K for the year ended August 31, 2023, as amended by Form 10-K/A for the fiscal year ended August 31, 2023 filed on November 22, 2023, as further amended and supplemented by the risk factors set forth below, which could materially affect our business, financial condition or future results.

We have a substantial amount of goodwill and other intangible assets that have become impaired and could, in the future, become further impaired, resulting in material non-cash charges to our results of operations.

As of February 29, 2024 May 31, 2024, we had \$15.8 billion of goodwill and \$13.0 \$12.8 billion of other intangible assets on our Consolidated Condensed Balance Sheets. We evaluate this goodwill and other indefinite-lived intangible assets for impairment annually during the fourth quarter, or more frequently when and if an event occurs or circumstances change that could more likely than not reduce the fair value of a reporting unit or indefinite-lived intangible asset below its carrying value. As part of this impairment analysis, we determine fair value for each reporting unit using both the income and market approaches. Estimated fair values have and could change if, for example, there are changes in the business climate, changes in the competitive environment, adverse legal or regulatory actions or developments, changes in capital structure, cost of debt and equity, capital expenditure levels, operating cash flows, or market capitalization. In the second quarter of fiscal 2024, we recorded \$12.4 billion of non-cash impairment charges related to VillageMD goodwill. Further impairments may occur and may have a material impact on our financial condition and results of operations. We will continue to monitor the fair value of our reporting units, investments and other intangible assets, as well as our market capitalization and the impact of any economic downturn on our business, to determine if there is any further impairment in future periods.

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 February 29, 2024 May 31, 2024 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, among other types of transactions and arrangements.

Period	Issuer purchases of equity securities			
	Total number of shares purchased by month	Average price paid per share	Total number of shares purchased by month as part of publicly announced plans or programs ¹	Approximate dollar value of shares that may yet be purchased under the plans or programs ¹
12/03/01/23 24 -				
12/03/31/23 24	—	\$ —	—	\$ 2,003,419,960
01/04/01/24 -				
01/31/04/30/24	—	—	—	2,003,419,960
02/05/01/23 24 -				
02/29/05/31/24	—	—	—	2,003,419,960
	—		—	

¹ On June 28, 2018, the Company announced a stock repurchase program, which authorized the repurchase of up to \$10.0 billion of Walgreens Boots Alliance Inc. common stock. This program has no specified expiration date. In July 2020, the Company announced that it had suspended activities under this program.

Item 5. Other information

During the three months ended February 29, 2024 May 31, 2024, none of the Company's directors or executive officers adopted or terminated any contract, instruction or written plan for the purchase or sale of Company the Company's securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement" (as those terms are defined in Regulation S-K, Item 408).

WBA Q2 Q3 2024 Form 10-Q

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WALGREENS BOOTS ALLIANCE, INC. AND SUBSIDIARIES PART II. OTHER INFORMATION

In June 2024, the Board approved a form of indemnification agreement (the "Indemnification Agreement") to be entered into by and between the Company and each of its directors and select officers to provide for rights to indemnification and advancement of expenses generally consistent with the Company's Amended and Restated Bylaws, which provide for mandatory indemnification and advancement of expenses to the fullest extent authorized by the General Corporation Law of the State of Delaware for directors and officers of the Company. The foregoing description of the Indemnification Agreement is not complete and is qualified in its entirety by reference to the Indemnification Agreement filed herewith as Exhibit 10.2 and incorporated herein by reference.

WBA Q3 2024 Form 10-Q

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WALGREENS BOOTS ALLIANCE, INC. AND SUBSIDIARIES PART II. OTHER INFORMATION

Item 6. Exhibits

Exhibit No.	Description	SEC Document Reference
2.1	Second Amendment to Agreement and Plan of Merger, dated as of January 3, 2023, by and among WP CityMD Topco LLC, Village Practice Management Company Holdings, LLC, Village Practice Management Company, LLC and Project Teton Merger Sub LLC.	Incorporated by reference to Exhibit 2.2 to Walgreens Boots Alliance, Inc.'s Current Report on Form 8-K (File No. 1-36759) filed with the SEC on January 5, 2023.
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 January 31, 2023.
10.1*	Offer Letter agreement Separation and Consulting Services Agreement by and between Walgreen Co. and John Driscoll, dated March 27, 2024.	Incorporated by reference to Exhibit 10.1 to Walgreens Boots Alliance, Inc.'s Current Report on Form 8-K (File No. 1-36759) filed with the SEC on March 28, 2024.
10.2*	Form of Indemnification Agreement between Walgreens Boots Alliance, Inc. and Manmohan Mahajan, dated January 31, 2024, its directors and officers.	Filed herewith.
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	Inline XBRL Instance Document (The following financial information from this Quarterly Report on Form 10-Q for the quarter ended February 29, 2024 May 31, 2024 formatted in Inline XBRL (Extensive Business Reporting Language) includes: (i) the Consolidated Condensed Balance Sheets; (ii) the Consolidated Condensed Statements of Equity; (iii) the Consolidated Condensed Statements of Earnings; (iv) the Consolidated Condensed Statements of Comprehensive Income; (v) the Consolidated Condensed Statements of Cash Flows; and (vi) Notes Financial Statements).	Filed herewith.
101.SCH	Inline XBRL Taxonomy Extension Schema Document	Filed herewith.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	Filed herewith.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	Filed herewith.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	Filed herewith.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	Filed herewith.
104	Cover Page Interactive Data File (formatted as Inline XBRL document and included in Exhibit 101)	Filed herewith.

WALGREENS BOOTS ALLIANCE, INC. AND SUBSIDIARIES
PART II. OTHER INFORMATION

* Management contract or compensatory plan or arrangement.

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: March 28, 2024 June 27, 2024

/s/ Manmohan Mahajan
Manmohan Mahajan
Executive Vice President and Global Chief Financial Officer
Principal Financial Officer

Dated: March 28, 2024 June 27, 2024

/s/ Todd D. Heckman
Todd D. Heckman
Senior Vice President, Global Controller and Chief Accounting Officer
Principal Accounting Officer

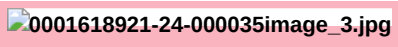


Exhibit 10.2

INDEMNIFICATION AGREEMENT

EXHIBIT 10.1

January 31, THIS INDEMNIFICATION AGREEMENT (this “Agreement”), dated as of [●], 2024,

Manmohan Mahajan
[Address]

Dear Manmohan,

We are pleased to offer you the position of EVP & Global Chief Financial Officer, is entered into by and between Walgreens Boots Alliance, Inc. (“WBA”, a Delaware corporation (the “Company”), and [] (“Indemnatee”).

WHEREAS, the Company has determined that providing adequate protection against legal liability and legal expenses is important to attracting and retaining highly competent and experienced persons to serve as directors and officers, or to provide certain other services to or

at the "Company") reporting request of the Company;

WHEREAS, the Company has determined that it is therefore reasonable, prudent, and necessary to indemnify and hold harmless, and to advance expenses on behalf of, such persons to the Chief Executive Officer, WBA. We thank you fullest extent permitted by applicable law, and to provide contractual protections for serving such indemnification and advancement rights to avoid undue concern by such persons that they will not be adequately protected;

WHEREAS, Indemnitee serves as a director or officer of the Company, or otherwise provides similar services at the direction or request of the Company, its subsidiaries, or its affiliates;

WHEREAS, this Agreement is a supplement to and in furtherance of any rights to indemnification and advancement of expenses of Indemnitee under the Organizational Documents and any resolutions adopted pursuant thereto, as well as any rights of Indemnitee under any D&O Insurance, and this Agreement shall not be deemed a substitute therefor, nor to diminish or abrogate any rights of Indemnitee thereunder; and

WHEREAS, in order to induce Indemnitee to provide, or continue to provide, such services, the Company wishes to indemnify Indemnitee and advance their expenses to the fullest extent permitted by applicable law, and to agree to contractual protections for such indemnification and advancement rights.

NOW, THEREFORE, in consideration of the above premises and of Indemnitee's service, and intending to be legally bound hereby, the parties agree as follows:

1. Certain Definitions. The following terms shall have the following meanings in this role on an interim basis and look forward to you continuing in this role going forward The terms of this offer are subject to the final approval of the Compensation and Leadership Performance Committee of Agreement:

(a) **"Board"** means the Board of Directors of WBA. Below are the terms of your offer, which will become effective as of March 1, 2024 (the "Effective Date").

Company.

Base Salary. (b) Your salary will be at "Change of Control" has the annualized rate of \$900,000 less all applicable tax withholdings and benefit deductions - paid monthly same meaning as in accordance with our salaried employee payroll cycle.

Annual Bonus Opportunity. Based on your position, you will be eligible for annual bonuses under the Walgreens Boots Alliance, Inc. (WBA) corporate bonus program, which is based on the Company's fiscal year running from September 1 through August 31. The current bonus target for your position is 125% of your eligible earnings. Your actual bonus each year is subject to Company performance and your individual performance, and all bonuses are subject to the discretion and approval of the Compensation and Leadership Performance Committee of the WBA Board of Directors. Your bonus for fiscal year 2024 will be based on your Global Controller position bonus target prior to the Effective Date, and the above-noted bonus target after the Effective Date.

Long-Term Incentives. You will also be eligible for long-term incentives granted under the terms and conditions of the WBA 2021 Omnibus Incentive Plan. You will be eligible for market-competitive award levels granted at the discretion of the Compensation and Leadership Performance Committee of the WBA Board of Directors. For your position, long-term incentives currently consist of the programs listed below and a combined target award equal in economic value to \$4,000,000 annually. You will receive your first awards at this new target award level on the next annual grant date following the Effective Date (i.e., November 1, 2024), subject to approval by the Compensation and Leadership Performance Committee of the WBA Board of Directors. As shown below, the current allocation among the two types of awards is roughly 50% in restricted stock units and 50% in performance shares. In making award decisions each year, this Committee considers target award levels, budget levels, relative individual performance, and other factors.

Restricted Stock Units: Restricted stock units (RSUs) are awarded annually. RSUs provide you with units of stock that are converted to shares at vesting and appreciate in value as the stock price increases. Subject to continued employment, 1/3 of the award vests each year for three years after the grant date, and the vested RSUs are settled in shares of WBA stock. RSUs currently make up 50% of your total annual target award value described above.

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Performance Shares: Performance shares are awarded annually and represent stock awards that are contingent upon the performance of the Company. You are awarded a targeted number of "contingent shares" on the date of grant, and then between 0% and 200% of these target shares are earned and settled in shares of WBA stock at the end of a three-year period, based on the performance of the Company over that period, and subject to your continued employment. Performance shares currently make up 50% of your total annual target award value described above.

The annual and long-term incentives described above, including program components and target award levels, are subject to adjustments over time, as we continually review our program features to align with market practices and other total rewards objectives.

Other Compensation

Special Restricted Stock Unit (RSU) Award: You will be considered by the Compensation and Leadership Performance Committee of the WBA Board for a one-time award of RSUs, valued at \$2,175,000 as of the grant date. This special award would be granted on or after the Effective Date. It will become vested in one-third increments as of the first, second and third anniversaries of the grant date. Just like the other Long-Term Incentives described above, this RSU award would be issued pursuant to an RSU award agreement under the 2021 Omnibus Incentive Plan covering all terms and conditions, and this agreement would be issued to you electronically for your review and signature or any successor plan. immediately (c) following "D&O Insurance" means directors' and officers' liability insurance purchased by the grant date. Company.

If you want to accept this offer, please sign your name on the line below, fill in the date, and return the signed letter. The duplicate of this letter is for your records.

You should not consider this offer to be a contract or guarantee of indefinite employment. Employment at the Company is at will, for no definite term, and is subject to Company policies, which can be changed from time to time.

Sincerely,

Tim Wentworth
Chief Executive Officer
Walgreens Boots Alliance, Inc.

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- (d) **"Disinterested Director"** means a director of the Company whom the Board reasonably determines is disinterested under applicable law with respect to the Proceeding for which indemnification or advancement is sought by Indemnitee.
- (e) **"Enterprise"** shall mean the Company and any direct or indirect, wholly-owned or non-wholly-owned subsidiary of the Company, and any other corporation, limited liability company, partnership, joint venture, trust, employee benefit plan, or other enterprise that Indemnitee is or was serving at the direction or request of the Company as a director, manager, officer, employee, trustee, fiduciary or agent.
- (f) **"Expenses"** means any and all attorneys' fees, retainers, filing fees and court costs, appeal bonds, discovery costs, fees and expenses of experts and other professionals, travel expenses, and all other disbursements or expenses of the types typically paid or incurred in connection with, or as a result of, investigating, prosecuting, defending, responding to, objecting to, being a deponent or witness in, or otherwise participating in (including on appeal) any Proceeding actually and reasonably paid or incurred in connection with (i) any Proceeding, (ii) for purposes of Section 4(b) only, seeking indemnification or advancement under this Agreement and/or (iii) seeking recovery under the D&O Insurance, in all cases to the extent related to or arising from one or more Indemnifiable Event.

(g) **"Indemnifiable Costs"** means any and all amounts actually and reasonably paid or incurred as (i) Expenses, (ii) liabilities, losses, judgments, damages, fines, penalties (whether civil, criminal, or other), and settlements, as well as any interest, assessments, or other charges imposed thereon, related to or arising from any Proceeding, and (iii) any federal, state, local, or foreign taxes imposed as a result of the actual or deemed receipt of any payments under this Agreement, in all cases to the extent related to or arising from one or more Indemnifiable Events.

(h) **"Indemnifiable Event"** means any event or occurrence that takes place either prior to or after the execution of this Agreement related to (i) the fact that Indemnitee is or was a director or officer of the Company, or is or was providing similar services to the Company, its subsidiaries, or its affiliates, (ii) the fact that Indemnitee is or was serving at the direction or request of the Company as a director, manager, officer, employee, trustee, fiduciary, or agent of another corporation, limited liability company, partnership, joint venture, trust, employee benefit plan, or other enterprise, or (iii) anything done or not done by Indemnitee in any such capacity.

(i) **"Independent Counsel"** means a law firm or lawyer that is experienced in matters of corporate law and neither presently is, nor in the past 5 years has been, retained to represent (x) the Enterprise, (y) Indemnitee, or (z) any other party to the Proceeding at issue, in any matter (other than with respect to matters relating to indemnification and advancement), unless both the Company and Indemnitee expressly agree otherwise. Any party selecting a law firm or lawyer to serve as Independent Counsel shall in good faith select a law firm or lawyer that is qualified to practice and is nationally recognized or has a nationwide reputation in the United States.

(j) **"Organizational Documents"** means the Company's certificate of incorporation and bylaws, each as in effect on the date hereof and as may be amended from time to time.

(k) **"Proceeding"** means any threatened, asserted, pending, or completed claim, counterclaim, cross claim, demand, action, lawsuit, arbitration, alternate dispute resolution process, inquiry, or investigation (including an internal investigation, or a regulatory or enforcement investigation), administrative or other process, hearing, appeal, or any other legal proceeding, whether brought by or in the right of the Company or by any other person, entity, or body, whether civil, criminal, administrative, arbitral, or investigative, whether pursuant to federal, state, foreign, or other law, whether formal or informal, in all cases related to or arising from, in whole or in part, one or more Indemnifiable Events.

2. **Agreement to Indemnify.**

(a) **General Agreement Regarding Indemnification.** The Company shall indemnify, to the fullest extent permitted by applicable law, Indemnitee if Indemnitee is, or is threatened to be made, a party to or a participant or witness in any Proceeding, other than a Proceeding by or in the right of the Company for Indemnifiable Costs. The Company shall indemnify, to the fullest extent permitted by applicable law, Indemnitee if Indemnitee is, or is threatened to be made, a party to or a participant or witness in any Proceeding by or in the right of the Company for Expenses. For the avoidance of doubt, if Indemnitee is entitled to indemnification by the Company for some portion of Indemnifiable Costs or Expenses, as applicable, but not the total amount, the Company shall indemnify Indemnitee only for the portion thereof to which Indemnitee is entitled.

(b) **Exception to Obligation to Indemnify.** Notwithstanding anything in this Agreement to the contrary, Indemnitee shall not be entitled to indemnification pursuant to this Agreement:

(i) if indemnification would not be permitted under applicable law;

(ii) for any reimbursement of or payment to the Enterprise in connection with any bonus or other incentive-based or equity-based compensation, including reimbursement or payment pursuant to any policy of the Enterprise with respect to any compensation recoupment or "clawback" of compensation policy adopted by the Board or any committee thereof, or pursuant to the Securities Exchange Act of 1934, amended, or the Sarbanes-Oxley Act of 2002;

(iii) for an accounting or payment of profits from the purchase and/or sale by Indemnitee of securities of the Enterprise pursuant to the Securities Exchange Act of 1934, as amended, or similar state laws;

(iv) for any amounts paid by Indemnatee in any settlement effected without the Company's consent (not to be unreasonably withheld); or

(v) in connection with any Proceeding (or any part thereof) initiated by Indemnatee, including any proceeding against the Enterprise or any director, manager, officer, employee, trustee, fiduciary, or agent of the Enterprise, unless (x) the Company has joined or the Board has consented to the initiation of such

Proceeding or (y) the Proceeding seeks enforcement of Indemnatee's indemnification or advancement rights pursuant to Section 6 or seeks recovery under D&O Insurance, in which case Indemnatee's indemnification and advancement rights for such Proceeding are governed by Section 6.

[For Officers: In furtherance of paragraph (b)(ii) of this Section 2, Indemnatee, in such Indemnatee's capacity as an officer of the Company, hereby agrees to abide by the terms of any compensation recoupment or clawback policy adopted by the Board or any committee thereof, including but not limited to any such policy adopted to comply with stock exchange listing requirements implementing Section 10D of the Securities Exchange Act of 1934, as amended, (a "Clawback Policy"), including, without limitation, by returning any compensation to the Company to the extent required by, and in a manner permitted by, the Clawback Policy, and hereby understands and agrees that Indemnatee shall not be entitled to any (x) indemnification for any liability (including any amounts owed by Indemnatee in a judgment or settlement of any Proceeding involving any reimbursement of the Company by Indemnatee of any compensation pursuant to any Clawback Policy (a "Clawback Proceeding")) or loss (including judgments, fines, taxes, penalties or amounts paid in settlement by or on behalf of Indemnatee) incurred by Indemnatee in connection with any Clawback Proceeding or (y) indemnification or advancement of Expenses (including attorneys' fees) from the Company and or any subsidiary of the Company incurred by Indemnatee in connection any Clawback Proceeding; provided, however, if Indemnatee is successful on the merits in the defense of any claim asserted against Indemnatee in a Clawback Proceeding, Indemnatee shall be indemnified for the Expenses (including attorneys' fees) Indemnatee reasonably incurred to defend such claim. Indemnatee agrees and acknowledges that the compensation Indemnatee has or will receive from the Company or any of its subsidiaries constitutes fair and adequate consideration in exchange for the waiver and agreement provided by Indemnatee in this paragraph.]

3. **Reviewing Party.**

(a) **Definition of Reviewing Party.** Upon written request by Indemnatee for indemnification pursuant to Section 7(a), a determination, if required by applicable law, with respect to Indemnatee's entitlement thereto shall be made. The person(s) or body who shall make such determination (the "**Reviewing Party**") shall be: (i) the Disinterested Directors, acting by a majority vote of Disinterested Directors even if less than a quorum of the Board; (ii) a committee of Disinterested Directors designated by a majority vote of the Disinterested Directors, even though less than a quorum of the Board; or (iii) if there are no Disinterested Directors or if such Disinterested Directors so direct, Independent Counsel selected by the Company in good faith (subject to the consent of Indemnatee, not to be unreasonably withheld); provided, however, the Reviewing Party shall be Independent Counsel selected by Indemnatee in good faith (subject to the consent of the Company, not to be unreasonably withheld) at the time Indemnatee first requests indemnification, if there has been a Change of Control within 2 years prior to the date of the commencement of the Proceeding for which indemnification claimed.

(b) **Written Opinion By And Payment Of Independent Counsel.** If the Reviewing Party is Independent Counsel, the Independent Counsel shall render a written opinion to the Company

and Indemnatee stating whether and to what extent Indemnatee should be indemnified. The Company agrees to pay the reasonable fees of Independent Counsel and to indemnify fully Independent Counsel against any and all expenses (including without limitation attorneys' fees), claims, liabilities, loss, and damages arising out of or relating to the engagement of Independent Counsel pursuant this Agreement.

4. **Determination Process.**

(a) **Indemnification Determination.**

(i) The determination with respect to Indemnatee's entitlement to indemnification shall be made by the Reviewing Party not later than 30 days after receipt by the Company of a written request for indemnification pursuant to Section 7(a) and of all documentation and information reasonably requested by the Reviewing Party. Indemnatee shall cooperate with the Reviewing Party, including, without limitation, by providing to the Reviewing Party upon reasonable request any documentation or information which is not privileged or otherwise protected from disclosure, and which is reasonably available to Indemnatee.

(ii) If the Reviewing Party determines that Indemnatee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding, unless (x) such indemnification is expressly prohibited by applicable law or (y) Indemnatee made a materially false or misleading statement in connection with the request for indemnification. The Company shall not assert in any judicial proceeding that the procedures and presumptions of this Agreement are not valid, binding, and enforceable, and if requested by Indemnatee shall stipulate in any such proceeding that the Company is bound by all the provisions of this Agreement.

(iii) If the Reviewing Party fails to determine that Indemnatee is not entitled to indemnification within the time limitation in Section 4(a)(i), the Reviewing Party shall be deemed to have determined that Indemnatee is entitled to indemnification and the provisions of Section 4(a)(ii) shall apply.

(iv) If Indemnatee is determined to be entitled to indemnification, Indemnatee shall receive payment from the Company in accordance with this Agreement within 10 days after the determination, whether such determination is under Section 4(a)(ii) or Section 4(a)(iii).

(v) Notwithstanding anything in this Agreement to the contrary, to the extent that Indemnatee has been successful on the merits in defense of any Proceeding, Indemnatee's Expenses for such Proceeding shall be indemnified by the Company without need for any determination by the Reviewing Party and regardless of whether the Reviewing Party has made any determination with

respect to whether Indemnatee is entitled to indemnification. The parties agree that success on the merits includes, but is not limited to, any termination of any claim, issue or matter in such a Proceeding by dismissal (with or without prejudice).

(b) **Suit to Enforce Rights.** If (i) indemnification pursuant to Section 2 and Section 4(a) is not paid within the time period required by Section 4(a)(iv), (ii) Expenses are not advanced pursuant to Section 5 within the time period permitted by that Section, or (iii) the Reviewing Party determines pursuant to Section 4(a) that Indemnatee is not entitled to indemnification under this Agreement, then Indemnatee shall have the right to commence a Proceeding in the Delaware Court seeking to enforce the Indemnatee's indemnification and/or advancement rights, and/or challenging any determination by the Reviewing Party. Indemnatee's indemnification and advancement rights for such a Proceeding are governed by Section 6.

(c) **Defense to Indemnification, Burden of Proof, and Presumptions.**

(i) When determining whether Indemnitee is entitled to indemnification, to the maximum extent permitted by applicable law the Reviewing Party shall presume that Indemnitee has satisfied the applicable standard of conduct, including presuming that Indemnitee acted in good faith and in the best interests of the Enterprise, and shall presume that Indemnitee is entitled to indemnification under this Agreement. This presumption shall only be overcome by clear and convincing evidence.

(ii) When determining whether Indemnitee is entitled to indemnification, to the maximum extent permitted by applicable law the Reviewing Party shall not presume that Indemnitee did not satisfy the applicable standard of conduct, regardless of, among other things, any judgment, conviction, or order in any Proceeding.

(iii) It shall be a defense to any action brought by Indemnitee against the Company to enforce this Agreement that it is not permissible under applicable law for the Company to indemnify or advance the amount sought.

(iv) The knowledge or actions, or failures to act, of any other director, manager, officer, employee, trustee, fiduciary, or agent of the Enterprise shall not be imputed to Indemnitee for purposes of determining the right to indemnification under this Agreement.

5. **Advancement.**

(a) **General Agreement Regarding Advancement.** The Company shall to the fullest extent permitted by applicable law advance Expenses to Indemnitee prior to the ultimate determination on indemnification. The Company shall pay advanced Expenses (i) within 20 days after receipt by the Company of a written request for such advancement by Indemnitee accompanied by reasonable supporting documentation and information, and (ii) in conformity with the

Company's standard terms for payment of similar fees and expenses to the extent those terms are not in conflict with the terms of this Agreement.

(b) **Exception to Obligation to Advance.** Notwithstanding anything in this Agreement to the contrary, Indemnitee shall not be entitled to advancement of Expenses pursuant to this Agreement pursuant to Section 2(b) as applied to advancement rather than indemnification.

(c) **Undertaking.** This Agreement shall constitute a written undertaking by Indemnitee to repay to the Company any advanced Expenses if and only to the extent that Indemnitee is ultimately determined to not be entitled to indemnification for such Expenses. Advances shall be made without regard to Indemnitee's ability to repay the Expenses. Indemnitee's obligation to reimburse the Company for advanced Expenses shall be unsecured and no interest shall be charged. If, as provided in **Section 4**, Indemnitee has commenced a Proceeding in the Delaware Court seeking a determination that Indemnitee is entitled to be indemnified, Indemnitee shall not be required to reimburse the Company for any advanced Expenses until a final, non-appealable judgment is entered with respect to that claim.

6. **Indemnification for Expenses Incurred in Enforcing Rights.** Notwithstanding anything in this Agreement to the contrary, the Company (i) shall advance Indemnitee's Expenses related to reasonably (x) seeking indemnification or advancement by the Company under this Agreement or the Organizational Documents, or otherwise enforcing such rights, or (y) seeking recovery under the D&O Insurance, and (ii) shall indemnify Indemnitee for such Expenses only if Indemnitee is wholly successful on the underlying claims (and, if indemnification is not wholly successful on the underlying claims, then such indemnification shall be only to the extent Indemnitee is successful on such underlying claims).

7. **Notification and Defense of Proceeding.**

(a) **Notice.** Indemnitee will promptly notify the Company in writing after learning of any Proceeding, if Indemnitee may or will seek advancement or indemnification in connection with such Proceeding. The written notification to the Company shall include a description of the nature of the Proceeding and the facts underlying the Proceeding. The failure to promptly notify the Company shall not relieve the Company from any indemnification or advancement obligations to Indemnitee under this Agreement or otherwise, except to the extent the Company has been

prejudiced. After receipt of such notification, the Company shall notify the D&O Insurance carriers to the extent such Proceeding is potentially insurable, and will provide a copy of such notice and subsequent correspondence to Indemnatee if reasonably requested. To obtain indemnification under this Agreement, Indemnatee shall submit to the Company a written request, including therein or therewith such documentation and information as is reasonably available to Indemnatee and is reasonably necessary to determine whether and to what extent Indemnatee is entitled to indemnification following the final disposition of such Proceeding.

(b) **Defense.** With respect to any Proceeding for which the Company is advancing Expenses, the Company will be entitled to participate in the Proceeding at its own expense, and the Company may assume the defense thereof with counsel selected by the Company. After notice

from the Company to Indemnatee of its election to assume the defense of any Proceeding, the Company will not be liable to Indemnatee under this Agreement or otherwise for any Expenses subsequently incurred by Indemnatee in connection with the defense of such Proceeding except as provided in Section 7(d).

(c) **Selection of Counsel.** If the Company has not assumed the defense of a Proceeding for which it is advancing Expenses, Indemnatee shall have the right to select counsel in connection with such Proceeding (subject to consent by the Company, not to be unreasonably withheld).

(d) **Separate Counsel.** If the Company assumes the defense of a Proceeding for which it is advancing Expenses, Indemnatee shall have the right to employ separate counsel in such Proceeding, but all Expenses related thereto incurred after notice from the Company of its assumption of the defense shall be borne by Indemnatee unless: (i) the employment of separate counsel by Indemnatee has been authorized by the Company, (ii) Indemnatee has reasonably determined, based on consultation with counsel, that there may be a conflict of interest between Indemnatee and the Company in the defense of the Proceeding, (iii) after a Change of Control, the employment of separate counsel by Indemnatee has been approved by Independent Counsel, or (iv) the Company has failed to in fact assume the defense of the Proceeding within 30 days (or sooner if the circumstances require). In all such cases described in clauses (i)-(iv) of the preceding sentence, Indemnatee's Expenses for the Proceeding shall be advanced (subject to consent by the Company to Indemnatee's selection of counsel, not to be unreasonably withheld).

8. **Non-Exclusivity.** Indemnatee's rights under this Agreement shall not be exclusive of any other rights to which Indemnatee may at any time be entitled, including any other rights Indemnatee may have under the laws of the State of Delaware, the Organizational Documents, a vote of the stockholders, Board resolutions, applicable law, or any other contract.

9. **Fullest Extent Permitted By Applicable Law.** The parties expressly intend that this Agreement obligate the Company to indemnify Indemnatee's Indemnifiable Costs or Expenses, as applicable, and advance Indemnatee's Expenses to the fullest extent permitted by applicable law. To the extent that a change in applicable law after the date of this Agreement permits greater indemnification or advancement by agreement than would be afforded currently under this Agreement, it is the intent of the parties that the greater benefits to Indemnatee allowed by such change shall be required by and incorporated into this Agreement. For the avoidance of doubt, if the Company adopts any amendment to the Organizational Documents that would diminish or encumber Indemnatee's rights to indemnification or advancement under the Organizational Documents, such change will not affect Indemnatee's rights under this Agreement.

10. **D&O Insurance.** The Company shall use commercially reasonable efforts to maintain D&O Insurance that provides Indemnatee with coverage that is substantially similar to the coverage provided to directors and officers of the Company, so long as Indemnatee serves in any capacity relevant to this Agreement, and thereafter for at least 6 years (in light of relevant statutes of limitation). Upon request, the Company shall provide Indemnatee with a copy of all D&O Insurance policies (including declarations and endorsements).

11. **Amendment.** No supplement, modification, or amendment of this Agreement shall be binding unless executed in writing by both of the parties. No waiver of any of the provisions of this Agreement shall be binding unless in the form of a writing signed by the party against whom enforcement of the waiver is sought, and no such waiver shall operate as a waiver of any other provisions hereof (whether or not similar), nor shall such waiver constitute a continuing waiver. Except as specifically provided herein, no failure to exercise or any delay in exercising any right or remedy hereunder shall constitute a waiver thereof.

12. **Subrogation.** In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and shall do everything that may be necessary to secure such rights, including the execution of such documents necessary to enable the Company effectively to bring suit to enforce such rights.

13. **No Duplication of Payments.** The Company shall not be liable under this Agreement to make any payment in connection with any claim made against Indemnitee to the extent Indemnitee has otherwise actually received payment (whether under the Organizational Documents, any insurance policy, by law, or otherwise).

14. **Binding Effect.** This Agreement shall be binding upon and inure to the benefit of and be enforceable by and against the parties and their successors and assigns, including without limitation any direct or indirect successor by purchase, merger, consolidation, or otherwise, spouses, heirs, and personal and legal representatives. The Company shall require and cause any successor (whether direct or indirect by purchase, merger, consolidation, or otherwise) to all, substantially all, or a substantial part, of the business or assets of the Company, by written agreement, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place. This Agreement shall continue in effect regardless of whether Indemnitee continues to serve in any capacity relevant to this Agreement.

15. **Severability.** If any provision (or portion thereof) of this Agreement shall be held to be invalid, void, or otherwise unenforceable, the remaining provisions (or portions thereof) shall remain enforceable to the fullest extent permitted by law. Furthermore, to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of this Agreement containing any provision held to be invalid, void, or otherwise unenforceable, that is not itself invalid, void, or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, void, or unenforceable.

16. **Governing Law and Consent to Jurisdiction.** This Agreement and all claims or causes of action (whether in contract or tort, in law or in equity, or granted by statute or otherwise) that may be based upon, arise out of or relate to this Agreement or the negotiation, execution, termination, validity, interpretation, construction, enforcement, performance or non-performance of this Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware, without giving effect to any choice or conflict of law principles that would cause the application of the laws of any other jurisdiction. The Company and Indemnitee hereby

irrevocably and unconditionally (i) consent to submit to the exclusive jurisdiction of the Court of Chancery of the State of Delaware (the "**Delaware Court**") for all purposes of any action or proceeding arising out of or in connection with this Agreement, (ii) waive any objection to the laying of venue of any such action or proceeding in the Delaware Court, and (iii) waive, and agree not to plead or to make, any claim that any such action or proceeding brought in the Delaware Court has been brought in an improper or inconvenient forum.

17. **Entire Agreement.** Subject to Section 8, this Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral, written, and implied, between the parties hereto with respect to the subject matter hereof; provided, however, that this Agreement is a supplement to and in furtherance of the Organizational Documents, any D&O

Insurance maintained by the Company and applicable law, and shall not be deemed a substitute therefor, nor to diminish or abrogate any rights of Indemnitee thereunder.

18. **No Bar Orders.** The Company shall not seek from a court, or agree to, a "bar order" which would have the effect of prohibiting or limiting Indemnitee's rights under this Agreement.

19. **Jury Waiver.** EACH PARTY IRREVOCABLY, UNCONDITIONALLY, AND EXPRESSLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY ACTION, SUIT, OR OTHER PROCEEDING RELATING TO THIS AGREEMENT.

20. **Counterparts.** This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which shall together constitute one and the same instrument. This Agreement may be executed and delivered electronically.

21. **Interpretation.** The headings of this Agreement are for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction hereof. Unless otherwise specified, all references in this Agreement to any "Section," paragraph, clause or other subdivision are to the corresponding section, paragraph, clause or subdivision of this Agreement.

22. **Notices.** All notices, demands, and other communications required or permitted hereunder shall be made in writing and shall be deemed to have been duly given if delivered by email, by hand, or by overnight delivery:

to the Company at:

Walgreens Boots Alliance, Inc.
108 Wilmot Road
Deerfield, IL 60015
Attn: Global Chief Legal Officer
Email: Lanesha.Minnix@wba.com

With a copy to:

Walgreens Boots Alliance, Inc.

108 Wilmot Road
Deerfield, IL 60015
Attn: Corporate Secretary
Email: WBACorpSecOffice@wba.com to Indemnitee at:
[Indemnitee Name]
[Indemnitee Address]
Email: [●]

I accept Notice of change of address shall be effective only when done in accordance with this Section 22. All notices complying with this Section 22 shall be deemed to have been received on the offer date of employment delivery.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have duly executed and understand that delivered this Agreement as of the offer is not day specified above.intended

COMPANY:

Walgreens Boots Alliance, Inc.

By: _____

Name: [●]

Title: [●]

Signature Page to be a guarantee of continued employment.
Indemnification Agreement

INDEMNITEE:

[DIRECTOR/OFFICER NAME]

Name: /s/ Manmohan Mahajan Date: 2/7/24

Manmohan Mahajan

Signature Page to
Indemnification Agreement

EXHIBIT 31.1

CERTIFICATION

I, Timothy C. Wentworth, 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/	Timothy C. Wentworth	Chief Executive Officer	Date: March 28, 2024 June 27, 2024
	Timothy C. Wentworth		

EXHIBIT 31.2

CERTIFICATION

I, Manmohan Mahajan, 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/	Manmohan Mahajan	Global Chief Financial Officer	Date: March 28, 2024 June 27, 2024
	Manmohan Mahajan		

**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 February 29, 2024 May 31, 2024 as filed with the Securities and Exchange Commission (the "Report"), I, Timothy C. Wentworth, 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/ Timothy C. Wentworth

Timothy C. Wentworth
Chief Executive Officer

Dated: March 28, 2024 June 27, 2024

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.

**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 February 29, 2024 May 31, 2024 as filed with the Securities and Exchange Commission (the "Report"), I, Manmohan Mahajan, 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/ Manmohan Mahajan

Manmohan Mahajan
Global Chief Financial Officer

Dated: March 28, 2024 June 27, 2024

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.

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