

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

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

For the fiscal year ended August 31, 2020

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 of incorporation)

(I.R.S. Employer Identification No.)

108 Wilmot Road, Deerfield, Illinois

60015

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (847) 315-3700

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

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

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C.7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

As of February 29, 2020, the aggregate market value of Walgreens Boots Alliance, Inc. common stock held by non-affiliates (based on the closing transaction price on Friday, February 28, 2020) was approximately \$33.5 billion.

As of September 30, 2020, there were 865,915,666 shares of Walgreens Boots Alliance, Inc. common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement for our Annual Meeting of Stockholders planned to be held on January 28, 2021 are incorporated by reference into Part III of this Form 10-K as indicated herein.

**Walgreens Boots Alliance, Inc.
Annual Report on Form 10-K
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On December 31, 2014, Walgreens Boots Alliance, Inc. became the successor of Walgreen Co. (“Walgreens”) pursuant to a merger to effect a reorganization of Walgreens into a holding company structure (the “Reorganization”), with Walgreens Boots Alliance, Inc. becoming the parent holding company.

References in this Annual Report on Form 10-K (this “Form 10-K”) to the “Company,” “we,” “us” or “our” refer to Walgreens Boots Alliance, Inc. and its subsidiaries from and after the effective time of the Reorganization on December 31, 2014 and, prior to that time, to the predecessor registrant Walgreens and its subsidiaries, and in each case do not include unconsolidated partially-owned entities, except as otherwise indicated or the context otherwise requires. Our fiscal year ends on August 31, and references herein to “fiscal 2020” refer to our fiscal year ended August 31, 2020.

This Form 10-K includes forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. See cautionary note regarding forward-looking statements in management’s discussion and analysis of financial condition and results of operations in part II, item 7 below.

All trademarks, trade names and service marks used herein are the property of their respective owners.

PART I

Item 1. Business

Overview

Walgreens Boots Alliance, Inc., a Delaware corporation (“Walgreens Boots Alliance”), is a global leader in retail and wholesale pharmacy, touching millions of lives every day through dispensing and distributing medicines, and through its convenient retail locations, digital platforms and health and beauty products with sales of \$139.5 billion in the fiscal year ended August 31, 2020. The Company has more than 100 years of trusted healthcare heritage and innovation in community pharmacy and pharmaceutical wholesaling. Walgreens Boots Alliance's purpose is to help people across the world lead healthier and happier lives. Walgreens Boots Alliance is proud of its contributions to healthy communities, a healthy planet, an inclusive workplace and a sustainable marketplace.

Walgreens Boots Alliance is the largest retail pharmacy, health and daily living destination across the United States and Europe. Walgreens Boots Alliance and the companies in which it has equity method investments together have a presence in more than 25¹ countries and employ more than 450,000¹ people. The Company is a global leader in retail and wholesale pharmacy and, together with the companies in which it has equity method investments, has over 21,000¹ stores in 11¹ countries as well as one of the largest global pharmaceutical wholesale and distribution networks, with over 425¹ distribution centers delivering to more than 250,000² pharmacies, doctors, health centers and hospitals each year in more than 20¹ countries. In addition, Walgreens Boots Alliance is one of the world's largest purchasers of prescription drugs and many other health and well-being products. The Company's size, scale and expertise will help us to expand the supply of, and address the rising cost of, prescription drugs in the United States and worldwide.

We provide customers with convenient, omni-channel access through our portfolio of retail and business brands includes Walgreens, Duane Reade, Boots and Alliance Healthcare, as well as increasingly global health and beauty product brands, such as No7, NICE!, Soap & Glory, Liz Earle, Finest Nutrition, Botanics, Well Beginnings, Sleek MakeUP and YourGoodSkin. Our global brands portfolio is enhanced by our in-house product research and development capabilities. We seek to further drive innovative ways to address global health and wellness challenges. Our strategic partnerships with some of the world's leading companies enable us to extend our healthcare solutions and convenience offering to the communities we serve, which we refer to as our “strategic partner strategy.” We believe we are well positioned to expand customer offerings in existing markets and become a health and well-being partner of choice in emerging markets. Additionally, through our strategic partnerships, we will be able to dramatically enhance Walgreens Boots Alliance's marketing effectiveness and power the Company's strategic initiative around mass personalization - delivering the right offers and content to our customers.

Walgreens Boots Alliance was incorporated in Delaware in 2014 and is the successor of Walgreen Co., an Illinois corporation, which was formed in 1909 as a successor to a business founded in 1901. Our principal executive offices are located at 108 Wilmot Road, Deerfield, Illinois 60015. Our common stock trades on the Nasdaq Stock Market under the symbol “WBA”.

¹ As of August 31, 2020.

² Over 12 - month period ending August 31, 2020.

Estimated COVID-19 impacts and uncertainties

In December 2019, a novel strain of coronavirus, which causes the infectious disease known as COVID-19, was reported. The World Health Organization declared COVID-19 a “Public Health Emergency of International Concern” on January 30, 2020 and a global pandemic on March 11, 2020. COVID-19 has severely impacted, and is expected to continue to impact, the economies of the U.S., the UK and other countries around the world. COVID-19 has created significant public health concerns as well as significant volatility, uncertainty and economic disruption in every region in which we operate, all of which have adversely affected and may continue to adversely affect our industries and our business operations. Further, financial and credit markets have experienced and may again experience volatility and turmoil. Policies and initiatives designed to reduce the transmission of COVID-19 have resulted in, among other things, temporary closure or reduced hours of operation of certain store locations in U.S., UK and other countries, reduced customer traffic and sales in our retail pharmacies and the adoption of work-from-home policies.

COVID-19 adversely affected global economic conditions in fiscal 2020 and the Company expects this will continue into fiscal 2021 and possibly longer. The situation surrounding COVID-19 remains fluid, and we are actively managing our response in collaboration with customers, government officials, team members and business partners and assessing potential impacts to our financial position and operating results, as well as developments in our business. As COVID-19 impacts the economies of the U.S. and other countries around the world, the Company has put preparedness plans in place at our facilities to maintain continuity of our operations, while also taking steps to keep our team members healthy and safe.

We continue to closely monitor the impact of COVID-19 on our business and geographies, including how it is impacting our customers, team members, suppliers, vendors, business partners and distribution channels. However, the future impact that COVID-19 will have on our financial position and operating results may be affected by numerous uncertainties, including the severity of the virus, the duration of the outbreak, governmental, business or other actions, impacts on our supply chain, the effect on customer demand, store closures or changes to our operations. The health of our workforce, and our ability to meet staffing needs in our stores, distribution facilities, wholesale operations and other critical functions cannot be predicted and is vital to our operations. The impacts of a potential worsening of global economic conditions and the continued disruptions to, and volatility in, the credit and financial markets, consumer spending as well as other unanticipated consequences remain unknown. Further, additional waves of COVID-19 in fiscal 2021 or beyond would cause many of the impacts described herein to return or be exacerbated. In addition, we cannot predict with certainty the impact that COVID-19 will have on our customers, vendors, suppliers and other business partners; however, any material effect on these parties could adversely impact us.

For further information, please see item 1A, risk factors in this report, which is incorporated herein by reference. The Company's current expectations described above are forward-looking statements and our actual results may differ. Factors that might cause a difference include, but are not limited to, those discussed below under "Cautionary note regarding forward-looking statements" in item 7 and in item 1A, risk factors, in this report.

Recent Transactions

In fiscal 2020, as part of our strategic partnership strategy, the Company has announced several strategic partnerships and alliances with other leaders in the technology, health and retail sectors. These strategic partnerships, initiatives and alliances are designed to complement and enhance our customer offerings.

On July 8, 2020, the Company entered into an agreement with VillageMD to invest \$1.0 billion in equity and convertible debt over the next three years, including a \$250 million equity investment completed on July 8, 2020, subject to the terms of the agreement. The Company and VillageMD plan to open 500 to 700 "Village Medical at Walgreens" physician-led primary care clinics in more than 30 U.S. markets in the next five years. The Company will continue to account for its equity investment in VillageMD using the equity method of accounting. It is anticipated, assuming full conversion of the debt, that the Company will hold an approximately 30% ownership interest in VillageMD at the completion of the investment.

On December 12, 2019, the Company entered into an agreement with McKesson Corporation to combine their respective pharmaceutical wholesale businesses in Germany. The Company will have a 70% controlling equity interest in the joint venture and McKesson will have a 30% ownership interest. The new joint venture is expected to drive greater economies of scale in the German pharmaceutical wholesale market. The transaction is expected to close in early fiscal 2021.

On September 19, 2017, the Company announced that it had secured regulatory clearance for an amended and restated asset purchase agreement to purchase 1,932 stores, three distribution centers and related inventory from Rite Aid Corporation ("Rite Aid") for \$4.375 billion in cash and other consideration. Consideration included cash of \$4,157 million and the fair value of the option granted to Rite Aid to become a member of the Company's group purchasing organization, Walgreens Boots Alliance Development GmbH. During fiscal 2019, this option was terminated resulting in recognition of a gain in other income (expense). The purchases of these stores occurred in waves during fiscal 2018 and have been accounted for as business combinations. The transition of the first distribution center and related inventory occurred in fiscal 2019 and the transition of the remaining two distribution centers and related inventory were completed in fiscal 2020.

In addition, the Company has completed additional acquisitions, divestitures and strategic initiatives in recent years designed to grow its businesses and enhance its competitive position. Please refer to management's discussion and analysis of financial condition and results of operations in part II, item 7, below and note 2, acquisitions, note 3, exit and disposal activities, and note 5, equity method investments, to the Consolidated Financial Statements included in part II, item 8, below for additional information.

Relationship with AmerisourceBergen

In March 2013, Walgreens, Alliance Boots GmbH ("Alliance Boots") and AmerisourceBergen Corporation ("AmerisourceBergen") announced various agreements and arrangements, including a ten-year pharmaceutical distribution agreement between Walgreens and AmerisourceBergen pursuant to which the Company sources branded and generic pharmaceutical products from AmerisourceBergen in the United States and an agreement which provides AmerisourceBergen the ability to access generic pharmaceutical products through the Company's global sourcing enterprise, Walgreens Boots Alliance Development GmbH. In May 2016, certain of these agreements were extended for three years and are now expected to expire in 2026.

In addition, in March 2013, Walgreens, Alliance Boots and AmerisourceBergen entered into agreements and arrangements pursuant to which the Company has the right, but not the obligation, to purchase a minority equity position in AmerisourceBergen over time through open market purchases and pursuant to warrants to acquire AmerisourceBergen common stock and gain associated representation on AmerisourceBergen's Board of Directors in certain circumstances. Please refer to the Company's Form 8-K filed on March 20, 2013 for more detailed information regarding these agreements and arrangements.

As of August 31, 2020, the Company owned 56,854,867 AmerisourceBergen common shares representing approximately 28% of the outstanding AmerisourceBergen common stock and has designated one member of AmerisourceBergen's board of directors. As of August 31, 2020, the Company can acquire up to an additional 8,398,752 AmerisourceBergen shares in the open market and thereafter designate another member of AmerisourceBergen's board of directors, subject in each case to applicable legal and contractual requirements. The amount of permitted open market purchases is subject to increase or decrease in certain circumstances.

The Company accounts for its investment in AmerisourceBergen using the equity method of accounting, subject to a two-month reporting lag, with the net earnings attributable to the investment classified within the operating income of the Company's Pharmaceutical Wholesale segment.

See management's discussion and analysis in part II, item 7 and note 5, equity method investments and note 18, related parties to the Consolidated Financial Statements included in part II, item 8, below for additional information.

Industry overview

The retail pharmacy and pharmaceutical wholesale industries across the globe are highly competitive and dynamic and have experienced consolidation and an evolving competitive landscape in recent years. Prescription drugs play a significant role in healthcare and constitute a first line of treatment for many medical conditions. The Company believes the long-term outlook for prescription drug utilization is strong due, in part, to aging populations, increases in life expectancy, increases in the availability of generic drugs, the continued development of innovative drugs that improve quality of life and control healthcare costs and increases in the number of persons with insurance coverage for prescription drugs, including, in the United States, "baby boomers" increasingly becoming eligible for the federally funded Medicare Part D prescription program. Pharmaceutical wholesalers act as a vital link between drug manufacturers and pharmacies and healthcare providers in supplying pharmaceuticals to patients.

The retail pharmacy industry across the globe relies significantly on private and governmental third-party payers. Many private organizations throughout the healthcare industry, including pharmacy benefit management ("PBM") companies and health insurance companies, have consolidated in recent years to create larger healthcare enterprises with greater bargaining power. Third-party payers, including the Medicare Part D plans and the state-sponsored Medicaid and related managed care Medicaid agencies in the United States, can change eligibility requirements or reduce certain reimbursement rates. In addition, in many European countries, the government provides or subsidizes healthcare to consumers and regulates pharmaceutical prices, patient eligibility and reimbursement levels to control costs for the government-sponsored healthcare system. Changes in law or regulation also can impact reimbursement rates and terms. For example, the Patient Protection and Affordable Care Act (the "ACA") was enacted to help control federal healthcare spending, including for prescription drugs, in the United States. These changes generally are expected to reduce Medicaid reimbursements in the United States. State Medicaid programs are also expected to continue to seek reductions in reimbursements. When third-party payers or governmental authorities take actions that restrict eligibility or reduce prices or reimbursement rates, sales and margins in the retail pharmacy industry could be reduced, which would adversely affect industry profitability. In some cases, these possible adverse effects may be partially or entirely offset by controlling inventory costs and other expenses, dispensing more higher margin generics, finding new revenue streams through pharmacy services or other offerings and/or dispensing a greater volume of prescriptions.

These industry dynamics and challenges are continuous and have intensified in recent years. Since the completion of the strategic combination with Alliance Boots in December 2014, the Company has had a continuous focus on operational efficiencies and cost reduction.

Generic prescription drugs have continued to help lower overall costs for customers and third-party payers. The Company expects the utilization of generic pharmaceuticals to continue to increase. In general, in the United States, generic versions of drugs generate lower sales dollars per prescription, but higher gross profit dollars, as compared with patent-protected brand name drugs. The impact on retail pharmacy gross profit dollars can be significant in the first several months after a generic version of a drug is first allowed to compete with the branded version, which is generally referred to as a "generic conversion". In any given year, the number of major brand name drugs that undergo a conversion from branded to generic status can vary and the timing of generic conversions can be difficult to predict, which can have a significant impact on retail pharmacy sales

and gross profit dollars. In general, in the United States, specialty prescription business is also growing and generates higher sales dollars per prescription, but lower gross margin, as compared to generic prescription drugs.

The Company expects that market demand, government regulation, third-party reimbursement policies, government contracting requirements and other pressures will continue to cause the industries in which the Company competes to evolve. Pharmacists are on the frontlines of the healthcare delivery system, and the Company believes rising healthcare costs and the limited supply of primary care physicians present opportunities for pharmacists and retail pharmacies to play an even greater role in driving positive outcomes for patients and payers through expanded service offerings.

Segments

Our operations are organized into three divisions, which are also our reportable segments:

- Retail Pharmacy USA;
- Retail Pharmacy International; and
- Pharmaceutical Wholesale.

For fiscal 2020, our segment sales were: Retail Pharmacy USA, \$107.7 billion; Retail Pharmacy International, \$10.0 billion; and Pharmaceutical Wholesale, \$24.0 billion. Additional information relating to our segments is included in management's discussion and analysis of financial condition and results of operations in part II, item 7 below and in note 16, segment reporting and note 17, sales, to our Consolidated Financial Statements included in part II, item 8 below, which information is incorporated herein by reference.

Retail Pharmacy USA

The Retail Pharmacy USA division (excluding equity method investments) has pharmacy-led health and beauty retail offerings in 50 states, the District of Columbia, Puerto Rico and the U.S. Virgin Islands, each focused on helping people feel happy and healthy. The Company operated 9,021 retail stores in the division as of August 31, 2020. The principal retail pharmacy brands in the division are Walgreens and Duane Reade. The Company is a market leader in the United States and, as of August 31, 2020, approximately 78% of the population of the United States lived within five miles of a Walgreens and Duane Reade retail pharmacy.

The Company is focused on creating a neighborhood health destination and a more modern pharmacy aligned to a wider range of healthcare services. Significant investments in fiscal 2021 are expected to accelerate the Company's customer-centric approach, with specific focus on transforming omni-channel capabilities and offerings across retail and healthcare. The Company's services help improve health outcomes for patients and manage costs for payers, including employers, managed care organizations, health systems, PBM companies and the public sector. The Company utilizes its retail network as a channel to provide health and wellness services to its customers and patients, as illustrated by the Company's ability to play a significant role in providing flu vaccines and other immunizations. Additionally, through our strategic partnership strategy, our key collaborations aim to develop new health care delivery models and to improve access to advanced healthcare technologies and solutions. We have taken further steps to develop our neighborhood health destinations, working with our strategic partners such as VillageMD to provide an integrated primary care and pharmacy model that aims to drive better health outcomes, reduce costs and provide a differentiated patient experience to the communities we serve.

The Company also provides specialty pharmacy and mail services, and offers other health and wellness services throughout the United States, most of which are operated by our healthcare strategic partners. The Company has more than 85,000 healthcare service providers, including pharmacists, pharmacy technicians, nurse practitioners and other health related professionals.

The division provides customers with convenient, omni-channel access to consumer goods and services, including own branded general merchandise, such as Well at Walgreens, NICE!, No7, and Soap & Glory, as well as pharmacy and health and wellness services in communities across the United States. Integrated with the Company's e-commerce platform, the Walgreens mobile application allows customers to refill prescriptions through scan technology, receive notifications when a refill is due and choose their delivery option, which includes in-store pick up, drive-thru or delivery to their home. The Walgreens Find Care platform also includes telehealth service providers, connecting patients and customers with options to access convenient and affordable care from their mobile devices. Additionally, the Company has expanded the retail functionality of its mobile application, such as extending drive-thru service to include retail products and curbside collection for online orders. The division is also implementing new approaches to promotions, product selection and other areas to deliver greater value to its customers in its stores, including through an enhanced beauty offering.

The components of the division's sales are Pharmacy (the sale of prescription drugs and provision of pharmacy-related services) and Retail (the sale of healthcare and retail products including non-prescription drugs, health and wellness, beauty and

personal care, and consumables and general merchandise). The division's sales are subject to the influence of seasonality, particularly the cough, cold and flu seasons and winter holiday. This seasonality also can affect the division's proportion of sales between Retail and Pharmacy during certain periods. The components of the division's fiscal year sales were as follows:

	Fiscal 2020	Fiscal 2019	Fiscal 2018
Pharmacy	75 %	74 %	72 %
Retail	25 %	26 %	28 %
Total	100 %	100 %	100 %

The Company filled 818.0 million prescriptions (including immunizations) in the division in fiscal 2020. Adjusted to 30-day equivalents, prescriptions filled were 1.2 billion in fiscal 2020. The Company fills prescriptions under Medicare, Medicaid and other publicly financed or sponsored health benefit and prescription drug plans and programs, including the federal 340B drug pricing program. Sales where reimbursement is received from managed care organizations, governmental agencies, PBM companies and private insurance were approximately 97% of the division's fiscal 2020 Pharmacy sales.

The Company fills prescriptions for many state Medicaid public assistance programs. Sales from all such Medicaid plans were approximately 4% of the division's fiscal 2020 sales. Sales from Medicare Part D plans were approximately 20% of the division's fiscal 2020 sales.

The Company's U.S. loyalty program, Balance® Rewards, is designed to reward its most valuable customers and encourage shopping in stores and online. Balance® Rewards members receive special pricing on select products and earn everyday rewards points for purchasing most merchandise that can be instantly redeemed in store or through walgreens.com. As of August 31, 2020, the number of active Balance® Rewards members totaled approximately 86 million. For this purpose, an active member is defined here as someone who has used their card in the last six months. In fiscal 2021, we plan to launch the new myWalgreens initiative to provide a new interface for customers to access the enhanced and growing Walgreens digital offering. The new program will greatly simplify how customers accumulate and can use rewards. Points will be replaced by Walgreens Cash, reflecting the actual value of the reward and allowing the cash benefit to be applied as the customer chooses, not just to future transactions at Walgreens but even in support of their favorite charity or community cause.

AmerisourceBergen supplies and distributes a significant amount of generic and branded pharmaceutical products to the division's pharmacies. The Company purchases its non-pharmaceutical merchandise from numerous manufacturers and wholesalers.

The division's sales, gross profit margin and gross profit are impacted by, among other things, both the percentage of prescriptions filled that are generic and the rate at which new generic drugs are introduced to the market. Because any number of factors outside of the Company's control can affect timing for a generic conversion, the Company faces substantial uncertainty in predicting when such conversions will occur and what effect they will have on particular future periods.

The current environment of the Company's pharmacy business also includes ongoing reimbursement pressure and a shift in pharmacy mix towards 90-day at retail (one prescription that is the equivalent of three 30-day prescriptions) and Medicare Part D prescriptions. Further consolidation among generic manufacturers coupled with changes in the number of major brand name drugs anticipated to undergo a conversion from branded to generic status may also result in gross margin pressures within the industry.

The Company continuously faces reimbursement pressure from PBM companies, government, health maintenance organizations, managed care organizations and other commercial third-party payers; agreements with these payers are regularly subject to expiration, termination or renegotiation. In addition, plan changes with rate adjustments often occur in January and the Company's reimbursement arrangements may provide for rate adjustments at prescribed intervals during their term. The Company experienced lower reimbursement rates in fiscal 2020 as compared to the same period in the prior year. The Company expects these pressures to continue.

The Company has also worked to develop and expand its relationships with commercial third-party payers to enable new and/or improved market access via participation in pharmacy provider networks they offer. The prescription volume impact of new agreements and relationships typically is incremental over time.

The Company's 90-day at retail prescription drug offering is typically at a lower margin than comparable 30-day prescriptions, but provides the Company with the opportunity to increase business with patients with chronic prescription needs while offering increased convenience, helping facilitate improved prescription adherence and resulting in a lower cost to fill the 90-day prescription. Similarly, the growing specialty prescription business, which generates higher sales dollars per prescription,

may result in gross margin pressures within the industry, as compared to generic prescription drugs. The division's performance is also impacted by the current environment, including the uncertainty as a result of COVID-19. For more information, see Risk Factors in Item 1A below.

Retail Pharmacy International

The Retail Pharmacy International division (excluding equity method investments) has pharmacy-led health and beauty retail businesses in eight countries, each focused on helping people look and feel their best. The Company operated 4,428 retail stores in the division as of August 31, 2020 (see properties in part I, item 2 below for information regarding geographic coverage) and has grown its omni-channel platform, including its online presence, in recent years. The Company's principal retail pharmacy brands are Boots in the United Kingdom, Thailand, Norway, the Republic of Ireland and The Netherlands, Benavides in Mexico and Ahumada in Chile. In Europe, the Company is a market leader and its retail stores are conveniently located with pharmacists well placed to provide a significant role in the provision of healthcare services, working closely with other primary healthcare providers in the communities the Company serves.

The Boots omni-channel offering is differentiated from that of competitors due to the product brands the Company owns, such as No7, Boots Pharmaceuticals, Liz Earle, Soap & Glory, Sleek MakeUp, Botanics and 'only at Boots' exclusive products, together with its long established reputation for trust and customer care. The Company's brands portfolio is enhanced by its in-house product research and development capabilities. The Company has introduced new beauty brands and beauty halls in key locations. Certain of the product brands of the Company are also sold by third-party retailers.

The Company's retail store networks are typically complemented by online platforms. In the United Kingdom, through the boots.com website and integrated mobile application, the 'order and collect' service normally allows customers to order from a range of over 33,000 products by 8:00 p.m. and collect the following day from approximately 98% of the United Kingdom's retail stores.

The Boots Advantage Card loyalty program, where customers earn points on purchases for redemption at a later date, continues to be a key element of the Boots offering. As of August 31, 2020, the number of active Boots Advantage Card members totaled approximately 11 million. For this purpose, an active member is defined as someone who has used their card in the last six months.

In addition, Boots in the United Kingdom is one of the leaders in the optical market with 550 practices, of which 165 operated on a franchise basis as of August 31, 2020. Approximately 30% of these optical practices are located in Boots stores with the balance being standalone optical practices.

The components of the division's sales are Pharmacy (typically the sale of prescription drugs and provision of pharmacy-related services, subject to variation in particular jurisdictions depending upon regulatory and other factors) and Retail (primarily the sale of health and beauty products including beauty, toiletries and lifestyle merchandising, non-prescription drugs and, in the United Kingdom, the provision of optical services).

The division's sales are subject to the influence of seasonality, with the second fiscal quarter typically the strongest as a result of the winter holiday period. This seasonality affects the division's proportion of sales between Retail and Pharmacy during certain periods. The components of the division's fiscal year sales were as follows:

	Fiscal 2020	Fiscal 2019	Fiscal 2018
Pharmacy	39 %	36 %	35 %
Retail	61 %	64 %	65 %
Total	100 %	100 %	100 %

The division's Retail sales, gross profit margin and gross profit dollars are impacted by, among other things, the highly competitive nature of the health and beauty category, specifically the Company and its competitors' pricing actions, promotional offers and events and the customer's desire for value and convenience.

The division's Pharmacy sales, gross margin and gross profit dollars are impacted by governmental agencies and other third-party payers seeking to minimize increases in the costs of healthcare, including pharmaceutical drug reimbursement rates. In the United Kingdom, which is the division's largest market for Pharmacy sales, the amount of government funding available for pharmacy services is typically reviewed and agreed with the pharmacy industry on an annual basis.

In addition, performance as measured in U.S. dollars is impacted by the exchange rates used to translate these amounts into U.S. dollars, the exchange rate of British pound sterling being the most significant.

The division's performance and relevant exchange rates are also impacted by the current environment, including the uncertainty as a result of COVID-19 and political uncertainty in the United Kingdom surrounding "Brexit." For more information relating to these topics, see Risk Factors in Item 1A below.

Pharmaceutical Wholesale

The Pharmaceutical Wholesale division consists of the Alliance Healthcare pharmaceutical wholesaling and distribution businesses and an equity method investment in AmerisourceBergen. The Pharmaceutical Wholesale division (excluding equity method investments), which mainly operates under the Alliance Healthcare brand, supplies medicines, other healthcare products and related services to more than 115,000 pharmacies, doctors, health centers and hospitals each year from 306 distribution centers in 11 countries, primarily in Europe, as of August 31, 2020.

Combined with local engagement, scale is important in pharmaceutical wholesaling. Walgreens Boots Alliance is one of the largest pharmaceutical wholesalers and distributors in Europe, and it ranks as one of the top three in market share in many of the individual countries in which it operates.

The distribution of prescription medicines to pharmacists comprises the vast majority of the division's sales. The wholesale businesses seek to provide high core service levels to pharmacists in terms of frequency of delivery, product availability, delivery accuracy, timeliness and reliability at competitive prices. The Company also offers customers innovative added-value services to help pharmacists develop their own businesses. This includes membership of Alphega Pharmacy, the Company's pan-European network for independent pharmacies, which, as of August 31, 2020, had over 7,200 members.

In addition to the wholesale of medicines and other healthcare products, the division's businesses provide services to pharmaceutical manufacturers which are increasingly seeking to gain greater control over their product distribution, while at the same time outsourcing non-core activities. These services include pre-wholesale and contract logistics (mainly under the Alloga brand), direct deliveries to pharmacies and innovative and specialized healthcare services, covering clinical homecare, medicine support, dispensing services, medicine preparation and clinical trial support (mainly under the Alcura brand).

The division's sales, gross profit margin and gross profit dollars are impacted by, among other things, government actions, which typically seek to reduce the growth in prescription drug consumption, reduce reimbursement rates and increase generic drug utilization. A greater proportion of generic drugs, whether as a result of government actions, generic conversions or other factors, typically has an adverse effect on the Company's revenues. However, in the wholesale division, the Company typically earns equal or better gross margins on generic drugs than on branded drugs, although there are exceptions.

Changes in manufacturers' product distribution business models can also impact the division's sales and gross margin. For example, when pharmaceutical drug manufacturers introduce fee-for-service contracts, the Company's sales are reduced even if it is successful in winning these contracts, as the Company only recognizes sales for the amount of the fees charged. Other manufacturer services, including pre-wholesale and contract logistics operations, are typically on a fee-for-service basis.

In addition, performance as measured in U.S. dollars is impacted by the exchange rates used to translate these amounts into U.S. dollars, the exchange rate of British pound sterling and the Euro being the most significant. The division's sales are subject to less seasonality than the Company's other divisions.

The division's performance and relevant exchange rates are also impacted by the current environment, including the uncertainty as a result of COVID-19 and political uncertainty in the United Kingdom surrounding "Brexit." For more information relating to these topics, see Risk Factors in Item 1A below.

Intellectual property and licenses

The Company markets products and services under various trademarks, trade dress and trade names and relies on a combination of patent, copyright, trademark, service mark and trade secret laws, as well as contractual restrictions to establish and protect its proprietary rights. The Company owns numerous domain names, holds numerous patents, has registered numerous trademarks and has filed applications for the registration of a number of other trademarks and service marks in various jurisdictions. The Company holds assorted business licenses (such as pharmacy, occupational, liquor and cigarette) having various lives within multiple legal jurisdictions, which are necessary for the normal operation of the business.

Seasonal variations in business

The Company's business is affected by a number of factors including, among others, COVID-19, its sales performance during holiday periods (including particularly the winter holiday season) and during the cough, cold and flu season (the timing and severity of which is difficult to predict), significant weather conditions, the timing of its own or competitor discount programs and pricing actions and the timing of changes in levels of reimbursement from governmental agencies and other third-party payers. See the summary of quarterly results (unaudited) in note 19, supplementary financial information, to the Consolidated Financial Statements included in part II, item 8 below.

Sources and availability of raw materials

Inventories are purchased from numerous domestic and foreign suppliers. The Company does not believe that the loss of any one supplier or group of suppliers under common control would have a material adverse effect on its business or that of any of its divisions.

Working capital practices

Effective inventory management is important to the Company's operations. The Company uses various inventory management techniques, including demand forecasting and planning and various forms of replenishment management. Its working capital needs typically are greater in the months leading up to the winter holiday season. The Company generally finances its inventory and expansion needs with internally-generated funds and short-term debt. For additional information, see the liquidity and capital resources section in management's discussion and analysis of financial condition and results of operations in part II, item 7, below.

Customers

The Company sells to numerous retail and wholesale customers. No single customer accounted for more than 10% of the Company's consolidated sales for any of the periods presented. In fiscal 2020, substantially all of our retail pharmacy sales were to customers covered by third-party payers (e.g., pharmacy benefit managers, insurance companies and governmental agencies) that agree to pay for all or a portion of a customer's eligible prescription purchases. One third-party payer in the Retail Pharmacy USA division accounted for approximately 11% of the Company's consolidated sales in fiscal 2020.

See note 16, segment reporting, to the Consolidated Financial Statements.

Regulation

In the countries in which the Company does business, the Company is subject to national, state and local laws, regulations and administrative practices concerning retail and wholesale pharmacy operations, including regulations relating to the Company's filling of prescriptions under Medicare, Medicaid and other publicly financed or sponsored health benefit plan and prescription drug plans and programs including the federal 340B drug pricing program; regulations prohibiting kickbacks, beneficiary inducement and the submission of false claims; the Health Insurance Portability and Accountability Act ("HIPAA"); the ACA; licensure and registration requirements concerning the operation of pharmacies and the practice of pharmacy; and regulations of the U.S. Food and Drug Administration, the U.S. Federal Trade Commission, the U.S. Drug Enforcement Administration and the U.S. Consumer Product Safety Commission, as well as regulations promulgated by comparable foreign, state and local governmental authorities concerning the operation of the Company's businesses. The Company is also subject to laws and regulations relating to licensing, tax, foreign trade, intellectual property, privacy and data protection, currency, political and other business restrictions.

The Company is also governed by national, state and local laws of general applicability in the countries in which it does business, including laws regulating matters of working conditions, health and safety and equal employment opportunity. In connection with the operation of its businesses, the Company is subject to laws and regulations relating to the protection of the environment and health and safety matters, including those governing exposure to, and the management and disposal of, hazardous substances.

Competitive conditions

The industries in which the Company operates are highly competitive. As a leader in the retail pharmacy industry and as a retailer of general merchandise, the Company competes with various local, regional, national and global retailers, including chain and independent pharmacies, mail order prescription providers, grocery stores, convenience stores, mass merchants, online and omni-channel pharmacies and retailers, warehouse clubs, dollar stores and other discount merchandisers. The Company's pharmaceutical wholesale businesses compete with other pharmaceutical wholesalers as well as alternative supply sources such as importers and manufacturers who supply directly to pharmacies. The Company competes primarily on the basis of service, convenience, variety and price. Its geographic dispersion helps mitigate the impact of temporary, localized economic and competitive conditions in individual markets. See "properties" in part I, item 2, below for further information regarding the Company's geographic dispersion.

Employees

As of August 31, 2020, the Company employed approximately 331,000 persons, approximately 108,000 of whom were part-time employees working less than 30 hours per week. The foregoing does not include employees of equity method investments.

Available information

The Company makes available free of charge on or through its website at <http://investor.walgreensbootsalliance.com> its Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act of 1934, as amended (the "Exchange Act"), as soon as reasonably practicable after the Company files or furnishes them to the SEC. The contents of the website are not, however, a part of this Form 10-K or the Company's other SEC filings.

Item 1A. Risk factors

In addition to the other information in this report and our other filings with the SEC, you should carefully consider the risks described below, which could materially and adversely affect our business operations, financial condition and results of operations. COVID-19 amplifies and exacerbates many of the risks we face in our business operations, including those discussed below. These risks are not the only risks that we face. Our business operations could also be affected by additional factors that are not presently known to us or that we currently consider to be immaterial.

Our business operations, results of operations, cash flows and financial position have been and will in the future be adversely impacted by COVID-19, and the duration and extent to which it will impact our business operations, results of operations, cash flows and financial position remains uncertain.

In December 2019, a novel strain of coronavirus, which causes the infectious disease known as COVID-19, was reported. The World Health Organization declared COVID-19 a "Public Health Emergency of International Concern" on January 30, 2020 and a global pandemic on March 11, 2020. COVID-19 has severely impacted, and is expected to continue to severely impact, the economies of the U.S., the UK and other countries around the world. COVID-19 has created significant public health concerns as well as significant volatility, uncertainty and economic disruption in every region in which we operate, all of which have adversely affected and may continue to adversely affect our industries and our business operations. While we have taken numerous steps intended to mitigate the impact of the pandemic on us, there can be no assurance that such steps will be successful or that our business operations, results of operations, cash flows and financial position will not be materially and adversely affected by the consequences of the pandemic.

The extent to which COVID-19 impacts us will depend on numerous evolving factors and future developments that we are not able to predict or control, including but not limited to:

- the severity and duration of the pandemic, including whether there are additional "waves" or other additional periods of increases or spikes in the number of COVID-19 cases in areas in which we operate;
- the duration, degree and effectiveness of governmental, business or other actions in response to the pandemic, including but not limited to quarantine, shelter-in-place, social distancing and facemask measures; restrictions on or changes to our operations up to and including complete or partial closure of our stores, facilities and distribution centers; economic measures; access to unemployment compensation; stimulus payments and other fiscal policy changes; or additional measures that may not yet be effected;
- the timing and availability of, and prevalence of access to and utilization of, effective medical treatments and vaccines for COVID-19;
- changes in the timing and extent of restrictions impacting our businesses and our customers as a result of COVID-19, which may vary materially over time and among the different regions and markets we serve;
- evolving macroeconomic factors, including general economic uncertainty, unemployment rates, and recessionary pressures;
- the impact of the pandemic on economic activity and the pace and extent of recovery when the pandemic subsides, which may vary materially over time and among the different regions and markets we serve;
- the extent and duration of the effect on consumer confidence, economic well-being, spending, customer demand, buying patterns and shopping behaviors, including spend on discretionary categories, which often include higher margin products, and increased utilization of online sales channels, both during and after the pandemic;
- the health of and the effect on our team members and our ability to meet staffing needs in our stores, distribution facilities, wholesale operations, corporate offices and other critical functions, including if team members are quarantined as a result of exposure;
- the impacts - financial, operational and otherwise - on our distribution channels and supply chain, including manufacturers and suppliers of products we sell and logistics and transportation providers, and on our other strategic

- partners and service providers, including the ability of these third parties to pay amounts owed to us timely or in full or to remain in business;
- consequences on our business performance and strategic initiatives stemming from the substantial investment of time and other resources to the pandemic response;
- the incremental costs of doing business during and/or after the pandemic;
- volatility or disruptions in the credit and financial markets during and/or after the pandemic;
- any impairment in value of our tangible or intangible assets which could be recorded as a result of a weaker economic conditions;
- the potential effects on our internal controls including those over financial reporting as a result of changes in working environments such as shelter-in-place and similar orders that are applicable to our team members and business partners, among others;
- changes to, and modifications of, business practices and internal policies and procedures, including in response to regulatory changes as a result of COVID-19;
- increased cyber security risks, including as a result of our team members, and employees of our business partners, vendors, suppliers and other third parties with which we do business, working remotely;
- the impact of regulatory and judicial changes in liability for workers compensation and potential increases in insurance costs, medical claims costs and workers' compensation claim costs;
- the impact of litigation or claims from customers, employees, suppliers, regulators or other third parties relating to COVID-19 or our actions in response thereto;
- the potential reputational harm to our brands if we fail to appropriately respond, or are perceived to have inadequately responded, to risks relating to COVID-19;
- the rapidly changing and fluid circumstances caused by the pandemic and our ability to respond quickly or appropriately to those circumstances; and
- the long-term impacts of the pandemic on the global economy, trade relations, consumer behavior, our industry and our business operations.

The above factors and uncertainties, or others of which we are not currently aware, may result in material adverse impacts to our business, results of operations, cash flows and financial condition. In addition, we cannot predict with certainty the impact that COVID-19 will have on our customers, suppliers, vendors, and other business partners, and each of their financial conditions; however, any material adverse effect on these parties could materially and adversely impact us.

We have incurred and continue to incur additional costs related to efforts to protect the health and well-being and meet the needs of our customers and team members, including expanding the use of drive-thru locations in the United States, providing additional cleaning materials for our stores and other facilities, and focusing on home delivery and digital services to connect with our customers. In addition, we have enhanced certain employee benefits. We expect to continue to incur additional costs, which may be significant, as we continue to respond to this pandemic. COVID-19 has also caused supply chain disruption which has resulted and may continue to result in higher supply chain costs to replenish inventory in our stores and distribution centers. Furthermore, while we have significantly increased our purchases across many key categories, we may face delays or difficulty sourcing certain products which could negatively impact us.

Further, our management remains focused on mitigating COVID-19, which has required, and will continue to require, a substantial investment of time and resources across our enterprise and could delay other value added services. For example, during the second half of fiscal 2020, we temporarily refocused certain resources from our Transformational Cost Management Program to work on COVID-19 impacts, delayed the roll out of certain growth initiatives and selectively delayed investments in certain planned initiatives. Additionally, many of our employees transitioned to remote working arrangements as a result of the pandemic, which amplified our already extensive reliance on computer systems and our continued need for unimpeded access to the Internet to use those systems. The increase in remote work arrangements has increased certain operational risks, including but not limited to cybersecurity risks, and could adversely affect our ability to manage our business. We have also modified other parts of our operations during the pandemic, including changes in the manner in which team members interact with customers and each other, adjusting our in-store returns process, establishing protocols for customer traffic, reducing store hours, and, in some locations, other restrictions or modifications on our operations due to emergency state or local restrictions or their effects. There can be no assurance that such measures will be sufficient to mitigate the risks posed by the pandemic, and implementation of such measures have adversely affected, and may continue to negatively affect, the customer experience, sales, and our results from operations.

The impact of COVID-19 may also exacerbate other risks discussed herein, including but not limited to those related to consumer behavior and expectations, competition, brand reputation, implementation of strategic initiatives, cybersecurity threats, technology systems disruption, supply chain disruptions, labor availability, litigation and legal proceedings, and

regulatory requirements and proceedings, any of which could have a material adverse effect on us. This situation is changing rapidly and additional impacts may arise that we are not aware of currently.

Reductions in third-party reimbursement levels, from private or governmental agency plans, and potential changes in industry pricing benchmarks for prescription drugs could materially and adversely affect our results of operations.

The substantial majority of the prescriptions we fill are reimbursed by third-party payers, including private and governmental agency payers. The continued efforts of health maintenance organizations, managed care organizations, PBM companies, governmental agencies, and other third-party payers to reduce prescription drug costs and pharmacy reimbursement rates, as well as litigation and other legal proceedings relating to how drugs are priced, may adversely impact our results of operations. In the United States, plan changes with rate adjustments often occur in January and our reimbursement arrangements may provide for rate adjustments at prescribed intervals during their term. In addition, the timing and amount of periodic contractual reconciliations payments can vary significantly and may not follow a predictable path. Further, in an environment where some PBM clients utilize narrow or restricted pharmacy provider networks, some of these entities may offer pricing terms that we may not be willing to accept or otherwise restrict our participation in their networks of pharmacy providers.

Changes in political, economic and regulatory influences also may significantly affect healthcare financing and prescription drug reimbursement practices. In the United States, for example, there have been multiple attempts through executive action, legislative action and legal challenges to modify or repeal healthcare legislation, along with additional initiatives focused on increasing transparency and reducing costs in the U.S. healthcare system. We cannot predict whether current or future efforts to modify or repeal these laws will be successful, nor can we predict the impact that such a modification or repeal and any subsequent legislation would have on our business and reimbursement levels. There have also been a number of other proposals and enactments by the federal government and various states to reduce Medicare Part D and Medicaid reimbursement levels in response to budget deficits, and we expect additional proposals in the future. In the event that a third-party payer's budgetary or financial condition deteriorates, they may not be able to pay timely, or may delay payment of, amounts owed to us. There can be no assurance that recent or future changes in prescription drug reimbursement policies and practices will not materially and adversely affect our results of operations. In many countries where we have operations, the government provides or subsidizes healthcare to consumers and regulates pharmaceutical prices, patient eligibility and reimbursement levels to control costs for the government-sponsored healthcare system. Efforts to control healthcare costs, including prescription drug costs, are continuous and reductions in third-party reimbursement levels could materially and adversely affect our results of operations.

In addition, many payers in the United States are increasingly considering new metrics as the basis for reimbursement rates. It is possible that the pharmaceutical industry or regulators may evaluate and/or develop an alternative pricing reference to replace average wholesale price, which is the pricing reference used for many of our contracts. In addition, many state Medicaid fee-for-service programs have established pharmacy network payments on the basis of actual acquisition cost, which could have an impact on reimbursement practices in other commercial and governmental arrangements. Future changes to the pricing benchmarks used to establish pharmaceutical pricing, including changes in the basis for calculating reimbursement by third-party payers, could adversely affect us.

A shift in pharmacy mix toward lower margin plans, products, and programs could adversely affect our results of operations.

Our Retail Pharmacy USA division seeks to grow prescription volume while operating in a marketplace with continuous reimbursement pressure. A shift in the mix of pharmacy prescription volume towards programs offering lower reimbursement rates could adversely affect our results of operations. For example, our Retail Pharmacy USA division has experienced a shift in pharmacy mix towards 90-day at retail in recent years and more recently during the COVID-19 pandemic, and specialty pharmacy represents a significant and growing proportion of prescription drug spending in the United States and a larger proportion of our revenues. Our 90-day at retail offering for patients with chronic prescription needs typically is at a lower margin than comparable 30-day prescriptions, and specialty pharmacy sales are generally also lower margin. Our Retail Pharmacy USA division also has experienced a shift in pharmacy mix towards Medicare Part D prescriptions in recent years, and that trend may continue. Preferred Medicare Part D networks have increased in number in recent years; however, we do not participate in all such networks. We have accepted market competitive reimbursement rates in order to secure preferred relationships with Medicare Part D plans serving senior patients with significant pharmacy needs. We also have worked to develop and expand our relationships with commercial third-party payers to enable new and/or improved market access via participation in the pharmacy provider networks they offer. If we are not able to generate additional prescription volume and other business from patients participating in these programs that is sufficient to offset the impact of lower reimbursement, or if the degree or terms of our participation in such preferred networks declines from current levels in future years, our results of operations could be materially and adversely affected.

We derive a significant portion of our sales in the United States from prescription drug sales reimbursed by a limited number of pharmacy benefit management companies.

We derive a significant portion of our sales in the United States from prescription drug sales reimbursed through prescription drug plans administered by a limited number of PBM companies. PBM companies typically administer multiple prescription drug plans that expire at various times and provide for varying reimbursement rates, and often limit coverage to specific drug products on an approved list, known as a formulary, which might not include all of the approved drugs for a particular indication. Changes in pricing and other terms of our contracts with PBM companies can significantly impact our results of operations. There can be no assurance that we will continue to participate in any particular PBM company's pharmacy provider network in any particular future time period or on terms reasonably acceptable to us. If our participation in the pharmacy provider network for a prescription drug plan administered by one or more of the large PBM companies is restricted or terminated, we expect that our sales would be adversely affected, at least in the short-term. If we are unable to replace any such lost sales, either through an increase in other sales or through a resumption of participation in those plans, our operating results could be materially and adversely affected. If we exit a pharmacy provider network and later resume participation, there can be no assurance that we will achieve any particular level of business on any particular pace, or that all clients of the PBM company will choose to include us again in the pharmacy network for their plans, initially or at all. In addition, in such circumstances we may incur increased marketing and other costs in connection with initiatives to regain former patients and attract new patients covered by such plans.

We face significant competition in attracting and retaining talented employees. Successfully managing succession for, and retention of, key executives is critical to our success, and failure to do so could have an adverse impact on our future performance.

Our ability to attract, engage, develop and retain qualified and experienced employees at all levels, including in executive and other key strategic positions, is essential for us to meet our objectives. We compete with many other businesses to attract and retain employees. Competition among potential employers might result in increased salaries, benefits or other employee-related costs, or in our failure to recruit and retain employees. We may experience sudden loss of key personnel due to a variety of causes, such as illness, and must adequately plan for succession of key roles. Any of these risks could have a materially adverse impact on our business operations, financial condition and results of operations.

Any failure to adequately plan for and manage succession of senior management and other key management roles or the failure of key employees to successfully transition into new roles could have a material adverse effect on our business and results of operations. While we have succession plans in place and employment arrangements with certain key executives, these do not guarantee the services of these executives will continue to be available to us. In July 2020, we announced a search for a new chief executive officer (CEO). We also announced that when the new CEO takes office, Stefano Pessina will resign as CEO and Executive Vice Chairman of the Board and be appointed as the Executive Chairman of the Board (subject to applicable law, including fiduciary duties) and James Skinner will resign as Executive Chairman of the Board, while remaining on the Board to help facilitate a smooth transition. Any significant leadership change or senior management transition involves inherent risks and any failure to timely hire a qualified CEO and ensure a smooth transition could hinder the Company's strategic planning, execution and future performance. Changes in the senior management team also may create uncertainty among investors, employees, business partners and others concerning the Company's future direction and performance. Any disruption in the Company's operations or adverse impacts from such uncertainties could have a material adverse effect on our business operations, financial condition and results of operations.

We could be adversely affected by a decrease in the introduction of new brand name and generic prescription drugs as well as increases in the cost to procure prescription drugs.

The profitability of our pharmacy businesses depends upon the utilization of prescription drugs. Utilization trends are affected by, among other factors, the introduction of new and successful prescription drugs as well as lower-priced generic alternatives to existing brand name drugs. Inflation in the price of drugs also can adversely affect utilization, particularly given the increased prevalence of high-deductible health insurance plans and related plan design changes. New brand name drugs can result in increased drug utilization and associated sales, while the introduction of lower priced generic alternatives typically results in relatively lower sales, but relatively higher gross profit margins. Accordingly, a decrease in the number or magnitude of significant new brand name drugs or generics successfully introduced, delays in their introduction, or a decrease in the utilization of previously introduced prescription drugs, could materially and adversely affect our results of operations.

In addition, if we experience an increase in the amounts we pay to procure pharmaceutical drugs, including generic drugs, it could have a material adverse effect on our results of operations. Our gross profit margins would be adversely affected to the extent we are not able to offset such cost increases. Any failure to fully offset any such increased prices and costs or to modify

our activities to mitigate the impact could have a material adverse effect on our results of operations. Additionally, any future changes in drug prices could be significantly different than our expectations.

Consolidation and strategic alliances in the healthcare industry could adversely affect our business operations, competitive positioning, financial condition and results of operations.

Many organizations in the healthcare industry, including PBM companies, have consolidated in recent years to create larger healthcare enterprises with greater bargaining power, which has resulted in greater pricing pressures. If this consolidation trend continues, it could give the resulting enterprises even greater bargaining power, which may lead to further pressure on the prices for our products and services. If these pressures result in reductions in our prices, our businesses would become less profitable unless we are able to achieve corresponding reductions in costs or develop profitable new revenue streams.

New and proposed acquisitions, partnerships and strategic alliances in the healthcare industry also can alter market dynamics and impact our businesses and competitive positioning. For example, in November 2018, CVS Health Corporation, an integrated pharmacy health care company that operates one of the largest retail drugstore chains and PBM companies in the United States, acquired Aetna, Inc., one of the largest diversified health care benefits companies. Changes in the participants in global sourcing enterprises relating to drug procurement, whether as a result of mergers, acquisitions or other transactions, can also have a similar effect on market dynamics and our business. In addition, further consolidation among generic drug manufacturers could lead to generic drug inflation in the future. We expect that market demand, government regulation, third-party reimbursement policies, government contracting requirements, and other pressures will continue to cause the healthcare industry to evolve, potentially resulting in further business consolidations and alliances and increased vertical integration among the industry participants we engage with, and which could, if we are not able to successfully anticipate and respond to evolving industry conditions in a timely and effective manner, materially and adversely impact our business operations, financial condition and results of operations.

Our growth strategy is partially dependent upon our ability to identify and successfully complete acquisitions, joint ventures and other strategic partnerships and alliances.

A significant element of our growth strategy is to identify, pursue and successfully complete and integrate acquisitions, joint ventures and other strategic partnerships and alliances that either expand or complement our existing operations. We have grown significantly through acquisitions in recent years and expect to continue to acquire, partner with or invest in businesses that build on or are deemed complementary to our existing businesses or further our strategic objectives. For example, in July 2020, the Company announced that it plans to invest \$1.0 billion in equity and convertible debt in VillageMD over the next three years, including a \$250 million equity investment completed in July 2020, subject to the terms of the agreement. The Company and VillageMD also announced plans to open 500 to 700 “Village Medical at Walgreens” physician-led primary care clinics in more than 30 U.S. markets in the next five years. Due in part to consolidation in the industries in which we compete, there is significant competition for attractive targets and opportunities when available. There can be no assurance that attractive acquisition or other strategic relationship opportunities will be available, that we will be successful in identifying, negotiating and consummating favorable transaction opportunities, or that any such transactions we complete will be successful and justify our investment of financial and other resources.

Acquisitions and other strategic transactions involve numerous risks, including difficulties in successfully integrating the operations and personnel, navigating the necessary regulatory approval requirements, distraction of management from overseeing, and disruption of, our existing operations, difficulties in entering markets or lines of business in which we have no or limited direct prior experience, the possible loss of key employees and customers, and difficulties in achieving the synergies we anticipated. Any failure to select suitable opportunities at fair prices, conduct appropriate due diligence and successfully integrate the acquired company, including particularly when acquired businesses operate in new geographic markets or areas of business, could materially and adversely impact our financial condition and results of operations. These transactions may also cause us to significantly increase our interest expense, leverage and debt service requirements if we incur additional debt to pay for an acquisition or investment, issue common stock that would dilute our current stockholders’ percentage ownership, or incur asset write-offs and restructuring costs and other related expenses that could have a material adverse impact on our operating results. Acquisitions, joint ventures and strategic investments also involve numerous other risks, including potential exposure to assumed litigation and unknown environmental and other liabilities, as well as undetected internal control, regulatory or other issues, or additional costs not anticipated at the time the transaction was completed. No assurance can be given that our acquisitions, joint ventures and other strategic partnerships and alliances will be successful and will not materially adversely affect our business operations, financial condition or results of operations. If we are unable to successfully identify, complete and integrate acquisitions, joint ventures and strategic investments in a timely and effective manner, our business operations and growth strategies could be adversely affected.

Our strategic relationships include outsourcing and similar relationships. We outsource certain business and administrative functions and rely on third parties to perform certain services on our behalf. We rely on these third parties to meet our quality and performance requirements and to timely perform as expected. We periodically negotiate provisions and renewals of these relationships, and there can be no assurance that such terms will remain acceptable to us or such third parties. If our continuing relationship with certain third-party providers is interrupted, or if such third-party providers experience disruptions or do not perform as anticipated, or we experience problems with any transition, we may experience operational difficulties, reputational harm, and increased costs that could materially and adversely affect our business operations and results of operations.

We are exposed to risks related to litigation and other legal proceedings.

We operate in a highly regulated and litigious environment. We are involved in legal proceedings, including litigation, arbitration and other claims, and investigations, inspections, audits, claims, inquiries and similar actions by pharmacy, healthcare, tax and other governmental authorities, including those contained in note 10, commitments and contingencies, to the Consolidated Financial Statements included in part II, item 8 of this Form 10-K. For example, in January 2019, Walgreen Co., on behalf of itself, its subsidiaries and certain identified affiliates, resolved matters regarding certain dispensing practices by entering into, among other things, a Corporate Integrity Agreement with the Office of Inspector General of the United States Department of Health and Human Services. The Corporate Integrity Agreement has a five-year term and provides that Walgreen Co. shall, among other things, continue the compliance program it created to address compliance with federal health care program requirements, provide annual certifications of compliance and provide training and education for certain covered employees. Failure to meet the Corporate Integrity Agreement obligations could have material adverse consequences for us, including reputational harm and monetary penalties for each instance of non-compliance. In addition, in the event of a breach or deliberate violation of the Corporate Integrity Agreement, we could be excluded from participation in federal healthcare programs, or subjected to other significant penalties, which could seriously harm our results of operations, liquidity and financial results.

Legal proceedings, in general, and securities, derivative action and class action and multi-district litigation, in particular, can be expensive and disruptive. Some of these suits may purport or may be determined to be class actions and/or involve parties seeking large and/or indeterminate amounts, including punitive or exemplary damages, and may remain unresolved for several years. For example, we are a defendant in numerous litigation proceedings relating to opioid matters, including federal multidistrict litigation that consolidated numerous cases filed against an array of defendants by various plaintiffs such as counties, cities, hospitals, Indian tribes, and others, as well as numerous lawsuits brought in state courts. Additionally, the Company has received from the Department of Justice and the Attorney Generals of numerous states subpoenas, civil investigative demands and/or other requests concerning opioid matters. From time to time, the Company is also involved in legal proceedings as a plaintiff involving antitrust, tax, contract, intellectual property and other matters. See note 10, commitments and contingencies, for more information.

The Company's financial results may also be adversely affected by the litigation and other legal proceedings of companies in which it has an equity method investment. For example, AmerisourceBergen is required to publicly disclose in its SEC filings certain information regarding material litigation and legal proceedings it is involved in, including those relating to opioid matters if applicable. Any unfavorable outcome or settlement related to these proceedings could have a material adverse effect on the Company's financial results.

Like other companies in the retail pharmacy and pharmaceutical wholesale industries, the Company is subject to extensive regulation by national, state and local government agencies in the United States and other countries in which it operates. There continues to be a heightened level of review and/or audit by regulatory authorities of, and increased litigation regarding business, compliance and reporting practices of the Company and other industry participants. As a result, the Company regularly is the subject of government actions of the types described above. In addition, under the qui tam or "whistleblower" provisions of the federal and various state false claims acts, persons may bring lawsuits alleging that a violation of the federal anti-kickback statute or similar laws has resulted in the submission of "false" claims to federal and/or state healthcare programs, including Medicare and Medicaid. 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.

We cannot predict with certainty the outcomes of these legal proceedings and other contingencies, and the costs incurred in litigation can be substantial, regardless of the outcome. Substantial unanticipated verdicts, fines and rulings do sometimes occur. As a result, we could from time to time incur judgments, enter into settlements or revise our expectations regarding the outcome of certain matters, and such developments could harm our reputation and have a material adverse effect on our results of operations in the period in which the amounts are accrued and/or our cash flows in the period in which the amounts are paid. 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/or suspension or exclusion from participation in government programs. The outcome of some of these legal proceedings and other contingencies could require us to take, or refrain from taking, actions which could negatively affect our operations. Additionally, defending against these lawsuits and proceedings may involve significant expense and diversion of management's attention and resources.

Our business results depend on our ability to successfully manage ongoing organizational change and business transformation and achieve cost savings and operating efficiency initiatives.

Our Board of Directors approved the plans to implement the Transformational Cost Management Program described in "management's discussion and analysis of financial condition and results of operations" in part II, item 7 below as part of an initiative to reduce costs and increase operating efficiencies. There can be no assurance that we will realize, in full or in part, the anticipated benefits of these programs. Our financial goals assume a level of productivity improvement, including those reflected in the Transformational Cost Management Program and other business optimization initiatives. If we are unable to deliver these expected productivity improvements, while continuing to invest in business growth, or if the volume and nature of change overwhelms available resources, our business operations and financial results could be materially and adversely impacted. Our ability to successfully manage and execute these initiatives and realize expected savings and benefits in the amounts and at the times anticipated is important to our business success. Any failure to do so, which could result from our inability to successfully execute organizational change and business transformation plans, changes in global or regional economic conditions, competition, changes in the industries in which we compete, unanticipated costs or charges, loss of key personnel and other factors described herein, could have a material adverse effect on our businesses, financial condition and results of operations.

The industries in which we operate are highly competitive and constantly evolving. New entrants to the market, existing competitor actions or other changes in market dynamics could adversely impact us.

The level of competition in the retail pharmacy and pharmaceutical wholesale industries is high. Changes in market dynamics or actions of competitors or manufacturers, including industry consolidation and the emergence of new competitors and strategic alliances, could materially and adversely impact us. Disruptive innovation, or the perception of potentially disruptive innovation, by existing or new competitors could alter the competitive landscape in the future and require us to accurately identify and assess such changes and if required make timely and effective changes to our strategies and business model to compete effectively. For example, in 2018, online retailer Amazon.com, Inc. acquired PillPack, an online pharmacy with licenses throughout the United States, helping Amazon to expand into the market for prescription drugs. Our retail pharmacy businesses face intense competition from local, regional, national and global companies, including other drugstore and pharmacy chains, independent drugstores and pharmacies, mail-order pharmacies and various other retailers such as grocery stores, convenience stores, mass merchants, online and omni-channel pharmacies and retailers, warehouse clubs, dollar stores and other discount merchandisers, some of which are aggressively expanding in markets we serve. Businesses in our Pharmaceutical Wholesale division face intense competition from direct competitors, including national and regional cooperative wholesalers, and alternative supply sources such as importers and manufacturers who supply directly to pharmacies. Competition may also come from other sources in the future. As competition increases in the markets in which we operate, a significant increase in general pricing pressures could occur, including pressure on the convenience premium of our retail pricing model, which could require us to reevaluate our pricing structures to remain competitive. For example, if we are not able to anticipate and successfully respond to changes in market conditions in our Pharmaceutical Wholesale division, including changes driven by competitors, suppliers or manufacturers and increased competition from national and regional cooperative wholesalers, it could result in a loss of customers or renewal of contracts or arrangements on less favorable terms.

We also could be adversely affected if we fail to identify or effectively respond to changes in market dynamics. As technology, consumer behavior, omni-channel and differential retail models, and market conditions continue to evolve in the United States, it is important that we maintain the relevance of our brand and product and service offerings to customers and patients. In recent years, we announced that we are testing a number of concepts and initiatives designed to position our stores in the United States as convenient neighborhood health destinations for healthcare and retail products and services. The concepts being tested include new approaches to pricing and promotions, product selection, in-store and digital experience, and strategic partnerships that bring new products and services to our customers. We plan to use these pilots to listen to customers, learn and adjust based on feedback, with decisions on the nature and extent of further roll-outs made over time as we gain experience. For example, the Company and VillageMD announced a collaboration in April 2019 where VillageMD would operate five primary care clinics next to Walgreens stores in the Houston, Texas area and, based on the results of that pilot, in July 2020 announced plans to open 500 to 700 "Village Medical at Walgreens" physician-led primary care clinics in more than 30 U.S. markets in the next five years. If our customers are not receptive to these changes, if we are unable to expand successful programs in a timely manner, or we otherwise do not effectively respond to changes in market dynamics, our businesses and financial performance could be materially and adversely affected. Additionally, specialty pharmacy represents a significant and growing proportion of

prescription drug spending in the United States, a significant portion of which is dispensed outside of traditional retail pharmacies. Because our specialty pharmacy business focuses on complex and high-cost medications, many of which are made available by manufacturers to a limited number of pharmacies (so-called limited distribution drugs), that serve a relatively limited universe of patients, the future growth of this business depends to a significant extent upon expanding our ability to access key drugs and successfully penetrate key treatment categories. Accordingly, it is important that we and our affiliates compete effectively in this evolving and highly competitive market, or our business operations, financial condition and results of operations could be materially and adversely affected. To better serve this evolving market, in March 2017, we and Prime Therapeutics LLC, a PBM, closed a transaction to form a combined central specialty pharmacy and mail services company, AllianceRx Walgreens Prime, using an innovative model that seeks to align pharmacy, PBM and health plans to coordinate patient care, improve health outcomes and deliver cost of care opportunities. Prime's clients are not obligated to contract through our joint venture, and have in the past, and may in the future, enter into specialty pharmacy and other agreements without involving our joint venture. If this joint venture is not able to compete effectively in this evolving and highly competitive market and successfully adapt to changing market conditions, our business operations, financial condition and results of operations could be materially and adversely affected.

Our substantial international business operations subject us to a number of operating, economic, political, regulatory and other international business risks.

Our substantial international business operations are important to our growth and prospects, including particularly those of our Retail Pharmacy International and Pharmaceutical Wholesale divisions, and are subject to a number of risks, including:

- compliance with a wide variety of foreign laws and regulations, including retail and wholesale pharmacy, licensing, tax, foreign trade, intellectual property, privacy and data protection, immigration, currency, political and other business restrictions and requirements and local laws and regulations, whose interpretation and enforcement vary significantly among jurisdictions and can change significantly over time;
- additional U.S. and other regulation of non-domestic operations, including regulation under the Foreign Corrupt Practices Act, the UK Bribery Act and other anti-corruption laws;
- potential difficulties in managing foreign operations, mitigating credit risks in foreign markets, enforcing agreements and collecting receivables through foreign legal systems;
- price controls imposed by foreign countries, tariffs, duties or other restrictions on foreign currencies or trade sanctions and other trade barriers imposed by foreign countries that restrict or prohibit business transactions in certain markets, or fluctuations in currency rates;
- impact of recessions and economic slowdowns in economies outside the United States, including foreign currency devaluation, higher interest rates, inflation, and increased government regulation or ownership of traditional private businesses;
- the instability of foreign economies, governments and currencies and unexpected regulatory, economic or political changes in foreign markets; and
- developing and emerging markets may be especially vulnerable to periods of instability and unexpected changes, and consumers in those markets may have relatively limited resources to spend on products and services.

These factors can also adversely affect our payers, vendors and customers in international markets, which in turn can negatively impact our businesses. We cannot assure you that one or more of these factors will not have a material adverse effect on our business operations, results of operation and financial condition.

Many of these factors are subject to change based on changes in political, economic and regulatory influences. For example:

- Our Retail Pharmacy International and Pharmaceutical Wholesale divisions have substantial operations in the United Kingdom and other member countries of the European Union. In June 2016, voters in the United Kingdom approved an advisory referendum to withdraw from the European Union, which resulted in the United Kingdom leaving the European Union on January 31, 2020. Since the referendum, there have been periods of significant volatility in the global stock markets and currency exchange rates, as well as challenging market conditions in the United Kingdom and many of the risks and uncertainties described above have been and may continue to be exacerbated. There is now a transition period until December 31, 2020 in which the United Kingdom and European Union are to negotiate a new

trading relationship for goods and services. Failure to complete negotiations by the implementation deadline of December 31, 2020 could result in the United Kingdom reverting to undesirable and adverse trade agreements with the European Union. Given the complexity and uncertainty surrounding the withdrawal and related negotiations, including with respect to terms of trade and customs, there can be no assurance regarding the terms, timing or consummation of any such arrangements. The withdrawal could, among other potential outcomes, adversely affect the tax, tax treaty, currency, operational, legal and regulatory regimes to which our businesses in the region are subject. The withdrawal could also, among other potential outcomes, disrupt the free movement of goods, services and people between the United Kingdom and the European Union and significantly disrupt trade between the United Kingdom and the European Union and other parties. Further, uncertainty around and developments regarding these and related issues has contributed to deteriorating market conditions and could further adversely impact consumer and investor confidence and the economy of the United Kingdom and the economies of other countries in which we operate and cause significant volatility in currency exchange rates; and

- Many of the products we sell are manufactured in whole or in part outside of the United States. In some cases, these products are imported by others and sold to us. In the United States, the Presidential Administration has discussed, and in some cases implemented, changes with respect to certain tax and trade policies, tariffs and other government regulations affecting trade between the United States and other countries. For example, concerns regarding trade relations between the United States and China have escalated in recent years and discussions have continued through the date of this report, as both countries imposed significant tariffs on the importation of certain product categories. As a significant portion of our retail products are sourced from China, the imposition on the United States of these and any additional new tariffs on certain goods imported from China have adversely affected costs and could impact the profitability of retail product sales in our Retail Pharmacy USA division. While it is not possible to predict whether or when any additional changes will occur or what form they may take, significant changes in tax or trade policies, tariffs or trade relations between the United States and other countries could result in significant increases in our costs, restrict our access to certain suppliers and adversely impact economic activity. In addition, other countries may change their business and trade policies in anticipation of or in response to increased import tariffs and other changes in United States' trade policy and regulations.

There can be no assurance that any or all of these developments will not have a material adverse effect on our business operations, results of operations and financial condition.

We are exposed to risks associated with foreign currency exchange rate fluctuations.

We operate or have equity method investments in more than 25 countries across the globe, and our significant presence outside of the United States exposes us to currency exchange rate fluctuations and related risks, including transaction currency exposures relating to the import and export of goods in currencies other than businesses' functional currencies as well as currency translation exposures relating to profits and net assets denominated in currencies other than the U.S. dollar. We present our financial statements in U.S. dollars and have a significant proportion of net assets and income in non-U.S. dollar currencies, primarily the British pound sterling and the Euro, as well as a range of other foreign currencies. Our results of operations and capital ratios can therefore be sensitive to movements in foreign exchange rates. Due to the constantly changing currency exposures to which we are subject and the volatility of currency exchange rates, we cannot predict the effect of exchange rate fluctuations upon our future results of operations. In addition, fluctuations in currencies relative to the U.S. dollar may make it more difficult to perform period-to-period comparisons of our reported results of operations. A depreciation of non-U.S. dollar currencies relative to the U.S. dollar could have a significant adverse impact on our results of operations.

We may from time to time, in some instances, enter into foreign currency contracts or other derivative instruments intended to hedge a portion of our foreign currency fluctuation risks, which subjects us to additional risks, such as the risk that counterparties may fail to honor their obligations to us, that could materially and adversely affect us. Additionally, we may (and currently do) use foreign currency debt to hedge some of our foreign currency fluctuation risks. The periodic use of such hedging activities may not offset any or more than a portion of the adverse financial effects of unfavorable movements in foreign exchange rates over the limited time the hedges are in place. We cannot assure you that fluctuations in foreign currency exchange rates, including particularly the strengthening of the U.S. dollar against major currencies or the currencies of large developing countries, will not materially affect our consolidated financial results.

A significant disruption in our information technology and computer systems or those of businesses we rely on could harm us.

We rely extensively on our computer systems to manage our ordering, pricing, point-of-sale, pharmacy fulfillment, inventory replenishment, customer loyalty programs, finance and other processes. Our systems are subject to damage or interruption from

power outages, facility damage, computer and telecommunications failures, computer viruses, security breaches including credit card or personally identifiable information breaches, vandalism, theft, natural disasters, catastrophic events, human error and potential cyber threats, including malicious codes, worms, phishing attacks, denial of service attacks, ransomware and other sophisticated cyber attacks, and our disaster recovery planning cannot account for all eventualities. If any of our systems are damaged, fail to function properly or otherwise become unavailable, we may incur substantial costs to repair or replace them, and may experience loss or corruption of critical data and interruptions or disruptions and delays in our ability to perform critical functions, which could materially and adversely affect our businesses and results of operations.

In addition, we are currently making, and expect to continue to make, substantial investments in our information technology systems and infrastructure, some of which are significant. Upgrades involve replacing existing systems with successor systems, outsourcing critical information technology to third parties, making changes to existing systems, including the migration of applications to the cloud, or cost-effectively acquiring new systems with new functionality. Implementing new systems carries significant potential risks, including failure to operate as designed, potential loss or corruption of data or information, changes in security processes, cost overruns, implementation delays, disruption of operations, and the potential inability to meet business and reporting requirements. We rely on strategic partners and other service providers to help us with certain significant information technology projects and services, including Tata Consultancy Services, to whom the Company is currently transitioning its IT Run and Operational managed services, and Microsoft, who is the Company's strategic cloud provider and with whom the Company has a strategic partnership to develop new health care delivery models, technology and retail innovations to advance and improve the future of health care. Information technology projects or services frequently are long-term in nature and may take longer to complete and cost more than we expect and may not deliver the benefits we project once they are complete. Furthermore, pursuing multiple initiatives simultaneously could make implementation significantly more challenging. We are aware of inherent risks associated with replacing these systems and outsourcing critical information technology functions and there can be no assurance that we will not experience significant issues with our existing systems prior to implementation, that our technology initiatives will be successfully deployed as planned or that they will be timely implemented without significant disruption to our operations. We also could be adversely affected by any significant disruption in the systems of third parties we interact with, including strategic and business partners, key payers and vendors. Any system implementation and transition difficulty may result in operational challenges, reputational harm, and increased costs that could materially and adversely affect our business operations and results of operations.

Privacy and data protection laws increase our compliance burden and any failure to comply could harm us.

The regulatory environment surrounding data security and privacy is increasingly demanding, with the frequent imposition of new and changing requirements across businesses and geographic areas. We are required to comply with increasingly complex and changing data security and privacy regulations in the jurisdictions in which we operate that regulate the collection, use and transfer of personal data, including the transfer of personal data between or among countries. In the United States, for example, HIPAA imposes extensive privacy and security requirements governing the transmission, use and disclosure of health information by covered entities in the health care industry, including health care providers such as pharmacies. In addition, the California Consumer Privacy Act, which went into effect on January 1, 2020, imposes stringent requirements on the use and treatment of "personal information" of California residents, and other jurisdictions have enacted, or are proposing similar laws related to the protection of personal data. Outside the United States, for example, the European Union's General Data Protection Regulation, which became effective in May 2018, greatly increased the jurisdictional reach of European Union data protection laws and added a broad array of requirements for handling personal data, including the public disclosure of significant data breaches, and provides for greater penalties for noncompliance. Other countries have enacted or are considering enacting data localization laws that require certain data to stay within their borders.

Complying with changing regulatory requirements requires us to incur substantial costs and may require changes to our business practices in certain jurisdictions, any of which could materially and adversely affect our business operations and operating results. We may also face audits or investigations by various government agencies relating to our compliance with these regulations. Compliance with changes in privacy and information security laws and standards may result in significant expense due to increased investment in technology and the development of new operational processes. Failure to comply with these laws subjects us to potential regulatory enforcement activity, fines, private litigation including class actions, and other costs. We also have contractual obligations that might be breached if we fail to comply. A significant privacy breach or failure to comply with privacy laws could have a materially adverse impact on our reputation, business operations, financial position and results of operations.

We and businesses we interact with experience cybersecurity incidents and might experience significant computer system compromises or data breaches.

The protection of customer, employee, and company data is critical to our businesses. Cybersecurity and other information technology security risks, such as a significant breach or theft of customer, employee, or company data, could create significant

workflow disruption, attract a substantial amount of media attention, damage our customer relationships, reputation and brand, and result in lost sales, fines or lawsuits. Throughout our operations, we receive, retain and transmit certain personal information that our customers and others provide to purchase products or services, fill prescriptions, enroll in promotional programs, participate in our customer loyalty programs, register on our websites, or otherwise communicate and interact with us. In addition, aspects of our operations depend upon the secure transmission of confidential information over public networks. We also depend on and interact with the information technology networks and systems of third-parties for many aspects of our business operations, including payers, strategic partners and cloud service providers. These third parties may have access to information we maintain about our company, operations, customers, employees and vendors, or operating systems that are critical to or can significantly impact our business operations. Like other global companies, we and businesses we interact with have experienced threats to data and systems, including from vandalism or theft of physical systems or media and from perpetrators of random or targeted malicious cyber-attacks, computer viruses, worms, phishing attacks, bot attacks or other destructive or disruptive software and attempts to misappropriate customer information, including credit card information, and cause system failures and disruptions.

Compromises of our data security systems or of those of businesses with whom we interact which result in confidential information being accessed, obtained, damaged or used by unauthorized or improper persons, have in the past and could in the future adversely impact us. Any such compromise could harm our reputation and expose us to regulatory actions, customer attrition, remediation expenses, and claims from customers, financial institutions, payment card associations and other persons, any of which could materially and adversely affect our reputation, business operations, financial condition and results of operations. In addition, security incidents may require that we expend substantial additional resources related to the security of information systems and disrupt our businesses. The risks associated with data security and cybersecurity incidents have increased during the COVID-19 pandemic given the increased reliance on remote work arrangements.

A significant change in, or noncompliance with, governmental regulations and other legal requirements could have a material adverse effect on our reputation and profitability.

We operate in complex, highly regulated environments around the world and could be materially and adversely affected by changes to applicable legal requirements including the related interpretations and enforcement practices, new legal requirements and/or any failure to comply with applicable regulations. Businesses in our Pharmaceutical Wholesale division are subject to a range of regulations relating to such things as product margins, product traceability and the conditions under which products must be stored. Our retail pharmacy and health and wellness services businesses are subject to numerous country, state and local regulations including licensing, billing practices, utilization and other requirements for pharmacies and reimbursement arrangements. The regulations to which we are subject include, but are not limited to: country and state registration and regulation of pharmacies and drug discount card programs; dispensing and sale of controlled substances and products containing pseudoephedrine; applicable governmental payer regulations including Medicare and Medicaid; data privacy and security laws and regulations including HIPAA; the ACA or any successor thereto; laws and regulations relating to the protection of the environment and health and safety matters, each of which continues to evolve, including those governing exposure to, and the management and disposal of, hazardous substances; regulations regarding food and drug safety including those of the U.S. Food and Drug Administration (“FDA”) and Drug Enforcement Administration (“DEA”), trade regulations including those of the U.S. Federal Trade Commission, and consumer protection and safety regulations including those of the Consumer Product Safety Commission, as well as state regulatory authorities, governing the availability, sale, advertisement and promotion of products we sell as well as our loyalty and drug discount card programs; anti-kickback laws; false claims laws; laws against the corporate practice of medicine; and foreign, national and state laws governing health care fraud and abuse and the practice of the profession of pharmacy. For example, in the United States, the DEA, FDA and various other regulatory authorities regulate the distribution and dispensing of pharmaceuticals and controlled substances. We are required to hold valid DEA and state-level licenses, meet various security and operating standards and comply with the federal and various state controlled substance acts and related regulations governing the sale, dispensing, disposal, holding and distribution of controlled substances. The DEA, FDA and state regulatory authorities have broad enforcement powers, including the ability to seize or recall products and impose significant criminal, civil and administrative sanctions for violations of these laws and regulations. We are also governed by foreign, national and state laws of general applicability, including laws regulating matters of working conditions, health and safety and equal employment opportunity and other labor and employment matters as well as employee benefit, competition and antitrust matters. In addition, we could have significant exposure if we are found to have infringed another party’s intellectual property rights.

Changes in laws, regulations and policies and the related interpretations and enforcement practices may alter the landscape in which we do business and may significantly affect our cost of doing business. The impact of new laws, regulations and policies and the related interpretations and enforcement practices generally cannot be predicted, and changes in applicable laws, regulations and policies and the related interpretations and enforcement practices may require extensive system and operational changes, be difficult to implement, increase our operating costs and require significant capital expenditures. Untimely

compliance or noncompliance with applicable laws and regulations could result in the imposition of civil and criminal penalties that could adversely affect the continued operation of our businesses, including: suspension of payments from government programs; loss of required government certifications; loss of authorizations to participate in or exclusion from government programs, including the Medicare and Medicaid programs in the United States and the National Health Service in the United Kingdom; loss of licenses; and significant fines or monetary penalties. Any failure to comply with applicable regulatory requirements in the United States or in any of the countries in which we operate could result in significant legal and financial exposure, damage to our reputation and brand, and have a material adverse effect on our business operations, financial condition and results of operations.

We could be adversely affected by violations of anti-bribery, anti-corruption and/or international trade laws.

We are subject to laws concerning our business operations and marketing activities in foreign countries where we conduct business. For example, we are subject to the U.S. Foreign Corrupt Practices Act (the “FCPA”), U.S. export control, anti-money laundering and economic and trade sanction laws, and similar anti-corruption and international trade laws in certain foreign countries, such as the UK Bribery Act, any violation of which could create substantial liability for us and also harm our reputation. The FCPA generally prohibits U.S. companies and their officers, directors, employees, and intermediaries from making improper payments to foreign officials for the purpose of obtaining or retaining business abroad or otherwise obtaining favorable treatment. The FCPA also requires that U.S. public companies maintain books and records that fairly and accurately reflect transactions and maintain an adequate system of internal accounting controls. If we are found to have violated the FCPA, U.S. export control, economic and trade sanctions, or anti-money laundering laws or any other anti-bribery, anti-corruption or international trade laws or to have otherwise conducted business activities inappropriately or unethically, including through acts of bribery, corruption, conflicts of interest, fraud, manipulation of records or dealings with inappropriate business counterparties or partners, we may face penalties, sanctions including civil and criminal fines, disgorgement of profits, and suspension or debarment of our ability to contract with governmental agencies or receive export licenses. In addition, new initiatives may be proposed from time to time that impact the trading conditions in certain countries or regions, and may include retaliatory duties or trade sanctions which, if enacted, could adversely impact our trading relationships with vendors or other parties in such locations and have a material adverse effect on our operations. From time to time, we may face audits or investigations by one or more domestic or foreign governmental agencies relating to our international business activities, compliance with which could be costly and time-consuming, and could divert our management and key personnel from our business operations. An adverse outcome under any such investigation or audit could damage our reputation and subject us to fines or other penalties, which could materially and adversely affect our business operations, financial condition, and results of operations.

Disruption in our global supply chain could negatively impact our businesses.

The products we sell are sourced from a wide variety of domestic and international vendors, and any future disruption in our supply chain or inability to find qualified vendors and access products that meet requisite quality and safety standards in a timely and efficient manner could adversely impact our businesses. The loss or disruption of such supply arrangements for any reason, including for issues such as COVID-19 or other health epidemics or pandemics, labor disputes, loss or impairment of key manufacturing sites, inability to procure sufficient raw materials, quality control issues, ethical sourcing issues, a supplier’s financial distress, natural disasters, looting, vandalism or acts of war or terrorism, trade sanctions or other external factors over which we have no control, could interrupt product supply and, if not effectively managed and remedied, have a material adverse impact on our business operations, financial condition and results of operations.

We use a single wholesaler of branded and generic pharmaceutical drugs as our primary source of such products for our Retail Pharmacy USA division.

In March 2013, Walgreens, Alliance Boots and AmerisourceBergen announced various agreements and arrangements, including a ten-year pharmaceutical distribution agreement between Walgreens and AmerisourceBergen pursuant to which we source branded and generic pharmaceutical products from AmerisourceBergen in the United States and an agreement which provides AmerisourceBergen the ability to access generic pharmaceutical products through our global sourcing enterprise. In May 2016, certain of these agreements were extended for three years to now expire in 2026. In addition, in March 2013, Walgreens, Alliance Boots and AmerisourceBergen entered into agreements and arrangements pursuant to which we have the right to purchase a minority equity position in AmerisourceBergen and gain associated representation on AmerisourceBergen’s board of directors in certain circumstances. As of the date of this report, AmerisourceBergen distributes for our Retail Pharmacy USA division substantially all branded and generic pharmaceutical products. Consequently, our business in the United States may be adversely affected by any operational, financial or regulatory difficulties that AmerisourceBergen experiences, including those resulting from COVID-19. For example, if AmerisourceBergen’s operations are seriously

disrupted for any reason, whether due to a natural disaster, pandemic, labor disruption, regulatory action, computer or operational systems or otherwise, it could adversely affect our business in the United States and our results of operations.

Our distribution agreement with AmerisourceBergen is subject to early termination in certain circumstances and, upon the expiration or termination of the agreement, there can be no assurance that we or AmerisourceBergen will be willing to renew the agreement or enter into a new agreement, on terms favorable to us or at all. If such expiration or termination occurred, we believe that alternative sources of supply for most generic and brand-name pharmaceuticals are readily available and that we could obtain and qualify alternative sources, which may include self-distribution in some cases, for substantially all of the prescription drugs we sell on an acceptable basis, such that the impact of any such expiration or termination would be temporary. However, there can be no assurance we would be able to engage alternative supply sources or implement self-distribution processes on a timely basis or on terms favorable to us, or effectively manage these transitions, any of which could adversely affect our business operations, financial condition and results of operations.

The anticipated strategic and financial benefits of our relationship with AmerisourceBergen may not be realized.

As of August 31, 2020, we beneficially owned approximately 28% of the outstanding AmerisourceBergen common stock and had designated one nominee for election to AmerisourceBergen's board of directors. In addition, we have the right, but not the obligation, under the transactions contemplated by the Framework Agreement dated as of March 18, 2013 by and among the Company, Alliance Boots and AmerisourceBergen (the "Framework Agreement") to acquire up to an additional 8,398,752 AmerisourceBergen shares in the open market and thereafter designate another nominee for election to AmerisourceBergen's board of directors, subject in each case to applicable legal and contractual requirements. There can be no assurance that we will complete any specific level of such potential equity investments in AmerisourceBergen, or that our existing investment, or any future investment if completed, will ultimately be profitable.

The Company accounts for its investment in AmerisourceBergen using the equity method of accounting, subject to a two-month reporting lag, with the net earnings attributable to the investment classified within the operating income of the Company's Pharmaceutical Wholesale segment. The financial performance of AmerisourceBergen, including any charges which may arise relating to its ongoing opioid litigation matters, will impact the Company's results of operations. Additionally, a substantial and sustained decline in the price of AmerisourceBergen's common stock could trigger an impairment evaluation of our investment. These considerations may materially and adversely affect the Company's financial condition and results of operations.

Further, our ability to transact in AmerisourceBergen securities is subject to certain restrictions set forth in our agreements with AmerisourceBergen and arising under applicable laws and regulations, which in some circumstances could adversely affect our ability to transact in AmerisourceBergen securities in amounts and at the times desired. We could also encounter unforeseen costs, circumstances or issues existing or arising with respect to the transactions and collaboration resulting from these agreements. Many of these potential circumstances are outside of our control and any of them could result in increased costs, decreased revenue, decreased synergies and the diversion of management time and attention. If we are unable to achieve our objectives within the anticipated time frame, or at all, the expected benefits may not be realized fully or at all, or may take longer to realize than expected, which could have a material adverse impact on our business operations, financial condition and results of operations.

From time to time, we make investments in companies over which we do not have sole control. Some of these companies may operate in sectors that differ from our current operations and have different risks.

From time to time, we make debt or equity investments in companies that we may not control or over which we may not have sole control. For example, while we have a significant equity investment in AmerisourceBergen and have a designee serving on the board of directors of AmerisourceBergen as of the date of this report, we do not have the ability to control day-to-day operations of that company. Some of the businesses in which we have made noncontrolling investments operate in markets or industries that are different from our primary lines of business and/or operate in different geographic markets than we do. For example we have an equity investment in VillageMD, a leading provider of value-based primary care services in the United States, and Sinopharm Holding GuoDa Drugstores Co., Ltd., a leading retail pharmacy chain in China. Investments in these businesses, among other risks, subject us to the operating and financial risks of the businesses we invest in and to the risk that we do not have sole control over the operations of these businesses. We rely on the internal controls and financial reporting controls of these entities and their failure to maintain effectiveness or comply with applicable standards may materially and adversely affect us. Investments in entities over which we do not have sole control, including joint ventures and strategic partnerships and alliances, present additional risks such as having differing objectives from our partners or the entities in which we are invested, becoming involved in disputes, or competing with those persons.

Changes in economic conditions could adversely affect consumer buying practices.

Our performance has been, and may continue to be, adversely impacted by changes in global, national, regional or local economic conditions and consumer confidence. These conditions can also adversely affect our key vendors and customers. External factors that affect consumer confidence and over which we exercise no influence include unemployment rates, inflation, levels of personal disposable income, levels of taxes and interest and global, national, regional or local economic conditions, health epidemics or pandemics (such as COVID-19), as well as looting, vandalism, acts of war or terrorism. Changes in economic conditions and consumer confidence could adversely affect consumer preferences, purchasing power and spending patterns, which could lead to a decrease in overall consumer spending as well as in prescription drug and health services utilization and which could be exacerbated by the increasing prevalence of high-deductible health insurance plans and related plan design changes. Our business operations have been adversely affected by challenging market conditions in our Retail Pharmacy International division, particularly our Boots business in the United Kingdom, on account of the economic environment, including the impacts of COVID-19 and the uncertainty associated with Brexit. In addition, reduced or flat consumer spending may drive us and our competitors to offer additional products at promotional prices. All of these factors could materially and adversely impact our business operations, financial condition and results of operations.

If we do not successfully develop and maintain a relevant omni-channel experience for our customers, our businesses and results of operations could be adversely impacted.

The portion of total consumer expenditures with retailers occurring online and through mobile applications has continued to increase and has accelerated significantly during the COVID-19 pandemic. The pace of this increase could further accelerate in the future. Our business has evolved from an in-store experience to interaction with customers across numerous channels, including in-store, online, mobile and social media, among others. Omni-channel and differentiated retail models are rapidly evolving and we must keep pace with changing customer expectations and new developments by our competitors. Our customers are increasingly using computers, tablets, mobile phones, and other devices to comparison shop, determine product availability and complete purchases, as well as to provide immediate public reactions regarding various facets of our operations. We must compete by offering a consistent and convenient shopping experience for our customers regardless of the ultimate sales channel and by investing in, providing and maintaining digital tools for our customers that have the right features and are reliable and easy to use. If we are unable to make, improve, or develop relevant customer-facing technology in a timely manner that keeps pace with technological developments and dynamic customer expectations, our ability to compete and our results of operations could be materially and adversely affected. In addition, if our online activities or our other customer-facing technology systems do not function as designed, we may experience a loss of customer confidence, data security breaches, lost sales, or be exposed to fraudulent purchases, any of which could materially and adversely affect our business operations, reputation and results of operations.

If the merchandise and services that we offer fail to meet customer needs, our sales may be adversely affected.

We could be adversely affected by changes in consumer spending levels and shopping habits and preferences, including attitudes towards our retail and product brands. The success of our retail pharmacy businesses depends on our ability to offer a superior shopping experience, engaging customer service and a quality assortment of available merchandise that differentiates us from other retailers, including enhanced health and beauty product offerings. We must identify, obtain supplies of, and offer to our customers attractive, innovative and high-quality merchandise on a continuous basis. Our products and services must satisfy the needs and desires of our customers, whose preferences may change in the future. For example, our proof of concept initiatives that seek to position our stores in the United States as convenient neighborhood health destinations for healthcare and retail products and services reflect the perceived desires and needs of our target market. However, it is difficult to predict consistently and successfully the products and services our customers will demand. If we misjudge either the demand for products and services we sell or our customers' purchasing habits and tastes, we may be faced with excess inventories of some products and missed opportunities for products and services we chose not to offer. In addition, our sales may decline or we may be required to sell the merchandise we have obtained at lower prices. Failure to timely identify or effectively respond to changing consumer tastes, preferences and spending patterns and evolving demographic mixes in the markets we serve could negatively affect our relationship with our customers and the demand for our products and services, which could materially and adversely impact our results of operations.

Our private brand offerings expose us to various additional risks.

In addition to brand name products, we offer our customers private brand products that in many instances, are not available from other retailers. We seek to continue to grow our private brand offerings as part of our growth strategy, including through the offering of No7 and other brands owned or licensed on an exclusive basis, as well as through selective acquisitions. Maintaining consistent product quality, competitive pricing, and availability of our private brand offerings for our customers, as well as the timely development and introduction of new products, is important in differentiating us from other retailers and

developing and maintaining customer loyalty. The expansion of our private brand offerings also subjects us to additional risks, such as potential product liability risks and mandatory or voluntary product recalls; our ability to successfully protect our proprietary rights and successfully navigate and avoid claims related to the proprietary rights of third parties; our ability to successfully administer and comply with applicable contractual obligations and regulatory requirements; and other risks generally encountered by entities that source, sell and market exclusive branded offerings for retail. An increase in sales of our private brands may also adversely affect sales of our vendors' products, which, in turn, could adversely affect our relationship with certain of our vendors. Any failure to adequately address some or all of these risks could have a material adverse effect on our reputation, business operations, results of operations and financial condition.

We are subject to payment-related and other financial services risks that could increase our operating costs, expose us to fraud or theft, subject us to potential liability and potentially disrupt our business operations.

We accept payments using a variety of methods, including cash, checks, credit and debit cards, gift cards and mobile payment technologies such as Apple Pay™, and we may offer new payment options over time. Acceptance of these payment options subjects us to rules, regulations, contractual obligations and compliance requirements, including payment network rules and operating guidelines, data security standards and certification requirements, and rules governing electronic funds transfers. These requirements and related interpretations may change over time, which has made and could continue to make compliance more difficult or costly. For certain payment methods, including credit and debit cards, we pay interchange and other fees, which could increase over time and raise our operating costs. We rely on third parties to provide payment processing services, including the processing of credit cards, debit cards, and other forms of electronic payment. If these companies become unable to provide these services to us, or if their systems are compromised, it could disrupt our business. The payment methods that we offer also subject us to potential fraud and theft by persons who seek to obtain unauthorized access to or exploit any weaknesses that may exist in the payment systems. If we fail to comply with applicable rules or requirements, or if data is compromised due to a breach or misuse of data relating to our payment systems, we may be liable for costs incurred by payment card issuing banks and other third parties or subject to fines and higher transaction fees, or our ability to accept or facilitate certain types of payments could be impaired. In addition, our reputation could suffer and our customers could lose confidence in certain payment types, which could result in higher costs and/or reduced sales and materially and adversely affect our results of operations.

Additionally, we offer money (wire) transfer services and sell prepaid debit, credit and gift cards at certain business units. These products and services require us to comply with global anti-money laundering laws and regulations. Failure to comply with these laws and regulations could result in fines, sanctions, penalties and damage to our reputation.

Changes in the healthcare industry and regulatory environments may adversely affect our businesses.

Political, economic and regulatory influences are subjecting the healthcare industry to significant changes that could adversely affect our results of operations. In recent years, the healthcare industry has undergone significant changes in an effort to reduce costs and government spending. These changes include an increased reliance on managed care; cuts in certain Medicare and Medicaid funding in the United States and the funding of governmental payers in foreign jurisdictions; consolidation of competitors, suppliers and other market participants; and the development of large, sophisticated purchasing groups. We expect the healthcare industry to continue to change significantly in the future. Some of these potential changes, such as a reduction in governmental funding for certain healthcare services or adverse changes in legislation or regulations governing prescription drug pricing, healthcare services or mandated benefits, may cause customers to reduce the amount of our products and services they purchase or the price they are willing to pay for our products and services. We expect continued governmental and private payer pressure to reduce pharmaceutical pricing, and these pressures could be further exacerbated if payer deficits or shortfalls increase due to COVID-19 or otherwise. Changes in pharmaceutical manufacturers' pricing or distribution policies and practices as well as applicable government regulations, including, for example, in connection with the federal 340B drug pricing program, could also significantly reduce our profitability.

In the United States, electoral results and changes in political leadership often generate uncertainty with respect to, and could result in, significant changes in legislation, regulation and government policy that could significantly impact our businesses and the healthcare and retail industries. We cannot predict whether current or future efforts to modify healthcare laws or regulations and/or adopt new healthcare legislation or regulations will be successful, nor can we predict the impact that such a development would have on our business and operating results. Future legislation or rulemaking or other regulatory actions or developments could impact the number of Americans with health insurance and, consequently, prescription drug coverage, increase regulation of pharmacy services, result in changes to pharmacy reimbursement rates, and otherwise change the way we do business. We cannot predict the timing or impact of any future legislative, rulemaking or other regulatory actions, but any such actions could have a material adverse impact on our results of operations.

We could be adversely affected by product liability, product recall, personal injury or other health and safety issues.

We could be adversely impacted by the supply of defective or expired products, including the infiltration of counterfeit products into the supply chain, errors in re-labeling of products, product tampering, product recall and contamination or product mishandling issues. Through our pharmacies and specialist packaging sites, including through services provided by third-party health care providers, we are also exposed to risks relating to the services we offer. Errors in the dispensing and packaging of pharmaceuticals, including related counseling, and in the provision of other healthcare services could lead to serious injury or death. Product liability or personal injury claims may be asserted against us with respect to any of the retail products or pharmaceuticals we sell or services we provide. For example, from time to time, the FDA issues statements alerting patients that products in our supply chain may contain impurities or harmful substances, and claims relating to the sale or distribution of such products may be asserted against us or arise from these statements. Our healthcare clinics also increase our exposure to professional liability claims related to medical care. Should a product or other liability issue arise, the coverage limits under our insurance programs and the indemnification amounts available to us may not be adequate to protect us against claims and judgments. We also may not be able to maintain this insurance on acceptable terms in the future. We could suffer significant reputational damage and financial liability if we, or any affiliated entities or third-party healthcare providers that we do business with, experience any of the foregoing health and safety issues or incidents, which could have a material adverse effect on our business operations, financial condition and results of operations.

We have significant outstanding debt; our debt and associated payment obligations could significantly increase in the future if we incur additional debt and do not retire existing debt.

We have outstanding debt and other financial obligations and significant unused borrowing capacity. In an effort to strengthen our liquidity position while navigating COVID-19, we took a number of proactive steps in fiscal 2020, including the issuance of long-term debt, entering into new revolving credit facilities and extending an existing facility, and establishing a euro commercial paper program, as described in “management’s discussion and analysis of financial condition and results of operations-liquidity and capital resources” below. As of August 31, 2020, we had approximately \$16 billion of outstanding indebtedness, including short-term debt. Our debt level and related debt service obligations could have negative consequences, including:

- requiring us to dedicate significant cash flow from operations to the payment of principal, interest and other amounts payable on our debt, which would reduce the funds we have available for other purposes, such as working capital, capital expenditures, acquisitions, share repurchases and dividends;
- making it more difficult or expensive for us to obtain any necessary future financing for working capital, capital expenditures, debt service requirements, debt refinancing, acquisitions or other purposes;
- reducing our flexibility in planning for or reacting to changes in our industry and market conditions and making us more vulnerable in the event of a downturn in our business operations; and
- exposing us to interest rate risk given that a portion of our debt obligations is at variable interest rates.

We may incur or assume significantly more debt in the future, including in connection with acquisitions, strategic investments or joint ventures. If we add new debt and do not retire existing debt, the risks described above could increase. We also could be adversely impacted by any failure to renew or replace, on terms acceptable to us or at all, existing funding arrangements when they expire, and any failure to satisfy applicable covenants.

Additionally, a portion of our indebtedness bears interest at fluctuating interest rates, some of which is tied to the London interbank offered rate for deposits of U.S. dollars (“LIBOR”). LIBOR tends to fluctuate based on general interest rates, rates set by the Federal Reserve and other central banks, the supply of and demand for credit in the London interbank market and general economic conditions. In July 2017, the United Kingdom Financial Conduct Authority, which regulates LIBOR, announced that it intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. Moreover, it is possible that LIBOR may be discontinued prior to the end of 2021. Certain of our credit facilities provide that, under certain circumstances set forth in such credit facilities, we and the administrative agent may amend the applicable credit facility to replace LIBOR with an alternate benchmark rate, giving due consideration to any evolving or then existing convention for similar syndicated credit facilities in the U.S. market for alternative benchmarks. The expected phase out of LIBOR and transition to and use of an alternative benchmark rate could cause market volatility or disruption and may adversely affect our access to the capital markets and cost of funding.

Our long-term debt obligations include covenants that may adversely affect our ability, and the ability of certain of our subsidiaries, to incur certain secured indebtedness or engage in certain types of transactions. In addition, our existing credit agreements require us to maintain as of the last day of each fiscal quarter a ratio of consolidated debt to total capitalization not to exceed a certain level. Our ability to comply with these restrictions and covenants may be affected by events beyond our control. If we breach any of these restrictions or covenants and do not obtain a waiver from the lenders, then, subject to applicable cure periods, our outstanding indebtedness could be declared immediately due and payable. This could have a material adverse effect on our business operations and financial condition.

We could be adversely affected by downgrades to our credit ratings or disruptions in our ability to access well-functioning capital markets.

Historically, we have relied on the public debt capital markets to fund portions of our capital investments and access to the commercial paper market and bank credit facilities as part of our working capital management strategy. Financial and credit markets have experienced and may continue to experience significant volatility and turmoil during the COVID-19 pandemic. Our continued access to these markets, and the terms of such access, depend on multiple factors including the condition of debt capital markets, our operating performance, and our credit ratings. The major credit rating agencies have assigned us and our corporate debt investment grade credit ratings as of the date of this report. These ratings are based on a number of factors, which include their assessment of our financial strength and financial policies. We benefit from investment grade ratings as they serve to lower our borrowing costs and facilitate our access to a variety of lenders and other creditors, including landlords for our leased stores, on terms that we consider advantageous to our businesses. For more information on our ratings, see “management’s discussion and analysis of financial condition and results of operations - liquidity and capital resources - credit ratings” below.

There can be no assurance that any particular rating assigned to us will remain in effect for any given period of time or that a rating will not be changed or withdrawn by a rating agency, if in that rating agency’s judgment, future circumstances relating to the basis of the rating so warrant, which in some circumstances could adversely affect benefits we currently enjoy. Incurrence of additional debt by us and our changes in our operating performance, whether due to business operations, COVID-19, legal proceedings or otherwise, could adversely affect our credit ratings. We depend on banks and other financial institutions to provide credit to our business and perform under our agreements with them. Defaults by one or more of these counterparties on their obligations to us could materially and adversely affect us. Any disruptions or turmoil in the capital markets or any actual or anticipated downgrade of our credit ratings, including any announcement that our ratings are under review for a downgrade or have been assigned a negative outlook, could adversely affect our cost of funds, liquidity, financial covenants, competitive position and access to capital markets and increase the cost of and counterparty risks associated with existing facilities, which could materially and adversely affect our business operations, financial condition, and results of operations. In addition, we utilize working capital financing arrangements, including receivable factoring programs. Changes in financial markets or interest rates could make these financing arrangements less attractive to the financial institutions and other counterparties and these financial institutions and other counterparties may seek to terminate their participation. In the event of such termination, our ability to effectively manage working capital could be adversely impacted.

We may be unable to keep existing store locations or open new locations in desirable places on favorable terms, which could materially and adversely affect our results of operations.

We compete with other retailers and businesses for suitable locations for our stores. Local land use and zoning regulations, environmental regulations and other regulatory requirements may impact our ability to find suitable locations and influence the cost of constructing, renovating and operating our stores. In addition, real estate, zoning, construction and other delays may adversely affect store openings and renovations and increase our costs. Further, changing local demographics at existing store locations may adversely affect revenue and profitability levels at those stores. The terms of leases at existing store locations may adversely affect us if the renewal terms of, or requested modifications to, those leases are unacceptable to us and we are forced to close or relocate stores. For example, we announced plans as part of our Transformational Cost Management Program to exit approximately 200 Boots stores in the United Kingdom and approximately 250 stores in the United States. If we determine to close or relocate a store subject to a lease, we may remain obligated under the applicable lease for the balance of the lease term. If we are unable to maintain our existing store locations or open new locations in desirable places and on favorable terms, our results of operations could be materially and adversely affected.

As a holding company, Walgreens Boots Alliance is dependent on funding from its operating subsidiaries to pay dividends and other obligations.

Walgreens Boots Alliance is a holding company with no business operations of its own. Its assets primarily consist of direct and indirect ownership interests in, and its business is conducted through, subsidiaries which are separate legal entities. As a result, it is dependent on funding from its subsidiaries, including Walgreens and international subsidiaries, to meet its obligations.

Additionally, Walgreens Boots Alliance's subsidiaries may be restricted in their ability to pay cash dividends or to make other distributions to Walgreens Boots Alliance, which may limit the payment of cash dividends or other distributions to the holders of Walgreens Boots Alliance common stock. Credit facilities and other debt obligations of Walgreens Boots Alliance, as well as statutory provisions, may further limit the ability of Walgreens Boots Alliance and its subsidiaries to pay dividends. Payments to Walgreens Boots Alliance by its subsidiaries are also contingent upon its subsidiaries' earnings and business considerations. Future Walgreens Boots Alliance dividends will be determined based on earnings, capital requirements, financial condition and other factors considered relevant by its Board of Directors.

Our quarterly results may fluctuate significantly.

Our operating results have historically varied on a quarterly basis, including increased variability during the COVID-19 pandemic, and may continue to fluctuate significantly in the future. Factors that may affect our quarterly operating results, some of which are beyond the control of management, include, but are not limited to the impact and duration of COVID-19, the timing of the introduction of new generic and brand name prescription drugs; inflation, including with respect to generic drug procurement costs; seasonality, including the timing and severity of the cough, cold and flu season; changes or rates of change in payer reimbursement rates and terms; the timing and amount of periodic contractual reconciliation payments; fluctuations in inventory, energy, transportation, labor, healthcare and other costs; significant acquisitions, dispositions, joint ventures and other strategic initiatives; asset impairment charges, including the performance of and impairment charges related to our equity method investments; the relative magnitude of our LIFO provision in any particular quarter; foreign currency fluctuations; market conditions, including any impact relating to Brexit; severe weather in key markets, widespread looting or vandalism; and many of the other risk factors discussed herein. Accordingly, we believe that quarter-to-quarter comparisons of our operating results are not necessarily meaningful and investors should not place undue reliance on the results of any particular quarter as an indication of our future performance.

Our businesses are seasonal in nature, and adverse events during the holiday and cough, cold and flu seasons could adversely impact our operating results.

Our businesses are seasonal in nature, with the second fiscal quarter (December, January and February) typically generating a higher proportion of retail sales and earnings than other fiscal quarters. We purchase significant amounts of seasonal inventory in anticipation of the holiday season. Adverse events, such as deteriorating economic conditions, higher unemployment, higher gas prices, public transportation disruptions, or unanticipated adverse weather, could result in lower-than-planned sales during key selling seasons. For example, frequent or unusually heavy snowfall, ice storms, rainstorms, windstorms or other extreme weather conditions over a prolonged period could make it difficult for our customers to travel to our stores and increase our snow removal and other costs. This could lead to lower sales or to unanticipated markdowns, negatively impacting our financial condition and results of operations. In addition, both prescription and non-prescription drug sales are affected by the timing and severity of the cough, cold and flu season, which can vary considerably from year to year.

We could be adversely impacted by changes in accounting standards and subjective assumptions, estimates and judgments by management related to complex accounting matters.

Generally Accepted Accounting Principles ("GAAP") and related accounting pronouncements, implementation guidelines and interpretations with regard to a wide range of matters that are relevant to our businesses, including, but not limited to, revenue recognition, asset impairment, impairment of goodwill and other intangible assets, inventories, equity method investments, vendor rebates and other vendor consideration, lease obligations, self-insurance liabilities, pension and postretirement benefits, tax matters, unclaimed property laws and litigation and other contingent liabilities are highly complex and involve many subjective assumptions, estimates and judgments. Changes in these rules or their interpretation or changes in underlying assumptions, estimates or judgments could significantly change our reported or expected financial performance or financial condition. For example, changes in accounting standards and the application of existing accounting standards particularly related to the measurement of fair value as compared to carrying value for the Company's reporting units, including goodwill, intangible assets and investments in equity interests, may have an adverse effect on the Company's financial condition and results of operations. Factors that could lead to impairment of goodwill and intangible assets include significant adverse changes in the business climate and declines in the financial condition of a reporting unit or asset group. Factors that could lead to impairment of investments in equity interests of the companies in which we invested include a prolonged period of decline in their operating performance or adverse changes in the economic, regulatory and legal environments of the countries in which they operate. Although our current accounting estimates contemplate current and expected future conditions, as applicable, actual conditions could differ from our expectations, which could adversely affect our results of operations and financial position. In particular, a number of estimates have been and will continue to be affected by the ongoing COVID-19 pandemic. The severity, magnitude and duration, as well as the economic consequences of COVID-19, are uncertain, rapidly changing and difficult to predict. As a result, our accounting estimates and assumptions may change over time. Such changes could result in

future impairments of goodwill, intangible assets, long-lived assets, excess and obsolete inventory, or a decrease in the carrying amount of our deferred tax assets, which could be material.

New accounting guidance also may require changes to our processes, accounting systems and internal controls that could increase our operating costs and/or significantly change our financial statements. Implementing new accounting guidance may require us to make significant changes to and investments in our accounting systems and processes, which could result in significant adverse changes to our financial statements. See, “new accounting pronouncements,” within note 1, summary of major accounting policies, to the Consolidated Financial Statements.

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

As of August 31, 2020, we had \$26.0 billion of goodwill and other intangible assets on our Consolidated Balance Sheets. We evaluate this goodwill and other indefinite-lived intangible assets for impairment annually during the fourth quarter, or more frequently 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. We determine fair value of indefinite-lived intangible assets using the relief from royalty method and excess earnings method of the income approach. Definite-lived intangible assets are evaluated for impairment if an event occurs or circumstances change that indicate the carrying amount may not be recoverable. Estimated fair values 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, whether due to COVID-19 or otherwise. For example, during the three months ended May 31, 2020, the Company completed a quantitative impairment analysis for goodwill and certain indefinite-lived intangible assets related to its two reporting units, within Retail Pharmacy International division, and based on this analysis, recorded impairment charges of \$1.7 billion on Boots goodwill and \$0.3 billion on certain indefinite-lived Boots tradename assets. See note 6, goodwill and other intangible assets, to the consolidated financial statements and management’s discussion and analysis of financial condition and results of operations in part II, item 7 below for additional information. There can be no assurance that further impairments will not occur.

We could be subject to adverse changes in tax laws, regulations and interpretations or challenges to our tax positions.

We are a large corporation with operations in the United States and numerous other jurisdictions around the world. As such, we are subject to tax laws and regulations of the U.S. federal, state and local governments as well as various foreign jurisdictions. We compute our income tax provision based on enacted tax rates in the jurisdictions in which we operate. As the tax rates vary among jurisdictions, a change in earnings attributable to the various jurisdictions in which we operate could result in an unfavorable change in our overall tax provision.

From time to time, changes in tax laws or regulations may be proposed or enacted that could adversely affect our overall tax liability. For example, the U.S. tax legislation enacted in December 2017 represented a significant overhaul of the U.S. federal tax code that impacted our U.S. federal income tax position. There can be no assurance that changes in tax laws or regulations, both within the United States and the other jurisdictions in which we operate, will not materially and adversely affect our effective tax rate, tax payments, financial condition and results of operations. Similarly, changes in tax laws and regulations that impact our customers and counterparties or the economy generally may also impact our financial condition and results of operations.

Tax laws and regulations are complex and subject to varying interpretations, and we are subject to regular review and audit by both domestic and foreign tax authorities. Any adverse outcome of such a review or audit could have a negative impact on our effective tax rate, tax payments, financial condition and results of operations. In addition, the determination of our income tax provision and other tax liabilities requires significant judgment, and there are many transactions and calculations where the ultimate tax determination is uncertain. The ultimate tax determination may differ from the amounts recorded in our financial statements and may materially affect our results of operations in the period or periods for which such determination is made. Any significant failure to comply with applicable tax laws and regulations in all relevant jurisdictions could give rise to substantial penalties and liabilities. Any changes in enacted tax laws (such as the recent U.S. tax legislation), rules or regulatory or judicial interpretations; or any change in the pronouncements relating to accounting for income taxes could materially and adversely impact our effective tax rate, tax payments, financial condition and results of operations.

We might experience substantial losses not covered by insurance.

We use a combination of insurance and self-insurance to provide for potential liability for workers' compensation; automobile and general liability; property, director and officers' liability; and employee healthcare benefits. Provisions for losses related to self-insured risks generally are based upon actuarially determined estimates. Any actuarial projection of losses is subject to a high degree of variability. Substantial, unanticipated losses or liabilities, including those due to natural disasters or otherwise, as well as changes in legal claims, trends and interpretations, variability in inflation rates, changes in the nature and method of claims settlement, benefit level changes due to changes in applicable laws, insolvency of insurance carriers, and changes in discount rates could all materially and adversely affect our financial condition and results of operations.

We could be adversely impacted by changes in assumptions used in calculating pension assets and liabilities.

We operate certain defined benefit pension plans in the United Kingdom, which were closed to new entrants in 2010, as well as smaller plans in other jurisdictions. The valuation of the pension plans' assets and liabilities depends in part on assumptions, which are primarily based on the financial markets as well as longevity and employee retention rates. This valuation is particularly sensitive to material changes in the value of equity, bond and other investments held by the pension plans, changes in the corporate bond yields which are used in the measurement of the liabilities, changes in market expectations for long-term price inflation, and new evidence on projected longevity rates. Funding requirements and the impact on the statement of earnings relating to these pension plans are also influenced by these factors. Adverse changes in the assumptions used to calculate the value of pension assets and liabilities, including lower than expected pension fund investment returns and/or increased life expectancy of plan participants, or regulatory change could require us to increase the funding of its defined benefit pension plans or incur higher expenses, which would adversely impact our results of operations and financial position.

Certain stockholders may have significant voting influence over matters requiring stockholder approval.

As of September 30, 2020, Stefano Pessina, our Executive Vice Chairman and Chief Executive Officer (together with his affiliates, the "SP Investors"), had sole or shared voting power, directly or indirectly, over an aggregate of approximately 16.9% of our outstanding common stock. The SP Investors have agreed to, for so long as they have the right to designate a nominee for election to the Board, to vote all of their shares of common stock in accordance with the Board's recommendation on matters submitted to a vote of the Company's stockholders (including with respect to the election of directors). The SP Investors' significant interest in our common stock potentially could determine the outcome of matters submitted to a vote by our stockholders. The influence of the SP Investors could result in the Company taking actions that other stockholders do not support or failing to take actions that other stockholders support. As a result, the market price of our common stock could be adversely affected.

Conflicts of interest, or the appearance of conflicts of interest, may arise because certain of our directors and officers are also owners or directors of companies we may have dealings with.

Conflicts of interest, or the appearance of conflicts of interest, could arise between our interests and the interests of the other entities and business activities in which our directors or officers are involved. For example, potential conflicts of interest could arise if a dispute were to arise between the Company and other parties to the Company Shareholders Agreement (as defined herein), including the SP Investors. Mr. Pessina, our Executive Vice Chairman and Chief Executive Officer, indirectly controls Alliance Santé Participations S.A. ("ASP"), a privately-held company which is a party to the Company Shareholders Agreement, and he and his partner Ornella Barra, our Co-Chief Operating Officer, serve as directors of ASP. There are other arrangements between affiliates of Mr. Pessina and the Company, with required disclosures included in the Company's annual proxy statement, including with respect to Alliance Healthcare Italia SpA, which is an entity indirectly owned and controlled by Mr. Pessina and in which the Company has an indirect 9% interest, which operates Boots branded stores in Italy. Conflicts of interest, or the appearance of conflicts of interest, or similar issues could arise in connection with these or other transactions in the future. While our contractual arrangements place restrictions on the parties' conduct in certain situations, and related party transactions are subject to independent review and approval in accordance with our related party transaction approval procedures and applicable law, the potential for a conflict of interest exists and such persons may have conflicts of interest, or the appearance of conflicts of interest, with respect to matters involving or affecting both companies.

Our certificate of incorporation and bylaws, Delaware law and/or our agreements with certain stockholders may impede the ability of our stockholders to make changes to our Board or impede a takeover.

Certain provisions of our certificate of incorporation and bylaws, as well as provisions of the Delaware General Corporation Law (the "DGCL"), could make it difficult for stockholders to change the composition of the Board or discourage, delay, or prevent a merger, consolidation, or acquisitions that stockholders may otherwise consider favorable. These provisions include

the authorization of the issuance of “blank check” preferred stock that could be issued by the Board, limitations on the ability of stockholders to call special meetings, and advance notice requirements for nomination for election to the Board or for proposing matters that can be acted upon by stockholders at stockholder meetings. We are also subject to the provisions of Section 203 of the DGCL, which prohibits us, except under specified circumstances, from engaging in any mergers, significant sales of stock or assets, or business combinations with any stockholder or group of stockholders who own 15% or more of our common stock.

Under the Company Shareholders Agreement, the SP Investors are entitled to designate one nominee to the Board (currently Stefano Pessina) for so long as the SP Investors continue to meet certain beneficial ownership thresholds and subject to certain other conditions. Pursuant to the Company Shareholders Agreement, the SP Investors have agreed that, for so long as they have the right to designate a nominee to the Board, they will vote all of their shares of common stock in accordance with the Board’s recommendation on matters submitted to a vote of our stockholders (including with respect to the election of directors).

While these provisions do not make us immune from takeovers or changes in the composition of the Board, and are intended to protect our stockholders from, among other things, coercive or otherwise unfair tactics, these provisions could have the effect of making it difficult for stockholders to change the composition of the Board or discouraging, delaying, or preventing a merger, consolidation, or acquisitions that stockholders may otherwise consider favorable.

We cannot guarantee that our stock repurchase program will be fully implemented or that it will enhance long-term stockholder value.

In June 2018, our Board of Directors approved a new stock repurchase program authorizing the repurchase of up to \$10 billion of our common stock. The repurchase program does not have an expiration date and we are not obligated to repurchase a specified number or dollar value of shares, on any particular timetable or at all. There can be no assurance that we will repurchase stock at favorable prices. Activity under this program was suspended in July 2020 and there can be no assurance whether or when activity will resume. If resumed, the repurchase program may be suspended or terminated at any time and, even if fully implemented, may not enhance long-term stockholder value.

The market price of our common stock may be volatile.

The market price of shares of our common stock may be volatile. Broad general economic, political, market and industry factors may adversely affect the market price of the shares, regardless of our actual operating performance. In addition to the other risk factors identified herein that could cause fluctuations in the price of the shares include:

- actual or anticipated variations in quarterly operating results and the results of competitors;
- changes in financial estimates by us or by any securities analysts that might cover us;
- conditions or trends in the industry, including regulatory changes or changes in the securities marketplace;
- announcements by us or our competitors of significant acquisitions, strategic partnerships or divestitures;
- announcements of investigations or regulatory scrutiny of our operations or lawsuits filed against us;
- additions or departures of key personnel;
- issuances or sales of our common stock (or the exercise of related registration rights), including sales of shares by our directors and officers or key investors, including the SP Investors and certain other former Alliance Boots stockholders, subject to restrictions in the case of shares held by persons deemed to be our affiliates and to certain obligations pursuant to a shareholders agreement (as amended, the “Company Shareholders Agreement”) with certain of the SP Investors; and
- various other market factors or perceived market factors, including rumors or speculation, whether or not correct, involving or affecting us or our industries, vendors, customers, strategic partners or competitors.

There are a number of additional business risks that could materially and adversely affect our businesses and financial results.

Many other factors could materially and adversely affect our businesses and financial results, including:

- our ability to establish effective advertising, marketing and promotional programs;
- inflation, new or increased taxes, changes in market conditions or otherwise;
- natural disasters, severe weather conditions, looting, vandalism, terrorist activities, global political and economic developments, war, health epidemics or pandemics or the prospect of these events;
- liabilities or expense relating to the protection of the environment, related health and safety matters, environmental remediation or compliance with environmental laws and regulations, including those governing exposure to, and the management and disposal of, hazardous substances;
- the long-term effects of climate change on general economic conditions and the pharmacy industry in particular, along with changes in the supply, demand or available sources of energy and the regulatory and other costs associated with energy production and delivery;
- adverse publicity and potential losses, liabilities and reputational harm stemming from any public incident or practice (whether occurring online, in social media, in our stores or other company facilities, or elsewhere) involving our company, our personnel or our brands, including any such public incident or practice involving our customers, products, services, stores or other property, or those of any of our vendors or other parties with which we do business; and
- negative publicity, even if unwarranted, related to safety or quality, human and workplace rights, or other issues damaging our brand image and corporate reputation, or that of any of our vendors or strategic allies.

Item 1B. Unresolved staff comments

There are no unresolved written comments that were received from the SEC Staff 180 days or more before the end of the fiscal year relating to the Company's periodic or current reports under the Exchange Act.

Item 2. Properties

The following information regarding the Company's properties is provided as of August 31, 2020 and does not include properties of unconsolidated, partially-owned entities.

The Retail Pharmacy USA division operated 9,021 retail stores and six specialty pharmacies. The Retail Pharmacy International division operated 4,428 retail stores. In addition, the Retail Pharmacy International division also owned or leased 345 standalone Boots Opticians locations. The Company's domestic and international retail locations, which included Boots Opticians and specialty pharmacy locations, covered approximately 141 million square feet. The Company owned approximately 11% and 4% of these Retail Pharmacy USA division and Retail Pharmacy International division locations, respectively. The remaining locations were leased or licensed. For more information on leases, see note 4, leases, to the Consolidated Financial Statements in part II, item 8 of this Form 10-K.

The following is a breakdown of the Company's retail stores:

	Retail stores
Retail Pharmacy USA:	
United States	8,915
Puerto Rico	105
U.S. Virgin Islands	1
	<u>9,021</u>
Retail Pharmacy International:	
United Kingdom	2,336
Mexico	1,165
Chile	317
Thailand	285
Norway	151
The Republic of Ireland	89
The Netherlands	59
Lithuania	26
	<u>4,428</u>
Walgreens Boots Alliance total	<u>13,449</u>

The Company operated 22 retail distribution centers with a total of approximately 14 million square feet of space, of which 13 locations were owned. Geographically, 17 of these retail distribution centers were located in the United States and five were located outside of the United States. In addition, the Company used public warehouses and third-party distributors to handle certain retail distribution needs. The Company's Retail Pharmacy USA division also operated one prescription mail service facility which occupied approximately 110 thousand square feet.

The Company operated 306 pharmaceutical distribution centers located outside of the United States, of which 117 were owned. These pharmaceutical distribution centers occupied approximately 15 million square feet and were operated by the Pharmaceutical Wholesale division, which supplied third-party customers as well as the Retail Pharmacy International division in certain countries.

The Company operated 29 principal office facilities, which occupied approximately 2.7 million square feet. Eleven of these principal office facilities were owned, and four of which were located in the United States.

Item 3. Legal proceedings

The information in response to this item is included in note 10, commitments and contingencies, to the Consolidated Financial Statements included in part II, item 8, of this Form 10-K.

Item 103 of SEC Regulation S-K requires disclosure of environmental legal proceedings with, or any such legal proceedings known to be contemplated by, a governmental authority if management reasonably believes that the proceedings involve potential monetary sanctions of \$100,000 or more. The Company is under investigation by certain counties within the State of California for alleged noncompliance with state hazardous waste regulations. Although we cannot predict the outcome of this matter, we do not expect the outcome to have a material adverse effect on our prospects, financial condition, results of operations or cash flows.

Item 4. Mine safety disclosures

Not applicable.

Information about our executive officers

The following table sets forth, for each person currently serving as an executive officer of the Company, the name, age (as of October 15, 2020) and office(s) held by such person:

Name	Age	Office(s) held
James A. Skinner	75	Executive Chairman of the Board
Stefano Pessina	79	Executive Vice Chairman and Chief Executive Officer
Ornella Barra	66	Co-Chief Operating Officer
Alexander W. Gourlay	60	Co-Chief Operating Officer
James Kehoe	57	Executive Vice President and Global Chief Financial Officer
Marco Pagni	58	Executive Vice President, Global Chief Administrative Officer and General Counsel
Kathleen Wilson-Thompson	63	Executive Vice President and Global Chief Human Resources Officer
Heather Dixon	48	Senior Vice President, Global Controller and Chief Accounting Officer

Set forth below is information regarding the principal occupations and employment and business experience over the past five years for each executive officer. Executive officers are elected by, and serve at the discretion of, the Board of Directors. Unless otherwise stated, employment is by Walgreens Boots Alliance.

Mr. Skinner has served as Executive Chairman since January 2015, having served as non-executive Chairman of the Board from July 2012 to January 2015. Mr. Skinner previously served McDonald's Corporation as Vice Chairman from January 2003 to June 2012, as Chief Executive Officer from November 2004 to June 2012 and as a director from 2004 to June 2012. Mr. Skinner served as a director of Illinois Tool Works Inc. from 2005 to May 2020 and of HP Inc. (f/k/a Hewlett-Packard Company) from July 2013 to November 2015.

Mr. Pessina has served as Chief Executive Officer since July 2015 and as Executive Vice Chairman since January 2015. He served as Acting Chief Executive Officer from January 2015 to July 2015. Previously, he served as Executive Chairman of Alliance Boots from July 2007 to December 2014. Prior to that, Mr. Pessina served as Executive Deputy Chairman of Alliance Boots. Prior to the merger of Alliance UniChem and Boots Group, Mr. Pessina was Executive Deputy Chairman of Alliance UniChem, previously having been its Chief Executive for three years through December 2004. Mr. Pessina was appointed to the Alliance UniChem Board in 1997 when UniChem merged with Alliance Santé, the Franco-Italian pharmaceutical wholesale group which he established in Italy in 1977. Mr. Pessina also serves on the Board of Directors of a number of private companies, and, from 2000 to 2017, served on the Board of Directors of Galenica AG, a publicly-traded Swiss healthcare group.

Ms. Barra has served as Co-Chief Operating Officer since June 2016. She served as Executive Vice President, President and Chief Executive of Global Wholesale and International Retail from December 2014 to June 2016. Previously, she served as the Chief Executive, Wholesale and Brands of Alliance Boots from September 2013 to December 2014 and Chief Executive of the Pharmaceutical Wholesale Division of Alliance Boots from January 2009 to September 2013, and before that, Wholesale & Commercial Affairs Director of Alliance Boots. Since January 2015, Ms. Barra has served as a director of AmerisourceBergen and from April 2013 to April 2019, served as a director of Assicurazioni Generali, the parent company of Generali Group, a global insurance group. Ms. Barra also serves as a director of a number of private companies, and, until February 2015, served as a director of Alliance Boots.

Mr. Gourlay has served as Co-Chief Operating Officer since June 2016. He served as Executive Vice President, President of Walgreens from December 2014 to June 2016. Previously, he served as Executive Vice President, President of Customer Experience and Daily Living of Walgreens from October 2013 to December 2014 and President Elect of Walgreens from September 2014 to December 2014. He served as Chief Executive of the Health & Beauty Division, Alliance Boots, from January 2009 to September 2013, and previously was Managing Director of Boots UK and a member of the Alliance Boots operating committee. He served as a director of Alliance Boots from January 2009 to September 2013.

Mr. Kehoe has served as Executive Vice President and Global Chief Financial Officer since June 2018. Previously, he served Takeda Pharmaceutical Company Limited as Global Chief Financial Officer and Corporate Officer from June 2016 to March 2018 and as a board director June 2017 to May 2018. He previously served as Executive Vice President and Chief Financial Officer of Kraft Foods Group, Inc. from February 2015 to July 2015. Previously, he worked for Gildan Activewear Inc., a supplier of branded family apparel in Canada, where he served as Executive Vice President and Chief Financial and Administrative Officer earlier in 2015. Prior to that, he was Senior Vice President, Operating Excellence at Mondelēz International, Inc. from November 2013 until December 2014. Mr. Kehoe joined Kraft in 1988 and held a variety of senior-

level positions, including serving as Senior Vice President, Corporate Finance from October 2012 to October 2013, and Senior Vice President, Finance of Kraft Foods North America from November 2010 until September 2012.

Mr. Pagni has served as Executive Vice President, Global Chief Administrative Officer and General Counsel since February 2016. He served as Executive Vice President, Global Chief Legal and Administrative Officer from February 2015 to February 2016. Previously, he served as Executive Director and Group Legal Counsel and Chief Administrative Officer of Alliance Boots from 2007 to 2014 and General Counsel and Company Secretary for Alliance Boots from 2006 to 2007, having joined Alliance UniChem, a predecessor company, in the same position in 2003. Prior to this, Mr. Pagni served at McDonald's Corporation for 10 years in a number of senior management positions across the world, including in the U.S. and UK, such as Vice President of International Development, and Vice President, General Counsel, International. Mr. Pagni served as a director of Alliance Boots until February 2015.

Ms. Wilson-Thompson has served as Executive Vice President and Global Chief Human Resources Officer since December 2014. Previously, she served as Senior Vice President and Chief Human Resources Officer of Walgreens from January 2010 to December 2014. Prior to that, she served in a variety of legal and operational positions at Kellogg Company, most recently as Senior Vice President, Global Human Resources from July 2005 to December 2009. She has served as a director of Tesla, Inc., an automotive and energy company, since 2018. Ms. Wilson-Thompson served as a director of Ashland Global Holdings Inc., a global specialty chemicals company, from 2017 to May 2020 and Vulcan Materials Company, a producer of construction aggregates, from 2009 to 2018.

Ms. Dixon has served as Senior Vice President, Global Controller and Chief Accounting Officer since March 2019. Previously, she served as Vice President, Controller and Chief Accounting Officer of Aetna Inc., a health care benefits company from November 2017 to March 2019. She joined Aetna as Vice President, Assistant Controller in August 2016. Prior to joining Aetna, Ms. Dixon served as Vice President, Assistant Controller of PepsiCo, Inc., a global food and beverage company, a position she held from August 2015 to March 2016. Previously, she was with American Express Company, a multinational financial services company, where she held a number of positions of increasing responsibility from 2005 to 2015. Ms. Dixon started her financial career in public accounting, where she held various audit and transaction advisory roles with PricewaterhouseCoopers LLP from 1995 to 2005.

On July 27, 2020, the Company announced a search for a new Chief Executive Officer. The Company also announced that when the new Chief Executive Officer takes office, Mr. Pessina will resign as Chief Executive Officer and Executive Vice Chairman of the Board and be appointed as the Executive Chairman of the Board (subject to applicable law, including fiduciary duties) and Mr. Skinner will resign as Executive Chairman of the Board, while remaining on the Board to provide continuity to the Board during the management transition.

Mr. Pessina and Ms. Barra are partners and share a private residence. There are no other family relationships among any of our directors or executive officers.

PART II**Item 5. Market for registrant's common equity, related stockholder matters and issuer purchases of equity securities**

Walgreens Boots Alliance's common stock is listed on the Nasdaq Stock Market under the symbol WBA. As of August 31, 2020, there were approximately 50,600 holders of record of Walgreens Boots Alliance common stock.

The Company has paid cash dividends every quarter since 1933. Future dividends will be determined based on earnings, capital requirements, financial condition and other factors considered relevant by the Walgreens Boots Alliance Board of Directors.

The following table provides information about purchases made by the Company during the quarter ended August 31, 2020 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	Average price paid per share	Total number of shares purchased as part of publicly announced repurchase programs ¹	Approximate dollar value of shares that may yet be purchased under the plans or programs ¹
6/1/20 - 6/30/20	3,766,035	\$ 42.94	3,766,035	\$ 2,056,933,590
7/1/20 - 7/31/20	1,266,396	42.25	1,266,396	2,003,419,960
8/1/20 - 8/31/20	—	—	—	2,003,419,960
	5,032,431	\$ 42.77	5,032,431	\$ 2,003,419,960

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

Item 6. Selected financial data

Five-Year Summary of Selected Consolidated Financial Data
Walgreens Boots Alliance, Inc. and Subsidiaries
(in millions, except per share amounts)

Fiscal year	2020	2019	2018	2017	2016
Sales	\$ 139,537	\$ 136,866	\$ 131,537	\$ 118,214	\$ 117,351
Cost of sales	111,520	106,790	100,745	89,052	87,477
Gross profit	28,017	30,076	30,792	29,162	29,874
Selling, general and administrative expenses ¹	27,045	25,242	24,694	23,813	23,841
Equity earnings in AmerisourceBergen ²	341	164	191	135	37
Operating income	1,312	4,998	6,289	5,484	6,070
Other income (expense) ^{1,3}	70	233	302	62	(330)
Earnings before interest and income tax provision	1,382	5,231	6,591	5,546	5,740
Interest expense, net	639	704	616	693	596
Earnings before income tax provision	743	4,527	5,975	4,853	5,144
Income tax provision	360	588	998	760	997
Post tax earnings from other equity method investments	41	23	54	8	44
Net earnings	424	3,962	5,031	4,101	4,191
Net earnings attributable to noncontrolling interests	(32)	(20)	7	23	18
Net earnings attributable to Walgreens Boots Alliance, Inc.	\$ 456	\$ 3,982	\$ 5,024	\$ 4,078	\$ 4,173
Per Common Share					
Net earnings					
Basic	\$ 0.52	\$ 4.32	\$ 5.07	\$ 3.80	\$ 3.85
Diluted	0.52	4.31	5.05	3.78	3.82
Dividends declared	1.840	1.778	1.640	1.525	1.455
Balance Sheet					
Total assets ⁴	\$ 87,174	\$ 67,598	\$ 68,124	\$ 66,009	\$ 72,688
Long-term debt	12,203	11,098	12,431	12,684	18,705
Total Walgreens Boots Alliance, Inc. shareholders' equity	20,637	23,512	26,007	27,466	29,880
Noncontrolling interests	498	641	682	808	401
Total equity	\$ 21,136	\$ 24,152	\$ 26,689	\$ 28,274	\$ 30,281

- ¹ The Company adopted ASU 2017-07, Compensation - Retirement Benefits (Topic 715) as of September 1, 2018 (fiscal 2019) on a retrospective basis. The impact on our previously reported net periodic costs as a result of the retrospective adoption of this standard results in a reclassification from selling, general and administrative expenses to other income (expense) of \$125 million, \$73 million, and \$(69) million for the fiscal years ended August 31, 2018, 2017, and 2016, respectively.
- ² Effective March 18, 2016, the Company began accounting for its investment in AmerisourceBergen using the equity method of accounting, subject to a two-month reporting lag. Due to the March 18, 2016 effective date and the two-month reporting lag, the Company's results for the 12 month period ended August 31, 2016 include approximately three and a half months of equity method income relating to its investment in AmerisourceBergen. Similarly, results for the 12 month period ended August 31, 2017 include approximately ten and a half months of equity income reflecting the Company's increased ownership following the exercise on August 25, 2016 of the second tranche of warrants.
- ³ Fiscal 2019 primarily reflects gain recognition resulting from the termination of the option granted to Rite Aid to become a member of the Company's group purchasing organization. Fiscal 2018 includes the gain on sale of the Company's equity interest in Premise Health Holding Corp., partially offset by the impairment of the Company's equity method investment in Guangzhou Pharmaceuticals Corporation. In fiscal 2016, the Company recorded other income (expense) of \$(517) million from fair value adjustments of the AmerisourceBergen warrants and the amortization of the deferred credit associated with the initial value of the warrants. Fiscal 2016 also includes income of \$268 million related to the change in accounting method for the Company's investment in AmerisourceBergen.
- ⁴ The Company adopted ASU 2016-02, Leases (Topic 842) on September 1, 2019, which resulted in the recognition of right-of-use assets of \$22 billion and lease liabilities of \$24 billion. See Note 1, summary of major accounting policies under new accounting pronouncements, for further information.

Item 7. 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 description of the Company’s business and reportable segments in item 1 above. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those discussed in forward-looking statements. Factors that might cause a difference include, but are not limited to, those discussed under cautionary note regarding forward-looking statements below and in risk factors in part I, item 1A of this Form 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 Consolidated Financial Statements and associated notes may not add due to rounding. All percentages have been calculated using unrounded amounts for fiscal 2019 and fiscal 2020.

INTRODUCTION AND SEGMENTS

Walgreens Boots Alliance, Inc. (“Walgreens Boots Alliance”) and its subsidiaries are a global leader in retail and wholesale pharmacy. Its operations are conducted through three reportable segments:

- Retail Pharmacy USA;
- Retail Pharmacy International; and
- Pharmaceutical Wholesale

See note 16, segment reporting and note 17, sales further information.

FACTORS AFFECTING OUR RESULTS AND COMPARABILITY

The Company has been, and we expect it to continue to be, affected by a number of factors that may cause actual results to differ from our historical results or current expectations. These factors include: the impact of the coronavirus COVID-19 (“COVID-19”) pandemic on our operations and financial results; the financial performance of our equity method investees, including AmerisourceBergen; the influence of certain holidays; seasonality; foreign currency rates; changes in vendor, payer and customer relationships and terms and associated reimbursement pressure; changes in pharmaceutical manufacturers’ pricing or distribution policies; strategic transactions and acquisitions, including the acquisition of stores and other assets from Rite Aid; joint ventures and other strategic collaborations; changes in laws, including the U.S. tax law changes; changes in trade, tariffs, including trade relations between the United States 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; the impacts of looting, natural disasters, war, terrorism and other catastrophic events; and changes in general economic conditions in the markets in which the Company operates. These and other factors can affect the Company’s operations and net earnings for any period and may cause such results not to be comparable to the same period in previous years. The results presented in this report are not necessarily indicative of future operating results.

Estimated COVID-19 impacts and uncertainties

In December 2019, a novel strain of coronavirus, which causes the infectious disease known as COVID-19, was reported. The World Health Organization declared COVID-19 a “Public Health Emergency of International Concern” on January 30, 2020 and a global pandemic on March 11, 2020. COVID-19 has severely impacted, and is expected to continue to impact, the economies of the U.S., the UK and other countries around the world. COVID-19 has created significant public health concerns as well as significant volatility, uncertainty and economic disruption in every region in which we operate, all of which have adversely affected and may continue to adversely affect our industries and our business operations. Further, financial and credit markets have experienced and may again experience volatility and turmoil. Policies and initiatives designed to reduce the transmission of COVID-19 have resulted in, among other things, temporary closure or reduced hours of operation of certain store locations in U.S., UK and other countries, reduced customer traffic and sales in our retail pharmacies and the adoption of work-from-home policies.

COVID-19 adversely affected global economic conditions in fiscal 2020 and the Company expects this will continue into fiscal 2021 and possibly longer. The situation surrounding COVID-19 remains fluid, and we are actively managing our response in collaboration with customers, government officials, team members and business partners and assessing potential impacts to our financial position and operating results, as well as developments in our business. As COVID-19 impacts the economies of the U.S. and other countries around the world, the Company has put preparedness plans in place at our facilities to maintain continuity of our operations, while also taking steps to keep our team members healthy and safe.

During the fiscal 2020, we experienced certain adverse impacts of COVID-19, particularly in the second half of fiscal 2020. Sales were adversely impacted with the majority of the decline within the Retail Pharmacy International division, reflecting a significant reduction in footfall in Boots UK stores, particularly in major high street, train stations and airport locations due to government restrictions. Footfall did, however, improve steadily in the fourth quarter compared with the third quarter. While most Boots stores remained open throughout the UK lockdown to provide communities with pharmacy and essential healthcare, our largest premium beauty and fragrance counters were effectively closed. During the three months ended May 31, 2020, more than 100 Boots stores, mainly in high street, train stations and airport locations, were temporarily closed as were nearly all of the 600 Boots Opticians stores. Globally pharmacy volume was impacted by a decline in doctor visits and hospital patient admissions in the third quarter. However, trends improved in the three months ended August 31, 2020 in new to therapy scripts compared to the prior quarter. Additionally, retail gross margin was adversely impacted by sales mix, with a shift from higher margin discretionary categories to lower margin essential categories, and by higher supply chain costs. The Company took measures to keep stores open during COVID-19, incurring incremental selling, general and administrative expenses, including higher employee costs and store expenses related to social distancing and incremental cleaning. Operating income was significantly and adversely impacted as a result of the foregoing factors. In addition, due to the significant impact of COVID-19 on the financial performance of the Retail Pharmacy International division, the company completed a quantitative impairment analysis for goodwill and certain intangibles in Boots UK, which resulted in the recording of non-cash pre-tax impairment charges of \$2.0 billion during the three months ended May 31, 2020.

In an effort to strengthen our liquidity position while navigating COVID-19, we have taken a number of proactive steps since March 2020, including the issuance of \$1.5 billion of debt securities, entry into new and extended credit facilities, establishing a euro commercial paper program and suspending activity under our 2018 stock repurchase program, as described in Liquidity and Capital Resources below.

In response to COVID-19, various domestic and foreign federal, state and local governmental legislation, regulations, orders, policies and initiatives have been implemented designed to reduce the transmission of COVID-19, as well as to help address economic and market volatility and instability resulting from COVID-19. The Company has assessed and will continue to assess the impact of these governmental actions on the Company. It has participated in certain of these programs, including for example availing itself to certain tax deferrals which were introduced by the CARES Act in the U.S. and certain tax deferral and benefit and employee wage support in the UK, and may continue to do so in the future.

The Company has also taken a number of proactive actions consistent with regulatory directives, such as digital 'order ahead' drive-thru with an increased range of products available for drive-thru pick-up, and put in place new delivery options available nationwide in the U.S. To continue to work with customers and manage through the pandemic, the Company has launched a new COVID-19 testing program for businesses and also completed more than two million COVID-19 tests across the US and UK. The Company also took certain actions during fiscal 2020 to partly mitigate the impact of COVID-19 through cost containment across the Company including temporary store closures, furloughing approximately 16,000 UK employees at the peak of the crisis, decreasing store hours and reducing rent at some locations.

As a result of COVID-19, a portion of our global workforce, including employees and extended workforce, rapidly shifted to a working from home environment beginning in March 2020 and many continue to work remotely. While our system of internal controls were not specifically designed and implemented to accommodate for this shift, we have evaluated and concluded that these changes to the working environment did not have a material effect on the Company's internal control over financial reporting during the second half of fiscal 2020 as described in Item 9A. Controls and procedures below. The Company will continue to monitor and assess the COVID-19 situation and its internal controls and seek to mitigate any impact on their design and operating effectiveness.

The Company anticipates additional mandates and directives, including revisions thereto, from foreign, federal, state, county and city authorities throughout the continuation of the COVID-19 pandemic and for some time thereafter. The impact of this activity on the U.S. and global economies and consumer, customer and health care utilization patterns depends upon the evolving factors and future developments. As a result, the financial and/or operational impact these COVID-19 related governmental actions and inactions will have on our businesses, operating results, cash flows and/or financial condition is uncertain, but the collective impact could be material and adverse.

We continue to closely monitor the impact of COVID-19 on our business and geographies, including how it is impacting our customers, team members, suppliers, vendors, business partners and distribution channels. However, the future impact that COVID-19 will have on our financial position and operating results may be affected by numerous uncertainties, including the severity of the virus, the duration of the outbreak, governmental, business or other actions, impacts on our supply chain, the effect on customer demand, store closures or changes to our operations. The health of our workforce, and our ability to meet staffing needs in our stores, distribution facilities, wholesale operations and other critical functions cannot be predicted and is vital to our operations. The impacts of a potential worsening of global economic conditions and the continued disruptions to,

and volatility in, the credit and financial markets and consumer spending, as well as other unanticipated consequences, remain unknown. Further, additional waves of COVID-19 in fiscal 2021 or beyond would cause many of the impacts described herein to return or be exacerbated. In addition, we cannot predict with certainty the impact that COVID-19 will have on our customers, vendors, suppliers and other business partners; however, any material effect on these parties could adversely impact us.

For further information, please see item 1A, risk factors in this report, which is incorporated herein by reference. The Company's current expectations described above are forward-looking statements and our actual results may differ. Factors that might cause a difference include, but are not limited to, those discussed below under "Cautionary note regarding forward-looking statements", and in item 1A, risk factors, in this report.

U.S. recent events

During the fiscal 2020, significant looting impacted certain stores with varying degrees of damage throughout the United States. As a result, the Company recognized \$68 million charge during the fiscal 2020 for estimated store damage and inventory losses, net of insurance recoveries. The resulting store closures adversely affected sales.

Store damage and inventory losses related to these recent events are recognized as the costs are incurred in accordance with Generally Accepted Accounting Principles ("GAAP"). The Company treats these charges as special items impacting comparability of results in its earnings disclosures.

The impact of Brexit

Following the June 2016 advisory referendum, the United Kingdom withdrew from the European Union ("Brexit") on January 31, 2020. It began a transition period until December 31, 2020 in which to negotiate a new trading relationship for goods and services. Failure to complete negotiations by the deadline could result in the United Kingdom becoming subject to trade agreements with the European Union that are less favorable than those currently in effect. In addition, since the referendum, there has been periods of significant volatility in the global stock markets and currency exchange rates, as well as challenging market condition in the United Kingdom. Given the lack of comparable precedent, it is unclear what financial, trade, regulatory and legal implications the withdrawal of the United Kingdom from the European Union will have on our business, particularly United Kingdom and other European operations; however, Brexit and its related effects could have a material impact on the Company's consolidated financial position or operating results. For more information relating to this topic, see "Risk Factors-Our substantial international business operations subject us to a number of operating, economic, political, regulatory and other international business risks."

TRANSFORMATIONAL COST MANAGEMENT PROGRAM

On December 20, 2018, the Company announced a transformational cost management program that was expected at that time to deliver in excess of \$1.0 billion of annual cost savings by fiscal 2022 (the "Transformational Cost Management Program"). As of the date of this report, the Company now expects to deliver in excess of \$2.0 billion of annual cost savings by fiscal 2022, an increase from the previously reported expectations of annual cost savings in excess of \$1.8 billion in October 2019 and \$1.5 billion in April 2019. 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. The actions under the Transformational Cost Management Program focus on all reportable segments and the Company's global functions. Divisional optimization within each of the Company's segments includes activities such as optimization of stores including plans to exit approximately 200 Boots stores in the United Kingdom and approximately 250 stores in the United States, as compared to the 200 stores previously reported in July 2020.

The Company currently estimates that the Transformational Cost Management Program will result in cumulative pre-tax charges to its GAAP financial results of approximately \$2.1 billion to \$2.4 billion, of which \$1.8 billion to \$2.1 billion are expected to be recorded as exit and disposal activities. The Company estimates that approximately 80% of the cumulative pre-tax charges relating to the Transformational Cost Management Program will result in future cash expenditures, primarily related to employee severance and business transition costs, IT transformation and lease and other real estate payments.

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

Transformational Cost Program Activities	Range of Charges
Lease obligations and other real estate costs ¹	\$350 to 400 million
Asset impairments ²	\$350 to 400 million
Employee severance and business transition costs	\$850 to 950 million
Information technology transformation and other exit costs	\$250 to 300 million
Total cumulative pre-tax exit and disposal charges	\$1.8 to 2.1 billion
Other IT transformation costs	\$300 to 350 million
Total estimated pre-tax charges	\$2.1 to 2.4 billion

¹ Includes impairments relating to operating lease right-of-use and finance lease assets.

² Primarily related to fixed asset write-offs from store closures, information technology and other asset write-offs.

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. See note 1, summary of major accounting policies, for additional information.

Since the inception of the Transformational Cost Management Program to August 31, 2020, the Company has recognized aggregate cumulative pre-tax charges to its financial results in accordance with GAAP of \$1.3 billion, of which \$1.2 billion is recorded as exit and disposal activities. See note 3, exit and disposal activities, for additional information. These charges included \$242 million related to lease obligations and other real estate costs, \$350 million in asset impairments, \$420 million in employee severance and business transition costs, \$140 million of information technology transformation and other exit costs, and \$118 million in other information technology costs.

Costs under the Transformational Cost Management Program, which were primarily recorded in selling, general and administrative expenses and included in the fiscal year ended August 31, 2020 and August 31, 2019 were as follows (in millions):

Twelve Months Ended August 31, 2020	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Walgreens Boots Alliance, Inc.
Lease obligations and other real estate costs ¹	\$ 204	\$ 10	\$ 2	\$ 217
Asset impairments	51	21	19	90
Employee severance and business transition costs	159	95	42	295
Information technology transformation and other exit costs	72	42	4	118
Total pre-tax exit and disposal charges	\$ 486	\$ 168	\$ 66	\$ 720
Other IT transformation costs	55	18	1	73
Total pre-tax charges	\$ 540	\$ 186	\$ 67	\$ 793

¹ Includes \$166 million in impairments relating to operating lease right-of-use and finance lease assets.

Twelve Months Ended August 31, 2019	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Walgreens Boots Alliance, Inc.
Lease obligations and other real estate costs	\$ 5	\$ 19	\$ 1	\$ 25
Asset impairments ¹	95	67	98	260
Employee severance and business transition costs	42	34	49	125
Information technology transformation and other exit costs	5	10	7	22
Total pre-tax exit and disposal charges	\$ 147	\$ 130	\$ 154	\$ 432
Other IT transformation costs	42	3	1	45
Total pre-tax charges	\$ 189	\$ 133	\$ 155	\$ 477

¹ Primarily includes write down of leasehold improvements, certain software and inventory.

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

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

RITE AID TRANSACTION

As of August 31, 2020, the Company has completed the acquisition of all 1,932 Rite Aid stores, three distribution centers, and related inventory from Rite Aid Corporation for \$4.375 billion in cash and other consideration pursuant to an amended and restated asset purchase agreement entered into in September 2017.

The Company incurred \$1.2 billion in costs and delivered \$675 million in annual synergies and savings upon completion of the integration of the acquired stores and related assets and the completion of the Store Optimization Program described below.

Integration of acquired stores and related assets

The Company completed the integration of the acquired stores and related assets during the fiscal year ended August 31, 2020. Since fiscal 2018, the Company has recognized cumulative pre-tax charges of \$813 million, which include pre-tax charges of \$295 million for the twelve months ended August 31, 2020 related to integration of the acquired stores and related assets. These charges were reported as acquisition-related costs and are treated as special items impacting comparability of results in its earnings disclosures. The Company has achieved annual synergies from the transaction of more than \$325 million derived primarily from procurement, cost savings and other operational matters. In addition, the Company spent \$503 million on store conversions and related activities.

Store Optimization Program

On October 24, 2017, the Company’s Board of Directors approved a plan to implement a program (the “Store Optimization Program”) to optimize store locations through the planned closure of approximately 600 stores and related assets within the Company’s Retail Pharmacy USA segment upon completion of the acquisition of certain stores and related assets from Rite Aid. The Company closed 769 stores and related assets, as compared to its previous estimate of 750 stores and related assets. The actions under the Store Optimization Program commenced in March 2018 and were completed in the fourth quarter of fiscal 2020. The Company has achieved the targeted cost savings of \$350 million from the Store Optimization Program.

The Company recognized cumulative pre-tax charges to its GAAP financial results of \$349 million, primarily within selling, general and administrative expenses, including costs associated with lease obligations and other real estate costs and employee severance and other exit costs. The Company incurred pre-tax charges of approximately \$160 million for lease obligations and other real estate costs and approximately \$189 million for employee severance and other exit costs. Substantially all of the cumulative pre-tax charges resulted in cash expenditures for the Company. Store Optimization Program charges were treated as special items impacting comparability of results in its earnings disclosures.

INVESTMENT IN AMERISOURCEBERGEN

As of August 31, 2020, the Company owned 56,854,867 shares of AmerisourceBergen common stock (representing approximately 28% of its outstanding common stock based on most recent share count publicly reported by AmerisourceBergen) and may, subject to certain conditions, acquire up to an additional 8,398,752 AmerisourceBergen shares in the open market.

The Company accounts for its investment in AmerisourceBergen using the equity method of accounting, subject to a two-month reporting lag, with the net earnings attributable to the investment classified within the operating income of the Company’s Pharmaceutical Wholesale segment. The financial performance of AmerisourceBergen, including any charges which may arise relating to its ongoing opioid litigation, will impact the Company’s results of operations. Additionally, a substantial and sustained decline in the price of AmerisourceBergen’s common stock could trigger an impairment evaluation of our investment. These considerations may materially and adversely affect the Company’s financial condition and results of operations.

For more information, see “Business - Relationship with AmerisourceBergen” and note 5, equity method investments to the Consolidated Financial Statements.

EXECUTIVE SUMMARY

The following table presents certain key financial statistics for the Company for fiscal 2020, 2019 and 2018:

	(in millions, except per share amounts)		
	2020	2019	2018
Sales	\$ 139,537	\$ 136,866	\$ 131,537
Gross profit	28,017	30,076	30,792
Selling, general and administrative expenses ¹	27,045	25,242	24,694
Equity earnings in AmerisourceBergen	341	164	191
Operating income ¹	1,312	4,998	6,289
Adjusted operating income (Non-GAAP measure) ^{1,2}	5,211	6,942	7,679
Earnings before interest and income tax provision	1,382	5,231	6,591
Net earnings attributable to Walgreens Boots Alliance, Inc.	456	3,982	5,024
Adjusted net earnings attributable to Walgreens Boots Alliance, Inc. (Non-GAAP measure) ²	4,175	5,529	5,985
Net earnings per common share – diluted	0.52	4.31	5.05
Adjusted net earnings per common share – diluted (Non-GAAP measure) ²	4.74	5.99	6.02

	Percentage increases (decreases)		
	2020	2019	2018
Sales	2.0	4.1	11.3
Gross profit	(6.8)	(2.3)	5.6
Selling, general and administrative expenses ¹	7.1	2.2	3.7
Operating income ¹	(73.7)	(20.5)	14.7
Adjusted operating income (Non-GAAP measure) ^{1,2}	(24.9)	(9.6)	2.8
Earnings before interest and income tax provision	(73.6)	(20.6)	18.8
Net earnings attributable to Walgreens Boots Alliance, Inc.	(88.5)	(20.7)	23.2
Adjusted net earnings attributable to Walgreens Boots Alliance, Inc. (Non-GAAP measure) ²	(24.5)	(7.6)	8.8
Net earnings per common share – diluted	(88.0)	(14.6)	33.6
Adjusted net earnings per common share – diluted (Non-GAAP measure) ²	(20.8)	(0.5)	18.0

	Percent to sales		
	2020	2019	2018
Gross margin	20.1	22.0	23.4
Selling, general and administrative expenses ¹	19.4	18.4	18.8

¹ The Company adopted ASU 2017-07 Topic 715 as of September 1, 2018 (fiscal 2019) on a retrospective basis. The impact on our previously reported net periodic costs as a result of the retrospective adoption of this standard results in a reclassification from selling, general and administrative expenses to other income (expense) of \$125 million for the fiscal year ended August 31, 2018.

² 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 RESULTS OF OPERATIONS

The following information summarizes our results of operations for fiscal 2020 compared to fiscal 2019. For discussion related to the results of operations by segment for fiscal 2019 compared to fiscal 2018, refer to Part II, Item 7. Management’s discussion and analysis of financial condition and results of operations in our fiscal 2019 Form 10-K, which was filed with the United States Securities and Exchange Commission on October 28, 2019.

Fiscal 2020 compared to fiscal 2019

Fiscal 2020 net earnings attributable to Walgreens Boots Alliance decreased 88.5 percent to \$456 million, while diluted net earnings per share decreased 88.0 percent to \$0.52 compared with the prior year. The decrease primarily reflects third quarter non-cash impairment charges, adverse COVID-19 impacts, lower U.S. pharmacy gross profit, and year on year bonus changes partially offset by savings from Transformational Cost Management Program. Diluted net earnings per share was positively affected by a lower number of shares outstanding compared with the prior year.

Other income for fiscal 2020 was \$70 million compared to \$233 million for fiscal 2019. The decrease primarily reflects gains resulting from the termination of the option granted to Rite Aid to become a member of the Company’s group purchasing organization in fiscal 2019.

Interest was a net expense of \$639 million and \$704 million in fiscal 2020 and 2019, respectively.

The effective tax rate for fiscal 2020 and 2019 was 48.5% and 13.0%, respectively. The net increase in the effective tax rate was primarily attributable to third quarter non-tax deductible impairment charges and deferred tax impact of the UK rate change.

Adjusted diluted net earnings per share (Non-GAAP measure) fiscal 2020 compared to fiscal 2019

Adjusted net earnings attributable to Walgreens Boots Alliance in fiscal 2020 decreased 24.5 percent to \$4.2 billion compared with the prior year. Adjusted diluted net earnings per share in fiscal 2020 decreased 20.8 percent to \$4.74 compared with the prior year. Adjusted net earnings and adjusted diluted earnings per share were both negatively impacted by 0.2 percentage points as a result of currency translation.

Excluding the impact of currency translation, the decrease in adjusted net earnings for fiscal 2020 was primarily due to COVID-19 adverse impacts, lower U.S. pharmacy gross profit and year on year bonus changes partially offset by savings from the Transformational Cost Management Program. Adjusted diluted net earnings per share was positively affected by a lower number of shares outstanding compared with the prior year. See “--Non-GAAP Measures” below for a reconciliation to the most directly comparable financial measure calculated in accordance with GAAP and related disclosures.

RESULTS OF OPERATIONS BY SEGMENT

The following information summarizes our results of operations by segment for fiscal 2020 compared to fiscal 2019. For discussion related to the results of operations by segment for fiscal 2019 compared to fiscal 2018, refer to Part II, Item 7. Management's discussion and analysis of financial condition and results of operations in our fiscal 2019 Form 10-K, which was filed with the United States Securities and Exchange Commission on October 28, 2019.

Retail Pharmacy USA

This division comprises the retail pharmacy business operating in the United States.

	(in millions, except location amounts)		
	2020	2019	2018
Sales	\$ 107,701	\$ 104,532	\$ 98,392
Gross profit	22,211	23,511	23,758
Selling, general and administrative expenses ¹	19,515	19,424	18,971
Operating income ¹	2,696	4,088	4,787
Adjusted operating income (Non-GAAP measure) ^{1,2}	4,099	5,255	5,814
Number of prescriptions ³	818.0	843.7	823.1
30-day equivalent prescriptions ^{3,4}	1,165.3	1,150.1	1,094.4
Number of locations at period end	9,028	9,285	9,569

	Percentage increases (decreases)		
	2020	2019	2018
Sales	3.0	6.2	12.7
Gross profit	(5.5)	(1.0)	5.8
Selling, general and administrative expenses ¹	0.5	2.4	3.4
Operating income ¹	(34.1)	(14.6)	16.9
Adjusted operating income (Non-GAAP measure) ^{1,2}	(22.0)	(9.6)	3.7
Comparable store sales ⁵	2.8	2.0	1.5
Pharmacy sales	4.3	8.6	17.2
Comparable pharmacy sales ⁵	3.2	4.0	3.4
Retail sales	(0.4)	—	2.4
Comparable retail sales ⁵	1.6	(2.4)	(2.4)
Comparable number of prescriptions ^{4,5}	(1.3)	(0.1)	0.8
Comparable 30-day equivalent prescriptions ^{3,4,5}	2.9	3.0	3.5

	Percent to sales		
	2020	2019	2018
Gross margin	20.6	22.5	24.1
Selling, general and administrative expenses ¹	18.1	18.6	19.3

¹ The Company adopted ASU 2017-07 Topic 715 as of September 1, 2018 (fiscal 2019) on a retrospective basis. The impact for Retail Pharmacy USA on our previously reported net periodic costs as a result of the retrospective adoption of this standard results in a reclassification from selling, general and administrative expenses to other income (expense) of \$109 million for the fiscal year ended August 31, 2018.

² See "--Non-GAAP Measures" below for a reconciliation to the most directly comparable financial measure calculated in accordance with GAAP and related disclosures.

³ Includes immunizations.

- ⁴ 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.
- ⁵ Comparable stores are defined as those 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. Relocated stores are not included as comparable stores for the first twelve months after the relocation. Acquired stores are not included as comparable stores for the first twelve months after acquisition or conversion, when applicable, whichever is later. Comparable store sales, comparable pharmacy sales, 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, in such stores. The method of calculating comparable sales varies across the retail industry. As a result, our method of calculating comparable sales may not be the same as other retailers' methods. The twelve months ended August 31, 2020 figures include an adjustment to remove February 29, 2020 results due to the leap year.

Sales fiscal 2020 compared to fiscal 2019

The Retail Pharmacy USA division's sales for fiscal 2020 increased by 3.0% to \$107.7 billion. Sales in comparable stores increased by 2.8% in fiscal 2020.

Pharmacy sales increased by 4.3% in fiscal 2020 and represented 74.7% of the division's sales. The increase in fiscal 2020 is due to higher brand inflation and growth in specialty sales. In fiscal 2019, pharmacy sales increased 8.6% and represented 73.8% of the division's sales. Comparable pharmacy sales increased 3.2% in fiscal 2020 compared to an increase of 4.0% in fiscal 2019. The effect of generic drugs, which have a lower retail price, replacing brand name drugs reduced prescription sales by 2.4% in fiscal 2020 compared to a reduction of 1.2% in fiscal 2019. The effect of generics on division sales was a reduction of 1.7% in fiscal 2020 compared to a reduction of 0.8% for fiscal 2019. Third-party sales, where reimbursement is received from managed care organizations, governmental agencies, employers or private insurers, were 97.2% of prescription sales for fiscal 2020 compared to 97.1% for fiscal 2019. The total number of prescriptions (including immunizations) filled in fiscal 2020 was 818.0 million compared to 843.7 million in fiscal 2019. Prescriptions (including immunizations) adjusted to 30-day equivalents were 1,165.3 million in fiscal 2020 compared to 1,150.1 million in fiscal 2019.

Retail sales decreased by 0.4% in fiscal 2020 and were 25.3% of the division's sales. In comparison, fiscal 2019 retail sales were flat and comprised 26.2% of the division's sales. Comparable retail sales increased 1.6% in fiscal 2020 and decreased 2.4% in fiscal 2019. The increase in comparable retail sales in fiscal 2020 was primarily driven by health & wellness, including a favorable cough cold and flu season and personal care categories partially offset by the continued de-emphasis of tobacco.

Operating income fiscal 2020 compared to fiscal 2019

Retail Pharmacy USA division's operating income for fiscal 2020 decreased 34.1% to \$2.7 billion. The decrease was primarily due to U.S pharmacy reimbursement pressure and COVID-19 adverse impacts partially offset by a reduction in selling, general and administrative expenses as a percentage of sales.

Gross margin was 20.6% in fiscal 2020 compared to 22.5% in fiscal 2019. Gross margin was negatively impacted in fiscal 2020 by pharmacy margins, which were negatively impacted by reimbursement pressure. The decrease in pharmacy margins was partially offset by the favorable impact of procurement efficiencies.

Selling, general and administrative expenses as a percentage of sales were 18.1% in fiscal 2020 compared to 18.6% in fiscal 2019. As a percentage of sales, expenses were lower in the current period primarily due to savings related to the Transformational Cost Management Program and gains on sale-leaseback transactions partially offset by costs related to the Company's Transformational Cost Management Program and year-on-year bonus impact.

Adjusted operating income (Non-GAAP measure) fiscal 2020 compared to fiscal 2019

Retail Pharmacy USA division's adjusted operating income for fiscal 2020 decreased 22.0% to \$4.1 billion. The decrease was primarily due to lower pharmacy margins, which were negatively impacted by reimbursement pressure, and COVID-19 adverse impacts partially offset by a reduction in selling, general, and administrative expenses as a percentage of sales.

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

Retail Pharmacy International

This division comprises retail pharmacy businesses operating in countries outside of the United States and in currencies other than the U.S. dollar, including the British pound sterling, Euro, Chilean peso and Mexican peso. Therefore, the division's results are impacted by movements in foreign currency exchange rates. See item 7A, Quantitative and qualitative disclosure about market risk, foreign currency exchange rate risk, for further information on currency risk.

	(in millions, except location amounts)		
	2020	2019	2018
Sales	\$ 10,004	\$ 11,462	\$ 12,281
Gross profit	3,741	4,522	4,958
Selling, general and administrative expenses ¹	5,858	4,084	4,134
Operating income (loss) ¹	(2,117)	438	824
Adjusted operating income (Non-GAAP measure) ^{1,2}	130	747	929
Number of locations at period end	4,428	4,605	4,767

	Percentage increases (decreases)		
	2020	2019	2018
Sales	(12.7)	(6.7)	4.0
Gross profit	(17.3)	(8.8)	4.3
Selling, general and administrative expenses ¹	43.4	(1.2)	3.8
Operating income ¹	(583.4)	(46.8)	6.9
Adjusted operating income (Non-GAAP measure) ^{1,2}	(82.6)	(19.6)	(1.1)
Comparable store sales in constant currency ³	(10.4)	(1.7)	(1.4)
Pharmacy sales	(4.3)	(6.4)	4.3
Comparable pharmacy sales in constant currency ³	0.3	(0.9)	(1.2)
Retail sales	(17.4)	(6.8)	3.8
Comparable retail sales in constant currency ³	(17.2)	(2.2)	(1.5)

	Percent to sales		
	2020	2019	2018
Gross margin	37.4	39.5	40.4
Selling, general and administrative expenses ¹	58.6	35.6	33.7

¹ The Company adopted ASU 2017-07, Compensation - Retirement Benefits (Topic 715) as of September 1, 2018 (fiscal 2019) on a retrospective basis. The impact for Retail Pharmacy International on our previously reported net periodic costs as a result of the retrospective adoption of this standard results in a reclassification from selling, general and administrative expenses to other income (expense) of \$18 million for the fiscal year ended August 31, 2018.

² See "--Non-GAAP Measures" below for a reconciliation to the most directly comparable financial measure calculated in accordance with GAAP and related disclosures.

³ Comparable stores in constant currency are defined as those 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. Relocated stores are not included as comparable stores for the first twelve months after the relocation. Acquired stores are not included as comparable stores for the first twelve months after acquisition or conversion, when applicable, whichever is later. Comparable store sales 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, in such stores. The method of calculating comparable sales in constant currency varies across the retail industry. As a result, our method of calculating comparable sales in constant currency may not be the same as other retailers' methods. The Company presents certain information related to current period operating results in "constant currency," which is a non-GAAP financial measure. Comparable store 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." The twelve months ended August 31, 2020 figures include an adjustment to remove February 29, 2020 results due to the leap year.

Sales fiscal 2020 compared to fiscal 2019

Retail Pharmacy International division's sales for fiscal 2020 decreased 12.7% to \$10.0 billion. The negative impact of currency translation on sales was 1.6 percentage points. Comparable stores sales in constant currency decreased 10.4 percent mainly due to lower retail sales in Boots UK, driven by a reduction in store foot traffic due to the impact of COVID-19.

Pharmacy sales decreased 4.3% in fiscal 2020 and represented 39.0% of the division's sales. The negative impact of currency translation on pharmacy sales was 2.7 percentage points. Comparable pharmacy sales in constant currency increased 0.3 percent as favorable National Health Service reimbursement levels mitigated the impact of lower prescription volume and reduced demand for services during the COVID-19 pandemic in Boots UK.

Retail sales decreased 17.4% for fiscal 2020 and represented 61.0% of the division's sales. The negative impact of currency translation on retail sales was 1.0 percentage points. Comparable retail sales in constant currency decreased 17.2 percent reflecting lower Boots UK retail sales, as footfall in stores in the second half of the year was significantly reduced due to COVID-19, particularly in major high street, train station and airport locations.

Operating income fiscal 2020 compared to fiscal 2019

Retail Pharmacy International division's operating loss for fiscal 2020 was \$2.1 billion, compared to an operating income of \$438 million in fiscal 2019. Operating income was positively impacted by 2.1 percentage points (\$9 million) of currency translation. Excluding the impact of currency translation, the decrease in operating income was primarily in the UK, due to goodwill and intangible asset impairment charges in the Boots reporting unit and lower gross profit reflecting lower sales from COVID-19 restrictions in Boots UK and Opticians.

Gross profit decreased 17.3% in fiscal 2020. Gross profit was negatively impacted by 1.3 percentage points (\$60 million) of currency translation, the remaining decrease was mainly due to lower retail sales in Boots UK and Opticians, higher fulfillment costs and lower supplier contributions.

Selling, general and administrative expenses increased 43.4% from fiscal 2019. Expenses were positively impacted by 1.7 percentage points (\$69 million) as a result of currency translation. Excluding the impact of currency translation, the increase was almost entirely due to goodwill and intangible asset impairment charges in the Boots reporting unit partially offset by short term cost mitigation initiatives. As a percentage of sales, selling, general and administrative expenses were 58.6% in fiscal 2020, compared to 35.6% in the prior fiscal year.

Adjusted operating income (Non-GAAP measure) fiscal 2020 compared to fiscal 2019

Retail Pharmacy International division's adjusted operating income for fiscal 2020 decreased 82.6% to \$130 million. Adjusted operating income was positively impacted by 1.0 percentage points (\$8 million) of currency translation. Excluding the impact of currency translation, the decrease in adjusted operating income was primarily due to lower retail sales in the UK including the impact of COVID-19. See "--Non-GAAP Measures" below for a reconciliation to the most directly comparable financial measure calculated in accordance with GAAP and related disclosures.

Pharmaceutical Wholesale

This division includes pharmaceutical wholesale businesses operating in currencies other than the U.S. dollar including the British pound sterling, Euro and Turkish lira. Therefore, the division's results are impacted by movements in foreign currency exchange rates. See item 7A, quantitative and qualitative disclosure about market risk, foreign currency exchange rate risk, for further information on currency risk.

	(in millions)		
	2020	2019	2018
Sales	\$ 23,958	\$ 23,053	\$ 23,006
Gross profit	2,063	2,041	2,081
Selling, general and administrative expenses ¹	1,672	1,734	1,594
Equity earnings from AmerisourceBergen	341	164	191
Operating income ¹	732	471	678
Adjusted operating income (Non-GAAP measure) ^{1,2}	980	939	936

	Percentage increases (decreases)		
	2020	2019	2018
Sales	3.9	0.2	8.6
Gross profit	1.1	(1.9)	5.9
Selling, general and administrative expenses ¹	(3.6)	8.8	7.6
Equity earnings from AmerisourceBergen	107.5	(14.2)	41.5
Operating income ¹	55.2	(30.4)	9.5
Adjusted operating income (Non-GAAP measure) ^{1,2}	4.4	0.4	1.5
Comparable sales in constant currency ³	6.5	8.0	4.2

	Percent to sales		
	2020	2019	2018
Gross margin	8.6	8.9	9.0
Selling, general and administrative expenses ¹	7.0	7.5	6.9

¹ The Company adopted ASU 2017-07, Compensation - Retirement Benefits (Topic 715) as of September 1, 2018 (fiscal 2019) on a retrospective basis. The impact for Pharmaceutical Wholesale on our previously reported net periodic costs as a result of the retrospective adoption of this standard results in a reclassification from selling, general and administrative expenses to other income (expense) of \$(2) million for the fiscal year ended August 31, 2018.

² See "--Non-GAAP Measures" below for a reconciliation to the most directly comparable financial measure calculated in accordance with GAAP and related disclosures.

³ Comparable sales in constant currency are defined as sales excluding acquisitions and dispositions. The Company presents certain information related to current period operating results in "constant currency," which is a non-GAAP financial measure. Comparable sales in constant currency exclude the effects of fluctuations in foreign currency exchange rates. See "--Non-GAAP Measures" below.

Sales fiscal 2020 compared to fiscal 2019

Pharmaceutical Wholesale division's sales for the fiscal 2020 increased 3.9% to \$24.0 billion. Sales were negatively impacted by 2.5 percentage points as a result of currency translation. Comparable sales in constant currency increased 6.5% led by growth in the UK and emerging markets.

Operating income fiscal 2020 compared to fiscal 2019

Pharmaceutical Wholesale division's operating income for fiscal 2020, was \$732 million, including \$341 million from the company's equity earnings in AmerisourceBergen. This compared with operating income of \$471 million in fiscal 2019, including \$164 million from the Company's equity earnings in AmerisourceBergen. Operating income was negatively impacted by \$14 million as a result of currency translation. The increase in operating income was primarily due to costs related to the Transformational Cost Management Program in fiscal 2019.

Gross profit increased 1.1% from the prior fiscal year. Gross profit was negatively impacted by 2.2 percentage points (\$44 million) as a result of currency translation. Excluding the impact of currency translation, the increase in gross profit was primarily due to sales growth, partially offset by lower gross margin.

Selling, general and administrative expenses decreased 3.6% from the prior fiscal year. Expenses were positively impacted by 1.8 percentage points (\$30 million) as a result of currency translation. Excluding the impact of currency translation, the decrease was primarily due to costs related to the Transformational Cost Management Program in fiscal 2019, partially offset by the impact of sales growth. As a percentage of sales, selling, general and administrative expenses were 7.0% in fiscal 2020, compared to 7.5% in fiscal 2019.

Adjusted operating income (Non-GAAP measure) fiscal 2020 compared to fiscal 2019

Pharmaceutical Wholesale division's adjusted operating income for fiscal 2020, which included \$437 million from the Company's share of adjusted equity earnings in AmerisourceBergen, increased 4.4% to \$980 million. Adjusted operating income was negatively impacted by 1.5 percentage points (\$14 million) as a result of currency translation. Excluding the impact of currency translation, the increase in adjusted operating income over the prior fiscal year was primarily due to higher sales and a higher contribution from AmerisourceBergen, partially offset by lower gross margin and higher adjusted selling, general and administrative expenses. See "--Non-GAAP Measures" below for a reconciliation to the most directly comparable financial measure calculated in accordance with GAAP and related disclosures.

NON-GAAP MEASURES AND KEY PERFORMANCE INDICATORS

The following information provides reconciliations of the supplemental non-GAAP financial measures, as defined under the rules of the Securities and Exchange Commission, presented herein to the most directly comparable financial measures calculated and presented in accordance with GAAP. The Company has provided the non-GAAP financial measures, which are not calculated or presented in accordance with GAAP, as supplemental information and in addition to the financial measures that are calculated and presented in accordance with GAAP.

These supplemental non-GAAP financial measures are presented because the Company's management has evaluated its 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 its historical operating results. These supplemental non-GAAP financial measures should not be considered superior to, as a substitute for or as an alternative to, and should be considered in conjunction with, the GAAP financial measures presented.

The Company also presents certain information related to current period operating results in "constant currency," which is a non-GAAP financial measure. These amounts are calculated by translating current period results at the foreign currency exchange rates used in the comparable period in the prior year. The Company presents such constant currency financial information because it has significant operations outside of the United States reporting in currencies other than the U.S. dollar and such presentation provides a framework to assess how its business performed excluding the impact of foreign currency exchange rate fluctuations.

	(in millions)				
	Twelve months ended August 31, 2020				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations	Walgreens Boots Alliance, Inc.
Operating income (GAAP)	\$ 2,696	\$ (2,117)	\$ 732	\$ 2	\$ 1,312
Impairment of goodwill and intangible assets	32	1,984	—	—	2,016
Transformational cost management	540	186	67	—	793
Acquisition-related amortization	309	75	77	—	461
Acquisition-related costs	306	2	8	—	316
Adjustments to equity earnings in AmerisourceBergen	—	—	97	—	97
LIFO provision	95	—	—	—	95
Store damage and inventory losses ¹	68	—	—	—	68
Store optimization	53	—	—	—	53
Adjusted operating income (Non-GAAP measure)	\$ 4,099	\$ 130	\$ 980	\$ 2	\$ 5,211

(in millions)

Twelve months ended August 31, 2019					
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations	Walgreens Boots Alliance, Inc.
Operating income (GAAP)	\$ 4,088	\$ 438	\$ 471	\$ 1	\$ 4,998
Impairment of goodwill and intangible assets	—	73	—	—	73
Transformational cost management	189	133	155	—	477
Acquisition-related amortization ²	315	100	78	—	493
Acquisition-related costs	300	3	1	—	303
Adjustments to equity earnings in AmerisourceBergen	—	—	233	—	233
LIFO provision	136	—	—	—	136
Store optimization	196	—	—	—	196
Certain legal and regulatory accruals and settlements	31	—	—	—	31
Adjusted operating income (Non-GAAP measure)	\$ 5,255	\$ 747	\$ 939	\$ 1	\$ 6,942

(in millions)

Twelve months ended August 31, 2018					
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations	Walgreens Boots Alliance, Inc.
Operating income (GAAP)³	\$ 4,787	\$ 824	\$ 678	\$ —	\$ 6,289
Acquisition-related amortization	260	105	83	—	448
Acquisition-related costs	231	—	—	—	231
Adjustments to equity earnings in AmerisourceBergen	—	—	175	—	175
Store optimization	100	—	—	—	100
LIFO provision	84	—	—	—	84
Asset recovery	(15)	—	—	—	(15)
Hurricane-related costs	83	—	—	—	83
Certain legal and regulatory accruals and settlements	284	—	—	—	284
Adjusted operating income (Non-GAAP measure)³	\$ 5,814	\$ 929	\$ 936	\$ —	\$ 7,679

¹ Store damage and inventory losses as a result of looting in the U.S., net of insurance recoveries.

² Excludes impairment of \$73 million for indefinite-lived pharmacy licenses intangible asset recorded during the three months ended August 31, 2019, in the Boots reporting unit within the Retail Pharmacy International segment, presented within "Impairment of goodwill and intangible assets".

³ The Company adopted new accounting guidance in Accounting Standards Update 2017-07 as of September 1, 2018 (fiscal 2019) on a retrospective basis for the Consolidated Statements of Earnings presentation. This change resulted in reclassification of all the other net cost components (excluding service cost component) of net pension cost and net postretirement benefit cost from selling, general and administrative expenses to other income (expense) with no impact on the Company's net earnings.

	(in millions)		
	2020	2019	2018
Net earnings attributable to Walgreens Boots Alliance, Inc. (GAAP)	\$ 456	\$ 3,982	\$ 5,024
Adjustments to operating income:			
Impairment of goodwill and intangible assets	2,016	73	—
Transformational cost management	793	477	—
Acquisition-related amortization ¹	461	493	448
Acquisition-related costs	316	303	231
Adjustments to equity earnings in AmerisourceBergen	97	233	175
LIFO provision	95	136	84
Store damage and inventory losses ²	68	—	—
Store optimization	53	196	100
Certain legal and regulatory accruals and settlements	—	31	284
Hurricane-related costs	—	—	83
Asset recovery	—	—	(15)
Total adjustments to operating income	3,898	1,944	1,390
Adjustments to other income (expense):			
Impairment of equity method investment	71	—	178
Termination of option granted to Rite Aid	—	(173)	—
Gain on sale of equity method investment	(1)	—	(322)
Net investment hedging (gain) loss	(11)	18	(21)
Total adjustments to other income (expense)	59	(155)	(165)
Adjustments to interest expense, net:			
Prefunded acquisition financing costs	—	—	29
Total adjustments to interest expense, net	—	—	29
Adjustments to income tax provision:			
UK tax rate change ³	139	—	—
Equity method non-cash tax	60	18	25
U.S. tax law changes ³	(6)	(8)	(125)
Tax impact of adjustments ⁴	(458)	(291)	(193)
Total adjustments to income tax provision	(265)	(281)	(293)
Adjustments to post tax equity earnings from other equity method investments:			
Adjustments to equity earnings in other equity method investments ⁵	54	40	—
Total adjustments to post tax equity earnings from other equity method investments	54	40	—
Adjustments to net earnings (loss) attributable to noncontrolling interests:			
Impairment of goodwill and intangible assets	(14)	—	—
Transformational cost management	(10)	—	—
Acquisition-related amortization	(4)	—	—
LIFO provision	(1)	—	—
Total adjustments to net earnings (loss) attributable to noncontrolling interests	(29)	—	—
Adjusted net earnings attributable to Walgreens Boots Alliance, Inc. (Non-GAAP measure)	\$ 4,175	\$ 5,529	\$ 5,985

	2020	2019	2018
Diluted net earnings per common share (GAAP)	\$ 0.52	\$ 4.31	\$ 5.05
Adjustments to operating income	4.43	2.10	1.40
Adjustments to other income (expense)	0.07	(0.17)	(0.17)
Adjustments to interest expense, net	—	—	0.03
Adjustments to income tax provision	(0.30)	(0.30)	(0.29)
Adjustments to post tax equity earnings from other equity method investments	0.06	0.04	—
Adjustments to net earnings (loss) attributable to noncontrolling interests	\$ (0.03)	\$ —	\$ —
Adjusted diluted net earnings per common share (Non-GAAP measure)	\$ 4.74	\$ 5.99	\$ 6.02
Weighted average common shares outstanding, diluted	880.3	923.5	995.0

¹ Excludes impairment of \$73 million for indefinite-lived pharmacy licenses intangible asset recorded during the three months ended August 31, 2019, in the Boots reporting unit within the Retail Pharmacy International segment, presented within "Impairment of goodwill and intangible assets".

² Store damage and inventory losses as a result of looting in the U.S., net of insurance recoveries.

³ Discrete tax-only items.

⁴ Represents the adjustment to the GAAP basis tax provision commensurate with non-GAAP adjustments.

⁵ Beginning in the quarter ended May 31, 2019, management reviewed and refined its practice to reflect the proportionate share of certain equity method investees' non-cash items or unusual or infrequent items consistent with the Company's non-GAAP measures in order to provide investors with a comparable view of performance across periods. These adjustments include acquisition-related amortization and acquisition-related costs and were immaterial for periods prior to the quarter ended May 31, 2019. 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.

The Company considers certain metrics presented in this Annual Report on Form 10-K, such as comparable store sales, comparable pharmacy sales, comparable retail sales, 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, which are described in more detail in this Annual Report on Form 10-K, may not be comparable to similarly-titled performance indicators used by other companies.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents were \$0.5 billion (including \$0.2 billion in non-U.S. jurisdictions) as of August 31, 2020, compared to \$1.0 billion (including \$0.4 billion in non-U.S. jurisdictions) as of August 31, 2019. 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.

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

Cash provided by operations and the incurrence of debt are the principal sources of funds for expansion, investments, acquisitions, remodeling programs, dividends to stockholders and stock repurchases. Net cash provided by operating activities was \$5.5 billion in fiscal 2020 compared to \$5.6 billion in fiscal 2019 and \$8.3 billion in fiscal 2018. The \$0.1 billion decrease in cash provided by operating activities is mainly due to lower cash inflows from net earnings and higher cash outflows from trade accounts payable, partially offset by higher cash inflows from accrued expenses and other liabilities and accounts receivable. Changes in trade accounts payable are mainly driven by timing of collections and payments and working capital initiatives. Changes in accrued expenses and other liabilities are mainly driven by timing of accrual, prior year cash payments for certain legal and regulatory settlements, and working capital initiatives. Changes in accounts receivable are mainly driven by timing of collections and payments.

Net cash used for investing activities was \$1.3 billion in fiscal 2020 compared to \$2.3 billion in fiscal 2019 and \$5.5 billion in fiscal 2018. Business, investment and asset acquisitions in fiscal 2020 were \$0.7 billion compared to \$0.7 billion in fiscal 2019 and \$4.8 billion in fiscal 2018. Business, investment and asset acquisitions in fiscal 2018 include the acquisition of Rite Aid assets and the investment in GuoDa. Additions to property, plant and equipment in fiscal 2020 were \$1.4 billion compared to \$1.7 billion in fiscal 2019 and \$1.4 billion in fiscal 2018. Capital expenditures by reporting segment were as follows (in millions):

	2020	2019	2018
Retail Pharmacy USA	\$ 1,052	\$ 1,323	\$ 1,022
Retail Pharmacy International	239	275	241
Pharmaceutical Wholesale	83	104	104
Total	\$ 1,374	\$ 1,702	\$ 1,367

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

Net cash used for financing activities in fiscal 2020 was \$4.6 billion compared to \$3.0 billion in fiscal 2019 and \$5.3 billion in fiscal 2018. In fiscal 2020 there were \$20.4 billion in net proceeds compared to \$12.4 billion in fiscal 2019 and \$5.9 billion in fiscal 2018 primarily from revolving facilities described below and commercial paper debt. In fiscal 2020 there were \$21.4 billion payments of debt made primarily for revolving facilities and commercial paper debt compared to \$10.5 billion in fiscal 2019 and \$4.9 billion in fiscal 2018. The Company repurchased shares as part of the stock repurchase programs described below and to support the needs of the employee stock plans totaling \$1.6 billion in fiscal 2020 compared to \$4.2 billion in fiscal 2019 and \$5.2 billion in fiscal 2018. Proceeds related to employee stock plans were \$55 million in fiscal 2020 compared to \$174 million in fiscal 2019 and fiscal 2018. Cash dividends paid were \$1.7 billion in fiscal 2020 compared to \$1.6 billion in fiscal 2019 and \$1.7 billion in fiscal 2018.

The Company expects to fund its working capital needs, capital expenditures, pending acquisitions, dividend payments and debt service obligations from liquidity sources including cash flow from operations, availability under existing credit facilities, commercial paper programs, working capital financing arrangements and current cash and investment balances. The Company believes that these sources, and the ability to obtain other financing will provide adequate cash funds for the Company's foreseeable working capital needs, capital expenditures, pending acquisitions, dividend payments and debt service obligations for at least the next 12 months. The Company's cash requirements are subject to change as business conditions warrant and opportunities arise. The timing and size of any new business ventures or acquisitions that the Company may complete may also impact its cash requirements. Additionally, the Company's cash requirements, and its ability to generate cash flow, have been and may continue to be adversely affected by COVID-19 and the resulting market volatility and instability.

As described in more detail below, during the second half of fiscal 2020, the Company took actions intended to increase its cash position and preserve financial flexibility in light of COVID-19 and uncertainty in the global markets, including issuing \$1.0 billion of 4.10% notes due 2050 and \$0.5 billion of 3.20% notes due 2030. Additionally, the Company entered into several new credit facilities totaling \$3.6 billion, increasing its total undrawn committed credit facilities to \$11.5 billion as of August 31, 2020. The Company has total borrowings of approximately \$2.6 billion outstanding under the credit facilities and commercial paper program described herein, of which \$1.5 billion was commercial paper, as of August 31, 2020.

Additionally, on August 10, 2020, a subsidiary of the Company established a new commercial paper program for the purpose of issuing short term, unsecured commercial paper notes in an aggregate principal amount up to €1.0 billion. These commercial paper notes are guaranteed by the Company. This subsidiary has been approved as an eligible issuer under the Joint HM Treasury and Bank of England's COVID Corporate Financing Facility commercial paper program. For further information regarding the impact of COVID-19 on the Company, including on its liquidity and capital resources, please see item 1A, risk factors in this report.

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

Stock repurchase program

In June 2018, the Company authorized 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 August 31, 2020. The June 2018 stock repurchase program has no specified expiration date. In July 2020, the Company announced that it is suspending activities under this program. The Company may continue to repurchase stock to offset anticipated dilution from equity incentive plans.

The Company purchased 30 million and 57 million shares under stock repurchase programs in fiscal 2020 and 2019 at a cost of \$1.5 billion and \$3.8 billion, respectively. 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 it otherwise might be precluded from doing so under federal securities laws.

Commercial paper

The Company periodically borrows under its commercial paper program and may borrow under it in future periods. The Company had \$1.5 billion commercial paper outstanding as of August 31, 2020 and \$2.4 billion as of August 31, 2019. The Company had average daily commercial paper outstanding of \$2.5 billion, \$2.7 billion and \$1.4 billion at a weighted average interest rate of 2.15%, 3.07% and 2.11% for the fiscal years ended August 31, 2020, 2019 and 2018 respectively.

Financing actions

On August 29, 2018, the Company entered into a revolving credit agreement (the "August 2018 Revolving Credit Agreement") with the lenders and letter of credit issuers from time to time party thereto. The August 2018 Revolving Credit Agreement is an unsecured revolving credit facility with an aggregate commitment in the amount of \$3.5 billion, with a letter of credit subfacility commitment amount of \$500 million. The facility termination date is the earlier of (a) August 29, 2023, subject to extension thereof pursuant to the August 2018 Revolving Credit Agreement and (b) the date of termination in whole of the aggregate amount of the revolving commitments pursuant to the August 2018 Revolving Credit Agreement. Borrowings under the August 2018 Revolving Credit Agreement will bear interest at a fluctuating rate per annum equal to, at the Company's option, the alternate base rate or the Eurocurrency rate, in each case, plus an applicable margin calculated based on the Company's credit ratings. As of August 31, 2020, there were no borrowings outstanding under the August 2018 Revolving Credit Agreement.

On November 30, 2018, the Company entered into a credit agreement with the lenders from time to time party thereto on March 25, 2019, the Company entered into an amendment to such credit agreement (such credit agreement, as so amended the "November 2018 Credit Agreement") reflecting certain changes to the borrowing notice provisions thereto and on April 2, 2020, the Company entered into a second amendment to the November 2018 Credit Agreement (such credit agreement as so further amended, the "Amended November 2018 Credit Agreement"), which second amendment became effective as of May 29, 2020. As of May 29, 2020, the \$500 million revolving credit facility portion of the November 2018 Credit Agreement was converted into a term loan facility, such that the Amended November 2018 Credit Agreement consists of a \$1.0 billion senior unsecured term loan facility. The facility termination date is the earlier of (a) May 29, 2021 and (b) the date of acceleration of all loans under the Amended November 2018 Credit Agreement pursuant to its terms. Borrowings under the Amended November 2018 Credit Agreement will bear interest at a fluctuating rate per annum equal to, at the Company's option, the

alternate base rate or the Eurocurrency rate, plus an applicable margin of 1.25% in the case of Eurocurrency rate loans and 0.125% in the case of alternative base rate loans. As of August 31, 2020, there were \$1.0 billion of borrowings outstanding under the Amended November 2018 Credit Agreement.

On December 5, 2018, the Company entered into a \$1.0 billion term loan credit agreement with the lenders from time to time party thereto and, on August 9, 2019, the Company entered into an amendment to such credit agreement (such credit agreement as so amended, the "December 2018 Credit Agreement") to permit the Company to borrow, repay and reborrow amounts borrowed thereunder prior to the maturity date. On April 2, 2020, the Company amended and restated the December 2018 Credit Agreement (such credit agreement as so amended and restated, the "A&R December 2018 Credit Agreement"). The A&R December 2018 Credit Agreement governs a \$2.0 billion senior unsecured revolving credit facility, consisting of the initial \$1.0 billion senior unsecured revolving facility (the "Initial Facility") previously governed by the December 2018 Credit Agreement and a new \$1.0 billion senior unsecured revolving credit facility (the "New Facility"). The facility termination date is the earlier of (a) January 29, 2021 (the "Initial Maturity Date") (which date shall be extended to February 26, 2021 or July 31, 2021 pursuant to the terms of the A&R December 2018 Credit Agreement if the Company extends the maturity date of certain of its existing credit agreements or enters into new bank or bond financings with a certain maturity date and above an aggregate principal amount as described in the A&R December 2018 Credit Agreement) and (b) the date of termination in whole of the aggregate amount of the commitments pursuant to the A&R December 2018 Credit Agreement. Borrowings under the A&R December 2018 Credit Agreement will bear interest at a fluctuating rate per annum equal to, at the Company's option, the alternate base rate or the Eurocurrency rate, plus an applicable margin of (i) in the case of the Initial Facility from April 2, 2020 through and including the Initial Maturity Date, 0.75% in the case of Eurocurrency rate loans and 0.00% in the case of alternate base rate loans and (ii) in the case of the New Facility and the Initial Facility after the Initial Maturity Date, 1.50% in the case of Eurocurrency rate loans and 0.50% in the case of alternate base rate loans. As of August 31, 2020, there were \$0.1 billion of borrowings outstanding under the A&R December 2018 Credit Agreement.

On December 21, 2018, the Company entered into a \$1.0 billion revolving credit agreement (the "December 2018 Revolving Credit Agreement") with the lenders from time to time party thereto. On July 27, 2020, the December 2018 Revolving Credit Agreement matured and the Company paid all amounts due in connection therewith.

On January 18, 2019, the Company entered into a \$2.0 billion 364-day revolving credit agreement (as extended, the "January 2019 364-Day Revolving Credit Agreement") with the lenders from time to time party thereto. The January 2019 364-Day Revolving Credit Agreement is a senior unsecured 364-day revolving credit facility, with a facility termination date of the earlier of (a) 364 days following January 31, 2019, the date of the effectiveness of the commitments pursuant to the January 364-Day Revolving Credit Agreement, subject to extension thereof pursuant to the January 2019 364-Day Revolving Credit Agreement and (b) the date of termination in whole of the aggregate amount of the commitments pursuant to the January 2019 364-Day Revolving Credit Agreement. On December 18, 2019, the Company entered into an Extension Agreement (the "Extension Agreement") relating to the January 2019 364-Day Revolving Credit Agreement with the lenders party thereto and Mizuho, as administrative agent. The Extension Agreement extends the Maturity Date (as defined in the January 2019 364-Day Revolving Credit Agreement) for an additional period of 364 days to January 28, 2021. Such extension became effective on January 30, 2020. Borrowings under the January 2019 364-Day Revolving Credit Agreement will bear interest at a fluctuating rate per annum equal to, at the Company's option, the alternate base rate or the Eurocurrency rate, in each case, plus an applicable margin calculated based on the Company's credit ratings. As of August 31, 2020, there were no borrowings outstanding under the January 364-Day Revolving Credit Agreement.

On August 30, 2019, the Company entered into three \$500 million revolving credit agreements (together, the "August 2019 Revolving Credit Agreements" and each individually, an "August 2019 Revolving Credit Agreement") with the lenders from time to time party thereto. Each of the August 2019 Revolving Credit Agreements are senior unsecured revolving credit facilities, with facility termination dates of the earlier of (a) 18 months following August 30, 2019, subject to extension thereof pursuant to the applicable August 2019 Revolving Credit Agreement and (b) the date of termination in whole of the aggregate amount of the commitments pursuant to the applicable August 2019 Revolving Credit Agreement. Borrowings under each of the August 2019 Revolving Credit Agreements will bear interest at a fluctuating rate per annum equal to, at the Company's option, the alternate base rate or the Eurocurrency rate, plus an applicable margin of 0.95% in the case of Eurocurrency rate loans. As of August 31, 2020, there were no borrowings outstanding under the August 2019 Revolving Credit Agreements.

The Company entered into a \$750 million revolving credit agreement on April 1, 2020 (the "April 2020 Revolving Bilateral Credit Agreement") and a \$1.3 billion revolving credit agreement on April 2, 2020 (the "April 2020 Revolving Club Credit Agreement" and together with the April 2020 Revolving Bilateral Credit Agreement, the "Other April 2020 Revolving Credit Agreements") with the lenders from time to time party thereto. Each of the Other April 2020 Revolving Credit Agreements is a senior unsecured revolving credit facility, with a facility termination dates of the earlier of (a) March 31, 2021 (which date shall be shortened pursuant to the terms of the applicable Other April 2020 Revolving Credit Agreement if the Company does not

extend the maturity date of certain of its existing credit agreements or enter into new bank or bond financings with a certain maturity date and above an aggregate principal amount as described in the applicable April 2020 Revolving Credit Agreement) and (b) the date of termination in whole of the aggregate amount of the commitments pursuant to the applicable Other April 2020 Revolving Credit Agreement. Borrowings under the Other April 2020 Revolving Credit Agreements will bear interest at a fluctuating rate per annum equal to, at the Company's option, the Eurocurrency rate or the alternate base rate, plus an applicable margin of 1.25% in the case of Eurocurrency rate loans. As of August 31, 2020, there were no borrowings outstanding under the Other April 2020 Revolving Credit Agreements.

On April 7, 2020, the Company entered into a \$500 million revolving credit agreement (the "April 7, 2020 Revolving Credit Agreement") with WBA Financial Services Limited, a private limited company incorporated under the laws of England and Wales ("WBAFSL"), and the lenders from time to time party thereto. The April 7, 2020 Revolving Credit Agreement is a senior unsecured revolving credit facility, with a facility termination date of the earlier of (a) 364-days from April 7, 2020 and (b) the date of termination in whole of the aggregate amount of the commitments pursuant to the April 7, 2020 Revolving Credit Agreement. The Company and WBAFSL will be the borrowers under the April 7, 2020 Revolving Credit Agreement. Pursuant to the terms of the April 7, 2020 Revolving Credit Agreement, the Company provides a guarantee of any obligations of WBAFSL under the April 7, 2020 Revolving Credit Agreement. Borrowings under the April 7, 2020 Revolving Credit Agreement will bear interest at a fluctuating rate per annum equal to, at the Company's option, the Eurocurrency rate or the alternate base rate, plus an applicable margin of 1.50% in the case of Eurocurrency rate loans. As of August 31, 2020, there were no borrowings outstanding under the April 7, 2020 Revolving Credit Agreement.

On April 15, 2020, the Company issued in an underwritten public offering \$0.5 billion of 3.20% notes due 2030 and \$1.0 billion of 4.10% notes due 2050. Total issuance costs relating to the notes, including underwriting discounts and estimated offering expenses were \$13.3 million.

On September 17, 2020, the Company provided notice to the trustee and the holders of its 2.875% notes due 2020 issued by the Company on November 20, 2014 that it will redeem in full the £400 million aggregate principal amount outstanding of the notes on October 20, 2020.

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. As of August 31, 2020, the Company was in compliance with all such applicable covenants.

Credit ratings

As of October 14, 2020, the credit ratings of Walgreens Boots Alliance were:

Rating agency	Long-term debt rating	Commercial paper rating	Outlook
Fitch	BBB-	F3	Stable
Moody's	Baa2	P-2	Negative
Standard & Poor's	BBB	A-2	Negative

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

AmerisourceBergen relationship

As of August 31, 2020, the Company owned 56,854,867 AmerisourceBergen common shares representing approximately 28% of the outstanding common stock based on most recent share count publicly reported by AmerisourceBergen and had designated one member of AmerisourceBergen's board of directors. As of August 31, 2020, the Company can acquire up to an additional 8,398,752 AmerisourceBergen shares in the open market and thereafter designate another member of AmerisourceBergen's board of directors, subject in each case to applicable legal and contractual requirements. The amount of permitted open market purchases is subject to increase or decrease in certain circumstances. Subject to applicable legal and contractual requirements, share purchases may be made from time to time in open market transactions or pursuant to

instruments and plans complying with Rule 10b5-1. See note 5, equity method investments, to the Consolidated Financial Statements included herein for further information.

COMMITMENTS AND CONTINGENCIES

The information set forth in note 10, commitments and contingencies, to the Consolidated Financial Statements included in part II, item 8 of this Form 10-K is incorporated herein by reference.

CRITICAL ACCOUNTING POLICIES

The Consolidated Financial Statements are prepared in accordance with accounting principles generally accepted in the United States of America 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 Statements of Earnings and corresponding Consolidated Balance Sheets accounts would be necessary. These adjustments would be made in future periods. Some of the more significant estimates include business combinations, goodwill and indefinite-lived intangible asset impairment, long-lived assets impairment, cost of sales and inventory, equity method investments, pension and postretirement benefits and income taxes. The Company uses the following methods to determine its estimates:

Business combinations – The Company accounts for business combinations using the acquisition method of accounting, which requires that once control is obtained, all the assets acquired and liabilities assumed, including amounts attributable to noncontrolling interests, be recorded at their respective fair values at the date of acquisition. The determination of fair values of assets and liabilities acquired requires estimates and the use of valuation techniques when market value is not readily available.

For intangible assets, the Company generally uses the income approach to determine fair value. The income approach requires management to make significant estimates and assumptions. These estimates and assumptions primarily include, but are not limited to: discount rates, terminal growth rates, royalty rates, forecasts of revenue, operating income, depreciation, amortization and capital expenditures. The discount rates applied to the projections reflect the risk factors associated with those projections.

Although the Company believes its estimates of fair value are reasonable, actual financial results could differ from those estimates due to the inherent uncertainty involved in making such estimates. Changes in assumptions concerning future financial results or other underlying assumptions could have a significant impact on the determination of the fair value of the intangible assets acquired.

Judgment is also required in determining the intangible asset's useful life.

Leases - The Company determines if an arrangement contains a lease at the inception of a contract. The lease classification is determined at the commencement date. Right-of-use assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease during the lease term. Right-of-use assets and lease liabilities are recognized at the commencement date based on the present value of the remaining future minimum lease payments during the lease term. The commencement date of all lease terms is the earlier of the date the Company becomes legally obligated to make rent payments or the date the Company has the right to control the property. The Company utilizes its incremental borrowing rate to discount the lease payments. The incremental borrowing rate is based on the Company's estimated rate of interest for a collateralized borrowing over a similar term as the lease term. The operating lease right-of-use assets also include lease payments made before commencement, lease incentives and are recorded net of impairment. Operating leases are expensed on a straight line basis over the lease term.

The lease term of real estate leases includes renewal options that are reasonably certain of being exercised. Options to extend are considered reasonably certain of being exercised based on evaluation if there is significant investments within the leased property which have useful lives greater than the non-cancelable lease term, performance of the underlying store and the Company's economic and strategic initiatives. Short-term leases with an initial term of 12 months or less are not recorded on the balance sheets.

The Company accounts for lease components and non-lease components as a single lease component. Variable lease payment amounts that cannot be determined at the commencement of the lease such as increases in lease payments based on changes in index rates or usage, are not included in the right-of-use assets or lease liabilities. These are expensed as incurred. The Company has real estate leases which require additional payments based on sales volume, as well as reimbursement for real estate taxes, common area maintenance and insurance, which are expensed as incurred as variable lease costs and hence are not included in the lease payments used to calculate lease liability. Other real estate leases contain one fixed lease payment that

includes real estate taxes, common area maintenance and insurance. These fixed payments are considered part of the lease payment and included in the right-of-use assets and lease liabilities. The Company does not separately account for the land portion of the leases involving land and building.

Finance leases are recognized within property, plant and equipment and as a finance lease liability within accrued expenses and other liabilities and other noncurrent liabilities.

Goodwill and indefinite-lived intangible asset impairment – 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 could more likely than not reduce the fair value of a reporting unit or intangible asset below its carrying value. As part of the Company's impairment analysis, fair value of a reporting unit is determined using both the income and market approaches. The income approach requires management to estimate a number of factors for each reporting unit, including 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.

Indefinite-lived intangible assets are tested for impairment by comparing the estimated fair value of the asset to its carrying value. If the carrying value of the asset exceeds its estimated fair value, an impairment loss is recognized and the asset is written down to its estimated fair value. Indefinite-lived intangible assets fair values are estimated using the relief from royalty method and excess earnings method of the income approach. The determination of the fair value of the indefinite-lived intangibles requires the Company to make significant estimates and assumptions. These estimates and assumptions primarily include, but are not limited to: forecasts of revenue, the selection of appropriate royalty rate and discount rates.

During the three months ended May 31, 2020, the Company completed a quantitative impairment analysis for goodwill and certain indefinite-lived intangible assets related to its two reporting units within Retail Pharmacy International division, Boots and Other international, as a result of the significant impact of COVID-19 on their financial performance. Based on this analysis, the Company recorded impairment charges of \$1.7 billion on Boots goodwill and \$0.3 billion on certain indefinite-lived Boots tradename assets.

Based on the annual evaluation as of June 1, 2020 valuation date, the fair values of the Company's reporting units exceeded their carrying amounts ranging from approximately 4% to approximately 239% excluding Boots reporting unit for which the excess of fair value over carrying amount was nominal due to an impairment charge recognized during the three months ended May 31, 2020. Other international reporting unit's fair value was in excess of its carrying value by approximately 4% compared to 16% on June 1, 2019. As of August 31, 2020, the carrying values of goodwill were \$1.1 billion and \$0.5 billion for Boots reporting unit and Other international reporting unit, respectively. The fair values of certain indefinite-lived intangibles within the Boots reporting unit exceeded their carrying amounts ranging from approximately 4% to approximately 31%, excluding certain indefinite-lived Boots tradename assets for which the excess of fair values over carrying amounts were nominal due to impairment charges recognized during the three months ended May 31, 2020. As of August 31, 2020, the carrying value of the indefinite-lived intangibles within the Boots reporting unit was \$7.2 billion. During the fiscal year ended August 31, 2019, the Company recorded an impairment of \$73 million on its pharmacy licenses in the Boots reporting unit.

The determination of the fair value of the reporting units requires the Company to make significant estimates and assumptions including the business and financial performance of the Company's reporting units, as well as how such performance may be impacted by COVID-19. 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 we compete, discount rates, terminal growth rates, forecasts of revenue, operating income, depreciation, amortization and capital expenditures, including considering the impact of COVID-19.

Although the Company believes its estimates of fair value are reasonable, actual financial results could differ from those estimates due to the inherent uncertainty involved in making such estimates. Changes in assumptions concerning future financial results or other underlying assumptions, including the impact of COVID-19, could have a significant impact on either the fair value of the reporting units and indefinite-lived intangibles, the amount of any goodwill and indefinite-lived intangible impairment charges, or both. These estimates can be affected by a number of factors including, but not limited to, the impact of COVID-19, its severity, duration and its impact on global economies, general economic conditions as well as our profitability. The Company will continue to monitor these potential impacts, including the impact of COVID-19 and economic, industry and market trends and the impact these may have on Boots and Other international reporting units.

The Company also compares the sum of estimated fair values of reporting units to the Company's fair value as implied by the market value of its equity securities. This comparison provides an indication that, in total, assumptions and estimates are reasonable. Future declines in the overall market value of the Company's equity securities may provide an indication that the fair value of one or more reporting units has declined below its carrying value.

See note 6, goodwill and other intangible assets, to the Consolidated Financial Statements for additional information.

Impairment of long lived assets - The Company evaluates the recoverability of long-lived assets whenever events or changes in circumstances indicate that the carrying value of such an asset may not be recoverable. The evaluation of long-lived assets is performed at the lowest level of identifiable cash flows. Long-lived assets related to the Company's retail operations include property, plant and equipment, definite-lived intangibles, right of use asset as well as operating lease liability. If the asset group fails the recoverability test, then an impairment charge is determined based on the difference between the fair value of the asset group compared to its carrying value. Fair value of the asset group is generally determined using income approach based on cash flows expected from the use and eventual disposal of the asset group.

The determination of the fair value of the asset group requires management to estimate a number of factors including anticipated future cash flows and discount rates. Although we believe these estimates are reasonable, actual results could differ from those estimates due to the inherent uncertainty involved in making such estimates.

Cost of sales and inventory – Cost of sales includes the purchase price of goods and cost of services rendered, store and warehouse inventory loss, inventory obsolescence and supplier rebates. In addition to product costs, cost of sales includes warehousing costs for retail operations, purchasing costs, freight costs, cash discounts and vendor allowances.

Cost of sales for our Retail Pharmacy USA segment is derived based upon point-of-sale scanning information with an estimate for shrinkage and is adjusted based on periodic inventory counts. Inventories are valued at the lower of cost or market determined by the last-in, first-out (“LIFO”) method for the Retail Pharmacy USA segment and primarily on a first-in first-out (“FIFO”) basis for inventory in the Retail Pharmacy International and Pharmaceutical Wholesale segments.

Equity method investments – The Company uses the equity method of accounting for equity investments if the investment provides the ability to exercise significant influence, but not control, over operating and financial policies of the investee. The Company's proportionate share of the net income or loss of these investees is included in consolidated net earnings. Judgment regarding the level of influence over each equity method investment includes considering key factors such as the Company's ownership interest, legal form of the investee (e.g. limited liability partnership), representation on the board of directors, participation in policy-making decisions and material intra-entity transactions.

The Company evaluates equity method investments for impairment whenever events or changes in circumstances indicate that the carrying amount of the investment might not be recoverable. Factors considered by the Company when reviewing an equity method investment for impairment include the length of time (duration) and the extent (severity) to which the fair value of the equity method investment has been less than cost, the investee's financial condition and near-term prospects and the intent and ability to hold the investment for a period of time sufficient to allow for anticipated recovery. An impairment that is other-than-temporary is recognized in the period identified.

Pension and postretirement benefits – The Company has various defined benefit pension plans that cover some of its non-U.S. employees. The Company also has a postretirement healthcare plan that covers qualifying U.S. employees. Eligibility and the level of benefits for these plans vary depending on participants' status, date of hire and or length of service. Pension and postretirement plan expenses and valuations are dependent on assumptions used by third-party actuaries in calculating those amounts. These assumptions include discount rates, healthcare cost trends, long-term return on plan assets, retirement rates, mortality rates and other factors.

In determining long-term rate of return on plan assets assumption, the Company considers both the historical performance of the investment portfolio as well as the long-term market return expectations based on the investment mix of the portfolio. A change in any of these assumptions would have an effect on its pension expense. A 25 basis point increase in the discount rate would result in a decline of \$438.8 million to the Company's pension benefit obligation. A 25 basis point decrease on the expected return on plan assets assumption would increase the Company's pension expense by \$23.7 million.

The Company funds its pension plans in accordance with applicable regulations. The postretirement healthcare plan is not funded.

Income taxes –The Company is subject to routine income tax audits that occur periodically in the normal course of business. U.S. federal, state, local and foreign tax authorities raise questions regarding the Company's tax filing positions, including the timing and amount of deductions and the allocation of income among various tax jurisdictions. In evaluating the tax benefits associated with the various tax filing positions, the Company records a tax benefit for uncertain tax positions using the highest cumulative tax benefit that is more likely than not to be realized. Adjustments are made to the liability for unrecognized tax benefits in the period in which the Company determines the issue is effectively settled with the tax authorities, the statute of

limitations expires for the return containing the tax position or when more information becomes available. The liability for unrecognized tax benefits, including accrued penalties and interest, is primarily included in other non-current liabilities and current income taxes on the Company's Consolidated Balance Sheets and in income tax provision in its Consolidated Statements of Earnings.

In determining its provision for income taxes, the Company uses income, permanent differences between book and tax income and enacted statutory income tax rates. The provision for income taxes rate also reflects its assessment of the ultimate outcome of tax audits in addition to any foreign-based income deemed to be taxable in the United States. Discrete events such as audit settlements or changes in tax laws are recognized in the period in which they occur.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The following table lists the Company's contractual obligations and commitments at August 31, 2020 (in millions):

	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	Over 5 years
Operating lease obligation ¹	\$ 31,589	\$ 3,529	\$ 6,584	\$ 5,917	\$ 15,559
Finance lease obligations	1,697	96	187	184	1,230
Purchase obligations:	4,728	2,840	756	700	432
Open inventory purchase orders*	2,227	2,226	—	—	—
Real estate development*	137	137	—	—	—
Other obligations* ²	2,364	476	755	700	432
Short-term debt and long-term debt**	15,816	3,545	2,450	2,005	7,816
Interest payment on short-term debt and long-term debt*	5,657	460	800	693	3,704
Retirement benefit obligations	730	48	93	94	495
Investment commitment* ³	750	200	550	—	—
Other liabilities reflected on the balance sheet ⁴	1,136	138	500	188	311
Total	\$ 62,103	\$ 10,855	\$ 11,920	\$ 9,781	\$ 29,547

* Not recorded on balance sheet.

** Excluding debt discounts and issuance costs and finance lease obligations.

¹ Amounts do not include certain operating expenses under these leases such as common area maintenance, insurance, real estate taxes and rental payments based on sales volume, where appropriate. These expenses were \$761 million for the fiscal year ended August 31, 2020.

² Primarily relates to obligations from information technology projects.

³ Commitment to invest in convertible debt securities of VillageMD.

⁴ Includes \$552 million (\$88 million in less than 1 year, \$434 million in 1-3 years and \$30 million in 3-5 years) of unrecognized tax benefits recorded under Accounting Standards Codification Topic 740, Income Taxes. Includes \$206 million (\$102 million in 3-5 years and \$104 million in over 5 years) of noncurrent income taxes payable as a result of the U.S tax law changes enacted in December 2017.

The information in the foregoing table is presented as of August 31, 2020 and accordingly does not reflect obligations under agreements the Company entered into after that date.

OFF-BALANCE SHEET ARRANGEMENTS

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

At August 31, 2020, the Company had \$16 million of guarantees outstanding and no amounts issued under letters of credit.

RECENT ACCOUNTING PRONOUNCEMENTS

See "new accounting pronouncements" within note 1, summary of major accounting policies, to the Consolidated Financial Statements for information regarding recent accounting pronouncements.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report and other documents that we file or furnish with the SEC contain forward-looking statements that are based on current expectations, estimates, forecasts and projections about our future performance, our business, our beliefs and our management's assumptions. In addition, we, or others on our behalf, may make forward-looking statements in press releases or written statements, on the Company's website or in our communications and discussions with investors and analysts in the normal course of business through meetings, webcasts, phone calls, conference calls and other communications. Some of such forward-looking statements may be based on certain data and forecasts relating to our business and industry that we have obtained from internal surveys, market research, publicly available information and industry publications. Industry publications, surveys and market research generally state that the information they provide has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Statements that are not historical facts are forward-looking statements, including, without limitation, those regarding estimates of and goals for future financial and operating performance as well as forward-looking statements concerning the potential impacts on our business of the spread and impact of COVID-19, the expected execution and effect of our business strategies, our cost-savings and growth initiatives, pilot programs, strategic partnerships and initiatives, and restructuring activities and the amounts and timing of their expected impact and delivery of estimated cost savings, the amount and timing of costs, synergies and savings related to our acquisition of Rite Aid stores and related assets, our commercial agreement with AmerisourceBergen, the arrangements and transactions contemplated by our framework agreement with AmerisourceBergen and their possible effects, estimates of the impact of developments on our earnings, earnings per share and other financial and operating metrics, cough, cold and flu season, prescription volume, pharmacy sales trends, prescription margins and reimbursement rates, changes in generic prescription drug prices, retail margins, number and location of new store openings, network participation, vendor, payer and customer relationships and terms, possible new contracts or contract extensions, the withdrawal of the United Kingdom from the European Union and its possible effects, competition, economic and business conditions, outcomes of litigation and regulatory matters, the level of capital expenditures, industry trends, demographic trends, growth strategies, financial results, cost reduction initiatives, impairment or other charges, acquisition and joint venture synergies, competitive strengths and changes in legislation or regulations. All statements in the future tense and all statements accompanied by words such as "expect," "likely," "outlook," "forecast," "preliminary," "pilot," "would," "could," "should," "can," "will," "project," "intend," "plan," "goal," "guidance," "target," "aim," "continue," "sustain," "synergy," "transform," "accelerate," "model," "long-term," "on track," "on schedule," "headwind," "tailwind," "believe," "seek," "estimate," "anticipate," "upcoming," "to come," "may," "possible," "assume," and variations of such words and similar expressions are intended to identify such forward-looking statements, which are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995.

These forward-looking statements are not guarantees of future performance and are subject to risks, uncertainties and assumptions, known or unknown, that could cause actual results to vary materially from those indicated or anticipated, including, but not limited to, those relating to the spread and impact of COVID-19, including the adverse impact on the global economy as well as our business, risks relating to the impact of private and public third-party payers' efforts to reduce prescription drug reimbursements, fluctuations in foreign currency exchange rates, the timing and magnitude of the impact of branded to generic drug conversions and changes in generic drug prices, our ability to realize synergies and achieve financial, tax and operating results in the amounts and at the times anticipated, the inherent risks, challenges and uncertainties associated with forecasting financial results of large, complex organizations in rapidly evolving industries, particularly over longer time periods, and during periods with increased volatility and uncertainties, supply arrangements including our commercial agreement with AmerisourceBergen, the arrangements and transactions contemplated by our framework agreement with AmerisourceBergen and their possible effects, the risks associated with our equity method investment in AmerisourceBergen, circumstances that could give rise to the termination, cross-termination or modification of any of our contractual obligations, the amount of costs, fees, expenses and charges incurred in connection with strategic transactions, whether the costs and charges associated with restructuring initiatives, including the Transformational Cost Management Program and Store Optimization Program, will exceed estimates, our ability to realize expected savings and benefits from cost-savings initiatives, including the Transformational Cost Management Program and Store Optimization Program, restructuring activities and acquisitions and joint ventures in the amounts and at the times anticipated, the timing and amount of any impairment or other charges, the timing and severity of cough, cold and flu season, risks relating to looting and vandalism in regions in which we operate and the scope and magnitude of any property damage, inventory loss or other adverse impacts, risks related to pilot programs and new business initiatives and ventures generally, including the risks that anticipated benefits may not be realized, changes in management's plans and assumptions, the risks associated with governance and control matters, the ability to retain key personnel, changes in economic and business conditions generally or in particular markets in which we participate, changes in financial markets, credit ratings and interest rates, the risks relating to the terms, timing and magnitude of any share repurchase activity, the risks associated with international business operations, including the risks associated with the withdrawal of the United Kingdom from the European Union and international trade policies, tariffs, including tariff negotiations between the United States and China, and relations, the risks associated with cybersecurity or privacy breaches related to customer information, changes in vendor, customer and payer relationships and terms, including changes in network participation and reimbursement terms and the associated impacts on volume and operating results, changes in pharmaceutical manufacturers' pricing or distribution policies or practices, risks related to competition including changes in market dynamics, participants, product and service offerings, retail formats and competitive positioning, risks associated with new business areas

and activities, risks associated with acquisitions, divestitures, joint ventures and strategic investments, including those relating to the asset acquisition from Rite Aid, the risks associated with the integration of complex businesses, the impact of regulatory restrictions and outcomes of legal and regulatory matters and risks associated with changes in laws, including those related to the December 2017 U.S. tax law changes, regulations or interpretations thereof. These and other risks, assumptions and uncertainties are described in Item 1A, Risk factors, above, which are incorporated herein by reference, and in other documents that we file or furnish with the SEC. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those indicated or anticipated by such forward-looking statements. Accordingly, you are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date they are made. Except to the extent required by law, we do not undertake, and expressly disclaim, any duty or obligation to update publicly any forward-looking statement after the date of this report, whether as a result of new information, future events, changes in assumptions or otherwise.

Item 7A. 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.

The Chief Executive of the UK Financial Conduct Authority (the “FCA”), which regulates the London Interbank Offered Rate, or LIBOR, has announced that the FCA will no longer compel LIBOR panel banks to submit rates for the calculation of LIBOR after 2021. That announcement indicates that the continuation of LIBOR on the current basis will not be guaranteed after 2021. Moreover, it is possible that LIBOR may be discontinued prior to the end of 2021. Certain of our credit facilities provide that, under certain circumstances set forth in such credit facilities, we and the administrative agent may amend the applicable credit facility to replace LIBOR with an alternate benchmark rate, giving due consideration to any evolving or then existing convention for similar syndicated credit facilities in the U.S. market for alternative benchmarks. Such alternative benchmark rate could include the secured overnight financing rate, also known as SOFR, published by the Federal Reserve Bank of New York

Information regarding the Company’s transactions are set forth in note 8, financial instruments, to the Consolidated Financial Statements. These financial instruments are sensitive to changes in interest rates. On August 31, 2020, the Company had no material long-term debt obligations that had floating interest rates. The amounts exclude the impact of any associated derivative contracts.

Foreign currency exchange rate risk

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

The Company’s foreign currency derivative instruments are sensitive to changes in exchange rates. A hypothetical 1% change in foreign currency exchange rates versus the U.S. dollar would change the fair value of the foreign currency derivatives held as of August 31, 2020, by approximately \$25 million. The foreign currency derivatives are intended to partially hedge anticipated transactions, foreign currency trade payables and receivables and net investments in foreign subsidiaries.

Equity price risk

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

Item 8. Financial statements and supplementary data

WALGREENS BOOTS ALLIANCE, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
At August 31, 2020 and 2019
(in millions, except shares and per share amounts)

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 516	\$ 1,023
Accounts receivable, net	7,132	7,226
Inventories	9,451	9,333
Other current assets	974	1,118
Total current assets	18,073	18,700
Non-current assets:		
Property, plant and equipment, net	13,342	13,478
Operating lease right-of-use asset	21,724	—
Goodwill	15,268	16,560
Intangible assets, net	10,753	10,876
Equity method investments (see note 5)	7,338	6,851
Other non-current assets	677	1,133
Total non-current assets	69,101	48,899
Total assets	\$ 87,174	\$ 67,598
Liabilities and equity		
Current liabilities:		
Short-term debt	\$ 3,538	\$ 5,738
Trade accounts payable (see note 18)	14,458	14,341
Operating lease obligation	2,426	—
Accrued expenses and other liabilities	6,539	5,474
Income taxes	110	216
Total current liabilities	27,070	25,769
Non-current liabilities:		
Long-term debt	12,203	11,098
Operating lease obligation	21,973	—
Deferred income taxes	1,498	1,785
Other non-current liabilities	3,294	4,795
Total non-current liabilities	38,968	17,678
Commitments and contingencies (see note 10)		
Equity:		
Preferred stock \$.01 par value; authorized 32 million shares, none issued	—	—
Common stock \$.01 par value; authorized 3.2 billion shares; issued 1,172,513,618 at August 31, 2020 and 2019	12	12
Paid-in capital	10,761	10,639
Retained earnings	34,210	35,815
Accumulated other comprehensive loss	(3,771)	(3,897)
Treasury stock, at cost; 306,910,099 shares at August 31, 2020 and 277,126,116 shares at August 31, 2019	(20,575)	(19,057)
Total Walgreens Boots Alliance, Inc. shareholders' equity	20,637	23,512
Noncontrolling interests	498	641
Total equity	21,136	24,152
Total liabilities and equity	\$ 87,174	\$ 67,598

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

WALGREENS BOOTS ALLIANCE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY
For the years ended August 31, 2020, 2019 and 2018
(in millions, except shares)

Equity attributable to Walgreens Boots Alliance, Inc.

	Common stock shares	Common stock amount	Treasury stock amount	Paid-in capital	Employee stock loan receivable	Accumulated other comprehensive income (loss)	Retained earnings	Noncontrolling interests	Total equity
August 31, 2017	1,023,849,070	\$ 12	\$ (9,971)	\$ 10,339	\$ —	\$ (3,051)	\$ 30,137	\$ 808	\$ 28,274
Net earnings	—	—	—	—	—	—	5,024	7	5,031
Other comprehensive income (loss), net of tax	—	—	—	—	—	49	—	1	50
Dividends declared and distributions	—	—	—	—	—	—	(1,610)	(138)	(1,748)
Treasury stock purchases	(76,069,557)	—	(5,228)	—	—	—	—	—	(5,228)
Employee stock purchase and option plans	4,353,905	—	152	22	—	—	—	—	174
Stock-based compensation	—	—	—	130	—	—	—	—	130
Noncontrolling interests acquired and arising on business combinations	—	—	—	2	—	—	—	4	6
August 31, 2018	952,133,418	\$ 12	\$ (15,047)	\$ 10,493	\$ —	\$ (3,002)	\$ 33,551	\$ 682	\$ 26,689
Net earnings	—	—	—	—	—	—	3,982	(20)	3,962
Other comprehensive income (loss), net of tax	—	—	—	—	—	(896)	—	(13)	(909)
Dividends declared and distributions	—	—	—	—	—	—	(1,629)	(3)	(1,632)
Treasury stock purchases	(61,723,456)	—	(4,160)	—	—	—	—	—	(4,160)
Employee stock purchase and option plans	4,977,540	—	150	24	—	—	—	—	174
Stock-based compensation	—	—	—	119	—	—	—	—	119
Adoption of new accounting standards	—	—	—	—	—	—	(88)	—	(88)
Noncontrolling interests contribution and other	—	—	—	3	—	—	(1)	(5)	(3)
August 31, 2019	895,387,502	\$ 12	\$ (19,057)	\$ 10,639	\$ —	\$ (3,897)	\$ 35,815	\$ 641	\$ 24,152
Net earnings	—	—	—	—	—	—	456	(32)	424
Other comprehensive income (loss), net of tax	—	—	—	—	—	126	—	22	148
Dividends declared and distributions	—	—	—	—	—	—	(1,618)	(133)	(1,751)
Treasury stock purchases	(32,055,576)	—	(1,589)	—	—	—	—	—	(1,589)
Employee stock purchase and option plans	2,271,593	—	72	(17)	—	—	—	—	55
Stock-based compensation	—	—	—	137	—	—	—	—	137
Adoption of new accounting standards	—	—	—	—	—	—	(442)	—	(442)
Noncontrolling interests contribution and other	—	—	—	2	—	—	—	—	2
August 31, 2020	865,603,519	\$ 12	\$ (20,575)	\$ 10,761	\$ —	\$ (3,771)	\$ 34,210	\$ 498	\$ 21,136

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

WALGREENS BOOTS ALLIANCE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
For the years ended August 31, 2020, 2019 and 2018
(in millions, except per share amounts)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Sales	\$ 139,537	\$ 136,866	\$ 131,537
Cost of sales	111,520	106,790	100,745
Gross profit	28,017	30,076	30,792
Selling, general and administrative expenses	27,045	25,242	24,694
Equity earnings in AmerisourceBergen	341	164	191
Operating income	1,312	4,998	6,289
Other income	70	233	302
Earnings before interest and income tax provision	1,382	5,231	6,591
Interest expense, net	639	704	616
Earnings before income tax provision	743	4,527	5,975
Income tax provision	360	588	998
Post tax earnings from other equity method investments	41	23	54
Net earnings	424	3,962	5,031
Net (loss) earnings attributable to noncontrolling interests	(32)	(20)	7
Net earnings attributable to Walgreens Boots Alliance, Inc.	\$ 456	\$ 3,982	\$ 5,024
Net earnings per common share:			
Basic	\$ 0.52	\$ 4.32	\$ 5.07
Diluted	\$ 0.52	\$ 4.31	\$ 5.05
Weighted average common shares outstanding:			
Basic	879.4	921.5	991.0
Diluted	880.3	923.5	995.0

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

WALGREENS BOOTS ALLIANCE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended August 31, 2020, 2019 and 2018
(in millions)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Comprehensive income:			
Net earnings	\$ 424	\$ 3,962	\$ 5,031
Other comprehensive income (loss), net of tax:			
Pension/postretirement obligations	(700)	(149)	240
Unrealized gain on cash flow hedges	(6)	5	3
Net investment hedges (see note 15)	(90)	55	—
Share of other comprehensive income (loss) of equity method investments	(14)	(1)	5
Currency translation adjustments	958	(820)	(198)
Total other comprehensive income (loss)	<u>148</u>	<u>(909)</u>	<u>50</u>
Total comprehensive income	572	3,053	5,081
Comprehensive income (loss) attributable to noncontrolling interests	(10)	(33)	8
Comprehensive income attributable to Walgreens Boots Alliance, Inc.	<u>\$ 582</u>	<u>\$ 3,086</u>	<u>\$ 5,073</u>

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

WALGREENS BOOTS ALLIANCE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended August 31, 2020, 2019 and 2018
(in millions)

	2020	2019	2018
Cash flows from operating activities:			
Net earnings	\$ 424	\$ 3,962	\$ 5,031
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	1,927	2,038	1,770
Gain on previously held equity interest	—	—	(337)
Deferred income taxes	(43)	100	(322)
Stock compensation expense	137	119	130
Equity earnings from equity method investments	(382)	(187)	(244)
Goodwill and intangible asset impairment	2,016	—	—
Other	464	302	296
Changes in operating assets and liabilities:			
Accounts receivable, net	163	(789)	(391)
Inventories	63	141	331
Other current assets	(31)	(112)	(22)
Trade accounts payable	(25)	954	1,352
Accrued expenses and other liabilities	1,008	(374)	287
Income taxes	(221)	(406)	694
Other non-current assets and liabilities	(16)	(154)	(311)
Net cash provided by operating activities	<u>5,484</u>	<u>5,594</u>	<u>8,263</u>
Cash flows from investing activities:			
Additions to property, plant and equipment	(1,374)	(1,702)	(1,367)
Proceeds from sale leaseback transactions	724	3	—
Proceeds from sale of other assets	90	117	655
Business, investment and asset acquisitions, net of cash acquired	(718)	(741)	(4,793)
Other	(19)	16	4
Net cash used for investing activities	<u>(1,297)</u>	<u>(2,307)</u>	<u>(5,501)</u>
Cash flows from financing activities:			
Net change in short-term debt with maturities of 3 months or less	(161)	536	586
Proceeds from debt	20,367	12,433	5,900
Payments of debt	(21,414)	(10,461)	(4,890)
Stock purchases	(1,589)	(4,160)	(5,228)
Proceeds related to employee stock plans	55	174	174
Cash dividends paid	(1,747)	(1,643)	(1,739)
Other	(157)	75	(98)
Net cash used for financing activities	<u>(4,647)</u>	<u>(3,047)</u>	<u>(5,295)</u>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(1)	(9)	11
Changes in cash, cash equivalents and restricted cash			
Net increase (decrease) in cash, cash equivalents, and restricted cash	(460)	232	(2,522)
Cash, cash equivalents and restricted cash at beginning of period	1,207	975	3,496
Cash, cash equivalents and restricted cash at end of period	<u><u>\$ 746</u></u>	<u><u>\$ 1,207</u></u>	<u><u>\$ 975</u></u>

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

WALGREENS BOOTS ALLIANCE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Summary of major accounting policies

Organization

Walgreens Boots Alliance and its subsidiaries are a global leader in retail and wholesale pharmacy. Its operations are conducted through three reportable segments: Retail Pharmacy USA, Retail Pharmacy International and Pharmaceutical Wholesale. See note 16, segment reporting and note 17, sales, for further information.

Basis of presentation

The Consolidated Financial Statements include all subsidiaries in which the Company holds a controlling interest. The Company uses the equity-method of accounting for equity investments in less than majority-owned companies if the investment provides the ability to exercise significant influence. All intercompany transactions have been eliminated.

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (“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 including estimates of the impact of COVID-19. The extent to which COVID-19 impacts the Company’s business and financial results will depend on numerous evolving factors discussed throughout this Annual Report on Form 10-K including, but not limited to, the severity and duration of COVID-19, the extent to which it will impact our customers, team members, suppliers, vendors, business partners and distribution channels. The Company assessed certain accounting matters that require consideration of estimates and assumptions in context with the information reasonably available to the Company and the unknown future impacts of COVID-19 as of August 31, 2020 and through the date of this report. The accounting matters assessed included, but were not limited to, the Company’s carrying value of goodwill, intangible and other long-lived assets including operating lease right-of-use assets. These estimates and assumptions, including the severity and duration of COVID-19, resulted in a material impact to the Company’s consolidated financial statements as of and for the fiscal year ended August 31, 2020. Refer to note 6, goodwill and other intangible assets for details. The Company’s future assessment of the magnitude and duration of COVID-19, as well as other factors, could result in material impacts to the Company’s consolidated financial statements in future reporting periods. Adjustments may be made in subsequent periods to reflect more current estimates and assumptions about matters that are inherently uncertain. Actual results may differ.

The COVID-19 pandemic has severely impacted the economies of the U.S., the UK and other countries around the world. The impact of COVID-19 on the Company’s businesses, financial position, results of operations and cash flows for the fiscal year ended August 31, 2020, as well as information regarding certain expected or potential impacts of COVID-19 on the Company, is discussed throughout this Annual Report on Form 10-K.

The impact of COVID-19, the influence of certain holidays, seasonality, foreign currency rates, changes in vendor, payer and customer relationships and terms, strategic transactions including acquisitions, changes in laws and general economic conditions in the markets in which the Company operates and other factors on the Company’s operations and net earnings for any period may not be comparable to the same period in previous years.

Certain amounts in the Consolidated Financial Statements and associated notes may not add due to rounding. Percentages have been calculated using unrounded amounts for all periods presented.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and highly liquid investments with an original maturity of three months or less. Credit and debit card receivables, which generally settle within one to seven business days, of \$101 million and \$90 million were included in cash and cash equivalents at August 31, 2020 and 2019, respectively.

Restricted cash and other cash flows from operating activities

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. At August 31, 2020 and 2019, the amount of such restricted cash was \$230 million and \$184 million, respectively, and is reported in other current assets on the Consolidated Balance Sheets.

The following represents a reconciliation of cash and cash equivalents in the Consolidated Balance Sheets to total cash, cash equivalents and restricted cash in the Consolidated Statements of Cash Flows as of August 31, 2020 and 2019, (in millions):

	August 31, 2020	August 31, 2019
Cash and cash equivalents	\$ 516	\$ 1,023
Restricted cash (included in other current assets)	230	184
Cash, cash equivalents and restricted cash	\$ 746	\$ 1,207

Other cash flows from operating activities

Other cash flows from operating activities of \$464 million for fiscal 2020 include asset impairments of \$462 million offset by gains on sales-leaseback transactions of \$308 million. Other cash flows from operating activities of \$302 million for fiscal 2019 and \$296 million for fiscal 2018 include asset impairments of \$328 million and \$240 million, respectively.

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 payers (e.g., pharmacy benefit managers, insurance companies and governmental agencies), clients and members. Trade receivables were \$6.0 billion and \$6.0 billion at August 31, 2020 and 2019, respectively. Other accounts receivable balances, which consist primarily of receivables from vendors and manufacturers, including receivables from AmerisourceBergen (see note 18, related parties), were \$1.2 billion and \$1.2 billion at August 31, 2020 and 2019, respectively.

Charges to allowance for doubtful accounts are based on estimates of recoverability using both historical write-offs and specifically identified receivables. The allowance for doubtful accounts for trade receivables at August 31, 2020 and 2019 were \$61 million and \$95 million, respectively.

Inventories

The Company values inventories on a lower of cost and net realizable value or market basis. Inventories include product costs, inbound freight, direct labor, warehousing costs for retail pharmacy operations and distribution of products and vendor allowances not classified as a reduction of advertising expense.

The Company's Retail Pharmacy USA segment inventory is accounted for using the last-in-first-out ("LIFO") method. The total carrying value of the segment inventory accounted for under the LIFO method was \$6.4 billion and \$6.6 billion at August 31, 2020 and 2019, respectively. At August 31, 2020 and 2019, Retail Pharmacy USA segment inventory would have been greater by \$3.3 billion and \$3.2 billion, respectively, if they had been valued on a lower of first-in-first-out ("FIFO") cost and net realizable value.

The Company's Retail Pharmacy International and Pharmaceutical Wholesale segments' inventory is primarily accounted for using the FIFO method. The total carrying value of the inventory for Retail Pharmacy International and Pharmaceutical Wholesale segments was \$3.0 billion and \$2.7 billion at August 31, 2020 and 2019, respectively.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Major repairs, which extend the useful life of an asset, are capitalized; routine maintenance and repairs are charged against earnings. Depreciation is provided on a straight-line basis over the estimated useful lives of owned assets. Leasehold improvements, equipment under finance lease and finance lease properties are amortized over their respective estimate of useful life or over the term of the lease, whichever is shorter. The majority of the Company's fixtures and equipment uses the composite method of depreciation. The following table summarizes the Company's property, plant and equipment (in millions) and estimated useful lives (in years):

	Estimated useful life	2020	2019
Land and land improvements	20	\$ 3,253	\$ 3,507
Buildings and building improvements	3 to 50	8,023	8,023
Fixtures and equipment	3 to 20	10,290	9,786
Capitalized system development costs and software	3 to 10	3,215	2,770
Finance lease properties		1,016	703
		25,797	24,789
Less: accumulated depreciation and amortization		12,456	11,310
Balance at end of year		\$ 13,342	\$ 13,478

The Company capitalizes application development stage costs for internally developed software. These costs are amortized over a three to ten year period. Amortization expense for capitalized system development costs and software was \$314 million in fiscal 2020, \$273 million in fiscal 2019 and \$254 million in fiscal 2018. Unamortized costs were \$1.7 billion and \$1.5 billion at August 31, 2020 and 2019, respectively.

Depreciation and amortization expense for property, plant and equipment including capitalized system development costs and software was \$1.5 billion in fiscal 2020, \$1.5 billion in fiscal 2019 and \$1.4 billion in fiscal 2018.

Leases

The Company determines if an arrangement contains a lease at the inception of a contract. The lease classification is determined at the commencement date. Right-of-use assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease during the lease term. Right-of-use assets and lease liabilities are recognized at the commencement date based on the present value of the remaining future minimum lease payments during the lease term. The commencement date of all lease terms is the earlier of the date the Company becomes legally obligated to make rent payments or the date the Company has the right to control the property. The Company utilizes its incremental borrowing rate to discount the lease payments. The incremental borrowing rate is based on the Company's estimated rate of interest for a collateralized borrowing over a similar term as the lease term. The operating lease right-of-use assets also include lease payments made before commencement, lease incentives and are recorded net of impairment. Operating leases are expensed on a straight line basis over the lease term.

Initial terms for leased premises in the United States are typically 15 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. The lease term of real estate leases includes renewal options that are reasonably certain of being exercised. Options to extend are considered reasonably certain of being exercised based on evaluation if there is significant investments within the leased property which have useful lives greater than the non-cancelable lease term, performance of the underlying store and the Company's economic and strategic initiatives. Short-term leases with an initial term of 12 months or less are not recorded on the balance sheets.

The Company accounts for lease components and non-lease components as a single lease component. Variable lease payment amounts that cannot be determined at the commencement of the lease such as increases in lease payments based on changes in index rates or usage, are not included in the right-of-use assets or lease liabilities. These are expensed as incurred. The Company has real estate leases which require additional payments based on sales volume, as well as reimbursement for real estate taxes, common area maintenance and insurance, which are expensed as incurred as variable lease costs and hence are not included in the lease payments used to calculate lease liability. Other real estate leases contain one fixed lease payment that includes real estate taxes, common area maintenance and insurance. These fixed payments are considered part of the lease payment and included in the right-of-use assets and lease liabilities. The Company does not separately account for the land portion of the leases involving land and building.

Finance leases are recognized within property, plant and equipment and as a finance lease liability within accrued expenses and other liabilities and other noncurrent liabilities.

See note 4, leases, for further information.

Business combinations

The Company allocates the fair value of purchase consideration to the tangible and intangible assets purchased and the liabilities assumed on the basis of their fair values at the date of acquisition. The determination of fair values of assets acquired and liabilities assumed requires estimates and the use of valuation techniques when a market value is not readily available. Any

excess of purchase price over the fair value of net tangible and intangible assets acquired is allocated to goodwill. If the Company obtains new information about facts and circumstances that existed as of the acquisition date during the measurement period, which may be up to one year from the acquisition date, the Company may record adjustments to the assets acquired and liabilities assumed.

Goodwill and indefinite-lived intangible assets

Goodwill represents the excess of the purchase price over the fair value of assets acquired and liabilities assumed in business combinations. Acquired intangible assets are recorded at fair value.

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 could more likely than not reduce the fair value of a reporting unit or intangible asset below its carrying value. As part of the Company's impairment analysis, fair value of a reporting unit is determined using both the income and market approaches. The income approach requires management to estimate a number of factors for each reporting unit, including 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. Indefinite-lived intangible assets are tested for impairment by comparing the estimated fair value of the asset to its carrying value. If the carrying value of the asset exceeds its estimated fair value, an impairment loss is recognized and the asset is written down to its estimated fair value.

See note 6, goodwill and other intangible assets, for additional disclosure regarding the Company's intangible assets.

Equity method investments

The Company uses the equity method of accounting for equity investments if the investment provides the ability to exercise significant influence, but not control, over operating and financial policies of the investee. The Company's proportionate share of the net income or loss of these investees is included in consolidated net earnings. Judgment regarding the level of influence over each equity method investment includes considering key factors such as the Company's ownership interest, legal form of the investee (e.g. limited liability partnership), representation on the board of directors, participation in policy-making decisions and material intra-entity transactions.

The Company evaluates equity method investments for impairment whenever events or changes in circumstances indicate that the carrying amount of the investment might not be recoverable. Factors considered by the Company when reviewing an equity method investment for impairment include the length of time (duration) and the extent (severity) to which the fair value of the equity method investment has been less than cost, the investee's financial condition and near-term prospects and the intent and ability to hold the investment for a period of time sufficient to allow for anticipated recovery. An impairment that is other-than-temporary is recognized in the period identified.

See note 5, equity method investments, for further information.

Financial instruments

The Company uses derivative instruments to hedge its exposure to interest rate and currency risks arising from operating and financing activities. In accordance with its risk management policies, the Company does not hold or issue derivative instruments for trading or speculative purposes.

Derivatives are recognized on the Consolidated Balance Sheets at their fair values. When the Company becomes a party to a derivative instrument and intends to apply hedge accounting, it formally documents the hedge relationship and the risk management objective for undertaking the hedge which includes designating the instrument for financial reporting purposes as a fair value hedge, a cash flow hedge, or a net investment hedge. The accounting for changes in fair value of a derivative instrument depends on whether the Company had designated it in a qualifying hedging relationship and on the type of hedging relationship. The Company applies the following accounting policies:

- Changes in the fair value of a derivative designated as a fair value hedge, along with the gain or loss on the hedged asset or liability attributable to the hedged risk, are recorded in the Consolidated Statements of Earnings in the same line item, generally interest expense, net.
- Changes in the fair value of a derivative designated as a cash flow hedge are recorded in accumulated other comprehensive income (loss) in the Consolidated Statements of Comprehensive Income and reclassified into earnings in the period or periods during which the hedged item affects earnings and is presented in the same line item as the earnings effect of the hedged item.

- Changes in the fair value of a derivative designated as a hedge of a net investment in a foreign operation are recorded in cumulative translation adjustments within accumulated other comprehensive income (loss) in the Consolidated Statements of Comprehensive Income. Recognition in earnings of amounts previously recorded in cumulative translation adjustments is limited to circumstances such as complete or substantially complete liquidation of the net investment in the hedged investments in foreign operations.
- Changes in the fair value of a derivative not designated in a hedging relationship are recognized in the Consolidated Statements of Earnings.

Cash receipts or payments on a settlement of a derivative contract are reported in the Consolidated Statements of Cash Flows consistent with the nature of the underlying hedged item.

For derivative instruments designated as hedges, the Company assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. Highly effective means that cumulative changes in the fair value of the derivative are between 80% and 125% of the cumulative changes in the fair value of the hedged item. In addition, when the Company determines that a derivative is not highly effective as a hedge, hedge accounting is discontinued. When it is probable that a hedged forecasted transaction will not occur, the Company discontinues hedge accounting for the affected portion of the forecasted transaction and reclassifies any gains or losses in accumulated other comprehensive income (loss) to earnings in the Consolidated Statement of Earnings. When a derivative in a hedge relationship is terminated or the hedged item is sold, extinguished or terminated, hedge accounting is discontinued prospectively.

Pension and postretirement benefits

The Company has various defined benefit pension plans that cover some of its non-U.S. employees. The Company also has a postretirement healthcare plan that covers qualifying U.S. employees. Eligibility and the level of benefits for these plans vary depending on participants' status, date of hire and or length of service. Pension and postretirement plan expenses and valuations are dependent on assumptions used by third-party actuaries in calculating those amounts. These assumptions include discount rates, healthcare cost trends, long-term return on plan assets, retirement rates, mortality rates and other factors.

The Company funds its pension plans in accordance with applicable regulations. The Company records the service cost component of net pension cost and net postretirement benefit cost in selling, general and administrative expenses. The Company records all other net cost components of net pension cost and net postretirement benefit cost in other income (expense). The postretirement healthcare plan is not funded.

See note 13, retirement benefits, for further information.

Noncontrolling interests

The Company presents noncontrolling interests as a component of equity on its Consolidated Balance Sheets and reports the portion of its earnings or loss for noncontrolling interest as net earnings attributable to noncontrolling interests in the Consolidated Statements of Earnings.

Currency

Assets and liabilities of non-U.S. dollar functional currency operations are translated into U.S. dollars at end-of-period exchange rates while revenues, expenses and cash flows are translated at average monthly exchange rates over the period. Equity is translated at historical exchange rates and the resulting cumulative translation adjustments are included as a component of accumulated other comprehensive income (loss) in the Consolidated Balance Sheets.

Assets and liabilities not denominated in the functional currency are remeasured into the functional currency at end-of-period exchange rates, except for nonmonetary balance sheet amounts, which are remeasured at historical exchange rates. Revenues and expenses are recorded at average monthly exchange rates over the period, except for those expenses related to nonmonetary balance sheet amounts, which are remeasured at historical exchange rates. Gains or losses from foreign currency remeasurement are generally included in selling, general and administrative expenses within the Consolidated Statements of Earnings.

Commitments and contingencies

On a quarterly basis, the Company assesses its liabilities and contingencies for outstanding legal proceedings and reserves are established on a case-by-case basis for those legal claims for which management concludes that it is probable that a loss will be incurred and that the amount of such loss can be reasonably estimated. Substantially all of these contingencies are subject to significant uncertainties and, therefore, determining the likelihood of a loss and/or the measurement of any loss can be complex.

With respect to litigation and other legal proceedings where the Company has determined that a loss is reasonably possible, the Company may be unable to estimate the amount or range of reasonably possible loss due to the inherent difficulty of predicting the outcome of and uncertainties regarding such litigation and legal proceedings. The Company's assessments are based on estimates and assumptions that have been deemed reasonable by management, but that may prove to be incomplete or inaccurate, and unanticipated events and circumstances may occur that might cause the Company to change those estimates and assumptions. Therefore, it is possible that an unfavorable resolution of one or more pending litigation or other contingencies could have a material adverse effect on the Company's Consolidated Financial Statements in a future fiscal period. Management's assessment of current litigation and other legal proceedings, including the corresponding accruals, could change because of the discovery of facts with respect to legal actions or other proceedings pending against the Company which are not presently known. Adverse rulings or determinations by judges, juries, governmental authorities or other parties could also result in changes to management's assessment of current liabilities and contingencies. Accordingly, the ultimate costs of resolving these claims may be substantially higher or lower than the amounts reserved. See note 10, commitments and contingencies, for further information.

Revenue recognition

Sales are recognized at an amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring control of goods or services to the customer. Sales are reported on the gross amount billed to a customer less discounts if it has earned revenue as a principal from the sale of goods and services. Sales are reported on the net amount retained (that is, the amount billed to the customer less the amount paid to a vendor) if it has earned a commission or a fee as an agent.

Retail Pharmacy USA and Retail Pharmacy International

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

Pharmaceutical Wholesale

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

Loyalty programs and gift cards

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

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

Cost of sales

Cost of sales includes the purchase price of goods and cost of services rendered, store and warehouse inventory loss, inventory obsolescence and supplier rebates. In addition to product costs, cost of sales includes warehousing costs for retail operations, purchasing costs, freight costs, cash discounts and vendor allowances.

Vendor allowances and supplier rebates

Vendor allowances are principally received as a result of purchases, sales or promotion of vendors' products. Allowances are generally recorded as a reduction of inventory and are recognized as a reduction of cost of sales when the related merchandise is sold. Allowances received for promoting vendors' products are offset against advertising expense and result in a reduction of selling, general and administrative expenses to the extent of advertising costs incurred, with the excess treated as a reduction of inventory costs.

Rebates or refunds received by the Company from its suppliers, mostly in cash, are considered as an adjustment of the prices of the supplier's products purchased by the Company.

Selling, general and administrative expenses

Selling, general and administrative expenses mainly consist of salaries and employee costs, occupancy costs, depreciation and amortization, credit and debit card fees and expenses directly related to stores. In addition, other costs included are headquarters' expenses, advertising costs (net of vendor advertising allowances), wholesale warehousing costs and insurance.

Advertising costs

Advertising costs, which are reduced by the portion funded by vendors, are expensed as incurred or when services have been received. Net advertising expenses, which are included in selling, general and administrative expenses, were \$534 million in fiscal 2020, \$585 million in fiscal 2019 and \$665 million in fiscal 2018.

Impairment of long-lived assets

The Company evaluates the recoverability of long-lived assets whenever events or changes in circumstances indicate that the carrying value of such an asset may not be recoverable. The evaluation of long-lived assets is performed at the lowest level of identifiable cash flows. Long-lived assets related to the Company's retail operations include property, plant and equipment, definite-lived intangibles, right of use asset as well as operating lease liability. If the asset group fails the recoverability test, then an impairment charge is determined based on the difference between the fair value of the asset group compared to its carrying value. Fair value of the asset group is generally determined using income approach based on cash flows expected from the use and eventual disposal of the asset group.

Impairment charges for definite-lived assets included in selling, general and administrative expenses were \$422 million, \$260 million and \$57 million for fiscal years 2020, 2019 and 2018 respectively.

The determination of the fair value of the asset group requires management to estimate a number of factors including anticipated future cash flows and discount rates. Although we believe these estimates are reasonable, actual results could differ from those estimates due to the inherent uncertainty involved in making such estimates.

Stock compensation plans

Stock based compensation is measured at fair value at the grant date. The Company grants stock options, performance shares and restricted units to the Company's non-employee directors, officers and employees. The Company recognizes compensation expense on a straight-line basis over the substantive service period. The fair value of each performance share granted assumes that performance goals will be achieved at 100 percent. If such goals are not met, no compensation expense is recognized and any recognized compensation expense is reversed. See note 12, stock compensation plans, for more information on the Company's stock-based compensation plans.

Insurance

The Company obtains insurance coverage for catastrophic exposures as well as those risks required by law to be insured. In general, the Company's U.S. subsidiaries retain a significant portion of losses related to workers' compensation, property, comprehensive general, pharmacist and vehicle liability, while non-U.S. subsidiaries manage their exposures through insurance coverage with third-party carriers. Management regularly reviews the probable outcome of claims and proceedings, the expenses expected to be incurred, the availability and limits of the insurance coverage and the established accruals for liabilities. Liabilities for losses are recorded based upon the Company's estimates for both claims incurred and claims incurred but not reported. The provisions are estimated in part by considering historical claims experience, demographic factors and other actuarial assumptions.

Income taxes

The Company accounts for income taxes according to the asset and liability method. Under this method, deferred tax assets and liabilities are recognized based upon the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured pursuant to tax laws using rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rate is recognized in income in the period that includes the enactment date. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts more likely than not to be realized.

In determining the provision for income taxes, the Company uses income, permanent differences between book and tax income, the relative proportion of foreign and domestic income, enacted statutory income tax rates, projections of income subject to Subpart F rules and unrecognized tax benefits related to current year results. Discrete events such as the assessment of the ultimate outcome of tax audits, audit settlements, recognizing previously unrecognized tax benefits due to lapsing of the applicable statute of limitations, recognizing or de-recognizing benefits of deferred tax assets due to future year financial statement projections and changes in tax laws are recognized in the period in which they occur.

The Company is subject to routine income tax audits that occur periodically in the normal course of business. U.S. federal, state, local and foreign tax authorities raise questions regarding the Company's tax filing positions, including the timing and amount of deductions and the allocation of income among various tax jurisdictions. In evaluating the tax benefits associated

with the various tax filing positions, the Company records a tax benefit for uncertain tax positions using the highest cumulative tax benefit that is more likely than not to be realized. Adjustments are made to the liability for unrecognized tax benefits in the period in which the Company determines the issue is effectively settled with the tax authorities, the statute of limitations expires for the return containing the tax position or when more information becomes available.

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. Outstanding options to purchase common shares that were anti-dilutive and excluded from earnings per share totaled 19.0 million, 14.9 million and 10.1 million in fiscal 2020, 2019 and 2018, respectively.

New accounting pronouncements

Adoption of new accounting pronouncements

Financial instruments - hedging and derivatives

In October 2018, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2018-16, Derivatives and Hedging (Topic 815): Inclusion of the Secured Overnight Financing Rate (“SOFR”) Overnight Index Swap (“OIS”) Rate as Benchmark Interest Rate for Hedge Accounting Purposes. This ASU permits use of the OIS rate based on the SOFR as a U.S. benchmark interest rate for hedge accounting purposes. The Company adopted this new accounting standard on September 1, 2019 on a prospective basis. The adoption of this ASU had no impact on the Company’s results of operations, cash flows or financial position.

Intangibles – goodwill and other – internal-use software

In August 2018, the FASB issued ASU 2018-15, Intangibles-Goodwill and Other- Internal-Use Software (Subtopic 350-40). This ASU addresses customer’s accounting for implementation costs incurred in a cloud computing arrangement that is a service contract and also adds certain disclosure requirements related to implementation costs incurred for internal-use software and cloud computing arrangements. The amendment aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The Company early adopted this new accounting standard on September 1, 2019 on a prospective basis. The adoption of this ASU did not have a material impact on the Company’s results of operations or financial position.

Contributions made

In June 2018, the FASB issued ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958). This ASU clarifies and improves guidance about whether a transfer of assets (or reduction of liabilities) is a contribution or an exchange transaction, and whether a contribution is conditional. The ASU applies to all entities, including business entities, that receive or make contributions of cash or other assets, including promises to give. The Company adopted this new accounting standard on September 1, 2019 on a prospective basis. The adoption of this ASU did not have a material impact on the Company’s results of operations or financial position.

Compensation – stock compensation

In June 2018, the FASB issued ASU 2018-07, Compensation-Stock Compensation (Topic 718). This ASU eliminated most of the differences between accounting guidance for share-based compensation granted to nonemployees and the guidance for share-based compensation granted to employees. The ASU supersedes the guidance for nonemployees and expands the scope of the guidance for employees to include both. The Company adopted this new accounting standard on September 1, 2019. The adoption of this ASU had no impact on the Company’s results of operations, cash flows or financial position.

Accounting for reclassification of certain tax effects from accumulated other comprehensive income

In February 2018, the FASB issued ASU 2018-02, Income Statement-Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income. This ASU addresses the income tax effects of items in accumulated other comprehensive income (“AOCI”) which were originally recognized in other comprehensive income, rather than in income from continuing operations. Specifically, it permits a reclassification from AOCI to retained earnings for the adjustment of deferred taxes due to the reduction of the historical corporate income tax rate to the newly enacted corporate income tax rate resulting from the U.S. tax law changes enacted in December 2017. It also requires certain disclosures about these reclassifications. The Company adopted this new accounting standard on September 1, 2019 on a prospective basis. The Company elected not to reclassify the income tax effects of change in historical corporate tax rate from AOCI to retained earnings. The adoption of this ASU had no impact on the Company’s results of operations, cash flows or financial position.

Leases

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which supersedes Topic 840, Leases. Subsequently, the FASB issued additional ASUs which further clarify this guidance. This ASU increases the transparency and comparability of organizations by requiring the capitalization of substantially all leases on the balance sheet and disclosures of key information about leasing arrangements. Under this new guidance, at the lease commencement date, a lessee recognizes a right-of-use asset and lease liability, which is initially measured at the present value of the future lease payments. For income statement purposes, a dual model was retained for lessees, requiring leases to be classified as either operating or finance leases. Under the operating lease model, lease expense is recognized on a straight-line basis over the lease term. Under the finance lease model, interest on the lease liability is recognized separately from amortization of the right-of-use asset. In addition, a new ASU was issued in July 2018, to provide relief to companies from restating the comparative periods.

The Company adopted this new accounting standard on September 1, 2019 on a modified retrospective basis and applied the new standard to all leases through a cumulative-effect adjustment to beginning retained earnings. As a result, comparative financial information has not been restated and continues to be reported under the accounting standards in effect for those periods. The Company elected the package of practical expedients permitted under the transition guidance, which among other things, allows the carryforward of historical lease classification. The adoption of this new accounting standard resulted in recognition of lease liabilities of \$24 billion and recognition of right-of-use assets of \$22 billion net of liabilities for facility closing, deferred rent, favorable lease interest intangible asset, unfavorable lease interest liability, lease incentives and prepaid rent as of August 31, 2019. The adoption also resulted in a decrease to retained earnings of \$0.4 billion due to transition date impairment of right-of-use assets related to previously impaired long-lived assets of \$0.8 billion, net of tax, partially offset by de-recognition of deferred gains on historical sale-leaseback transactions of \$0.4 billion, net of tax. See note 4. Leases for further information.

The impact to the Company's opening Consolidated Balance Sheets as of September 1, 2019 was as follows (in millions):

	<u>As reported August 31, 2019</u>	<u>Adjustments</u>	<u>As revised September 1, 2019</u>
Consolidated Balance Sheets			
Other current assets	\$ 1,118	\$ (123)	\$ 995
Total current assets	18,700	(123)	18,577
Property, plant and equipment, net	13,478	267	13,745
Operating lease right-of-use asset	—	21,600	21,600
Intangible assets, net	10,876	(220)	10,656
Total assets	67,598	21,524	89,122
Operating lease obligation - current	—	2,267	2,267
Accrued expenses and other liabilities	5,474	(538)	4,936
Total current liabilities	25,769	1,729	27,498
Operating lease obligation - non-current	—	21,858	21,858
Deferred income taxes	1,785	(142)	1,643
Other non-current liabilities	4,795	(1,479)	3,316
Total non-current liabilities	17,678	20,237	37,915
Retained earnings	35,815	(442)	35,373
Total liabilities and equity	\$ 67,598	\$ 21,524	\$ 89,122

According to the guidance provided in the FASB staff Q&A Topic 842 Leases – Accounting for lease concessions related to the effects of COVID-19, released on April 2020, the Company elected to account for certain lease concessions related to COVID-19 as a reduction to rent expense for the period. During the fiscal year ended August 31, 2020, these rent concessions related to COVID-19 were not material.

New accounting pronouncements not yet adopted

Effects of Reference Rate Reform on Financial Reporting

In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting. This ASU provides optional expedient and exceptions for applying generally accepted accounting principles to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. In response to the concerns about structural risks of interbank offered rates ("IBORs") and, particularly, the risk of cessation of the London Interbank Offered Rate ("LIBOR"), regulators in several jurisdictions around the world have undertaken reference rate reform initiatives to identify alternative reference rates that are more observable or transaction based and less susceptible to manipulation. The ASU provides companies with optional guidance to ease the potential accounting burden associated with transitioning away from reference rates that are expected to be discontinued. The ASU can be adopted no later than December 1, 2022 (fiscal 2023) with early adoption permitted. The Company is evaluating the effect of adopting this new accounting guidance.

Financial Instruments

In March 2020, FASB issued ASU 2020-03. This ASU improves and clarifies various financial instruments topics, including the current expected credit losses ("CECL") standard issued in 2016. The ASU includes seven different issues that describe the areas of improvement and the related amendments to GAAP, intended to make the standards easier to understand and apply by eliminating inconsistencies and providing clarifications. The amendments have different effective dates. The Company is evaluating the effect of adopting this new accounting guidance, but does not expect adoption will have a material impact on the Company's financial statements.

Investments - equity securities; Investments—Equity Method and Joint Ventures; Derivatives and Hedging

In January 2020, the FASB issued ASU 2020-01, Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815). The amendments in this ASU clarify the interaction between the accounting for investments in equity securities, investment in equity method and certain derivatives instruments. The ASU is expected to reduce diversity in practice and increase comparability of the accounting for these interactions. This ASU is effective for fiscal years beginning after December 15, 2021 (fiscal 2023). The adoption of this ASU is not expected to have any impact on the Company's results of operations, cash flows or financial position.

Income taxes - simplifying the accounting for income taxes

In December 2019, the FASB issued ASU 2019-12: Simplifying the Accounting for Income Taxes (Topic 740), which removes certain exceptions to the general principles in Topic 740 and improves consistent application of and simplifies GAAP for other areas of Topic 740 by clarifying and amending existing guidance. This ASU is effective for fiscal years beginning after December 15, 2020 (fiscal 2022), and interim periods within those fiscal years, with early adoption permitted. The Company is evaluating the effect of adopting this new accounting guidance but does not expect adoption will have a material impact on the Company's disclosures.

Investments - equity securities

In April 2019, the FASB issued ASU 2019-04, Codification Improvements to Financial Instruments-Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Financial Instruments (Topic 825). This extensive ASU provides clarifications for three topics related to financial instruments accounting, some of which apply to the Company. For example, this ASU clarifies the disclosure requirements that apply to equity securities without a readily determinable fair value for which the measurement alternative is elected. This ASU is effective for fiscal years beginning after December 15, 2019 (fiscal 2021). The adoption of this ASU is not expected to have a significant impact on the Company's results of operations, cash flows or financial position.

Collaborative arrangements

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

Compensation – retirement benefits – defined benefit plans

In August 2018, the FASB issued ASU 2018-14, Compensation - Retirement benefits (Topic 715-20). This ASU amends ASC 715 to add, remove and clarify disclosure requirements related to defined benefit pension and other postretirement plans. The ASU eliminates the requirement to disclose the amounts in accumulated other comprehensive income expected to be recognized as part of net periodic benefit cost over the next year. The ASU also removes the disclosure requirements for the effects of a one-percentage-point change on the assumed health care costs and the effect of this change in rates on service cost, interest cost and the benefit obligation for postretirement health care benefits. This ASU is effective for fiscal years ending after December 15, 2020 (fiscal 2021) and must be applied on a retrospective basis. The Company is evaluating the effect of adopting this new

accounting guidance, but does not expect adoption will have a material impact on the Company's financial position.

Fair value measurement

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

Financial instruments - credit losses

In June 2016, the FASB issued ASU 2016-13: Measurement of Credit Losses on Financial Instruments (Topic 326), which amends the Board's guidance on the impairment of financial instruments. The ASU adds to U.S. GAAP an impairment model that is based on expected losses rather than incurred losses, which is known as the CECL model. The CECL model applies to most debt instruments (other than those measured at fair value), trade and other receivables, financial guarantee contracts, and loan commitments. This ASU is effective for fiscal years beginning after December 15, 2019 (fiscal 2021), and interim periods within those fiscal years, with early adoption permitted. The Company is evaluating the effect of adopting this new accounting guidance, but does not expect adoption will have a material impact on the Company's financial position or results of operations.

Note 2. Acquisitions

Acquisition of certain Rite Aid assets

During the fiscal year ended August 31, 2020, pursuant to the amended and restated asset purchase agreement entered into with Rite Aid Corporation ("Rite Aid") in September 2017, the Company acquired the remaining two of three distribution centers including related inventory for cash consideration of \$91 million. The Company acquired the other distribution center and related inventory from Rite Aid for cash consideration of \$61 million in fiscal 2019.

During the fiscal year ended August 31, 2018, the Company purchased 1,932 stores for total cash consideration of \$4.2 billion. The purchases of these stores were accounted for as business combinations and occurred in waves during fiscal 2018. As of May 31, 2019, the Company completed the analysis to assign fair values for assets acquired and liabilities assumed for the acquired stores. During the fiscal year ended August 31, 2019, the Company recorded certain measurement period adjustments based on additional information primarily to other non-current liabilities, intangible assets and deferred income taxes, which did not have a material impact on goodwill. The following table summarizes the consideration paid and the amounts of identified assets acquired and liabilities assumed for purchase of 1,932 stores as of the fiscal year ended August 31, 2019.

	August 31, 2019
Consideration	\$ 4,330
Identifiable assets acquired and liabilities assumed	
Inventories	\$ 1,171
Property, plant and equipment	490
Intangible assets	2,039
Accrued expenses and other liabilities	(55)
Deferred income taxes	291
Other non-current liabilities	(937)
Total identifiable net assets	\$ 2,999
Goodwill	\$ 1,331

The identified definite-lived intangible assets were as follows:

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

Consideration included cash of \$4,157 million and the fair value of the option granted to Rite Aid to become a member of the Company's group purchasing organization, Walgreens Boots Alliance Development GmbH. The fair value for this option was determined using the income approach methodology. The fair value estimates were based on the market compensation for such services and appropriate discount rate, as relevant, that market participants would consider when estimating fair values. During fiscal 2019, this option was terminated resulting in recognition of a gain in other income (expense).

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

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

The following table presents supplemental unaudited pro forma consolidated sales for the fiscal year ended 2018 as if all 1,932 stores were acquired on September 1, 2016. Pro forma net earnings of the Company, assuming these purchases had occurred at the beginning of each period presented, would not be materially different from the results reported. See note 3, exit and disposal activities, for additional information. 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 purchases occurred at the beginning of the periods presented or results which may occur in the future.

(in millions)	2018 ¹
Sales	\$ 135,503

¹ Impacted by store closures due to the Store Optimization Program.

Actual sales from acquired Rite Aid stores for the fiscal year ended 2018 included in the Consolidated Statement of Earnings are as follows:

(in millions)	2018
Sales	\$ 5,112

The 1,932 Rite Aid stores acquired did not have a material impact on net earnings of the Company for the fiscal year ended 2018.

Other acquisitions

The Company acquired certain prescription files and related pharmacy inventory primarily in Retail Pharmacy USA for the aggregate purchase price of \$258 million and \$304 million during the fiscal year ended 2020 and 2019, 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 \$1.0 billion of annual cost savings by fiscal 2022 (the “Transformational Cost Management Program”). As of the date of this report, the Company expects annual cost savings to be in excess of \$2.0 billion by fiscal 2022, an increase from the previously reported expectations of annual cost savings in excess of \$1.8 billion in October 2019 and \$1.5 billion in April 2019. 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. The actions under the Transformational Cost Management Program focus on all reportable segments and the Company’s global functions. Divisional optimization within each of the Company’s segments includes activities such as optimization of stores including plans to exit approximately 200 Boots stores in the United Kingdom and approximately 250 stores in the United States, as compared to the 200 stores previously reported in July 2020.

The Company currently estimates that the Transformational Cost Management Program will result in cumulative pre-tax charges to its GAAP financial results of approximately \$2.1 billion to \$2.4 billion, of which \$1.8 billion to \$2.1 billion are expected to be recorded as exit and disposal activities. In addition to these impacts, 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. See note 1, summary of major accounting policies, for additional information.

Since the inception of the Transformational Cost Management Program to August 31, 2020, the Company has recognized cumulative pre-tax charges to its financial results in accordance with GAAP of \$1.2 billion, which were primarily recorded within selling, general and administrative expenses. These charges included \$242 million related to lease obligations and other real estate costs, \$350 million in asset impairments, \$420 million in employee severance and business transition costs and \$140 million of information technology transformation and other exit costs.

Costs related to exit and disposal activities under the Transformational Cost Management Program for the fiscal year ended August 31, 2020 and 2019 were as follows (in millions):

Twelve Months Ended August 31, 2020	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Walgreens Boots Alliance, Inc.
Lease obligations and other real estate costs ¹	\$ 204	\$ 10	\$ 2	\$ 217
Asset impairments ²	51	21	19	90
Employee severance and business transition costs	159	95	42	295
Information technology transformation and other exit costs	72	42	4	118
Total pre-tax exit and disposal charges	\$ 486	\$ 168	\$ 66	\$ 720

¹ Includes \$166 million of impairments relating to operating lease right-of-use and finance lease assets. Refer to note 4, leases for additional information.

² Primarily includes write down of leasehold improvements, certain software and inventory.

Twelve Months Ended August 31, 2019	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Walgreens Boots Alliance, Inc.
Lease obligations and other real estate costs	\$ 5	\$ 19	\$ 1	\$ 25
Asset impairments ¹	95	67	98	260
Employee severance and business transition costs	42	34	49	125
Information technology transformation and other exit costs	5	10	7	22
Total pre-tax exit and disposal charges	\$ 147	\$ 130	\$ 154	\$ 432

¹ Primarily includes write down of leasehold improvements, certain software and inventory.

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	Asset Impairments	Employee severance and business transition costs	Information technology transformation and other exit costs	Total
Balance at August 31, 2018	\$ —	\$ —	\$ —	\$ —	\$ —
Costs	25	260	125	22	432
Payments	(8)	—	(69)	(13)	(90)
Other - non cash	—	(260)	—	(6)	(265)
Currency	—	—	1	—	1
Balance at August 31, 2019	\$ 17	\$ —	\$ 57	\$ 4	\$ 78
Costs	217	90	295	118	720
Payments	(43)	—	(142)	(102)	(286)
Other ¹	(166)	(90)	13	(11)	(255)
ASC 842 Leases adoption ²	(4)	—	—	—	(4)
Currency	1	—	4	—	5
Balance at August 31, 2020	\$ 22	\$ —	\$ 227	\$ 8	\$ 257

¹ Includes \$166 million of impairments relating to operating lease right-of-use and finance lease assets. Refer to note 4, leases for additional information.

² Represents liability for facility closings and related lease termination charges recorded as an offset to right-of-use assets upon the adoption of ASC 842. Refer to note 1, summary of major accounting policies and note 4, leases for additional information.

Store Optimization Program

On October 24, 2017, the Company's Board of Directors approved a plan to implement a program (the "Store Optimization Program") to optimize store locations through the planned closure of approximately 600 stores and related assets within the Company's Retail Pharmacy USA segment upon completion of the acquisition of certain stores and related assets from Rite Aid. The Company closed 769 stores and related assets, as compared to its previous estimate of 750 stores and related assets. The actions under the Store Optimization Program commenced in March 2018 and were completed in the fourth quarter of fiscal 2020.

The Company recognized cumulative pre-tax charges to its GAAP financial results of approximately \$349 million, primarily within selling, general and administrative expenses, including costs associated with lease obligations and other real estate costs and employee severance and other exit costs. The Company incurred approximately \$160 million for lease obligations and other real estate costs, and approximately \$189 million for employee severance and other exit costs. All these cumulative pre-tax charges mostly resulted in cash expenditures for the Company.

Costs related to the Store Optimization Program for the twelve months ended August 31, 2020, 2019 and 2018 were as follows (in millions):

	2020	2019	2018
Lease obligations and other real estate costs ¹	\$ 22	\$ 119	\$ 19
Employee severance and other exit costs	31	77	81
Total costs	\$ 53	\$ 196	\$ 100

¹ Includes \$11 million operating lease right-of-use impairments for the fiscal year ended August 31, 2020. Refer to note 4, leases for additional information.

The changes in liabilities related to the Store Optimization Program for the fiscal years ended August 31, 2020 and 2019 include the following (in millions):

	Lease obligations and other real estate costs	Employee severance and other exit costs	Total
Balance at August 31, 2018	\$ 308	\$ 21	\$ 329
Costs	119	77	196
Payments	(171)	(69)	(240)
Other - non cash ¹	152	(7)	144
Balance at August 31, 2019	\$ 407	\$ 22	\$ 429
Costs	22	31	53
Payments	(36)	(40)	(76)
Other - non cash ²	(11)	(12)	(23)
ASC 842 Leases adoption ³	(378)	—	(378)
Balance at August 31, 2020	\$ 5	\$ 1	\$ 6

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

² Includes write down of operating lease right-of-use assets and inventory.

³ Represents liability for facility closings and related lease termination charges recorded as an offset to right-of-use assets upon the adoption of ASC 842. Refer to note 1, summary of major accounting policies and note 4, leases for additional information.

Cost Transformation Program

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

During fiscal 2020, the liabilities related to the Cost Transformation Program declined by \$382 million representing liability for facility closings and related lease termination charges recorded as an offset to right-of-use assets upon the adoption of ASC 842 on September 1, 2019. The remaining liabilities as of August 31, 2020 were not material.

Note 4. Leases

The Company leases certain retail stores, warehouses, distribution centers, office space, land and equipment. For leases in the United States, the initial lease term is typically 15 to 25 years, followed by additional terms containing renewal options typically 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. The commencement date of all lease terms is the earlier of the date the Company becomes legally obligated to make rent payments or 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 term of the lease. In addition to minimum fixed rentals, some leases provide for contingent rentals based upon a portion of sales. See note 1, summary of major accounting policies for additional information.

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

	August 31, 2020
Operating Leases:	
Operating lease right-of-use assets	\$ 21,724
Operating lease obligations - current	\$ 2,426
Operating lease obligations - non current	21,973
Total operating lease obligations	\$ 24,399
Finance Leases:	
Right-of-use assets included in:	
Property, plant and equipment, net	\$ 769
Lease obligations included in:	
Accrued expenses and other liabilities	\$ 34
Other non-current liabilities	1,020
Total finance lease obligations	\$ 1,054

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

	August 31, 2020
Operating lease cost	
Fixed	\$ 3,332
Variable ¹	761
Finance lease cost	
Amortization	\$ 40
Interest	56
Sublease income	76
Impairment of right-of-use assets ²	214
Impairment of finance lease assets ²	24
Gains on sale-leaseback transactions ³	308

¹ Includes real estate property taxes, common area maintenance, insurance and rental payments based on sales volume.

² For the fiscal year August 31, 2020, total impairments include \$177 million to Transformational Cost Management and Store Optimization programs. See note 3, exit and disposal activities.

³ Recorded within selling, general and administrative expenses.

Other supplemental information were as follows (in millions):

	August 31, 2020
Cash paid for amounts included in the measurement of lease obligations	
Operating cash flows from operating leases	\$ 3,315
Operating cash flows from finance leases	48
Financing cash flows from finance leases	51
Total	\$ 3,414
Right-of-use assets obtained in exchange for new lease obligations:	
Operating leases	\$ 2,494
Finance leases	65
Total	\$ 2,559

Average lease term and discount rate as of August 31, 2020 were as follows:

	August 31, 2020
Weighted average remaining lease term in years:	
Operating leases	10.7
Finance leases	20.7
Weighted average discount rate	
Operating leases	4.95 %
Finance leases	5.39 %

The aggregate future lease payments for operating and finance leases as of August 31, 2020 were as follows (in millions):

Fiscal year	Finance lease	Operating lease
2021	\$ 96	\$ 3,529
2022	94	3,374
2023	93	3,210
2024	93	3,049
2025	91	2,868
Later	1,230	15,559
Total undiscounted minimum lease payments	\$ 1,697	\$ 31,589
Less: Present value discount	(643)	(7,190)
Lease liability	\$ 1,054	\$ 24,399

Comparative disclosures prior to the adoption of ASC 842 Leases

On September 1, 2019, upon adoption of ASC 842 Leases, the liability for facility closings and related termination charges were transferred as an offset to right-of-use assets. In fiscal 2019 and 2018, prior to the adoption of ASC 842 Leases, the Company recorded charges of \$185 million and \$129 million, respectively, for closed or relocated facilities. These charges are reported in selling, general and administrative expenses in the Consolidated Statements of Earnings.

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

	2019
Balance at beginning of period	\$ 964
Provision for present value of non-cancelable lease payments on closed facilities	90
Changes in assumptions	56
Accretion expense	39
Other - non cash ¹	160
Cash payments, net of sublease income	(316)
Balance at end of period	\$ 993

¹ Primarily unfavorable lease liabilities from acquired Rite Aid stores.

Rental expense prior to the adoption of ASC 842 Leases, which includes common area maintenance, insurance and taxes, where appropriate, was as follows (in millions):

	2019	2018
Minimum rentals	\$ 3,622	\$ 3,447
Contingent rentals	74	68
Less: sublease rental income	(66)	(67)
	\$ 3,631	\$ 3,448

Note 5. Equity method investments

Equity method investments as of August 31, 2020 and 2019 were as follows (in millions, except percentages):

	2020		2019	
	Carrying value	Ownership percentage	Carrying value	Ownership percentage
AmerisourceBergen	\$ 5,446	28%	\$ 5,211	27%
Others	1,892	8% - 50%	1,640	8% - 50%
Total	\$ 7,338		\$ 6,851	

AmerisourceBergen Corporation (“AmerisourceBergen”) investment

As of August 31, 2020 and 2019, the Company owned 56,854,867 AmerisourceBergen common shares, representing approximately 28% and 27% of the outstanding AmerisourceBergen common stock, respectively, in each case based on the most recent share count information publicly reported by AmerisourceBergen as of that date. The Company accounts for its equity investment in AmerisourceBergen using the equity method of accounting, with the net earnings attributable to the Company’s investment being classified within the operating income of its Pharmaceutical Wholesale segment. Due to the timing and availability of financial information of AmerisourceBergen, the Company accounts for this equity method investment on a financial reporting lag of two months. Equity earnings from AmerisourceBergen are reported as a separate line in the Consolidated Statements of Earnings. The financial performance of AmerisourceBergen, including any charges which may arise relating to its ongoing opioid litigation, will impact the Company’s results of operations.

The Level 1 fair market value of the Company’s equity investment in AmerisourceBergen common stock at August 31, 2020 and 2019 were \$5.5 billion and \$4.7 billion, respectively. As of August 31, 2020, the Company’s investment in AmerisourceBergen carrying value exceeded its proportionate share of the net assets of AmerisourceBergen by \$4.4 billion. This premium of \$4.4 billion was recognized as part of the carrying value in the Company’s equity investment in AmerisourceBergen. The difference was primarily related to goodwill and the fair value of AmerisourceBergen intangible assets.

Other investments

The Company’s other equity method investments include its investments in Guangzhou Pharmaceuticals Corporation (“Guangzhou Pharmaceuticals”) and Nanjing Pharmaceutical Corporation Limited, the Company’s pharmaceutical wholesale investments in China; its investment in Sinopharm Holding Guoda Drugstores Co., Ltd., the Company’s retail pharmacy investment in China, the Company’s investment in VillageMD, PharMerica Corporation, Shields Health Solutions and BioScrip (resulting from its merger with Option Care Inc.) in the United States.

The Company reported \$41 million, \$23 million and \$53 million of post-tax equity earnings from other equity method investments, including equity method investments classified as operating, for the fiscal years ended August 31, 2020, 2019 and 2018, respectively.

During the fiscal year ended August 31, 2020, the Company recorded within other income (expense) impairment charges of \$86 million in its other equity method investments using fair values primarily based on level 1 inputs. During the fiscal year ended August 31, 2018, the Company recorded an impairment of \$170 million in its equity interest in Guangzhou Pharmaceuticals, which was included in other income (expense) in the Consolidated Statement of Earnings. The fair value of the Company’s equity interest in Guangzhou Pharmaceuticals was determined using the proposed sale price and thus represented Level 3 measurement. During the fiscal year ended August 31, 2018, the Company completed the sale of a 30 percent interest in Guangzhou Pharmaceuticals to its joint venture partner Guangzhou Baiyunshan Pharmaceutical Holdings resulting in a \$172 million reduction in carrying value and a \$8 million cumulative translation adjustment loss. In July 2018, the Company completed the sale of its minority equity interest in Premise Health Holding Corp., resulting in an after-tax gain on disposition of \$245 million and a reduction in carrying value of \$76 million.

Summarized financial information

Summarized financial information for the Company's equity method investments in aggregate is as follows:

Balance sheet (in millions)

	Year ended August 31,	
	2020	2019
Current assets	\$ 40,038	\$ 36,523
Non-current assets	18,313	15,710
Current liabilities	38,779	35,857
Non-current liabilities	10,628	9,633
Shareholders' equity ¹	8,944	6,743

Statements of earnings (in millions)

	Year ended August 31,		
	2020	2019	2018
Sales	\$ 210,306	\$ 197,237	\$ 179,887
Gross profit	8,896	7,516	6,875
Net earnings	1,647	1,037	1,315
Share of earnings from equity method investments	382	187	245

¹ Shareholders' equity at August 31, 2020 and 2019 includes \$387 million and \$411 million, respectively, related to noncontrolling interests.

The summarized financial information for equity method investments has been included on an aggregated basis for all investments as reported at the end of each fiscal year end.

Note 6. Goodwill and other intangible assets

Goodwill and indefinite-lived intangible assets are evaluated for impairment annually during the fourth quarter, or more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit or intangible asset below its carrying value. During the three months ended May 31, 2020, the Company completed a quantitative impairment analysis for goodwill and certain indefinite-lived intangible assets related to its two reporting units within Retail Pharmacy International division, Boots and Other international, as a result of the significant impact of COVID-19 on their financial performance. Based on this analysis, the Company recorded impairment charges of \$1.7 billion on Boots goodwill and \$0.3 billion on certain indefinite-lived Boots tradename assets.

Based on the annual evaluation as of June 1, 2020 valuation date, the fair values of the Company's reporting units exceeded their carrying amounts ranging from approximately 4% to approximately 239% excluding Boots reporting unit for which the excess of fair value over carrying amount was nominal due to an impairment charge recognized during the three months ended May 31, 2020. Other international reporting unit's fair value was in excess of its carrying value by approximately 4% compared to 16% on June 1, 2019. As of August 31, 2020, the carrying values of goodwill were \$1.1 billion and \$0.5 billion for Boots reporting unit and Other international reporting unit, respectively. The fair values of certain indefinite-lived intangibles within the Boots reporting unit exceeded their carrying amounts ranging from approximately 4% to approximately 31%, excluding certain indefinite-lived Boots tradename assets for which the excess of fair values over carrying amounts were nominal due to impairment charges recognized during the three months ended May 31, 2020. As of August 31, 2020, the carrying value of the indefinite-lived intangibles within the Boots reporting unit was \$7.2 billion.

During the fiscal year ended August 31, 2019, the Company recorded an impairment of \$73 million on its pharmacy licenses in the Boots reporting unit.

As part of the Company's impairment analysis, fair value of a reporting unit is determined using both the income and market approaches. The income approach requires management to estimate a number of factors for each reporting unit, including the projected future operating results, economic projections, anticipated future cash flows and discount rates considering the impact of COVID-19, among other potential impacts. The market approach estimates fair value using comparable marketplace fair value data from within a comparable industry grouping.

The determination of the fair value of the reporting units requires the Company to make significant estimates and assumptions including the business and financial performance of the Company's reporting units, as well as how such performance may be impacted by COVID-19. 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 we compete, discount rates, terminal growth rates, and forecasts of revenue, operating income, depreciation, amortization and capital expenditures, including considering the impact of COVID-19.

Indefinite-lived intangible assets fair values are estimated using the relief from royalty method and excess earnings method of the income approach. The determination of the fair value of the indefinite-lived intangibles requires the Company to make significant estimates and assumptions. These estimates and assumptions primarily include, but are not limited to: forecasts of revenue, the selection of appropriate royalty rate and discount rates.

Although the Company believes its estimates of fair value are reasonable, actual financial results could differ from those estimates due to the inherent uncertainty involved in making such estimates. Changes in assumptions concerning future financial results or other underlying assumptions, including the impact of COVID-19, could have a significant impact on either the fair value of the reporting units and indefinite-lived intangibles, the amount of any goodwill and indefinite-lived intangible impairment charges, or both. These estimates can be affected by a number of factors including, but not limited to, the impact of COVID-19, its severity, duration and its impact on global economies, general economic conditions as well as our profitability. The Company will continue to monitor these potential impacts, including the impact of COVID-19 and economic, industry and market trends and the impact these may have on Boots and Other international reporting units.

Definite-lived intangible assets are evaluated for impairment whenever events or circumstances indicate that a certain asset or asset group may be impaired. During the year ended August 31, 2020, the Company evaluated certain definite-lived intangibles for impairment resulting in impairment charge of \$47 million.

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

	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Walgreens Boots Alliance, Inc.
August 31, 2018	\$ 10,483	\$ 3,370	\$ 3,061	\$ 16,914
Acquisitions	8	—	—	8
Dispositions	—	(9)	—	(9)
Currency translation adjustments	—	(182)	(171)	(353)
August 31, 2019	\$ 10,491	\$ 3,179	\$ 2,890	\$ 16,560
Acquisitions	\$ 62	\$ —	\$ —	\$ 62
Impairment	—	(1,675)	—	(1,675)
Currency translation adjustments	—	90	231	321
August 31, 2020	\$ 10,553	\$ 1,593	\$ 3,122	\$ 15,268

During the fiscal year ended August 31, 2020, the Company acquired the remaining two of three Rite Aid distribution centers including related inventory for cash consideration of \$91 million resulting in an increase to goodwill of \$62 million. During fiscal year ended August 31, 2019, the Company completed the analysis to assign fair values for assets acquired and liabilities assumed for the 1,932 Rite Aid stores acquired in fiscal 2018 resulting in a decrease to goodwill of \$13 million. See note 2, acquisitions, for additional information.

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

	August 31, 2020	August 31, 2019
Gross amortizable intangible assets		
Customer relationships and loyalty card holders ¹	\$ 4,389	\$ 4,290
Favorable lease interests and non-compete agreements ²	61	654
Trade names and trademarks	410	461
Purchasing and payer contracts	337	382
Total gross amortizable intangible assets	5,197	5,787
Accumulated amortization		
Customer relationships and loyalty card holders ¹	\$ 1,511	\$ 1,262
Favorable lease interests and non-compete agreements ²	26	410
Trade names and trademarks	228	250
Purchasing and payer contracts	95	99
Total accumulated amortization	1,860	2,021
Total amortizable intangible assets, net	\$ 3,337	\$ 3,766
Indefinite-lived intangible assets		
Trade names and trademarks	\$ 5,388	\$ 5,232
Pharmacy licenses	2,028	1,878
Total indefinite-lived intangible assets	\$ 7,416	\$ 7,110
Total intangible assets, net	\$ 10,753	\$ 10,876

¹ Includes purchased prescription files.

² Transferred favorable lease interest to right-of-use assets upon adoption of ASC 842. Refer to note 1, summary of major accounting policies for additional information.

Amortization expense for intangible assets was \$461 million, \$552 million and \$493 million in fiscal 2020, 2019 and 2018, respectively.

Estimated future annual amortization expense for the next five fiscal years for intangible assets recorded at August 31, 2020 is as follows (in millions):

	2021	2022	2023	2024	2025
Estimated annual amortization expense	\$ 445	\$ 426	\$ 391	\$ 371	\$ 336

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 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):

	August 31, 2020	August 31, 2019
Short-term debt		
Commercial paper	\$ 1,517	\$ 2,400
Credit facilities	1,071	1,624
<i>\$8 billion note issuance¹</i>		
2.700% unsecured notes due 2019	—	1,250
<i>£700 million note issuance¹</i>		
2.875% unsecured Pound sterling notes due 2020	533	—
Other ²	418	464
Total short-term debt	\$ 3,538	\$ 5,738

Long-term debt			
<i>\$1.5 billion note issuance¹</i>			
3.200% unsecured notes due 2030	\$	497	\$ —
4.100% unsecured notes due 2050		990	—
<i>\$6 billion note issuance¹</i>			
3.450% unsecured notes due 2026		1,891	1,890
4.650% unsecured notes due 2046		591	591
<i>\$8 billion note issuance¹</i>			
3.300% unsecured notes due 2021		1,248	1,247
3.800% unsecured notes due 2024		1,993	1,992
4.500% unsecured notes due 2034		496	495
4.800% unsecured notes due 2044		1,493	1,492
<i>£700 million note issuance¹</i>			
2.875% unsecured Pound sterling notes due 2020		—	488
3.600% unsecured Pound sterling notes due 2025		398	365
<i>€750 million note issuance¹</i>			
2.125% unsecured Euro notes due 2026		891	824
<i>\$4 billion note issuance³</i>			
3.100% unsecured notes due 2022		1,198	1,197
4.400% unsecured notes due 2042		493	493
<i>Other⁴</i>			
		24	25
Total long-term debt, less current portion	\$	12,203	\$ 11,098

¹ Notes are unsubordinated debt obligations of Walgreens Boots Alliance and rank equally in right of payment with all other unsecured and unsubordinated indebtedness of Walgreens Boots Alliance from time to time outstanding. On September 17, 2020, the Company provided notice to the trustee and the holders of its 2.875% notes due 2020 issued by the Company on November 20, 2014 that it will redeem in full the £400 million aggregate principal amount outstanding of the notes on October 20, 2020.

² Other short-term 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. and rank equally with all other unsecured and unsubordinated indebtedness of Walgreen Co. On December 31, 2014, Walgreens Boots Alliance fully and unconditionally guaranteed the outstanding notes on an unsecured and unsubordinated basis. The guarantee, for so long as it is in place, is an unsecured, unsubordinated debt obligation of Walgreens Boots Alliance and will rank equally in right of payment with all other unsecured and unsubordinated indebtedness of Walgreens Boots Alliance.

⁴ Other long-term debt represents a mix of fixed and variable rate debt in various currencies with various maturities.

At August 31, 2020, the future maturities of short-term and long-term debt, excluding debt discounts and issuance costs and finance lease obligations (see note 4, leases, for the future lease payments), consisted of the following (in millions):

	Amount
2021	\$ 3,545
2022	1,250
2023	1,200
2024	—
2025	2,005
Later	7,816
Total estimated future maturities	\$ 15,816

\$1.5 Billion Note Issuance

On April 15, 2020, the Company issued in an underwritten public offering \$0.5 billion of 3.20% notes due 2030 and \$1.0 billion of 4.10% notes due 2050. Total issuance costs relating to the notes, including underwriting discounts and offering expenses were \$13.3 million.

Credit facilities

April 7, 2020 Revolving Credit Agreement

On April 7, 2020, the Company entered into a \$500 million revolving credit agreement (the “April 7, 2020 Revolving Credit Agreement”) with WBA Financial Services Limited, a private limited company incorporated under the laws of England and Wales (“WBAFSL”), and the lenders from time to time party thereto. The April 7, 2020 Revolving Credit Agreement is a senior unsecured revolving credit facility, with a facility termination date of the earlier of (a) 364-days from April 7, 2020 and (b) the date of termination in whole of the aggregate amount of the commitments pursuant to the April 7, 2020 Revolving Credit Agreement. The Company and WBAFSL will be the borrowers under the April 7, 2020 Revolving Credit Agreement. Pursuant to the terms of the April 7, 2020 Revolving Credit Agreement, the Company provides a guarantee of any obligations of WBAFSL under the April 7, 2020 Revolving Credit Agreement. As of August 31, 2020, there were no borrowings outstanding under the April 7, 2020 Revolving Credit Agreement.

April 2020 Revolving Bilateral and Club Credit Agreements

The Company entered into a \$750 million revolving credit agreement on April 1, 2020 (the “April 2020 Revolving Bilateral Credit Agreement”) and a \$1.325 billion revolving credit agreement on April 2, 2020 (the “April 2020 Revolving Club Credit Agreement” and together with the April 2020 Revolving Bilateral Credit Agreement, the “Other April 2020 Revolving Credit Agreements”) with the lenders from time to time party thereto. Each of the Other April 2020 Revolving Credit Agreements is a senior unsecured revolving credit facility, with a facility termination date of the earlier of (a) March 31, 2021 (which date shall be shortened pursuant to the terms of the applicable Other April 2020 Revolving Credit Agreement if the Company does not extend the maturity date of certain of its existing credit agreements or enter into new bank or bond financings with a certain maturity date and above an aggregate principal amount as described in the applicable Other April 2020 Revolving Credit Agreement) and (b) the date of termination in whole of the aggregate amount of the commitments pursuant to the applicable Other April 2020 Revolving Credit Agreement. As of August 31, 2020, there were no borrowings outstanding under the Other April 2020 Revolving Credit Agreements.

August 2019 Revolving Credit Agreements

On August 30, 2019, the Company entered into three \$500 million revolving credit agreements (together, the “August 2019 Revolving Credit Agreements” and each individually, an “August 2019 Revolving Credit Agreement”) with the lenders from time to time party thereto. Each of the August 2019 Revolving Credit Agreements are senior unsecured revolving credit facilities, with facility termination dates of the earlier of (a) 18 months following August 30, 2019, subject to extension thereof pursuant to the applicable August 2019 Revolving Credit Agreement and (b) the date of termination in whole of the aggregate amount of the commitments pursuant to the applicable August 2019 Revolving Credit Agreement. As of August 31, 2020, there were no borrowings outstanding under the August 2019 Revolving Credit Agreements.

January 2019 364-Day Revolving Credit Agreement

On January 18, 2019, the Company entered into a \$2.0 billion 364-day revolving credit agreement (as extended, the “January 2019 364-Day Revolving Credit Agreement”) with the lenders from time to time party thereto. The January 2019 364-Day Revolving Credit Agreement is a senior unsecured 364-day revolving credit facility, with a facility termination date of the earlier of (a) 364 days following January 31, 2019, the date of the effectiveness of the commitments pursuant to the January 364-Day Revolving Credit Agreement, subject to extension thereof pursuant to the January 2019 364-Day Revolving Credit Agreement and (b) the date of termination in whole of the aggregate amount of the commitments pursuant to the January 2019 364-Day Revolving Credit Agreement. On December 18, 2019, the Company entered into an Extension Agreement (the “Extension Agreement”) relating to the January 2019 364-Day Revolving Credit Agreement with the lenders party thereto and Mizuho, as administrative agent. The Extension Agreement extends the Maturity Date (as defined in the January 2019 364-Day Revolving Credit Agreement) for an additional period of 364 days to January 28, 2021. Such extension became effective on January 30, 2020. As of August 31, 2020, there were no borrowings outstanding under the January 364-Day Revolving Credit Agreement.

December 2018 Revolving Credit Agreement

On December 21, 2018, the Company entered into a \$1.0 billion revolving credit agreement (the “December 2018 Revolving Credit Agreement”) with the lenders from time to time party thereto. On July 27, 2020, the December 2018 Revolving Credit Agreement matured and the Company paid all amounts due in connection therewith.

A&R December 2018 Credit Agreement

On December 5, 2018, the Company entered into a \$1.0 billion term loan credit agreement with the lenders from time to time party thereto and, on August 9, 2019, the Company entered into an amendment to such credit agreement (such credit agreement as so amended, the “December 2018 Credit Agreement”) to permit the Company to borrow, repay and reborrow amounts borrowed thereunder prior to the maturity date. On April 2, 2020, the Company amended and restated the December 2018 Credit Agreement (such credit agreement as so amended and restated, the “A&R December 2018 Credit Agreement”). The A&R December 2018 Credit Agreement governs a \$2.0 billion senior unsecured revolving credit facility, consisting of the initial \$1.0 billion senior unsecured revolving facility previously governed by the December 2018 Credit Agreement and a new \$1.0 billion senior unsecured revolving credit facility. The facility termination date is the earlier of (a) January 29, 2021 (which date shall be extended to February 26, 2021 or July 31, 2021 pursuant to the terms of the A&R December 2018 Credit Agreement if the Company extends the maturity date of certain of its existing credit agreements or enters into new bank or bond financings with a certain maturity date and above an aggregate principal amount as described in the A&R December 2018 Credit Agreement) and (b) the date of termination in whole of the aggregate amount of the commitments pursuant to the A&R December 2018 Credit Agreement. As of August 31, 2020, there were \$0.1 billion borrowings outstanding under the A&R December 2018 Credit Agreement.

Amended November 2018 Credit Agreement

On November 30, 2018, the Company entered into a credit agreement with the lenders from time to time party thereto, on March 25, 2019, the Company entered into an amendment to such credit agreement (such credit agreement as so amended, the “November 2018 Credit Agreement”) reflecting certain changes to the borrowing notice provisions thereto, and on April 2, 2020, the Company entered into a second amendment to the November 2018 Credit Agreement (such credit agreement as so further amended, the “Amended November 2018 Credit Agreement”) which second amendment became effective as of May 29, 2020. As of May 29, 2020, the \$500 million revolving credit facility portion of the November 2018 Credit Agreement was converted into a term loan facility, such that the Amended November 2018 Credit Agreement consists of a \$1.0 billion senior unsecured term loan facility. The facility termination date is the earlier of (a) May 29, 2021 and (b) the date of acceleration of all loans under the Amended November 2018 Credit Agreement pursuant to its terms. As of August 31, 2020, there were \$1.0 billion borrowings outstanding under the Amended November 2018 Credit Agreement.

August 2018 Revolving Credit Agreement

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

Debt covenants

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

Commercial paper

The Company periodically borrows under its commercial paper program and may borrow under it in future periods. The Company had average daily commercial paper outstanding of \$2.5 billion at a weighted average interest rate of 2.15% for the fiscal year ended August 31, 2020. The Company had average daily commercial paper outstanding of \$2.7 billion at a weighted average interest rate of 3.07% for the fiscal year ended August 31, 2019.

Interest

Interest paid was \$584 million in fiscal 2020, \$676 million in fiscal 2019 and \$577 million in fiscal 2018.

Note 8. Financial instruments

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

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

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

August 31, 2020	Notional	Fair value	Location in Consolidated Balance Sheets
Derivatives designated as hedges:			
Cross currency interest rate swaps	\$ 722	\$ 16	Other non-current assets
Foreign currency forwards	100	1	Other current assets
Cross currency interest rate swaps	50	—	Other current assets
Foreign currency forwards	49	1	Other non-current liabilities
Cross currency interest rate swaps	318	13	Other non-current liabilities
Interest rate swaps	1,000	10	Other non-current liabilities
Foreign currency forwards	671	23	Other current liabilities
Cross currency interest rate swaps	103	3	Other current liabilities
Derivatives not designated as hedges:			
Foreign currency forwards	1,930	19	Other current assets
Foreign currency forwards	2,934	56	Other current liabilities
Total return swap	205	1	Other current liabilities

August 31, 2019	Notional	Fair value	Location in Consolidated Balance Sheets
Derivatives designated as hedges:			
Cross currency interest rate swaps	\$ 800	\$ 73	Other non-current assets
Foreign currency forwards	18	1	Other current assets
Derivatives not designated as hedges:			
Foreign currency forwards	3,485	87	Other current assets
Foreign currency forwards	707	6	Other current liabilities

Net investment hedges

The Company uses cross currency interest rate swaps as hedges 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 the currency translation adjustment within accumulated other comprehensive income (loss).

Cash flow hedges

The Company uses interest rate swaps to hedge the variability in forecasted cash flows of certain floating-rate debt. For qualifying cash flow hedges, changes in the fair value of the derivatives are recorded in accumulated other comprehensive income (loss), and released to the Consolidated Statements of Earnings when the hedged cash flows affect earnings.

Derivatives not designated as hedges

The Company enters into derivative transactions that are not designated as accounting hedges. These derivative instruments are economic hedges of foreign currency risks. The Company also utilizes total return swaps to economically hedge variability in compensation charges related to certain deferred compensation obligations. The income and (expense) due to changes in fair value of these derivative instruments were recognized in earnings as follows (in millions):

	Location in Consolidated Statements of Earnings	2020	2019	2018
Foreign currency forwards	Selling, general and administrative expense	\$ (63)	\$ 139	\$ 17
Total return swap	Selling, general and administrative expense	24	—	—
Foreign currency forwards	Other income (expense)	11	(18)	22

Derivatives credit risk

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

Derivatives offsetting

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

Note 9. Fair value measurements

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

Level 1 - Quoted prices in active markets that are accessible at the measurement date for identical assets and liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2 - Observable inputs other than quoted prices in active markets.

Level 3 - Unobservable inputs for which there is little or no market data available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

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

	August 31, 2020	Level 1	Level 2	Level 3
Assets:				
Money market funds ¹	\$ 6	\$ 6	\$ —	\$ —
Investments in equity securities ²	1	1	—	—
Foreign currency forwards ³	20	—	20	—
Cross Currency interest rate swaps ⁴	16	—	16	—
Liabilities:				
Foreign currency forwards ³	80	—	80	—
Cross currency interest rate swaps ⁴	16	—	16	—
Interest rate swaps ⁴	10	—	10	—
Total return swap	1	—	1	—

	August 31, 2019	Level 1	Level 2	Level 3
Assets:				
Money market funds ¹	\$ 217	\$ 217	\$ —	\$ —
Investments in equity securities ²	5	5	—	—
Foreign currency forwards ³	88	—	88	—
Cross currency interest rate swaps ⁴	73	—	73	—
Liabilities:				
Foreign currency forwards ³	6	—	6	—

¹ Money market funds are valued at the closing price reported by the fund sponsor.

² Fair values of quoted investments are based on current bid prices as of August 31, 2020 and 2019.

³ The fair value of forward currency contracts is estimated by discounting the difference between the contractual forward price and the current available forward price for the residual maturity of the contract using observable market rates.

⁴ The fair value of interest rate swaps and cross currency interest rate swaps is calculated by discounting the estimated future cash flows based on the applicable observable yield curves. See note 8, financial instruments, for additional information.

There were no transfers between Levels in fiscal 2020 or 2019.

The carrying value of the Company's commercial paper and credit facilities approximated their respective fair values due to their short-term nature.

The Company reports its debt instruments under the guidance of ASC Topic 825, Financial Instruments, which requires disclosure of the fair value of the Company's debt in the footnotes to the Consolidated Financial Statements. As of August 31, 2020, the carrying amounts and estimated fair values of long term notes outstanding including the current portion were

\$12.7 billion and \$13.7 billion, respectively. The fair values of the notes outstanding are Level 1 fair value measures and determined based on quoted market price and translated at the August 31, 2020 spot rate, as applicable. The fair values and carrying values of these issuances do not include notes that have been redeemed or repaid as of August 31, 2020. See note 7, debt, for further information.

The carrying values of accounts receivable and trade accounts payable approximated their respective fair values due to their short-term nature.

Note 10. Commitments and contingencies

The Company is involved in legal proceedings, including litigation, arbitration and other claims, and investigations, inspections, subpoenas, audits, claims, inquiries and similar actions by pharmacy, healthcare, tax and other governmental authorities, arising in the normal course of the Company's business, including the matters described below. Legal proceedings, in general, and securities, class action and multi-district litigation, in particular, can be expensive and disruptive. Some of these suits may purport or may be determined to be class actions and/or involve parties seeking large and/or indeterminate amounts, including punitive or exemplary damages, and may remain unresolved for several years. 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.

Like other companies in the retail pharmacy and pharmaceutical wholesale industries, the Company is subject to extensive regulation by national, state and local government agencies in the United States and other countries in which it operates. There continues to be a heightened level of review and/or audit by regulatory authorities of, and increased litigation regarding, the Company's and the rest of the health care and related industry's business, compliance and reporting practices. As a result, the Company regularly is the subject of government actions of the types described above. The Company also may be named from time to time in qui tam actions initiated by private third parties. In such actions, the private parties purport to act on behalf of federal or state governments, allege that false claims have been submitted for payment by the government and may receive an award if their claims are successful. After a private party has filed a qui tam action, the government must investigate the private party's claim and determine whether to intervene in and take control over the litigation. These actions may remain under seal while the government makes this determination. If the government declines to intervene, the private party may nonetheless continue to pursue the litigation on his or her own purporting to act on behalf of the government.

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

On December 29, 2014, a putative shareholder filed a derivative action in federal court in the Northern District of Illinois against certain current and former directors and officers of Walgreen Co. and Walgreen Co., as a nominal defendant, arising out of certain public statements the Company made regarding its former fiscal 2016 goals. (*Cutler v. Wasson et al.*, No. 1:14-cv-10408 (N.D. Ill.)) The action asserts claims for breach of fiduciary duty, waste and unjust enrichment. On May 18, 2015, the case was stayed in light of a securities class action that was filed on April 10, 2015, described below. On November 3, 2016, the Court entered a stipulation and order extending the stay until the resolution of the securities class action.

On April 10, 2015, a putative shareholder filed a securities class action in federal court in the Northern District of Illinois against Walgreen Co. and certain former officers of Walgreen Co. (*Washtenaw County Employees' Retirement System v. Walgreen Co. et al.*, No. 1:15-cv-3187 (N.D. Ill.)) The action asserts claims for violation of the federal securities laws arising out of certain public statements the Company made regarding its former fiscal 2016 goals. A motion to dismiss a consolidated class action complaint filed on August 17, 2015 was granted in part and denied in part on September 30, 2016. The court granted plaintiff's motion for class certification on March 29, 2018 and plaintiff filed a first amended complaint on December

19, 2018. A motion to dismiss the first amended complaint was granted in part and denied in part on September 23, 2019. Discovery is proceeding.

On December 11, 2017, purported Rite Aid shareholders filed an amended complaint in a putative class action lawsuit in the United States District Court for the Middle District of Pennsylvania (the "M.D. Pa. action") arising out of transactions contemplated by the merger agreement between the Company and Rite Aid. The amended complaint alleged that the Company and certain of its officers made false or misleading statements regarding the transactions. The Court denied the Company's motion to dismiss the amended complaint on April 15, 2019. The Company filed an answer and affirmative defenses, discovery commenced, and the Court granted plaintiffs' motion for class certification.

In June 2019, a Fred's, Inc. shareholder filed a nearly identical lawsuit to the M.D. Pa. action in the United States District Court for the Western District of Tennessee, except naming Fred's, Inc. and one of its former officers along with the Company and certain of its officers. Lead plaintiffs filed an amended complaint on November 4, 2019, which is substantially the same as the original complaint. The Company's motion to dismiss to the amended complaint is fully briefed and awaits the Court's ruling.

In December 2017, the United States Judicial Panel on Multidistrict Litigation consolidated numerous cases filed against an array of defendants by various plaintiffs such as counties, cities, hospitals, Indian tribes, and others, alleging claims generally concerning the impacts of widespread opioid abuse. The consolidated multidistrict litigation, captioned *In re National Prescription Opiate Litigation* (MDL No. 2804, Case No. 17-md-2804), is pending in the U.S. District Court for the Northern District of Ohio ("N.D. Ohio"). The Company is involved in the following MDL bellwether cases: (1) two consolidated cases in N.D. Ohio (*County of Summit, Ohio, et al. v. Purdue Pharma L.P., et al.*, Case No. 18-op-45090; *County of Cuyahoga, Ohio, et al. v. Purdue Pharma L.P.*, Case No. 18-op-45004), previously scheduled for trial in November 2020 but postponed indefinitely; (2) one remanded to the U. S. District Court for the Eastern District of Oklahoma (*The Cherokee Nation v. McKesson Corp., et al.*, Case No. 18-CV-00056-RAW-SPS); (3) one remanded to the U. S. District Court for the Northern District of California (*City and County of San Francisco, et al. v. Purdue Pharma L.P., et al.*, Case No. 3:18-cv-07591-CRB), scheduled for trial in June 2021; and (4) two additional consolidated cases in N.D. Ohio (*County of Lake, Ohio v. Purdue Pharma L.P., et al.*, Case No. 18-op-45032; *County of Trumbull, Ohio v. Purdue Pharma L.P., et al.*, Case No. 18-op-45079), scheduled for trial in May 2021.

The Company also has been named as a defendant in numerous lawsuits brought in state courts relating to opioid matters. Trial dates have been set in cases pending in state courts in New Mexico (*State of New Mexico, ex rel. Hector Balderas, Attorney General v. Purdue Pharma L.P., et al.*, Case No. D-101-cv-2017-02541, First Judicial District Court, Santa Fe County, New Mexico - September 2021); West Virginia (*In re: Opioid Litigation*, Circuit Court of Kanawha County, West Virginia, Civil Action No. 19-C-9000 - November 2021); Missouri (*Jefferson County, Missouri v. Dannie E. Williams, M.D., et al.*, Cause No. 20JE-CC00029, Twenty-Third Judicial Circuit, Jefferson County, Missouri - November 2021); Maryland (*Anne Arundel County, Maryland v. Purdue Pharma L.P., et al.*, Case No. C-02-cv-18-000021, Circuit Court for Anne Arundel County, Maryland - December 2021); Florida (*State of Florida, Office of the Attorney General, Department of Legal Affairs v. Purdue Pharma L.P., et al.*, Case No. 2018-CA-001438, Sixth Judicial Circuit in and for Pasco County, Florida - April 2022); and Nevada (*State of Nevada v. McKesson Corporation, et al.*, Case No. A-19-796755-B, Eighth Judicial District Court, Clark County, Nevada - April 2022). A trial in two consolidated cases in New York state court (*County of Suffolk v. Purdue Pharma L.P., et al.*, Index No. 400001/2017; *County of Nassau v. Purdue Pharma L.P., et al.*, Index No. 400008/2017, Supreme Court of the State of New York, Suffolk County, NY) that had been scheduled for March 2021 was postponed, and no new trial date has been set.

The relief sought by various plaintiffs in these matters is compensatory and punitive damages, as well as injunctive relief. Additionally, the Company has received from the Department of Justice and the Attorney Generals of numerous states subpoenas, civil investigative demands, and/or other requests concerning opioid matters. The Company has also had communications with the Department of Justice with respect to purported violations of the federal Controlled Substances Act and the federal False Claims Act in dispensing prescriptions at certain Walgreens locations. As discussed above, legal proceedings, including government investigations, are often uncertain and difficult to predict, and the costs and penalties incurred in these matters can be substantial.

On January 22, 2019, the Company announced that it had reached an agreement to resolve a civil investigation involving allegations under the False Claims Act by a United States Attorney's Office, working in conjunction with several states, regarding certain dispensing practices. Pursuant to the agreement, the Company paid \$209 million to the United States and the various states involved in the matter, substantially all of which was reserved for in the Company's Consolidated Financial Statements as of November 30, 2018.

Note 11. Income taxes*U.S. tax law changes*

The U.S. tax law changes, enacted in December 2017, include broad and complex changes. Among other things, the U.S. tax law changes reduced the federal corporate tax rate from 35% to 21% effective January 1, 2018 and required companies to immediately accrue for a one-time transition tax on certain un-repatriated earnings of foreign subsidiaries, which is generally payable over an eight-year period. The U.S. tax law changes modified the taxation of foreign earnings, repealed the deduction for domestic production activities, limited interest deductibility and established a global intangible low tax income (GILTI) regime.

The lower corporate income tax rate of 21% became effective January 1, 2018 and was phased in as a result of our August 31 fiscal year-end. This resulted in a blended U.S. statutory federal tax rate of approximately 26% for fiscal 2018. This statutory federal tax rate is 21% for fiscal 2019 and subsequent fiscal years, which provided a benefit to the Company's fiscal 2019 tax provision of approximately \$89 million.

In fiscal 2018, as a direct result of the U.S. tax law changes, the Company performed preliminary analysis and recorded a provisional estimated net tax benefit of \$125 million. This provisional net tax benefit arose from a benefit of \$648 million from re-measuring the Company's net U.S. deferred tax liabilities, partially offset by the Company's accrual for the transition tax and other U.S. tax law changes of \$523 million. In fiscal 2019, in accordance with SEC Staff Accounting Bulletin 118 (SAB 118), the Company finalized its provisional estimates and recognized incremental net income tax expense, which was not material to our Consolidated Financial Statements.

During 2019, the U.S. Treasury Department issued regulations to apply retroactively covering certain components of the 2017 U.S. tax law changes. Certain guidance included in these regulations is inconsistent with the Company's interpretation that led to the recognition of \$247 million of tax benefits in prior periods. Despite this guidance, the Company remains confident in its interpretation of the U.S. tax law changes and intends to defend this position through litigation, if necessary. However, if the Company is ultimately unsuccessful in defending its position, it may be required to reverse all or a portion of the benefits previously recorded.

By establishing the GILTI regime, the Act created a minimum tax on certain foreign sourced earnings. The taxability of the foreign earnings and the applicable tax rates are dependent on future events. The Company's accounting policy for the minimum tax on foreign sourced earnings is to report the tax effects on the basis that the minimum tax will be recognized in tax expense in the year it is incurred as a period expense.

As the Company repatriates the undistributed earnings of its foreign subsidiaries for use in the United States, the earnings from its foreign subsidiaries will generally not be subject to U.S. federal tax. The Company continuously evaluates the amount of foreign earnings that are not necessary to be permanently reinvested in its foreign subsidiaries.

United Kingdom tax law changes

On July 22, 2020 the UK Finance Bill 2020 was enacted increasing the UK tax rate from 17% to 19% effective April 1, 2020. The Company recorded tax expense of \$139 million from re-measuring the net UK deferred tax liability.

The components of earnings before income tax provision were (in millions):

	2020	2019	2018
U.S.	\$ 759	\$ 1,898	\$ 3,292
Non-U.S.	(16)	2,629	2,683
Total	\$ 743	\$ 4,527	\$ 5,975

The provision for income taxes consists of the following (in millions):

	2020	2019	2018
Current provision			
Federal	\$ 150	\$ 201	\$ 866
State	49	46	103
Non-U.S.	204	241	353
	<u>403</u>	<u>488</u>	<u>1,322</u>
Deferred provision			
Federal – tax law change	—	—	(648)
Federal – excluding tax law change	(83)	151	304
State	2	4	78
Non-U.S. – tax law change	139	—	—
Non-U.S. – excluding tax law change	(101)	(55)	(58)
	<u>(43)</u>	<u>100</u>	<u>(324)</u>
Income tax provision	\$ 360	\$ 588	\$ 998

The difference between the statutory federal income tax rate and the effective tax rate is as follows:

	2020	2019	2018
Federal statutory rate	21.0 %	21.0 %	25.7 %
State income taxes, net of federal benefit	5.3	0.9	2.3
Foreign income taxed at non-U.S. rates	(12.0)	(2.1)	(12.2)
Non-taxable income	(28.5)	(3.5)	(5.2)
Non-deductible expenses	5.9	0.5	2.1
Transition tax	—	—	12.4
Tax law changes	18.8	(0.4)	(10.9)
Change in valuation allowance ¹	1.2	1.9	8.7
Goodwill impairment	43.5	—	—
Tax credits	(9.8)	(4.8)	(6.9)
Other	3.1	(0.5)	0.7
Effective income tax rate	48.5 %	13.0 %	16.7 %

¹ Net of changes in related tax attributes.

The deferred tax assets and liabilities included in the Consolidated Balance Sheets consist of the following (in millions):

	2020	2019
Deferred tax assets:		
Compensation and benefits	\$ 177	\$ 133
Postretirement benefits	105	—
Insurance	98	90
Accrued rent & lease obligations	5,187	219
Allowance for doubtful accounts	12	13
Tax attributes	6,909	6,687
Stock compensation	47	45
Deferred income	18	115
Other	80	78
	<u>12,633</u>	<u>7,380</u>
Less: valuation allowance	6,608	6,638
Total deferred tax assets	6,025	742
Deferred tax liabilities:		
Accelerated depreciation	722	475
Inventory	344	394
Intangible assets	1,274	1,116
Equity method investment	548	481
Lease right-of-use asset	4,589	—
	<u>7,477</u>	<u>2,466</u>
Net deferred tax liabilities	\$ 1,452	\$ 1,724

As of August 31, 2020, the Company has recorded deferred tax assets for tax attributes of \$6.9 billion, primarily reflecting the benefit of \$2.9 billion in U.S. federal, \$276 million in state and \$24.1 billion in non-U.S. ordinary and capital losses. In addition, these deferred tax assets include \$71 million of income tax credits. Of these deferred tax assets, \$6.2 billion will expire at various dates from 2021 through 2037. The residual deferred tax assets of \$692 million have no expiration date.

The Company believes it is more likely than not that the benefit from certain deferred tax assets will not be realized. The assessment of realization of deferred tax assets is performed based on the weight of the positive and negative evidence available to indicate whether the asset is recoverable, including tax planning strategies that are prudent and feasible. In recognition of this risk, the Company has recorded a valuation allowance of \$6.6 billion against those deferred tax assets as of August 31, 2020.

Income taxes paid, net of refunds were \$0.6 billion, \$0.9 billion and \$0.6 billion for fiscal years 2020, 2019 and 2018, respectively.

ASC Topic 740, Income Taxes, provides guidance regarding the recognition, measurement, presentation and disclosure in the financial statement of tax positions taken or expected to be taken on a tax return, including the decision whether to file in a particular jurisdiction. As of August 31, 2020, unrecognized tax benefits of \$552 million were reported as long-term liabilities on the Consolidated Balance Sheets while an immaterial amount is reported as current tax liabilities. Both of these amounts include interest and penalties, when applicable.

The following table provides a reconciliation of the total amounts of unrecognized tax benefits (in millions):

	2020	2019	2018
Balance at beginning of year	\$ 455	\$ 456	\$ 409
Gross increases related to tax positions in a prior period	60	33	123
Gross decreases related to tax positions in a prior period	(23)	(53)	(15)
Gross increases related to tax positions in the current period	9	26	29
Settlements with taxing authorities	(4)	(2)	(87)
Lapse of statute of limitations	(3)	(5)	(3)
Balance at end of year	\$ 494	\$ 455	\$ 456

At August 31, 2020, 2019 and 2018, \$353 million, \$311 million and \$331 million, respectively, of unrecognized tax benefits would favorably impact the effective tax rate if recognized. During the next twelve months, based on current knowledge, it is reasonably possible the amount of unrecognized tax benefits could decrease by up to \$2 million due to anticipated tax audit settlements and the expirations of statutes of limitations associated with tax positions related to multiple tax jurisdictions.

The Company recognizes interest and penalties in the income tax provision in its Consolidated Statements of Earnings. At August 31, 2020 and August 31, 2019, the Company had accrued interest and penalties of \$58 million and \$47 million, respectively. For the year ended August 31, 2020, the amount reported in income tax expense related to interest and penalties was \$11 million income tax expense.

The Company files a consolidated U.S. federal income tax return as well as income tax returns in various states and multiple foreign jurisdictions. It is generally no longer under audit examinations for U.S. federal income tax purposes for any years prior to fiscal 2014. With few exceptions, it is no longer subject to state and local income tax examinations by tax authorities for years before fiscal 2008. In foreign tax jurisdictions, the Company is generally no longer subject to examination by the tax authorities in the United Kingdom prior to 2015, Luxembourg prior to 2016, in Germany prior to 2014, in France prior to 2016 and in Turkey prior to 2015.

The Company has received tax holidays from Swiss cantonal income taxes relative to certain of its Swiss operations. The income tax holidays are set to expire in September 2022. Upon expiration, a reduced tax rate will extend through December 2029. The holidays had a beneficial impact of \$124 million and \$127 million (inclusive of capital GILTI tax cost) during fiscal 2020 and 2019, respectively. This benefit is primarily included as part of the foreign income taxed at non-U.S. rates line in the effective tax rate reconciliation table above.

At August 31, 2020, it is not practicable for the Company to determine the amount of the unrecognized deferred tax liability it has with respect to temporary differences related to investments in foreign subsidiaries and foreign corporate joint ventures that are essentially permanent in duration.

Note 12. Stock compensation plans

The Walgreens Boots Alliance, Inc. 2013 Omnibus Incentive Plan (the "Omnibus Plan"), which became effective in fiscal 2013, provides for incentive compensation to the Company's non-employee directors, officers and employees and consolidates several previously existing equity compensation plans into a single plan.

The Company grants stock options, performance shares and restricted units under the Omnibus Plan. Performance shares issued under the Omnibus Plan offer performance-based incentive awards to certain employees. Restricted stock units are also equity-based awards with vesting requirements that are granted to key employees. The performance shares and restricted stock unit awards are both subject to restrictions as to continuous employment except in the case of death, normal retirement or total and permanent disability.

Total stock-based compensation expense for fiscal 2020, 2019 and 2018 was \$137 million, \$119 million and \$130 million, respectively. Unrecognized compensation cost related to non-vested awards at August 31, 2020 was \$188 million, which will be fully recognized over the next three years.

Note 13. Retirement benefits

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

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

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

The investment strategy of the principal defined benefit pension plan is to hold the majority of its assets in a diverse portfolio ("Matching Portfolio") which aims to broadly match the characteristics of the plan's liabilities by investing in bonds, derivatives and other fixed income assets, with the remainder invested in predominantly return-seeking assets. Interest rate and inflation rate swaps are also employed to complement the role of fixed and index-linked bond holdings in liability risk

management. During 2020, the target strategic allocation to the Matching Portfolio was changed from 85% to 75%, with a corresponding increase in the allocation to return seeking assets.

The following tables present classes of defined benefit pension plan assets by fair value hierarchy (in millions):

	<u>August 31, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equity securities:				
Equity securities ¹	\$ 1,505	\$ —	\$ 1,505	\$ —
Debt securities:				
Fixed interest government bonds ²	515	111	404	—
Index linked government bonds ²	4,168	2,936	1,232	—
Corporate bonds ³	2,730	1	2,729	—
Real estate:				
Real estate ⁴	492	—	—	492
Other:				
Other investments, net ⁵	204	152	(347)	399
Total	\$ 9,614	\$ 3,200	\$ 5,523	\$ 891

	<u>August 31, 2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equity securities:				
Equity securities ¹	\$ 1,006	\$ —	\$ 1,005	\$ —
Debt securities:				
Fixed interest government bonds ²	489	148	341	—
Index linked government bonds ²	3,861	3,824	37	—
Corporate bonds ³	2,390	1	2,389	—
Real estate:				
Real estate ⁴	471	—	—	471
Other:				
Other investments, net ⁵	914	63	516	335
Total	\$ 9,131	\$ 4,036	\$ 4,288	\$ 806

- ¹ Equity securities, which mainly comprise of investments in commingled funds, are valued based on quoted prices and are primarily exchange-traded. Securities for which official close or last trade pricing on an active exchange is available are classified as Level 1 investments. If closing prices are not available, or the investments are in a commingled fund, securities are valued at the last quoted bid price and typically are categorized as Level 2 investments.
- ² Debt securities: government bonds comprise of fixed interest and index linked bonds issued by central governments and are valued based on quotes received from independent pricing services or from dealers who make markets in such securities. Pricing services utilize pricing which considers readily available inputs such as the yield or price of bonds of comparable quality, coupon, maturity and type, as well as dealer-supplied prices.
- ³ Debt securities: corporate bonds comprise bonds issued by corporations in both segregated and commingled funds and are valued using recently executed transactions, or quoted market prices for similar assets and liabilities in active markets, or for identical assets and liabilities in markets that are not active. If there have been no market transactions in a particular fixed income security, its fair value is calculated by pricing models that benchmark the security against other securities with actual market prices.

- ⁴ Real estate comprise of investments in certain property funds which are valued based on the underlying properties. These properties are valued using a number of standard industry techniques such as cost, discounted cash flows, independent appraisals and market based comparable data. Real estate investments are categorized as Level 3 investments. Changes in Level 3 investments during fiscal 2020 were driven by actual return on plan assets still held at August 31, 2020 and purchases during the year.
- ⁵ Other investments mainly comprise of net receivable (payable) amounts for unsettled transactions, cash and cash equivalents, derivatives and direct private placements. Cash is categorized as a Level 1 investment and cash in commingled funds is categorized as Level 2 investments. Amounts receivable (payable) are categorized as level 2 investments. Cash equivalents are valued using observable yield curves, discounting and interest rates and are categorized as Level 2 investments. Derivatives which are exchange-traded and for which market quotations are readily available are valued at the last reported sale price or official closing price as reported by an independent pricing service on the primary market, or exchange on which they are traded, and are categorized as Level 1 investments. Over-the-counter derivatives typically are valued by independent pricing services and are categorized as Level 2 investments. Direct private placements are typically bonds valued by reference to comparable bonds and are categorized as Level 3 investments. Changes in Level 3 investments during fiscal 2020 were primarily driven by purchases during the year.

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

	Boots and other pension plans		
	2020	2019	2018
Service costs	\$ 5	\$ 4	\$ 5
Interest costs	143	196	193
Expected returns on plan assets/other	(285)	(246)	(209)
Total net periodic pension (income) cost	\$ (137)	\$ (46)	\$ (11)

Change in benefit obligations for the defined benefit pension plans (in millions):

	2020	2019
Benefit obligation at beginning of year	\$ 8,834	\$ 8,293
Service costs	5	4
Interest costs	143	196
Amendments/other	—	22
Net actuarial loss	495	1,212
Benefits paid	(333)	(363)
Currency translation adjustments	805	(530)
Benefit obligation at end of year	\$ 9,949	\$ 8,834

Change in plan assets for the defined benefit pension plans (in millions):

	2020	2019
Plan assets at fair value at beginning of year	\$ 9,131	\$ 8,676
Employer contributions	38	38
Benefits paid	(333)	(363)
Return on assets/other	(31)	1,333
Currency translation adjustments	810	(552)
Plan assets at fair value at end of year	\$ 9,614	\$ 9,131

Amounts recognized in the Consolidated Balance Sheets (in millions):

	2020	2019
Other non-current assets	\$ —	\$ 486
Accrued expenses and other liabilities	(8)	(6)
Other non-current liabilities	(327)	(183)
Net asset (liability) recognized at end of year	\$ (335)	\$ 297

Cumulative pre-tax amounts recognized in accumulated other comprehensive (income) loss (in millions):

	2020	2019
Net actuarial loss	\$ 858	\$ 92
Prior service cost	(1)	24
Total	\$ 857	\$ 116

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for all pension plans, including accumulated benefit obligations in excess of plan assets, at August 31 were as follows (in millions):

	2020	2019
Projected benefit obligation	\$ 9,949	\$ 8,834
Accumulated benefit obligation	9,937	8,823
Fair value of plan assets	9,614	9,131

Pension plans with projected benefit obligation and accumulated benefit obligations in excess of plan assets were not material for periods presented.

Estimated future benefit payments for the next 10 years from defined benefit pension plans to participants are as follows (in millions):

	Estimated future benefit payments
2021	\$ 289
2022	282
2023	293
2024	302
2025	318
2026-2030	1,774

The assumptions used in accounting for the defined benefit pension plans were as follows:

	2020	2019
Weighted-average assumptions used to determine benefit obligations		
Discount rate	1.63 %	1.80 %
Rate of compensation increase	3.10 %	2.91 %
Weighted-average assumptions used to determine net periodic benefit cost		
Discount rate	1.58 %	1.58 %
Expected long-term return on plan assets	3.10 %	3.10 %
Rate of compensation increase	2.91 %	2.68 %

Based on current actuarial estimates, the Company plans to make contributions of \$39 million to its defined benefit pension plans in fiscal 2021 and expects to make contributions beyond 2021, which will vary based upon many factors, including the performance of the defined benefit pension plan assets.

Defined contribution plans

The principal retirement plan for U.S. employees is the Walgreen Profit-Sharing Retirement Trust, to which both the Company and participating employees contribute. The Company's contribution is in the form of a guaranteed match which is made pursuant to the applicable plan document approved by the Walgreen Co. Board of Directors. Plan activity is reviewed periodically by certain Committees of the Walgreens Boots Alliance Board of Directors. The profit-sharing provision was an expense of \$227 million, \$239 million and \$217 million in fiscal 2020, 2019 and 2018, respectively. The Company's contributions were \$226 million, \$234 million and \$366 million in fiscal 2020, 2019 and 2018, respectively.

The Company also has certain contract based defined contribution arrangements. The principal one is the Alliance Healthcare & Boots Retirement Savings Plan, which is United Kingdom based and to which both the Company and participating employees

contribute. The cost recognized in the Consolidated Statement of Earnings was \$119 million in fiscal 2020, \$124 million in fiscal 2019 and \$142 million in fiscal 2018.

Postretirement healthcare plan

The Company provides certain health insurance benefits to retired U.S. employees who meet eligibility requirements, including age, years of service and date of hire. The costs of these benefits are accrued over the service life of the employee. An amendment to this plan during the fourth quarter of fiscal 2018 resulted in a reduction in the benefit plan obligation of \$201 million and the recognition of a curtailment gain of \$112 million. The Company's postretirement health benefit plan obligation was \$182 million and \$161 million in fiscal 2020 and 2019, respectively and is not funded. The expected benefit to be paid net of the estimated federal subsidy during fiscal 2021 is \$10.6 million.

Note 14. Capital stock

In June 2018, Walgreens Boots Alliance authorized a new stock repurchase program, which authorized the repurchase of up to \$10.0 billion of Walgreens Boots Alliance common stock, which program has no specified expiration date. The Company purchased 30 million and 57 million shares under stock repurchase programs in fiscal 2020 and 2019 at a cost of \$1.5 billion and \$3.8 billion, respectively. In July 2020, the Company announced that it had suspended activities under this program.

The Company determines the timing and amount of repurchases based on its assessment of various factors including prevailing market conditions, alternate uses of capital, liquidity, the economic environment and other factors. The timing and amount of these purchases may change at any time and from time to time. 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 a company to repurchase shares at times when it otherwise might be precluded from doing so under insider trading laws.

In addition, the Company continued to repurchase shares to support the needs of the employee stock plans. Shares totaling \$103 million were purchased to support the needs of the employee stock plans during fiscal 2020 as compared to \$339 million and \$289 million in fiscal 2019 and fiscal 2018, respectively. At August 31, 2020, 16 million shares of common stock were reserved for future issuances under the Company's various employee benefit plans.

Note 15. Accumulated other comprehensive income (loss)

The following is a summary of net changes in accumulated other comprehensive income by component and net of tax for fiscal 2020, 2019 and 2018 (in millions):

	Pension/post-retirement obligations	Unrealized gain (loss) on cash flow hedges	Net investment hedges ²	Share of OCI of equity method investments	Cumulative translation adjustments	Total
Balance at August 31, 2017	\$ (139)	\$ (33)	\$ —	\$ (2)	\$ (2,877)	\$ (3,051)
Other comprehensive income (loss) before reclassification adjustments	417	—	—	(4)	(207)	206
Amounts reclassified from AOCI ¹	(120)	4	—	11	8	(97)
Tax benefit (provision)	(57)	(1)	—	(2)	—	(60)
Net change in other comprehensive income (loss)	240	3	—	5	(199)	49
Balance at August 31, 2018	\$ 101	\$ (30)	\$ —	\$ 3	\$ (3,076)	\$ (3,002)
Other comprehensive income (loss) before reclassification adjustments	(162)	1	73	(1)	(801)	(889)
Amounts reclassified from AOCI	(17)	5	—	—	—	(12)
Tax benefit (provision)	30	(1)	(18)	—	(6)	5
Net change in other comprehensive income (loss)	(149)	5	55	(1)	(807)	(896)
Balance at August 31, 2019	\$ (48)	\$ (24)	\$ 55	\$ 3	\$ (3,884)	\$ (3,897)
Other comprehensive income (loss) before reclassification adjustments	(861)	(12)	(113)	(16)	934	(69)
Amounts reclassified from AOCI	(8)	5	—	—	3	—
Tax benefit (provision)	169	1	23	3	(1)	195
Net change in other comprehensive income (loss)	(700)	(6)	(90)	(13)	936	126
Balance at August 31, 2020	\$ (748)	\$ (31)	\$ (34)	\$ (10)	\$ (2,948)	\$ (3,771)

¹ Includes amendment to U.S. postretirement healthcare plan resulting in a curtailment gain. See note 13, retirement benefits.

² Previously disclosed as Unrealized gain (loss) on cash flow hedges.

Note 16. Segment reporting

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

Retail Pharmacy USA

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

Retail Pharmacy International

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

Pharmaceutical Wholesale

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

The results of operations for each reportable segment includes procurement benefits and an allocation of corporate-related overhead costs. The "Eliminations" column contains items not allocable to the reportable segments, as the information is not utilized by the chief operating decision maker to assess segment performance and allocate resources.

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

	For the years ending August 31,		
	2020	2019	2018
Sales:			
Retail Pharmacy USA	\$ 107,701	\$ 104,532	\$ 98,392
Retail Pharmacy International	10,004	11,462	12,281
Pharmaceutical Wholesale	23,958	23,053	23,006
Eliminations ¹	(2,126)	(2,180)	(2,142)
Walgreens Boots Alliance, Inc.	\$ 139,537	\$ 136,866	\$ 131,537
Adjusted Operating income:²			
Retail Pharmacy USA	\$ 4,099	\$ 5,255	\$ 5,814
Retail Pharmacy International	130	747	929
Pharmaceutical Wholesale	980	939	936
Eliminations ¹	2	1	—
Walgreens Boots Alliance, Inc.	\$ 5,211	\$ 6,942	\$ 7,679
Depreciation and amortization:			
Retail Pharmacy USA	\$ 1,385	\$ 1,459	\$ 1,196
Retail Pharmacy International	397	429	419
Pharmaceutical Wholesale	145	150	155
Walgreens Boots Alliance, Inc.	\$ 1,927	\$ 2,038	\$ 1,770
Capital expenditures:			
Retail Pharmacy USA	\$ 1,052	\$ 1,323	\$ 1,022
Retail Pharmacy International	239	275	241
Pharmaceutical Wholesale	83	104	104
Walgreens Boots Alliance, Inc.	\$ 1,374	\$ 1,702	\$ 1,367

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

	For the years ending August 31,		
	2020	2019	2018
Adjusted operating income²	\$ 5,211	\$ 6,942	\$ 7,679
Impairment of goodwill and intangible assets	(2,016)	(73)	—
Transformational cost management	(793)	(477)	—
Acquisition-related amortization ³	(461)	(493)	(448)
Acquisition-related costs	(316)	(303)	(231)
Adjustments to equity earnings in AmerisourceBergen	(97)	(233)	(175)
LIFO provision	(95)	(136)	(84)
Store damage and inventory losses ⁴	(68)	—	—
Store optimization	(53)	(196)	(100)
Certain legal and regulatory accruals and settlements	—	(31)	(284)
Hurricane-related costs	—	—	(83)
Asset recovery	—	—	15
Operating income²	\$ 1,312	\$ 4,998	\$ 6,289

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

² The Company adopted ASU 2017-07 Topic 715 as of September 1, 2018 (fiscal 2019) on a retrospective basis. The impact on our previously reported net periodic costs as a result of the retrospective adoption of this standard results in a

- reclassification from selling, general and administrative expenses to other income (expense) of \$125 million for the fiscal year ended August 31, 2018.
- ³ Excludes impairment of \$73 million for indefinite-lived pharmacy licenses intangible asset recorded during the three months ended August 31, 2019, in the Boots reporting unit within the Retail Pharmacy International segment, which has been presented as "Impairment of goodwill and intangible asset" line.
- ⁴ Store damage and inventory losses as a result of looting in the U.S., net of insurance recoveries.

No single customer accounted for more than 10% of the Company's consolidated sales for any of the periods presented. Substantially all of our retail pharmacy sales are to customers covered by third-party payers (e.g., pharmacy benefit managers, insurance companies and governmental agencies) that agree to pay for all or a portion of a customer's eligible prescription purchases. In the Retail Pharmacy USA segment, one third-party payer accounted for approximately 11% of the consolidated sales in fiscal 2020, two third-party payers, in the aggregate accounted for approximately 22% of the Company's consolidated sales in fiscal 2019 and three third-party payers, in the aggregate accounted for approximately 32% of the Company's consolidated sales in fiscal 2018.

Geographic data for sales is as follows (in millions):

	2020	2019	2018
United States	\$ 107,701	\$ 104,532	\$ 98,392
United Kingdom	12,099	12,729	13,297
Europe (excluding the United Kingdom)	17,270	17,009	17,594
Other	2,467	2,597	2,254
Sales	\$ 139,537	\$ 136,866	\$ 131,537

Geographic data for long-lived assets, defined as property, plant and equipment, is as follows (in millions):

	2020	2019
United States	\$ 10,344	\$ 10,598
United Kingdom	2,294	2,162
Europe (excluding the United Kingdom)	540	521
Other	164	197
Total long-lived assets	\$ 13,342	\$ 13,478

Note 17. Sales

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

	For the years ending August 31,		
	2020	2019	2018
Retail Pharmacy USA			
Pharmacy	\$ 80,481	\$ 77,192	\$ 71,055
Retail	27,220	27,340	27,337
Total	107,701	104,532	98,392
Retail Pharmacy International			
Pharmacy	3,906	4,080	4,360
Retail	6,098	7,382	7,921
Total	10,004	11,462	12,281
Pharmaceutical Wholesale	23,958	23,053	23,006
Eliminations¹	(2,126)	(2,180)	(2,142)
Walgreens Boots Alliance, Inc.	\$ 139,537	\$ 136,866	\$ 131,537

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

Contract balances with customers

Contract liabilities primarily represent the Company's obligation to transfer additional goods or services to a customer for which the Company has received consideration, for example the Company's Balance Rewards® and Boots Advantage Card loyalty programs. Under such programs, customers earn reward points on purchases for redemption at a later date. See note 1, summary of major accounting policies, for further information on receivables from contracts with customers.

Note 18. Related parties

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

Related party transactions with AmerisourceBergen (in millions):

	2020	2019	2018
Purchases, net	\$ 59,569	\$ 57,429	\$ 53,161
Trade accounts payable, net	\$ 6,390	\$ 6,484	\$ 6,274

Note 19. Supplementary financial information**Summary of Quarterly Results (Unaudited)**

(in millions, except per share amounts)

	Quarter ended				Fiscal year
	November	February	May	August	
Fiscal 2020					
Sales	\$ 34,339	\$ 35,820	\$ 34,631	\$ 34,746	\$ 139,537
Gross profit	7,263	7,513	6,438	6,803	28,017
Net earnings attributable to Walgreens Boots Alliance, Inc.	845	946	(1,708)	373	456
Net earnings per common share:					
Basic	\$ 0.95	\$ 1.07	\$ (1.95)	\$ 0.43	\$ 0.52
Diluted	0.95	1.07	(1.95)	0.43	0.52
Cash dividends declared per common share	\$ 0.4575	\$ 0.4575	\$ 0.4575	\$ 0.4675	\$ 1.8400
Fiscal 2019					
Sales	\$ 33,793	\$ 34,528	\$ 34,591	\$ 33,954	\$ 136,866
Gross profit	7,641	7,754	7,453	7,228	30,076
Net earnings attributable to Walgreens Boots Alliance, Inc.	1,123	1,156	1,025	677	3,982
Net earnings per common share:					
Basic	\$ 1.18	\$ 1.25	\$ 1.13	\$ 0.75	\$ 4.32
Diluted	1.18	1.24	1.13	0.75	4.31
Cash dividends declared per common share	\$ 0.4400	\$ 0.4400	\$ 0.4400	\$ 0.4580	\$ 1.7780

Management's Report on Internal Control

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). As permitted by the SEC, our assessment of internal controls over financial reporting excludes internal control over financial reporting of equity method investees. However, our assessment of internal control over financial reporting with respect to equity method investees did include controls over the recording of amounts related to our investment that are recorded in the Consolidated Financial Statements, including controls over the selection of accounting methods for our investments, the recognition of equity method earnings and losses and the determination, valuation and recording of our investment account balances.

Based on our evaluation, management concluded that our internal control over financial reporting was effective as of August 31, 2020. Deloitte & Touche LLP, the Company's independent registered public accounting firm, has audited our internal control over financial reporting, as stated in its report which is included herein.

/s/ Stefano Pessina
Stefano Pessina
Executive Vice Chairman and Chief
Executive Officer

/s/ James Kehoe
James Kehoe
Executive Vice President and Global Chief
Financial Officer

October 15, 2020

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Walgreens Boots Alliance, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Walgreens Boots Alliance, Inc. and subsidiaries (the "Company") as of August 31, 2020 and 2019, the related consolidated statements of earnings, comprehensive income, equity, and cash flows for each of the three years in the period ended August 31, 2020, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of August 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended August 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of August 31, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated October 15, 2020, expressed an unqualified opinion on the Company's internal control over financial reporting.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, effective September 1, 2019, the Company adopted FASB Accounting Standards Update 2016-02, *Leases (Topic 842)*, using the modified retrospective approach which does not require prior periods to be restated.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Goodwill and Indefinite-Lived Intangible Assets Impairment Evaluation – Boots Reporting Unit, Retail Pharmacy International - Other Markets ("RPI-Other") Reporting Unit, and Boots Indefinite-lived Intangible Assets — Refer to Notes 1 and 6 to the financial statements

Critical Audit Matter Description

The Company's evaluation of goodwill and indefinite-lived intangible assets for impairment involves the comparison of the fair value of each reporting unit or asset to its carrying value. The Company uses the income and the market approaches to estimate the fair value of its reporting units in its goodwill impairment analysis. The income approach requires management to make a number of assumptions for each reporting unit including annual assumptions on future revenue growth, earnings before interest, taxes, depreciation and amortization (EBITDA) margins and discount rates. The market approach requires management to

estimate fair value using comparable marketplace fair value data from within a comparable industry group. The Company primarily uses the multi-period excess earnings model and the relief from royalty model to estimate the fair value of the indefinite-lived intangible assets. Changes in assumptions or the selection of companies in the comparable industry group could have a significant impact on the valuation of the reporting units and the amount of a goodwill or indefinite-lived intangible asset impairment charge, if any.

The Company's goodwill balance was \$15.3 billion as of August 31, 2020, of which \$1.1 billion relates to the Boots Reporting Unit and \$0.5 billion relates to the RPI-Other (collectively, the Reporting Units). During the 3rd quarter, management recorded a \$1.7 billion impairment charge of Boots goodwill. Management performed its annual impairment test as of June 1, 2020 and determined that its estimate of the fair value of the Boots Reporting Unit was in excess of its revised carrying value by a nominal amount and, therefore, no additional impairment was recognized for the year ended August 31, 2020. Management also concluded the RPI-Other Reporting Unit fair value was in excess of its carrying value by approximately 4% as of August 31, 2020 compared to 16% as of August 31, 2019.

The Company's indefinite-lived intangible assets balance was \$7.4 billion as of August 31, 2020, of which \$7.2 billion represented Boots indefinite-lived intangible assets. During the 3rd quarter, management recorded a \$0.3 billion impairment charge related to certain of these intangible assets. Management performed its annual impairment test as of June 1, 2020 and determined that its estimate of the fair value of the Boots indefinite-lived intangible assets were in excess of their carrying amounts, certain of which by nominal amounts. Management concluded no additional impairment was recognized for the year ended August 31, 2020.

Management has made significant judgments to estimate the fair value of the Reporting Units and the Boots indefinite-lived intangible assets. Given the small difference between their fair values and carrying values, performing audit procedures to evaluate the reasonableness of management's estimates and assumptions of future revenue growth, EBITDA margins, the selection of the discount rate, the selection of the royalty rates for the Boots trade name indefinite-lived intangible assets, and the market multiple selected for the Reporting Units, specifically due to the current economic environment and the impact of the COVID-19 pandemic, requires a high degree of auditor judgment and an increased extent of effort, including the need to involve our fair value specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the fair value of goodwill for the Reporting Units and the Boots indefinite-lived intangible assets included the following, among others:

- We tested the effectiveness of controls over the goodwill and intangible asset impairment analyses, including those over the development of forecasts of future revenues, EBITDA margins, and the selection of royalty rates, market multiples, and discount rates.
- We evaluated management's ability to accurately forecast future revenues and EBITDA margins by comparing actual results to management's historical forecasts.
- We evaluated the reasonableness of management's forecasts of future revenues and EBITDA margins by performing certain procedures, including:
 - Comparing the forecasts to internal communications to management and the Board of Directors.
 - Comparing the forecasts to third-party economic research, including discussions with our economic and industry specialists.
- We performed sensitivity analyses to evaluate the risk of impairment if key assumptions are changed.
- We evaluated, with the assistance of our fair value specialists, the (1) valuation methodology used for the Reporting Units' goodwill and the Boots indefinite-lived intangible assets and (2) the reasonableness of the related discount rates, by performing certain procedures, including:
 - Comparing the valuation methodologies used to generally accepted valuation practices for each asset type.
 - Evaluating the appropriateness of the Company's selection of companies in its industry comparable group for comparability to the Reporting Units.
 - Testing the source information underlying the determination of the discount rate and the mathematical accuracy of the calculation.
 - Developing an independent discount rate and comparing it to the discount rate selected by management.

Income Taxes – Uncertain Tax Positions - Refer to Notes 1 and 11 to the financial statements

Critical Audit Matter Description

The Company has a complex legal structure involving numerous domestic and foreign locations with constantly changing tax laws and regulations. The Company's management is required to interpret and apply these tax laws and regulations in determining the amount of its income tax liability and provision. When an uncertain tax position is identified by management, the Company must evaluate whether it is more likely to be sustained than not on the basis of its technical merits. The Company recognizes a benefit for tax positions using the highest cumulative tax benefit that is more likely than not to be realized. The Company establishes a liability for unrecognized tax benefits that do not meet this threshold. The evaluation of each uncertain tax position requires management to apply specialized skill, knowledge, and significant judgment related to the identified position. The Company's liability for unrecognized tax benefits as of August 31, 2020 was \$494 million.

Because of the numerous taxing jurisdictions in which the Company files its tax returns and the complexity of tax laws and regulations, auditing uncertain tax positions and the determination of whether the more likely than not threshold was met requires a high degree of auditor judgment and increased extent of effort, including the involvement of our income tax specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to unrecognized tax benefits included the following, among others:

- We tested the effectiveness of controls over income taxes, including those over identifying uncertain tax positions and measuring liabilities.
- We evaluated, with the assistance of our tax specialists, a selection of underlying tax positions to evaluate the more likely than not principle as it applied to the specific underlying tax position.
- We evaluated, with the assistance of our tax specialists, the Company's unrecognized tax positions by performing the following:
 - Obtaining management and third-party opinions or memoranda regarding the analysis of uncertain tax positions and identifying the key judgments and evaluating whether the analysis was consistent with our interpretation of the relevant laws and regulations.
 - Evaluating the basis for certain intercompany transactions, such as transfer pricing, by comparison to economic studies performed by management and third-party data.
 - Evaluating the matters raised by tax authorities in former and ongoing tax audits and considering the implications of these matters on open tax years.
 - Assessing changes and interpretation of applicable tax law.

/s/ DELOITTE & TOUCHE LLP

Chicago, Illinois
October 15, 2020

We have served as the Company's auditor since 2002.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Walgreens Boots Alliance, Inc.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Walgreens Boots Alliance, Inc. and subsidiaries (the “Company”) as of August 31, 2020, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of August 31, 2020, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended August 31, 2020, of the Company and our report dated October 15, 2020, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed 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. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ DELOITTE & TOUCHE LLP

Chicago, Illinois
October 15, 2020

Item 9. Changes in and disagreements with accountants on accounting and financial disclosure

None.

Item 9A. Controls and procedures

Evaluation of disclosure controls and procedures

Management conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this Form 10-K. 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.

Report on internal control over financial reporting

Management's report on internal control over financial reporting and the report of Deloitte & Touche LLP, the Company's independent registered public accounting firm, related to their assessment of the effectiveness of internal control over financial reporting are included in Part II, Item 8 of this Form 10-K and are incorporated in this Item 9A by reference.

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 a result of COVID-19, a portion of our global workforce, including employees and extended workforce, rapidly shifted to a working from home environment beginning in March 2020 and many continue to work remotely. While our controls were not developed and designed to facilitate or accommodate this shift, we have evaluated and concluded that these changes to the working environment did not have a material effect on the Company's internal control over financial reporting during the most recent quarter.

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. Specifically, the Company is currently implementing a new enterprise resource planning (ERP) system. This project is a multi-year initiative and is intended to improve the efficiency and effectiveness of certain financial and business transaction processes, as well as the underlying systems environment. 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 August 31, 2020 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 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.

Item 9B. Other information

None.

PART III

The Company intends to file with the SEC a definitive proxy statement for its next Annual Meeting of Stockholders (the “Proxy Statement”) pursuant to Regulation 14A not later than 120 days after August 31, 2020. The information required by Part III (Items 10, 11, 12, 13 and 14) is incorporated by reference to the disclosure in that Proxy Statement. The Company’s next Annual Meeting of Stockholders is scheduled to be held on January 28, 2021.

Item 10. Directors, executive officers and corporate governance

The information required by Item 10, with the exception of the information relating to the executive officers of the Company, which is presented in part I above under the heading “Information about our executive officers,” is incorporated herein by reference to the Company’s Proxy Statement, including the following sections: Proposal–1 Election of Directors; and Governance.

The Company has adopted a Code of Conduct and Business Ethics applicable to all employees, officers and directors that incorporates policies and guidelines designed to deter wrongdoing and to promote honest and ethical conduct and compliance with applicable laws and regulations. The Company has also adopted a Code of Ethics for CEO and Financial Executives. This Code applies to and has been signed by the Chief Executive Officer, the Chief Financial Officer and the Chief Accounting Officer. The Company intends to promptly disclose on its website in accordance with applicable rules required disclosure of changes to or waivers, if any, of the Code of Ethics for CEO and Financial Executives or the Code of Conduct and Business Ethics for directors and executive officers.

Charters of all committees of the Company’s Board of Directors, as well as the Company’s Corporate Governance Guidelines and Code of Ethics for CEO and Financial Executives and Code of Conduct and Business Ethics, are available on the Company’s website at investor.walgreensbootsalliance.com or, upon written request and free of charge, in printed hardcopy form. Written requests should be sent to Walgreens Boots Alliance, Inc., Attention: Investor Relations, Mail Stop #1833, 108 Wilmot Road, Deerfield, Illinois 60015.

Item 11. Executive compensation

The information required by Item 11 is incorporated herein by reference to the following sections of the Company’s Proxy Statement: Director Compensation; Executive Compensation; and Governance.

The material incorporated herein by reference to the material under the caption “Compensation Committee Report” in the Proxy Statement shall be deemed furnished, and not filed, in this Form 10-K and shall not be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act as a result of this furnishing, except to the extent that the Company specifically incorporates it by reference.

Item 12. Security ownership of certain beneficial owners and management and related stockholder matters

The information required by Item 12 is incorporated herein by reference to the following sections of the Company’s Proxy Statement: Security Ownership of Certain Beneficial Owners and Management; and Equity Compensation Plan Information.

Item 13. Certain relationships and related transactions and director independence

The information required by Item 13 is incorporated herein by reference to the following sections of the Company’s Proxy Statement: Related Party Transactions; Director Independence; and Governance.

Item 14. Principal accounting fees and services

The information required by Item 14 is incorporated herein by reference to the following section of the Company’s Proxy Statement: Independent Registered Public Accounting Firm Fees and Services.

PART IV

Item 15. Exhibits and financial statement schedules

(a) Documents filed as part of this report:

- (1) **Financial statements.** The following financial statements, supplementary data and reports of independent public accountants appear in part II, item 8 of this Form 10-K and are incorporated herein by reference.

Consolidated Balance Sheets at August 31, 2020 and 2019
Consolidated Statements of Equity, Earnings, Comprehensive Income and Cash Flows for the years ended August 31, 2020, 2019 and 2018
Notes to Consolidated Financial Statements
Management's Report on Internal Control
Report of Independent Registered Public Accounting Firm

- (2) **Financial statement schedules and supplementary information**

Schedules I, II, III, IV and V are not submitted because they are not applicable or not required or because the required information is included in the Financial Statements referenced in (1) above or the notes thereto.

- (3) **Exhibits.** Exhibits 10.1 through 10.57 constitute management contracts or compensatory plans or arrangements required to be filed as exhibits pursuant to Item 15(b) of this Form 10-K.

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

- should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate;
- may have been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement;
- may apply standards of materiality in a way that is different from what may be viewed as material to you or other investors; and
- were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement and are subject to more recent developments.

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

(b) Exhibits

Exhibit

Exhibit No.	Description	SEC Document Reference
2.1*	Purchase and Option Agreement by and among Walgreen Co., Alliance Boots GmbH and AB Acquisitions Holdings Limited dated June 18, 2012 and related annexes.	Incorporated by reference to Annex B-1 to the proxy statement/prospectus forming a part of the Registration Statement on Form S-4 (File No. 333-198768) filed with the SEC pursuant to Rule 424(b)(3) on November 24, 2014.
2.2*	Amendment No. 1 to Purchase and Option Agreement and Walgreen Co. Shareholders Agreement, dated August 5, 2014, by and among Walgreen Co., Alliance Boots GmbH, AB Acquisitions Holdings Limited, Walgreen Scotland Investments LP, KKR Sprint (European II) Limited, KKR Sprint (2006) Limited and KKR Sprint (KPE) Limited, Alliance Santé Participations S.A., Stefano Pessina and Kohlberg Kravis Roberts & Co. L.P.	Incorporated by reference to Annex B-2 to the proxy statement/prospectus forming a part of the Registration Statement on Form S-4 (File No. 333-198768) filed with the SEC pursuant to Rule 424(b)(3) on November 24, 2014.

2.3	Agreement and Plan of Merger, dated October 17, 2014, by and among Walgreen Co., Walgreens Boots Alliance, Inc. and Ontario Merger Sub, Inc.	Incorporated by reference to Annex A to the proxy statement/prospectus forming a part of the Registration Statement on Form S-4 (File No. 333-198768) filed with the SEC pursuant to Rule 424(b)(3) on November 24, 2014.
2.4	Amendment No. 1 to Agreement and Plan of Merger, dated December 23, 2014, by and among Walgreen Co., Walgreens Boots Alliance, Inc. and Ontario Merger Sub, Inc.	Incorporated by reference to Exhibit 2.1 to Walgreens Boots Alliance, Inc.'s Current Report on Form 8-K (File No. 1-36759) filed with the SEC on December 24, 2014.
2.5	Amendment No. 2 to Agreement and Plan of Merger, dated December 29, 2014, by and among Walgreen Co., Walgreens Boots Alliance, Inc. and Ontario Merger Sub, Inc.	Incorporated by reference to Exhibit 2.3 to Walgreens Boots Alliance, Inc.'s Quarterly Report on Form 10-Q for the quarter ended November 30, 2014 (File No. 1-36759) filed with the SEC on December 30, 2014.
2.6*	Amended and Restated Asset Purchase Agreement, dated as of September 18, 2017, by and among Walgreens Boots Alliance, Inc., Walgreen Co. and Rite Aid Corporation	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 September 19, 2017.
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 By-laws of Walgreens Boots Alliance, Inc.	Incorporated by reference to Exhibit 3.1 to Walgreens Boots Alliance, Inc.'s Current Report on Form 8-K (File No. 1-36759) filed with the SEC on June 10, 2016.
4.1**	Indenture, dated as of July 17, 2008, between Walgreen Co. and Wells Fargo Bank, National Association, as trustee.	Incorporated by reference to Exhibit 4.3 to Walgreen Co.'s registration statement on Form S-3ASR (File No. 333-152315) filed with the SEC on July 14, 2008.
4.2	Form of Walgreen Co. 3.100% Note due 2022.	Incorporated by reference to Exhibit 4.4 to Walgreen Co.'s Current Report on Form 8-K (File No. 1-00604) filed with the SEC on September 13, 2012.
4.3	Form of Walgreen Co. 4.400% Note due 2042.	Incorporated by reference to Exhibit 4.5 to Walgreen Co.'s Current Report on Form 8-K (File No. 1-00604) filed with the SEC on September 13, 2012.
4.4	Form of Guarantee of Walgreens Boots Alliance, Inc.	Incorporated by reference to Exhibit 4.1 to Walgreens Boots Alliance, Inc.'s Current Report on Form 8-K12B (File No. 1-36759) filed with the SEC on December 31, 2014.
4.5	Indenture dated November 18, 2014 among Walgreens Boots Alliance, Inc. and Wells Fargo Bank, National Association, as trustee.	Incorporated by reference to Exhibit 4.1 to Walgreen Co.'s Current Report on Form 8-K (File No. 1-00604) filed with the SEC on November 18, 2014.
4.6	Form of 3.300% Notes due 2021.	Incorporated by reference to Exhibit 4.5 to Walgreen Co.'s Current Report on Form 8-K (File No. 1-00604) filed with the SEC on November 18, 2014.
4.7	Form of 3.800% Notes due 2024.	Incorporated by reference to Exhibit 4.6 to Walgreen Co.'s Current Report on Form 8-K (File No. 1-00604) filed with the SEC on November 18, 2014.
4.8	Form of 4.500% Notes due 2034.	Incorporated by reference to Exhibit 4.7 to Walgreen Co.'s Current Report on Form 8-K (File No. 1-00604) filed with the SEC on November 18, 2014.
4.9	Form of 4.800% Notes due 2044.	Incorporated by reference to Exhibit 4.8 to Walgreen Co.'s Current Report on Form 8-K (File No. 1-00604) filed with the SEC on November 18, 2014.
4.10	Form of 2.875% Notes due 2020 (£).	Incorporated by reference to Exhibit 4.2 to Walgreen Co.'s Current Report on Form 8-K (File No. 1-00604) filed with the SEC on November 20, 2014.
4.11	Form of 3.600% Notes due 2025 (£).	Incorporated by reference to Exhibit 4.3 to Walgreen Co.'s Current Report on Form 8-K (File No. 1-00604) filed with the SEC on November 20, 2014.

4.12	Form of 2.125% Notes due 2026 (€).	Incorporated by reference to Exhibit 4.4 to Walgreen Co.'s Current Report on Form 8-K (File No. 1-00604) filed with the SEC on November 20, 2014.
4.13	Indenture, dated as of December 17, 2015, between Walgreens Boots Alliance, Inc. and Wells Fargo Bank, National Association, as trustee	Incorporated by reference to Exhibit 4.1 to the Registration Statement on Form S-3 (File No. 333-208587) filed with the SEC on December 17, 2015.
4.14	Form of 3.450% Notes due 2026	Incorporated by reference to Exhibit 4.5 to Walgreens Boots Alliance, Inc.'s Current Report on Form 8-K (File No. 1-36759) filed with the SEC on June 1, 2016.
4.15	Form of 4.650% Notes due 2046	Incorporated by reference to Exhibit 4.6 to Walgreens Boots Alliance, Inc.'s Current Report on Form 8-K (File No. 1-36759) filed with the SEC on June 1, 2016.
4.16	Form of 3.200% Notes due 2030	Incorporated by reference to Exhibit 4.1 to Walgreens Boots Alliance, Inc.'s Current Report on Form 8-K (File No. 1-36759) filed with the SEC on April 15, 2020.
4.17	Form of 4.100% Notes due 2050	Incorporated by reference to Exhibit 4.2 to Walgreens Boots Alliance, Inc.'s Current Report on Form 8-K (File No. 1-36759) filed with the SEC on April 15, 2020.
4.18	Walgreen Co. Shareholders Agreement, dated as of August 2, 2012, among Walgreen Co., Stefano Pessina, KKR Sprint (European II) Limited, KKR Sprint (2006) Limited and KKR Sprint (KPE) Limited, Alliance Santé Participations S.A., Kohlberg Kravis Roberts & Co. L.P. and certain other investors party thereto.	Incorporated by reference to Exhibit 4.1 to Walgreen Co.'s Current Report on Form 8-K (File No. 1-00604) filed with the SEC on August 6, 2012.
4.19	Letter Agreement between Stefano Pessina and Walgreens Boots Alliance, Inc., dated July 23, 2020	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 July 27, 2020.
4.20	Amendment No. 1 to Purchase and Option Agreement and Walgreen Co. Shareholders Agreement, dated August 5, 2014, by and among Walgreen Co., Alliance Boots GmbH, AB Acquisitions Holdings Limited, Walgreen Scotland Investments LP, KKR Sprint (European II) Limited, KKR Sprint (2006) Limited and KKR Sprint (KPE) Limited, Alliance Santé Participations S.A., Stefano Pessina and Kohlberg Kravis Roberts & Co. L.P.	Incorporated by reference to Annex B-2 to the proxy statement/prospectus forming a part of the Registration Statement on Form S-4 (File No. 333-198768) filed with the SEC pursuant to Rule 424(b)(3) on November 24, 2014.
4.21	Amendment No. 2 to Purchase and Option Agreement and Walgreen Co. Shareholders Agreement, dated December 31, 2014, as Amended by Amendment No. 1, dated as of August 5, 2014, by and among Walgreen Co., Alliance Boots GmbH, AB Acquisitions Holdings Limited, Ontario Holdings WBS Limited, KKR Sprint (European II) Limited, KKR Sprint (2006) Limited and KKR Sprint (KPE) Limited, Alliance Santé Participations S.A., Stefano Pessina and Kohlberg Kravis Roberts & Co. L.P.	Incorporated by reference to Exhibit E to the Schedule 13D filed by Alliance Santé Participations S.A. (File No. 005-88481) filed with the SEC on December 31, 2014).
4.22	Description of Registered Securities.	Filed herewith.
10.1	Walgreens Boots Alliance, Inc. Management Incentive Plan (as amended and restated effective July 1, 2016).	Incorporated by reference to Exhibit 10.2 to Walgreens Boots Alliance, Inc.'s Annual Report on Form 10-K for the year ended August 31, 2016 (File No. 1-36759) filed with the SEC on October 20, 2016.

10.2	Walgreens Boots Alliance, Inc. 2013 Omnibus Incentive Plan (as amended and restated).	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 January 19, 2018.
10.3	Form of Performance Share Award agreement (effective October 2019).	Incorporated by reference to Exhibit 10.3 to Walgreens Boots Alliance, Inc.'s Annual Report on Form 10-K for the year ended August 31, 2019 (File No. 1-36759) filed with the SEC on October 28, 2019.
10.4	Form of Performance Share Award agreement (effective October 2018).	Incorporated by reference to Exhibit 10.2 to Walgreens Boots Alliance, Inc.'s Quarterly Report on Form 10-Q for the quarter ended November 30, 2018 (File No. 1-36759) filed with the SEC on December 20, 2018.
10.5	Form of Performance Share Award agreement (effective October 2017).	Incorporated by reference to Exhibit 10.5 to Walgreens Boots Alliance, Inc.'s Annual Report on Form 10-K for the year ended August 31, 2017 (File No. 1-36759) filed with the SEC on October 25, 2017.
10.6	Form of Stock Option Award agreement (effective October 2019).	Incorporated by reference to Exhibit 10.6 to Walgreens Boots Alliance, Inc.'s Annual Report on Form 10-K for the year ended August 31, 2019 (File No. 1-36759) filed with the SEC on October 28, 2019.
10.7	Form of Stock Option Award agreement (effective October 2018).	Incorporated by reference to Exhibit 10.3 to Walgreens Boots Alliance, Inc.'s Quarterly Report on Form 10-Q for the quarter ended November 30, 2018 (File No. 1-36759) filed with the SEC on December 20, 2018.
10.8	Form of Stock Option Award agreement (effective October 2017).	Incorporated by reference to Exhibit 10.7 to Walgreens Boots Alliance, Inc.'s Annual Report on Form 10-K for the year ended August 31, 2017 (File No. 1-36759) filed with the SEC on October 25, 2017.
10.9	Form of Restricted Stock Unit Award agreement (effective October 2019).	Incorporated by reference to Exhibit 10.20 to Walgreens Boots Alliance, Inc.'s Annual Report on Form 10-K for the year ended August 31, 2019 (File No. 1-36759) filed with the SEC on October 28, 2019.
10.10	Form of Performance Share Award agreement for CEO (November 2019).	Incorporated by reference to Exhibit 10.10 to Walgreens Boots Alliance, Inc.'s Annual Report on Form 10-K for the year ended August 31, 2019 (File No. 1-36759) filed with the SEC on October 28, 2019.
10.11	Form of Performance Share Award agreement for CEO (November 2018).	Incorporated by reference to Exhibit 10.5 to Walgreens Boots Alliance, Inc.'s Quarterly Report on Form 10-Q for the quarter ended November 30, 2018 (File No. 1-36759) filed with the SEC on December 20, 2018.
10.12	Form of Performance Share Award agreement for CEO (November 2017).	Incorporated by reference to Exhibit 10.1 to Walgreens Boots Alliance, Inc.'s Quarterly Report on Form 10-Q for the quarter ended November 30, 2017 (File No. 1-36759) filed with the SEC on January 4, 2018.
10.13	Form of Stock Option Award agreement for CEO (November 2019).	Incorporated by reference to Exhibit 10.14 to Walgreens Boots Alliance, Inc.'s Annual Report on Form 10-K for the year ended August 31, 2019 (File No. 1-36759) filed with the SEC on October 28, 2019.
10.14	Form of Stock Option Award agreement for CEO (November 2018).	Incorporated by reference to Exhibit 10.6 to Walgreens Boots Alliance, Inc.'s Quarterly Report on Form 10-Q for the quarter ended November 30, 2018 (File No. 1-36759) filed with the SEC on December 20, 2018.
10.15	Form of Stock Option Award agreement for CEO (November 2017).	Incorporated by reference to Exhibit 10.2 to Walgreens Boots Alliance, Inc.'s Quarterly Report on Form 10-Q for the quarter ended November 30, 2017 (File No. 1-36759) filed with the SEC on January 4, 2018.
10.16	Form of Restricted Stock Unit Award agreement for CEO (November 2019).	Incorporated by reference to Exhibit 10.18 to Walgreens Boots Alliance, Inc.'s Annual Report on Form 10-K for the year ended August 31, 2019 (File No. 1-36759) filed with the SEC on October 28, 2019.

10.17	Form of Restricted Stock Unit Award agreement for Executive Chairman (November 2019).	Incorporated by reference to Exhibit 10.19 to Walgreens Boots Alliance, Inc.'s Annual Report on Form 10-K for the year ended August 31, 2019 (File No. 1-36759) filed with the SEC on October 28, 2019.
10.18	Form of Restricted Stock Unit Award agreement for Executive Chairman (November 2018).	Incorporated by reference to Exhibit 10.7 to Walgreens Boots Alliance, Inc.'s Quarterly Report on Form 10-Q for the quarter ended November 30, 2018 (File No. 1-36759) filed with the SEC on December 20, 2018.
10.19	Form of Restricted Stock Unit Award agreement for Executive Chairman (November 2017).	Incorporated by reference to Exhibit 10.3 to Walgreens Boots Alliance, Inc.'s Quarterly Report on Form 10-Q for the quarter ended November 30, 2017 (File No. 1-36759) filed with the SEC on January 4, 2018.
10.20	Form of Restricted Stock Unit Award agreement (September 2019).	Incorporated by reference to Exhibit 10.24 to Walgreens Boots Alliance, Inc.'s Annual Report on Form 10-K for the year ended August 31, 2019 (File No. 1-36759) filed with the SEC on October 28, 2019.
10.21	Form of Restricted Stock Unit Award agreement for James Kehoe (June 2018).	Incorporated by reference to Exhibit 10.18 to Walgreens Boots Alliance, Inc.'s Annual Report on Form 10-K (File No. 1-36759) filed with the SEC on October 11, 2018.
10.22	Form of Amendment to Stock Option Award agreements.	Incorporated by reference to Exhibit 10.11 to Walgreen Co.'s Annual Report on Form 10-K for the fiscal year ended August 31, 2014 (File No. 1-00604) filed with the SEC on October 20, 2014.
10.23	Amendments to certain Omnibus Plan Award agreements (October 2018).	Incorporated by reference to Exhibit 10.7 to Walgreens Boots Alliance, Inc.'s Current Report on Form 8-K (File No. 1-36759) filed with the SEC on October 26, 2018.
10.24	UK Sub-Plan under the Walgreens Boots Alliance, Inc. 2013 Omnibus Incentive Plan.	Incorporated by reference to Exhibit 10.16 to Walgreens Boots Alliance, Inc.'s Annual Report on Form 10-K (File No. 1-36759) filed with the SEC on October 28, 2015.
10.25	Form of Stock Option Award agreement under UK Sub-plan (effective October 2019).	Incorporated by reference to Exhibit 10.29 to Walgreens Boots Alliance, Inc.'s Annual Report on Form 10-K for the year ended August 31, 2019 (File No. 1-36759) filed with the SEC on October 28, 2019.
10.26	Form of Stock Option Award agreement under UK Sub-plan (effective October 2018).	Incorporated by reference to Exhibit 10.4 to Walgreens Boots Alliance, Inc.'s Quarterly Report on Form 10-Q for the quarter ended November 30, 2018 (File No. 1-36759) filed with the SEC on December 20, 2018.
10.27	Form of Stock Option Award agreement under UK Sub-plan (effective October 2017).	Incorporated by reference to Exhibit 10.24 to Walgreens Boots Alliance, Inc.'s Annual Report on Form 10-K for the year ended August 31, 2017 (File No. 1-36759) filed with the SEC on October 25, 2017.
10.28	Walgreen Co. Long-Term Performance Incentive Plan (amendment and restatement of the Walgreen Co. Restricted Performance Share Plan).	Incorporated by reference to Exhibit 10.1 to Walgreen Co.'s Current Report on Form 8-K (File No. 1-00604) filed with the SEC on January 11, 2007.
10.29	Walgreen Co. Long-Term Performance Incentive Plan Amendment No. 1 (effective January 10, 2007).	Incorporated by reference to Exhibit 10.2 to Walgreen Co.'s Quarterly Report on Form 10-Q for the quarter ended February 28, 2007 (File No. 1-00604).
10.30	Walgreen Co. Long-Term Performance Incentive Plan Amendment No. 2.	Incorporated by reference to Exhibit 10.1 to Walgreen Co.'s Current Report on Form 8-K (File No. 1-00604) filed with the SEC on April 14, 2011.
10.31	Walgreen Co. Executive Stock Option Plan (as amended and restated effective January 13, 2010).	Incorporated by reference to Exhibit 99.1 to Walgreen Co.'s Current Report on Form 8-K (File No. 1-00604) filed with the SEC on January 20, 2010.
10.32	Walgreen Co. 2002 Executive Deferred Compensation/Capital Accumulation Plan.	Incorporated by reference to Exhibit 10(g) to Walgreen Co.'s Annual Report on Form 10-K for the fiscal year ended August 31, 2002 (File No. 1-00604).

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10.33	Amendment to the Walgreen Co. 2002 et. al. Executive Deferred Compensation/Capital Accumulation Plans.	Incorporated by reference to Exhibit 10.3 to Walgreen Co.'s Quarterly Report on Form 10-Q for the fiscal quarter ended February 28, 2009 (File No. 1-00604).
10.34	Walgreen Co. 2006 Executive Deferred Compensation/Capital Accumulation Plan (effective January 1, 2006).	Incorporated by reference to Exhibit 10(b) to Walgreen Co.'s Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 2005 (File No. 1-00604).
10.35	Walgreen Co. 2011 Executive Deferred Compensation Plan.	Incorporated by reference to Exhibit 10.1 to Walgreen Co.'s Current Report on Form 8-K (File No. 1-00604) filed with the SEC on November 12, 2010.
10.36	Amendment No. 1 to the Walgreen Co. 2011 Executive Deferred Compensation Plan.	Incorporated by reference to Exhibit 10.1 to Walgreen Co.'s Current Report on Form 8-K (File No. 1-00604) filed with the SEC on January 19, 2011.
10.37	Walgreens Boots Alliance, Inc. Executive Retirement Savings Plan (as amended and restated effective January 1, 2020).	Incorporated by reference to Exhibit 10.43 to Walgreens Boots Alliance, Inc.'s Annual Report on Form 10-K for the year ended August 31, 2019 (File No. 1-36759) filed with the SEC on October 28, 2019.
10.38	Share Walgreens Stock Purchase/Option Plan (effective October 1, 1992), as amended.	Incorporated by reference to Exhibit 10(d) to Walgreen Co.'s Quarterly Report on Form 10-Q for the quarter ended February 28, 2003 (File No. 1-00604).
10.39	Share Walgreens Stock Purchase/Option Plan Amendment No. 4 (effective July 15, 2005), as amended.	Incorporated by reference to Exhibit 10(h)(ii) to Walgreen Co.'s Annual Report on Form 10-K for the fiscal year ended August 31, 2005 (File No. 1-00604).
10.40	Share Walgreens Stock Purchase/Option Plan Amendment No. 5 (effective October 11, 2006).	Incorporated by reference to Exhibit 10(b) to Walgreen Co.'s Quarterly Report on Form 10-Q for the quarter ended November 30, 2006 (File No. 1-00604).
10.41	Walgreens Boots Alliance, Inc. Executive Severance and Change in Control Plan (as amended and restated effective August 6, 2019).	Incorporated by reference to Exhibit 10.47 to Walgreens Boots Alliance, Inc.'s Annual Report on Form 10-K for the year ended August 31, 2019 (File No. 1-36759) filed with the SEC on October 28, 2019.
10.42	Offer Letter agreement between Stefano Pessina and Walgreens Boots Alliance, Inc.	Incorporated by reference to Exhibit 10.29 to Walgreens Boots Alliance, Inc.'s Quarterly Report on Form 10-Q for the quarter ended February 28, 2015 (File No. 1-36759) filed with the SEC on April 9, 2015.
10.43	Offer letter agreement dated as of March 6, 2018 between James Kehoe and Walgreens Boots Alliance, Inc.	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 8, 2018.
10.44	Service Agreement between Boots UK Limited and Alex Gourlay, dated January 29, 2009.	Incorporated by reference to Exhibit 10.18 to Walgreens Boots Alliance, Inc.'s Quarterly Report on Form 10-Q for the quarter ended February 28, 2015 (File No. 1-36759) filed with the SEC on April 9, 2015.
10.45	Letter Agreement between Alliance Boots Management Services Limited and Alex Gourlay, dated June 28, 2010.	Incorporated by reference to Exhibit 10.19 to Walgreens Boots Alliance, Inc.'s Quarterly Report on Form 10-Q for the quarter ended February 28, 2015 (File No. 1-36759) filed with the SEC on April 9, 2015.
10.46	Employment Agreement between Alliance UniChem Plc and Ornella Barra dated December 10, 2002.	Incorporated by reference to Exhibit 10.20 to Walgreens Boots Alliance, Inc.'s Quarterly Report on Form 10-Q for the quarter ended February 28, 2015 (File No. 1-36759) filed with the SEC on April 9, 2015.
10.47	Agreement among Alliance Boots plc, Alliance UniChem Plc and Ornella Barra, dated July 31, 2006.	Incorporated by reference to Exhibit 10.21 to Walgreens Boots Alliance, Inc.'s Quarterly Report on Form 10-Q for the quarter ended February 28, 2015 (File No. 1-36759) filed with the SEC on April 9, 2015.
10.48	Novation of Service Agreement among Alliance Boots Holdings Limited, Alliance Boots Management Services MC S.A.M and Ornella Barra, dated June 1, 2013.	Incorporated by reference to Exhibit 10.22 to Walgreens Boots Alliance, Inc.'s Quarterly Report on Form 10-Q for the quarter ended February 28, 2015 (File No. 1-36759) filed with the SEC on April 9, 2015.
10.49	Walgreens Boots Alliance, Inc. Long-Term Global Assignment Relocation Policy	Incorporated by reference to Exhibit 10.68 to Walgreens Boots Alliance, Inc.'s Annual Report on Form 10-K (File No. 1-36759) filed with the SEC on October 28, 2015.

10.50	Secondment Agreement dated September 27, 2013 between Alliance Boots Management Services Limited and Walgreen Co.	Incorporated by reference to Exhibit 10.52 to Walgreen Co.'s Annual Report on Form 10-K for the fiscal year ended August 31, 2013 (File No. 1-00604).
10.51	Assignment Letter dated September 27, 2013 between Alexander Gourlay and Alliance Boots Management Services Ltd.	Incorporated by reference to Exhibit 10.53 to Walgreen Co.'s Annual Report on Form 10-K for the fiscal year ended August 31, 2013 (File No. 1-00604).
10.52	Extension, dated January 27, 2016, to Assignment Letter between Alexander Gourlay and Walgreens Boots Alliance Services Limited (formerly Alliance Boots Management Services Ltd.).	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 February 1, 2016.
10.53	Extension, dated as of March 27, 2017, to Assignment Letter between Alexander Gourlay and Walgreens Boots Alliance Services Limited (formerly Alliance Boots Management Services Ltd.).	Incorporated by reference to Exhibit 10.6 to Walgreens Boots Alliance, Inc.'s Quarterly Report on Form 10-Q for the quarter ended February 28, 2017 (File No. 1-36759) filed with the SEC on April 5, 2017.
10.54	Extension, dated as of July 13, 2017, to Assignment Letter between Alexander Gourlay and Walgreens Boots Alliance Services Limited (formerly Alliance Boots Management Services Ltd.).	Incorporated by reference to Exhibit 10.62 to Walgreens Boots Alliance, Inc.'s Annual Report on Form 10-K for the year ended August 31, 2017 (File No. 1-36759) filed with the SEC on October 25, 2017.
10.55	Extension, dated as of August 1, 2018, to Assignment Letter between Alexander Gourlay and Walgreens Boots Alliance Services Limited.	Incorporated by reference to Exhibit 10.8 to Walgreens Boots Alliance, Inc.'s Current Report on Form 8-K (File No. 1-36759) filed with the SEC on October 26, 2018.
10.56	Extension, effective as of October 22, 2019, to Assignment Letter between Alexander Gourlay and Walgreens Boots Alliance Services Limited.	Incorporated by reference to Exhibit 10.62 to Walgreens Boots Alliance, Inc.'s Annual Report on Form 10-K for the year ended August 31, 2019 (File No. 1-36759) filed with the SEC on October 28, 2019.
10.57	Extension, dated as of July 1, 2020, to Assignment Letter between Alexander Gourlay and Walgreens Boots Alliance Services Limited.	Incorporated by reference to Exhibit 10.6 to Walgreens Boots Alliance, Inc.'s Quarterly Report on Form 10-Q for the quarter ended May 31, 2020 (File No. 1-36759) filed with the SEC on July 9, 2020.
10.58	Shareholders' Agreement, dated as of August 2, 2012, by and among Alliance Boots GmbH, AB Acquisition Holdings Limited and Walgreen Co.	Incorporated by reference to Exhibit 10.1 to Walgreen Co.'s Current Report on Form 8-K (File No. 1-00604) filed with the SEC on August 6, 2012.
10.59	Framework Agreement, dated as of March 18, 2013, by and among Walgreen Co., Alliance Boots GmbH and AmerisourceBergen Corporation.	Incorporated by reference to Exhibit 10.1 to Walgreen Co.'s Current Report on Form 8-K (File No. 1-00604) filed with the SEC on March 20, 2013.
10.60	Shareholders Agreement, dated as of March 18, 2013, by and among Walgreen Co., Alliance Boots GmbH and AmerisourceBergen Corporation.	Incorporated by reference to Exhibit 10.2 to Walgreen Co.'s Current Report on Form 8-K (File No. 1-00604) filed with the SEC on March 20, 2013.
10.61	Revolving Credit Agreement, dated as of August 29, 2018, by and among Walgreens Boots Alliance, Inc., the lenders and letter of credit issuers from time to time party thereto, Wells Fargo Bank, National Association, as administrative agent, and the joint lead arrangers, joint bookrunners and co-syndication.	Incorporated by reference to Exhibit 10.1 to Walgreens Boots Alliance, Inc.'s Current Report on Form 8-K (File No. 001-36759) filed with the SEC on August 30, 2018.
10.62	Credit Agreement, dated as of November 30, 2018, by and among Walgreens Boots Alliance, Inc., the lenders from time to time party thereto and Sumitomo Mitsui Banking Corporation, as sole lead arranger and administrative agent.	Incorporated by reference to Exhibit 10.1 to Walgreens Boots Alliance, Inc.'s Current Report on Form 8-K (File No. 001-36759) filed with the SEC on December 6, 2018.
10.63	Amendment No. 1 to Credit Agreement, dated as of March 25, 2019, by and between Walgreens Boots Alliance, Inc. and Sumitomo Mitsui Banking Corporation, as sole lead arranger and administrative agent, amending that certain Credit Agreement, dated as of November 30, 2018, by and among Walgreens Boots Alliance, Inc., the lenders from time to time party thereto, and Sumitomo Mitsui Banking Corporation, as sole lead arranger and administrative agent.	Incorporated by reference to Exhibit 10.5 to Walgreens Boots Alliance, Inc.'s Quarterly Report on Form 10-Q for the quarter ended February 28, 2019 (File No. 1-36759) filed with the SEC on April 2, 2019.

10.64	Amendment No. 2 to Credit Agreement, dated as of April 2, 2020, by and among Walgreens Boots Alliance, Inc. and Sumitomo Mitsui Banking Corporation, as administrative agent and sole lender.	Incorporated by reference to Exhibit 10.3 to Walgreens Boots Alliance, Inc.'s Current Report on Form 8-K (File No. 1-36759) filed with the SEC on April 6, 2020.
10.65	Revolving Credit Agreement, dated as of December 21, 2018, by and among Walgreens Boots Alliance, Inc., the lenders from time to time party thereto and Bank of America, N.A., as administrative agent.	Incorporated by reference to Exhibit 10.1 to Walgreens Boots Alliance, Inc.'s Current Report on Form 8-K (File No. 001-36759) filed with the SEC on December 26, 2018.
10.66	364-Day Revolving Credit Agreement, dated as of January 18, 2019, by and among Walgreens Boots Alliance, Inc., the lenders from time to time party thereto and Mizuho Bank, Ltd., as administrative agent.	Incorporated by reference to Exhibit 10.1 to Walgreens Boots Alliance, Inc.'s Current Report on Form 8-K (File No. 001-36759) filed with the SEC on January 22, 2019.
10.67	Extension Agreement, dated as of December 18, 2019, by and among Walgreens Boots Alliance, Inc., the lenders party thereto and Mizuho Bank, Ltd., as administrative agent.	Incorporated by reference to Exhibit 10.1 to Walgreens Boots Alliance, Inc.'s Current Report on Form 8-K (File No. 001-36759) filed with the SEC on December 18, 2019.
10.68	Revolving Credit Agreement, dated as of August 30, 2019, by and among Walgreens Boots Alliance, Inc., the lenders from time to time party thereto and HSBC Bank USA, N.A., as administrative agent, and HSBC Securities (USA), Inc., as sole lead arranger.	Incorporated by reference to Exhibit 10.1 to Walgreens Boots Alliance, Inc.'s Current Report on Form 8-K (File No. 001-36759) filed with the SEC on September 4, 2019.
10.69	Revolving Credit Agreement, dated as of August 30, 2019, by and among Walgreens Boots Alliance, Inc., the lenders from time to time party thereto and Citibank, N.A., as administrative agent and sole lead arranger.	Incorporated by reference to Exhibit 10.2 to Walgreens Boots Alliance, Inc.'s Current Report on Form 8-K (File No. 001-36759) filed with the SEC on September 4, 2019.
10.70	Revolving Credit Agreement, dated as of August 30, 2019, by and among Walgreens Boots Alliance, Inc., the lenders from time to time party thereto and UniCredit Bank AG, New York Branch, as administrative agent.	Incorporated by reference to Exhibit 10.3 to Walgreens Boots Alliance, Inc.'s Current Report on Form 8-K (File No. 001-36759) filed with the SEC on September 4, 2019.
10.71	Revolving Credit Agreement, dated as of April 1, 2020, by and among Walgreens Boots Alliance, Inc., the lenders from time to time party thereto and JPMorgan Chase Bank, N.A., as administrative agent.	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 April 6, 2020.
10.72	Revolving Credit Agreement, dated as of April 2, 2020, by and among Walgreens Boots Alliance, Inc., the lenders from time to time party thereto and JPMorgan Chase Bank, N.A., as administrative agent.	Incorporated by reference to Exhibit 10.2 to Walgreens Boots Alliance, Inc.'s Current Report on Form 8-K (File No. 1-36759) filed with the SEC on April 6, 2020.
10.73	Amended and Restated Revolving Credit Agreement, dated as of April 2, 2020, by and among Walgreens Boots Alliance, Inc. and Wells Fargo Bank, National Association, as administrative agent and sole lender.	Incorporated by reference to Exhibit 10.4 to Walgreens Boots Alliance, Inc.'s Current Report on Form 8-K (File No. 1-36759) filed with the SEC on April 6, 2020.
10.74	Revolving Credit Agreement, dated as of April 7, 2020, by and among Walgreens Boots Alliance, Inc., WBA Financial Services Limited, the lenders from time to time party thereto and HSBC Bank plc, as administrative agent.	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 April 7, 2020.
21	Subsidiaries of the Registrant.	Filed herewith.
23.1	Consent of Deloitte & Touche LLP.	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	XBRL Instance Document (The following financial information from this Annual Report on Form 10-K for the fiscal year ended August 31, 2020 formatted in Inline XBRL (Extensive Business Reporting Language) includes: (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Equity; (iii) the Consolidated Statement of Earnings; (iv) the Consolidated Statements of Comprehensive Income; (v) the Consolidated Statements of Cash Flows; and (vi) Notes to Financial Statements).	Filed herewith.
101.SCH	XBRL Taxonomy Extension Schema Document	Filed herewith.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	Filed herewith.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	Filed herewith.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	Filed herewith.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	Filed herewith.
104	Cover Page Interactive Data File (formatted as Inline XBRL document and included in Exhibit 101)	Filed herewith.

* Schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. Copies of any omitted schedule or exhibit will be furnished supplementally to the SEC upon request.

** Other instruments defining the rights of holders of long-term debt of the registrant and its consolidated subsidiaries may be omitted from Exhibit 4 in accordance with Item 601(b)(4)(iii)(A) of Regulation S-K. Copies of any such agreements will be furnished supplementally to the SEC upon request.

Item 16. Form 10-K summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

October 15, 2020

WALGREENS BOOTS ALLIANCE, INC.

By: /s/ James Kehoe

James Kehoe

Executive Vice President and Global Chief Financial Officer

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Pursuant to the requirements of the Securities and Exchange Act of 1934 this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<u>Name</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Stefano Pessina</u> Stefano Pessina	Executive Vice Chairman and Chief Executive Officer (Principal Executive Officer) and Director	October 15, 2020
<u>/s/ James Kehoe</u> James Kehoe	Executive Vice President and Global Chief Financial Officer (Principal Financial Officer)	October 15, 2020
<u>/s/ Heather Dixon</u> Heather Dixon	Senior Vice President, Global Controller and Chief Accounting Officer (Principal Accounting Officer)	October 15, 2020
<u>/s/ James A. Skinner</u> James A. Skinner	Executive Chairman	October 15, 2020
<u>/s/ José E. Almeida</u> José E. Almeida	Director	October 15, 2020
<u>/s/ Janice M. Babiak</u> Janice M. Babiak	Director	October 15, 2020
<u>/s/ David J. Brailer</u> David J. Brailer	Director	October 15, 2020
<u>/s/ William C. Foote</u> William C. Foote	Director	October 15, 2020
<u>/s/ Ginger L. Graham</u> Ginger L. Graham	Director	October 15, 2020
<u>/s/ John A. Lederer</u> John A. Lederer	Director	October 15, 2020
<u>/s/ Dominic P. Murphy</u> Dominic P. Murphy	Director	October 15, 2020
<u>/s/ Nancy M. Schlichting</u> Nancy M. Schlichting	Director	October 15, 2020

**DESCRIPTION OF THE REGISTRANT'S SECURITIES REGISTERED
PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934**

As of August 31, 2020, Walgreens Boots Alliance, Inc. (“Walgreens Boots Alliance,” the “Company,” “we,” “our” and “us” refer solely to Walgreens Boots Alliance, Inc. and not its subsidiaries and any person that succeeds thereto) has four classes of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”): (1) our common stock; (2) our €750,000,000 of 2.125% notes due 2026 (the “notes due 2026” or the “euro notes”), (3) £400,000,000 of 2.875% notes due 2020 (the “notes due 2020”), and (4) £300,000,000 of 3.600% notes due 2025 (the “notes due 2025,” together with the notes due 2020, the “sterling notes,” and the sterling notes together with the euro notes, the “notes”). On September 17, 2020, the Company provided notice to the trustee and the holders of its notes due 2020 that it will redeem in full the £400,000,000 aggregate principal amount outstanding of the notes due 2020 on October 20, 2020.

Description of Common Stock

The following description of our common stock is a summary and does not purport to be complete. It is subject to and qualified in its entirety by reference to our Amended and Restated Certificate of Incorporation (the “Certificate of Incorporation”) and our Amended and Restated By-Laws (the “By-Laws”), each of which are incorporated by reference as exhibits to the Annual Report on Form 10-K. We encourage you to read our Certificate of Incorporation, our By-Laws and the applicable provisions of the Delaware General Corporation Law, for additional information.

General

The authorized capital stock of Walgreens Boots Alliance consists of 3,200,000,000 shares of common stock, par value \$0.01 per share, which is registered under Section 12 of the Exchange Act. All of the shares issued and outstanding are fully paid and nonassessable. As of August 31, 2020, the total number of outstanding shares of Walgreens Boots Alliance was 865,603,519.

Dividends; Liquidation. Subject to the preferences of any outstanding shares of preferred stock, holders of common stock of Walgreens Boots Alliance have equal ratable rights to dividends (payable in cash, stock or otherwise) out of funds legally available for that purpose, when and if dividends are declared by the Board of Walgreens Boots Alliance (the “Board of Directors”). Holders of common stock are entitled to share ratably, as a single class, in all of Walgreens Boots Alliance’s assets available for distribution to holders of shares of common stock upon Walgreens Boots Alliance’s liquidation or dissolution or the winding up of Walgreens Boots Alliance’s affairs, after payment of Walgreens Boots Alliance’s liabilities and any amounts to holders of outstanding shares of preferred stock.

Voting Rights. Generally, holders of Walgreens Boots Alliance’s common stock vote together as a single class on every matter acted upon by the shareholders. Holders of Walgreens Boots Alliance common stock are entitled to one vote per share on all matters submitted to a vote of shareholders, except that in all elections of directors, holders of Walgreens Boots Alliance common stock will be entitled to cumulate their votes for one or more than one candidate. A majority of the outstanding shares entitled to vote on a matter, represented in person or by proxy, will constitute a quorum at any meeting of shareholders. If a quorum is present, the affirmative vote of the majority of shares represented at the meeting and entitled to vote on a matter will be the act of the shareholders, unless the vote of a greater or different number or voting by classes is required by the DGCL, the Certificate of Incorporation or the By-Laws. Except as otherwise provided by law, or by the resolution or resolutions adopted by the Board of Directors designating the rights, powers and preferences of any series and/or class of preferred stock, the holders of Walgreens Boots Alliance common stock have the exclusive right to vote for the election of directors and for all other purposes, and holders of preferred stock are not entitled to receive notice of any meeting of stockholders at which they are not entitled to vote.

Other. The holders of Walgreens Boots Alliance common stock have no preferences or rights of conversion, exchange, pre-emption or other subscription rights. There are no redemption or sinking fund provisions applicable to the common stock. The rights and preferences of holders of common stock are subject to the rights of any series of preferred stock that Walgreens Boots Alliance may issue.

Listing. Our common stock is traded on the Nasdaq Stock Market under the trading symbol “WBA.”

Delaware Anti-Takeover Statute

Delaware corporations may elect not to be governed by Section 203 of the DGCL, *i.e.*, Delaware’s anti-takeover law. Walgreens Boots Alliance has not made this election. Delaware’s anti-takeover law provides that an “interested stockholder,” defined as a person who owns 15% or more of the outstanding voting stock of a corporation or a person who is an associate or affiliate of the corporation and, within the preceding three-year period, owned 15% or more of the outstanding voting stock, may not engage in specified business combinations with the corporation for a period of three years after the date on which the person became an interested stockholder. The law defines the term “business combination” to encompass a wide variety of transactions with or caused by an interested stockholder, including mergers, asset sales and transactions in which the interested stockholder receives or could receive a benefit on other than a pro rata basis with other shareholders. With the affirmative vote of the holders of a majority of the voting power of all then-outstanding shares of Walgreens Boots Alliance capital stock entitled to vote in the election of directors, voting together as a single class, Walgreens Boots Alliance may amend its Certificate of Incorporation in the future to no longer be governed by the anti-takeover law. This amendment would have the effect of allowing any person who owns at least 15% of our outstanding voting stock to pursue a takeover transaction that was not approved by the Board of Directors. However, because Walgreens Boots Alliance has not elected to opt-out of this provision, for transactions not approved in advance by the Board of Directors, the provision might discourage takeover attempts that might result in a premium over the market price for shares of Walgreens Boots Alliance’s common stock.

Limitations of Director Liability and Indemnification

The Certificate of Incorporation provides that directors shall not be personally liable to the corporation or to its shareholders for monetary damages for breach of fiduciary duty as a director, except to the extent such exemption from liability or limitation thereof is not permitted under the DGCL.

Delaware law currently provides that this waiver may not apply to liability:

- for any breach of the director’s duty of loyalty to us or our shareholders;
- for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law;
- under Section 174 of the DGCL (governing distributions to shareholders); or
- for any transaction from which the director derived any improper personal benefit.

In the event the DGCL is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of our directors will be eliminated or limited to the fullest extent permitted by the DGCL, as so amended. The bylaws of Walgreens Boots Alliance further provide that we will indemnify each of our directors and officers, trustees, fiduciaries, employees and agents to the fullest extent permitted by Delaware law.

Transfer Agent

EQ Shareowner Services serves as the transfer agent and registrar for Walgreens Boots Alliance’s common stock.

Description of the Notes

The following description of our notes is a summary and does not purport to be complete. The summary is subject to and qualified in its entirety by reference to the indenture between the Walgreens Boots Alliance and Wells Fargo Bank, National Association, as trustee, dated as of November 18, 2014 and the forms of the notes due 2020, the notes due 2025 and the notes due 2026, each of which are incorporated by reference as exhibits to the Annual Report on Form 10-K. We encourage you to read the above referenced indenture for additional information.

General

The notes due 2020 were initially issued in an aggregate principal amount of £400,000,000. The notes due 2025 were

initially issued in an aggregate principal amount of £300,000,000. The notes due 2026 were initially issued in an aggregate principal amount of €750,000,000 aggregate principal amount. As of August 31, 2019, no such additional notes have been issued.

The notes do not have the benefit of any sinking fund. The notes will not be convertible or exchangeable.

The provisions of the indenture relating to defeasance and covenant defeasance as described in the indenture apply to the notes.

The euro notes were issued in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof. The sterling notes were issued in minimum denominations of £100,000 and integral multiples of £1,000 in excess thereof.

The notes due 2020, the notes due 2025 and the notes due 2026 are each traded on the Nasdaq Stock Market under the bond trading symbols of “WBA20,” “WBA25,” and “WBA26” respectively.

On September 17, 2020, the Company provided notice to the trustee and the holders of its notes due 2020 that it will redeem in full the £400,000,000 aggregate principal amount outstanding of the notes due 2020 on October 20, 2020.

Ranking

Each series of notes are our unsecured, unsubordinated debt obligations and rank equally in right of payment with all of our other unsecured and unsubordinated debt from time to time outstanding.

Interest Payments and Maturity

The notes due 2020 bear interest at a rate of 2.875%, the notes due 2025 bear interest at a rate of 3.600% and the notes due 2026 bear interest at a rate of 2.125%, each accruing from November 20, 2014 or the most recent interest payment date to which interest has been paid or provided for.

We will pay, or cause the paying agent to pay, interest on the notes annually in arrears on November 20 of each year, in each case, to persons in whose names the notes are registered at the close of business on the preceding November 6 (whether or not a Business Day), as the case may be. We will calculate the amount of interest payable on the notes on the basis of the actual number of days in the period for which interest is being calculated and the actual number of days from and including the last date on which interest was paid on the notes, to but excluding the next scheduled interest payment date. This payment convention is referred to as ACTUAL/ACTUAL (ICMA) as defined in the rulebook of the International Capital Market Association. If the date on which a payment of interest or principal on the notes is scheduled to be paid is not a Business Day, then that interest or principal will be paid on the next succeeding Business Day but no further interest will be paid in respect of the delay in such payment.

“Business Day” means any Monday, Tuesday, Wednesday, Thursday or Friday which is not a day when banking institutions are authorized or obligated by law or executive order to be closed in New York City or London and, for any place of payment outside of New York City or London, in such place of payment, and on which the Trans-European Automated Real-time Gross Settlement Express Transfer system (the TARGET2 system), or any successor thereto, operates.

Payments of principal, interest and Additional Amounts (as defined below), if any, in respect of (i) the euro notes are payable in euro and (ii) the sterling notes, are payable in sterling. If euro or sterling, as the case may be, is unavailable to us due to the imposition of exchange controls or other circumstances beyond our control (including the dissolution of the euro) or if the euro is no longer being used by the then member states of the European Monetary Union that have adopted the euro as their currency or for the settlement of transactions by public institutions of or within the international banking community, then all payments in respect of the applicable notes will be made in U.S. dollars until the euro or sterling, as applicable, is again available to us or so used. The amount payable on any date in euro or sterling, as applicable, will be converted into U.S. dollars at the rate mandated by the U.S. Federal Reserve Board as of the close of business on the second business day prior to the relevant payment date or, in the event the U.S. Federal Reserve Board has not mandated a rate of conversion, on the basis of the then most recent U.S. dollar/euro exchange rate or U.S. dollar/sterling exchange rate, as applicable, available on or prior to the second business day prior to the relevant payment date as determined by us in our sole discretion. Any payment in respect of the notes so made in U.S. dollars will not constitute an event of default under the notes or the indenture governing the notes. Neither the trustee nor the paying agent shall have any responsibility for any calculation or conversion

in connection with the foregoing.

The notes will cease to bear interest upon maturity unless, upon due presentation, payment of the amount due is improperly withheld or refused, in which case the notes will continue to bear interest (before as well as after judgment) until the day on which all sums due in respect of such notes up to that day are received by or on behalf of the relevant holder of such notes.

Investors are subject to foreign exchange risks as to payments of principal, interest and Additional Amounts, if any, that may have important economic and tax consequences to them.

Optional Redemption

We may redeem (i) the notes due 2020, at any time prior to October 20, 2020 (one month prior to the maturity date of the notes due 2020) in whole or from time to time prior to October 20, 2020 in part, (ii) the notes due 2025, at any time prior to August 20, 2025 (three months prior to the maturity date of the notes due 2025) in part and (iii) the notes due 2026, at any time prior to August 20, 2026 (three months prior to the maturity date of the notes due 2026) in whole or from time to time prior to August 20, 2026 in part, in each case, at our option at a redemption price equal to the greater of (the “Applicable Premium”):

(1) 100% of the principal amount of the notes to be redeemed; or

(2) the sum of the present values of the remaining scheduled payments of principal and interest thereon (not including any portion of such payments of interest accrued as of the redemption date), discounted to the redemption date on an annual basis (ACTUAL/ACTUAL (ICMA)) at the applicable Comparable Government Bond Rate, plus 20 basis points for the euro notes, plus 20 basis points for the notes due 2020 and plus 20 basis points for the notes due 2025, plus, in every case, accrued and unpaid interest on the notes to be redeemed to, but excluding, the redemption date.

In addition, at any time on or after October 20, 2020 (one month prior to the maturity date of the notes due 2020), with respect to the notes due 2020, or August 20, 2025 (three months prior to the maturity date of the notes due 2025), with respect to the notes due 2025, or August 20, 2026 (three months prior to the maturity date of the notes due 2026) with respect to the notes due 2026, we may redeem some or all of the applicable series of notes at our option, at a redemption price equal to 100% of the principal amount of the applicable notes to be redeemed, plus, in every case, accrued and unpaid interest on the notes to be redeemed to, but excluding, the redemption date.

In any case, the principal amount of a note remaining outstanding after a redemption in part shall be €100,000 or £100,000 or an integral multiple of €1,000 or £1,000 in excess thereof.

Further, installments of interest on notes to be redeemed that are due and payable on interest payment dates falling on or prior to a redemption date will be payable on the applicable interest payment date to the registered holders as of the close of business on the relevant record date according to such notes and the indenture.

For purposes of the optional redemption provisions of the notes, the following terms are applicable:

“Comparable Government Bond” means, in relation to any Comparable Government Bond Rate calculation, at the discretion of an independent investment bank selected by us, (i) with respect to any series of euro notes, a German federal government bond whose maturity is closest to the maturity of the euro notes to be redeemed, or if such independent investment bank in its discretion determines that such similar bond is not in issue, such other German federal government bond as such independent investment bank may, with the advice of three brokers of, and/or market makers in, German federal government bonds selected by us, determine to be appropriate for determining the Comparable Government Bond Rate and (ii) with respect to the sterling notes, the United Kingdom government security or securities whose maturity is closest to the maturity of the sterling notes to be redeemed, or if such independent investment bank in its discretion determines that such similar bond is not in issue, such other United Kingdom government security or securities as such independent investment bank may, with the advice of three brokers of, and/or market makers in, United Kingdom government securities selected by us, determine to be appropriate for determining the Comparable Government Bond Rate.

“Comparable Government Bond Rate” means, with respect to any redemption date, the price, expressed as a percentage (rounded to three decimal places, with 0.0005 being rounded upwards), at which the gross redemption yield on the notes to be redeemed, if they were to be purchased at such price on the third business day prior to the redemption date, would be equal to the gross redemption yield on such Business Day of the Comparable Government Bond (as defined

above) on the basis of the middle market price of the Comparable Government Bond prevailing at 11:00 a.m. (London time) on such Business Day as determined by an independent investment bank selected by us.

Notice of any redemption will be mailed, or delivered electronically if held by any depositary in accordance with such depositary's customary procedures, at least 30 days but not more than 60 days before the redemption date to each registered holder of the notes to be redeemed. Unless we default in payment of the redemption price, on and after the redemption date, interest will cease to accrue on the notes or portions thereof called for redemption. If less than all of the notes of any series are to be redeemed, the notes to be redeemed shall be selected by the securities registrar in accordance with applicable procedures of Clearstream or Euroclear.

The notes are also subject to redemption if certain events occur involving United States taxation.

Additional Amounts

All payments of principal and interest in respect of the notes by us or a paying agent on our behalf will be made free and clear of, and without deduction or withholding for or on account of, any present or future taxes, duties, assessments or other similar governmental charges imposed or levied by the United States or any political subdivision or taxing authority of or in the United States (collectively, "Taxes"), unless such withholding or deduction is required by law.

In the event such withholding or deduction for Taxes is required by law, subject to the limitations described below, we will pay to any beneficial owner of a note that is neither a U.S. Holder (as defined below) nor a partnership for U.S. federal income tax purposes such additional amounts ("Additional Amounts") as may be necessary to ensure that the net amount received by such person, after withholding or deduction for such Taxes, will be equal to the amount such person would have received in the absence of such withholding or deduction.

However, no Additional Amounts shall be payable with respect to any Taxes if such Taxes are imposed or levied for reasons unrelated to the holder's or beneficial owner's ownership or disposition of notes, nor shall Additional Amounts be payable for or on account of:

(a) any Taxes which would not have been so imposed, withheld or deducted but for:

(i) the existence of any present or former connection between the holder or beneficial owner (or between a fiduciary, settlor, beneficiary, member or shareholder or other equity owner of, or a person having a power over, such holder or beneficial owner, if such holder or beneficial owner is an estate, a trust, a limited liability company, a partnership, a corporation or other entity) and the United States, including, without limitation, such holder or beneficial owner (or such fiduciary, settlor, beneficiary, member, shareholder or other equity owner or person having such a power) being or having been a citizen or resident or treated as a resident of the United States, being or having been engaged in a trade or business in the United States, being or having been present in the United States, or having or having had a permanent establishment in the United States;

(ii) the failure of the holder or beneficial owner to comply with any applicable certification, information, documentation or other reporting requirement, if compliance is required under the tax laws and regulations of the United States or any political subdivision or taxing authority of or in the United States to establish entitlement to a partial or complete exemption from such Taxes (including, but not limited to, the requirement to provide Internal Revenue Service Form W-8BEN, Form W-8BEN-E, Form W-8ECI, or any subsequent versions thereof or successor thereto); or

(iii) the holder's or beneficial owner's present or former status as a personal holding company or a foreign personal holding company with respect to the United States, as a controlled foreign corporation with respect to the United States, as a passive foreign investment company with respect to the United States, as a foreign tax exempt organization with respect to the United States or as a corporation that accumulates earnings to avoid United States federal income tax;

(b) any Taxes which would not have been imposed, withheld or deducted but for the failure of the holder or beneficial owner to meet the requirements (including the certification requirements) of Section 871(h) or Section 881(c) of the Internal Revenue Code of 1986, as amended (the "Code");

(c) any Taxes which would not have been imposed, withheld or deducted but for the presentation by the holder or beneficial owner of such note for payment on a date more than 30 days after the date on which such payment became due and payable or the date on which payment of the note is duly provided for and notice is given to holders, whichever occurs later, except to the extent that the holder or beneficial owner would have been entitled to such Additional Amounts on presenting such note on any date during such 30-day period;

(d) any estate, inheritance, gift, sales, excise, transfer, personal property, wealth or similar Taxes;

(e) any Taxes which are payable otherwise than by withholding or deduction from a payment on such note;

(f) any Taxes which are imposed, withheld or deducted with respect to, or payable by, a holder that is not the beneficial owner of the note, or a portion of the note, or that is a fiduciary, partnership, limited liability company or other similar entity, but only to the extent that a beneficial owner, a beneficiary or settlor with respect to such fiduciary or member of such partnership, limited liability company or similar entity would not have been entitled to the payment of an Additional Amount had such beneficial owner, settlor, beneficiary or member received directly its beneficial or distributive share of the payment;

(g) any Taxes required to be withheld or deducted by any paying agent from any payment on any note, if such payment can be made without such withholding or deduction by at least one other paying agent;

(h) any Taxes required to be withheld or deducted where such withholding or deduction is imposed pursuant to European Council Directive 2003/48/EC on the taxation of savings income, or any law implementing or complying with, or introduced in order to conform to, such European Council Directive;

(i) any Taxes imposed, withheld or deducted under Sections 1471 through 1474 of the Code (or any amended or successor provisions), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such sections of the Code;

(j) any Taxes that would not have been imposed, withheld or deducted but for a change in any law, treaty, regulation, or administrative or judicial interpretation that becomes effective more than 15 days after the applicable payment becomes due or is duly provided for, whichever occurs later; or

(k) any combination of items (a), (b), (c), (d), (e), (f), (g), (h), (i) and (j).

Any Additional Amounts paid on the euro notes will be paid in euro and any Additional Amounts paid on the sterling notes will be paid in sterling.

For purposes of this section, the acquisition, ownership, enforcement, or holding of or the receipt of any payment with respect to a note will not constitute a connection (1) between the holder or beneficial owner and the United States or (2) between a fiduciary, settlor, beneficiary, member or shareholder or other equity owner of, or a person having a power over, such holder or beneficial owner if such holder or beneficial owner is an estate, a trust, a limited liability company, a partnership, a corporation or other entity and the United States.

Except as specifically provided under this section "Additional Amounts," we will not be required to make any payment with respect to any tax, duty, assessment or other governmental charge imposed by any government or any political subdivision or taxing authority.

If we are required to pay Additional Amounts with respect to the notes, we will notify the trustee and paying agent pursuant to an officers' certificate that specifies the Additional Amounts payable and when the Additional Amounts are payable. If the trustee and the paying agent do not receive such an officers' certificate from us, the trustee and paying agent may rely on the absence of such an officers' certificate in assuming that no such Additional Amounts are payable.

In addition, we undertake that, to the extent permitted by law, we will maintain a paying agent that will not require withholding or deduction of tax pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such European Council Directive.

As used herein, a "U.S. Holder" means a beneficial owner of a note that is, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
 - a corporation created or organized in or under the laws of the United States, any state within the United States, or the District of Columbia;
 - an estate the income of which is subject to U.S. federal income tax regardless of its source; or
 - a trust if (i) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (ii) the trust
-

validly elected to be treated as a U.S. person under applicable Treasury regulations.

Redemption for Tax Reasons

We may redeem each series of the notes at our option, in whole but not in part, at a redemption price equal to 100% of the principal amount of the notes to be redeemed, together with any accrued and unpaid interest on the notes to be redeemed to, but excluding, the redemption date, at any time, if:

(i) we have or will become obliged to pay Additional Amounts with respect to such series of notes as a result of any change in, or amendment to, the laws, regulations, treaties, or rulings of the United States or any political subdivision of or in the United States or any taxing authority thereof or therein affecting taxation, or any change in, or amendment to, the application, official interpretation, administration or enforcement of such laws, regulations, treaties or rulings (including a holding by a court of competent jurisdiction in the United States), which change or amendment is enacted, adopted, announced or becomes effective on or after November 10, 2014; or

(ii) on or after November 10, 2014, any action is taken by a taxing authority of, or any action has been brought in a court of competent jurisdiction in, the United States or any political subdivision of or in the United States or any taxing authority thereof or therein, including any of those actions specified in clause (i) above, whether or not such action was taken or brought with respect to us, or there is any change, amendment, clarification, application or interpretation of such laws, regulations, treaties or rulings, which in any such case, will result in a material probability that we will be required to pay Additional Amounts with respect to such notes (it being understood that such material probability will be deemed to result if the written opinion of independent tax counsel described in clause (b) below to such effect is delivered to the trustee and the paying agent).

Notice of any redemption will be mailed, or delivered electronically if held by any depository in accordance with such depository's customary procedures, at least 30 days but not more than 60 days before the redemption date to each registered holder of the notes to be redeemed; provided, however, that the notice of redemption shall not be given earlier than 90 days before the earliest date on which we would be obligated to pay such Additional Amounts if a payment in respect of the notes was then due.

Prior to the mailing or delivery of any notice of redemption pursuant to this section, in case of a redemption for the reasons specified in clause (i) or (ii) above, we will deliver to the trustee and the paying agent:

(a) a certificate signed by one of our officers stating that we are entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to our rights to so redeem have occurred, and

(b) a written opinion of independent tax counsel of nationally recognized standing to the effect that we have or will become obligated to pay such Additional Amounts as a result of such change or amendment or that there is a material probability that we will be required to pay Additional Amounts as a result of such action, change, amendment, clarification, application or interpretation, as the case may be.

Such notice, once delivered by us will be irrevocable.

Change of Control

If a change of control triggering event occurs with respect to the notes, unless we have exercised our option to redeem the notes as described above or have defeased the notes as described in the indenture, we will be required to make an offer (a "change of control offer") to each holder of the notes to repurchase all or any part (equal, in respect of the euro notes, to €100,000 or an integral multiple of €1,000 in excess thereof, and in respect of the sterling notes, to £100,000 or an integral multiple of £1,000 in excess thereof) of that holder's notes on the terms set forth in such notes. In a change of control offer, we will be required to offer payment in cash equal to 101% of the aggregate principal amount of notes repurchased, plus accrued and unpaid interest, if any, on the notes repurchased to, but excluding, the date of repurchase (a "change of control payment"). Within 30 days following any change of control triggering event or, at our option, prior to any change of control, but after public announcement of the transaction that constitutes or may constitute the change of control, a notice will be mailed to the trustee and the paying agent and mailed, or delivered electronically if still held in Clearstream or Euroclear in accordance with Clearstream's or Euroclear's customary procedures, to holders of the notes, describing the transaction that constitutes or may constitute the change of control triggering event and offering to repurchase the notes on the date specified in the applicable notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is

mailed (or delivered electronically) (a “change of control payment date”). The notice will, if mailed (or delivered electronically) prior to the date of consummation of the change of control, state that the change of control offer is conditioned on the change of control triggering event occurring on or prior to the applicable change of control payment date.

On each change of control payment date, we will, to the extent lawful:

- accept for payment all notes or portions of notes properly tendered pursuant to the applicable change of control offer;
- deposit with the paying agent an amount equal to the change of control payment in respect of all notes or portions of notes properly tendered; and
- deliver or cause to be delivered to the trustee the notes properly accepted together with an officers’ certificate (with a copy to the paying agent) stating the aggregate principal amount of notes or portions of notes being repurchased.

We will not be required to make a change of control offer upon the occurrence of a change of control triggering event if a third party makes such an offer in the manner, at the times and otherwise in compliance with the requirements for an offer made by us and such third party purchases all notes properly tendered and not withdrawn under its offer. In addition, we will not repurchase any notes if there has occurred and is continuing on the change of control payment date an event of default under the indenture, other than a default in the payment of the change of control payment upon a change of control triggering event.

We will be required to comply with the requirements of Rule 14e-1 under the Exchange Act, and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the notes as a result of a change of control triggering event. To the extent that the provisions of any securities laws or regulations conflict with the change of control offer provisions of the notes, we will be required to comply with such securities laws and regulations and will not be deemed to have breached our obligations under the change of control offer provisions of the notes by virtue of any such conflict and compliance.

For purposes of the change of control offer provisions of the notes, the following terms are applicable:

“Board of Directors” means our board of directors or any authorized committee thereof.

“Change of control” means the occurrence of any of the following: (1) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or more series of related transactions, of all or substantially all of our assets and the assets of our subsidiaries, taken as a whole, to any person, other than us or one of our subsidiaries; (2) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any person becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of more than 50% of our outstanding voting stock or other voting stock into which our voting stock is reclassified, consolidated, exchanged or changed, measured by voting power rather than number of shares; (3) we consolidate with, or merge with or into, any person, or any person consolidates with, or merges with or into, us, in any such event pursuant to a transaction in which any of our outstanding voting stock or the voting stock of such other person is converted into or exchanged for cash, securities or other property, other than any such transaction where the shares of our voting stock outstanding immediately prior to such transaction constitute, or are converted into or exchanged for, a majority of the voting stock of the surviving person or any direct or indirect parent company of the surviving person immediately after giving effect to such transaction, measured by voting power rather than number of shares; (4) the first day on which a majority of the members of our Board of Directors are not continuing directors; or (5) the adoption of a plan relating to our liquidation or dissolution. Notwithstanding the foregoing, (i) the reorganization (and each transaction in connection therewith or related thereto) shall not constitute a change of control, (ii) the Walgreens Merger (and each transaction in connection therewith or related thereto) shall not constitute a change of control and (iii) a transaction will not be deemed to involve a change of control under clause (2) above if (1) we become a direct or indirect wholly owned subsidiary of a holding company and (2)(A) the direct or indirect holders of the voting stock of such holding company immediately following that transaction are substantially the same as the holders of our voting stock immediately prior to that transaction or (B) immediately following that transaction no person (other than a holding company satisfying the requirements of this sentence) is the beneficial owner, directly or indirectly, of more than 50% of the voting stock of such holding company. The term “person,” as used in this definition, has the meaning given thereto in Section 13(d)(3) of the Exchange Act.

The definition of change of control includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of “all or substantially all” of our assets and those of our subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase “substantially all” there is no precise established definition of the phrase under applicable law.

Accordingly, the ability of a holder of notes to require us to repurchase its notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of our assets and of those of our subsidiaries taken as a whole to another person or group may be uncertain.

“Change of control triggering event” means the occurrence of both a change of control and a rating event.

“Continuing directors” means, as of any date of determination, any member of our Board of Directors who (1) was a member of such Board of Directors on the date the notes were issued or (2) was nominated for election, elected or appointed to such Board of Directors with the approval of a majority of the continuing directors who were members of such Board of Directors at the time of such nomination, election or appointment (either by a specific vote or by approval of our proxy statement in which such member was named as a nominee for election as a director, without objection to such nomination).

“Investment grade rating” means a rating equal to or higher than Baa3 (or the equivalent) by Moody’s and BBB- (or the equivalent) by S&P, and the equivalent investment grade credit rating from any replacement rating agency or rating agencies selected by us.

“Moody’s” means Moody’s Investors Service, Inc. and its successors.

“Rating agencies” means (1) each of Moody’s and S&P; and (2) if either of Moody’s or S&P ceases to rate the notes or fails to make a rating of the notes publicly available for reasons outside of our control, a “nationally recognized statistical rating organization” as defined under Section 3(a)(62) of the Exchange Act selected by us (as certified by a resolution of our Board of Directors) as a replacement agency for Moody’s or S&P, or both of them, as the case may be.

“Rating event” means the rating on the notes is lowered by both rating agencies and the notes are rated below an investment grade rating by both rating agencies, in any case on any day during the period (which period will be extended so long as the rating of the notes is under publicly announced consideration for a possible downgrade by any of the rating agencies) commencing upon the first public notice of the occurrence of a change of control or our intention to effect a change of control and ending 60 days following the consummation of the change of control.

“Reorganization” means the reorganization of Walgreen Co. into a holding company structure under which Ontario Merger Sub, Inc., a direct wholly owned subsidiary of Walgreens Boots Alliance, Inc. will merge with and into Walgreen Co. (subject to the satisfaction or waiver of specified closing conditions) and Walgreen Co. will survive such merger as a direct wholly owned subsidiary of Walgreens Boots Alliance, Inc.

“S&P” means Standard & Poor’s Rating Services, a division of The McGraw-Hill Companies, Inc., and its successors.

“Second Step Transaction” means the acquisition by Walgreen Co., Walgreens Boots Alliance, Inc. or any of their respective consolidated subsidiaries of the remaining 55% of the issued and outstanding share capital of Alliance Boots GmbH in exchange for £3.133 billion in cash, payable in British pounds sterling, and 144,333,468 shares of Walgreen Co. common stock (or, if the Reorganization is consummated, 144,333,468 shares of Walgreens Boots Alliance Inc.’s common stock rather than Walgreen Co. common stock), subject to certain specified adjustments.

“Voting stock” means, with respect to any specified “person” (as that term is used in Section 13(d)(3) of the Exchange Act) as of any date, the capital stock of such person that is at the time entitled to vote generally in the election of the board of directors of such person.

“Walgreens Merger” is the merger of Walgreens Boots Alliance, Inc. into Walgreen Co., with Walgreen Co. surviving such merger, if after the consummation of the Second Step Transaction, the Reorganization is not consummated on or prior to the date of the consummation of the Second Step Transaction.

Certain Covenants

Limitation on Liens

We agree that we will not, and will not permit any Restricted Subsidiary (as defined below) to, create, incur, issue, assume or guarantee any indebtedness for borrowed money (“Debt”), secured by a Mortgage (as defined below) upon any Operating Property (as defined below) owned by, or leased to, us or any of our Restricted Subsidiaries, or upon shares of capital

stock or Debt issued by any Restricted Subsidiary and owned by us or any Restricted Subsidiary, at the issue date of each applicable series of outstanding debt securities or thereafter acquired, without effectively providing concurrently that such outstanding debt securities authenticated and delivered under the indenture (together with, if we so determine, any other Debt of ours or any Restricted Subsidiary then existing or thereafter created which is not subordinate in right of payment to such outstanding debt securities) are secured equally and ratably with, or at our option, prior to such Debt so long as such Debt is so secured. The foregoing restrictions will not apply to Debt secured by the following, and the Debt so secured will be excluded from any computation under the next succeeding paragraph below:

1. Mortgages on property existing at the time of the acquisition thereof;
2. Mortgages on property of a corporation or other entity existing at the time such corporation or other entity is merged into or consolidated with us or a Restricted Subsidiary or at the time of a sale, lease or other disposition of the properties of such corporation or other entity (or a division of such corporation or other entity) as an entirety or substantially as an entirety to us or a Restricted Subsidiary, provided that any such Mortgage does not extend to any property owned by us or any Restricted Subsidiary immediately prior to such merger, consolidation, sale, lease or disposition;
3. Mortgages on property of a corporation or other entity existing at the time such corporation or other entity becomes a Restricted Subsidiary;
4. Mortgages in favor of us or a Restricted Subsidiary;
5. Mortgages to secure all or part of the cost of acquisition, construction, development or improvement of the underlying property, or to secure Debt incurred to provide funds for any such purpose, provided that the commitment of the creditor to extend the credit secured by any such Mortgage shall have been obtained not later than 365 days after the later of (a) the completion of the acquisition, construction, development or improvement of such property or (b) the placing in operation of such property;
6. Mortgages in favor of the United States or any state thereof, or any department, agency or instrumentality or political subdivision of the United States or any state thereof, or in favor of any other country, or any department, agency or instrumentality or any political subdivision thereof, to secure partial, progress, advance or other payments; and
7. Mortgages existing on the issue date of the applicable series of outstanding debt securities or any extension, renewal, replacement or refunding of any Debt secured by a Mortgage existing on the issue date of the applicable series of outstanding debt securities or referred to in clauses (1) to (3) or (5), provided that the principal amount of Debt secured thereby and not otherwise authorized by clauses (1) to (3) or (5) shall not exceed the principal amount of Debt, plus any premium or fee payable in connection with any such extension, renewal, replacement or refunding, so secured at the time of such extension, renewal, replacement or refunding.

Notwithstanding the restrictions described above, we and our Restricted Subsidiaries may create, incur, issue, assume or guarantee Debt secured by Mortgages without equally and ratably securing the outstanding debt securities authenticated and delivered under the indenture if, at the time of such creation, incurrence, issuance, assumption or guarantee, after giving effect thereto and to the retirement of any Debt which is concurrently being retired, the aggregate amount of all such Debt secured by Mortgages (other than (i) any Debt secured by Mortgages permitted as described in clauses (1) through (7) of the immediately preceding paragraph and (ii) any Debt secured in compliance with the first paragraph of this covenant) that would otherwise be subject to these restrictions, together with all Attributable Debt (as defined below) with respect to Sale and Leaseback Transactions (as defined below) (other than with respect to certain Sale and Leaseback Transactions that are permitted as described in the second full paragraph under the caption “-Limitation on Sale and Leaseback Transactions” below) does not exceed 15% of Consolidated Net Tangible Assets (as defined below).

“Board of Directors” means our board of directors or any authorized committee thereof.

“Consolidated Net Tangible Assets” means, at any date, the total amount, as shown on or reflected in our (or, if applicable at such date, our predecessor’s) most recent consolidated balance sheet as at the end of our fiscal quarter ending not more than 135 days prior to such date, of all assets of the Company and our consolidated subsidiaries on a consolidated basis in accordance with United States generally accepted accounting principles (giving pro forma effect to any acquisition or disposition of assets of the Company or any of our subsidiaries with fair value in excess of \$100,000,000 that has occurred since the end of such fiscal quarter as if such acquisition or disposition had occurred on the last day of such fiscal quarter), less (i) all current liabilities (due within one year) as shown on such balance sheet, except for current maturities of long-term debt and of obligations under capital leases, (ii) investments in and advances to Unrestricted Subsidiaries and (iii) Intangible Assets.

“Domestic Subsidiary” means any Subsidiary of ours that is not a Foreign Subsidiary.

“Foreign Subsidiary” means any Subsidiary of ours that is not organized under the laws of the United States or any jurisdiction within the United States and any direct or indirect Subsidiary thereof.

“Intangible Assets” means, at any date, the value, as shown on or reflected in our (or, if applicable at such date, our predecessor’s) most recent consolidated balance sheet as at the end of our fiscal quarter ending not more than 135 days prior to such date, of all trade names, trademarks, licenses, patents, copyrights, service marks, goodwill and other like intangibles of the Company and our consolidated subsidiaries on a consolidated basis in accordance with United States generally accepted accounting principles (and giving pro forma effect to any acquisition or disposition of assets of the Company or any of our subsidiaries with fair value in excess of \$100,000,000 that has occurred since the end of such fiscal quarter as if such acquisition or disposition had occurred on the last day of such fiscal quarter).

“Mortgage” means, with respect to any property or assets, any mortgage, deed of trust, pledge, hypothecation, assignment, security interest, lien, encumbrance, or other security arrangement of any kind or nature whatsoever on or with respect to such property or assets (including any conditional sale or other title retention agreement having substantially the same economic effect as any of the foregoing).

“Operating Property” means any real property or equipment located within the United States and owned by, or leased to, us or any of our Subsidiaries that has a net book value (after deduction of accumulated depreciation) in excess of 1.0% of Consolidated Net Tangible Assets.

“Restricted Subsidiary” means any Domestic Subsidiary other than an Unrestricted Subsidiary; provided, however, the Board of Directors of the Company may declare any such Unrestricted Subsidiary to be a Restricted Subsidiary effective as of the date such resolution is adopted.

“Subsidiary” means any corporation or other entity of which at least a majority of the outstanding capital stock or other equity interests having by the terms thereof ordinary voting power to elect a majority of the directors, managers or trustees of such corporation or other entity, irrespective of whether or not at the time capital stock or other equity securities of any other class or classes of such corporation or other entity shall have or might have voting power by reason of the happening of any contingency, is at the time, directly or indirectly, owned or controlled by us or by one or more of our Subsidiaries, or by us and one or more of our Subsidiaries.

“Unrestricted Subsidiary” means any Domestic Subsidiary designated as an Unrestricted Subsidiary from time to time by our Board of Directors; provided, however, that our Board of Directors (i) will not designate as an Unrestricted Subsidiary any of our Domestic Subsidiaries that owns any Operating Property or any capital stock of a Restricted Subsidiary, (ii) will not continue the designation of any of our Domestic Subsidiaries as an Unrestricted Subsidiary at any time that such Domestic Subsidiary owns any Operating Property, and (iii) will not, nor will it cause or permit any Restricted Subsidiary to, transfer or otherwise dispose of any Operating Property to any Unrestricted Subsidiary (unless such Unrestricted Subsidiary will in connection therewith be redesignated as a Restricted Subsidiary and any pledge, mortgage, security interest or other lien arising in connection with any Debt of such Unrestricted Subsidiary so redesignated does not extend to such Operating Property (unless the existence of such pledge, mortgage, security interest or other lien would otherwise be permitted under the indenture)).

Limitation on Sale and Leaseback Transactions

We agree that we will not, and will not permit any Restricted Subsidiary to, enter into any arrangement with any person providing for the leasing by us or any Restricted Subsidiary of any Operating Property that has been or is to be sold or transferred by us or such Restricted Subsidiary to such person with the intention of taking back a lease of such property (a “Sale and Leaseback Transaction”), unless the terms of such sale or transfer have been determined by our Board of Directors to be fair and arm’s-length and either:

within 180 days after the receipt of the proceeds of the sale or transfer, we or any Restricted Subsidiary apply an amount equal to the greater of the net proceeds of the sale or transfer or the fair value of such Operating Property at the time of such sale or transfer to either (or a combination of) (i) the prepayment or retirement (other than any mandatory prepayment or retirement of unsecured Debt) of Senior Funded Debt (as defined below) or (ii) the purchase, construction or development of other comparable property; or

we or such Restricted Subsidiary would be entitled, at the effective date of the sale or transfer, to incur Debt secured

by a Mortgage on such Operating Property, in an amount at least equal to the Attributable Debt in respect of the Sale and Leaseback Transaction, without equally and ratably securing the debt securities pursuant to the covenant described under “-Limitation on Liens” above.

The foregoing restriction in the paragraph above will not apply to any Sale and Leaseback Transaction (i) for a term of not more than three years including renewals or (ii) between us and a Restricted Subsidiary or between Restricted Subsidiaries, provided that the lessor is us or a wholly owned Restricted Subsidiary.

“Attributable Debt” in respect of a Sale and Leaseback Transaction means, at the time of determination, the amount of future minimum operating lease payments required to be disclosed by United States generally accepted accounting principles, less any amounts required to be paid on account of maintenance and repairs, insurance, taxes, assessments, water rates and similar charges, discounted using the methodology used to calculate the present value of operating lease payments in our (or, if applicable at such date, our predecessor’s) most recent Annual Report on Form 10-K preceding the date of determination reflecting that calculation.

“Funded Debt” means Debt which matures more than one year from the date of creation, or which is extendable or renewable at the sole option of the obligor so that it may become payable more than one year from such date or which is classified, in accordance with United States generally accepted accounting principles, as long-term debt on the consolidated balance sheet for the most-recently ended fiscal quarter (or if incurred subsequent to the date of such balance sheet, would have been so classified) of the person for which the determination is being made. Funded Debt does not include (1) obligations created pursuant to leases, (2) any Debt or portion thereof maturing by its terms within one year from the time of any computation of the amount of outstanding Funded Debt unless such debt shall be extendable or renewable at the sole option of the obligor in such manner that it may become payable more than one year from such time, or (3) any Debt for which money in the amount necessary for the payment or redemption of such Debt is deposited in trust either at or before the maturity date thereof.

“Senior Funded Debt” means all Funded Debt of ours or any person (except Funded Debt, the payment of which is subordinated to the payment of the debt securities authenticated and delivered under the indenture).

Merger, Consolidation or Sale of Assets

We covenant not to (1) consolidate or amalgamate with or merge into any other person (whether or not affiliated with us) or convey, transfer or lease our properties and assets as an entirety or substantially as an entirety to any other person (whether or not affiliated with us) or (2) permit any other person (whether or not affiliated with us) to consolidate or amalgamate with or merge into us, or convey, transfer or lease its properties and assets as an entirety or substantially as an entirety to us, unless (a) in the case of (1) above, the person formed by such consolidation or amalgamation or into which we are merged or the person which acquires by conveyance or transfer, or which leases, our properties and assets as an entirety or substantially as an entirety is a person organized and existing under the laws of the United States, any state thereof or the District of Columbia, and shall expressly assume, by supplemental indenture satisfactory in form to the trustee, executed by the successor person and delivered to the trustee, the due and punctual payment of the principal of, and premium, if any, and interest on, and additional amounts, if any, with respect to all of the debt securities authenticated and delivered under the indenture, and the performance of our obligations under the indenture and the outstanding debt securities authenticated and delivered thereunder and shall provide for conversion or exchange rights in accordance with the provisions of the debt securities authenticated and delivered under the indenture of any series that are convertible or exchangeable into common stock or other securities; (b) immediately after giving 10 effect to such transaction and treating any indebtedness which becomes an obligation of ours or a Subsidiary as a result of such transaction as having been incurred by us or such Subsidiary at the time of such transaction, no event of default, and no event which, after notice or lapse of time, or both, would become an event of default, has occurred and is continuing; and (c) we or the successor person have delivered to the trustee an officers’ certificate and an opinion of counsel, each satisfactory to the trustee and stating that such transaction and, if a supplemental indenture is required in connection with such transaction, such supplemental indenture, comply with this covenant and that all conditions precedent in the indenture provided for relating to such transaction have been complied with.

Notwithstanding the foregoing, any conveyance, transfer or lease of assets between or among the Company, Walgreens Co. and their respective subsidiaries shall not be prohibited under the indenture.

Defeasance; Satisfaction and Discharge

The notes are subject to defeasance and discharge, as set forth in the indenture, provided, that (i) upon any redemption that requires the payment of the Applicable Premium, the amount deposited shall be sufficient for purposes of the indenture

to the extent that an amount is deposited with the trustee or the paying agent, as applicable, equal to the Applicable Premium calculated as of the date of the notice of redemption (and calculated as though the redemption date were the date of such notice of redemption), with any deficit as of the redemption date only required to be deposited with the trustee or the paying agent, as applicable, on or prior to the redemption date and (ii) any reference to “Government Obligations” in respect of the euro notes shall refer to “Federal Republic of Germany Obligations” and “Federal Republic of Germany Obligations” shall mean (1) direct obligations of the Federal Republic of Germany, where the payment or payment thereunder are supported by the full faith and credit of the Federal Republic of Germany or (2) obligations of a person controlled or supervised by and acting as an agency or instrumentality of the Federal Republic of Germany, where the timely payment or payments thereunder are unconditionally guaranteed as a full faith and credit obligation by the Federal Republic of Germany, which, in either case under clauses (1) or (2) are not callable or redeemable at the option of the issuer thereof, and shall also include a depositary receipt issued by a bank or trust company as custodian with respect to any such Federal Republic of Germany Obligations or a specific payment of interest on or principal of or other amount with respect to any such Federal Republic of Germany Obligations held by such custodian for the account of the holder of a depositary receipt, provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depositary receipt from any amount received by the custodian in respect of the Federal Republic of Germany Obligations or the specific payment of interest on or principal of or other amount with respect to the Federal Republic of Germany Obligations evidenced by such depositary receipt.

Events of Default

Each of the following events will constitute an event of default under the indenture with respect to the notes issued:

- default in the payment of any interest on any debt security of such series, or any additional amounts payable with respect thereto, when interest or additional amounts become due and payable, and continuance of such default for a period of 30 days;
- default in the payment of the principal of or any premium on any debt security of such series, or any additional amounts payable with respect thereto, when such principal, premium or such additional amounts become due and payable at their maturity, upon any redemption, upon declaration of acceleration or otherwise;
- default in the deposit of any sinking fund payment when and as due by the terms of any debt security of such series; or
- default in the performance, or breach, of any covenant or warranty of ours contained in the indenture for the benefit of such series or in the debt securities of such series (other than a covenant or warranty a default in the performance or the breach of which is dealt with elsewhere in the indenture or which is expressly included in the indenture solely for the benefit of a series of debt securities other than such series), and continuance of such default or breach for a period of 60 days after written notice as provided in the indenture;
- if any event of default as defined in any mortgage, indenture or instrument under which there may be issued, or by which there may be secured or evidenced, any of our debt (including any event of default under any other series of debt securities), whether such debt now exists or is created or incurred, shall happen and shall consist of default in the payment of more than \$200 million of such debt at its maturity (after giving effect to any applicable grace period) or shall result in more than \$200 million in principal amount of such debt becoming or being declared due and payable prior to the date on which it would otherwise become due and payable; provided, however, that, if such default under such mortgage, indenture or instrument is cured by us, or waived by the holders of such debt, in each case as may be permitted by such mortgage, indenture or instrument, then the event of default under the indenture caused by such default will be deemed likewise to be cured or waived;
- particular events in bankruptcy, insolvency or reorganization; or
- any other event of default provided in or pursuant to the indenture with respect to debt securities of such series.

No event of default with respect to a particular series of debt securities issued under the indenture necessarily constitutes an event of default with respect to any other series of debt securities issued thereunder. Any modifications to the foregoing events of default will be described in any prospectus supplement.

The indenture provides that if an event of default with respect to the debt securities of any series at the time outstanding (other than an event of default described in the sixth bullet above) occurs and is continuing, either Wells Fargo Bank, National Association (the “Trustee”) or the holders of not less than 25% in principal amount of the outstanding debt securities of such series may declare the principal amount of all outstanding debt securities of such series, or such lesser amount as may be provided for in the debt securities of such series, to be due and payable immediately, by a notice in writing to us (and to the

Trustee if given by the holders), and upon any such declaration such principal or such lesser amount shall become immediately due and payable.

If an event of default described in the sixth bullet above (relating to events in bankruptcy, insolvency or reorganization of us) occurs, all unpaid principal of and accrued interest on the outstanding debt securities of that series (or such lesser amount as may be provided for in the debt securities of such series) shall ipso facto become and be immediately due and payable without any declaration or other act on the part of the Trustee or any holder of any debt security of that series.

At any time after a declaration of acceleration with respect to the debt securities of any series is made and before a judgment or decree for payment of the money due is obtained by the Trustee, and subject to particular other provisions of the indenture, the holders of not less than a majority in principal amount of the outstanding debt securities of such series, by written notice to us and the Trustee, may, under some circumstances, rescind and annul such declaration and its consequences.

Within 90 days after the occurrence of any default under the indenture with respect to the debt securities of any series, the Trustee shall deliver to all holders of debt securities of such series notice of such default hereunder actually known to a responsible officer of the Trustee, unless such default shall have been cured or waived; provided, however, that, except in the case of a default in the payment of the principal of (or premium, if any), or interest, if any, on, or additional amounts or any sinking fund or purchase fund installment with respect to, any debt security of such series, the Trustee shall be protected in withholding such notice if and so long as the Trustee in good faith determines that the withholding of such notice is in the best interest of the holders of debt securities of such series; and provided, further, that in the case of any default of the character specified in the fourth bullet of the first paragraph above with respect to debt securities of such series, no such notice to holders shall be given until at least 60 days after the occurrence thereof. For the purpose of this paragraph, the term “default” means any event which is, or after notice or lapse of time or both would become, an event of default with respect to debt securities of such series.

Concerning the Trustee and Paying Agent

Wells Fargo Bank, National Association is the trustee. Deutsche Bank Trust Company Americas is the paying agent and authenticating agent for the notes. Deutsche Bank Luxembourg S.A. is the securities registrar for the notes. We entered into a registrar and paying agent agreement in relation to the notes between us, Deutsche Bank Trust Company Americas, as paying agent, and Deutsche Bank Luxembourg S.A., as securities registrar. Payment of principal of and interest on the notes are made through the office of the paying agent. Each of Wells Fargo Bank, National Association, Deutsche Bank Trust Company Americas and Deutsche Bank Luxembourg S.A., each in each of its capacities, including without limitation as trustee, paying agent and securities registrar, as applicable, assumes no responsibility for the accuracy or completeness of the information contained in this document or the related documents or for any failure by us or any other party to disclose events that may have occurred and may affect the significance or accuracy of such information. We maintain banking relationships in the ordinary course of business with the trustee and its affiliates, the paying agent and its affiliates and the securities registrar and its affiliates.

Book-entry System

Global Notes

We issued the notes in the form of one or more global notes (the “global notes”) in definitive, fully registered, book-entry form without coupons. The global notes were deposited with a common depository (and registered in the name of its nominee) for, and in respect of interests held through, Clearstream Banking, *société anonyme*, which we refer to as “Clearstream,” or Euroclear Bank S.A./ N.V., which we refer to as “Euroclear.”

Except as set forth below, the global notes may be transferred, in whole and not in part, only to a common depository for Clearstream and Euroclear or its nominee. No link is expected to be established among The Depository Trust Company and Clearstream or Euroclear in connection with the issuance of the notes.

Clearstream and Euroclear

Beneficial interests in the global notes are represented through book-entry accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in Clearstream or Euroclear. Those beneficial interests are in denominations of €100,000 and integral multiples of €1,000 in excess thereof with respect to the euro notes and in denominations of £100,000 and integral multiples of £1,000 in excess thereof with respect to the sterling notes. Should certificates be issued to individual holders of the notes, a holder of notes who, as a result of trading or otherwise, holds a

principal amount of notes of a specified series that is less than the minimum denomination of notes specified for such series would be required to purchase an additional principal amount of notes such that its holding of notes of such series amounts to the minimum specified denomination. Investors may hold interests in the global notes through Clearstream or Euroclear either directly if they are participants in such systems or indirectly through organizations that are participants in such systems.

Except as set forth in the indenture, owners of beneficial interests in the global notes will not be entitled to have notes registered in their names, and will not receive or be entitled to receive physical delivery of notes in definitive form. Except as provided below, beneficial owners will not be considered the owners or holders of the notes under the indenture. Accordingly, each beneficial owner must rely on the procedures of the clearing systems and, if such person is not a participant of the clearing systems, on the procedures of the participant through which such person owns its interest, to exercise any rights of a holder under the indenture. Under existing industry practices, if we request any action of holders or a beneficial owner desires to give or take any action which a holder is entitled to give or take under the indenture, the clearing systems would authorize their participants holding the relevant beneficial interests to give or take action and the participants would authorize beneficial owners owning through the participants to give or take such action or would otherwise act upon the instructions of beneficial owners. Conveyance of notices and other communications by the clearing systems to their participants, by the participants to indirect participants and by the participants and indirect participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Persons who are not Euroclear or Clearstream participants may beneficially own notes held by the common depositary for Euroclear and Clearstream only through direct or indirect participants in Euroclear and Clearstream.

Certain subsidiaries of Walgreens Boots Alliance, Inc. as of August 31, 2020 and their respective state of incorporation or organization are listed below. The names of certain other subsidiaries have been omitted because, considered in the aggregate as a single subsidiary, they would not constitute, as of August 31, 2020, a “significant subsidiary” as that term is defined in Rule 1-02(w) of Regulation S-X.

Name	State or Country of Incorporation
Walgreen Arizona Drug Co.	Arizona
Walgreens Boots Alliance Holdings LLC	Delaware
Waltrust Properties, Inc.	Delaware
Walgreens Specialty Pharmacy, LLC	Delaware
Prime Therapeutics Specialty Pharmacy LLC	Delaware
WBA Investments, Inc.	Delaware
WBA Financial, LLC	Delaware
United Company of Pharmacists SAE	Egypt
Alliance Healthcare Répartition	France
Alliance Healthcare Deutschland AG	Germany
Walgreens Boots Alliance (Hong Kong) Investments Limited	Hong Kong
Walgreen Co.	Illinois
Bond Drug Company of Illinois, LLC	Illinois
Boots Retail (Ireland) Limited	Ireland
Walgreen Louisiana Co., Inc.	Louisiana
Walgreen International S.à r.l.	Luxembourg
Superior Luxco 1 S.à r.l.	Luxembourg
Walgreen Investments Luxembourg S.à r.l.	Luxembourg
WBA Luxembourg 7 S.à r.l.	Luxembourg
WBA Luxembourg 6 S.à r.l.	Luxembourg
Farmacias Benavides S.A.B. de C.V.	Mexico
Walgreen Eastern Co., Inc.	New York
Duane Reade	New York
Walgreen of Puerto Rico, Inc.	Puerto Rico
Alliance Healthcare Romania SRL	Romania
Alliance Healthcare España S.A.	Spain
Alliance Healthcare Ecza Deposu Anonim Şirketi	Turkey
Boots UK Limited	United Kingdom
The Boots Company PLC	United Kingdom
Alliance Healthcare (Distribution) Limited	United Kingdom
Alliance Boots Holdings Limited	United Kingdom
WBA Acquisitions UK Holdco 7 Limited	United Kingdom
Superior Acquisitions Limited	United Kingdom
WBAD Holdings Limited	United Kingdom
WBA International Limited	United Kingdom
Walgreens Boots Alliance Limited	United Kingdom
WBA Acquisitions UK Topco Limited	United Kingdom
Superior Holdings Limited	United Kingdom

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-201327 and 333-198768 on Form S-8 and Registration Statement Nos. 333-228923 and 333-209569 on Form S-3 of our reports dated October 15, 2020 related to the consolidated financial statements of Walgreens Boots Alliance, Inc. (the “Company”) and the effectiveness of the Company’s internal control over financial reporting, appearing in this Annual Report on Form 10-K of the Company for the year ended August 31, 2020.

/s/ DELOITTE & TOUCHE LLP

Chicago, Illinois

October 15, 2020

CERTIFICATION

I, Stefano Pessina, certify that:

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

/s/

Stefano Pessina

Chief Executive Officer

Date: October 15, 2020

Stefano Pessina

CERTIFICATION

I, James Kehoe, certify that:

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

/s/

James Kehoe

Global Chief Financial Officer

Date: October 15, 2020

James Kehoe

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

In connection with the Annual Report of Walgreens Boots Alliance, Inc., a Delaware corporation (the "Company"), on Form 10-K for the year ended August 31, 2020 as filed with the Securities and Exchange Commission (the "Report"), I, Stefano Pessina, Chief Executive Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Stefano Pessina
Stefano Pessina
Chief Executive Officer
Dated: October 15, 2020

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 Annual Report of Walgreens Boots Alliance, Inc., a Delaware corporation (the "Company"), on Form 10-K for the year ended August 31, 2020 as filed with the Securities and Exchange Commission (the "Report"), I, James Kehoe, Global Chief Financial Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ James Kehoe

James Kehoe
Global Chief Financial Officer
Dated: October 15, 2020

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.