

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended February 29, 2016

or

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
(State of Incorporation)

47-1758322
(I.R.S. Employer Identification No.)

108 Wilmot Road, Deerfield, Illinois
(Address of principal executive offices)

60015
(Zip Code)

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

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The number of shares outstanding of the registrant's Common Stock, \$.01 par value, as of March 31, 2016 was 1,080,245,720.

WALGREENS BOOTS ALLIANCE, INC.

FORM 10-Q FOR THE QUARTER ENDED FEBRUARY 29, 2016

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

Item 1.	Consolidated Condensed Financial Statements (Unaudited)	3
a)	Balance Sheets	3
b)	Statement of Equity	4
c)	Statements of Earnings	5
d)	Statements of Comprehensive Income	6
e)	Statements of Cash Flows	7
f)	Notes to Financial Statements	8
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	33
Item 3.	Quantitative and Qualitative Disclosure about Market Risk	50
Item 4.	Controls and Procedures	51

PART II. OTHER INFORMATION

Item 1.	Legal Proceedings	51
Item 1A.	Risk Factors	51
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	52
Item 6.	Exhibits	52

PART I. FINANCIAL INFORMATION

Item 1. **Consolidated Condensed Financial Statements (Unaudited)**

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

	February 29, 2016	August 31, 2015
Assets		
Current Assets:		
Cash and cash equivalents	\$ 3,586	\$ 3,000
Accounts receivable, net	6,733	6,849
Inventories	9,025	8,678
Other current assets	1,034	1,130
Total Current Assets	<u>20,378</u>	<u>19,657</u>
Non-Current Assets:		
Property, plant and equipment, at cost, less accumulated depreciation and amortization	14,552	15,068
Goodwill	15,796	16,372
Intangible assets	11,122	12,351
Other non-current assets	4,537	5,334
Total Non-Current Assets	<u>46,007</u>	<u>49,125</u>
Total Assets	<u>\$ 66,385</u>	<u>\$ 68,782</u>
Liabilities and Equity		
Current Liabilities:		
Short-term borrowings	\$ 1,052	\$ 1,068
Trade accounts payable	9,873	10,088
Accrued expenses and other liabilities	5,050	5,225
Income taxes	297	176
Total Current Liabilities	<u>16,272</u>	<u>16,557</u>
Non-Current Liabilities:		
Long-term debt	12,974	13,315
Deferred income taxes	3,107	3,538
Other non-current liabilities	4,114	4,072
Total Non-Current Liabilities	<u>20,195</u>	<u>20,925</u>
Commitments and Contingencies (see Note 12)		
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 February 29, 2016 and August 31, 2015	12	12
Paid-in capital	10,041	9,953
Employee stock loan receivable	(1)	(2)
Retained earnings	26,348	25,089
Accumulated other comprehensive (loss) income	(1,868)	(214)
Treasury stock, at cost; 92,853,639 shares at February 29, 2016 and 82,603,274 at August 31, 2015	(5,026)	(3,977)
Total Walgreens Boots Alliance, Inc. Shareholders' Equity	<u>29,506</u>	<u>30,861</u>
Noncontrolling interests	412	439
Total Equity	<u>29,918</u>	<u>31,300</u>
Total Liabilities and Equity	<u>\$ 66,385</u>	<u>\$ 68,782</u>

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

WALGREENS BOOTS ALLIANCE, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENT OF EQUITY
(UNAUDITED)

For the six month period ended February 29, 2016
(In millions, except per share amounts)

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, 2015	1,089,910,344	\$ 12	\$ (3,977)	\$ 9,953	\$ (2)	\$ (214)	\$ 25,089	\$ 439	\$ 31,300
Net earnings	-	-	-	-	-	-	2,040	9	2,049
Other comprehensive income (loss), net of tax	-	-	-	-	-	(1,654)	-	(36)	(1,690)
Dividends declared (\$0.72 per share)	-	-	-	-	-	-	(781)	-	(781)
Treasury stock purchases	(13,815,558)	-	(1,152)	-	-	-	-	-	(1,152)
Employee stock purchase and option plans	3,565,193	-	103	28	-	-	-	-	131
Employee stock loan receivable	-	-	-	-	1	-	-	-	1
Stock-based compensation	-	-	-	60	-	-	-	-	60
February 29, 2016	1,079,659,979	\$ 12	\$ (5,026)	\$ 10,041	\$ (1)	\$ (1,868)	\$ 26,348	\$ 412	\$ 29,918

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

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

	Three Months Ended		Six Months Ended	
	February 29, 2016	February 28, 2015	February 29, 2016	February 28, 2015
Net sales	\$ 30,184	\$ 26,573	\$ 59,217	\$ 46,127
Cost of sales	22,240	19,691	43,771	33,949
Gross Profit	7,944	6,882	15,446	12,178
Selling, general and administrative expenses	6,084	5,606	12,118	10,062
Equity earnings in Alliance Boots	-	101	-	315
Operating Income	1,860	1,377	3,328	2,431
Gain on previously held equity interest	-	706	-	706
Other income (expense)	(496)	504	(553)	703
Earnings Before Interest and Income Tax Provision	1,364	2,587	2,775	3,840
Interest expense, net	140	144	278	199
Earnings Before Income Tax Provision	1,224	2,443	2,497	3,641
Income tax provision	301	391	468	712
Post tax earnings from equity method investments	9	8	20	8
Net Earnings	932	2,060	2,049	2,937
Net earnings attributable to noncontrolling interests	2	18	9	45
Net Earnings Attributable to Walgreens Boots Alliance, Inc.	\$ 930	\$ 2,042	\$ 2,040	\$ 2,892
Net earnings per common share attributable to Walgreens Boots Alliance, Inc. – basic	\$ 0.86	\$ 1.96	\$ 1.88	\$ 2.91
Net earnings per common share attributable to Walgreens Boots Alliance, Inc. – diluted	\$ 0.85	\$ 1.93	\$ 1.87	\$ 2.88
Dividends declared per share	\$ 0.3600	\$ 0.3375	\$ 0.7200	\$ 0.6750
Average shares outstanding	1,080.2	1,043.6	1,084.6	994.7
Dilutive effect of stock options	8.2	11.1	8.9	10.6
Average diluted shares	1,088.4	1,054.7	1,093.5	1,005.3

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

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

	Three Months Ended		Six Months Ended	
	February 29, 2016	February 28, 2015	February 29, 2016	February 28, 2015
Comprehensive Income				
Net Earnings	\$ 932	\$ 2,060	\$ 2,049	\$ 2,937
Other comprehensive income (loss), net of tax:				
Pension/postretirement obligations	(2)	(8)	1	(9)
Unrealized gain (loss) on cash flow hedges	1	-	2	(12)
Unrecognized gain (loss) on available-for-sale investments	(88)	90	(87)	189
Share of other comprehensive income (loss) of Alliance Boots	-	92	-	113
Currency translation adjustments	(1,156)	(301)	(1,606)	(490)
Total Other Comprehensive Income (Loss)	(1,245)	(127)	(1,690)	(209)
Total Comprehensive Income (Loss)	(313)	1,933	359	2,728
Comprehensive income (loss) attributable to noncontrolling interests	(33)	13	(27)	40
Comprehensive Income (Loss) Attributable to Walgreens Boots Alliance, Inc.	\$ (280)	\$ 1,920	\$ 386	\$ 2,688

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

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

	Six Months Ended	
	February 29, 2016	February 28, 2015
Cash Flows from Operating Activities :		
Net earnings	\$ 2,049	\$ 2,937
Adjustments to reconcile net earnings to net cash provided by operating activities -		
Depreciation and amortization	824	826
Change in fair value of warrants and related amortization	586	(859)
Gain on previously held equity interest	-	(706)
Deferred income taxes	(171)	181
Stock compensation expense	60	65
Equity earnings from equity method investments	(20)	(315)
Other	196	322
Changes in operating assets and liabilities -		
Accounts receivable, net	(152)	(391)
Inventories	(553)	106
Other current assets	33	21
Trade accounts payable	160	363
Accrued expenses and other liabilities	(79)	(20)
Income taxes	92	(99)
Other non-current assets and liabilities	60	(94)
Net cash provided by operating activities	<u>3,085</u>	<u>2,337</u>
Cash Flows from Investing Activities :		
Additions to property, plant and equipment	(657)	(643)
Proceeds from sale leaseback transactions	60	562
Proceeds from sale of business	43	-
Proceeds from sale of other assets	85	17
Alliance Boots acquisition, net of cash received	-	(4,461)
Other business and intangible asset acquisitions, net of cash received	(86)	(92)
Purchases of short-term investments held to maturity	(30)	(29)
Proceeds from short-term investments held to maturity	36	29
Other	(3)	(91)
Net cash used for investing activities	<u>(552)</u>	<u>(4,708)</u>
Cash Flows from Financing Activities :		
Proceeds (payments) of short-term borrowings, net	61	(330)
Proceeds from issuance of long-term debt	-	12,279
Payments of long-term debt	(81)	(7,817)
Stock purchases	(1,152)	(594)
Proceeds related to employee stock plans	129	293
Cash dividends paid	(787)	(642)
Other	(29)	(360)
Net cash (used for) provided by financing activities	<u>(1,859)</u>	<u>2,829</u>
Effect of exchange rate changes on cash and cash equivalents	(88)	(99)
Changes in Cash and Cash Equivalents :		
Net increase in cash and cash equivalents	586	359
Cash and cash equivalents at beginning of period	3,000	2,646
Cash and cash equivalents at end of period	<u>\$ 3,586</u>	<u>\$ 3,005</u>

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

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

Note 1. Organization

Walgreens Boots Alliance, Inc. (“Walgreens Boots Alliance”) and subsidiaries are a global pharmacy-led health and wellbeing enterprise. Its operations are conducted through three reportable segments (Retail Pharmacy USA, Retail Pharmacy International and Pharmaceutical Wholesale). See Note 18, Segment Reporting for further information.

On December 31, 2014, Walgreens Boots Alliance became the successor of Walgreen Co. (“Walgreens”) pursuant to a merger designed to effect a reorganization of Walgreens into a holding company structure (the “Reorganization”). Pursuant to the Reorganization, Walgreens became a wholly-owned subsidiary of Walgreens Boots Alliance, a Delaware corporation formed for the purposes of the Reorganization, and each issued and outstanding share of Walgreens common stock converted on a one-to-one basis into Walgreens Boots Alliance common stock. References to the “Company” refer to Walgreens Boots Alliance 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, except as otherwise indicated or the context otherwise requires.

On December 31, 2014, following the completion of the Reorganization, Walgreens Boots Alliance completed the acquisition of the remaining 55% of Alliance Boots GmbH (“Alliance Boots”) that Walgreens did not previously own (the “Second Step Transaction”) in exchange for £3.133 billion in cash and approximately 144.3 million shares of Walgreens Boots Alliance common stock. Alliance Boots became a consolidated subsidiary and ceased being accounted for under the equity method immediately upon completion of the Second Step Transaction. For financial reporting and accounting purposes, Walgreens Boots Alliance was the acquirer of Alliance Boots. The consolidated financial statements (and other data) reflect the results of operations and financial position of Walgreens and its subsidiaries for periods prior to December 31, 2014 and of Walgreens Boots Alliance and its subsidiaries for periods from and after the effective time of the Reorganization on December 31, 2014.

As part of the Second Step Transaction, the Company acquired the remaining 27.5% noncontrolling interest in Walgreens Boots Alliance Development GmbH (“WBAD”), a global sourcing enterprise established by the Company and Alliance Boots. The Company already owned a 50% direct ownership in WBAD and indirectly owned an additional ownership interest through its previous 45% investment in Alliance Boots, representing a direct and indirect economic interest of 72.5%. The Company’s acquisition of the remaining 27.5% effective ownership in WBAD as part of the Second Step Transaction was accounted for as an equity transaction as it has historically been consolidated by the Company. On January 1, 2015, WBAD Holdings Limited sold 320 common shares of WBAD, representing approximately 5% of the equity interests in WBAD, to Alliance Healthcare Italia Distribuzione S.p.A. (“AHID”), which is not a member of the Company’s consolidated group. Under certain circumstances, AHID has the right to put, and WBAD Holdings Limited has the right to call, the 320 common shares of WBAD currently owned by AHID for a purchase price of \$100,000.

Note 2. Accounting Policies

Basis of Presentation

The consolidated condensed financial statements of Walgreens Boots Alliance included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission regarding interim financial reporting. The consolidated condensed financial statements include all subsidiaries in which the Company holds a controlling interest. Investments in less than majority-owned entities in which the Company does not have a controlling interest, but does have significant influence, are accounted for as equity method investments. All intercompany transactions have been eliminated.

The Consolidated Condensed Balance Sheet as of February 29, 2016, the Consolidated Condensed Statements of Equity for the six-month period ended February 29, 2016, and the Consolidated Condensed Statements of Earnings, the Consolidated Condensed Statements of Comprehensive Income and the Consolidated Condensed Statements of Cash Flows for the three month and six month periods ended February 29, 2016 and February 28, 2015, have not been audited. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. These unaudited consolidated condensed financial statements should be read in conjunction with the audited financial statements and the notes thereto included in the Walgreens Boots Alliance Annual Report on Form 10-K for the fiscal year ended August 31, 2015.

In the opinion of the Company, the unaudited consolidated condensed financial statements for the interim periods presented include all adjustments (consisting only of normal recurring adjustments) necessary to present a fair statement of the results for such interim periods. Because of the acquisition of Alliance Boots, influence of certain holidays, seasonality, foreign currency rates, changes in vendor, payer and customer relationships and terms and other factors on the Company's operations, net earnings for any interim period may not be comparable to the same interim period in previous years or indicative of net earnings for the full fiscal year. In addition, with respect to the Company's Retail Pharmacy USA segment, the positive impact on gross profit margins and gross profit dollars typically has been 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 increase or decrease, which can have a significant impact on Retail Pharmacy USA segment's sales, gross profit margins and gross profit dollars.

The preparation of financial statements in accordance with GAAP requires management to use judgment in the application of accounting policies, including making estimates and assumptions. The Company bases its estimates on the information available at the time, its experience and other assumptions believed to be reasonable under the circumstances. Adjustments may be made in subsequent periods to reflect more current estimates and assumptions about matters that are inherently uncertain. Actual results may differ. For a discussion of the Company's significant accounting policies, please see the Walgreens Boots Alliance Annual Report on Form 10-K for the fiscal year ended August 31, 2015.

Note 3. Restructuring

On April 8, 2015, the Walgreens Boots Alliance Board of Directors approved a plan to implement a new 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 approximately 200 stores across the U.S.; reorganize corporate and field operations; drive operating efficiencies; and streamline information technology and other functions. The actions under the Cost Transformation Program focus primarily on Retail Pharmacy USA segment, but includes activities from all segments and are expected to be substantially complete by the end of the Company's 2017 fiscal year. The Company estimates that it will recognize cumulative pre-tax charges to its GAAP financial results of between \$1.6 billion and \$1.8 billion, including costs associated with lease obligations and other real estate payments, asset impairments and employee termination and other business transition and exit costs. The Company expects to incur pre-tax charges of between \$525 million and \$600 million for real estate costs, including lease obligations (net of estimated sublease income); between \$650 million and \$725 million for asset impairment charges relating primarily to asset write-offs from store closures, information technology, inventory and other non-operational real estate asset write-offs; and between \$425 million and \$475 million for employee severance and other business transition and exit costs. The Company incurred pre-tax charges of \$28 million and \$118 million related to the Cost Transformation Program during the three and six months ended February 29, 2016. No charges were incurred with respect to the Cost Transformation Program in the three and six months ended February 28, 2015. From inception through February 29, 2016, the Company incurred pre-tax charges of \$660 million (\$254 million in real estate costs, \$248 million related to asset impairment charges and \$158 million in severance and other business transition and exit costs) related to the Cost Transformation Program. All charges related to the Cost Transformation Program have been recorded within selling, general and administrative expenses. As the program is implemented, the restructuring charges will be recognized as the costs are incurred over time in accordance with GAAP.

In March 2014, the Walgreens Board of Directors approved a plan to close underperforming stores in efforts to optimize and focus resources within Retail Pharmacy USA segment in a manner intended to increase stockholder value. As of August 31, 2015, this plan was completed and no additional charges related to the plan are expected. There were no charges incurred in the three month period ended February 28, 2015. For the six months ended February 28, 2015, the Company incurred pre-tax charges of \$17 million, which were primarily related to lease termination costs. All charges related to this plan have been recorded within selling, general and administrative expenses.

Restructuring costs by segment are as follows (in millions):

	<u>Retail Pharmacy</u>		<u>Pharmaceutical Wholesale</u>	<u>Consolidated</u>
	<u>USA</u>	<u>International</u>		
Three Months Ended February 29, 2016				
Real estate costs	\$ -	\$ -	\$ -	\$ -
Asset impairments	-	-	-	-
Severance and other business transition and exit costs	25	3	-	28
Total restructuring costs	<u>\$ 25</u>	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ 28</u>
Three Months Ended February 28, 2015				
Real estate costs	\$ -	\$ -	\$ -	\$ -
Asset impairments	-	-	-	-
Severance and other business transition and exit costs	-	-	-	-
Total restructuring costs	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	Retail Pharmacy		Pharmaceutical	
	USA	International	Wholesale	Consolidated
Six Months Ended February 29, 2016				
Real estate costs	\$ 52	\$ -	\$ -	\$ 52
Asset impairments	25	-	-	25
Severance and other business transition and exit costs	33	8	-	41
Total restructuring costs	<u>\$ 110</u>	<u>\$ 8</u>	<u>\$ -</u>	<u>\$ 118</u>
Six Months Ended February 28, 2015				
Real estate costs	\$ 17	\$ -	\$ -	\$ 17
Asset impairments	-	-	-	-
Severance and other business transition and exit costs	-	-	-	-
Total restructuring costs	<u>\$ 17</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17</u>

Note 4. Operating Leases

Initial terms for leased premises in the U.S. 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 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 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.

The Company provides for future costs related to closed locations. The liability is based on the present value of future rent obligations and other related costs (net of estimated sublease rent) to the first lease option date. During the three and six months ended February 29, 2016, the Company recorded charges of \$9 million and \$75 million, respectively, for facilities that were closed or relocated under long-term leases, including stores closed through the Company's restructuring activities. This compares to no charges for the three months ended and \$26 million for the six months ended February 28, 2015. Charges are reported in selling, general and administrative expenses on the Consolidated Condensed Statements of Earnings.

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

	Six Month Period Ended February 29, 2016	Twelve Month Period Ended August 31, 2015
Balance – beginning of period	\$ 446	\$ 257
Provision for present value of non-cancellable lease payments on closed facilities	77	231
Assumptions about future sublease income, terminations and changes in interest rates	(14)	(6)
Interest accretion	12	27
Liability assumed through acquisition of Alliance Boots	-	13
Cash payments, net of sublease income	(54)	(76)
Balance – end of period	<u>\$ 467</u>	<u>\$ 446</u>

The Company remains secondarily liable on 79 leases. The maximum potential undiscounted future payments are \$348 million at February 29, 2016. Lease option dates vary, with some extending to 2039.

Note 5. Equity Method Investments

Equity method investments as of February 29, 2016 and August 31, 2015 were as follows (in millions, except percentages):

	February 29, 2016		August 31, 2015	
	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
Equity method investments	\$ 1,217	12% - 50%	\$ 1,242	12% - 50%

The Company's principal equity method investments include its investments in Guangzhou Pharmaceuticals Corporation and Nanjing Pharmaceutical Corporation Limited, the Company's pharmaceutical wholesale investments in China; and the equity method investment retained through the sale of a majority interest in Option Care Inc. in fiscal 2015. See Note 20, Subsequent Event for further information.

Equity method investments of the Company are recorded within other non-current assets on the Consolidated Condensed Balance Sheets. The Company reported \$9 million and \$20 million of post-tax equity earnings in equity method investments for the three and six month periods ended February 29, 2016, respectively, in the Consolidated Condensed Statements of Earnings. The Company reported \$8 million of post-tax equity earnings from equity method investments other than Alliance Boots for the three and six month periods ended February 28, 2015. Additionally, for the three and six month periods ended February 28, 2015, the Company reported equity earnings in Alliance Boots of \$101 million and \$315 million, respectively, as its own line in the Consolidated Condensed Statements of Earnings.

Summarized Financial Information

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

Balance Sheets (in millions)

	February 29, 2016 (1)	August 31, 2015 (1)
Current assets	\$ 5,687	\$ 5,015
Noncurrent assets	1,592	1,548
Current liabilities	4,598	3,936
Noncurrent liabilities	876	837
Shareholders' equity (2)	1,805	1,790

Statements of Earnings (in millions)

	Three Months Ended		Six Months Ended	
	February 29, 2016 (3)	February 28, 2015 (3)(4)	February 29, 2016 (3)	February 28, 2015 (3)(4)
Net sales	\$ 3,286	\$ 5,317	\$ 6,489	\$ 14,978
Gross Profit	374	979	702	3,168
Net Income	26	246	50	743
Share of income from equity method investments	9	109	20	323

(1) Balance sheet information of foreign equity method investments are translated at their respective February 29, 2016 and August 31, 2015 spot rates.

(2) Shareholders' equity at February 29, 2016 and August 31, 2015 includes \$170 million and \$163 million, respectively, related to noncontrolling interests.

(3) Statement of earnings information of foreign equity method investments are translated at their respective average exchange rates.

(4) Includes equity method investment in Alliance Boots from Walgreen Co.'s pre-merger 45 percent interest for one month (December 2014) and four months (September through December 2014), respectively. See Note 1, Organization.

Note 6. Available-for-Sale Investments

Walgreens, Alliance Boots and AmerisourceBergen Corporation (“AmerisourceBergen”) entered into a Framework Agreement, dated as of March 18, 2013, pursuant to which Walgreens and Alliance Boots together were granted the right to purchase a minority equity position in AmerisourceBergen, including the right, but not the obligation, to purchase up to 19,859,795 shares of AmerisourceBergen common stock in open market transactions.

In conjunction with its long-term relationship with AmerisourceBergen, as of February 29, 2016, the Company held 11.5 million shares, approximately 5.6% of AmerisourceBergen’s outstanding common stock, at a total fair value of \$993 million. The Company did not acquire any AmerisourceBergen common shares in the three and six month periods ended February 29, 2016.

Pursuant to Accounting Standards Codification (“ASC”) Topic 320, Investments – Debt and Equity Securities, the Company, as of February 29, 2016, accounted for its investment in AmerisourceBergen shares as an available-for-sale investment reported at fair value within other non-current assets in the Consolidated Condensed Balance Sheets. As an available-for-sale investment, changes in the fair value are recorded through other comprehensive income. The value of the investment is recorded at the closing price of AmerisourceBergen common stock as of the balance sheet date. See Note 20, Subsequent Event for further information.

A summary of the cost and fair value of available-for-sale securities, with gross unrealized gains and losses, is as follows (in millions):

	February 29, 2016			
	Amortized cost basis	Gross unrealized gains	Gross unrealized losses	Fair value
AmerisourceBergen common stock	\$ 717	\$ 276	\$ -	\$ 993
Other investments	38	-	(4)	34
Total available-for-sale investments	\$ 755	\$ 276	\$ (4)	\$ 1,027

	August 31, 2015			
	Amortized cost basis	Gross unrealized gains	Gross unrealized losses	Fair value
AmerisourceBergen common stock	\$ 717	\$ 430	\$ -	\$ 1,147
Other investments	37	-	(1)	36
Total available-for-sale investments	\$ 754	\$ 430	\$ (1)	\$ 1,183

For the three and six month periods ended February 29, 2016, there were \$1 million and \$3 million, respectively, of available-for-sale securities sold. There were no sales of available-for-sale investments for the three and six month periods ended February 28, 2015.

The Company’s other available-for-sale investments are classified within other current assets in the Consolidated Condensed Balance Sheets.

Note 7. Acquisitions

Alliance Boots

The Second Step Transaction closed on December 31, 2014, resulting in the acquisition by the Company of 55% of the issued and outstanding share capital of Alliance Boots, increasing its interest to 100%. The Company previously accounted for its 45% interest in Alliance Boots as an equity method investment. As a result of the Second Step Transaction, the Company significantly expanded its operations to include pharmacy-led health and beauty retailing and pharmaceutical wholesaling and distribution businesses in major international markets.

As a result of the closing of the Second Step Transaction, the Company increased its interest in WBAD, a global sourcing enterprise between Walgreens and Alliance Boots, to 100%. Because Walgreens held, prior to the Second Step Transaction, a 50% direct interest and an additional indirect interest in WBAD through its 45% ownership of Alliance Boots, the financial results of WBAD were fully consolidated into the Walgreens financial statements with the remaining 27.5% effective interest being recorded as a noncontrolling interest. The acquisition of the 27.5% noncontrolling interest was accounted for as an equity transaction with no gain or loss recorded in the statement of earnings under ASC Topic 805, Business Combinations. On January 1, 2015, WBAD Holdings Limited sold 320 common shares of WBAD, representing approximately 5% of the equity interests in WBAD, to Alliance Healthcare Italia Distribuzione S.p.A. (“AHID”), which is not a member of the Company’s consolidated group. Under certain circumstances, AHID has the right to put, and WBAD Holdings Limited has the right to call, the 320 common shares of WBAD currently owned by AHID for a purchase price of \$100,000.

[Table of Contents](#)

The Company has completed the purchase accounting of the Second Step Transaction. The total purchase price of the Second Step Transaction of \$15.9 billion included £3.133 billion in cash (approximately \$4.9 billion at the December 31, 2014 spot rate of \$1.56 to £1.00) and 144.3 million of the Company's common shares at a fair value of \$11.0 billion (based on the December 30, 2014 closing market price of \$76.05). Of the total purchase price, \$13.3 billion was allocated to acquire the 55% ownership interest in Alliance Boots and \$2.6 billion was allocated to acquire the noncontrolling interest in WBAD. The purchase price attributed to the acquisition of the noncontrolling interest in WBAD was determined based on the relative fair value of Alliance Boots and WBAD, respectively.

The impact of the equity transaction is as follows (in millions):

	Amount
Consideration attributable to WBAD	\$ 2,559
Less: Carrying value of the Company's pre-existing noncontrolling interest	130
Impact to additional paid in capital	<u>\$ 2,429</u>

The following table summarizes the consideration paid to acquire the remaining 55% interest in Alliance Boots and the amounts of identified assets acquired and liabilities assumed at the date of the Second Step Transaction (in millions).

Consideration paid

Cash	\$ 4,874
Common stock	10,977
Total consideration transferred	<u>15,851</u>
Less: consideration attributed to WBAD	<u>(2,559)</u>
	13,292
Fair value of the investment in Alliance Boots held before the Second Step Transaction	8,149
Total consideration	<u>\$ 21,441</u>

Identifiable assets acquired and liabilities assumed including noncontrolling interests

Cash and cash equivalents	\$ 413
Accounts receivable	3,799
Inventories	3,713
Other current assets	894
Property, plant and equipment	3,806
Intangible assets	11,691
Other non-current assets	2,217
Trade accounts payable, accrued expenses and other liabilities	(7,696)
Borrowings	(9,010)
Deferred income taxes	(2,452)
Other non-current liabilities	(383)
Noncontrolling interests	<u>(412)</u>
Total identifiable net assets and noncontrolling interests	6,580
Goodwill	<u>\$ 14,861</u>

As a result of the Company acquiring the remaining 55% interest in Alliance Boots, the Company's previously held 45% interest was re-measured at fair value, resulting in a gain of \$563 million. The gain has been recognized as Gain on previously held equity interest in the Consolidated Statements of Earnings for the fiscal year ended August 31, 2015.

[Table of Contents](#)

The fair value of the previously held equity interest of \$8.1 billion in Alliance Boots was determined using the income approach methodology. The fair value for trade names and trademarks was determined using the relief from royalty method of the income approach; pharmacy licenses and customer relationships were determined using the excess earnings method of the income approach; and loyalty card holders were determined using the incremental cash flow method, which is a form of the income approach. Personal property fair values were determined primarily using the indirect cost approach, while real property fair values were determined using the income, market and/or cost approach. The fair value measurements of the previously held equity interest and intangible assets are based on significant inputs not observable in the market, and thus represent Level 3 measurements. The fair value estimates for the previously held equity interest and intangible assets are based on (a) projected discounted cash flows, (b) historical and projected financial information, (c) synergies including cost savings, and (d) attrition rates, as relevant, that market participants would consider when estimating fair values.

The identified definite and indefinite lived intangible assets were as follows:

Definite-Lived Intangible Assets	Weighted-Average Useful	
	Life (in years)	Amount (in millions)
Customer relationships	12	\$ 1,311
Loyalty card holders	20	742
Trade names and trademarks	9	399
Favorable lease interests	7	93
Total		\$ 2,545

Indefinite-Lived Intangible Assets	Amount (in millions)
Trade names and trademarks	\$ 6,657
Pharmacy licenses	2,489
Total	\$ 9,146

The goodwill of \$14.9 billion arising from the Second Step Transaction primarily reflects the expected purchasing synergies, operating efficiencies by benchmarking performance and applying best practices across the Company, consolidation of operations, reductions in selling, general and administrative expenses and combining workforces.

Following the completion of the Second Step Transaction, the Company realigned its operations into three reportable segments: Retail Pharmacy USA, Retail Pharmacy International and Pharmaceutical Wholesale. The Company determined that the goodwill should be allocated across all segments recognizing that each segment will benefit from the expected synergies.

The goodwill allocated to the Retail Pharmacy USA segment of \$7.3 billion is comprised of \$3.5 billion of synergy benefits allocable to the segment on a source of procurement benefit basis and \$3.8 billion determined on a “with-and-without” basis. The source of procurement benefit basis allocates the synergy benefits to the segment whose purchase gave rise to the benefit. The “with-and-without” basis computes the difference between the fair value of the pre-existing business before the combination and its fair value after the combination, and since the pre-existing Walgreens business is now within the Retail Pharmacy USA segment, all of this difference is allocated to this segment. The “with-and-without” computation recognized that if the Second Step Transaction did not happen, then this was likely to negatively impact the existing Walgreens business, which already had a 45% interest in Alliance Boots, as the expected purchasing synergies and other benefits resulting from a full combination would not be fully realized.

Of the remaining goodwill, \$3.9 billion was allocated to the Retail Pharmacy International segment and \$3.7 billion was allocated to the Pharmaceutical Wholesale segment. Substantially all of the goodwill recognized is not expected to be deductible for income tax purposes.

The Company incurred legal and other professional services costs related to the Second Step Transaction, which were included in selling, general and administrative expenses, of \$87 million in fiscal 2015 (\$59 million and \$83 million in the three and six months ended February 28, 2015, respectively). No costs related to the Second Step Transaction were incurred in the three and six month periods ended February 29, 2016.

The fair value of the assets acquired includes inventory having an estimated fair value of \$3.7 billion. This fair value includes a \$106 million fair value adjustment to capitalize the estimated profit in acquired finished goods inventory as of the date of the Second Step Transaction, which was expensed to cost of sales over the first inventory turn.

[Table of Contents](#)

The following table presents supplemental unaudited condensed pro forma consolidated information for the three and six months ended February 28, 2015 as if the Second Step Transaction had occurred on September 1, 2014, the first day of the Company's 2015 fiscal year. The unaudited condensed pro forma information reflect certain adjustments related to past operating performance and acquisition accounting adjustments, such as increased amortization expense based on the fair valuation of assets acquired, the impact of acquisition financing, transaction costs and the related income tax effects. The unaudited condensed pro forma information does not include any anticipated synergies that may be achievable subsequent to the date of the Second Step Transaction. The unaudited condensed pro forma information also excludes certain non-recurring items such as transaction related costs. Accordingly, the unaudited condensed pro forma information has been prepared for comparative purposes only and is not intended to be indicative of what the Company's results would have been had the Second Step Transaction occurred at the beginning of the periods presented or the results which may occur in the future.

	Pro forma Three Months Ended February 28, 2015	Pro forma Six Months Ended February 28, 2015
(in millions, except per share amounts)		
Net sales	\$ 30,202	\$ 59,173
Net earnings	1,253	2,621
Net earnings per common share:		
Basic	\$ 1.20	\$ 2.51
Diluted	1.19	2.49

Other Acquisitions

The aggregate purchase price of all other businesses, net of cash received was \$86 million for the six month period ended February 29, 2016. These acquisitions, primarily of an international beauty brand and prescription files, added \$19 million to goodwill and \$72 million to intangible assets. The remaining fair value relates to immaterial amounts of tangible assets, less liabilities assumed. Operating results of the businesses acquired have been included in the Consolidated Condensed Statements of Earnings from their respective acquisition dates forward. Pro forma results of the Company, assuming all of the other acquisitions had occurred at the beginning of each period presented, would not be materially different from the results reported.

Note 8. Goodwill and Other Intangible Assets

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	Total
August 31, 2015	\$ 8,940	\$ 3,898	\$ 3,534	\$ 16,372
Acquisitions	-	19	-	19
Other (1)	-	(3)	13	10
Currency translation adjustments	-	(309)	(296)	(605)
February 29, 2016	<u>\$ 8,940</u>	<u>\$ 3,605</u>	<u>\$ 3,251</u>	<u>\$ 15,796</u>

(1) Other represents immaterial purchase accounting adjustments for prior year Company acquisitions.

[Table of Contents](#)

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

	<u>February 29, 2016</u>	<u>August 31, 2015</u>
Gross Amortizable Intangible Assets		
Customer relationships	\$ 1,293	\$ 1,409
Purchased prescription files	904	885
Loyalty card holders	661	730
Trade names and trademarks	678	675
Favorable lease interests	457	440
Non-compete agreements	158	154
Purchasing and payer contracts	95	94
Total gross amortizable intangible assets	<u>4,246</u>	<u>4,387</u>
Accumulated amortization		
Customer relationships	182	132
Purchased prescription files	536	470
Loyalty card holders	41	41
Trade names and trademarks	114	83
Favorable lease interests	246	207
Non-compete agreements	106	92
Purchasing and payer contracts	68	65
Total accumulated amortization	<u>1,293</u>	<u>1,090</u>
Total amortizable intangible assets, net	<u>\$ 2,953</u>	<u>\$ 3,297</u>
Indefinite Lived Intangible Assets		
Trade names and trademarks	\$ 5,947	\$ 6,590
Pharmacy licenses	2,222	2,464
Total indefinite lived intangible assets	<u>\$ 8,169</u>	<u>\$ 9,054</u>
Total intangible assets, net	<u>\$ 11,122</u>	<u>\$ 12,351</u>

Amortization expense for intangible assets was \$124 million and \$216 million for the three and six months ended February 29, 2016, respectively, and \$209 million and \$276 million for the three and six months ended February 28, 2015, respectively.

Estimated annual amortization expense for intangible assets recorded at February 29, 2016 is as follows (in millions):

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Estimated annual amortization expense	\$ 401	\$ 358	\$ 318	\$ 289	\$ 254

Note 9. Short-Term Borrowings and Long-Term Debt

Short-term borrowings and long-term debt consist 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):

	<u>February 29, 2016</u>	<u>August 31, 2015</u>
Short-Term Borrowings (1)		
Unsecured variable rate notes due 2016	\$ 749	\$ 747
Other (2)	303	321
Total short-term borrowings	<u>\$ 1,052</u>	<u>\$ 1,068</u>
Long-Term Debt (1)		
Unsecured Pound Sterling variable rate term loan due 2019 (3)	\$ 2,013	\$ 2,229
1.750% unsecured notes due 2017	747	746
5.250% unsecured notes due 2019 (4)	253	250
2.700% unsecured notes due 2019	1,244	1,243
2.875% unsecured Pound Sterling notes due 2020 (3)	552	612
3.300% unsecured notes due 2021	1,241	1,241
3.100% unsecured notes due 2022	1,193	1,193
3.800% unsecured notes due 2024	1,986	1,985
3.600% unsecured Pound Sterling notes due 2025 (3)	414	459
2.125% unsecured Euro notes due 2026 (5)	811	836
4.500% unsecured notes due 2034	494	494
4.400% unsecured notes due 2042	492	492
4.800% unsecured notes due 2044	1,492	1,491
Other (6)	42	44
Total long-term debt	<u>\$ 12,974</u>	<u>\$ 13,315</u>

[Table of Contents](#)

- (1) All notes are presented net of unamortized discount and debt issuance costs, where applicable.
- (2) Other short-term borrowings represent a mix of fixed and variable rate borrowings with various maturities and working capital facilities denominated in various foreign currencies including bank overdrafts.
- (3) Pound Sterling denominated notes are translated at the spot rates of \$1.39 and \$1.54 to one British Pound Sterling at February 29, 2016 and August 31, 2015, respectively.
- (4) Also includes interest rate swap fair market value adjustments. See Note 11, Fair Value Measurements for additional fair value disclosures.
- (5) Euro denominated notes are translated at the spot rates of \$1.09 and \$1.12 to one Euro at February 29, 2016 and August 31, 2015, respectively.
- (6) Other long-term debt represents a mix of fixed and variable rate borrowings in various foreign currencies with various maturities.

\$8.0 Billion Note Issuance

On November 18, 2014, Walgreens Boots Alliance received net proceeds (after deducting underwriting discounts and estimated offering expenses) of \$7.9 billion from a public offering of notes with varying maturities and interest rates, the majority of which are fixed rate. The notes are unsecured, 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. The notes were fully and unconditionally guaranteed on an unsecured and unsubordinated basis by Walgreens until August 10, 2015, when such guarantees were unconditionally released and discharged. Total issuance costs relating to the notes, including underwriting discounts and estimated offering expenses, were \$44 million. The fair value of the notes as of February 29, 2016 was \$7.9 billion. Fair value for these notes was determined based upon quoted market prices.

The following table summarizes each tranche of notes issued:

Notes Issued (in millions)	Maturity Date	Interest Rate	Interest Payment Dates
\$ 750	May 18, 2016	Variable; three month U.S. dollar LIBOR, reset quarterly, plus 45 basis points	February 18, May 18, August 18, and November 18; commencing on February 18, 2015
750	November 17, 2017	Fixed 1.750%	May 17 and November 17; commencing on May 17, 2015
1,250	November 18, 2019	Fixed 2.700%	May 18 and November 18; commencing on May 18, 2015
1,250	November 18, 2021	Fixed 3.300%	May 18 and November 18; commencing on May 18, 2015
2,000	November 18, 2024	Fixed 3.800%	May 18 and November 18; commencing on May 18, 2015
500	November 18, 2034	Fixed 4.500%	May 18 and November 18; commencing on May 18, 2015
1,500	November 18, 2044	Fixed 4.800%	May 18 and November 18; commencing on May 18, 2015
<u>\$ 8,000</u>			

Redemption Option

Walgreens Boots Alliance may redeem (a) the notes due 2017, at any time in whole or from time to time in part, (b) the notes due 2019, at any time prior to October 18, 2019 in whole or from time to time prior to October 18, 2019 in part, (c) the notes due 2021, at any time prior to September 18, 2021 in whole or from time to time prior to September 18, 2021 in part, (d) the notes due 2024, at any time prior to August 18, 2024 in whole or from time to time prior to August 18, 2024 in part, (e) the notes due 2034, at any time prior to May 18, 2034 in whole or from time to time prior to May 18, 2034 in part, and (f) the notes due 2044, at any time prior to May 18, 2044 in whole or from time to time prior to May 18, 2044 in part, in each case, at Walgreens Boots Alliance's option for the sum of accrued and unpaid interest plus a redemption price equal to the greater of:

- (1) 100% of the principal amount of the fixed rate notes being redeemed; and
- (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 a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined in the applicable series of notes), plus 15 basis points for the notes due 2017, 15 basis points for the notes due 2019, 20 basis points for the notes due 2021, 20 basis points for the notes due 2024, 20 basis points for the notes due 2034 and 25 basis points for the notes due 2044.

[Table of Contents](#)

In addition, at any time on or after October 18, 2019 with respect to the notes due 2019, September 18, 2021 with respect to the notes due 2021, August 18, 2024 with respect to the notes due 2024, May 18, 2034 with respect to the notes due 2034, or May 18, 2044 with respect to the notes due 2044, Walgreens Boots Alliance may redeem some or all of the applicable series of fixed rate notes at its option, at a redemption price equal to 100% of the principal amount of the applicable fixed rate notes being redeemed, plus accrued and unpaid interest on the fixed rate notes being redeemed to, but excluding, the redemption date.

Change in Control

If Walgreens Boots Alliance experiences a change of control triggering event, unless Walgreens Boots Alliance has exercised its option to redeem the fixed rate notes or has defeased the notes as described in the indenture, Walgreens Boots Alliance will be required to offer payment of cash equal to 101% of the aggregate principal amount of the notes plus accrued and unpaid interest.

£700 Million and €750 Million Notes Issuance

On November 20, 2014, Walgreens Boots Alliance issued three series of debt securities denominated in Euros and Pound Sterling in a public offering, each with varying maturities and interest rates. Interest on all notes is payable annually on November 20, commencing on November 20, 2015. The notes are unsecured, 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. The notes were fully and unconditionally guaranteed on an unsecured and unsubordinated basis by Walgreens until August 10, 2015, when such guarantees were unconditionally released and discharged. Total issuance costs relating to the notes, including underwriting discounts and estimated offering expenses, were \$11 million. The fair value of the notes as of February 29, 2016 was \$1.8 billion. Fair value for these notes was determined based upon quoted market prices.

The following table details each tranche of Euro and Pound Sterling notes issued:

Notes Issued (in millions)	Maturity Date	Interest Rate
Euro Notes:		
€ 750	November 20, 2026	Fixed 2.125%
Pound Sterling Notes:		
£ 400	November 20, 2020	Fixed 2.875%
£ 300	November 20, 2025	Fixed 3.600%
£ 700		

Redemption Option

Walgreens Boots Alliance may redeem (a) the Euro notes, at any time prior to August 20, 2026, in whole or, from time to time prior to August 20, 2026, in part, (b) the Pound Sterling notes due 2020, at any time prior to October 20, 2020, in whole or, from time to time prior to October 20, 2020, in part, and (c) the Pound Sterling notes due 2025, at any time prior to August 20, 2025, in whole or, from time to time prior to August 20, 2025, in part, in each case, at Walgreens Boots Alliance's option for the sum of accrued and unpaid interest plus at a redemption price equal to the greater of:

- (1) 100% of the principal amount of the notes to be redeemed; and
- (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 at the applicable Comparable Government Bond Rate (as defined in the applicable series of notes), plus 20 basis points for the Euro notes, 20 basis points for the Pound Sterling notes due 2020 and 20 basis points for Pound Sterling the notes due 2025.

In addition, at any time on or after August 20, 2026 with respect to the Euro notes, October 20, 2020 with respect to the Pound Sterling notes due 2020, or August 20, 2025 with respect to the Pound Sterling notes due 2025, Walgreens Boots Alliance may redeem some or all of the applicable series of notes at its 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.

Change in Control

If Walgreens Boots Alliance experiences a change of control triggering event, unless Walgreens Boots Alliance has exercised its option to redeem the fixed rate notes or has defeased the notes as described in the indenture, Walgreens Boots Alliance will be required to offer payment of cash equal to 101% of the aggregate principal amount of the notes plus accrued and unpaid interest.

\$4.0 Billion Note Issuance

On September 13, 2012, Walgreens obtained net proceeds from a public offering of \$4.0 billion of notes with varying maturities and interest rates, the majority of which, at issuance, were fixed rate. The notes are unsecured senior debt obligations and rank equally with all other unsecured and unsubordinated indebtedness of Walgreens. 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. Total issuance costs relating to the notes, including underwriting discounts and fees, were \$26 million. On August 10, 2015, the 1.8000% fixed rate notes due September 15, 2017 in the aggregate principal amount of \$1.0 billion were redeemed in full. The redemption price was equal to 101.677% of the aggregate principal amount of the notes redeemed, plus accrued interest thereon to, but excluding, the redemption date, and included a \$17 million make whole premium, which was recorded as interest expense on the Company's Consolidated Statements of Earnings. Additionally, the Company repaid the \$750 million 1.000% fixed rate notes on their March 13, 2015 maturity date and the \$550 million variable rate notes on their March 13, 2014 maturity date.

The following table details each tranche of outstanding notes as of February 29, 2016:

Notes Issued (in millions)	Maturity Date	Interest Rate	Interest Payment Dates
\$ 1,200	September 15, 2022	Fixed 3.100%	March 15 and September 15; commencing on March 15, 2013
500	September 15, 2042	Fixed 4.400%	March 15 and September 15; commencing on March 15, 2013
<u>\$ 1,700</u>			

The fair value of the notes outstanding as of February 29, 2016 was \$1.6 billion. Fair value for these notes was determined based upon quoted market prices.

Redemption Option and Change in Control

Walgreens may redeem the fixed rate notes at its option, at any time in whole, or from time to time in part, at a redemption price equal to the greater of: (a) 100% of the principal amount of the notes being redeemed; and (b) 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 date of redemption), discounted to the date of redemption on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined in the applicable series of notes), plus 12 basis points for the notes due 2015, 22 basis points for the notes due 2022 and 25 basis points for the notes due 2042. If a change of control triggering event occurs, Walgreens will be required, unless it has exercised its right to redeem the notes, to offer to purchase the notes at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, on the notes repurchased to the date of repurchase.

\$1.0 Billion Note Issuance

On January 13, 2009, Walgreens issued notes totaling \$1.0 billion bearing an interest rate of 5.250% paid semiannually in arrears on January 15 and July 15 of each year, beginning on July 15, 2009. The notes will mature on January 15, 2019. The notes are unsecured senior debt obligations and rank equally with all other unsecured senior indebtedness of Walgreens. 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. The notes are not convertible or exchangeable. Total issuance costs relating to this offering, including underwriting discounts and fees, were \$8 million. On August 10, 2015, \$750 million aggregate principal amount of the notes were redeemed. The redemption price was equal to 111.734% of the aggregate principal amount of the notes redeemed plus accrued interest thereon to, but excluding, the redemption date; and included a \$88 million make whole premium, which was recorded as interest expense on the Company's Consolidated Statements of Earnings. The partial redemption of the notes resulted in \$250 million aggregate principal amount of the notes remaining outstanding. The fair value of the notes outstanding as of February 29, 2016 was \$270 million. Fair value for these notes was determined based upon quoted market prices.

Redemption Option and Change in Control

Walgreens may redeem the notes, at any time in whole or from time to time in part, at its option at a redemption price equal to the greater of: (a) 100% of the principal amount of the notes to be redeemed; or (b) the sum of the present values of the remaining scheduled payments of principal and interest, discounted to the date of redemption on a semiannual basis at the Treasury Rate (as defined in the applicable series of notes), plus 45 basis points, plus accrued interest on the notes to be redeemed to, but excluding, the date of redemption. If a change of control triggering event occurs, unless Walgreens has exercised its option to redeem the notes, it will be required to offer to repurchase the notes at a purchase price equal to 101% of the principal amount of the notes plus accrued and unpaid interest to the date of redemption.

Other Borrowings

The Company periodically borrows under its commercial paper program and may borrow under it in future periods. There were no commercial paper borrowings outstanding as of February 29, 2016 or February 28, 2015, respectively. The Company had average daily short-term borrowings of \$20 million of commercial paper outstanding at a weighted average interest rate of 0.62% for the six month period ended February 29, 2016. We had average daily short-term borrowings of \$4 million of commercial paper outstanding at a weighted average interest rate of 0.46% for the six months ended February 28, 2015.

2014 Term Loan Agreement and Revolving Credit Agreement

On November 10, 2014, Walgreens Boots Alliance and Walgreens entered into a term loan credit agreement (the “Term Loan Agreement”), which provides Walgreens Boots Alliance and Walgreens with the ability to borrow up to £1.45 billion on an unsecured basis. Borrowings under the Term Loan Agreement bear interest at a fluctuating rate per annum equal to the reserve adjusted LIBOR plus an applicable margin based on the Company’s credit ratings. As of February 29, 2016, Walgreens Boots Alliance had borrowed £1.45 billion (\$2.0 billion at the February 29, 2016 spot rate of \$1.39 to £1) under the Term Loan Agreement. The fair value of the Term Loan Agreement as of February 29, 2016 was \$2.0 billion. Fair value of the borrowings under the Term Loan Agreement was determined based upon quoted market prices.

On November 10, 2014, Walgreens Boots Alliance and Walgreens entered into a five-year unsecured, multicurrency revolving credit agreement (the “Revolving Credit Agreement”), replacing prior Walgreens agreements dated July 20, 2011 and July 23, 2012. The new unsecured revolving credit agreement initially totaled \$2.25 billion, of which \$375 million was available for the issuance of letters of credit. On December 29, 2014, upon the affirmative vote of the majority of common shares of Walgreens represented and entitled to vote at the Walgreens special meeting of shareholders to approve the issuance of the shares necessary to complete the Second Step Transaction, the available credit increased to \$3.0 billion, of which \$500 million is available for the issuance of letters of credit. The issuance of letters of credit reduces the aggregate amount otherwise available under the Revolving Credit Agreement for the making of revolving loans. Borrowings under the Revolving Credit Agreement will bear interest at a fluctuating rate per annum equal to, at Walgreens Boots Alliance’s option, the alternate base rate or the reserve adjusted LIBOR, in each case, plus an applicable margin calculated based on the Company’s credit ratings. As of February 29, 2016, there were no borrowings or letters of credit issued pursuant to the Revolving Credit Agreement.

Total upfront fees related to the Term Loan Agreement and Revolving Credit Agreement were \$14 million. The Company pays a facility fee to the financing banks to keep these lines of credit active.

In accordance with the terms of each of the Term Loan Agreement and the Revolving Credit Agreement, Walgreens guaranteed the punctual payment when due, whether at stated maturity, by acceleration or otherwise, of all of Walgreens Boots Alliance’s obligations under the Term Loan Agreement and Revolving Credit Agreement, as applicable until August 10, 2015, when such guarantees automatically terminated, without penalty to Walgreens or Walgreens Boots Alliance, and the obligations of Walgreens thereunder were unconditionally released and discharged.

On December 19, 2014, Walgreens Boots Alliance and Walgreens entered into a Revolving Credit Agreement (as amended, the “364-Day Credit Agreement”) with the lenders party thereto. The 364-Day Credit Agreement was a \$750 million, 364-day unsecured, multicurrency revolving facility. On July 9, 2015, Walgreens Boots Alliance amended the 364-Day Credit Agreement to remove Walgreens as a borrower thereunder, eliminate Walgreens’ guarantee of all obligations of Walgreens Boots Alliance thereunder and make certain conforming changes to effectuate those modifications, including modifications and deletions of certain definitions and cross-references. On December 17, 2015, the Company terminated the 364-Day Credit Agreement. The 364-Day Credit Agreement remained undrawn as of the date of termination and would have matured on December 30, 2015.

[Table of Contents](#)

The Term Loan Agreement, Revolving Credit Agreement and the 364-Day Revolving Credit Agreement each contain or contained 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 to 1.00, as well as other customary restrictive covenants.

2015 Bridge Credit Agreement and Term Loan Credit Agreement

On October 27, 2015, the Company entered into an Agreement and Plan of Merger with Rite Aid Corporation (“Rite Aid”) and Victoria Merger Sub, Inc., a wholly-owned subsidiary of the Company (the “Merger Agreement”). In connection with the Merger Agreement, the Company entered into a bridge facility commitment letter (as amended and restated as of November 19, 2015, the “Commitment Letter”), with UBS Securities LLC and UBS AG, Stamford Branch for a \$12.8 billion senior unsecured bridge facility.

On December 18, 2015, Walgreens Boots Alliance entered into a Bridge Term Loan Credit Agreement with the lenders party thereto and UBS AG, Stamford Branch, as administrative agent (as amended on January 20, 2016, the “Bridge Credit Agreement”) and a Term Loan Credit Agreement with the lenders party thereto and Bank of America, N.A., as administrative agent (as amended on January 20, 2016, the “Term Loan Credit Agreement” and together with the Bridge Credit Agreement, the “2015 Credit Agreements”). The Commitment Letter and the commitments contemplated thereby terminated upon Walgreens Boots Alliance entering into the 2015 Credit Agreements.

The Bridge Credit Agreement is a 364-day unsecured bridge term loan facility. The aggregate commitments of all lenders under the Bridge Credit Agreement are equal to \$7.8 billion, provided that Walgreens Boots Alliance may increase the commitments under the Bridge Credit Agreement at any time prior to the funding of the loans thereunder by up to \$2.0 billion, subject to obtaining commitments from existing lenders and/or new lenders selected by Walgreens Boots Alliance and reasonably acceptable to the administrative agent. Walgreens Boots Alliance can extend up to \$3.0 billion of the loans under the Bridge Credit Agreement for an additional 90-day period if desired. As of February 29, 2016, there were no borrowings under the Bridge Credit Agreement.

The Term Loan Credit Agreement is a two-tranche unsecured term loan facility, with the first tranche maturing three years after the earlier of the funding date and October 27, 2016, and the second tranche maturing five years after the earlier of the funding date and October 27, 2016. The aggregate commitments of all lenders under the Term Loan Credit Agreement are equal to \$5.0 billion. As of February 29, 2016, there were no borrowings under the Term Loan Credit Agreement.

Walgreens Boots Alliance will be the borrower under each of the 2015 Credit Agreements. The ability of Walgreens Boots Alliance to request the making of loans under each of the 2015 Credit Agreements is subject to the satisfaction (or waiver) of certain conditions set forth therein and will terminate upon the occurrence of certain events set forth therein. Borrowings under each of the 2015 Credit Agreements will bear interest at a fluctuating rate per annum equal to, at Walgreens Boots Alliance’s option, the alternate base rate or the reserve adjusted Eurocurrency rate, in each case, plus an applicable margin calculated based on Walgreens Boots Alliance’s credit ratings. Upfront fees paid to date in connection with the 2015 Credit Agreements totaled \$30 million. A maximum of a further \$5 million in upfront fees is payable prior to, or at funding, subject to certain conditions. In addition, Walgreens Boots Alliance will also pay to the lenders under each of the 2015 Credit Agreements certain customary fees, including a ticking fee based on the aggregate outstanding commitments of the lenders under the applicable 2015 Credit Agreement starting at 90 days after signing. Each of the 2015 Credit Agreements contains 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 to 1.00, as well as other customary restrictive covenants, which restrictive covenants shall not be in effect until the funding of the loans under the applicable 2015 Credit Agreement.

Note 10. Financial Instruments

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

The notional amounts, fair value and balance sheet presentation of derivative instruments outstanding as of February 29, 2016, excluding warrants which are presented separately in this footnote, were as follows (in millions):

	<u>Notional (1)</u>	<u>Fair Value</u>	<u>Location in Consolidated Condensed Balance Sheets</u>
Derivatives designated as fair value hedges :			
Interest rate swaps	\$ 250	\$ 5	Other non-current assets
Derivatives not designated as hedges :			
Foreign currency forwards	465	1	Other current assets
Foreign currency forwards	768	16	Other current liabilities
Basis swap	2	1	Other current liabilities

(1) Amounts are presented in U.S. dollar equivalents.

[Table of Contents](#)

The notional amounts, fair value and balance sheet presentation of derivative instruments outstanding as of August 31, 2015, excluding warrants which are presented separately in this footnote, are as follows (in millions):

	Notional (1)	Fair Value	Location in Consolidated Condensed Balance Sheets
Derivatives designated as fair value hedges :			
Interest rate swaps	\$ 250	\$ 2	Other non-current assets
Derivatives not designated as hedges :			
Foreign currency forwards	1,205	34	Other current assets
Foreign currency forwards	495	9	Other current liabilities
Basis swap	1	-	Other current assets

(1) Amounts are presented in U.S. dollar equivalents.

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

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

Fair Value Hedges

The Company entered into a series of interest rate swaps, converting \$750 million of its 5.250% fixed rate notes to a floating interest rate based on the six month LIBOR in arrears plus a constant spread and an interest rate swap converting \$250 million of its 5.250% fixed rate notes to a floating interest rate based on the one-month LIBOR in arrears plus a constant spread. All swap termination dates coincide with the notes maturity date, January 15, 2019. These swaps were designated as fair value hedges. On August 10, 2015, the Company terminated \$500 million of the six month LIBOR in arrears swaps and all of the one-month LIBOR in arrears swaps in connection with the repayment of the associated debt as described in Note 9, Short-Term Borrowings and Long-Term Debt .

The gains and losses due to changes in fair value on the swaps and on the hedged notes attributable to interest rate risk were recognized as follows (in millions):

	Location in Consolidated Condensed Statements of Earnings	Three Months Ended		Six Months Ended	
		February 29, 2016	February 28, 2015	February 29, 2016	February 28, 2015
Interest rate swaps	Interest expense, net	\$ (2)	\$ 4	\$ (3)	\$ (6)
Notes	Interest expense, net	2	(4)	3	6

The changes in fair value of the Company's debt that was swapped from fixed to variable rate and designated as fair value hedges are included in short-term and long-term debt on the Consolidated Condensed Balance Sheets (see Note 9, Short-Term Borrowings and Long-Term Debt). At February 29, 2016 and August 31, 2015, the cumulative fair value adjustments resulted in an increase in long-term debt of \$4 million and \$1 million, respectively. No material gains or losses were recorded from ineffectiveness during the three and six months ended February 29, 2016 and February 28, 2015.

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 interest rate and foreign currency risks. The gains and losses due to changes in fair value of these derivative instruments were recognized in earnings as follows (in millions):

	Location in Consolidated Condensed Statements of Earnings	Three Months Ended		Six Months Ended	
		February 29, 2016	February 28, 2015	February 29, 2016	February 28, 2015
Interest rate swaps	Interest expense, net	\$ -	\$ (1)	\$ -	\$ (1)
Foreign currency forwards	Selling, general and administrative expenses	(23)	(28)	(25)	(28)
Second Step Transaction foreign currency forwards	Other income (expense)	-	(70)	-	(166)
Foreign currency forwards	Other income (expense)	33	-	33	-

Warrants

As of February 29, 2016, the Company held (a) warrants to purchase up to 22,696,912 shares of AmerisourceBergen common stock at an exercise price of \$51.50 per share, exercisable during a six month period beginning in March 2016, (“Warrant 1”), and (b) warrants to purchase up to 22,696,912 shares of AmerisourceBergen common stock at an exercise price of \$52.50 per share, exercisable during a six month period beginning in March 2017 (“Warrant 2” and together with Warrant 1, the “Warrants”). Warrant 1 was exercised in full on March 18, 2016. See Note 20, Subsequent Event for further information.

The Company reports the Warrants at fair value. The fair value and balance sheet presentation of the Warrants was as follows (in millions):

	Location in Consolidated Condensed Balance Sheets	February 29, 2016	August 31, 2015
Asset derivatives not designated as hedges:			
Warrants	Other non-current assets	\$ 1,546	\$ 2,140

The gains and losses due to changes in fair value of the Warrants recognized in earnings were as follows (in millions):

	Location in Consolidated Condensed Statements of Earnings	Three Months Ended		Six Months Ended	
		February 29, 2016	February 28, 2015	February 29, 2016	February 28, 2015
Warrants	Other income (expense)	\$ (532)	\$ 559	\$ (594)	\$ 849

Derivatives Credit Risk

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

Derivatives Offsetting

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

Note 11. Fair Value Measurements

The Company measures certain assets and liabilities in accordance with 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.

[Table of Contents](#)

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

	<u>February 29, 2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets :				
Restricted cash (1)	\$ 175	\$ 175	\$ -	\$ -
Money market funds (2)	2,659	2,659	-	-
Available-for-sale investments (3)	1,027	1,027	-	-
Interest rate swaps (4)	5	-	5	-
Foreign currency forwards (5)	1	-	1	-
Warrants (6)	1,546	-	1,546	-
Liabilities :				
Basis swaps (5)	1	-	1	-
Foreign currency forwards (5)	16	-	16	-

	<u>August 31, 2015</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets :				
Restricted cash (1)	\$ 184	\$ 184	\$ -	\$ -
Money market funds (2)	2,043	2,043	-	-
Available-for-sale investments (3)	1,183	1,183	-	-
Interest rate swaps (4)	2	-	2	-
Foreign currency forwards (5)	34	-	34	-
Warrants (6)	2,140	-	2,140	-
Liabilities :				
Foreign currency forwards (5)	9	-	9	-

- (1) Restricted cash consists of deposits restricted under agency agreements and cash restricted by law and other obligations.
- (2) Money market funds are valued at the closing price reported by the fund sponsor.
- (3) Fair values of quoted investments are based on current bid prices as of the balance sheet dates. See Note 6, Available-for-Sale Investments for additional information.
- (4) The fair value of interest rate swaps is calculated by discounting the estimated cash flows received and paid based on the applicable observable yield curves. See Note 10, Financial Instruments for additional information.
- (5) The fair value of basis swaps and 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.
- (6) Warrants were valued using a Monte Carlo simulation. Key assumptions used in the valuation include risk-free interest rates using constant maturity treasury rates; the dividend yield for AmerisourceBergen's common stock; AmerisourceBergen's common stock price at the valuation date; AmerisourceBergen's equity volatility; the number of shares of AmerisourceBergen's common stock outstanding; the number of AmerisourceBergen employee stock options and the exercise price; and the details specific to the Warrants.

There were no transfers between levels for the three and six month periods ended February 29, 2016 and February 28, 2015, respectively.

The Company reports its debt instruments under the guidance of ASC Topic 825, Financial Instruments, which requires disclosure of the fair value of the Company's debt in the footnotes to the consolidated financial statements. Unless otherwise noted, the fair value for all notes was determined based upon quoted market prices and therefore categorized as Level 1. See Note 9, Short-Term Borrowings and Long-Term 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 12. Commitments and Contingencies

The Company is involved in legal proceedings and is subject to investigations, inspections, audits, inquiries and similar actions by governmental authorities, arising in the normal course of the Company's business, including the matters described below. Legal proceedings, in general, and securities and class action 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. The results of legal proceedings are often uncertain and difficult to predict, and the costs incurred in litigation can be substantial, regardless of the outcome. The Company believes that its defenses and assertions in pending legal proceedings have merit, and does not believe that any of these pending matters, after consideration of applicable reserves and rights to indemnification, will have a material adverse effect on the Company's consolidated financial position. However, substantial unanticipated verdicts, fines and rulings do sometimes occur. As a result, the Company could from time to time incur judgments, enter into settlements or revise its expectations regarding the outcome of certain matters, and such developments could have a material adverse effect on its results of operations in the period in which the amounts are accrued and/or its cash flows in the period in which the amounts are paid.

On 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 is unable to estimate the amount or range of reasonably possible loss in excess of amounts reserved 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.

On December 5 and 12, 2014, putative shareholders filed class actions in federal court in the Northern District of Illinois against the Walgreens Board of Directors, Walgreen Co., and Walgreens Boots Alliance, Inc. arising out of the Company's definitive proxy statement/prospectus filed with the SEC in connection with the special meeting of Walgreens shareholders on December 29, 2014. The actions asserted claims that the definitive proxy statement/prospectus was false or misleading in various respects. On December 23, 2014, solely to avoid the costs, risks and uncertainties inherent in litigation, and without admitting any liability or wrongdoing, Walgreens entered into a memorandum of understanding with the plaintiffs in both actions, pursuant to which Walgreens made certain supplemental disclosures. The proposed settlement was subject to, among other things, court approval. On July 8, 2015, the Court preliminarily approved the settlement, and on November 20, 2015, the Court entered an order of final approval of the settlement. On December 17, 2015, a purported class member who had objected to the settlement appealed the Court's order. The appeal was docketed with the United States Court of Appeals for the Seventh Circuit, and is in an early stage.

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

On April 10, 2015, a putative shareholder filed a securities class action in federal court in the Northern District of Illinois against Walgreen Co. and certain former officers of Walgreen Co. The action asserts claims for violation of the federal securities laws arising out of certain public statements the Company made regarding its former fiscal 2016 goals. On June 16, 2015, the Court entered an order appointing a lead plaintiff. Pursuant to the Court's order, lead plaintiff filed an amended complaint on August 17, 2015, and defendants moved to dismiss the amended complaint on October 16, 2015. Lead plaintiff filed a response to the motion to dismiss on December 22, 2015, and defendants filed a reply in support of the motion on February 5, 2016.

As of February 29, 2016, the Company was aware of ten putative class action lawsuits (the "Rite Aid actions") filed by purported Rite Aid stockholders against Rite Aid and its board of directors, Walgreens Boots Alliance and Victoria Merger Sub, Inc. for claims arising out of the transactions contemplated by the Merger Agreement (the "Rite Aid Transactions"). Eight of the Rite Aid actions were filed in the Court of Chancery of the State of Delaware (the "Delaware actions"), one Rite Aid action was filed in the State of Pennsylvania in the Court of Common Pleas of Cumberland County (the "Pennsylvania action"), and one Rite Aid action was filed in the United States District Court for the Middle District of Pennsylvania (the "federal action"). The Delaware actions and the Pennsylvania action primarily allege that the Rite Aid board of directors breached its fiduciary duties in connection with the Rite Aid Transactions by, among other things, agreeing to an unfair and inadequate price, agreeing to deal protection devices that preclude other bidders from making successful competing offers for Rite Aid, and failing to disclose all allegedly material information concerning the proposed merger; and also allege that Walgreens Boots Alliance and Victoria Merger Sub, Inc. aided and abetted these alleged breaches of fiduciary duty. The federal action alleges, among other things, that Rite Aid and its board of directors disseminated an allegedly false and misleading proxy statement in connection with the Rite Aid Transactions. The Delaware actions were consolidated, and plaintiffs filed a motion for expedited proceedings and a motion for preliminary injunction seeking to enjoin the Rite Aid shareholder vote on the Rite Aid Transactions. The plaintiffs in the federal action also filed a motion for preliminary injunction seeking to enjoin the same Rite Aid shareholder vote. All such motions were denied, and the Rite Aid shareholders approved the Rite Aid Transactions at a special meeting on February 4, 2016. Each of the Rite Aid actions is still pending.

Note 13. Retirement Benefits

The Company sponsors several retirement plans, including defined benefit plans, defined contribution plans and a postretirement health plan. The Company uses an August 31 annual measurement date for its pension plans.

Defined Benefit Pension Plans (non-US plans)

The principal defined benefit pension plan is the Boots Pension Plan, which covers certain employees in the United Kingdom (the “Boots Plan”). 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 Company also has two smaller defined benefit pension plans in the United Kingdom, both of which were closed to future accruals effective July 1, 2010. Other defined benefit pension plans include smaller plans in Germany and France.

The obligation related to the Company’s pension plans was acquired as a result of the Second Step Transaction. The pension costs presented for 2015 represent the costs for the period from December 31, 2014 through February 28, 2015. Prior to December 31, 2014, Alliance Boots was accounted for as an equity method investee and as such, pension costs for fiscal 2015 prior to the date of the Second Step Transaction were reflected within Equity earnings in Alliance Boots on the Consolidated Condensed Statement of Earnings.

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

	Three Months Ended		Six Months Ended	
	February 29, 2016	February 28, 2015	February 29, 2016	February 28, 2015
Service costs	\$ -	\$ 1	\$ 2	\$ 1
Interest costs	77	53	159	53
Expected returns on plan assets	(62)	(43)	(127)	(43)
Settlements	-	1	-	1
Total net periodic pension costs	\$ 15	\$ 12	\$ 34	\$ 12

The Company made cash contributions to its defined benefit pension plans of \$9 million for the period ended February 29, 2016, which primarily related to committed funded payments. The Company plans to contribute an additional \$66 million to its defined benefit pension plans in fiscal 2016.

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, which has historically related to adjusted FIFO earnings before interest and taxes and a portion of which is in the form of a guaranteed match, is determined annually at the discretion of the Walgreens Boots Alliance Board of Directors (or Compensation Committee thereof). The profit-sharing provision was an expense of \$53 million and \$111 million for the three and six months ended February 29, 2016, respectively, compared to a benefit of \$21 million for the three months and expense of \$54 million for the six months ended February 28, 2015, respectively.

The Company also has a contract based defined contribution arrangement, the Alliance Boots Retirement Savings Plan, to which both the Company and participating employees contribute. The obligation related to the Alliance Boots Retirement Savings Plan was acquired as a result of the Second Step Transaction. The cost recognized in the Consolidated Condensed Statements of Earnings for the three and six month periods ended February 29, 2016 was \$34 million and \$69 million, respectively compared to \$22 million in the prior year three and six month periods. Prior to December 31, 2014, Alliance Boots was accounted for as an equity method investee and as such, such costs for fiscal 2015 prior to the date of the Second Step Transaction were reflected within Equity earnings in Alliance Boots on the Consolidated Condensed Statement of Earnings.

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. The Company's postretirement health benefit plan is not funded.

Components of net periodic benefit cost for the postretirement health benefit plan (in millions):

	Three Months Ended		Six Months Ended	
	February 29, 2016	February 28, 2015	February 29, 2016	February 28, 2015
Service cost	\$ 2	\$ 2	\$ 5	\$ 5
Interest cost	5	4	10	8
Amortization of actuarial loss	5	5	9	10
Amortization of prior service cost	(7)	(6)	(14)	(12)
Total postretirement benefit cost	\$ 5	\$ 5	\$ 10	\$ 11

Note 14. Earnings Per Share

The dilutive effect of outstanding stock options on earnings per share is calculated using the treasury stock method. Stock options are anti-dilutive and excluded from the earnings per share calculation if the exercise price exceeds the average market price of the common shares. There were 3.2 million outstanding options to purchase common shares that were anti-dilutive and excluded from the second quarter earnings per share calculation as of February 29, 2016 compared to 3.4 million as of February 28, 2015. Anti-dilutive shares excluded from the year to date earnings per share calculation were 2.2 million compared to 5.0 million for the periods ending February 29, 2016 and February 28, 2015, respectively.

Note 15. Depreciation and Amortization

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

	Three Months Ended		Six Months Ended	
	February 29, 2016	February 28, 2015	February 29, 2016	February 28, 2015
Depreciation expense	\$ 346	\$ 311	\$ 644	\$ 567
Intangible asset and other amortization	96	196	180	259
Total depreciation and amortization expense	\$ 442	\$ 507	\$ 824	\$ 826

The depreciation and amortization expense presented for 2015 include Alliance Boots costs for the period from December 31, 2014 through February 28, 2015. Prior to December 31, 2014, Alliance Boots was accounted for as an equity method investee and as such, depreciation and amortization expense were included for fiscal 2015 prior to the date of the Second Step Transaction within Equity earnings in Alliance Boots.

Note 16. Supplemental Cash Flow Disclosures

Cash interest paid was \$302 million and \$90 million in the six months ended February 29, 2016 and February 28, 2015, respectively. Cash paid for income taxes was \$481 million and \$553 million in the six months ended February 29, 2016 and February 28, 2015, respectively.

Note 17. 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 the three and six months ended February 29, 2016 and February 28, 2015 (in millions):

	Pension/Post-retirement Obligations	Unrecognized Gain (Loss) on Available-for-Sale Investments	Unrealized Gain (Loss) on Cash Flow Hedges	Currency Translation Adjustments	Total
Balance at November 30, 2015	\$ 32	\$ 260	\$ (39)	\$ (911)	\$ (658)
Other comprehensive income (loss) before reclassification adjustments	(4)	(139)	-	(1,121)	(1,264)
Amounts reclassified from accumulated OCI	-	-	2	-	2
Tax benefit (provision)	2	51	(1)	-	52
Net other comprehensive income (loss)	(2)	(88)	1	(1,121)	(1,210)
Balance at February 29, 2016	\$ 30	\$ 172	\$ (38)	\$ (2,032)	\$ (1,868)

	Pension/Post-retirement Obligations	Unrecognized Gain (Loss) on Available-for-Sale Investments	Unrealized Gain (Loss) on Cash Flow Hedges	Currency Translation Adjustments	Total
Balance at August 31, 2015	\$ 29	\$ 259	\$ (40)	\$ (462)	\$ (214)
Other comprehensive income (loss) before reclassification adjustments	(1)	(144)	-	(1,570)	(1,715)
Amounts reclassified from accumulated OCI	-	-	3	-	3
Tax benefit (provision)	2	57	(1)	-	58
Net other comprehensive income (loss)	1	(87)	2	(1,570)	(1,654)
Balance at February 29, 2016	\$ 30	\$ 172	\$ (38)	\$ (2,032)	\$ (1,868)

	Pension/Post-retirement Obligations	Unrecognized Gain (Loss) on Available-for-Sale Investments	Unrealized Gain (Loss) on Cash Flow Hedges	Share of Alliance Boots OCI	Cumulative Translation Adjustments	Total
Balance at November 30, 2014	\$ 14	\$ 206	\$ (39)	\$ (92)	\$ (35)	\$ 54
Other comprehensive income (loss) before reclassification adjustments	(8)	140	2	(89)	(358)	(313)
Amounts reclassified from accumulated OCI	-	-	(1)	230	80	309
Tax benefit (provision)	-	(50)	(1)	(49)	(18)	(118)
Net other comprehensive income (loss)	\$ (8)	\$ 90	\$ -	\$ 92	\$ (296)	\$ (122)
Balance at February 28, 2015	\$ 6	\$ 296	\$ (39)	\$ -	\$ (331)	\$ (68)

	Pension/Post-retirement Obligations	Unrecognized Gain (Loss) on Available-for-Sale Investments	Unrealized Gain (Loss) on Cash Flow Hedges	Share of Alliance Boots OCI	Cumulative Translation Adjustments	Total
Balance at August 31, 2014	\$ 15	\$ 107	\$ (27)	\$ (113)	\$ 154	\$ 136
Other comprehensive income (loss) before reclassification adjustments	(10)	297	(18)	(57)	(648)	(436)
Amounts reclassified from accumulated OCI	-	-	(1)	230	80	309
Tax benefit (provision)	1	(108)	7	(60)	83	(77)
Net other comprehensive income (loss)	\$ (9)	\$ 189	\$ (12)	\$ 113	\$ (485)	\$ (204)
Balance at February 28, 2015	\$ 6	\$ 296	\$ (39)	\$ -	\$ (331)	\$ (68)

Note 18. Segment Reporting

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

- The Retail Pharmacy USA segment consists of the legacy Walgreens business, which includes the operation of retail drugstores and convenient care clinics and the provision of specialty pharmacy services. Revenues for the segment are principally derived from the sale of prescription drugs and a wide assortment of general merchandise, including non-prescription drugs, beauty products, photo finishing, seasonal merchandise, greeting cards and convenience foods.
- The Retail Pharmacy International segment consists primarily of the legacy Alliance Boots pharmacy-led health and beauty stores, optical practices, and related contract manufacturing operations. Stores are located in the United Kingdom, Mexico, Chile, Thailand, Norway, the Republic of Ireland, The Netherlands and Lithuania. Revenues for the segment are principally derived from the sale of prescription drugs and retail health, beauty, toiletries and other consumer products.
- The Pharmaceutical Wholesale segment consists of the legacy Alliance Boots pharmaceutical wholesaling and distribution businesses. Wholesale operations are located in France, the United Kingdom, Germany, Turkey, Spain, Russia, The Netherlands, Egypt, Norway, Romania, Czech Republic and Lithuania. Revenues for the segment are principally derived from wholesaling and distribution of a comprehensive offering of brand-name pharmaceuticals (including specialty pharmaceutical products) and generic pharmaceuticals, health and beauty products, home healthcare supplies and equipment, and related services to pharmacies and other healthcare providers.

The results of operations for each reportable segment include synergy benefits, including WBAD operations and an allocation of corporate-related overhead costs. The "Eliminations and Unallocated Items" 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 segment information reflects the operating results of the Company's business segments. The Company began recording revenue and expense transactions using the new segments effective January 1, 2015. Beginning January 1, 2015, synergy benefits including WBAD operations have been allocated to the Retail Pharmacy USA, Retail Pharmacy International and Pharmaceutical Wholesale segments on a source of procurement benefit basis. Under this method, the synergy benefits are allocated to the segment whose purchase gave rise to the benefit. A synergy arising on the purchase of an item for use in an entity in the Retail Pharmacy USA segment is recognized in the Retail Pharmacy USA segment and similarly for the Retail Pharmacy International and Pharmaceutical Wholesale segments. Procurement service income related to third parties is recognized in the Pharmaceutical Wholesale segment. Corporate costs have been allocated to segments based on their respective gross profit.

Our Retail Pharmacy International and Pharmaceutical Wholesale segments were acquired as part of the Second Step Transaction in which we acquired the 55% of Alliance Boots that we did not already own on December 31, 2014. The Company has determined that it is impracticable to restate segment information for periods prior the completion of the Second Step Transaction, as well as to provide disclosures for such periods under both the old basis and new basis of reporting for certain items. Specifically, WBAD operations prior to December 31, 2014 were recorded in the Retail Pharmacy USA segment and have not been restated, as the Company believes it is impracticable to separate the information to the individual reportable segments. Equity earnings from Alliance Boots prior to the completion of the Second Step Transaction has been recorded within the Retail Pharmacy USA segment. The equity earnings of the 45% interest in Alliance Boots have not been separated into the Retail Pharmacy International and Pharmaceutical Wholesale segments for the prior period, as the Company believes it is impracticable. Accordingly, only two months of results (January and February 2015) have been reported for these segments for the three and six months ended February 28, 2015.

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

	Retail Pharmacy			Eliminations and Unallocated Items	Consolidated
	USA	International	Pharmaceutical Wholesale		
Three Months Ended February 29, 2016					
Sales to external customers	\$ 21,500	\$ 3,627	\$ 5,057	\$ -	\$ 30,184
Intersegment sales	-	62	570	(632)	-
Total Sales	<u>\$ 21,500</u>	<u>\$ 3,689</u>	<u>\$ 5,627</u>	<u>\$ (632)</u>	<u>\$ 30,184</u>
Adjusted Operating Income	<u>\$ 1,632</u>	<u>\$ 335</u>	<u>\$ 155</u>	<u>\$ (2)</u>	<u>\$ 2,120</u>
Three Months Ended February 28, 2015					
Sales to external customers	\$ 21,048	\$ 2,017	\$ 3,508	\$ -	\$ 26,573
Intersegment sales	-	30	357	(387)	-
Total Sales	<u>\$ 21,048</u>	<u>\$ 2,047</u>	<u>\$ 3,865</u>	<u>\$ (387)</u>	<u>\$ 26,573</u>
Adjusted Operating Income	<u>\$ 1,598</u>	<u>\$ 125</u>	<u>\$ 121</u>	<u>\$ (4)</u>	<u>\$ 1,840</u>
Retail Pharmacy					
	USA	International	Pharmaceutical Wholesale	Eliminations and Unallocated Items	Consolidated
Six Months Ended February 29, 2016					
Sales to external customers	\$ 41,870	\$ 7,086	\$ 10,261	\$ -	\$ 59,217
Intersegment sales	-	134	1,162	(1,296)	-
Total Sales	<u>\$ 41,870</u>	<u>\$ 7,220</u>	<u>\$ 11,423</u>	<u>\$ (1,296)</u>	<u>\$ 59,217</u>
Adjusted Operating Income	<u>\$ 2,875</u>	<u>\$ 650</u>	<u>\$ 321</u>	<u>\$ (7)</u>	<u>\$ 3,839</u>
Six Months Ended February 28, 2015					
Sales to external customers	\$ 40,602	\$ 2,017	\$ 3,508	\$ -	\$ 46,127
Intersegment sales	-	30	357	(387)	-
Total Sales	<u>\$ 40,602</u>	<u>\$ 2,047</u>	<u>\$ 3,865</u>	<u>\$ (387)</u>	<u>\$ 46,127</u>
Adjusted Operating Income	<u>\$ 2,716</u>	<u>\$ 125</u>	<u>\$ 121</u>	<u>\$ (4)</u>	<u>\$ 2,958</u>

[Table of Contents](#)

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

	<u>Retail Pharmacy</u>			Pharmaceutical Wholesale	Eliminations and Unallocated Items	Consolidated
	USA	International				
Three Months Ended February 29, 2016						
Adjusted Operating Income	\$ 1,632	\$ 335	\$ 155	\$ (2)	\$	2,120
Acquisition-related amortization						(101)
Cost transformation						(28)
LIFO provision						(68)
Acquisition-related costs						(33)
Asset impairment						(30)
Operating Income						<u>\$ 1,860</u>

Three Months Ended February 28, 2015						
Adjusted Operating Income	\$ 1,598	\$ 125	\$ 121	\$ (4)	\$	1,840
(Decrease) increase in fair market value of warrants						(6)
Acquisition-related amortization						(217)
LIFO provision						(55)
Acquisition-related costs						(59)
Asset impairment						(110)
Store closures and other optimization costs						(16)
Operating Income						<u>\$ 1,377</u>

	<u>Retail Pharmacy</u>			Pharmaceutical Wholesale	Eliminations and Unallocated Items	Consolidated
	USA	International				
Six Months Ended February 29, 2016						
Adjusted Operating Income	\$ 2,875	\$ 650	\$ 321	\$ (7)	\$	3,839
Acquisition-related amortization						(182)
Cost transformation						(118)
LIFO provision						(114)
Acquisition-related costs						(67)
Asset impairment						(30)
Operating Income						<u>\$ 3,328</u>

Six Months Ended February 28, 2015						
Adjusted Operating Income	\$ 2,716	\$ 125	\$ 121	\$ (4)	\$	2,958
(Decrease) increase in fair market value of warrants						123
Acquisition-related amortization						(306)
LIFO provision						(107)
Acquisition-related costs						(83)
Asset impairment						(110)
Store closures and other optimization costs						(44)
Operating Income						<u>\$ 2,431</u>

Note 19. Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standard Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, Leases (Topic 842), which supersedes Topic 840, Leases. This ASU increases the transparency and comparability of organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed. At the lease commencement date, lessee recognizes a lease liability and right-of-use asset, which is initially measured at the present value of future lease payments. There are two approaches for amortizing the right-of-use asset. Under the finance lease approach, interest on the lease liability is recognized separately from amortization of the right-of-use asset. Repayments of the principal portion of the lease liability will be classified as financing activities and payments of interest on the lease liability and variable lease payments will be classified as operating activities in the statement of cash flows. Under the operating lease approach, the cost of the lease is calculated on a straight-line basis over the life of the lease term. All cash payments are classified as operating activities in the statement of cash flows. For sale and leaseback transactions, in order for a sale to occur, the transfer of the asset must meet all criteria in Topic 606. If there is no sale for the seller-lessee, the buyer-lessor does not account for a purchase. Any consideration paid for the asset is accounted for as a financing transaction. For transactions previously accounted for as a sale and leaseback, the transition guidance in Topic 842 does not require an entity to assess whether the transaction would have qualified as a sale and a leaseback in accordance with Topic 842. Additionally, gains recorded under sale and leaseback transactions are recognized at the transaction date and no longer deferred over the lease term. This ASU is effective for annual periods beginning after December 15, 2018 (fiscal 2020). In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach which includes a number of optional practical expedients that entities may elect to apply. For a description of the Company’s lease obligations, please refer to the Company’s Annual Report on Form 10-K for the fiscal year ended August 31, 2015. The Company has begun evaluating and planning for the adoption and implementation of this ASU, including assessing the overall impact. This ASU will have a material impact on the Company’s financial statements. The impact on the Company’s results of operations is being evaluated. The impact of this ASU is non-cash in nature and will not affect the Company’s cash position.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments – Overall (Subtopic 825-10). This ASU requires equity investments (except those under the equity method of accounting or those that result in the consolidation of an investee) to be measured at fair value with changes in fair value recognized in net income. However, an entity may choose to measure equity investments that do not have readily determinable fair values at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. This simplifies the impairment assessment of equity investments previously held at cost. Separate presentation of financial assets and liabilities by measurement category is required. This ASU is effective prospectively for annual periods beginning after December 15, 2017 (fiscal 2019). Early application is not permitted. The Company is evaluating the effect of adopting this new accounting guidance.

In November 2015, the FASB issued ASU 2015-17, Income Taxes (Topic 740). This ASU simplifies the presentation of deferred income taxes by requiring that deferred tax assets and liabilities be classified as non-current in a classified statement of financial position. This ASU may be applied either prospectively to all deferred tax assets and liabilities, or retrospectively to all periods presented for annual periods beginning after December 16, 2016 and interim periods thereafter (fiscal 2018), with early adoption permitted, and may require additional disclosure based on the application method selected. 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.

In September 2015, the FASB issued ASU 2015-16, Business Combinations (Topic 805). This ASU simplifies the accounting for adjustments made to provisional amounts recognized in a business combination by eliminating the requirements to retrospectively account for those adjustments. This guidance applies to all entities that have reported provisional amounts for items in a business combination for which the accounting is incomplete by the end of the reporting period in which the combination occurs and during the measurement period having an adjustment to provisional amounts recognized. This ASU is effective prospectively for annual periods beginning after December 31, 2016 and interim periods thereafter (fiscal 2018) with early adoption permitted. The Company adopted this ASU on March 1, 2016. The adoption of this ASU did not have a material impact on the Company’s results of operations, cash flows or financial position.

In August 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers (Topic 606), an update to ASU 2014-09. This ASU amends ASU 2014-09 to defer the effective date by one year for annual reporting periods beginning after December 15, 2017 (fiscal 2019). This ASU removes inconsistencies, complexities and allows transparency and comparability of revenue transactions across entities, industries, jurisdictions and capital markets by providing a single comprehensive principles-based model with additional disclosures regarding uncertainties. The principles-based revenue recognition model has a five-step analysis of transactions to determine when and how revenue is recognized. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Early adoption is permitted for annual reporting periods beginning after December 15, 2016 (fiscal 2018). In transition, the ASU may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of adoption. The Company is evaluating the effect of adopting this new accounting guidance including the transition method.

In July 2015, the FASB issued ASU 2015-11, Inventory (Topic 330). This ASU simplifies current accounting treatments by requiring entities to measure most inventories at “the lower of cost and net realizable value” rather than using lower of cost or market. This guidance does not apply to inventories measured using last-in, first-out method or the retail inventory method. This ASU is effective prospectively for annual periods beginning after December 15, 2016 and interim periods thereafter (fiscal 2018) with early adoption permitted. Upon transition, entities must disclose the accounting change. 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 results of operations, cash flows or financial position.

Note 20. Subsequent Event

On March 18, 2016, the Company exercised Warrant 1 (described in Note 10, Financial Instruments) in full, resulting in the acquisition from AmerisourceBergen of 22,696,912 shares of AmerisourceBergen common stock for an aggregate exercise price payment of \$1.17 billion. The transaction was funded using existing cash on hand. Following the exercise of Warrant 1, the Company owned 34,157,955 outstanding AmerisourceBergen common shares representing approximately 15.2% of the outstanding AmerisourceBergen common stock (based on shares outstanding as of March 16, 2016 adjusted to give effect to the exercise of Warrant 1, as reported by AmerisourceBergen in its Current Report on Form 8-K filed with the Securities and Exchange Commission on March 18, 2016). The Company continues to hold Warrant 2, which the Company has the right to exercise beginning in March 2017.

Effective March 18, 2016, 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 its investment being classified within the operating income of the Company's Pharmaceutical Wholesale segment.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read together with the financial statements and the related notes included elsewhere herein and the consolidated financial statements, accompanying notes and Management's Discussion and Analysis of Financial Condition and Results of Operations and other disclosures contained in the Walgreens Boots Alliance, Inc. Annual Report on Form 10-K for the fiscal year ended August 31, 2015. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those discussed in forward-looking statements. Factors that might cause a difference include, but are not limited to, those discussed under "Cautionary Note Regarding Forward-Looking Statements" and in Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended August 31, 2015. References herein 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 (as defined below) on December 31, 2014 and, prior to that time, to its predecessor Walgreen Co. and its subsidiaries, except as otherwise indicated or the context otherwise requires.

INTRODUCTION

On December 31, 2014, Walgreens Boots Alliance, Inc. ("Walgreens Boots Alliance") became the successor to Walgreen Co. ("Walgreens") pursuant to a merger to effect a reorganization of Walgreen Co. into a holding company structure (the "Reorganization"), with Walgreens Boots Alliance becoming the parent holding company. Pursuant to the Reorganization, Walgreens became a wholly owned subsidiary of Walgreens Boots Alliance, a Delaware corporation formed for the purposes of Reorganization, and each issued and outstanding share of Walgreens common stock converted on a one-to-one basis into Walgreens Boots Alliance common stock. Also on December 31, 2014, following the completion of the Reorganization, Walgreens Boots Alliance completed the acquisition of the remaining 55% of Alliance Boots GmbH ("Alliance Boots") that Walgreens did not previously own (the "Second Step Transaction") in exchange for £3.133 billion in cash and 144.3 million shares of Walgreens Boots Alliance common stock. Alliance Boots became a consolidated subsidiary and ceased being accounted for under the equity method immediately upon completion of the Second Step Transaction. For financial reporting and accounting purposes, Walgreens Boots Alliance was the acquirer of Alliance Boots. The consolidated financial statements (and other data, such as prescriptions filled) reflect the results of operations and financial position of Walgreens and its subsidiaries for periods prior to December 31, 2014 and of Walgreens Boots Alliance and its subsidiaries for periods from and after the effective time of the Reorganization on December 31, 2014.

On October 27, 2015, Walgreens Boots Alliance entered into an Agreement and Plan of Merger with Rite Aid Corporation ("Rite Aid") and Victoria Merger Sub, Inc., a wholly-owned subsidiary of Walgreens Boots Alliance (the "Merger Agreement"), pursuant to which we agreed, subject to the terms and conditions thereof, to acquire Rite Aid, a drugstore chain in the United States with 4,560 stores in 31 states and the District of Columbia as of the date of the most recent Rite Aid Quarterly Report on Form 10-Q. The Merger Agreement was approved by Rite Aid stockholders in February 2016. The transaction is expected to close in the second half of calendar year 2016, subject to regulatory approvals and other customary closing conditions.

SEGMENTS

Prior to December 31, 2014, our operations were within one reportable segment. Following the completion of the Reorganization and the Second Step Transaction on December 31, 2014, we organized our operations to reflect our new structure. Our operations are organized into three divisions, which are also our reportable segments:

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

COMPARABILITY

As a result of the completion of the Second Step Transaction on December 31, 2014, there are a number of items that affect comparability of reported results. Prior to December 31, 2014, our operations were within one reportable segment that included the results of the Retail Pharmacy USA division and corporate costs, along with the full consolidated results of Walgreens Boots Alliance Development GmbH (“WBAD”), a global sourcing enterprise formed by Walgreens and Alliance Boots, and equity earnings from Alliance Boots (on a three month reporting lag). Upon completion of the Second Step Transaction, Alliance Boots became a consolidated subsidiary and we eliminated the three month reporting lag. Prior period results have been recast to reflect the elimination of the reporting lag. Additionally, following the completion of the Reorganization and the Second Step Transaction on December 31, 2014, we now report results in three segments. Segmental reporting includes the allocation of synergy benefits, including WBAD’s results, and the combined corporate costs for periods subsequent to December 31, 2014. We have determined that it is impracticable to allocate historical results to the current segmental presentation. Accordingly, our Retail Pharmacy USA segment results for periods prior to December 31, 2014 include all corporate costs of Walgreen Co., the full consolidated results of WBAD and equity income from Walgreen Co.’s pre-closing 45 percent interest in Alliance Boots.

The completion of the Second Step Transaction on December 31, 2014 also means that results for the three and six month periods ended February 29, 2016 include the results of Alliance Boots on a fully consolidated basis, while the three and six month periods ended February 28, 2015 include the results of Alliance Boots for two months (January and February 2015) on a fully consolidated basis and as equity income from Walgreen Co.’s pre-merger 45 percent interest in Alliance Boots for one month (December 2014) and four months (September through December 2014), respectively.

Period-over-period comparisons of results require consideration of the foregoing factors and are not directly comparable.

In addition, our sales results are affected by a number of factors, including our sales performance during holiday periods and during the cough, cold and flu season; foreign currency fluctuations; significant weather conditions; timing of our own or competitor discount programs and pricing actions; levels of reimbursement from governmental agencies and other third party payers; and general economic conditions in the markets in which we operate.

AMERISOURCEBERGEN CORPORATION RELATIONSHIP

On March 19, 2013, Walgreens, 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 branded and generic pharmaceutical products will be sourced from AmerisourceBergen; an agreement which provides AmerisourceBergen the ability to access generics and related pharmaceutical products through WBAD, a global sourcing enterprise; and agreements and arrangements pursuant to which we have 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. In addition to the information in this report, please refer to our Current Report on Form 8-K filed on March 20, 2013 for more detailed information regarding these agreements and arrangements.

As of February 29, 2016, we held (a) 11,461,043 outstanding shares of AmerisourceBergen common stock acquired in open market transactions; (b) warrants to purchase up to 22,696,912 shares of AmerisourceBergen common stock at an exercise price of \$51.50 per share exercisable during a six-month period beginning in March 2016 (“Warrant 1”); and (c) warrants to purchase up to 22,696,912 shares of AmerisourceBergen common stock at an exercise price of \$52.50 per share exercisable during a six-month period beginning in March 2017 (“Warrant 2” and together with Warrant 1, the “Warrants”). We can acquire up to a total of 19,859,795 AmerisourceBergen shares in the open market. The amount of permitted open market purchases is subject to increase in certain circumstances.

On March 18, 2016, we exercised Warrant 1 in full, resulting in the acquisition from AmerisourceBergen of 22,696,912 shares of AmerisourceBergen common stock for an aggregate exercise price payment of \$1.17 billion. Following the exercise of Warrant 1, the Company owned 34,157,955 outstanding AmerisourceBergen common shares representing approximately 15.2% of the outstanding AmerisourceBergen common stock (based on shares outstanding as of March 16, 2016 adjusted to give effect to the exercise of Warrant 1, as reported by AmerisourceBergen in its Current Report on Form 8-K filed with the Securities and Exchange Commission on March 18, 2016).

Effective March 18, 2016, we account for our investment in AmerisourceBergen using the equity method of accounting, subject to a two-month reporting lag, with the net earnings attributable to our investment being classified within the operating income of our Pharmaceutical Wholesale segment. Due to the March 18, 2016 effective date and the two-month reporting lag, the results for our fiscal quarter ending May 31, 2016 will include approximately two weeks of equity method income relating to our investment in AmerisourceBergen.

RESTRUCTURING PROGRAMS

On April 8, 2015, the Walgreens Boots Alliance Board of Directors approved a plan to implement a new restructuring program (the “Cost Transformation Program”) as part of an initiative to reduce costs and increase operating efficiencies. The Cost Transformation Program implements and builds on the planned three-year, \$1.0 billion cost-reduction initiative previously announced by Walgreens on August 6, 2014 and includes a number of elements designed to help achieve profitable growth through increased cost efficiencies. We have identified additional opportunities for cost savings that increase the total expected cost savings of the Cost Transformation Program by \$500 million to a projected \$1.5 billion by the end of fiscal 2017. Significant areas of focus include plans to close approximately 200 stores across the U.S.; reorganize divisional and field operations; drive operating efficiencies; and streamline information technology and other functions. The actions under the Cost Transformation Program focus primarily on our Retail Pharmacy USA segment, and are expected to be substantially completed by the end of fiscal 2017.

We currently estimate that we will recognize cumulative pre-tax charges to our GAAP financial results of between \$1.6 billion and \$1.8 billion, including costs associated with lease obligations and other real estate payments, asset impairments and employee termination and other business transition and exit costs. We expect to incur pre-tax charges of between \$525 million and \$600 million for real estate costs, including lease obligations (net of estimated sublease income); between \$650 million and \$725 million for asset impairment charges relating primarily to asset write-offs from store closures, information technology, inventory and other non-operational real estate asset write-offs; and between \$425 million and \$475 million for employee severance and other business transition and exit costs. We estimate that approximately 60% of the cumulative pre-tax charges will result in immediate or future cash expenditures, primarily related to lease and other real estate payments and employee separation costs.

The Company incurred pre-tax charges of \$28 million and \$118 million related to the Cost Transformation Program during the three and six month periods ended February 29, 2016. No charges were incurred with respect to the Cost Transformation Program in the three and six month periods ended February 28, 2015. From inception through February 29, 2016, the Company incurred pre-tax charges of \$660 million (\$254 million in real estate costs, \$248 million related to asset impairment charges and \$158 million in severance and other business transition and exit costs) related to the Cost Transformation Program. All charges related to the Cost Transformation Program have been recorded within selling, general and administrative expenses.

In March 2014, the Walgreens Board of Directors approved a plan to close underperforming stores in efforts to optimize and focus resources within Retail Pharmacy USA segment in a manner intended to increase stockholder value. As of August 31, 2015, this plan was completed and no additional charges related to the plan are expected. There were no charges incurred in the three month period ended February 28, 2015. For the six months ended February 28, 2015, the Company incurred pre-tax charges of \$17 million, which were primarily related to lease termination costs. All charges related to this plan have been recorded within selling, general and administrative expenses.

Restructuring costs by segment are as follows (in millions):

	Retail Pharmacy		Pharmaceutical	Consolidated
	USA	International	Wholesale	
Three Months Ended February 29, 2016				
Real estate costs	\$ -	\$ -	\$ -	\$ -
Asset impairments	-	-	-	-
Severance and other business transition and exit costs	25	3	-	28
Total restructuring costs	<u>\$ 25</u>	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ 28</u>
Three Months Ended February 28, 2015				
Real estate costs	\$ -	\$ -	\$ -	\$ -
Asset impairments	-	-	-	-
Severance and other business transition and exit costs	-	-	-	-
Total restructuring costs	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	Retail Pharmacy		Pharmaceutical	
	USA	International	Wholesale	Consolidated
Six Months Ended February 29, 2016				
Real estate costs	\$ 52	\$ -	\$ -	\$ 52
Asset impairments	25	-	-	25
Severance and other business transition and exit costs	33	8	-	41
Total restructuring costs	\$ 110	\$ 8	\$ -	\$ 118
Six Months Ended February 28, 2015				
Real estate costs	\$ 17	\$ -	\$ -	\$ 17
Asset impairments	-	-	-	-
Severance and other business transition and exit costs	-	-	-	-
Total restructuring costs	\$ 17	\$ -	\$ -	\$ 17

As the program is implemented, the restructuring charges will be recognized as the costs are incurred over time in accordance with GAAP.

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.

EXECUTIVE SUMMARY

The following table presents certain key financial statistics for the three and six months ended February 29, 2016 and February 28, 2015, respectively. As a result of the completion of the Second Step Transaction, the Company ceased recording equity earnings in Alliance Boots on December 31, 2014. As such, the three and six month periods ended February 29, 2016 reflects the full consolidation of Alliance Boots results, while the three and six month periods ended February 28, 2015 include the results of Alliance Boots as equity income from Walgreens’ pre-merger 45 percent interest for one month (December 2014) and four months (September through December 2014), respectively.

	(in millions, except per share amounts)			
	Three Months Ended		Six Months Ended	
	February 29, 2016	February 28, 2015	February 29, 2016	February 28, 2015
Net sales	\$ 30,184	\$ 26,573	\$ 59,217	\$ 46,127
Gross Profit	7,944	6,882	15,446	12,178
Selling, general and administrative expenses	6,084	5,606	12,118	10,062
Operating Income	1,860	1,377	3,328	2,431
Adjusted Operating Income (Non-GAAP measure) (1)	2,120	1,840	3,839	2,958
Earnings Before Interest and Tax Provision	1,364	2,587	2,775	3,840
Net Earnings Attributable to Walgreens Boots Alliance, Inc.	930	2,042	2,040	2,892
Adjusted Net Earnings Attributable to Walgreens Boots Alliance, Inc. (Non-GAAP measure) (1)	1,423	1,244	2,555	1,993
Net earnings per common share attributable to Walgreens Boots Alliance, Inc. – diluted	0.85	1.93	1.87	2.88
Adjusted net earnings per common share attributable to Walgreens Boots Alliance, Inc. – diluted (Non-GAAP measure) (1)	1.31	1.18	2.34	1.98

	Percentage Increases/(Decreases)			
	Three Months Ended		Six Months Ended	
	February 29, 2016	February 28, 2015	February 29, 2016	February 28, 2015
Net sales	13.6	35.5	28.4	21.6
Gross Profit	15.4	21.8	26.8	12.7
Selling, general and administrative expenses	8.5	22.7	20.4	12.4
Operating Income	35.1	13.1	36.9	11.3
Adjusted Operating Income (Non-GAAP measure) (1)	15.2	30.7	29.8	19.7
Earnings Before Interest and Tax Provision	(47.3)	123.4	(27.7)	63.4
Net Earnings Attributable to Walgreens Boots Alliance, Inc.	(54.5)	185.2	(29.5)	101.0
Adjusted Net Earnings Attributable to Walgreens Boots Alliance, Inc. (Non-GAAP measure) (1)	14.4	33.2	28.2	22.9
Net earnings per common share attributable to Walgreens Boots Alliance, Inc. – diluted	(56.0)	160.8	(35.1)	93.3
Adjusted net earnings per common share attributable to Walgreens Boots Alliance, Inc. – diluted (Non-GAAP measure) (1)	11.0	21.6	18.2	17.2

	Percent to Net Sales			
	Three Months Ended		Six Months Ended	
	February 29, 2016	February 28, 2015	February 29, 2016	February 28, 2015
Gross Margin	26.3	25.9	26.1	26.4
Selling, general and administrative expenses	20.2	21.1	20.5	21.8

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

WALGREENS BOOTS ALLIANCE RESULTS OF OPERATIONS

Our results for the three and six months ended February 29, 2016 as compared to the prior year periods are impacted by the Second Step Transaction, which resulted in the full consolidation of Alliance Boots results of operations beginning December 31, 2014. The completion of the Second Step Transaction on December 31, 2014 means that results for the three and six month periods ended February 29, 2016, include the results of Alliance Boots on a fully consolidated basis, while the three and six months ended February 28, 2015 include the results of Alliance Boots for two months (January and February 2015) on a fully consolidated basis and as equity income from Walgreen Co.’s pre-merger 45 percent interest for one month (December 2014) and four months (September through December 2014), respectively.

Net earnings attributable to Walgreens Boots Alliance for the quarter ended February 29, 2016 were \$930 million, or \$0.85 per diluted share as compared to \$2.0 billion, or \$1.93 per diluted share in the comparable prior year period. The decrease in net earnings per diluted share for the three month period ended February 29, 2016 was attributable to last year’s second quarter non-cash gain of \$814 million associated with the remeasurement to fair value on December 31, 2014 of the Company’s previously-held equity investment in Alliance Boots and the fair value adjustments on AmerisourceBergen warrants.

Net earnings attributable to Walgreens Boots Alliance for the six months ended February 29, 2016 were \$2.0 billion, or \$1.87 per diluted share as compared to \$2.9 billion, or \$2.88 per diluted share in the comparable prior year period. The decrease in net earnings per diluted share for the six month period ended February 29, 2016 was attributable to fair value adjustments on AmerisourceBergen warrants and last year’s second quarter non-cash gain of \$814 million associated with the remeasurement to fair value on December 31, 2014 of the Company’s previously-held equity investment in Alliance Boots.

Other income (expense) for the three and six months ended February 29, 2016 was a loss of \$496 million and \$553 million, respectively, as compared to income of \$504 million and \$703 million in the three and six months ended February 28, 2015, respectively. Following the completion of the Second Step Transaction, fair value adjustments related to the AmerisourceBergen warrants held by a subsidiary are recorded within other income (expense) rather than equity earnings in Alliance Boots. The change in fair value of our AmerisourceBergen warrants resulted in recording a loss of \$529 million in the current quarter and \$586 million for the six month period ended February 29, 2016 as compared to income of \$559 million and \$849 million for the three and six months ended February 28, 2015, primarily attributable to the change in the price of AmerisourceBergen’s common stock. We also recognized a gain of \$33 million for the three and six months ended February 29, 2016 on derivative contracts that were not designated as accounting hedges, compared to losses of \$60 million and \$156 million, respectively, in the comparable three and six month prior year periods. The prior year losses primarily relate to foreign currency forward contracts entered into in consideration of the delivery of foreign cash consideration related to the Second Step Transaction.

Interest was a net expense of \$140 million for the three months ended February 29, 2016 and \$278 million for the six months ended February 29, 2016 compared to \$144 million and \$199 million for the comparable prior year quarter and the six months ended February 28, 2015. The increase in interest expense for the six month period is primarily due to the notes we issued to fund a portion of the cash consideration payable in connection with the Second Step Transaction and to subsequently refinance substantially all of Alliance Boots outstanding borrowings following completion of the Second Step Transaction.

[Table of Contents](#)

The effective tax rate for the three months ended February 29, 2016 was 24.6% compared to 16.0% for the three months ended February 28, 2015. The increase in the effective tax rate is primarily attributable to reduced discrete tax benefits, partly offset by a lower estimated annual tax rate. During the three months ended February 28, 2015 we recorded net discrete tax benefits, primarily related to the previously held equity investment gain associated with our acquisition of the 55% interest in Alliance Boots that we did not previously own in the Second Step Transaction. Those discrete tax benefits did not recur during the three months ended February 29, 2016. The lower estimated annual tax rate results from changes in the geographic mix of our forecasted pre-tax earnings as well as increased permanent book-tax differences that favorably impacted our estimated annual tax rate and reduced permanent book-tax differences that negatively impacted our estimated annual tax rate.

The effective tax rate for the six months ended February 29, 2016 was 18.7% compared to 19.6% for the six months ended February 28, 2015. The decrease in the effective tax rate is primarily attributable to a lower estimated annual tax rate, which was partly offset by the reduced impact of discrete tax benefits during the current period. The lower estimated annual tax rate results from changes in the geographic mix of our forecasted pre-tax earnings as well as increased permanent book-tax differences that favorably impacted our estimated annual tax rate and reduced permanent book-tax differences that negatively impacted our estimated annual tax rate. For the six months ended February 28, 2015 discrete tax items favorably impacted the tax rate by 12.1% as compared to 6.9% for the six months ended February 29, 2016. The discrete tax benefits for the six months ended February 28, 2015 primarily related to recognizing the benefits of previously unrecognized deferred tax assets due to our generation of capital gain income from sale-leaseback transactions and the tax impact related to the previously-held equity investment gain associated with our acquisition of the remaining 55% interest in Alliance Boots that we did not previously own in the Second Step Transaction. The discrete tax benefits for the six months ended February 29, 2016 primarily relate to the \$178 million deferred tax impact of certain tax rate reductions enacted by the United Kingdom.

Walgreens Boots Alliance Adjusted Net Earnings Per Diluted Share (Non-GAAP measure)

Adjusted net earnings attributable to Walgreens Boots Alliance for the quarter ended February 29, 2016 were \$1.4 billion, or \$1.31 per diluted share as compared to \$1.2 billion, or \$1.18 per diluted share in the comparable prior year period. The increase in adjusted net earnings and adjusted net earnings per diluted share for the three months ended February 29, 2016 was primarily attributable to higher sales and lower selling, general and administrative expenses as a percentage of sales offset partially by a higher effective tax rate. Adjusted net earnings attributable to Walgreens Boots Alliance for the six months ended February 29, 2016 were \$2.6 billion, or \$2.34 per diluted share as compared to \$2.0 billion, or \$1.98 per diluted share in the comparable prior year period. The increase in adjusted net earnings and adjusted net earnings per diluted share for the six months ended February 29, 2016 was primarily attributable to higher sales and lower selling, general and administrative expenses as a percentage of sales and offset partially by lower gross margins and a higher effective tax rate. See "--Non-GAAP Measures" below for a reconciliation to the most directly comparable GAAP measure.

RESULTS OF OPERATIONS BY SEGMENT

Retail Pharmacy USA

As a result of the completion of the Second Step Transaction, the Company ceased recording equity earnings in Alliance Boots as of December 31, 2014. As such, the three and six month periods ended February 28, 2015 include equity income from Walgreen Co.'s pre-merger 45 percent interest in Alliance Boots for one month (December 2014) and four months (September through December 2014), respectively.

	(in millions, except location amounts)			
	Three Months Ended		Six Months Ended	
	February 29, 2016	February 28, 2015	February 29, 2016	February 28, 2015
Total Sales	\$ 21,500	\$ 21,048	\$ 41,870	\$ 40,602
Gross Profit	5,895	5,746	11,340	11,042
Selling, general and administrative expenses	4,466	4,555	8,883	9,011
Operating Income	1,429	1,292	2,457	2,346
Adjusted Operating Income (Non-GAAP measure) (1)	1,632	1,598	2,875	2,716
Number of Prescriptions (2)	187	182	373	363
30 Day Equivalent Prescriptions (2)(3)	233	224	464	446
Number of Locations at period end	8,196	8,333	8,196	8,333

	Percentage Increases/(Decreases)			
	Three Months Ended		Six Months Ended	
	February 29, 2016	February 28, 2015	February 29, 2016	February 28, 2015
Total Sales	2.1	7.4	3.1	7.0
Gross Profit	2.6	1.7	2.7	2.2
Selling, general and administrative expenses	(2.0)	(0.3)	(1.4)	0.7
Operating Income	10.6	6.2	4.7	7.4
Adjusted Operating Income (Non-GAAP measure) (1)	2.1	13.5	5.9	9.9
Comparable Store Sales (4)	2.2	6.9	4.0	6.3
Pharmacy Sales	3.2	10.1	4.9	9.5
Comparable Pharmacy Sales (4)	3.7	9.7	6.5	8.9
Retail Sales	0.3	2.8	(0.3)	2.6
Comparable Retail Sales (4)	(0.3)	2.5	(0.4)	2.0
Comparable Number of Prescriptions (2)(4)	1.3	4.2	2.4	3.5
Comparable 30 Day Equivalent Prescriptions (2)(3)(4)	2.8	5.0	3.8	4.6

	Percent to Total Sales			
	Three Months Ended		Six Months Ended	
	February 29, 2016	February 28, 2015	February 29, 2016	February 28, 2015
Gross Margin	27.4	27.3	27.1	27.2
Selling, general and administrative expenses	20.8	21.6	21.2	22.2

- (1) See "--Non-GAAP Measures" below for a reconciliation to the most directly comparable GAAP measure and related disclosures.
- (2) Includes immunizations.
- (3) Includes the adjustment to convert prescriptions greater than 84 days to the equivalent of three 30-day prescriptions. This adjustment reflects the fact that these prescriptions include approximately three times the amount of product days supplied compared to a normal prescription.
- (4) The three and six month periods ended February 29, 2016 figures include an adjustment to remove February 29, 2016 results due to the leap year.

Sales for the Three Months Ended February 29, 2016 compared to February 28, 2015

The Retail Pharmacy USA division's total sales for the quarter ended February 29, 2016 increased to \$21.5 billion, a 2.1% increase over the comparable prior year quarter. Sales in comparable store sales increased 2.2% from the comparable prior year quarter. The increase was driven by growth in Medicare Part D prescriptions, partially offset by the impact from the sale of a majority interest in our infusion business in fiscal 2015 and a weak cough, cold and flu season. Comparable stores are defined as those that have been open for at least twelve consecutive months without closure for seven or more consecutive days and without a major remodel or a natural disaster in the past twelve months. Relocated and acquired stores are not included as comparable stores for the first twelve months after the relocation or acquisition. Comparable store data has also been adjusted to remove the effects of February 29, 2016 due to the leap year.

Pharmacy sales increased by 3.2% in the three months ended February 29, 2016 and represented 65.0% of the division's total sales. In the three months ended February 28, 2015, pharmacy sales were up 10.1% and represented 64.4% of the division's total sales. Comparable pharmacy sales were up 3.7% in the three months ended February 29, 2016 compared to an increase of 9.7% in the three months ended February 28, 2015. The effect of generic drugs, which have a lower retail price, replacing brand name drugs reduced prescription sales by 1.9% in the current quarter versus a reduction of 1.4% in the same period last year. The effect of generics on division total sales was a reduction of 1.1% in the current quarter compared to a reduction of 0.8% for the prior year quarter. Third party sales, where reimbursement is received from managed care organizations, governmental agencies, employers or private insurers, were 97.2% of prescription sales for the three month period ended February 29, 2016 compared to 96.4% for the three month period last year. The total number of prescriptions (including immunizations) filled for the current quarter was approximately 187 million compared to 182 million for the same period last year. Prescriptions (including immunizations) adjusted to 30 day equivalents were 233 million in the current quarter versus 224 million in the prior year quarter.

[Table of Contents](#)

Retail sales increased 0.3% for the three months ended February 29, 2016 and were 35.0% of the division's total sales. In comparison, for the three months ended February 28, 2015, retail sales increased 2.8% and comprised 35.6% of the division's total sales. Comparable retail sales decreased 0.3% for the current quarter compared to an increase of 2.5% in the prior period. The decrease in comparable retail sales in the current quarter was primarily due to a weak cough, cold and flu season. This decrease was partially offset by increased sales of giftable products during the holiday season, vitamins and first aid products.

Operating Income for the Three Months Ended February 29, 2016 compared to February 28, 2015

Retail Pharmacy USA division's operating income for the three months ended February 29, 2016 increased to \$1.4 billion, a 10.6% increase over the comparable prior year quarter. The increase is primarily due to higher sales and lower selling, general and administrative expenses as a percentage of sales and higher gross margins, partially offset by having no equity earnings in Alliance Boots in the current period versus one month in the comparable prior year period.

Gross margin as a percent of sales was 27.4% in the current quarter compared to 27.3% in the comparable quarter last year. Pharmacy margins were positively impacted in the quarter by procurement efficiencies and additional brand-to-generic drug conversions compared with the prior year period. The increase in pharmacy margins was partially offset by lower third-party reimbursements including new Medicare Part D rates that came into effect on January 1, 2016 and an increase in Medicare Part D mix, including the strategy to continue driving 90-day prescriptions at retail. Retail margins were positively impacted in the current quarter primarily from household, grocery and beauty categories partially offset by seasonal and snacks categories.

Selling, general and administrative expenses as a percentage of sales were 20.8% for the current quarter compared to 21.6% in the same period a year ago. As a percentage of sales, expenses in the current quarter were lower primarily due to increased store labor efficiencies and cost controls.

Adjusted Operating Income (Non-GAAP measure) for the Three Months Ended February 29, 2016 compared to February 28, 2015

Retail Pharmacy USA division's adjusted operating income for the three months ended February 29, 2016 increased to \$1.6 billion, a 2.1% increase over the comparable prior year quarter. The increase is primarily due to higher sales, lower selling, general and administrative expenses as a percentage of sales and higher gross margins partially offset by having no equity earnings in Alliance Boots in the current period versus one month in the comparable prior year period. See "-- Non-GAAP Measures" below for a reconciliation to the most directly comparable GAAP measure.

Sales for the Six Months Ended February 29, 2016 compared to February 28, 2015

The Retail Pharmacy USA division's total sales for the six months ended February 29, 2016 increased to \$41.9 billion, a 3.1% increase over the comparable prior year period. Total sales increased primarily due to higher comparable store sales, which increased 4.0% over the comparable prior year period, partially offset by the impact from the sale of a majority interest in our infusion business in fiscal 2015 and store closures during the six months ended February 29, 2016. Comparable store data has been adjusted to remove the effects of February 29, 2016 due to the leap year. We operated 8,196 locations (8,187 drugstores) as of February 29, 2016, compared to 8,333 locations (8,232 drugstores) as of February 28, 2015 (which included 90 infusion and respiratory services facilities in which we sold a majority interest in fiscal 2015).

Pharmacy sales increased by 4.9% in the six months ended February 29, 2016 and represented 66.7% of the division's total sales. In the six months ended February 28, 2015, pharmacy sales were up 9.5% and represented 65.5% of the division's sales. Comparable pharmacy sales were up 6.5% in the six months ended February 29, 2016 compared to an increase of 8.9% in the six months ended February 28, 2015. The effect of generic drugs, which have a lower retail price, replacing brand name drugs reduced prescription sales by 2.2% in the current six month period ended February 29, 2016 versus a reduction of 1.6% in the comparable period last year. The effect of generics on division total sales was a reduction of 1.3% in the current six month period compared to a reduction of 0.9% for the prior year's period. Third party sales, where reimbursement is received from managed care organizations, governmental agencies, employers or private insurers, were 97.2% of prescription sales for the six month period ended February 29, 2016 compared to 96.5% for the six month period last year. The total number of prescriptions (including immunizations) filled for the six months ended February 29, 2016 was approximately 373 million compared to 363 million for the same period last year. Prescriptions (including immunizations) adjusted to 30 day equivalents were 464 million in the current six month period versus 446 million in the comparable prior year period.

Retail sales decreased 0.3% for the six months ended February 29, 2016 and were 33.3% of the division's total sales. In comparison, for the six months ended February 28, 2015 retail sales increased 2.6% and comprised 34.5% of the division's total sales. Comparable retail sales decreased 0.4% for the current six month period compared to an increase of 2.0% in the comparable prior year period. The decrease in comparable retail sales in the six months ended February 29, 2016 was primarily attributable to decreased customer traffic partially offset by an increase in basket size.

Operating Income for the Six Months Ended February 29, 2016 compared to February 28, 2015

Retail Pharmacy USA division's operating income for the six months ended February 29, 2016 increased to \$2.5 billion, a 4.7% increase over the comparable prior year period. The increase is primarily due to higher sales and lower selling, general and administrative expenses as a percentage of sales, partially offset by having no equity earnings in Alliance Boots in the current period versus four months in the comparable prior year period.

Gross margin as a percent of sales was 27.1% for the six months ended February 29, 2016 compared to 27.2% in the comparable period last year. Pharmacy margins were negatively impacted in the period by lower third-party reimbursements (including new Medicare Part D rates that came into effect on January 1, 2016) and an increase in Medicare Part D mix, including the strategy to continue driving 90-day prescriptions at retail. The decrease in pharmacy margins was partially offset by procurement efficiencies and additional brand-to-generic drug conversions compared with the prior year period. Retail margins were positively impacted in the current period primarily from the household, grocery and personal care categories partially offset by the snacks category.

Selling, general and administrative expenses as a percentage of sales were 21.2% for the six month period ended February 29, 2016 compared to 22.2% in the same period a year ago. As a percentage of sales, expenses in the current period were lower primarily due to increased store labor efficiencies and cost controls.

Adjusted Operating Income (Non-GAAP measure) for the Six Months Ended February 29, 2016 compared to February 28, 2015

Retail Pharmacy USA division's adjusted operating income for the six months ended February 29, 2016 increased to \$2.9 billion, a 5.9% increase over the comparable prior year period. The increase is primarily due to higher sales and lower selling, general and administrative expenses as a percentage of sales, partially offset by having no equity earnings in Alliance Boots in the current period versus four months in the comparable prior year period and lower gross margins. See "--Non-GAAP Measures" below for a reconciliation to the most directly comparable GAAP measure.

Retail Pharmacy International

	(in millions, except location amounts)			
	Three Months Ended		Six Months Ended	
	February 29, 2016	February 28, 2015	February 29, 2016	February 28, 2015
Total Sales	\$ 3,689	\$ 2,047	\$ 7,220	\$ 2,047
Gross Profit	1,516	753	3,021	753
Selling, general and administrative expenses	1,217	745	2,420	745
Operating Income	299	8	601	8
Adjusted Operating Income (Non-GAAP measure) (1)	335	125	650	125
Number of Locations at period end	4,603	4,559	4,603	4,559

	Percent to Total Sales			
	Three Months Ended		Six Months Ended	
	February 29, 2016	February 28, 2015	February 29, 2016	February 28, 2015
Gross Margin	41.1	36.8	41.8	36.8
Selling, general and administrative expenses	33.0	36.4	33.5	36.4

(1) See "--Non-GAAP Measures" below for reconciliations to the most directly comparable GAAP measure and related disclosures.

The businesses included in our Retail Pharmacy International division were acquired as part of the Second Step Transaction. The Retail Pharmacy International division's results, including the increases in total sales, gross profit, selling, general and administrative expenses and operating income, for the three and six months ended February 29, 2016 as compared to the comparable prior year periods were primarily impacted by the Second Step Transaction, which resulted in the full consolidation of Alliance Boots results of operations beginning December 31, 2014. Accordingly, the results for this segment for the three and six month periods ended February 28, 2015 include only two months (January and February 2015) of results and directly comparable prior period financial results are not presented.

Pharmaceutical Wholesale

(in millions)

	Three Months Ended		Six Months Ended	
	February 29, 2016	February 28, 2015	February 29, 2016	February 28, 2015
Total Sales	\$ 5,627	\$ 3,865	\$ 11,423	\$ 3,865
Gross Profit	535	387	1,092	387
Selling, general and administrative expenses	401	306	815	306
Operating Income	134	81	277	81
Adjusted Operating Income (Non-GAAP measure) (1)	155	121	321	121

Percent to Total Sales

	Three Months Ended		Six Months Ended	
	February 29, 2016	February 28, 2015	February 29, 2016	February 28, 2015
Gross Margin	9.5	10.0	9.6	10.0
Selling, general and administrative expenses	7.1	7.9	7.1	7.9

(1) See "--Non-GAAP Measures" below for reconciliations to the most directly comparable GAAP measure and related disclosures.

The businesses included in our Pharmaceutical Wholesale division were acquired as part of the Second Step Transaction. The Pharmaceutical Wholesale division's results, including the increases in total sales, gross profit, selling, general and administrative expenses and operating income, for the three and six months ended February 29, 2016 as compared to the comparable prior year periods were primarily impacted by the Second Step Transaction, which resulted in the full consolidation of Alliance Boots results of operations beginning December 31, 2014. Accordingly, the results for this segment for the three and six month periods ended February 28, 2015 include only two months (January and February 2015) of results and directly comparable prior period financial results are not presented.

NON-GAAP MEASURES

The following tables provide reconciliations of adjusted operating income and adjusted net earnings per common share attributable to Walgreens Boots Alliance that are non-GAAP financial measures, as defined under the rules of the Securities and Exchange Commission, to the most directly comparable financial measures calculated and presented in accordance with GAAP. We have provided these 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 our management has evaluated our financial results, both including and excluding the adjusted items, and believe that the supplemental non-GAAP financial measures presented provide additional perspective and insights when analyzing the core operating performance of our business from period to period and trends in our historical operating results. These supplemental non-GAAP financial measures should not be considered superior to, as a substitute for or as an alternative to, and should be considered in conjunction with, the GAAP financial measures presented.

(in millions)

	Three Months Ended February 29, 2016				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations and Other	Consolidated
Operating Income (GAAP)	\$ 1,429	\$ 299	\$ 134	\$ (2)	\$ 1,860
Acquisition-related amortization	47	33	21	-	101
Cost transformation	25	3	-	-	28
LIFO provision	68	-	-	-	68
Acquisition-related costs	33	-	-	-	33
Asset impairment	30	-	-	-	30
Adjusted Operating Income (Non-GAAP measure)	\$ 1,632	\$ 335	\$ 155	\$ (2)	\$ 2,120

(in millions)

Three Months Ended February 28, 2015

	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations and Other	Consolidated
Operating Income (GAAP)	\$ 1,292	\$ 8	\$ 81	\$ (4)	\$ 1,377
Decrease (increase) in fair market value of warrants	6	-	-	-	6
Acquisition-related amortization	67	117	33	-	217
LIFO provision	55	-	-	-	55
Acquisition-related costs	52	-	7	-	59
Asset impairment	110	-	-	-	110
Store closures and other optimization costs	16	-	-	-	16
Adjusted Operating Income (Non-GAAP measure)	<u>\$ 1,598</u>	<u>\$ 125</u>	<u>\$ 121</u>	<u>\$ (4)</u>	<u>\$ 1,840</u>

(in millions)

Six Months Ended February 29, 2016

	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations and Other	Consolidated
Operating Income (GAAP)	\$ 2,457	\$ 601	\$ 277	\$ (7)	\$ 3,328
Acquisition-related amortization	97	41	44	-	182
Cost transformation	110	8	-	-	118
LIFO provision	114	-	-	-	114
Acquisition-related costs	67	-	-	-	67
Asset impairment	30	-	-	-	30
Adjusted Operating Income (Non-GAAP measure)	<u>\$ 2,875</u>	<u>\$ 650</u>	<u>\$ 321</u>	<u>\$ (7)</u>	<u>\$ 3,839</u>

(in millions)

Six Months Ended February 28, 2015

	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations and Other	Consolidated
Operating Income (GAAP)	\$ 2,346	\$ 8	\$ 81	\$ (4)	\$ 2,431
Decrease (increase) in fair market value of warrants	(123)	-	-	-	(123)
Acquisition-related amortization	156	117	33	-	306
LIFO provision	107	-	-	-	107
Acquisition-related costs	76	-	7	-	83
Asset impairment	110	-	-	-	110
Store closures and other optimization costs	44	-	-	-	44
Adjusted Operating Income (Non-GAAP measure)	<u>\$ 2,716</u>	<u>\$ 125</u>	<u>\$ 121</u>	<u>\$ (4)</u>	<u>\$ 2,958</u>

	(in millions)			
	Three Months Ended		Six Months Ended	
	February 29, 2016	February 28, 2015	February 29, 2016	February 28, 2015
Net earnings attributable to Walgreens Boots Alliance, Inc. (GAAP)	\$ 930	\$ 2,042	\$ 2,040	\$ 2,892
Decrease (increase) in fair market value of warrants	379	(376)	420	(655)
Acquisition-related amortization	72	157	130	215
Cost transformation	20	-	84	-
LIFO provision	49	42	82	76
Acquisition-related costs	24	43	48	59
Asset impairment	21	78	21	78
United Kingdom tax rate change	-	-	(178)	-
Adjusted tax rate true-up	(40)	(69)	(60)	(69)
Net investment hedging gain	(32)	-	(32)	-
Transaction foreign currency hedging loss	-	70	-	166
Alliance Boots equity method non-cash tax	-	38	-	71
Store closures and other optimization costs	-	12	-	30
Prefunded interest expenses	-	21	-	30
Gain on previously held equity interest	-	(814)	-	(814)
Release of capital loss valuation allowance	-	-	-	(86)
Adjusted net earnings attributable to Walgreens Boots Alliance, Inc. (Non-GAAP measure)	<u>\$ 1,423</u>	<u>\$ 1,244</u>	<u>\$ 2,555</u>	<u>\$ 1,993</u>

	Three Months Ended		Six Months Ended	
	February 29, 2016	February 28, 2015	February 29, 2016	February 28, 2015
	Net earnings per common share attributable to Walgreens Boots Alliance, Inc. – diluted (GAAP)	\$ 0.85	\$ 1.93	\$ 1.87
Decrease (increase) in fair market value of warrants	0.35	(0.35)	0.38	(0.65)
Acquisition-related amortization	0.07	0.15	0.12	0.21
Cost transformation	0.02	-	0.08	-
LIFO provision	0.05	0.04	0.07	0.08
Acquisition-related costs	0.02	0.04	0.04	0.06
Asset impairment	0.02	0.07	0.02	0.08
United Kingdom tax rate change	-	-	(0.16)	-
Adjusted tax rate true-up	(0.04)	(0.07)	(0.05)	(0.07)
Net investment hedging gain	(0.03)	-	(0.03)	-
Transaction foreign currency hedging loss	-	0.07	-	0.16
Alliance Boots equity method non-cash tax	-	0.04	-	0.07
Store closures and other optimization costs	-	0.01	-	0.03
Prefunded interest expenses	-	0.02	-	0.03
Gain on previously held equity interest	-	(0.77)	-	(0.81)
Release of capital loss valuation allowance	-	-	-	(0.09)
Adjusted net earnings per common share attributable to Walgreens Boots Alliance, Inc. – diluted (Non-GAAP measure)	<u>\$ 1.31</u>	<u>\$ 1.18</u>	<u>\$ 2.34</u>	<u>\$ 1.98</u>

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents were \$3.6 billion (including \$1.6 billion in non-U.S. jurisdictions) as of February 29, 2016, compared to \$3.0 billion (including \$0.8 billion in non-U.S. jurisdictions) at February 28, 2015. Short-term investment objectives are primarily to minimize risk and maintain liquidity. To attain these objectives, investment limits are placed on the amount, type and issuer of securities. Investments are principally in U.S. Treasury money market funds and AAA-rated money market funds.

Our long-term capital policy is to maintain a strong balance sheet and financial flexibility, reinvest in our core strategies, invest in strategic opportunities that reinforce our core strategies and meet return requirements, and return surplus cash flow to shareholders in the form of dividends and share repurchases over the long term.

Cash provided by operations and the issuance of debt are the principal sources of funds for expansion, investments, acquisitions, remodeling programs, dividends to shareholders and stock repurchases. Net cash provided by operating activities for the six months ended February 29, 2016 was \$3.1 billion, compared to \$2.3 billion for the comparable prior year period.

Net cash used for investing activities was \$0.6 billion for the six month period ended February 29, 2016, compared to \$4.7 billion in the comparable prior year period. The Alliance Boots acquisition used \$4.5 billion of cash in the comparable prior year period. Business acquisitions in the six month period ended February 29, 2016 were \$86 million compared to \$92 million in the comparable prior year period. Business acquisitions in the current period include the acquisition of an international beauty brand and prescription files. Other business acquisitions in the prior year period were primarily the purchase of prescription files.

For the six months ended February 29, 2016, additions to property, plant and equipment were \$657 million compared to \$643 million in the comparable prior year period. Capital expenditures by reporting segment were as follows:

	Six Months Ended	
	February 29, 2016	February 28, 2015
Retail Pharmacy USA	\$ 386	\$ 550
Retail Pharmacy International (1)	222	82
Pharmaceutical Wholesale (1)	49	11
Total	\$ 657	\$ 643

(1) Our Retail Pharmacy International and Pharmaceutical Wholesale segments were acquired as part of the Second Step Transaction in which we acquired the 55% of Alliance Boots that we did not already own on December 31, 2014. As a result of the timing of the acquisition, only two months of capital expenditures (January and February 2015) have been reported for these divisions in the six months ended February 28, 2015.

For the six month period ended February 29, 2016, our Retail Pharmacy USA segment opened or acquired 55 locations compared to 71 locations for the comparable period last year. Significant Retail Pharmacy International capital expenditures primarily relate to investments in our stores and information technology projects. Pharmaceutical Wholesale capital expenditures primarily relate to investments in warehouses and operations and information technology projects.

Additionally, investing activities for the six month period ended February 29, 2016 included proceeds related to sale-leaseback transactions of \$60 million, compared to \$562 million in the comparable prior year period, and the sale of a pharmaceutical wholesale operation for \$43 million in the six month period ended February 29, 2016.

[Table of Contents](#)

Net cash used by financing activities for the six months ended February 29, 2016 was \$1.9 billion, compared to net cash provided of \$2.8 billion in the comparable prior year period. We repurchased shares to support the needs of the employee stock plans totaling \$1.0 billion in the six month period ended February 29, 2016, compared to \$0.6 billion in the six month period ended February 28, 2015. Proceeds related to employee stock plans were \$129 million during the six months ended February 29, 2016, compared to \$293 million for the six month period ended February 28, 2015. Cash dividends paid were \$787 million during the six month period ended February 29, 2016, compared to \$642 million for the same period a year ago. We currently intend to continue to maintain a long-term dividend payout ratio target of approximately 30 to 35 percent of adjusted net earnings attributable to Walgreens Boots Alliance.

In August 2014, the Walgreens Board of Directors authorized the 2014 stock repurchase program (the “2014 stock repurchase program”), which authorizes the repurchase of up to \$3.0 billion of Walgreens’ (or, after the Reorganization, Walgreens Boots Alliance’s) common stock prior to the program’s expiration on August 31, 2016. We purchased 1.3 million shares under the 2014 stock repurchase program in the six months ended February 29, 2016 at a total cost of \$110 million. We determine the timing and amount of repurchases based on our assessment of various factors, including prevailing market conditions, alternate uses of capital, liquidity and the economic environment. Because the consideration payable to Rite Aid stockholders will be paid in cash, we suspended activity under the 2014 stock repurchase program (other than share repurchases to offset dilution from our equity incentive plans – see Part II, Item 2 below) following our entry into the Merger Agreement. The timing and amount of purchases under the 2014 stock repurchase program may change at any time and from time to time. We have repurchased, and may from time to time in the future repurchase, shares on the open market through Rule 10b5-1 plans, which enable us to repurchase shares at times when we otherwise might be precluded from doing so under insider trading laws.

The Company periodically borrows under its commercial paper program and may borrow under it in future periods. There were no commercial paper borrowings outstanding as of February 29, 2016 or February 28, 2015, respectively. The Company had average daily short-term borrowings of \$20 million of commercial paper outstanding at a weighted average interest rate of 0.62% for the six month period ended February 29, 2016. We had average daily short-term borrowings of \$4 million of commercial paper outstanding at a weighted average interest rate of 0.46% for the six months ended February 28, 2015.

On November 10, 2014, Walgreens Boots Alliance and Walgreens entered into a term loan credit agreement (the “Term Loan Agreement”), which provides Walgreens Boots Alliance and Walgreens with the ability to borrow up to £1.45 billion on an unsecured basis. Borrowings under the Term Loan Agreement bear interest at a fluctuating rate per annum equal to the reserve adjusted LIBOR plus an applicable margin based on our credit ratings. As of February 29, 2016, we have borrowed £1.45 billion (\$2.0 billion at the February 29, 2016 spot rate of \$1.39 to £1) under the Term Loan Agreement.

On November 10, 2014, Walgreens Boots Alliance and Walgreens entered into a five-year unsecured, multicurrency revolving credit agreement (the “Revolving Credit Agreement”), which replaced prior Walgreens agreements dated July 20, 2011 and July 23, 2012. The new unsecured revolving credit agreement initially totaled \$2.25 billion, of which \$375 million was available for the issuance of letters of credit. On December 29, 2014, upon the affirmative vote of the majority of common shares of Walgreens represented and entitled to vote at the Walgreens special meeting of shareholders to approve the issuance of the shares necessary to complete the Second Step Transaction, the available credit increased to \$3.0 billion, of which \$500 million is available for the issuance of letters of credit. The issuance of letters of credit reduces the aggregate amount otherwise available under the Revolving Credit Agreement for the making of revolving loans. Borrowings under the Revolving Credit Agreement will bear interest at a fluctuating rate per annum equal to, at our option, the alternate base rate or the reserve adjusted LIBOR, in each case, plus an applicable margin calculated based on our credit ratings. As of February 29, 2016, there were no borrowings or letters of credit issued pursuant to the Revolving Credit Agreement.

Total upfront fees related to the Term Loan Agreement and Revolving Credit Agreement were \$14 million. We pay a facility fee to the financing banks to keep these lines of credit active.

Walgreens guaranteed the punctual payment when due, whether at stated maturity, by acceleration or otherwise, of all obligations of Walgreens Boots Alliance under the Term Loan Agreement and the Revolving Credit Agreement until August 10, 2015, when such guarantees were unconditionally released and discharged (as described below).

On November 18, 2014, we issued several series of unsecured, unsubordinated notes totaling \$8.0 billion, with maturities ranging from 2016 to 2044. All such notes have fixed interest rates, with the exception of the \$750 million notes due 2016, which have a floating rate based on the three month LIBOR plus a fixed spread of 45 basis points.

On November 20, 2014, we issued a series of unsecured, unsubordinated notes that included total Pound Sterling denominated debt of £700 million (\$1.1 billion based on the November 20, 2014 exchange rate) with maturities due 2020 and 2025 and Euro denominated debt of €750 million (\$940 million based on the November 20, 2014 exchange rate) due 2026. All notes issued on November 20, 2014 have fixed interest rates. The notes issued on November 18, 2014 and November 20, 2014 are collectively referred to as the “WBA notes”. The WBA notes were, upon initial issuance, fully and unconditionally guaranteed on an unsecured and unsubordinated basis by Walgreens.

[Table of Contents](#)

On December 19, 2014, Walgreens Boots Alliance and Walgreens entered into a Revolving Credit Agreement (as amended, the “364-Day Credit Agreement”) with the lenders party thereto. The 364-Day Credit Agreement was a \$750 million, 364-day unsecured, multicurrency revolving facility. On July 9, 2015, the 364-Day Credit Agreement was amended to remove Walgreens as a borrower thereunder, eliminate Walgreens’ guarantee of all obligations of Walgreens Boots Alliance thereunder and make certain conforming changes to effectuate those modifications, including modifications and deletions of certain definitions and cross-references. On December 17, 2015, the Company terminated the 364-Day Credit Agreement. The 364-Day Credit Agreement remained undrawn as of the date of termination and would have matured on December 30, 2015.

The 364-Day Credit Agreement and the Term Loan Agreement and Revolving Credit Agreement described above each contain or contained (as applicable) 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 to 1.00, as well as other customary restrictive covenants. As of February 29, 2016, we were in compliance with all such applicable covenants.

In addition, on July 9, 2015, pursuant to an indenture, dated as of July 17, 2008, between Walgreens and Wells Fargo Bank, National Association, as trustee, notices of redemption were given to (i) holders of 1.800% unsecured notes due 2017 (the “2017 Notes”) and (ii) holders of 5.25% unsecured notes due 2019 (the “2019 Notes”), in each case issued by Walgreens under the indenture. As a result, on August 10, 2015 (the “redemption date”), the 2017 Notes in the aggregate principal amount of \$1.0 billion were redeemed in full and \$750 million aggregate principal amount of the 2019 Notes were redeemed. The partial redemption of the 2019 Notes resulted in \$250 million aggregate principal amount of 2019 Notes remaining outstanding. The redemption price with respect to the 2017 Notes was equal to 101.677% of the aggregate principal amount of such notes to be redeemed, plus accrued interest thereon to, but excluding, the redemption date. The redemption price with respect to the 2019 Notes was equal to 111.734% of the aggregate principal amount of such notes to be redeemed, plus accrued interest thereon to, but excluding, the redemption date.

On August 10, 2015, upon the completion of the redemptions described above, the Walgreens guarantees of the WBA notes and the Term Loan Agreement and the Revolving Credit Agreement were unconditionally released and discharged in accordance with their terms.

Pending Rite Aid Transaction. The cash consideration payable to Rite Aid stockholders pursuant to the Merger Agreement described under “Introduction” above is expected to be financed with a combination of cash on hand and debt financing. In connection with the Merger Agreement, Walgreens Boots Alliance entered into a bridge facility commitment letter (as amended and restated as of November 19, 2015, the “Commitment Letter”) with UBS Securities LLC and UBS AG, Stamford Branch for a \$12.8 billion senior unsecured bridge facility.

On December 18, 2015, Walgreens Boots Alliance entered into a Bridge Term Loan Credit Agreement with the lenders party thereto and UBS AG, Stamford Branch, as administrative agent (as amended on January 20, 2016, the “Bridge Credit Agreement”) and a Term Loan Credit Agreement with the lenders party thereto and Bank of America, N.A., as administrative agent (as amended on January 20, 2016, the “Term Loan Credit Agreement”) and, together with the Bridge Credit Agreement, the “2015 Credit Agreements”). The Commitment Letter and the commitments contemplated thereby terminated upon Walgreens Boots Alliance entering into the 2015 Credit Agreements.

The Bridge Credit Agreement is a 364-day unsecured bridge term loan facility. The aggregate commitments of all lenders under the Bridge Credit Agreement are equal to \$7.8 billion, provided that Walgreens Boots Alliance may increase the commitments under the Bridge Credit Agreement at any time prior to the funding of the loans thereunder by up to \$2.0 billion, subject to obtaining commitments from existing lenders and/or new lenders selected by Walgreens Boots Alliance and reasonably acceptable to the administrative agent. Walgreens Boots Alliance can extend up to \$3.0 billion of the loans under the Bridge Credit Agreement for an additional 90-day period if desired. As of February 29, 2016, there were no borrowings under the Bridge Credit Agreement.

The Term Loan Credit Agreement is a two-tranche unsecured term loan facility, with the first tranche maturing three years after the earlier of the funding date and October 27, 2016, and the second tranche maturing five years after the earlier of the funding date and October 27, 2016. The aggregate commitments of all lenders under the Term Loan Credit Agreement are equal to \$5.0 billion. As of February 29, 2016, there were no borrowings under the Term Loan Credit Agreement.

[Table of Contents](#)

Walgreens Boots Alliance will be the borrower under each of the 2015 Credit Agreements. The ability of Walgreens Boots Alliance to request the making of loans under each of the 2015 Credit Agreements is subject to the satisfaction (or waiver) of certain conditions set forth therein and will terminate upon the occurrence of certain events set forth therein. Borrowings under each of the 2015 Credit Agreements will bear interest at a fluctuating rate per annum equal to, at Walgreens Boots Alliance's option, the alternate base rate or the reserve adjusted Eurocurrency rate, in each case, plus an applicable margin calculated based on Walgreens Boots Alliance's credit ratings. Upfront fees paid to date in connection with the 2015 Credit Agreements totaled \$30 million. A maximum of a further \$5 million in upfront fees is payable prior to, or at funding, subject to certain conditions. In addition, Walgreens Boots Alliance will also pay to the lenders under each of the 2015 Credit Agreements certain customary fees, including a ticking fee based on the aggregate outstanding commitments of the lenders under the applicable 2015 Credit Agreement starting at 90 days after signing. Each of the 2015 Credit Agreements contains 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 to 1.00, as well as other customary restrictive covenants, which restrictive covenants shall not be in effect until the funding of the loans under the applicable 2015 Credit Agreement.

The foregoing description of the 2015 Credit Agreements does not purport to be complete and is qualified in its entirety by reference to the full text of the 2015 Credit Agreements and the amendments thereto, which are filed as Exhibits 10.6 through Exhibit 10.9 to this report.

As of April 4, 2016, the credit ratings of Walgreens Boots Alliance were:

Rating Agency	Long-Term Debt Rating	Commercial Paper Rating	Outlook
Moody's	Baa2	P-2	On review for downgrade
Standard & Poor's	BBB	A-2	Negative

In assessing our credit strength, both Moody's and Standard & Poor's consider various factors including our business model, capital structure, financial policies and financial performance. There can be no assurance that any particular rating will be assigned or maintained. Our credit ratings impact our borrowing costs, access to capital markets and operating lease costs. The rating agency ratings are not recommendations to buy, sell or hold our 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.

Pursuant to our arrangements with AmerisourceBergen, we have 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, as described under "--AmerisourceBergen Corporation Relationship" above. As of February 29, 2016, we had purchased a total of approximately 11.5 million AmerisourceBergen shares in the open market. Share purchases may be made from time to time in open market transactions or pursuant to instruments and plans complying with Rule 10b5-1. Our ability to invest in equity in AmerisourceBergen above certain thresholds is subject to the receipt of regulatory approvals.

On March 18, 2016, we exercised Warrant 1 in full, resulting in the acquisition from AmerisourceBergen of 22,696,912 shares of AmerisourceBergen common stock for an aggregate cash exercise price payment of \$1.17 billion. See Note 20, Subsequent Event. If we elect to exercise Warrant 2 in full when permitted during a six month period beginning in March 2017, we would, subject to the terms and conditions of Warrant 2, be required to make a cash payment of \$1.19 billion to AmerisourceBergen in connection with the exercise of Warrant 2.

We believe that cash flow from operations, availability under our existing credit facilities and arrangements, current cash and investment balances and our ability to obtain other financing, if necessary, will provide adequate cash funds for foreseeable working capital needs, capital expenditures at existing facilities, dividend payments and debt service obligations for at least the next 12 months. Our 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 we may complete may also impact our cash requirements.

See Item 3 (Qualitative and Quantitative Disclosures about Market Risk) below for a discussion of certain financing and market risks.

OFF-BALANCE SHEET ARRANGEMENTS

We do not have any unconsolidated special purpose entities and, except as described herein, we do 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 us is a party, under which we have: (i) any obligation arising under a guarantee contract, derivative instrument or variable interest; or (ii) a retained or contingent interest in assets transferred to such entity or similar arrangement that serves as credit, liquidity or market risk support for such assets.

[Table of Contents](#)

As of February 29, 2016, we have issued \$342 million in letters of credit, primarily related to insurance obligations. We also had \$50 million of guarantees outstanding as of February 29, 2016. We remain secondarily liable on 79 leases. The maximum potential undiscounted future payments related to these leases was \$348 million as of February 29, 2016.

CONTINGENCIES

The information set forth in Note 12, Commitments and Contingencies, to the Consolidated Condensed Financial Statements (Unaudited) included in this Quarterly Report on Form 10-Q is incorporated herein by reference.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

Other than our obligations under the Merger Agreement and the transactions contemplated thereby, there have been no material changes, outside of the ordinary course of business, in our outstanding contractual obligations disclosed in the Walgreens Boots Alliance Annual Report on Form 10-K for the fiscal year ended August 31, 2015.

CRITICAL ACCOUNTING POLICIES

The consolidated financial statements are prepared in accordance with GAAP and include amounts based on management's prudent judgments and estimates. Actual results may differ from these estimates. Management believes that any reasonable deviation from those judgments and estimates would not have a material impact on our consolidated financial position or results of operations. To the extent that the estimates used differ from actual results, however, adjustments to the statement of earnings and corresponding balance sheet accounts would be necessary. These adjustments would be made in future periods. For a discussion of our significant accounting policies, please see the Walgreens Boots Alliance Annual Report on Form 10-K for the fiscal year ended August 31, 2015. Some of the more significant estimates include business combinations, goodwill and other intangible asset impairment, allowance for doubtful accounts, vendor allowances, asset impairments, liability for closed locations, cost of sales and inventory, equity method investments, pension and postretirement benefits and income taxes. There have been no significant changes in those accounting policies.

RECENT ACCOUNTING PRONOUNCEMENTS

The discussion of recent accounting pronouncements in Note 19, Recent Accounting Pronouncements, to the Consolidated Condensed Financial Statements (Unaudited) included in this Quarterly Report on Form 10-Q is incorporated herein by reference.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report and other documents that we file or furnish with the SEC contain forward-looking statements that are based on current expectations, estimates, forecasts and projections about our future performance, our business, our beliefs and our management's assumptions. In addition, we, or others on our behalf, may make forward-looking statements in press releases or written statements, on the Company's website or in our communications and discussions with investors and analysts in the normal course of business through meetings, webcasts, phone calls, conference calls and other communications. Some of such forward-looking statements may be based on certain data and forecasts relating to our business and industry that we have obtained from internal surveys, market research, publicly available information and industry publications. Industry publications, surveys and market research generally state that the information they provide has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Statements that are not historical facts are forward-looking statements, including, without limitation, those regarding estimates of and goals for future financial and operating performance as well as forward-looking statements concerning the expected execution and effect of our business strategies, our cost-savings and growth initiatives and restructuring activities and the amounts and timing of their expected impact, our pending Merger Agreement with Rite Aid and the transactions contemplated thereby and their possible effects, our commercial agreement with AmerisourceBergen, the arrangements and transactions contemplated by our framework agreement with AmerisourceBergen and their possible effects, estimates of the impact of developments on our earnings, earnings per share and other financial and operating metrics, cough/cold and flu season, prescription volume, pharmacy sales trends, prescription margins, changes in generic prescription drug prices, retail margins, number and location of new store openings, network participation, vendor, payer and customer relationships and terms, possible new contracts or contract extensions, 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. Words such as "expect," "likely," "outlook," "forecast," "preliminary," "would," "could," "should," "can," "will," "project," "intend," "plan," "goal," "guidance," "target," "aim," "continue," "sustain," "synergy," "on track," "headwind," "tailwind," "believe," "seek," "estimate," "anticipate," "may," "possible," "assume," 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 that could cause actual results to vary materially from those indicated or anticipated, including, but not limited to, those relating to the impact of private and public third-party payers' efforts to reduce prescription drug reimbursements, the timing and severity of cough/cold and flu season, 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, 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 equity investments in AmerisourceBergen including whether the outstanding warrants to invest in AmerisourceBergen will be exercised and the ramifications thereof, the occurrence of any event, change or other circumstance 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 associated with restructuring activities will exceed estimates, our ability to realize expected savings and benefits from cost-savings initiatives, restructuring activities and acquisitions in the amounts and at the times anticipated, the timing and amount of any impairment or other charges, changes in management's 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 and interest rates, the risks associated with international business operations, the risk of unexpected costs, liabilities or delays, changes in vendor, customer and payer relationships and terms, including changes in network participation and reimbursement terms, risks of inflation in the cost of goods, risks associated with the operation and growth of our customer loyalty programs, competition, risks associated with new business areas and activities, risks associated with acquisitions, divestitures, joint ventures and strategic investments, including those relating to our ability to satisfy the closing conditions and consummate the pending acquisition of Rite Aid and related financing matters on a timely basis or at all, the risks associated with the integration of complex businesses, outcomes of legal and regulatory matters, including with respect to regulatory review and actions in connection with the pending acquisition of Rite Aid, and changes in legislation, regulations or interpretations thereof. These and other risks, assumptions and uncertainties are described in Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended August 31, 2015 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 the statement is made, whether as a result of new information, future events, changes in assumptions or otherwise.

Item 3. Quantitative and Qualitative Disclosure about Market Risk

Interest Rate Risk

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

We also use interest rate caps to protect from rising interest rates on existing floating-rate debt. Information regarding our interest rate swaps, forward starting interest rate swaps, and interest rate caps transactions are set forth in Note 10, Financial Instruments to our unaudited Consolidated Condensed Financial Statements. These financial instruments are sensitive to changes in interest rates. On February 29, 2016, we had approximately \$3 billion in long-term debt obligations that had floating interest rates. A one percentage point increase or decrease in interest rates for the various debt held by us would increase or decrease the annual interest expense we recognize and the cash we pay for interest expense by approximately \$30 million. The amounts exclude the impact of any associated interest rate swaps, forward starting interest rate swaps and interest rate caps.

Foreign Currency Exchange Rate Risk

We are exposed to fluctuations in foreign currency exchange rates, primarily with respect to the British Pound Sterling and Euro, and certain other foreign currencies, including the Mexican Peso, Chilean Peso, Norwegian Krone and Turkish Lira may affect our net investment in foreign subsidiaries and may cause fluctuations in cash flows related to foreign denominated transactions. We are also exposed to the translation of foreign currency earnings to the U.S. dollar. We enter into foreign currency forward contracts to hedge against the effect of exchange rate fluctuations on non-functional currency cash flows of certain entities denominated in foreign currencies. These transactions are almost exclusively less than 12 months in maturity. In addition, we enter 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). As circumstances warrant, we also use basis swaps as hedging instruments to hedge portions of our net investments in foreign operations. The foreign currency derivative instruments are sensitive to changes in exchange rates. A 1% increase or decrease in exchange rates would increase or decrease our pre-tax income by approximately \$9 million due to changes in the value of foreign currency derivative instruments. Excluded from the computation were anticipated transactions, foreign currency trade payables and receivables, and net investments in foreign subsidiaries, which the abovementioned instruments are intended to partially hedge.

Equity Price Risk

Changes in AmerisourceBergen common stock price and equity volatility may have a significant impact on the value of the warrants to acquire AmerisourceBergen common stock described in Note 10, Financial Instruments and Note 20, Subsequent Event to our unaudited Consolidated Condensed Financial Statements. As of March 18, 2016, a one dollar change in AmerisourceBergen's common stock would, holding other factors constant, increase or decrease the fair value of our outstanding AmerisourceBergen warrants by approximately \$23 million. See “- AmerisourceBergen Corporation Relationship” above.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

Changes in Internal Control over Financial Reporting

In connection with the evaluation pursuant to Exchange Act Rule 13a-15(d) of the Company's internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f)) by the Company's management, including its CEO and CFO, no changes during the quarter ended February 29, 2016 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.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The information in response to this item is incorporated herein by reference to Note 12, Commitments and Contingencies of the Consolidated Condensed Financial Statements of this Quarterly Report.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Item 1A. “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended August 31, 2015, which could materially and adversely affect our business, financial condition or future results. 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 to our operations.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(c) The following table provides information about purchases by the Company during the quarter ended February 29, 2016 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 in open market transactions, privately negotiated transactions, or pursuant to instruments and plans complying with Rule 10b5-1.

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 Program (1)
12/1/15 - 12/31/15	7,306,591	\$ 83.84	-	\$ 2,163,991,385
1/1/16 - 1/31/16	122,596	86.92	-	2,163,991,385
2/1/16 - 2/29/16 (2)	-	-	-	2,163,991,385
Total	7,429,187	\$ 83.89	-	\$ 2,163,991,385

(1) In August 2014, the Walgreens Board of Directors approved the 2014 share repurchase program which authorizes the purchase of up to \$3.0 billion of Walgreens' (or, after December 31, 2014 Walgreens Boots Alliance) common stock prior to the program's expiration on August 31, 2016.

(2) We purchased 7,429,187 shares of our common stock in open-market transactions for future issuance under our Omnibus Incentive Plan and employee stock purchase plan.

Item 6. Exhibits

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

- should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate;
- may have been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement;
- may apply standards of materiality in a way that is different from what may be viewed as material to you or other investors; and
- were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement and are subject to more recent developments.

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

[Table of Contents](#)

Exhibit No.	Description	SEC Document Reference
3.1	Amended and Restated Certificate of Incorporation of Walgreens Boots Alliance, Inc.	Incorporated by reference to Exhibit 3.1 to Walgreens Boots Alliance, Inc.'s Current Report on Form 8-K12B (File No. 001-36759) filed with the SEC on December 31, 2014.
3.2	Amended and Restated Bylaws of Walgreens Boots Alliance, Inc.	Incorporated by reference to Exhibit 3.1 to Walgreens Boots Alliance, Inc.'s Current Report on Form 8-K (File No. 001-36759) filed with the SEC on October 16, 2015.
4.1	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.
10.1*	Form of Performance Share Award agreement for CEO (February 2016).	Filed herewith.
10.2*	Form of Stock Option Award agreement for CEO (February 2016).	Filed herewith.
10.3*	Form of Restricted Stock Unit Award agreement for Executive Chairman (February 2016).	Filed herewith.
10.4*	Consulting Services Agreement between Walgreens Boots Alliance, Inc. and Timothy Theriault dated December 2, 2015.	Incorporated by reference to Exhibit 10.9 to Walgreens Boots Alliance, Inc.'s Quarterly Report on Form 10-Q (File No. 001-36759) filed with the SEC on January 7, 2016.
10.5*	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. 001-36759) filed with the SEC on February 1, 2016.
10.6	Bridge Term Loan Credit Agreement, dated as of December 18, 2015, by and among Walgreens Boots Alliance, Inc., the lenders from time to time party thereto and UBS AG, Stamford Branch, 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 21, 2015.
10.7	Amendment, dated as of January 20, 2016, to the Bridge Term Loan Credit Agreement dated as of December 18, 2015, by and among Walgreens Boots Alliance, Inc., the lenders from time to time party thereto and UBS AG, Stamford Branch, as administrative agent.	Filed herewith.
10.8	Term Loan Credit Agreement, dated as of December 18, 2015, 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 10.2 to Walgreens Boots Alliance, Inc.'s Current Report on Form 8-K (File No. 001-36759) filed with the SEC on December 21, 2015.
10.9	Amendment, dated as of January 20, 2016, to the Term Loan Credit Agreement, dated as of December 18, 2015, by and among Walgreens Boots Alliance, Inc., the lenders from time to time party thereto and Bank of America, N.A., as administrative agent.	Filed herewith.
12	Computation of Ratio of Earnings to Fixed Charges.	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.

[Table of Contents](#)

32.1	Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.	Furnished herewith.
32.2	Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.	Furnished herewith.
101.INS	XBRL Instance Document	Filed herewith.
101.SCH	XBRL Taxonomy Extension Schema Document	Filed herewith.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	Filed herewith.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	Filed herewith.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	Filed herewith.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	Filed herewith.

* Management contract or compensatory plan or arrangement.

SIGNATURES

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

Walgreens Boots Alliance, Inc.
(Registrant)

Dated : April 5, 2016

/s/ George R. Fairweather
George R. Fairweather
Executive Vice President and Global Chief Financial Officer

Dated : April 5, 2016

/s/ Kimberly R. Scardino
Kimberly R. Scardino
Senior Vice President, Global Controller and Chief Accounting Officer
(Principal Accounting Officer)

WALGREENS BOOTS ALLIANCE, INC.

2013 OMNIBUS INCENTIVE PLAN

PERFORMANCE SHARE AWARD AGREEMENT

These materials, which may include descriptions of company stock plans, prospectuses and other information and documents, and the information they contain, are provided by your company, not by Fidelity, and are not an offer or solicitation by Fidelity for the purchase of any securities or financial instruments. These materials were prepared by your company, which is solely responsible for their contents and for compliance with legal and regulatory requirements. Fidelity is not connected with any offering or acting as an underwriter in connection with any offering of your company's securities or financial instruments. Fidelity does not review, approve or endorse the contents of these materials and is not responsible for their content.

WALGREENS BOOTS ALLIANCE, INC.

2013 OMNIBUS INCENTIVE PLAN

PERFORMANCE SHARE AWARD AGREEMENT

Participant Name: Stefano Pessina

Participant ID: [____]

Grant Date: February 12, 2016 (the "Grant Date")

Performance Period: **Fiscal Years – 2016 - 2018** (the "Performance Period")

Shares Granted: 65,090

Acceptance Date:

Electronic Signature:

This document (referred to below as this "Agreement") spells out the terms and conditions of the Performance Share Award (the "Award") granted to you by Walgreens Boots Alliance, Inc., a Delaware corporation (the "Company"), pursuant to the Walgreens Boots Alliance, Inc. 2013 Omnibus Incentive Plan (the "Plan") on and as of the Grant Date designated above. Except as otherwise defined herein, capitalized terms used in this Agreement have the respective meanings set forth in the Plan. For purposes of this Agreement, "Employer" means the entity (the Company or the Affiliate) that employs you on the applicable date. The Plan as it may be amended from time to time, is incorporated into this Agreement by this reference.

You and the Company agree as follows:

1. Grant of Performance Shares. Pursuant to the approval and direction of the Compensation Committee of the Company's Board of Directors (the "Committee"), the Company hereby grants you the target number of Performance Shares specified above (the "Performance Shares"), subject to the terms and conditions of the Plan and this Agreement. This "target" number of shares is computed by dividing a target award dollar amount approved for you by the Committee by the average closing stock price of the Company's common stock, par value US\$.01 per share ("Stock") for the last 30 trading days of the fiscal year preceding the Grant Date.

2. Performance Measure. The number of Performance Shares earned at the end of the three-year Performance Period will vary depending on the degree to which cumulative adjusted earnings per share performance goals for the Performance Period, as established by the Committee, are met.

3. Determination of Performance Shares Earned. At the target levels, 100% of the Performance Shares will be earned. At the threshold levels, 50% of the Performance Shares will be earned. Below the threshold levels of performance, no Performance Shares are earned. At the maximum levels or more, 150% of the Performance Shares will be earned. Performance between minimum and target, and between target and maximum, will earn Performance Shares on a pro-rated basis between 50% and 100%, and 100% and 150%, respectively.

The amount earned will be calculated according to the following:

$$\begin{array}{rcccl} \text{Performance} & & & & \text{Percent of} \\ \text{Shares Awarded} & = & \text{Target} & \times & \text{Target} \\ & & \text{Performance Shares} & & \text{Performance Shares Earned} \end{array}$$

4. Disability or Death. If during the Performance Period you have a Termination of Service by reason of Disability or death, then the number of Performance Shares earned (based on performance as of the end of the Performance Period) shall become vested at the end of the Performance Period. Any Performance Shares becoming vested by reason of your Termination of Service by reason of Disability or death shall be paid at the same time Performance Shares are paid to other Participants.

5. Retirement. If prior to the 12-month anniversary of the Grant Date you have a Termination of Service by reason of retirement from the Company's Board of Directors, as reasonably determined by the Committee, then the number of Performance Shares earned (based on performance as of the end of the Performance Period) will be prorated to reflect the portion of the Performance Period during which you remained employed by the Company. Such prorated portion shall equal the number of Performance Shares that you would otherwise have earned, multiplied by a fraction equal to the number of full months of the Performance Period completed as of your Termination of Service, divided by the number of months in the Performance Period. If on or after the 12-month anniversary of the Grant Date, you have a Termination of Service by reason of retirement from the Company's Board of Directors, as reasonably determined by the Committee, then the full number of Performance Shares earned (based on performance as of the end of the Performance Period) shall become vested at the end of the Performance Period. Any Performance Shares becoming vested by reason of your retirement shall be paid at the same time Performance Shares are paid to other Participants.

6. Termination of Service Following a Change in Control. If during the Performance Period there is a Change in Control of the Company and within the one-year period thereafter you have a Termination of Service initiated by your Employer other than for Cause (as defined in Section 7), then your earned Award shall equal your target number of Performance Shares, prorated to reflect the portion of the Performance Period during which you remained employed by the Company. Such prorated portion shall equal your target number of Performance Shares, multiplied by a fraction equal to the number of full months of the Performance Period completed as of your Termination of Service, divided by the number of months in the Performance Period. This prorated award will be settled in cash (subject to required tax withholdings) in accordance with Section 9.01(b) of the Plan within 45 days after your Termination of Service. For purposes of this Section 6, a Termination of Service initiated by your Employer shall include a Termination of Employment for Good Reason under - and pursuant to the terms and conditions of - the Walgreens Boots Alliance, Inc. Executive Severance and Change in Control Plan, but only to the extent applicable to you as an eligible participant in such Plan.

7. Other Termination of Service. If during the Performance Period you have a voluntary or involuntary Termination of Service for any reason other than as set forth in Section 4, 5 or 6 above, as determined by the Committee, then all of your Performance Shares shall be forfeited. For purposes of this Agreement, "Cause" means any one or more of the following, as determined by the Committee in its sole discretion:

- (a) your commission of a felony or any crime of moral turpitude;
 - (b) your dishonesty or material violation of standards of integrity in the course of fulfilling your duties to the Company or any Affiliate;
-

- (c) your material violation of a material written policy of the Company or any Affiliate violation of which is grounds for immediate termination;
- (d) your willful and deliberate failure to perform your duties to the Company or any Affiliate in any material respect, after reasonable notice of such failure and an opportunity to correct it; or
- (e) your failure to comply in any material respect with the United States ("U.S.") Foreign Corrupt Practices Act, the U.S. Securities Act of 1933, the U.S. Securities Exchange Act of 1934, the U.S. Sarbanes-Oxley Act of 2002, the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, and the U.S. Truth in Negotiations Act, or any rules or regulations thereunder.

8. Settlement of Earned Performance Shares. At the end of the Performance Period actual performance for the entire Performance Period shall be reviewed, and the amount of the earned Award shall be determined based on this performance and communicated to you. Subject to the requirements of Section 12 below, the Company shall transfer to you one share of Stock for each Performance Share earned at that time, net of any applicable tax withholding requirements in accordance with Section 9 below. Performance Shares payable under this Agreement are intended to be exempt from Code Section 409A under the exemption for short-term deferrals. Accordingly, Performance Shares will be settled in Stock no later than the 15th day of the third month following the end of the fiscal year of the Company (or if later, the calendar year) in which the Performance Shares are earned.

Notwithstanding the foregoing, if you are resident or employed outside of the U.S., the Company, in its sole discretion, may provide for the settlement of the Performance Shares in the form of:

(a) a cash payment (in an amount equal to the Fair Market Value of the Stock that corresponds with the number of earned Performance Shares) to the extent that settlement in shares of Stock (i) is prohibited under local law, (ii) would require you, the Company or an Affiliate to obtain the approval of any governmental or regulatory body in your country of residence (or country of employment, if different), (iii) would result in adverse tax consequences for you, the Company or an Affiliate or (iv) is administratively burdensome; or

(b) shares of Stock, but require you to sell such shares of Stock immediately or within a specified period following your Termination of Service (in which case, you hereby agree that the Company shall have the authority to issue sale instructions in relation to such shares of Stock on your behalf).

9. Responsibility for Taxes; Tax Withholding.

(a) You acknowledge that, regardless of any action taken by the Company or your Employer, the ultimate liability for all income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items related to your participation in the Plan and legally applicable to you ("Tax-Related Items"), is and remains your responsibility and may exceed the amount actually withheld by the Company or your Employer. You further acknowledge that the Company and/or your Employer (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Award, including, but not limited to, the grant, vesting or settlement of the Award, the subsequent sale of shares of Stock acquired pursuant to such settlement and the receipt of any dividends; and (2) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Award to reduce or eliminate your liability for Tax-Related Items or achieve any particular tax result. Further, if you are subject to Tax-Related Items in more than one jurisdiction between the Grant Date and the date of any relevant taxable or tax withholding event, as applicable, you acknowledge that the Company and/or your Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

(b) Prior to any relevant taxable or tax withholding event, as applicable, you agree to make adequate arrangements satisfactory to the Company and/or your Employer to satisfy all Tax-Related Items. In this regard, you authorize the Company, your Employer or its agent to satisfy the obligations with regard to all Tax-Related Items by one or a combination of the following: (i) withholding from your wages or other cash compensation paid to you by the Company and/or your Employer; (ii) withholding from proceeds of the sale of Stock acquired upon settlement of the Award either through a voluntary sale or through a mandatory sale arranged by the Company (on your behalf pursuant to this authorization without further consent); or (iii) withholding from the shares of Stock to be delivered upon settlement of the Award that number of shares of Stock having a Fair Market Value equal to (but not in excess of) the minimum amount required by law to be withheld.

Depending on the withholding method, the Company may withhold or account for Tax-Related Items by considering applicable statutory minimum withholding rates (as determined by the Company in good faith and in its sole discretion) or other applicable withholding rates, including maximum applicable rates, in which case you will receive a refund of any over-withheld amount in cash and will have no entitlement to the share equivalent. If the obligation for Tax-Related Items is satisfied by withholding from the shares of Stock to be delivered upon settlement of the Award, for tax purposes, you are deemed to have been issued the full number of shares of Stock subject to the earned Award, notwithstanding that a number of the shares of Stock are held back solely for the purpose of paying the Tax-Related Items.

You agree to pay to the Company or your Employer any amount of Tax-Related Items that the Company or your Employer may be required to withhold or account for as a result of your participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to issue or deliver the shares of Stock (or cash payment) or the proceeds from the sale of shares of Stock if you fail to comply with your obligations in connection with the Tax-Related Items.

10. Nontransferability. During the Performance Period and thereafter until Stock is transferred to you in settlement thereof, you may not sell, transfer, pledge, assign or otherwise alienate or hypothecate the Performance Shares, whether voluntarily or involuntarily or by operation of law, other than by beneficiary designation effective upon your death, or by will or by the laws of intestacy.

11. Rights as Shareholder. You shall have no rights as a shareholder of the Company with respect to the Performance Shares until such time as a certificate of stock for the Stock issued in settlement of the Performance Shares has been issued to you or such shares of Stock have been recorded in your name in book entry form. Except as provided in Section 17 below, no adjustment shall be made for dividends or distributions or other rights with respect to such shares for which the record date is prior to the date on which you become the holder of record thereof. Anything herein to the contrary notwithstanding, if a law or any regulation of the U.S. Securities and Exchange Commission or of any other body having jurisdiction shall require the Company or you to take any action before shares of Stock can be delivered to you hereunder, then the date of delivery of such shares may be delayed accordingly.

12. Securities Laws. If a Registration Statement under the U.S. Securities Act of 1933, as amended, is not in effect with respect to the shares of Stock to be delivered pursuant to this Agreement, you hereby represent that you are acquiring the shares of Stock for investment and with no present intention of selling or transferring them and that you will not sell or otherwise transfer the shares except in compliance with all applicable securities laws and requirements of any stock exchange on which the shares of Stock may then be listed.

13. Not a Public Offering. If you are resident outside the U.S., the grant of the Performance Shares is not intended to be a public offering of securities in your country of residence (or country of employment, if different). The Company has not submitted any registration statement, prospectus or other filings with the local securities authorities (unless otherwise required under local law), and the grant of the Performance Shares is not subject to the supervision of the local securities authorities.

14. Insider Trading/Market Abuse Laws. Your country of residence may have insider trading and/or market abuse laws that may affect your ability to acquire or sell shares of Stock under the Plan during such times you are considered to have "inside information" (as defined in the laws in your country). These laws may be the same or different from any Company insider trading policy. You acknowledge that it is your responsibility to be informed of and compliant with such regulations, and you are advised to speak to your personal advisor on this matter.

15. Repatriation; Compliance with Law. If you are resident or employed outside the U.S., as a condition of the Award, you agree to repatriate all payments attributable to the shares of Stock and/or cash acquired under the Plan in accordance with applicable foreign exchange rules and regulations in your country of residence (and country of employment, if different). In addition, you agree to take any and all actions, and consent to any and all actions taken by the Company and its Affiliates, as may be required to allow the Company and its Affiliates to comply with local laws, rules and/or regulations in your country of residence (and country of employment, if different). Finally, you agree to take any and all actions as may be required to comply with your personal obligations under local laws, rules and/or regulations in your country of residence and country of employment, if different).

16. No Advice Regarding Grant. No employee of the Company is permitted to advise you regarding your participation in the Plan or your acquisition or sale of the shares of Stock underlying the Performance Shares. You are hereby advised to consult with your own personal tax, legal and financial advisors before taking any action related to the Plan.

17. Change in Stock. In the event of any change in the Stock, by reason of any stock dividend, recapitalization, reorganization, split-up, merger, consolidation, exchange of shares, or of any similar change affecting Stock, the number of Performance Shares subject to this Award Agreement shall be equitably adjusted by the Committee.

18. Nature of the Award. In accepting the Award, you acknowledge, understand and agree that:

(a) the Plan is established voluntarily by the Company, it is discretionary in nature and limited in duration, and it may be modified, amended, suspended or terminated by the Company, in its sole discretion, at any time;

(b) the grant of the Award is voluntary and occasional and does not create any contractual or other right to receive future grants of Performance Shares, or benefits in lieu of Performance Shares, even if Performance Shares have been granted in the past;

(c) all decisions with respect to future Awards or other grants, if any, will be at the sole discretion of the Company, including, but not limited to, the form and timing of the Award, the number of shares subject to the Award, and the earning provisions applicable to the Award;

(d) the Award and your participation in the Plan shall not create a right to employment or be interpreted as forming an employment or service contract with the Company or any Affiliate and shall not interfere with the ability of the Company, your Employer or an Affiliate, as applicable, to terminate your employment or service relationship;

(e) you are voluntarily participating in the Plan;

(f) the Award and the shares of Stock subject to the Award are not intended to replace any pension rights or compensation;

(g) the Award, the shares of Stock subject to the Award and the value of same, is an extraordinary item of compensation outside the scope of your employment (and employment contract, if any) and is not part of normal or expected compensation for any purpose, including, without limitation, calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments;

(h) the future value of the shares of Stock underlying the Award is unknown, indeterminable and cannot be predicted with certainty;

(i) unless otherwise determined by the Committee in its sole discretion, a Termination of Service shall be effective from the date on which active employment or service ends and shall not be extended by any statutory or common law notice of termination period;

(j) no claim or entitlement to compensation or damages shall arise from forfeiture of the Award resulting from a Termination of Service (for any reason whatsoever, whether or not later found to be invalid or in breach of employment laws in the jurisdiction where you are employed or the terms of your employment agreement, if any), and in consideration of the grant of the Award to which you are otherwise not entitled, you irrevocably agree never to institute any claim against the Company, your Employer or any Affiliate, waive your ability, if any, to bring any such claim, and release the Company, the Employer and all Affiliates from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, you shall be deemed irrevocably to have agreed not to pursue such claim and agree to execute any and all documents necessary to request dismissal or withdrawal of such claim;

(k) unless otherwise provided herein, in the Plan or by the Company in its discretion, the Award and the benefits evidenced by this Agreement do not create any entitlement to have the Award or any such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the shares of Stock of the Company; and

(l) neither the Company nor any Affiliate shall be liable for any foreign exchange rate fluctuation between your local currency and the U.S. dollar that may affect the value of the Award or of any amounts due to you pursuant to the settlement of the Award or the subsequent sale of any shares of Stock acquired upon settlement of the Award.

19. Committee Authority; Recoupment. It is expressly understood that the Committee is authorized to administer, construe, and make all determinations necessary or appropriate for the administration of the Plan and this Agreement, including the enforcement of any recoupment policy, all of which shall be binding upon you and any claimant. Any inconsistency between this Agreement and the Plan shall be resolved in favor of the Plan.

20. Consent to Collection/Processing/Transfer of Personal Data. Pursuant to applicable personal data protection laws, the Company hereby notifies you of the following in relation to your personal data and the collection, processing and transfer of such data in relation to the Company's grant of the Performance Shares and your participation in the Plan. The collection, processing and transfer of personal data is necessary for the Company's administration of the Plan and your participation in the Plan, and your denial and/or objection to the collection, processing and transfer of personal data may affect your participation in the Plan. As such, you voluntarily acknowledge and consent (where required under applicable law) to the collection, use, processing and transfer of personal data as described herein:

(a) The Company and your Employer hold certain personal information about you, including (but not limited to) your name, home address and telephone number, date of birth, social security number or other employee identification number, salary, nationality, job title, any shares of Stock or directorships held in the Company, details of all entitlements to shares of Stock awarded, canceled, purchased, vested, unvested or outstanding in your favor, for the purpose of managing and administering the Plan ("Data"). The Data may be provided by you or collected, where lawful, from the Company, its Affiliates and/or third parties, and the Company and your Employer will process the Data for the exclusive purpose of implementing, administering and managing your participation in the Plan. The Data processing will take place through electronic and non-electronic means according to logics and procedures strictly correlated to the purposes for which Data are collected and with confidentiality and security provisions as set forth by applicable laws and regulations in your country of residence (or country of employment, if different). Data processing operations will be performed minimizing the use of personal and identification data when such operations are unnecessary for the processing purposes sought. Data will be accessible within the organization only by those persons requiring access for purposes of the implementation, administration and operation of the Plan and for the participation in the Plan.

(b) The Company and your Employer will transfer Data internally as necessary for the purpose of implementation, administration and management of your participation in the Plan, and the Company and/or your Employer may further transfer Data to any third parties assisting the Company in the implementation, administration and management of the Plan. These recipients may be located in the European Economic Area, or elsewhere throughout the world, such as the United States. You hereby authorize (where required under applicable law) the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, as may be required for the administration of the Plan and/or the subsequent holding of the shares of Stock on your behalf, to a broker or other third party with whom you may elect to deposit any shares of Stock acquired pursuant to the Plan.

(c) You may, at any time, exercise your rights provided under applicable personal data protection laws, which may include the right to (i) obtain confirmation as to the existence of the Data, (ii) verify the content, origin and accuracy of the Data, (iii) request the integration, update, amendment, deletion or blockage (for breach of applicable laws) of the Data, (iv) oppose, for legal reasons, the collection, processing or transfer of the Data which is not necessary or required for the implementation, administration and/or operation of the Plan and your participation in the Plan, and (v) withdraw your consent to the collection, processing or transfer of Data as provided hereunder (in which case, your Performance Shares will become null and void). You may seek to exercise these rights by contacting your Human Resources manager or the Company's Human Resources Department, who may direct the matter to the applicable Company privacy official.

21. Addendum to Agreement. Notwithstanding any provision of this Agreement to the contrary, the Performance Shares shall be subject to any special terms and conditions for your country of residence (and country of employment, if different) as set forth in the addendum to the Agreement, attached hereto as Exhibit A (the "Addendum"). Further, if you transfer your residence and/or employment to another country reflected in the Addendum, the special terms and conditions for such country will apply to you to the extent the Company determines, in its sole discretion, that the application of such terms and conditions is necessary or advisable to comply with local laws, rules and/or regulations or to facilitate the operation and administration of the Performance Shares and the Plan (or the Company may establish alternative terms and conditions as may be necessary or advisable to accommodate your transfer). The Addendum shall constitute part of this Agreement.

22. Additional Requirements. The Company reserves the right to impose other requirements on the Performance Shares, any shares of Stock acquired pursuant to the Performance Shares and your participation in the Plan to the extent the Company determines, in its sole discretion, that such other requirements are necessary or advisable in order to comply with local laws, rules and/or regulations or to facilitate the operation and administration of the Performance Shares and the Plan. Such requirements may include (but are not limited to) requiring you to sign any agreements or undertakings that may be necessary to accomplish the foregoing.

23. Amendment or Modification, Waiver. Except as set forth in the Plan, no provision of this Agreement may be amended or waived unless the amendment or waiver is agreed to in writing, signed by you and by a duly authorized officer of the Company. No waiver of any condition or provision of this Agreement shall be deemed a waiver of a similar or dissimilar condition or provision at the same time, any prior time or any subsequent time.

24. Electronic Delivery. The Company may, in its sole discretion, deliver by electronic means any documents related to the Award or your future participation in the Plan. You hereby consent to receive such documents by electronic delivery and agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

25. Governing Law and Jurisdiction. This Agreement is governed by the substantive and procedural laws of the state of Illinois. You and the Company shall submit to the exclusive jurisdiction of, and venue in, the courts in Illinois in any dispute relating to this Agreement without regard to any choice of law rules thereof which might apply the laws of any other jurisdiction.

26. English Language. If you are resident in a country where English is not an official language, you acknowledge and agree that it is your express intent that this Agreement, the Plan and all other documents, notices and legal proceedings entered into, given or instituted pursuant to the Award, be drawn up in English. If you have received this Agreement, the Plan or any other documents related to the Award translated into a language other than English, and if the meaning of the translated version is different than the English version, the English version will control.

27. Conformity with Applicable Law. If any provision of this Agreement is determined to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect the validity, legality or enforceability of any other provision of this Agreement or the validity, legality or enforceability of such provision in any other jurisdiction, but this Agreement shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

28. Successors. This Agreement shall be binding upon and inure to the benefit of any successor or successors of the Company and any person or persons who shall, upon your death, acquire any rights hereunder.

This Agreement contains highly sensitive and confidential information. Please handle it accordingly.

Please read the attached Exhibit A. Once you have read and understood this Agreement and Exhibit A, please click the acceptance box to certify and confirm your agreement to be bound by the terms and conditions of this Agreement and Exhibit A and to acknowledge your receipt of the Prospectus, the Plan and this Agreement and your acceptance of the terms and conditions of the Award granted hereunder.

EXHIBIT A

**ADDENDUM TO THE
WALGREENS BOOTS ALLIANCE, INC. 2013 OMNIBUS INCENTIVE PLAN
PERFORMANCE SHARE AWARD AGREEMENT**

In addition to the terms of the Plan and the Agreement, the Award is subject to the following additional terms and conditions to the extent you reside and/or are employed in one of the countries addressed herein. Pursuant to Section 21 of the Agreement, if you transfer your residence and/or employment to another country reflected in this Addendum, the additional terms and conditions for such country (if any) will apply to you to the extent the Company determines, in its sole discretion, that the application of such terms and conditions is necessary or advisable in order to comply with local laws, rules and/or regulations or to facilitate the operation and administration of the Performance Shares and the Plan (or the Company may establish alternative terms as may be necessary or advisable to accommodate your transfer). All defined terms contained in this Addendum shall have the same meaning as set forth in the Plan and the Agreement.

CHILE

Private Placement. The following provision shall replace Section 13 of the Agreement:

The grant of the Performance Shares hereunder is not intended to be a public offering of securities in Chile but instead is intended to be a private placement.

- a) The starting date of the offer will be the Grant Date, and this offer conforms to general ruling no. 336 of the Chilean superintendence of securities and insurance;
 - b) The offer deals with securities not registered in the registry of securities or in the registry of foreign securities of the Chilean superintendence of securities and insurance, and therefore such securities are not subject to its oversight;
 - c) The issuer is not obligated to provide public information in Chile regarding the foreign securities, since such securities are not registered with the Chilean superintendence of securities and insurance; and
 - d) The foreign securities shall not be subject to public offering as long as they are not registered with the corresponding registry of securities in Chile.
-
- a) *La fecha de inicio de la oferta será el de la fecha de otorgamiento y esta oferta se acoge a la norma de carácter general n° 336 de la superintendencia de valores y seguros chilena;*
 - b) *La oferta versa sobre valores no inscritos en el registro de valores o en el registro de valores extranjeros que lleva la superintendencia de valores y seguros chilena, por lo que tales valores no están sujetos a la fiscalización de ésta;*
 - c) *Por tratar de valores no inscritos no existe la obligación por parte del emisor de entregar en Chile información pública respecto de esos valores; y*
 - d) *Esos valores no podrán ser objeto de oferta pública mientras no sean inscritos en el registro de valores correspondiente.*

FRANCE

1. Nature of Grant. The Performance Shares are not granted under the French specific regime provided by Articles L225-197-1 and seq. of the French commercial code.

2. Use of English Language. You acknowledge that it is your express wish that the Agreement, as well as all documents, notices and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be drawn up in English. ***Vous reconnaissez avoir expressément exigé la rédaction en anglais de la présente Convention, ainsi que de tous documents exécutés, avis donnés et procédures judiciaires intentées, directement ou indirectement, relatifs à, ou suite à, la présente Convention.***

HONG KONG

1. Form of Payment. Notwithstanding any provision in the Agreement or Plan to the contrary, Performance Shares shall be settled only in Shares (and not in cash).
2. IMPORTANT NOTICE. WARNING: The contents of the Agreement the Addendum, the Plan, the Plan prospectus, the Plan administrative rules and all other materials pertaining to the Performance Shares and/or the Plan have not been reviewed by any regulatory authority in Hong Kong. You are hereby advised to exercise caution in relation to the offer thereunder. If you have any doubts about any of the contents of the aforesaid materials, you should obtain independent professional advice.
3. Wages. The Performance Shares and shares of Stock subject to the Performance Shares do not form part of your wages for the purposes of calculating any statutory or contractual payments under Hong Kong law.

MEXICO

1. Commercial Relationship. You expressly recognize that your participation in the Plan and the Company's grant of Performance Shares does not constitute an employment relationship between you and the Company. You have been granted the Performance Shares as a consequence of the commercial relationship between the Company and the Affiliate in Mexico that employs you, and the Company's Affiliate in Mexico is your sole employer. Based on the foregoing, you expressly recognize that (a) the Plan and the benefits you may derive from your participation in the Plan do not establish any rights between you and the Company's Affiliate in Mexico that employs you, (b) the Plan and the benefits you may derive from your participation in the Plan are not part of the employment conditions and/or benefits provided by the Company's Affiliate in Mexico that employs you, and (c) any modifications or amendments of the Plan by the Company, or a termination of the Plan by the Company, shall not constitute a change or impairment of the terms and conditions of your employment with the Company's Affiliate in Mexico that employs you.
 2. Extraordinary Item of Compensation. You expressly recognize and acknowledge that your participation in the Plan is a result of the discretionary and unilateral decision of the Company, as well as your free and voluntary decision to participate in the Plan in accordance with the terms and conditions of the Plan, the Agreement and this Addendum. As such, you acknowledge and agree that the Company, in its sole discretion, may amend and/or discontinue your participation in the Plan at any time and without any liability. The Award, the shares of Stock subject to the Award and the value of same is an extraordinary item of compensation outside the scope of your employment contract, if any, and is not part of your regular or expected compensation for purposes of calculating any severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits, or any similar payments, which are the exclusive obligations of the Company's Affiliate in Mexico that employs you.
-

MONACO

Use of English Language. You acknowledge that it is your express wish that the Agreement, as well as all documents, notices and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be drawn up in English. *Vous reconnaissez avoir expressément exigé la rédaction en anglais de la présente Convention, ainsi que de tous documents exécutés, avis donnés et procédures judiciaires intentées, directement ou indirectement, relatifs à, ou suite à, la présente Convention.*

NETHERLANDS

Exclusion of Claim. You acknowledge and agree that you will have no entitlement to compensation or damages insofar as such entitlement arises or may arise from your ceasing to have rights under or to be entitled to the Performance Shares, whether or not as a result of your Termination of Service (whether such termination is in breach of contract or otherwise), or from the loss or diminution in value of the Performance Shares. Upon the grant of Performance Shares, you shall be deemed irrevocably to have waived any such entitlement.

ROMANIA

Voluntary Termination of Service. For the sake of clarity, a voluntary Termination of Service shall include the situation where your employment contract is terminated by operation of law on the date you reach the standard retirement age and have completed the minimum contribution record for receipt of state retirement pension or the relevant authorities award you an early-retirement pension of any type.

RUSSIA

1. No Offering of Securities in Russia. The grant of Performance Shares is not intended to be an offering of securities within the territory of the Russian Federation, and you acknowledge and agree that you will be unable to make any subsequent sale of the shares of Stock acquired pursuant to the Performance Shares in the Russian Federation.

2. Cash Payments to a Russian Bank Account. If you are a Russian citizen, any sale proceeds resulting from the sale of shares of Stock acquired upon settlement of the Performance Shares may be delivered only to a bank account that you maintain with an authorized bank in Russia.

SPAIN

1. Acknowledgement of Discretionary Nature of the Plan; No Vested Rights. This provision supplements the terms of the Agreement:

In accepting the Award, you acknowledge that you consent to participation in the Plan and have received a copy of the Plan.

You understand that the Company has unilaterally, gratuitously and in its sole discretion granted Performance Shares under the Plan to individuals who may be employees of the Company or its Affiliates throughout the world. The decision is a limited decision that is entered into upon the express assumption and condition that any grant will not economically or otherwise bind the Company or any of its Affiliates on an ongoing basis. Consequently, you understand that the Performance Shares are granted on the assumption and condition that the Performance Shares and the shares of Stock acquired upon settlement of the Performance Shares shall not become a part of any employment contract (either with the Company or any of its Affiliates) and shall not be considered a mandatory benefit, salary for any purposes (including severance compensation) or any other right whatsoever. In addition, you understand that this grant would not be made to you but for the assumptions and conditions referenced above; thus, you acknowledge and freely accept that should any or all of the assumptions be mistaken or should any of the conditions not be met for any reason, the Award shall be null and void.

Further, you understand and agree that the earning of the Performance Shares is expressly conditioned on your continued and active rendering of service, such that upon a Termination of Service, the Performance Shares may be forfeited effective on the date of your Termination of Service (unless otherwise specifically provided in Section 4, 5 or 6 of the Agreement). This will be the case, for example, even if (a) you are considered to be unfairly dismissed without good cause; (b) you are dismissed for disciplinary or objective reasons or due to a collective dismissal; (c) you terminate service due to a change of work location, duties or any other employment or contractual condition, (d) you terminate service due to a unilateral breach of contract by the Company or an Affiliate. Consequently, upon a Termination of Service for any of the above reasons, you may automatically lose any rights to Performance Shares as of the date of your Termination of Service, as described in the Plan and Agreement.

You acknowledge that you have read and specifically accept the conditions referred to in the Agreement regarding the impact of a Termination of Service on your Award.

2. Termination for Cause. "Cause" shall be defined as indicated in Section 7 of the Agreement, irrespective of whether the termination is or is not considered a fair termination (i.e., "despido procedente") under Spanish legislation.

UNITED KINGDOM

1. Responsibility for Taxes; Tax Withholding. The following provision supplements Section 9 of the Agreement:

If payment or withholding of the income tax due in connection with the Award is not made within ninety (90) days after the end of the U.K. tax year in which the event giving rise to the income tax liability occurred or such other period specified in Section 222(1)(c) of the U.K. Income Tax (Earnings and Pensions) Act 2003 (the "Due Date"), the amount of any uncollected income tax shall constitute a loan owed by you to your Employer, effective as of the Due Date. You agree that the loan will bear interest at the then-current official rate of Her Majesty's Revenue & Customs ("HMRC"), it shall be immediately due and repayable, and the Company or Employer may recover it at any time thereafter by any of the means referred to in Section 9 of the Agreement. Notwithstanding the foregoing, if you are a director or executive officer of the Company (within the meaning of Section 13(k) of the U.S. Securities and Exchange Act of 1934, as amended), will not be eligible for a loan to cover the income tax liability. In the event that you are a director or executive officer and the income tax is not collected from or paid by you by the Due Date, the amount of any uncollected income tax may constitute a benefit to you on which additional income tax and national insurance contributions ("NICs") will be payable. You will be responsible for paying and reporting any income tax due on this additional benefit directly to HMRC under the self-assessment regime, and for reimbursing the Company or your Employer (as applicable) the value of any employee NICs due on this additional benefit.

2. Exclusion of Claim. You acknowledge and agree that you will have no entitlement to compensation or damages insofar as such entitlement arises or may arise from your ceasing to have rights under or to be entitled to the Performance Shares, whether or not as a result of your Termination of Service (whether such termination is in breach of contract or otherwise), or from the loss or diminution in value of the Performance Shares. Upon the grant of Performance Shares, you shall be deemed irrevocably to have waived any such entitlement.

*** *** *** *** ***

By clicking the acceptance box for this grant agreement, I acknowledge receipt of the Performance Share Award Agreement to which this Addendum is attached as Exhibit A, and I agree to the terms and conditions expressed in this Addendum.

WALGREENS BOOTS ALLIANCE, INC.

2013 OMNIBUS INCENTIVE PLAN

STOCK OPTION AWARD AGREEMENT

These materials, which may include descriptions of company stock plans, prospectuses and other information and documents, and the information they contain, are provided by your company, not by Fidelity, and are not an offer or solicitation by Fidelity for the purchase of any securities or financial instruments. These materials were prepared by your company, which is solely responsible for their contents and for compliance with legal and regulatory requirements. Fidelity is not connected with any offering or acting as an underwriter in connection with any offering of your company's securities or financial instruments. Fidelity does not review, approve or endorse the contents of these materials and is not responsible for their content.

WALGREENS BOOTS ALLIANCE, INC.

2013 OMNIBUS INCENTIVE PLAN

STOCK OPTION AWARD AGREEMENT

Participant Name: Stefano Pessina

Participant ID: []

Grant Date: February 12, 2016 (the "Grant Date")

Grant Price: \$77.08

Shares Granted: 263,273 (the "Shares Granted")

Vesting: Three years from the Grant Date (the "Vesting Date")

Expiration Date: February 12, 2026 (the "Expiration Date")

Acceptance Date:

Electronic Signature:

This document (referred to below as this "Agreement") spells out the terms and conditions of the stock option (the "Option") granted to you by Walgreens Boots Alliance, Inc., a Delaware corporation (the "Company"), pursuant to the Walgreens Boots Alliance, Inc. 2013 Omnibus Incentive Plan (the "Plan") on and as of the Grant Date designated above. Except as otherwise defined herein, capitalized terms used in this Agreement have the respective meanings set forth in the Plan. For purposes of this Agreement, "Employer" means the entity (the Company or the Affiliate) that employs you on the applicable date. The Plan, as in effect on the date of this Agreement and as it may be amended from time to time, is incorporated into this Agreement by this reference.

You and the Company agree as follows:

1. Grant of Option. Pursuant to the approval and direction of the Compensation Committee of the Company's Board of Directors (the "Committee"), the Company hereby grants you an Option to purchase all or any part of the number of Shares Granted set forth above of common stock of the Company, par value US\$.01 ("Stock"), at the per-share exercise price, which is 100% of the fair market value of a share of Stock on the Grant Date (the "Exercise Price"), subject to the terms and conditions of the Plan and this Agreement. This stock option is intended to be a "non-qualified stock option" and shall not be treated as an incentive stock option within the meaning of Section 422 of the Code.

2. Vesting/Exercise/Expiration. The Employee may not exercise the Option prior to the Vesting Date or Dates set forth above absent action by the Committee to waive or alter such restrictions or as may be permitted under the below paragraphs. Thereafter, except as hereinafter provided, the Employee may exercise the Option, to the extent it is vested, at any time and from time to time until the close of business on the Expiration Date set forth above. The Option may be exercised to purchase any number of whole shares of Stock, except that no purchase shall be for less than ten (10) full shares, or the remaining unexercised shares, if less. This Option is deemed to be "outstanding" until it has been exercised in full or expired pursuant to the terms of this Agreement.

3. Disability. If, without having fully exercised this Option, you have a Termination of Service due to Disability, then any Shares Granted under the Option that are not yet vested at that time shall thereupon become vested and (a) you may exercise this Option for the full number of Shares Granted (less any shares for which this Option was previously exercised), but (b) your right to exercise this Option shall terminate upon the earlier of the Expiration Date or a date which is one (1) year following the date of your Termination of Service.

4. Death. If, without having fully exercised this Option, you have a Termination of Service due to your death, then any Shares Granted under the Option that are not yet vested at that time shall be fully vested and (a) the Option may be exercised by the executor or administrator of your estate or by such person or persons who shall have acquired your rights hereunder by bequest or inheritance or by designation as your beneficiary for the full number of Shares Granted (less any shares for which this Option was previously exercised), but (b), such person's right to exercise this Option shall terminate upon the earlier of the Expiration Date or a date which is one (1) year after the date of your death.

5. Retirement. If without having fully exercised this Option you have a Termination of Service by reason of retirement from the Company's Board of Directors, as reasonably determined by the Committee, then (a) if your Termination of Service is prior to the 12-month anniversary of the Grant Date, a pro-rated number of the Shares Granted under the Option shall become vested as of the date of your Termination of Service, with the pro-rated number of Shares calculated based on your number of full months of service from the Grant Date through your Termination of Service divided by 36 months, or (b) if your Termination of Service is on or after the one-year anniversary of the Grant Date, the full number of Shares Granted under the Option shall remain or become vested as of your Termination of Service, and (c) your right to exercise any portion of the Option that is vested upon your Termination of Service due to retirement shall terminate upon the earlier of the Expiration Date or a date which is one (1) year after the date of your Termination of Service. Shares Granted for which you cannot exercise the Option under this Section 5 shall be forfeited.

6. Termination of Service Following a Change in Control. If there is a Change in Control of the Company and within the one-year period thereafter you have a Termination of Service initiated by your Employer other than for Cause (as defined in Section 8), then any Shares Granted under the Option that are not yet vested at that time shall thereupon become vested and (a) you may exercise this Option for the full number of Shares Granted (less any shares for which this Option was previously exercised), but (b) your right to exercise this Option shall terminate upon the earlier of the Expiration Date or a date which is ninety (90) days after the date of your Termination of Service, subject to the right of the Committee to extend the exercise period of this Option. Shares Granted for which you cannot exercise the Option under this Section 6 shall be forfeited. The foregoing is also subject to the Committee's exercise of its discretion under Section 9.01 of the Plan. For purposes of this Section 6, a Termination of Service initiated by your Employer shall include a Termination of Employment for Good Reason under - and pursuant to the terms and conditions of - the Walgreens Boots Alliance, Inc. Executive Severance and Change in Control Plan, but only to the extent applicable to you as an eligible participant in such Plan.

7. Other Termination of Service. If without having fully exercised this Option you have a voluntary or involuntary Termination of Service for any reason other than as set forth in Section 3, 4, 5 or 6 above, as determined by the Committee, then (a) for any Shares Granted with respect to which such Termination of Service is prior to the applicable Vesting Date, this Option shall be forfeited, and (b) for any Shares Granted with respect to which such Termination of Service is on or after the applicable Vesting Date, then your right to exercise this Option shall terminate upon the earlier of the Expiration Date or a date which is ninety (90) days after the date of your Termination of Service. The foregoing is subject to the right of the Committee to extend the exercise period of this Option, including any extension granted by the Committee or its delegate as needed to allow your right to exercise to extend beyond a period during which you are restricted from exercising the Option due to a Company-designated trading blackout period, and is subject to earlier expiration as provided in Section 8 below.

8. Forfeiture of Outstanding Options Upon Termination for Cause or Following Termination of Service. Notwithstanding any provision of this Agreement to the contrary, your remaining right, if any, to exercise the Option shall immediately terminate if you are terminated for Cause or if and when you violate any post-employment obligation that you may have to the Company, including but not limited to any non-competition, non-solicitation, confidentiality, non-disparagement or other restrictive covenant. For purposes of this Agreement, "Cause" means any one or more of the following, as determined by the Committee in its sole discretion:

- (a) your commission of a felony or any crime of moral turpitude;
- (b) your dishonesty or material violation of standards of integrity in the course of fulfilling your duties to the Company or any Affiliate;
- (c) your material violation of a material written policy of the Company or any Affiliate violation of which is grounds for immediate termination;
- (d) your willful and deliberate failure to perform your duties to the Company or any Affiliate in any material respect, after reasonable notice of such failure and an opportunity to correct it; or
- (e) your failure to comply in any material respect with the United States ("U.S.") Foreign Corrupt Practices Act, the U.S. Securities Act of 1933, the U.S. Securities Exchange Act of 1934, the U.S. Sarbanes-Oxley Act of 2002, the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, and the U.S. Truth in Negotiations Act, or any rules or regulations thereunder.

9. Exercise Process. This Option may be exercised by giving notice to Fidelity, the third party administrator to administer the Option exercise process. The exercise notice (a) shall be signed by you or (in the event of your death) your legal representative, (b) shall specify the number of full shares of Stock then elected to be purchased, and (c) shall be accompanied by payment in full of the Exercise Price of the shares to be purchased. Payment may be made in cash or by check payable to the order of the Company, and such payment shall include any income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items related to your participation in the Plan that are required to be withheld ("Tax-Related Items"), as set forth in Section 10 below. Alternatively, the Committee may allow for one or more of the following methods of exercising this Option:

- (a) Payment for shares as to which this Option is being exercised and/or payment of any Tax-Related Items may be made by transfer to the Company of shares of Stock you already own, or any combination of such shares and cash, having a fair market value determined at the time of exercise of the Option equal to, but not exceeding, the Exercise Price and/or the tax withholding obligation, as the case may be.
 - (b) A "same day sale" transaction pursuant to which a third party (engaged by you or the Company) loans funds to you to enable you to purchase the shares of Stock and pay any Tax-Related Items, and then sells a sufficient number of the exercised shares on your behalf to enable you to repay the loan and any fees. The remaining shares and/or cash are then delivered by the third party to you.
-

(c) A “net exercise” transaction, pursuant to which the Company delivers to you the net number of whole shares of Stock remaining from the portion of the Option being exercised after deduction of a number of shares of Stock with a fair market value equal to the Exercise Price and a number of shares of Stock with a fair market value equal to the amount of any Tax-Related Items

As promptly as practicable after receipt of such notice of exercise and payment (including payment with respect to any Tax-Related Items), subject to Section 13 below, the Company shall cause to be issued and delivered to you (or in the event of your death to your legal representative, as the case may be), certificates for the shares of Stock so purchased. Alternatively, such shares of Stock may be issued and held in book entry form.

Notwithstanding any provision within the Agreement to the contrary, if you are resident or employed outside of the U.S., the Committee may require that you (or in the event of your death, your legal representative, as the case may be) exercise the Option in a method other than as specified above, may require you to exercise the Option only by means of a “same day sale” transaction (either a “sell-all” transaction or a “sell-to-cover” transaction) as it shall determine in its sole discretion, or may require you to sell any shares of Stock you acquire under the Plan immediately or within a specified period following your Termination of Service (in which case, you hereby agree that the Company shall have the authority to issue sale instructions in relation to such shares of Stock on your behalf).

10. Responsibility for Taxes; Tax Withholding.

(a) You acknowledge that, regardless of any action taken by the Company or your Employer, the ultimate liability for all Tax-Related Items related to your participation in the Plan and legally applicable to you is and remains your responsibility and may exceed the amount actually withheld by the Company or your Employer. You further acknowledge that the Company and/or your Employer (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Option, including, but not limited to, the grant, vesting or exercise of the Option, the subsequent sale of shares of Stock acquired pursuant to such exercise and the receipt of any dividends; and (2) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Option to reduce or eliminate your liability for Tax-Related Items or achieve any particular tax result. Further, if you are subject to Tax-Related Items in more than one jurisdiction between the Grant Date and the date of any relevant taxable or tax withholding event, as applicable, you acknowledge that the Company and/or your Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

(b) Prior to any relevant taxable or tax withholding event, as applicable, you agree to make adequate arrangements satisfactory to the Company and/or your Employer to satisfy all Tax-Related Items. In this regard, you authorize the Company, your Employer or its agent to satisfy the obligations with regard to all Tax-Related Items by one or a combination of the following: (i) withholding from your wages or other cash compensation paid to you by the Company and/or your Employer; (ii) withholding from proceeds of the sale of Stock acquired upon exercise of the Option either through a voluntary sale or through a mandatory sale arranged by the Company (on your behalf pursuant to this authorization without further consent); or (iii) withholding from the shares of Stock to be delivered upon exercise of the Option that number of shares of Stock having a Fair Market Value equal to (but not in excess of) the minimum amount required by law to be withheld. For purposes of the foregoing, no fractional shares of Stock will be withheld or issued pursuant to the grant of the Option and the issuance of shares of Stock hereunder.

Depending on the withholding method, the Company may withhold or account for Tax-Related Items by considering applicable statutory minimum withholding rates (as determined by the Company in good faith and in its sole discretion) or other applicable withholding rates, including maximum applicable rates, in which case you will receive a refund of any over-withheld amount in cash and will have no entitlement to the share equivalent. If the obligation for Tax-Related Items is satisfied by withholding from the shares of Stock to be delivered upon exercise of the Option, for tax purposes, you are deemed to have been issued the full number of shares of Stock subject to the exercised Option, notwithstanding that a number of the shares of Stock are held back solely for the purpose of paying the Tax-Related Items.

You agree to pay to the Company or your Employer any amount of Tax-Related Items that the Company or your Employer may be required to withhold or account for as a result of your participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to issue or deliver the shares of Stock or the proceeds from the sale of shares of Stock if you fail to comply with your obligations in connection with the Tax-Related Items.

11. Limited Transferability. You may not sell, transfer, pledge, assign or otherwise alienate or hypothecate this Option, whether voluntarily or involuntarily or by operation of law, other than by beneficiary designation effective upon your death, by will or by the laws of intestacy. During your lifetime, this Option and all rights granted hereunder shall be exercisable only by you. Notwithstanding the foregoing, you may transfer this Option, in whole or in part, by gift to a Permitted Transferee in accordance with rules and subject to any conditions specified by the Committee under the Plan.

12. Rights as Stockholder. You shall have no rights as a stockholder of the Company with respect to the shares of Stock subject to this Option until such time as the Exercise Price has been paid and a certificate of stock for such shares has been issued to you or such shares of Stock have been recorded in your name in book entry form. Except as provided in Section 18 below, no adjustment shall be made for dividends or distributions or other rights with respect to such shares for which the record date is prior to the date on which you become the holder of record thereof. Anything herein to the contrary notwithstanding, if a law or any regulation of the U.S. Securities and Exchange Commission or of any other body having jurisdiction shall require the Company or you to take any action before shares of Stock can be delivered to you hereunder, then the date of delivery of such shares may be delayed accordingly.

13. Securities Laws. If a Registration Statement under the U.S. Securities Act of 1933, as amended, is not in effect with respect to the shares of Stock to be delivered pursuant to this Agreement, you hereby represent that you are acquiring the shares of Stock for investment and with no present intention of selling or transferring them and that you will not sell or otherwise transfer the shares except in compliance with all applicable securities laws and requirements of any stock exchange on which the shares of Stock may then be listed.

14. Not a Public Offering. If you are resident outside the U.S., the grant of the Option is not intended to be a public offering of securities in your country of residence (or country of employment, if different). The Company has not submitted any registration statement, prospectus or other filings with the local securities authorities (unless otherwise required under local law), and the grant of the Option is not subject to the supervision of the local securities authorities.

15. Insider Trading/Market Abuse Laws. Your country of residence may have insider trading and/or market abuse laws that may affect your ability to acquire or sell shares of Stock under the Plan during such times you are considered to have "inside information" (as defined in the laws in your country). These laws may be the same or different from any Company insider trading policy. You acknowledge that it is your responsibility to be informed of and compliant with such regulations, and you are advised to speak to your personal advisor on this matter.

16. Repatriation; Compliance with Law; Method of Exercise. If you are resident or employed outside the U.S., as a condition of the Option, you agree to repatriate all payments attributable to the shares of Stock and/or cash acquired under the Plan in accordance with applicable foreign exchange rules and regulations in your country of residence (and country of employment, if different). In addition, you agree to take any and all actions, and consent to any and all actions taken by the Company and its Affiliates, as may be required to allow the Company and its Affiliates to comply with local laws, rules and/or regulations in your country of residence (and country of employment, if different). Finally, you agree to take any and all actions as may be required to comply with your personal obligations under local laws, rules and/or regulations in your country of residence and country of employment, if different).

17. No Advice Regarding Grant. No employee of the Company is permitted to advise you regarding your participation in the Plan or your acquisition or sale of the shares of Stock underlying the Option. Investment in shares of Stock involves a degree of risk. Before deciding to purchase shares of Stock pursuant to the Option, you should carefully consider all risk factors relevant to the acquisition of shares of Stock under the Plan and you should carefully review all of the materials related to the Option and the Plan. You are hereby advised to consult with your own personal tax, legal and financial advisors before taking any action related to the Plan.

18. Change in Stock. In the event of any change in Stock by reason of any stock dividend, recapitalization, reorganization, split-up, merger, consolidation, exchange of shares, or of any similar change affecting Stock, the number of shares of Stock subject to this Option and the Exercise Price shall be equitably adjusted by the Committee.

19. Nature of the Option. In accepting the Option, you acknowledge, understand and agree that:

(a) the Plan is established voluntarily by the Company, it is discretionary in nature and limited induration, and it may be modified, amended, suspended or terminated by the Company, in its sole discretion, at any time;

(b) the grant of the Option is voluntary and occasional and does not create any contractual or other right to receive future grants of stock options, or benefits in lieu of stock options, even if stock options have been granted in the past;

(c) all decisions with respect to future grants of stock options or other grants, if any, will be at the sole discretion of the Company, including, but not limited to, the form and timing of any grant, the number of shares of Stock subject to the stock options, vesting provisions, and the exercise price applicable to the stock option;

(d) the Option and your participation in the Plan shall not create a right to employment or be interpreted as forming an employment or service contract with the Company or any Affiliate and shall not interfere with the ability of the Company, your Employer or an Affiliate, as applicable, to terminate your employment or service relationship;

(e) you are voluntarily participating in the Plan;

(f) the Option and the shares of Stock subject to the Option are not intended to replace any pension rights or compensation;

(g) the Option, the shares of Stock subject to the Option and the value of same, is an extraordinary item of compensation outside the scope of your employment (and employment contract, if any) and is not part of normal or expected compensation for any purpose, including, without limitation, calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments;

(h) the future value of the shares of Stock underlying the Option is unknown, indeterminable and cannot be predicted with certainty;

(i) unless otherwise determined by the Committee in its sole discretion, a Termination of Service shall be effective from the date on which active employment or service ends and shall not be extended by any statutory or common law notice of termination period;

(j) no claim or entitlement to compensation or damages shall arise from forfeiture of the Option resulting from a Termination of Service (for any reason whatsoever, whether or not later found to be invalid or in breach of employment laws in the jurisdiction where you are employed or the terms of your employment agreement, if any), and in consideration of the grant of the Option to which you are otherwise not entitled, you irrevocably agree never to institute any claim against the Company, your Employer or any Affiliate, waive your ability, if any, to bring any such claim, and release the Company, the Employer and all Affiliates from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, you shall be deemed irrevocably to have agreed not to pursue such claim and agree to execute any and all documents necessary to request dismissal or withdrawal of such claim;

(k) unless otherwise provided herein, in the Plan or by the Company in its discretion, the Option and the benefits evidenced by this Agreement do not create any entitlement to have the Option or any such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the shares of Stock of the Company; and

(l) neither the Company nor any Affiliate shall be liable for any foreign exchange rate fluctuation between your local currency and the U.S. dollar that may affect the value of the Option or of any amounts due to you pursuant to the settlement of the Option or the subsequent sale of any shares of Stock acquired upon settlement of the Option.

20. Committee Authority; Recoupment. It is expressly understood that the Committee is authorized to administer, construe, and make all determinations necessary or appropriate for the administration of the Plan and this Agreement, including the enforcement of any recoupment policy, all of which shall be binding upon you and any claimant. Any inconsistency between this Agreement and the Plan shall be resolved in favor of the Plan.

21. Consent to Collection/Processing/Transfer of Personal Data. Pursuant to applicable personal data protection laws, the Company hereby notifies you of the following in relation to your personal data and the collection, processing and transfer of such data in relation to the Company's grant of this Option and your participation in the Plan. The collection, processing and transfer of personal data is necessary for the Company's administration of the Plan and your participation in the Plan, and your denial and/or objection to the collection, processing and transfer of personal data may affect your participation in the Plan. As such, you voluntarily acknowledge and consent (where required under applicable law) to the collection, use, processing and transfer of personal data as described herein:

(a) The Company and your Employer hold certain personal information about you, including (but not limited to) your name, home address and telephone number, date of birth, social security number or other employee identification number, salary, nationality, job title, any shares of Stock or directorships held in the Company, details of all entitlements to shares of Stock awarded, canceled, purchased, vested, unvested or outstanding in your favor, for the purpose of managing and administering the Plan ("Data"). The Data may be provided by you or collected, where lawful, from the Company, its Affiliates and/or third parties, and the Company and your Employer will process the Data for the exclusive purpose of implementing, administering and managing your participation in the Plan. The Data processing will take place through electronic and non-electronic means according to logics and procedures strictly correlated to the purposes for which Data are collected and with confidentiality and security provisions as set forth by applicable laws and regulations in your country of residence (or country of employment, if different). Data processing operations will be performed minimizing the use of personal and identification data when such operations are unnecessary for the processing purposes sought. Data will be accessible within the organization only by those persons requiring access for purposes of the implementation, administration and operation of the Plan and for the participation in the Plan.

(b) The Company and your Employer will transfer Data internally as necessary for the purpose of implementation, administration and management of your participation in the Plan, and the Company and/or your Employer may further transfer Data to any third parties assisting the Company in the implementation, administration and management of the Plan. These recipients may be located in the European Economic Area, or elsewhere throughout the world, such as the United States. You hereby authorize (where required under applicable law) the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, as may be required for the administration of the Plan and/or the subsequent holding of the shares of Stock on your behalf, to a broker or other third party with whom you may elect to deposit any shares of Stock acquired pursuant to the Plan.

(c) You may, at any time, exercise your rights provided under applicable personal data protection laws, which may include the right to (i) obtain confirmation as to the existence of the Data, (ii) verify the content, origin and accuracy of the Data, (iii) request the integration, update, amendment, deletion or blockage (for breach of applicable laws) of the Data, (iv) oppose, for legal reasons, the collection, processing or transfer of the Data which is not necessary or required for the implementation, administration and/or operation of the Plan and your participation in the Plan, and (v) withdraw your consent to the collection, processing or transfer of Data as provided hereunder (in which case, your Option will become null and void). You may seek to exercise these rights by contacting your Human Resources manager or the Company's Human Resources Department, who may direct the matter to the applicable Company privacy official.

22. Non-Competition, Non-Solicitation and Confidentiality. As a condition to the receipt of this Option, you must agree to the Non-Competition, Non-Solicitation and Confidentiality Agreement attached hereto as Exhibit A by executing that Agreement. Failure to execute and return the Non-Competition, Non-Solicitation and Confidentiality Agreement within 120 days of the Grant Date shall constitute your decision to decline to accept this Award.

23. Addendum to Agreement. Notwithstanding any provision of this Agreement to the contrary, the Option shall be subject to any special terms and conditions for your country of residence (and country of employment, if different) as set forth in the addendum to the Agreement, attached hereto as Exhibit B (the "Addendum"). Further, if you transfer your residence and/or employment to another country reflected in the Addendum, the special terms and conditions for such country will apply to you to the extent the Company determines, in its sole discretion, that the application of such terms and conditions is necessary or advisable to comply with local laws, rules and/or regulations or to facilitate the operation and administration of the Option and the Plan (or the Company may establish alternative terms and conditions as may be necessary or advisable to accommodate your transfer). The Addendum shall constitute part of this Agreement.

24. Additional Requirements. The Company reserves the right to impose other requirements on the Option, any shares of Stock acquired pursuant to the Option and your participation in the Plan to the extent the Company determines, in its sole discretion, that such other requirements are necessary or advisable in order to comply with local laws, rules and/or regulations or to facilitate the operation and administration of the Option and the Plan. Such requirements may include (but are not limited to) requiring you to sign any agreements or undertakings that may be necessary to accomplish the foregoing.

25. Amendment or Modification, Waiver. Except as set forth in the Plan, no provision of this Agreement may be amended or waived unless the amendment or waiver is agreed to in writing, signed by you and by a duly authorized officer of the Company. No waiver of any condition or provision of this Agreement shall be deemed a waiver of a similar or dissimilar condition or provision at the same time, any prior time or any subsequent time.

26. Electronic Delivery. The Company may, in its sole discretion, deliver by electronic means any documents related to the Option or your future participation in the Plan. You hereby consent to receive such documents by electronic delivery and agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

27. Governing Law and Jurisdiction. This Agreement is governed by the substantive and procedural laws of the state of Illinois. You and the Company shall submit to the exclusive jurisdiction of, and venue in, the courts in Illinois in any dispute relating to this Agreement without regard to any choice or law rules thereof which might apply the laws of any other jurisdiction.

28. English Language. If you are resident in a country where English is not an official language, you acknowledge and agree that it is your express intent that this Agreement, the Plan and all other documents, notices and legal proceedings entered into, given or instituted pursuant to the Option, be drawn up in English. If you have received this Agreement, the Plan or any other documents related to the Option translated into a language other than English, and if the meaning of the translated version is different than the English version, the English version will control.

29. Conformity with Applicable Law. If any provision of this Agreement is determined to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect the validity, legality or enforceability of any other provision of this Agreement or the validity, legality or enforceability of such provision in any other jurisdiction, but this Agreement shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

30. Successors. This Agreement shall be binding upon and inure to the benefit of any successor or successors of the Company and any person or persons who shall, upon your death, acquire any rights hereunder.

This Agreement contains highly sensitive and confidential information. Please handle it accordingly.

Please read the attached Exhibits A and B. Once you have read and understood this Agreement and Exhibits A and B, please click the acceptance box to certify and confirm your agreement to be bound by the terms and conditions of this Agreement and Exhibits A and B, and to acknowledge your receipt of the Prospectus, the Plan and this Agreement and your acceptance of the terms and conditions of the Option granted hereunder.

EXHIBIT A

WALGREENS BOOTS ALLIANCE, INC. NON-COMPETITION, NON-SOLICITATION AND CONFIDENTIALITY AGREEMENT

This Exhibit forms a part of the Stock Option Award Agreement covering Options awarded to an employee of Walgreens Boots Alliance, Inc., on behalf of itself, its affiliates, subsidiaries, and successors (collectively referred to as "Employee" and the "Company").

WHEREAS, the Company develops and/or uses valuable business, technical, proprietary, customer and patient information it protects by limiting its disclosure and by keeping it secret or confidential;

WHEREAS, Employee acknowledges that during the course of employment, he or she has or will receive, contribute, or develop such confidential information; and

WHEREAS, the Company desires to protect from its competitors such confidential information and also desires to protect its legitimate business interests and goodwill in maintaining its employee and customer relationships.

NOW THEREFORE, in consideration of the Stock Option issued to Employee pursuant the Agreement to which this is attached as Exhibit A, Employee agrees to be bound by the terms of this Agreement:

1. **Confidentiality**. At all times during and after the termination of my employment with the Company, I will not, without the Company's prior written permission, directly or indirectly for any purpose other than performance of my duties for the Company, utilize or disclose to anyone outside of the Company any confidential information, of the Company or any information received by the Company in confidence from or about third parties, as long as such matters remain trade secrets or confidential. Trade secrets and other confidential information shall include any information or material which is not generally known to the public, and which (a) is generated or collected by or utilized in the operations of the Company and relates to the actual or anticipated business of the Company or the Company's actual or prospective vendors or clients; or (b) is suggested by or results from any task assigned to me by the Company or work performed by me for or on behalf of the Company or any client of the Company. Confidential information shall not be considered generally known to the public if revealed improperly to the public by me or others without the Company's express written consent and/or in violation of an obligation of confidentiality to the Company. Examples of confidential information include, but are not limited to, customer and supplier identification and contacts, confidential information about customers, business relationships, contract provisions, pricing, margins, business plans, marketing plans, identities of contractors and terms of payment, identities of customer referral sources, financial data, business and customer strategy, techniques, formulations, technical know-how, formulae, research, development and production information, processes, designs, architecture, prototypes, models, software, solutions, discussion guides, personal or performance information about employees, research and development, patent applications and plans, projections, proposals or legal advice related to the foregoing. The restrictions set forth in this paragraph are in addition to and not in lieu of any obligations I have by law with respect to the Company's confidential information, including any obligations I may owe under the Trade Secrets Act of any state or similar statutes. Further, the confidentiality obligations herein shall not prevent me from revealing evidence of criminal wrongdoing to law enforcement or prohibit me from divulging confidential information or trade secrets by order of court or agency of competent jurisdiction or as required by law; however, I shall promptly inform the Company of any such situations and shall take reasonable steps to prevent disclosure of confidential information or trade secrets until the Company has been informed of such required disclosure and has had a reasonable opportunity to seek a protective order.

2. Non-Competition. I agree that during my employment with the Company and for one year after the termination of my employment, I will not, directly or indirectly, invest in, own, operate, finance, control, or provide Competing Services to any Competing Business Line, in both cases as defined below. I understand that the restrictions in this paragraph apply no matter whether my employment is terminated by me or the Company and no matter whether that termination is voluntary or involuntary. The above restrictions shall not apply to passive investments of less than 5% ownership interest in any entity. I understand that the term "Competing Business Line" used in this Agreement means any business that is in competition with any business engaged in by the Company with respect to which I provide substantial services during the last two years of my employment with the Company.

I understand that I will be deemed to be providing "Competing Services" if the nature of such services are sufficiently similar in position scope and geographic scope to any position held by me during the last two years of my employment with the Company, such that my engaging in such services on behalf of a Competing Business Line may pose competitive harm to the Company.

3. Non-Solicitation. I agree that during my employment with the Company and for two years after the termination of my employment from the Company for any reason, whether voluntary or involuntary:

- (a) I will not directly or indirectly, solicit any Restricted Customer for purposes of providing Competing Products or Services, or offer, provide or sell Competing Products or Services to any Restricted Customer. For purposes of this Agreement, "Competing Products or Services" means products or services that are competitive with products or services offered by, developed by, designed by or distributed by the Company to any Restricted Customer, and "Restricted Customer" means any person, company or entity which was a customer, potential customer or referral source of the Company and with which I had direct contact or about which I learned confidential information at any time during the last two years of my employment with the Company; and
- (b) I will not, nor will I assist any third party to, directly or indirectly (i) raid, hire, solicit, or attempt to persuade any employee of the Company or any person who was an employee of the Company during the 6 months preceding the termination of my employment with the Company, who possesses or had access to confidential information of the Company, to leave the employ of the Company; (ii) interfere with the performance by any such persons of their duties for the Company; or (iii) communicate with any such persons for the purposes described in items (i) and (ii) in this paragraph.

4. Non-Inducement. I will not directly or indirectly assist or encourage any person or entity in carrying out or conducting any activity that would be prohibited by this Agreement if such activity were carried out or conducted by me.

5. Non-Disparagement. I agree (whether or not I am then an Employee) not to make negative comments or otherwise disparage the Company, its Affiliates, or any of their officers, directors, employees, shareholders, members, agents or products other than in the good faith performance of my duties to the Company and its Affiliates while I am employed by the Company and its Affiliates and thereafter. The foregoing shall not be violated by truthful statements in response to legal process, required governmental testimony or filings, or administrative or arbitral proceedings (including, without limitation, depositions in connection with such proceedings).

6. Intellectual Property. The term "Intellectual Property" shall mean all trade secrets, ideas, inventions, designs, developments, devices, software, computer programs, methods and processes (whether or not patented or patentable, reduced to practice or included in the Confidential Information) and all patents and patent applications related thereto, all copyrights, copyrightable works and mask works (whether or not included in the Confidential Information) and all registrations and applications for registration related thereto, all Confidential Information, and all other proprietary rights contributed to, or conceived or created by, or reduced to practice by Employee or anyone acting on its behalf (whether alone or jointly with others) at any time from the beginning of Employee's employment with Walgreens Boots Alliance, Inc. to the termination of that employment plus ninety (90) days (i) relate to the business or to the actual or anticipated research or development of Walgreens Boots Alliance, Inc.; (ii) result from any services that Employee or anyone acting on its behalf perform for Walgreens; or (iii) are created using the equipment, supplies or facilities of Walgreens Boots Alliance, Inc. or any Confidential Information.

- a. Ownership. All Intellectual Property is, shall be and shall remain the exclusive property of the Company. Employee hereby assigns to the Company all right, title and interest, if any, in and to the Intellectual Property; provided, however, that, when applicable, the Company shall own the copyrights in all copyrightable works included in the Intellectual Property pursuant to the "work-made-for-hire" doctrine (rather than by assignment), as such term is defined in the 1976 Copyright Act. All Intellectual Property shall be owned by the Company irrespective of any copyright notices or confidentiality legends to the contrary which may be placed on such works by Employee or by others. Employee shall ensure that all copyright notices and confidentiality legends on all work product authored by Employee or anyone acting on its behalf shall conform to the Company's practices and shall specify the Company as the owner of the work. The Company hereby provides notice to Employee that the obligation to assign does not apply to an invention for which no equipment, supplies, facility, or trade secret information of the Company was used and which was developed entirely on the Employee's own time, unless (a) the invention relates (i) to the business of the Company, or (ii) to the Company's actual or demonstrably anticipated research or development, or (b) the invention results from any work performed by Employee for the Company.
 - b. Keep Records. Employee shall keep and maintain, or cause to be kept and maintained by anyone acting on its behalf, adequate and current written records of all Intellectual Property in the form of notes, sketches, drawings, computer files, reports or other documents relating thereto. Such records shall be and shall remain the exclusive property of the Company and shall be available to the Company at all times during the term of this Agreement.
 - c. Assistance. Employee shall supply all assistance requested in securing for Company's benefit any patent, copyright, trademark, service mark, license, right or other evidence of ownership of any such Intellectual Property, and will provide full information regarding any such item and execute all appropriate documentation prepared by Company in applying or otherwise registering, in Company's name, all rights to any such item or the defense and protection of such Intellectual Property.
-

- d. Prior Inventions. I have disclosed to the Company any continuing obligations to any third party with respect to Intellectual Property. I claim no rights to any inventions created prior to my employment for which a patent application has not previously been filed, unless I have described them in detail on a schedule attached to this Agreement.

7. Return of Company Property. I agree that I will not take any of the Company's property or information with me when I leave the Company's employ, no matter what form that property or information is in and no matter how I acquired it. When my employment with the Company terminates, I will immediately return to the Company any and all Company information, documents, and electronics.

8. Consideration and Acknowledgments. I acknowledge and agree that the covenants described in this Agreement are essential terms, and the underlying Stock Option Award would not be provided by the Company in the absence of these covenants. I further acknowledge that these covenants are supported by adequate consideration as set forth in this Agreement, that full compliance with these covenants will not prevent me from earning a livelihood following the termination of my employment, and that these covenants do not place undue restraint on me and are not in conflict with any public interest. I further acknowledge and agree that I fully understand these covenants, have had full and complete opportunity to discuss and resolve any ambiguities or uncertainties regarding these covenants before signing this Agreement, and have voluntarily agreed to comply with these covenants for their stated terms. I further acknowledge and agree that these covenants are reasonable and enforceable in all respects. I agree that in the event I am offered employment with a Competing Business at any time in the future, I shall immediately notify the Competing Business of the existence of the covenants set forth above.

9. Enforceability: General Provisions.

- (a) I agree that the restrictions contained in this Agreement are reasonable and necessary to protect the Company's legitimate business interests and that full compliance with the terms of this Agreement will not prevent me from earning a livelihood following the termination of my employment, and that these covenants do not place undue restraint on me.
- (b) Because the Company's current base of operations is in Illinois, I consent to the jurisdiction of the state and federal courts of Illinois with respect to any claim arising out of this Agreement.
- (c) Because the Company's current base of operations is in Illinois, I agree that this Agreement shall be governed by the laws of Illinois without regard to its choice of law rules.
- (d) In the event of a breach or a threatened breach of this Agreement, I acknowledge that the Company will face irreparable injury which may be difficult to calculate in dollar terms and that the Company shall be entitled, in addition to all remedies otherwise available in law or in equity, to temporary restraining orders and preliminary and final injunctions enjoining such breach or threatened breach in any court of competent jurisdiction without the necessity of posting a surety bond, as well as to obtain an equitable accounting of all profits or benefits arising out of any violation of this Agreement.
-

- (e) I agree that if a court determines that any of the provisions in this Agreement is unenforceable or unreasonable in duration, territory, or scope, then that court shall modify those provisions so they are reasonable and enforceable, and enforce those provisions as modified.
- (f) If any phrase or provision of this Agreement is declared invalid or unenforceable by a court of competent jurisdiction, that phrase, clause or provision shall be deemed severed from this Agreement, and will not affect the enforceability of any other provisions of this Agreement, which shall otherwise remain in full force and effect.
- (g) Notwithstanding the foregoing provisions of this Agreement, the non-competition provisions of Paragraph 2 above shall not restrict Employee from performing legal services as a licensed attorney for a Competing Business to the extent that the attorney licensure requirements in the applicable jurisdiction do not permit Employee to agree to the otherwise applicable restrictions of Paragraph 2.
- (h) Waiver of any of the provisions of this Agreement by the Company in any particular instance shall not be deemed to be a waiver of any provision in any other instance and/or of the Company's other rights at law or under this Agreement.
- (i) I agree that the Company may assign this Agreement to its successors and that any such successor may stand in the Company's shoes for purposes of enforcing this Agreement.
- (j) I agree to reimburse Company for all attorneys' fees, costs, and expenses that it reasonably incurs in connection with enforcing its rights and remedies under this Agreement, but only to the extent the Company is ultimately the prevailing party in the applicable legal proceedings.
- (k) If I violate this Agreement, then the restrictions set out in Paragraphs 2 - 6 shall be extended by the same period of time as the period of time during which the violation(s) occurred.
- (l) I fully understand my obligations in this Agreement, have had full and complete opportunity to discuss and resolve any ambiguities or uncertainties regarding these covenants before signing this Agreement, and have voluntarily agreed to comply with these covenants for their stated terms.

10. Relationship of Parties. I acknowledge that my relationship with the Company is "terminable at will" by either party and that the Company or I can terminate the relationship with or without cause and without following any specific procedures. Nothing contained in this Agreement is intended to or shall be relied upon to alter the "terminable at will" relationship between the parties.

11. Modifications and Other Agreements. I agree that the terms of this Agreement may not be modified except by a written agreement signed by both me and the Company. This Agreement shall not supersede any other restrictive covenants to which I may be subject under an employment contract, benefit program or otherwise, such that the Company may enforce the terms of any and all restrictive covenants to which I am subject.

12. Notification. I agree that in the event I am offered employment at any time in the future with any entity that may be considered a Competing Business Line, I shall immediately notify such Competing business of the existence and terms of this Agreement. I also understand and agree that the Company may notify anyone later employing me of the existence and provisions of this Agreement.

*** *** *** *** ***

By clicking the acceptance box for this grant agreement, I acknowledge receipt of the Stock Option Award Agreement to which this Agreement is attached as Exhibit A, and I agree to the terms and conditions expressed in this Agreement.

EXHIBIT B

**ADDENDUM TO THE
WALGREENS BOOTS ALLIANCE, INC. 2013 OMNIBUS INCENTIVE PLAN
STOCK OPTION AWARD AGREEMENT**

In addition to the terms of the Plan and the Agreement, the Option is subject to the following additional terms and conditions to the extent you reside and/or are employed in one of the countries addressed herein. Pursuant to Section 23 of the Agreement, if you transfer your residence and/or employment to another country reflected in this Addendum, the additional terms and conditions for such country (if any) will apply to you to the extent the Company determines, in its sole discretion, that the application of such terms and conditions is necessary or advisable in order to comply with local laws, rules and/or regulations or to facilitate the operation and administration of the Option and the Plan (or the Company may establish alternative terms as may be necessary or advisable to accommodate your transfer). All defined terms contained in this Addendum shall have the same meaning as set forth in the Plan and the Agreement.

CHILE

Private Placement. The following provision shall replace Section 14 of the Agreement:

The grant of the Option hereunder is not intended to be a public offering of securities in Chile but instead is intended to be a private placement.

- a) The starting date of the offer will be the Grant Date, and this offer conforms to general ruling no. 336 of the Chilean superintendence of securities and insurance;
 - b) The offer deals with securities not registered in the registry of securities or in the registry of foreign securities of the Chilean superintendence of securities and insurance, and therefore such securities are not subject to its oversight;
 - c) The issuer is not obligated to provide public information in Chile regarding the foreign securities, since such securities are not registered with the Chilean superintendence of securities and insurance; and
 - d) The foreign securities shall not be subject to public offering as long as they are not registered with the corresponding registry of securities in Chile.
-
- a) *La fecha de inicio de la oferta será el de la fecha de otorgamiento y esta oferta se acoge a la norma de carácter general n° 336 de la superintendencia de valores y seguros chilena;*
 - b) *La oferta versa sobre valores no inscritos en el registro de valores o en el registro de valores extranjeros que lleva la superintendencia de valores y seguros chilena, por lo que tales valores no están sujetos a la fiscalización de ésta;*
 - c) *Por tratar de valores no inscritos no existe la obligación por parte del emisor de entregar en Chile información pública respecto de esos valores; y*
 - d) *Esos valores no podrán ser objeto de oferta pública mientras no sean inscritos en el registro de valores correspondiente.*

FRANCE

1. Nature of Grant. The Option is not granted under the French specific regime provided by Articles L.225-177 and seq. of the French commercial code.

2. Use of English Language. You acknowledge that it is your express wish that the Agreement, as well as all documents, notices and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be drawn up in English. *Vous reconnaissez avoir expressément exigé la rédaction en anglais de la présente Convention, ainsi que de tous documents exécutés, avis donnés et procédures judiciaires intentées, directement ou indirectement, relatifs à, ou suite à, la présente Convention.*

HONG KONG

1. Sale of Shares of Stock. Shares of Stock purchased upon exercise of the Option are accepted as a personal investment. In the event that shares of Stock are issued in respect of the Option within six (6) months after the Grant Date, you agree that the shares of Stock may not be offered to the public or otherwise disposed of prior to the six-month anniversary of the Grant Date.

2. IMPORTANT NOTICE. WARNING: The contents of the Agreement the Addendum, the Plan, the Plan prospectus, the Plan administrative rules and all other materials pertaining to the Option and/or the Plan have not been reviewed by any regulatory authority in Hong Kong. You are hereby advised to exercise caution in relation to the offer thereunder. If you have any doubts about any of the contents of the aforesaid materials, you should obtain independent professional advice.

3. Wages. The Option and shares of Stock subject to the Option do not form part of your wages for the purposes of calculating any statutory or contractual payments under Hong Kong law.

ITALY

Mandatory Same Day, Sell-All Exercise. Notwithstanding any provision in the Agreement or the Plan to the contrary, as permitted under Section 9 of the Agreement and unless and until the Committee determines otherwise, the method of exercise of the Option shall be limited to mandatory same day, sell-all exercise.

MEXICO

1. Commercial Relationship. You expressly recognize that your participation in the Plan and the Company's grant of the Option does not constitute an employment relationship between you and the Company. You have been granted the Option as a consequence of the commercial relationship between the Company and the Affiliate in Mexico that employs you, and the Company's Affiliate in Mexico is your sole employer. Based on the foregoing, you expressly recognize that (a) the Plan and the benefits you may derive from your participation in the Plan do not establish any rights between you and the Company's Affiliate in Mexico that employs you, (b) the Plan and the benefits you may derive from your participation in the Plan are not part of the employment conditions and/or benefits provided by the Company's Affiliate in Mexico that employs you, and (c) any modifications or amendments of the Plan by the Company, or a termination of the Plan by the Company, shall not constitute a change or impairment of the terms and conditions of your employment with the Company's Affiliate in Mexico that employs you.

2. Extraordinary Item of Compensation. You expressly recognize and acknowledge that your participation in the Plan is a result of the discretionary and unilateral decision of the Company, as well as your free and voluntary decision to participate in the Plan in accordance with the terms and conditions of the Plan, the Agreement and this Addendum. As such, you acknowledge and agree that the Company, in its sole discretion, may amend and/or discontinue your participation in the Plan at any time and without any liability. The Option, the shares of Stock subject to the Option and the value of same is an extraordinary item of compensation outside the scope of your employment contract, if any, and is not part of your regular or expected compensation for purposes of calculating any severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits, or any similar payments, which are the exclusive obligations of the Company's Affiliate in Mexico that employs you.

MONACO

Use of English Language. You acknowledge that it is your express wish that the Agreement, as well as all documents, notices and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be drawn up in English. *Vous reconnaissez avoir expressément exigé la rédaction en anglais de la présente Convention, ainsi que de tous documents exécutés, avis donnés et procédures judiciaires intentées, directement ou indirectement, relatifs à, ou suite à, la présente Convention.*

NETHERLANDS

Exclusion of Claim. You acknowledge and agree that you will have no entitlement to compensation or damages insofar as such entitlement arises or may arise from your ceasing to have rights under or to be entitled to the Option, whether or not as a result of your Termination of Service (whether such termination is in breach of contract or otherwise), or from the loss or diminution in value of the Option. Upon the grant of the Option, you shall be deemed irrevocably to have waived any such entitlement.

ROMANIA

Voluntary Termination of Service. For the sake of clarity, a voluntary Termination of Service shall include the situation where your employment contract is terminated by operation of law on the date you reach the standard retirement age and have completed the minimum contribution record for receipt of state retirement pension or the relevant authorities award you an early-retirement pension of any type.

RUSSIA

1. No Offering of Securities in Russia. The grant of the Option is not intended to be an offering of securities within the territory of the Russian Federation, and you acknowledge and agree that you will be unable to make any subsequent sale of the shares of Stock acquired pursuant to the Option in the Russian Federation.

2. Cash Payments to a Russian Bank Account. If you are a Russian citizen, any sale proceeds resulting from the sale of shares of Stock acquired upon exercise of the Option may be delivered only to a bank account that you maintain with an authorized bank in Russia.

SPAIN

1. Acknowledgement of Discretionary Nature of the Plan: No Vested Rights. This provision supplements the terms of the Agreement:

In accepting the Award, you acknowledge that you consent to participation in the Plan and have received a copy of the Plan.

You understand that the Company has unilaterally, gratuitously and in its sole discretion granted the Option under the Plan to individuals who may be employees of the Company or its Affiliates throughout the world. The decision is a limited decision that is entered into upon the express assumption and condition that any grant will not economically or otherwise bind the Company or any of its Affiliates on an ongoing basis. Consequently, you understand that the Option is granted on the assumption and condition that the Option and the shares of Stock acquired upon exercise of the Option shall not become a part of any employment contract (either with the Company or any of its Affiliates) and shall not be considered a mandatory benefit, salary for any purposes (including severance compensation) or any other right whatsoever. In addition, you understand that this grant would not be made to you but for the assumptions and conditions referenced above; thus, you acknowledge and freely accept that should any or all of the assumptions be mistaken or should any of the conditions not be met for any reason, the Option shall be null and void.

Further, you understand and agree that the vesting of the Option is expressly conditioned on your continued and active rendering of service, such that upon a Termination of Service, the Option may cease vesting immediately, in whole or in part, effective on the date of your Termination of Service (unless otherwise specifically provided in Section 3, 4, 5 or 6 of the Agreement). This will be the case, for example, even if (a) you are considered to be unfairly dismissed without good cause; (b) you are dismissed for disciplinary or objective reasons or due to a collective dismissal; (c) you terminate service due to a change of work location, duties or any other employment or contractual condition, (d) you terminate service due to a unilateral breach of contract by the Company or an Affiliate. Consequently, upon a Termination of Service for any of the above reasons, you may automatically lose any rights to the Option that were not vested on the date of your Termination of Service, as described in the Plan and Agreement. In addition, you understand and agree that the post-Termination of Service exercise period specified in the Agreement shall run from the date of your Termination of Service, as determined by the Committee, in its sole discretion.

You acknowledge that you have read and specifically accept the conditions referred to in the Agreement regarding the impact of a Termination of Service on your Option.

2. Termination for Cause. "Cause" shall be defined as indicated in Section 8 of the Agreement, irrespective of whether the termination is or is not considered a fair termination (i.e., "despido procedente") under Spanish legislation.

UNITED KINGDOM

1. Responsibility for Taxes; Tax Withholding. The following provision supplements Section 10 of the Agreement:

If payment or withholding of the income tax due in connection with the Option is not made within ninety (90) days after the end of the U.K. tax year in which the event giving rise to the income tax liability occurred or such other period specified in Section 222(1)(c) of the U.K. Income Tax (Earnings and Pensions) Act 2003 (the "Due Date"), the amount of any uncollected income tax shall constitute a loan owed by you to your Employer, effective as of the Due Date. You agree that the loan will bear interest at the then-current official rate of Her Majesty's Revenue & Customs ("HMRC"), it shall be immediately due and repayable, and the Company or Employer may recover it at any time thereafter by any of the means referred to in Section 10 of the Agreement. Notwithstanding the foregoing, if you are a director or executive officer of the Company (within the meaning of Section 13(k) of the U.S. Securities and Exchange Act of 1934, as amended), will not be eligible for a loan to cover the income tax liability. In the event that you are a director or executive officer and the income tax is not collected from or paid by you by the Due Date, the amount of any uncollected income tax may constitute a benefit to you on which additional income tax and national insurance contributions ("NICs") will be payable. You will be responsible for paying and reporting any income tax due on this additional benefit directly to HMRC under the self-assessment regime, and for reimbursing the Company or your Employer (as applicable) the value of any employee NICs due on this additional benefit.

2. Exclusion of Claim. You acknowledge and agree that you will have no entitlement to compensation or damages insofar as such entitlement arises or may arise from your ceasing to have rights under or to be entitled to the Option, whether or not as a result of your Termination of Service (whether such termination is in breach of contract or otherwise), or from the loss or diminution in value of the Option. Upon the grant of the Option, you shall be deemed irrevocably to have waived any such entitlement.

*** **

By clicking the acceptance box for this grant agreement, I acknowledge receipt of the Stock Option Award Agreement to which this Addendum is attached as Exhibit B, and I agree to the terms and conditions expressed in this Addendum.

WALGREENS BOOTS ALLIANCE, INC.

2013 OMNIBUS INCENTIVE PLAN

RESTRICTED STOCK UNIT AWARD AGREEMENT

These materials, which may include descriptions of company stock plans, prospectuses and other information and documents, and the information they contain, are provided by Walgreens Boots Alliance, Inc., not by Fidelity, and are not an offer or solicitation by Fidelity for the purchase of any securities or financial instruments. These materials were prepared by Walgreens Boots Alliance, Inc., which is solely responsible for their contents and for compliance with legal and regulatory requirements. Fidelity is not connected with any offering or acting as an underwriter in connection with any offering of securities or financial instruments of Walgreens Boots Alliance, Inc. Fidelity does not review, approve or endorse the contents of these materials and is not responsible for their content.

WALGREENS BOOTS ALLIANCE, INC.

2013 OMNIBUS INCENTIVE PLAN

RESTRICTED STOCK UNIT AWARD AGREEMENT

Participant Name: James A. Skinner

Participant ID: [____]

Grant Date: February 12, 2016 (the "Grant Date")

Units Granted: 77,841

Vesting: Three years from Grant Date (the "Vesting Date")

Acceptance Date:

Electronic Signature:

This document (referred to below as this "Agreement") spells out the terms and conditions of the Restricted Stock Unit Award (the "Award") granted to you by Walgreens Boots Alliance, Inc., a Delaware corporation (the "Company"), pursuant to the Walgreens Boots Alliance, Inc. 2013 Omnibus Incentive Plan (the "Plan") on and as of the Grant Date designated above. Except as otherwise defined herein, capitalized terms used in this Agreement have the respective meanings set forth in the Plan. For purposes of this Agreement, "Employer" means the entity (the Company or the Affiliate) that employs you on the applicable date. The Plan, as it may be amended from time to time, is incorporated into this Agreement by this reference.

You and the Company agree as follows:

1. Grant of Restricted Stock Units. Pursuant to the approval and direction of the Compensation Committee of the Company's Board of Directors (the "Committee"), the Company hereby grants you the number of Restricted Stock Units specified above (the "Restricted Stock Units"), subject to the terms and conditions of the Plan and this Agreement.

2. Restricted Stock Unit Account and Dividend Equivalents. The Company will maintain an account (the "Account") on its books in your name to reflect the number of Restricted Stock Units awarded to you as well as any additional Restricted Stock Units credited as a result of Dividend Equivalents. The Account will be administered as follows:

(a) The Account is for recordkeeping purposes only, and no assets or other amounts shall be set aside from the Company's general assets with respect to such Account.

(b) As of each record date with respect to which a cash dividend is to be paid with respect to shares of Company common stock par value US\$.01 per share ("Stock"), the Company will credit your Account with an equivalent amount of Restricted Stock Units determined by dividing the value of the cash dividend that would have been paid on your Restricted Stock Units if they had been shares of Stock, divided by the value of Stock on such date.

(c) If dividends are paid in the form of shares of Stock rather than cash, then your Account will be credited with one additional Restricted Stock Unit for each share of Stock that would have been received as a dividend had your outstanding Restricted Stock Units been shares of Stock.

(d) Additional Restricted Stock Units credited via Dividend Equivalents shall vest or be forfeited at the same time as the Restricted Stock Units to which they relate.

3. Restricted Period. The period prior to the vesting date with respect each Restricted Stock Unit is referred to as the “Restricted Period.” Subject to the provisions of the Plan and this Agreement, unless vested or forfeited earlier as described in Section 4, 5, 6 or 7 of this Agreement, as applicable, your Restricted Stock Units will become vested and be settled as described in Section 8 below, as of the vesting date or dates indicated in the introduction to this Agreement, provided the performance goal in this Section 3 (“Performance Goal”) is satisfied as of the end of the applicable performance period. The Performance Goal will be established and certified by the Committee and cover one or more Company performance goals over the course of the second half of the Company’s 2016 fiscal year. If the Performance Goal is not attained as of the end of this performance period, the Restricted Stock Units awarded hereunder shall be thereupon forfeited.

4. Disability or Death. If during the Restricted Period you have a Termination of Service by reason of Disability or death, then the Restricted Stock Units will become fully vested as of the date of your Termination of Service and the Vesting Date shall become the date of your Termination of Service. Any Restricted Stock Units becoming vested by reason of your Termination of Service by reason of Disability or death shall be settled as provided in Section 8.

5. Retirement. If prior to the end of the first 12 months of the Restricted Period you have a Termination of Service by reason of retirement from the Company’s Board of Directors, as reasonably determined by the Committee, then, subject to satisfaction of the Performance Goal, the Restricted Stock Units will become vested on a prorated basis as of the later of the end of the performance period for the Performance Goal and the date of your Termination of Service, with such pro-ration based on the number of full months of service completed during the Restricted Period, divided by 36 months. If on or after the end of the first 12 months of the Restricted Period you have a Termination of Service by reason of retirement from the Company’s Board of Directors, as reasonably determined by the Committee, then, subject to satisfaction of the Performance Goal, the Restricted Stock Units will become fully vested as of the date of your Termination of Service. Any Restricted Stock Units becoming vested by reason of your retirement shall be settled as provided in Section 8.

6. Termination of Service Following a Change in Control. If during the Restricted Period there is a Change in Control of the Company and within the one-year period thereafter you have a Termination of Service initiated by your Employer other than for Cause (as defined in Section 7), then your Restricted Stock Units shall become fully vested, and they shall be settled in accordance with Section 9. For purposes of this Section 6, a Termination of Service initiated by your Employer shall include a Termination of Employment for Good Reason under - and pursuant to the terms and conditions of - the Walgreens Boots Alliance, Inc. Executive Severance and Change in Control Plan, but only to the extent applicable to you as an eligible participant in such Plan.

7. Other Termination of Service. If during the Restricted Period you have a voluntary or involuntary Termination of Service for any reason other than as set forth in Section 4, 5 or 6 above or Section 9 below, as determined by the Committee, then you shall thereupon forfeit any Restricted Stock Units that are still in a Restricted Period on your termination date. For purposes of this Agreement, “Cause” means any one or more of the following, as determined by the Committee in its sole discretion:

- (a) your commission of a felony or any crime of moral turpitude;
- (b) your dishonesty or material violation of standards of integrity in the course of fulfilling your duties to the Company or any Affiliate;
- (c) your material violation of a material written policy of the Company or any Affiliate violation of which is grounds for immediate termination;
- (d) your willful and deliberate failure to perform your duties to the Company or any Affiliate in any material respect, after reasonable notice of such failure and an opportunity to correct it; or
- (e) your failure to comply in any material respect with the United States (“U.S.”) Foreign Corrupt Practices Act, the U.S. Securities Act of 1933, the U.S. Securities Exchange Act of 1934, the U.S. Sarbanes-Oxley Act of 2002, the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, and the U.S. Truth in Negotiations Act, or any rules or regulations thereunder.

8. Settlement of Vested Restricted Stock Units. Subject to the requirements of Section 13 below, as promptly as practicable after the applicable Vesting Date, whether occurring upon your Separation from Service or otherwise, but in no event later than 75 days after the Vesting Date, the Company shall transfer to you one share of Stock for each Restricted Stock Unit becoming vested at such time, net of any applicable tax withholding requirements in accordance with Section 10 below; provided, however, that, if you are a Specified Employee at the time of Separation from Service, then to the extent your Restricted Stock Units are deferred compensation subject to Section 409A of the Code, settlement of which is triggered by your Separation from Service (other than for death), payment shall not be made until the date which is six months after your Separation from Service.

Notwithstanding the foregoing, if you are resident or employed outside of the U.S., the Company, in its sole discretion, may provide for the settlement of the Restricted Stock Units in the form of:

- (a) a cash payment (in an amount equal to the Fair Market Value of the Stock that corresponds with the number of vested Restricted Stock Units) to the extent that settlement in shares of Stock (i) is prohibited under local law, (ii) would require you, the Company or an Affiliate to obtain the approval of any governmental or regulatory body in your country of residence (or country of employment, if different), (iii) would result in adverse tax consequences for you, the Company or an Affiliate or (iv) is administratively burdensome; or
- (b) shares of Stock, but require you to sell such shares of Stock immediately or within a specified period following your Termination of Service (in which case, you hereby agree that the Company shall have the authority to issue sale instructions in relation to such shares of Stock on your behalf).

9. Settlement Following Change in Control. Notwithstanding any provision of this Agreement to the contrary, the Company may, in its sole discretion, fulfill its obligation with respect to all or any portion of the Restricted Stock Units that become vested in accordance with Section 6 above, by:

(a) delivery of (i) the number of shares of Stock that corresponds with the number of Restricted Stock Units that have become vested or (ii) such other ownership interest as such shares of Stock that correspond with the vested Restricted Stock Units may be converted into by virtue of the Change in Control transaction;

(b) payment of cash in an amount equal to the Fair Market Value of the Stock that corresponds with the number of vested Restricted Stock Units at that time; or

(c) delivery of any combination of shares of Stock (or other converted ownership interest) and cash having an aggregate Fair Market Value equal to the Fair Market Value of the Stock that corresponds with the number of Restricted Stock Units that have become vested at that time.

Settlement shall be made as soon as practical after the Restricted Stock Units become fully vested under Section 6, but in no event later than 30 days after such date.

10. Responsibility for Taxes; Tax Withholding.

(a) You acknowledge that, regardless of any action taken by the Company or your Employer, the ultimate liability for all income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items related to your participation in the Plan and legally applicable to you ("Tax-Related Items"), is and remains your responsibility and may exceed the amount actually withheld by the Company or your Employer. You further acknowledge that the Company and/or your Employer (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Award, including, but not limited to, the grant, vesting or settlement of the Award, the subsequent sale of shares of Stock acquired pursuant to such settlement and the receipt of any Dividend Equivalents and/or dividends; and (2) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Award to reduce or eliminate your liability for Tax-Related Items or achieve any particular tax result. Further, if you are subject to Tax-Related Items in more than one jurisdiction between the Grant Date and the date of any relevant taxable or tax withholding event, as applicable, you acknowledge that the Company and/or your Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

(b) Prior to any relevant taxable or tax withholding event, as applicable, you agree to make adequate arrangements satisfactory to the Company and/or your Employer to satisfy all Tax-Related Items. In this regard, you authorize the Company, your Employer or its agent to satisfy the obligations with regard to all Tax-Related Items by one or a combination of the following: (i) withholding from your wages or other cash compensation paid to you by the Company and/or your Employer; (ii) withholding from proceeds of the sale of shares of Stock acquired upon settlement of the Award either through a voluntary sale or through a mandatory sale arranged by the Company (on your behalf pursuant to this authorization without further consent); or (iii) withholding from the shares of Stock to be delivered upon settlement of the Award that number of shares of Stock having a Fair Market Value equal to (but not in excess of) the minimum amount required by law to be withheld.

Depending on the withholding method, the Company may withhold or account for Tax-Related Items by considering applicable statutory minimum withholding rates (as determined by the Company in good faith and in its sole discretion) or other applicable withholding rates, including maximum applicable rates, in which case you will receive a refund of any over-withheld amount in cash and will have no entitlement to the share equivalent. If the obligation for Tax-Related Items is satisfied by withholding from the shares of Stock to be delivered upon settlement of the Award, for tax purposes, you are deemed to have been issued the full number of shares of Stock subject to the vested Award, notwithstanding that a number of the shares of Stock are held back solely for the purpose of paying the Tax-Related Items.

You agree to pay to the Company or your Employer any amount of Tax-Related Items that the Company or your Employer may be required to withhold or account for as a result of your participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to issue or deliver the shares of Stock (or cash payment) or the proceeds from the sale of shares of Stock if you fail to comply with your obligations in connection with the Tax-Related Items.

11. Nontransferability. During the Restricted Period and thereafter until Stock is transferred to you in settlement thereof, you may not sell, transfer, pledge, assign or otherwise alienate or hypothecate the Restricted Stock Units whether voluntarily or involuntarily or by operation of law, other than by beneficiary designation effective upon your death, or by will or by the laws of intestacy.

12. Rights as Shareholder. You shall have no rights as a shareholder of the Company with respect to the Restricted Stock Units until such time as a certificate of stock for the Stock issued in settlement of such Restricted Stock Units has been issued to you or such shares of Stock have been recorded in your name in book entry form. Until that time, you shall not have any voting rights with respect to the Restricted Stock Units. Except as provided in Section 9 above, no adjustment shall be made for dividends or distributions or other rights with respect to such shares for which the record date is prior to the date on which you become the holder of record thereof. Anything herein to the contrary notwithstanding, if a law or any regulation of the U.S. Securities and Exchange Commission or of any other body having jurisdiction shall require the Company or you to take any action before shares of Stock can be delivered to you hereunder, then the date of delivery of such shares may be delayed accordingly.

13. Securities Laws. If a Registration Statement under the U.S. Securities Act of 1933, as amended, is not in effect with respect to the shares of Stock to be delivered pursuant to this Agreement, you hereby represent that you are acquiring the shares of Stock for investment and with no present intention of selling or transferring them and that you will not sell or otherwise transfer the shares except in compliance with all applicable securities laws and requirements of any stock exchange on which the shares of Stock may then be listed.

14. Not a Public Offering. If you are resident outside the U.S., the grant of the Restricted Stock Units is not intended to be a public offering of securities in your country of residence (or country of employment, if different). The Company has not submitted any registration statement, prospectus or other filings with the local securities authorities (unless otherwise required under local law), and the grant of the Restricted Stock Units is not subject to the supervision of the local securities authorities.

15. Insider Trading/Market Abuse Laws. Your country of residence may have insider trading and/or market abuse laws that may affect your ability to acquire or sell shares of Stock under the Plan during such times you are considered to have "inside information" (as defined in the laws in your country). These laws may be the same or different from any Company insider trading policy. You acknowledge that it is your responsibility to be informed of and compliant with such regulations, and you are advised to speak to your personal advisor on this matter.

16. Repatriation; Compliance with Law. If you are resident or employed outside the U.S., as a condition of the Award, you agree to repatriate all payments attributable to the shares of Stock and/or cash acquired under the Plan in accordance with applicable foreign exchange rules and regulations in your country of residence (and country of employment, if different). In addition, you agree to take any and all actions, and consent to any and all actions taken by the Company and its Affiliates, as may be required to allow the Company and its Affiliates to comply with local laws, rules and/or regulations in your country of residence (and country of employment, if different). Finally, you agree to take any and all actions as may be required to comply with your personal obligations under local laws, rules and/or regulations in your country of residence and country of employment, if different).

17. No Advice Regarding Grant. No employee of the Company is permitted to advise you regarding your participation in the Plan or your acquisition or sale of the shares of Stock underlying the Restricted Stock Units. You are hereby advised to consult with your own personal tax, legal and financial advisors before taking any action related to the Plan.

18. Change in Stock. In the event of any change in Stock, by reason of any stock dividend, recapitalization, reorganization, split-up, merger, consolidation, exchange of shares, or of any similar change affecting Stock, the number of Restricted Stock Units subject to this Agreement shall be equitably adjusted by the Committee.

19. Nature of the Award. In accepting the Award, you acknowledge, understand and agree that:

(a) the Plan is established voluntarily by the Company, it is discretionary in nature and limited in duration, and it may be modified, amended, suspended or terminated by the Company, in its sole discretion, at any time;

(b) the grant of the Award is voluntary and occasional and does not create any contractual or other right to receive future grants of Restricted Stock Units, or benefits in lieu of Restricted Stock Units, even if Restricted Stock Units have been granted in the past;

(c) all decisions with respect to future Awards or other grants, if any, will be at the sole discretion of the Company, including, but not limited to, the form and timing of the Award, the number of shares subject to the Award, and the vesting provisions applicable to the Award;

(d) the Award and your participation in the Plan shall not create a right to employment or be interpreted as forming an employment or service contract with the Company or any Affiliate and shall not interfere with the ability of the Company, your Employer or an Affiliate, as applicable, to terminate your employment or service relationship;

(e) you are voluntarily participating in the Plan;

(f) the Award and the shares of Stock subject to the Award are not intended to replace any pension rights or compensation;

(g) the Award, the shares of Stock subject to the Award and the value of same, is an extraordinary item of compensation outside the scope of your employment (and employment contract, if any) and is not part of normal or expected compensation for any purpose, including, without limitation, calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments;

(h) the future value of the shares of Stock underlying the Award is unknown, indeterminable and cannot be predicted with certainty;

(i) unless otherwise determined by the Committee in its sole discretion, a Termination of Service shall be effective from the date on which active employment or service ends and shall not be extended by any statutory or common law notice of termination period;

(j) no claim or entitlement to compensation or damages shall arise from forfeiture of the Award resulting from a Termination of Service (for any reason whatsoever, whether or not later found to be invalid or in breach of employment laws in the jurisdiction where you are employed or the terms of your employment agreement, if any), and in consideration of the grant of the Award to which you are otherwise not entitled, you irrevocably agree never to institute any claim against the Company, your Employer or any Affiliate, waive your ability, if any, to bring any such claim, and release the Company, the Employer and all Affiliates from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, you shall be deemed irrevocably to have agreed not to pursue such claim and agree to execute any and all documents necessary to request dismissal or withdrawal of such claim;

(k) unless otherwise provided herein, in the Plan or by the Company in its discretion, the Award and the benefits evidenced by this Agreement do not create any entitlement to have the Award or any such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the shares of Stock of the Company; and

(l) neither the Company nor any Affiliate shall be liable for any foreign exchange rate fluctuation between your local currency and the U.S. dollar that may affect the value of the Award or of any amounts due to you pursuant to the settlement of the Award or the subsequent sale of any shares of Stock acquired upon settlement of the Award.

20. Committee Authority; Recoupment. It is expressly understood that the Committee is authorized to administer, construe and make all determinations necessary or appropriate for the administration of the Plan and this Agreement, including the enforcement of any recoupment policy, all of which shall be binding upon you and any claimant. Any inconsistency between this Agreement and the Plan shall be resolved in favor of the Plan.

21. Non-Competition, Non-Solicitation and Confidentiality. As a condition to the receipt of this Award, you must agree to the Non-Competition, Non-Solicitation and Confidentiality Agreement attached hereto as Exhibit A by executing that Agreement. Failure to execute and return the Non-Competition, Non-Solicitation and Confidentiality Agreement within 120 days of the Grant Date shall constitute your decision to decline to accept this Award.

22. Consent to Collection/Processing/Transfer of Personal Data. Pursuant to applicable personal data protection laws, the Company hereby notifies you of the following in relation to your personal data and the collection, processing and transfer of such data in relation to the Company's grant of the Restricted Stock Units and your participation in the Plan. The collection, processing and transfer of personal data is necessary for the Company's administration of the Plan and your participation in the Plan, and your denial and/or objection to the collection, processing and transfer of personal data may affect your participation in the Plan. As such, you voluntarily acknowledge and consent (where required under applicable law) to the collection, use, processing and transfer of personal data as described herein:

(a) The Company and your Employer hold certain personal information about you, including (but not limited to) your name, home address and telephone number, date of birth, social security number or other employee identification number, salary, nationality, job title, any shares of Stock or directorships held in the Company, details of all entitlements to shares of Stock awarded, canceled, purchased, vested, unvested or outstanding in your favor, for the purpose of managing and administering the Plan ("Data"). The Data may be provided by you or collected, where lawful, from the Company, its Affiliates and/or third parties, and the Company and your Employer will process the Data for the exclusive purpose of implementing, administering and managing your participation in the Plan. The Data processing will take place through electronic and non-electronic means according to logics and procedures strictly correlated to the purposes for which Data are collected and with confidentiality and security provisions as set forth by applicable laws and regulations in your country of residence (or country of employment, if different). Data processing operations will be performed minimizing the use of personal and identification data when such operations are unnecessary for the processing purposes sought. Data will be accessible within the organization only by those persons requiring access for purposes of the implementation, administration and operation of the Plan and for the participation in the Plan.

(b) The Company and your Employer will transfer Data internally as necessary for the purpose of implementation, administration and management of your participation in the Plan, and the Company and/or your Employer may further transfer Data to any third parties assisting the Company in the implementation, administration and management of the Plan. These recipients may be located in the European Economic Area, or elsewhere throughout the world, such as the United States. You hereby authorize (where required under applicable law) the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, as may be required for the administration of the Plan and/or the subsequent holding of the shares of Stock on your behalf, to a broker or other third party with whom you may elect to deposit any shares of Stock acquired pursuant to the Plan.

(c) You may, at any time, exercise your rights provided under applicable personal data protection laws, which may include the right to (i) obtain confirmation as to the existence of the Data, (ii) verify the content, origin and accuracy of the Data, (iii) request the integration, update, amendment, deletion or blockage (for breach of applicable laws) of the Data, (iv) oppose, for legal reasons, the collection, processing or transfer of the Data which is not necessary or required for the implementation, administration and/or operation of the Plan and your participation in the Plan, and (v) withdraw your consent to the collection, processing or transfer of Data as provided hereunder (in which case, your Restricted Stock Units will become null and void). You may seek to exercise these rights by contacting your Human Resources manager or the Company's Human Resources Department, who may direct the matter to the applicable Company privacy official.

23. Addendum to Agreement. Notwithstanding any provision of this Agreement to the contrary, the Restricted Stock Units shall be subject to any special terms and conditions for your country of residence (and country of employment, if different) as set forth in the addendum to the Agreement, attached hereto as Exhibit B (the "Addendum"). Further, if you transfer your residence and/or employment to another country reflected in the Addendum, the special terms and conditions for such country will apply to you to the extent the Company determines, in its sole discretion, that the application of such terms and conditions is necessary or advisable to comply with local laws, rules and/or regulations or to facilitate the operation and administration of the Restricted Stock Units and the Plan (or the Company may establish alternative terms and conditions as may be necessary or advisable to accommodate your transfer). The Addendum shall constitute part of this Agreement.

24. Additional Requirements. The Company reserves the right to impose other requirements on the Restricted Stock Units, any shares of Stock acquired pursuant to the Restricted Stock Units and your participation in the Plan to the extent the Company determines, in its sole discretion, that such other requirements are necessary or advisable in order to comply with local laws, rules and/or regulations or to facilitate the operation and administration of the Restricted Stock Units and the Plan. Such requirements may include (but are not limited to) requiring you to sign any agreements or undertakings that may be necessary to accomplish the foregoing.

25. Amendment or Modification, Waiver. Except as set forth in the Plan, no provision of this Agreement may be amended or waived unless the amendment or waiver is agreed to in writing, signed by you and by a duly authorized officer of the Company. No waiver of any condition or provision of this Agreement shall be deemed a waiver of a similar or dissimilar condition or provision at the same time, any prior time or any subsequent time.

26. Electronic Delivery. The Company may, in its sole discretion, deliver by electronic means any documents related to the Award or your future participation in the Plan. You hereby consent to receive such documents by electronic delivery and agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

27. Governing Law and Jurisdiction. This Agreement is governed by the substantive and procedural laws of the state of Illinois. You and the Company shall submit to the exclusive jurisdiction of, and venue in, the courts in Illinois in any dispute relating to this Agreement without regard to any choice of law rules thereof which might apply the laws of any other jurisdictions.

28. English Language. If you are resident in a country where English is not an official language, you acknowledge and agree that it is your express intent that this Agreement, the Plan and all other documents, notices and legal proceedings entered into, given or instituted pursuant to the Award, be drawn up in English. If you have received this Agreement, the Plan or any other documents related to the Award translated into a language other than English, and if the meaning of the translated version is different than the English version, the English version will control.

29. Conformity with Applicable Law. If any provision of this Agreement is determined to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect the validity, legality or enforceability of any other provision of this Agreement or the validity, legality or enforceability of such provision in any other jurisdiction, but this Agreement shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

30. Successors. This Agreement shall be binding upon and inure to the benefit of any successor or successors of the Company and any person or persons who shall, upon your death, acquire any rights hereunder.

This Agreement contains highly sensitive and confidential information. Please handle it accordingly.

Please read the attached Exhibits A and B. Once you have read and understood this Agreement and Exhibits A and B, please click the acceptance box to certify and confirm your agreement to be bound by the terms and conditions of this Agreement and Exhibits A and B, and to acknowledge your receipt of the Prospectus, the Plan and this Agreement and your acceptance of the terms and conditions of the Award granted hereunder.

EXHIBIT A

WALGREENS BOOTS ALLIANCE, INC. NON-COMPETITION, NON-SOLICITATION AND CONFIDENTIALITY AGREEMENT

This Exhibit forms a part of the Restricted Stock Unit Agreement covering Restricted Stock Units awarded to an employee of Walgreens Boots Alliance, Inc., on behalf of itself, its affiliates, subsidiaries, and successors (collectively referred to as "Employee" and the "Company").

WHEREAS, the Company develops and/or uses valuable business, technical, proprietary, customer and patient information it protects by limiting its disclosure and by keeping it secret or confidential;

WHEREAS, Employee acknowledges that during the course of employment, he or she has or will receive, contribute, or develop such confidential information; and

WHEREAS, the Company desires to protect from its competitors such confidential information and also desires to protect its legitimate business interests and goodwill in maintaining its employee and customer relationships.

NOW THEREFORE, in consideration of the Restricted Stock Unit Award issued to Employee pursuant the Agreement to which this is attached as Exhibit A, Employee agrees to be bound by the terms of this Agreement:

1. Confidentiality. I understand that during the course of my employment with the Company, I have or will have access to the Company's Confidential Information, meaning information which is not generally ascertainable by proper means by the public, or which has limited disclosure within the Company, or which is treated or designated as confidential; the disclosure of which could reasonably be harmful to the Company's legitimate business interests.

I understand that "Confidential Information" includes, but is not limited to, the following:

- (a) business or marketing plans, trade secrets, selling and pricing procedures and techniques, customer records,
- (b) customer lists, requirements, and information,
- (c) databases and software developed or used by the Company, financial information and projections, and other information for which the Company has assumed an obligation of confidentiality.

I agree to only use the Company's Confidential Information as necessary to perform my job during my employment with the Company. I agree not to disclose any Confidential Information to anyone outside the Company without the Company's prior written consent, unless as necessary to perform my job during my employment with the Company. I agree that these obligations apply during my employment with the Company and at all times thereafter.

2. Non-Competition. I agree that during my employment with the Company and for one year after the termination of my employment, I will not, directly or indirectly, invest in, own, operate, finance, control, or provide Competing Services to any Competing Business Line, in both cases as defined below. I understand that the restrictions in this paragraph apply no matter whether my employment is terminated by me or the Company and no matter whether that termination is voluntary or involuntary. The above restrictions shall not apply to passive investments of less than 5% ownership interest in any entity. I understand that the term "Competing Business Line" used in this Agreement means any business that is in competition with any business engaged in by the Company with respect to which I provide substantial services during the last two years of my employment with the Company.

I understand that I will be deemed to be providing "Competing Services" if the nature of such services are sufficiently similar in position scope and geographic scope to any position held by me during the last two years of my employment with the Company, such that my engaging in such services on behalf of a Competing Business Line may pose competitive harm to the Company.

3. Non-Solicitation. I agree that during my employment with the Company and for two years after the termination of my employment from the Company for any reason, whether voluntary or involuntary:

- (a) I will not directly or indirectly, offer, provide or sell or participate in offering, providing or selling, products or services competitive with or similar to products or services offered by, developed by, designed by or distributed by the Company to any person, company or entity which was a customer, potential customer or referral source of the Company for such products or services and with which I had direct contact or about which I learned confidential information regarding such products or services at any time during the last two years of my employment with the Company;
- (b) I will not directly or indirectly solicit or participate in soliciting products or services competitive with or similar to products or services offered by, developed by, designed by or distributed by the Company to any person, company or entity which was a customer, potential customer or referral source of the Company for such products or services and with which I had direct contact or about which I learned confidential information regarding such products or services at any time during the last two years of my employment with the Company
- (c) I will not, nor will I assist any third party to, directly or indirectly (i) raid, hire, solicit, or attempt to persuade any employee of the Company or any person who was an employee of the Company during the 6 months preceding the termination of my employment with the Company, who possesses or had access to confidential information of the Company, to leave the employ of the Company; (ii) interfere with the performance by any such persons of their duties for the Company; or (iii) communicate with any such persons for the purposes described in items (i) and (ii) in this paragraph.

4. Non-Inducement. I will not directly or indirectly assist or encourage any person or entity in carrying out or conducting any activity that would be prohibited by this Agreement if such activity were carried out or conducted by me.

5. Nondisparagement. I agree (whether or not I am then an Employee) not to make negative comments or otherwise disparage the Company, its Affiliates, or any of their officers, directors, employees, shareholders, members, agents or products other than in the good faith performance of my duties to the Company and its Affiliates while I am employed by the Company and its Affiliates and thereafter. The foregoing shall not be violated by truthful statements in response to legal process, required governmental testimony or filings, or administrative or arbitral proceedings (including, without limitation, depositions in connection with such proceedings).

6. Intellectual Property. The term "Intellectual Property" shall mean all trade secrets, ideas, inventions, designs, developments, devices, software, computer programs, methods and processes (whether or not patented or patentable, reduced to practice or included in the Confidential Information) and all patents and patent applications related thereto, all copyrights, copyrightable works and mask works (whether or not included in the Confidential Information) and all registrations and applications for registration related thereto, all Confidential Information, and all other proprietary rights contributed to, or conceived or created by, or reduced to practice by Employee or anyone acting on its behalf (whether alone or jointly with others) at any time from the beginning of Employee's employment with Walgreens Boots Alliance, Inc. to the termination of that employment plus ninety (90) days (i) relate to the business or to the actual or anticipated research or development of Walgreens Boots Alliance, Inc.; (ii) result from any services that Employee or anyone acting on its behalf perform for Walgreens; or (iii) are created using the equipment, supplies or facilities of Walgreens Boots Alliance, Inc. or any Confidential Information.

- a. Ownership. All Intellectual Property is, shall be and shall remain the exclusive property of the Company. Employee hereby assigns to the Company all right, title and interest, if any, in and to the Intellectual Property; provided, however, that, when applicable, the Company shall own the copyrights in all copyrightable works included in the Intellectual Property pursuant to the "work-made-for-hire" doctrine (rather than by assignment), as such term is defined in the 1976 Copyright Act. All Intellectual Property shall be owned by the Company irrespective of any copyright notices or confidentiality legends to the contrary which may be placed on such works by Employee or by others. Employee shall ensure that all copyright notices and confidentiality legends on all work product authored by Employee or anyone acting on its behalf shall conform to the Company's practices and shall specify the Company as the owner of the work. The Company hereby provides notice to Employee that the obligation to assign does not apply to an invention for which no equipment, supplies, facility, or trade secret information of the Company was used and which was developed entirely on the Employee's own time, unless (a) the invention relates (i) to the business of the Company, or (ii) to the Company's actual or demonstrably anticipated research or development, or (b) the invention results from any work performed by Employee for the Company.
- b. Keep Records. Employee shall keep and maintain, or cause to be kept and maintained by anyone acting on its behalf, adequate and current written records of all Intellectual Property in the form of notes, sketches, drawings, computer files, reports or other documents relating thereto. Such records shall be and shall remain the exclusive property of the Company and shall be available to the Company at all times during the term of this Agreement.
- c. Assistance. Employee shall supply all assistance requested in securing for Company's benefit any patent, copyright, trademark, service mark, license, right or other evidence of ownership of any such Intellectual Property, and will provide full information regarding any such item and execute all appropriate documentation prepared by Company in applying or otherwise registering, in Company's name, all rights to any such item or the defense and protection of such Intellectual Property.

- d. Prior Inventions. I have disclosed to the Company any continuing obligations to any third party with respect to Intellectual Property. I claim no rights to any inventions created prior to my employment for which a patent application has not previously been filed, unless I have described them in detail on a schedule attached to this Agreement.

7. Return of Company Property. I agree that I will not take any of the Company's property or information with me when I leave the Company's employ, no matter what form that property or information is in and no matter how I acquired it. When my employment with the Company terminates, I will immediately return to the Company any and all Company information, documents, and electronics.

8. Consideration and Acknowledgments. I acknowledge and agree that the covenants described in this Agreement are essential terms, and the underlying Restricted Stock Unit Award would not be provided by the Company in the absence of these covenants. I further acknowledge that these covenants are supported by adequate consideration as set forth in this Agreement, that full compliance with these covenants will not prevent me from earning a livelihood following the termination of my employment, and that these covenants do not place undue restraint on me and are not in conflict with any public interest. I further acknowledge and agree that I fully understand these covenants, have had full and complete opportunity to discuss and resolve any ambiguities or uncertainties regarding these covenants before signing this Agreement, and have voluntarily agreed to comply with these covenants for their stated terms. I further acknowledge and agree that these covenants are reasonable and enforceable in all respects. I agree that in the event I am offered employment with a Competing Business at any time in the future, I shall immediately notify the Competing Business of the existence of the covenants set forth above.

9. Enforceability: General Provisions.

- (a) I agree that the restrictions contained in this Agreement are reasonable and necessary to protect the Company's legitimate business interests and that full compliance with the terms of this Agreement will not prevent me from earning a livelihood following the termination of my employment, and that these covenants do not place undue restraint on me.
- (b) Because the Company's current base of operations is in Illinois, I consent to the jurisdiction of the state and federal courts of Illinois with respect to any claim arising out of this Agreement.
- (c) Because the Company's current base of operations is in Illinois, I agree that this Agreement shall be governed by the laws of Illinois without regard to its choice of law rules.
- (d) In the event of a breach or a threatened breach of this Agreement, I acknowledge that the Company will face irreparable injury which may be difficult to calculate in dollar terms and that the Company shall be entitled, in addition to all remedies otherwise available in law or in equity, to temporary restraining orders and preliminary and final injunctions enjoining such breach or threatened breach in any court of competent jurisdiction without the necessity of posting a surety bond, as well as to obtain an equitable accounting of all profits or benefits arising out of any violation of this Agreement.

- (e) I agree that if a court determines that any of the provisions in this Agreement is unenforceable or unreasonable in duration, territory, or scope, then that court shall modify those provisions so they are reasonable and enforceable, and enforce those provisions as modified.
- (f) If any phrase or provision of this Agreement is declared invalid or unenforceable by a court of competent jurisdiction, that phrase, clause or provision shall be deemed severed from this Agreement, and will not affect the enforceability of any other provisions of this Agreement, which shall otherwise remain in full force and effect.
- (g) Notwithstanding the foregoing provisions of this Agreement, the non-competition provisions of Paragraph 2 above shall not restrict Employee from performing legal services as a licensed attorney for a Competing Business to the extent that the attorney licensure requirements in the applicable jurisdiction do not permit Employee to agree to the otherwise applicable restrictions of Paragraph 2.
- (h) Waiver of any of the provisions of this Agreement by the Company in any particular instance shall not be deemed to be a waiver of any provision in any other instance and/or of the Company's other rights at law or under this Agreement.
- (i) I agree that the Company may assign this Agreement to its successors and that any such successor may stand in the Company's shoes for purposes of enforcing this Agreement.
- (j) I agree to reimburse Company for all attorneys' fees, costs, and expenses that it reasonably incurs in connection with enforcing its rights and remedies under this Agreement, but only to the extent the Company is ultimately the prevailing party in the applicable legal proceedings.
- (k) If I violate this Agreement, then the restrictions set out in Paragraphs 2 - 6 shall be extended by the same period of time as the period of time during which the violation(s) occurred.
- (l) I fully understand my obligations in this Agreement, have had full and complete opportunity to discuss and resolve any ambiguities or uncertainties regarding these covenants before signing this Agreement, and have voluntarily agreed to comply with these covenants for their stated terms.

10. Relationship of Parties. I acknowledge that my relationship with the Company is “terminable at will” by either party and that the Company or I can terminate the relationship with or without cause and without following any specific procedures. Nothing contained in this Agreement is intended to or shall be relied upon to alter the “terminable at will” relationship between the parties.

11. Modifications and Other Agreements. I agree that the terms of this Agreement may not be modified except by a written agreement signed by both me and the Company. This Agreement shall not supersede any other restrictive covenants to which I may be subject under an employment contract, benefit program or otherwise, such that the Company may enforce the terms of any and all restrictive covenants to which I am subject.

12. Notification. I agree that in the event I am offered employment at any time in the future with any entity that may be considered a Competing Business Line, I shall immediately notify such Competing business of the existence and terms of this Agreement. I also understand and agree that the Company may notify anyone later employing me of the existence and provisions of this Agreement.

*** *** *** *** ***

By clicking the acceptance box for this grant agreement, I acknowledge receipt of the Restricted Stock Unit Agreement to which this Agreement is attached as Exhibit A, and I agree to the terms and conditions expressed in this Agreement.

EXHIBIT B

**ADDENDUM TO THE
WALGREENS BOOTS ALLIANCE, INC. 2013 OMNIBUS INCENTIVE PLAN
RESTRICTED STOCK UNIT AWARD AGREEMENT**

In addition to the terms of the Plan and the Agreement, the Award is subject to the following additional terms and conditions to the extent you reside and/or are employed in one of the countries addressed herein. Pursuant to Section 23 of the Agreement, if you transfer your residence and/or employment to another country reflected in this Addendum, the additional terms and conditions for such country (if any) will apply to you to the extent the Company determines, in its sole discretion, that the application of such terms and conditions is necessary or advisable in order to comply with local laws, rules and/or regulations or to facilitate the operation and administration of the Restricted Stock Units and the Plan (or the Company may establish alternative terms as may be necessary or advisable to accommodate your transfer). All defined terms contained in this Addendum shall have the same meaning as set forth in the Plan and the Agreement.

FRANCE

Use of English Language. You acknowledge that it is your express wish that the Agreement, as well as all documents, notices and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be drawn up in English. *Vous reconnaissez avoir expressément exigé la rédaction en anglais de la présente Convention, ainsi que de tous documents exécutés, avis donnés et procédures judiciaires intentées, directement ou indirectement, relatifs à, ou suite à, la présente Convention.*

MEXICO

1. Commercial Relationship. You expressly recognize that your participation in the Plan and the Company's grant of Restricted Stock Units does not constitute an employment relationship between you and the Company. You have been granted the Restricted Stock Units as a consequence of the commercial relationship between the Company and the Affiliate in Mexico that employs you, and the Company's Affiliate in Mexico is your sole employer. Based on the foregoing, you expressly recognize that (a) the Plan and the benefits you may derive from your participation in the Plan does not establish any rights between you and the Company's Affiliate in Mexico that employs you, (b) the Plan and the benefits you may derive from your participation in the Plan are not part of the employment conditions and/or benefits provided by the Company's Affiliate in Mexico that employs you, and (c) any modifications or amendments of the Plan by the Company, or a termination of the Plan by the Company, shall not constitute a change or impairment of the terms and conditions of your employment with the Company's Affiliate in Mexico that employs you.

2. Extraordinary Item of Compensation. You expressly recognize and acknowledge that your participation in the Plan is a result of the discretionary and unilateral decision of the Company, as well as your free and voluntary decision to participate in the Plan in accordance with the terms and conditions of the Plan, the Agreement and this Addendum. As such, you acknowledge and agree that the Company, in its sole discretion, may amend and/or discontinue your participation in the Plan at any time and without any liability. The Award, the shares of Stock subject to the Award and the value of same is an extraordinary item of compensation outside the scope of your employment contract, if any, and is not part of your regular or expected compensation for purposes of calculating any severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits, or any similar payments, which are the exclusive obligations of the Company's Affiliate in Mexico that employs you.

MONACO

Use of English Language. You acknowledge that it is your express wish that the Agreement, as well as all documents, notices and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be drawn up in English. *Vous reconnaissez avoir expressément exigé la rédaction en anglais de la présente Convention, ainsi que de tous documents exécutés, avis donnés et procédures judiciaires intentées, directement ou indirectement, relatifs à, ou suite à, la présente Convention.*

NETHERLANDS

Exclusion of Claim. You acknowledge and agree that you will have no entitlement to compensation or damages insofar as such entitlement arises or may arise from your ceasing to have rights under or to be entitled to the Restricted Stock Units, whether or not as a result of your Termination of Service (whether such termination is in breach of contract or otherwise), or from the loss or diminution in value of the Restricted Stock Units. Upon the grant of Restricted Stock Units, you shall be deemed irrevocably to have waived any such entitlement.

SPAIN

1. Acknowledgement of Discretionary Nature of the Plan; No Vested Rights. This provision supplements the terms of the Agreement:

In accepting the Award, you acknowledge that you consent to participation in the Plan and have received a copy of the Plan.

You understand that the Company has unilaterally, gratuitously and in its sole discretion granted Restricted Stock Units under the Plan to individuals who may be employees of the Company or its Affiliates throughout the world. The decision is a limited decision that is entered into upon the express assumption and condition that any grant will not economically or otherwise bind the Company or any of its Affiliates on an ongoing basis. Consequently, you understand that the Restricted Stock Units are granted on the assumption and condition that the Restricted Stock Units and the shares of Stock acquired upon settlement of the Restricted Stock Units shall not become a part of any employment contract (either with the Company or any of its Affiliates) and shall not be considered a mandatory benefit, salary for any purposes (including severance compensation) or any other right whatsoever. In addition, you understand that this grant would not be made to you but for the assumptions and conditions referenced above; thus, you acknowledge and freely accept that should any or all of the assumptions be mistaken or should any of the conditions not be met for any reason, the Award shall be null and void.

Further, you understand and agree that the vesting of the Restricted Stock Units is expressly conditioned on your continued and active rendering of service, such that upon a Termination of Service, the Restricted Stock Units may cease vesting immediately, in whole or in part, effective on the date of your Termination of Service (unless otherwise specifically provided in Section 4, 5 or 6 of the Agreement). This will be the case, for example, even if (a) you are considered to be unfairly dismissed without good cause; (b) you are dismissed for disciplinary or objective reasons or due to a collective dismissal; (c) you terminate service due to a change of work location, duties or any other employment or contractual condition, (d) you terminate service due to a unilateral breach of contract by the Company or an Affiliate. Consequently, upon a Termination of Service for any of the above reasons, you may automatically lose any rights to Restricted Stock Units that were not vested on the date of your Termination of Service, as described in the Plan and Agreement.

You acknowledge that you have read and specifically accept the conditions referred to in the Agreement regarding the impact of a Termination of Service on your Award.

2. Termination for Cause. “Cause” shall be defined as indicated in Section 7 of the Agreement, irrespective of whether the termination is or is not considered a fair termination (i.e., “despido procedente”) under Spanish legislation.

UNITED KINGDOM

1. Responsibility for Taxes: Tax Withholding. The following provision supplements Section 10 of the Agreement:

If payment or withholding of the income tax due in connection with the Award is not made within ninety (90) days after the end of the U.K. tax year in which the event giving rise to the income tax liability occurred or such other period specified in Section 222(1)(c) of the U.K. Income Tax (Earnings and Pensions) Act 2003 (the “Due Date”), the amount of any uncollected income tax shall constitute a loan owed by you to your Employer, effective as of the Due Date. You agree that the loan will bear interest at the then-current official rate of Her Majesty’s Revenue & Customs (“HMRC”), it shall be immediately due and repayable, and the Company or Employer may recover it at any time thereafter by any of the means referred to in Section 10 of the Agreement. Notwithstanding the foregoing, if you are a director or executive officer of the Company (within the meaning of Section 13(k) of the U.S. Securities and Exchange Act of 1934, as amended), will not be eligible for a loan to cover the income tax liability. In the event that you are a director or executive officer and the income tax is not collected from or paid by you by the Due Date, the amount of any uncollected income tax may constitute a benefit to you on which additional income tax and national insurance contributions (“NICs”) will be payable. You will be responsible for paying and reporting any income tax due on this additional benefit directly to HMRC under the self-assessment regime, and for reimbursing the Company or your Employer (as applicable) the value of any employee NICs due on this additional benefit.

2. Exclusion of Claim. You acknowledge and agree that you will have no entitlement to compensation or damages insofar as such entitlement arises or may arise from your ceasing to have rights under or to be entitled to the Restricted Stock Units, whether or not as a result of your Termination of Service (whether such termination is in breach of contract or otherwise), or from the loss or diminution in value of the Restricted Stock Units. Upon the grant of Restricted Stock Units, you shall be deemed irrevocably to have waived any such entitlement.

*** *** *** *** ***

By clicking the acceptance box for this grant agreement, I acknowledge receipt of the Restricted Stock Unit Award Agreement to which this Addendum is attached as Exhibit B, and I agree to the terms and conditions expressed in this Addendum.

AMENDMENT AGREEMENT

AMENDMENT AGREEMENT dated as of January 20, 2016 (this “**Amendment**”) to the Bridge Term Loan Credit Agreement dated as of December 18, 2015 (the “**Credit Agreement**”), among Walgreens Boots Alliance, Inc., as the Borrower, UBS AG, Stamford Branch, as Administrative Agent, and the Lenders from time to time party thereto.

1. **Defined Terms.** Capitalized terms used and not otherwise defined herein have the meanings assigned to them in the Credit Agreement as amended hereby (the “**Amended Credit Agreement**”).
 2. **Amendments to the Credit Agreement.** Each of the parties hereto agrees that, effective on the Amendment Effective Date (as defined below): (a) Section 4.02(k)(i) of the Credit Agreement is hereby amended by (i) inserting “with respect to the Borrower under Section 7.05 or Section 7.06” immediately after the words “no Default or Unmatured Default” in clause (x) thereof and (ii) inserting “constituting Specified Representations” immediately after the words “the representations and warranties contained in Article 5” in clause (y) thereof and (b) Exhibit H of the Credit Agreement is hereby amended by (i) inserting “with respect to the Borrower under Section 7.05 or Section 7.06” immediately after the words “no Default or Unmatured Default” in clause (x) of the second paragraph thereof and (ii) inserting “constituting Specified Representations” immediately after the words “the representations and warranties contained in Article 5 of the Credit Agreement” in clause (y) of the second paragraph thereof.
 3. **Conditions to Effectiveness.** This Amendment shall become effective on the date (the “**Amendment Effective Date**”) when the Administrative Agent shall have received counterparts to this Amendment executed by (i) the Borrower, (ii) the Administrative Agent and (iii) the Required Lenders.
 4. **Ratification.** Except to the extent hereby amended, the Credit Agreement and each of the Loan Documents remain in full force and effect and are hereby ratified and affirmed.
 5. **Indemnities.** The Borrower agrees that this Amendment constitutes a Loan Document and Section 9.06 of the Credit Agreement is hereby incorporated by reference herein and shall extend to the preparation, execution and delivery of this Amendment.
 6. **Limitation.** This Amendment shall be limited precisely as written and except as expressly provided herein, shall not be deemed (a) to be a consent granted pursuant to, or a waiver or modification of, any term or condition of the Credit Agreement or any of the instruments or agreements referred to therein or (b) to prejudice any right or rights which the Administrative Agent or the Lenders may now have or have in the future under or in connection with the Credit Agreement or any of the instruments or agreements referred to therein. Unless the context indicates otherwise, on and after the Amendment Effective Date, whenever the Credit Agreement is referred to in the Credit Agreement, the other Loan Documents or any of the instruments, agreements or other documents or papers executed or delivered in connection therewith, such reference shall be deemed to mean the Credit Agreement as amended by this Amendment.
-

7. Counterparts. This Amendment may be executed in any number of counterparts and by the different parties hereto in separate counterparts, each of which shall be an original and all of which, when taken together, shall constitute but one and the same instrument. A facsimile or .pdf copy of a counterpart signature page shall serve as the functional equivalent of a manually executed copy for all purposes.

8. Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their respective authorized officers as of the day and year first above written.

WALGREENS BOOTS ALLIANCE, INC.
as the Borrower

By: /s/ Jan Stern Reed

Name: Jan Stern Reed

Title: SVP, General Counsel, Corp. Sec

By: /s/ Aidan Clare

Name: Aidan Clare

Title: Global Treasurer

UBS AG, STAMFORD BRANCH
as Administrative Agent

By: /s/ Housseem Daly

Name: Housseem Daly

Title: Associate Director

By: /s/ Craig Pearson

Name: Craig Pearson

Title: Associate Director

UBS AG, Stamford Branch,
as Lender

By: /s/ Housseem Daly

Name: Housseem Daly

Title: Associate Director

By: /s/ Craig Pearson

Name: Craig Pearson

Title: Associate Director

Bank of America, N.A.,
as a Lender

By: /s/ J. Casey Cosgrove

Name: J. Casey Cosgrove

Title: Director

HSBC BANK PLC,
as a Lender

By: /s/ Colette Pithie

Name: Colette Pithie

Title: Associate Director

HSBC Bank USA, N.A.,
as a Lender

By: /s/ Roderick Feltzer

Name: Roderick Feltzer

Title: Vice President

JPMORGAN CHASE BANK, N.A. ,
as a Lender

By: /s/ Dawn Lee Lum

Name: Dawn Lee Lum

Title: Executive Director

LLOYDS BANK PLC,
as a Lender

By: /s/ Erin Doherty

Name: Erin Doherty

Title: Assistant Vice President – D006

By: /s/ Daven Popat

Name: Daven Popat

Title: Senior Vice President – P003

Mizuho Bank, Ltd. ,
as a Lender

By: /s/ David Lim

Name: David Lim

Title: Authorized Signatory

The Bank of Tokyo-Mitsubishi UFJ, Ltd.
as a Lender

By: /s/ Mark Maloney

Name: Mark Maloney

Title: Authorized Signatory

UniCredit Bank AG, London Branch
as a Lender

By: /s/ David Vials

Name: David Vials

Title: Managing Director

By: /s/ Michael Cook

Name: Michael Cook

Title: Director

WELLS FARGO BANK, N.A. ,
as a Lender

By: /s/ Matthew Olson

Name: Matthew Olson

Title: Director

Banco Santander, S.A.
as a Lender

By: /s/ Aitor Elustondo

Name: Aitor Elustondo

Title: Managing Director

By: /s/ Federico Robin

Name: Federico Robin

Title: Vice President Senior

Deutsche Bank Luxembourg S.A.,
as a Lender

By: /s/ Philippi

Name: Philippi

Title: AVP

By: /s/ A. Breyer-Simski

Name: A. Breyer-Simski

Title: AVP

Intesa Sanpaolo S.p.A.,
as a Lender

By: /s/ Neil Derfler

Name: Neil Derfler

Title: Vice President

By: /s/ Serena Palumbo

Name: Serena Palumbo, Esq

Title: Vice President

SOCIETE GENERALE ,
as a Lender

By: /s/ Alexandre Huet

Name: Alexandre Huet

Title: Head of Strategic and Acquisition Finance

Sumitomo Mitsui Banking Corporation ,
as a Lender

By: /s/Alan Krouk

Name: Alan Krouk

Title: Managing Director

U.S. BANK NATIONAL ASSOCIATION ,
as a Lender

By: /s/ Conan Schleicher

Name: Conan Schleicher

Title: Senior Vice President

AMENDMENT AGREEMENT

AMENDMENT AGREEMENT dated as of January 20, 2016 (this “**Amendment**”) to the Term Loan Credit Agreement dated as of December 18, 2015 (the “**Credit Agreement**”), among Walgreens Boots Alliance, Inc., as the Borrower, Bank of America, N.A., as Administrative Agent, and the Lenders from time to time party thereto.

1. **Defined Terms.** Capitalized terms used and not otherwise defined herein have the meanings assigned to them in the Credit Agreement as amended hereby (the “**Amended Credit Agreement**”).
 2. **Amendments to the Credit Agreement.** Each of the parties hereto agrees that, effective on the Amendment Effective Date (as defined below): (a) Section 4.02(k)(i) of the Credit Agreement is hereby amended by (i) inserting “with respect to the Borrower under Section 7.05 or Section 7.06” immediately after the words “no Default or Unmatured Default” in clause (x) thereof and (ii) inserting “constituting Specified Representations” immediately after the words “the representations and warranties contained in Article 5” in clause (y) thereof and (b) Exhibit H of the Credit Agreement is hereby amended by (i) inserting “with respect to the Borrower under Section 7.05 or Section 7.06” immediately after the words “no Default or Unmatured Default” in clause (x) of the second paragraph thereof and (ii) inserting “constituting Specified Representations” immediately after the words “the representations and warranties contained in Article 5 of the Credit Agreement” in clause (y) of the second paragraph thereof.
 3. **Conditions to Effectiveness.** This Amendment shall become effective on the date (the “**Amendment Effective Date**”) when the Administrative Agent shall have received counterparts to this Amendment executed by (i) the Borrower, (ii) the Administrative Agent and (iii) the Required Lenders.
 4. **Ratification.** Except to the extent hereby amended, the Credit Agreement and each of the Loan Documents remain in full force and effect and are hereby ratified and affirmed.
 5. **Indemnities.** The Borrower agrees that this Amendment constitutes a Loan Document and Section 9.06 of the Credit Agreement is hereby incorporated by reference herein and shall extend to the preparation, execution and delivery of this Amendment.
 6. **Limitation.** This Amendment shall be limited precisely as written and except as expressly provided herein, shall not be deemed (a) to be a consent granted pursuant to, or a waiver or modification of, any term or condition of the Credit Agreement or any of the instruments or agreements referred to therein or (b) to prejudice any right or rights which the Administrative Agent or the Lenders may now have or have in the future under or in connection with the Credit Agreement or any of the instruments or agreements referred to therein. Unless the context indicates otherwise, on and after the Amendment Effective Date, whenever the Credit Agreement is referred to in the Credit Agreement, the other Loan Documents or any of the instruments, agreements or other documents or papers executed or delivered in connection therewith, such reference shall be deemed to mean the Credit Agreement as amended by this Amendment.
-

7. Counterparts. This Amendment may be executed in any number of counterparts and by the different parties hereto in separate counterparts, each of which shall be an original and all of which, when taken together, shall constitute but one and the same instrument. A facsimile or .pdf copy of a counterpart signature page shall serve as the functional equivalent of a manually executed copy for all purposes.

8. Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their respective authorized officers as of the day and year first above written.

WALGREENS BOOTS ALLIANCE, INC.
as the Borrower

By: /s/ Jan Stern Reed

Name: Jan Stern Reed

Title: SVP, General Counsel, Corp. Sec.

By: /s/ Aidan Clare

Name: Aidan Clare

Title: Global Treasurer

BANK OF AMERICA, N.A.
as Administrative Agent

By: /s/ J. Casey Cosgrove
Name: J. Casey Cosgrove
Title: Director

Bank of America, N.A.,
as a Lender

By: /s/ J. Casey Cosgrove

Name: J. Casey Cosgrove

Title: Director

HSBC BANK PLC,
as a Lender

By: /s/ Colette Pithie

Name: Colette Pithie

Title: Associate Director

HSBC BANK USA, N.A.,
as a Lender

By: /s/ Roderick Feltzer

Name: Roderick Feltzer

Title: Vice President

UBS AG, Stamford Branch,
as Lender

By: /s/ Housseem Daly

Name: Housseem Daly

Title: Associate Director

By: /s/ Craig Pearson

Name: Craig Pearson

Title: Associate Director

JPMORGAN CHASE BANK, N.A. ,
as a Lender

By: /s/ Dawn Lee Lum

Name: Dawn Lee Lum

Title: Executive Director

LLOYDS BANK PLC,
as a Lender

By: /s/ Erin Doherty

Name: Erin Doherty

Title: Assistant Vice President – D006

By: /s/ Daven Popat

Name: Daven Popat

Title: Senior Vice President – P003

Mizuho Bank, Ltd. ,
as a Lender

By: /s/ David Lim

Name: David Lim

Title: Authorized Signatory

The Bank of Tokyo-Mitsubishi UFJ, Ltd.
as a Lender

By: /s/ Mark Maloney

Name: Mark Maloney

Title: Authorized Signatory

UniCredit Bank AG, London Branch
as a Lender

By: /s/ David Vials

Name: David Vials

Title: Managing Director

By: /s/ Michael Cook

Name: Michael Cook

Title: Director

UniCredit Bank AG, New York Branch
as a Lender

By: /s/ Marc Fussbahn

Name: Marc Fussbahn

Title: Managing Director

By: /s/ Thilo Huber

Name: Thilo Huber

Title: Associate Director

WELLS FARGO BANK, N.A. ,
as a Lender

By: /s/ Matthew Olson

Name: Matthew Olson

Title: Director

Deutsche Bank Luxembourg S.A.,
as a Lender

By: /s/ Philippi

Name: Philippi

Title: AVP

By: /s/ A. Breyer-Simski

Name: A. Breyer-Simski

Title: AVP

Intesa Sanpaolo Bank Luxembourg SA
as a Lender

By: /s/ Gian Franco Pizzulto

Name: Gian Franco Pizzulto

Title: CEO

By: /s/ Paolo Elia

Name: Paolo Elia

Title: Head of Credit

Santander Bank, N.A. ,
as a Lender

By: /s/ Gonzalo Acha

Name: Gonzalo Acha

Title: Executive Director

SOCIETE GENERALE ,
as a Lender

By: /s/ Alexandre Huet

Name: Alexandre Huet

Title: Head of Strategic and Acquisition Finance

Sumitomo Mitsui Banking Corporation ,
as a Lender

By: /s/ David W. Kee

Name: David W. Kee

Title: Managing Director

U.S. BANK NATIONAL ASSOCIATION ,
as a Lender

By: /s/ Conan Schleicher

Name: Conan Schleicher

Title: Senior Vice President

STATE BANK OF INDIA, NEW YORK ,
as a Lender

By: /s/ Manoranjan Panda

Name: Manoranjan Panda

Title: VP & Head (Credit Management Cell)

Bank of China, Chicago Branch
as a Lender

By: /s/ Kefei Xu

Name: Kefei Xu

Title: Senior Vice President & Branch Manager

THE NORTHERN TRUST COMPANY
as a Lender

By: /s/ Peter J. Hallan

Name: Peter J. Hallan

Title: Vice President

The Royal Bank of Scotland plc,
as a Lender

By: /s/ M.A. Collins

Name: M.A. Collins

Title: Executive Director

By: /s/ G. R. Parker

Name: G. R. Parker

Title: Managing Director

BRANCH BANKING AND TRUST COMPANY ,
as a Lender

By: /s/ John P. Malloy

Name: John P. Malloy

Title: Senior Vice President

Walgreens Boots Alliance, Inc.
Computation of Historical Ratios of Earnings to Fixed Charges (a)
(in millions, except ratio data)

	Six Months Ended,			Twelve Months Ended,		
	February 29, 2016	2015	2014	2013	2012	2011
Income before income tax provision	\$ 2,497	\$ 5,311	\$ 3,557	\$ 4,047	\$ 3,376	\$ 4,294
Add:						
Minority Interests	-	-	-	5	-	-
Fixed charges	1,022	2,054	1,376	1,383	1,260	1,212
Amortization of capitalized interest	-	1	6	7	6	5
Less:						
Equity earnings	(20)	(315)	(617)	(496)	-	-
Capitalized interest	-	(1)	(6)	(7)	(9)	(10)
Earnings as defined	<u>\$ 3,499</u>	<u>\$ 7,050</u>	<u>\$ 4,316</u>	<u>\$ 4,939</u>	<u>\$ 4,633</u>	<u>\$ 5,501</u>
Interest expense, net of capitalized interest	\$ 288	\$ 632	\$ 168	\$ 193	\$ 94	\$ 77
Capitalized interest	-	1	6	7	9	10
Portions of rentals representative of the interest factor	734	1,421	1,202	1,183	1,157	1,125
Fixed charges as defined	<u>\$ 1,022</u>	<u>\$ 2,054</u>	<u>\$ 1,376</u>	<u>\$ 1,383</u>	<u>\$ 1,260</u>	<u>\$ 1,212</u>
Ratio of earnings to fixed charges	3.42	3.43	3.14	3.57	3.68	4.54

(a) For the purpose of computing these ratios, "earnings" consist of earnings before income tax provision and before adjustment for income or loss from equity investees, interest, distributed income of equity-method investees, and the portions of rentals representative of the interest factor. "Fixed charges" consist of interest expense (which includes amortization of capitalized debt issuance costs), capitalized interest and the portions of rentals representative of the interest factor.

Walgreens Boots Alliance, Inc. is the successor of Walgreen Co. See Note 1 of the consolidated financial statements for further information

CERTIFICATION

I, Stefano Pessina, certify that:

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

/s/

Stefano Pessina
Stefano Pessina

Chief Executive Officer

Date: April 5, 2016

CERTIFICATION

I, George Fairweather, certify that:

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

/s/

George Fairweather
George Fairweather

Global Chief Financial Officer

Date: April 5, 2016

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

In connection with the Quarterly Report of Walgreens Boots Alliance, Inc., a Delaware corporation (the "Company"), on Form 10-Q for the quarter ended February 29, 2016 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: April 5, 2016

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

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

In connection with the Quarterly Report of Walgreens Boots Alliance, Inc., a Delaware corporation (the "Company"), on Form 10-Q for the quarter ended February 29, 2016 as filed with the Securities and Exchange Commission (the "Report"), I, George Fairweather, 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/ George Fairweather

George Fairweather
Global Chief Financial Officer
Dated: April 5, 2016

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.
